APA Group

Financial Results
Half year ended 31 December 2013

19 February 2014

APA Group

Result overview and strategic highlights

Mick McCormack
Managing Director and CEO

Clear strategy and growth capability

- Recent pipeline acquisitions exceeding expectations
  - Secure revenue with further revenue step up from new contracts still to come
  - Growth opportunities with Wallumbilla and Moomba compression projects
  - Existing infrastructure creates opportunity for new growth and revenue
- Market leading growth capability
  - Well positioned portfolio with unique growth and service opportunities
  - Industry-leading management, operating and engineering capability
  - Strong balance sheet and broad access to funding for growth
- Flexible and resilient interconnected infrastructure portfolio
  - East coast grid services adapting to gas market changes
  - Developing services and optimising capacity made possible by an interconnected grid
- Value created across the gas delivery chain through asset interconnection
  - Further pipeline interconnection across states and territories
  - Envestra merger links infrastructure from source to customer

Continued successful execution of our long term strategy

Solid financial performance

$ million	1H14	1H13 [1]	Change	
Normalised results [2]				
EBITDA	399	322	up	24%
Net profit after tax	121	96	up	25%
Operating cash flow [3]	217	213	up	2%
Operating cash flow per security (cents)	25.9	29.8	down	(13%)
Statutory results				
EBITDA	399	421	down	(5%)
Net profit after tax	121	210	down	(43%)
Operating cash flow [3]	208	144	up	45%
Operating cash flow per security (cents)	24.9	20.2	up	23%
Distributions				
Distribution per security (cents)	17.5	17.0	up	3%
Distribution payout ratio [4]	67.5%	66.2%		

(1) APA has adopted revised AASB 119 during the current period. As the revised standard must be applied retrospectively, comparative numbers have been restated.

(2) Normalised results exclude one-off significant items for the corresponding period relating to the acquisition of Hastings Diversified Utilities Fund and the reversal of some costs booked in relation to the sale of the Allgas business in December 2011 to reflect APA's core earnings from operations.

(3) Operating cash flow = net cash from operations after interest and tax payments.

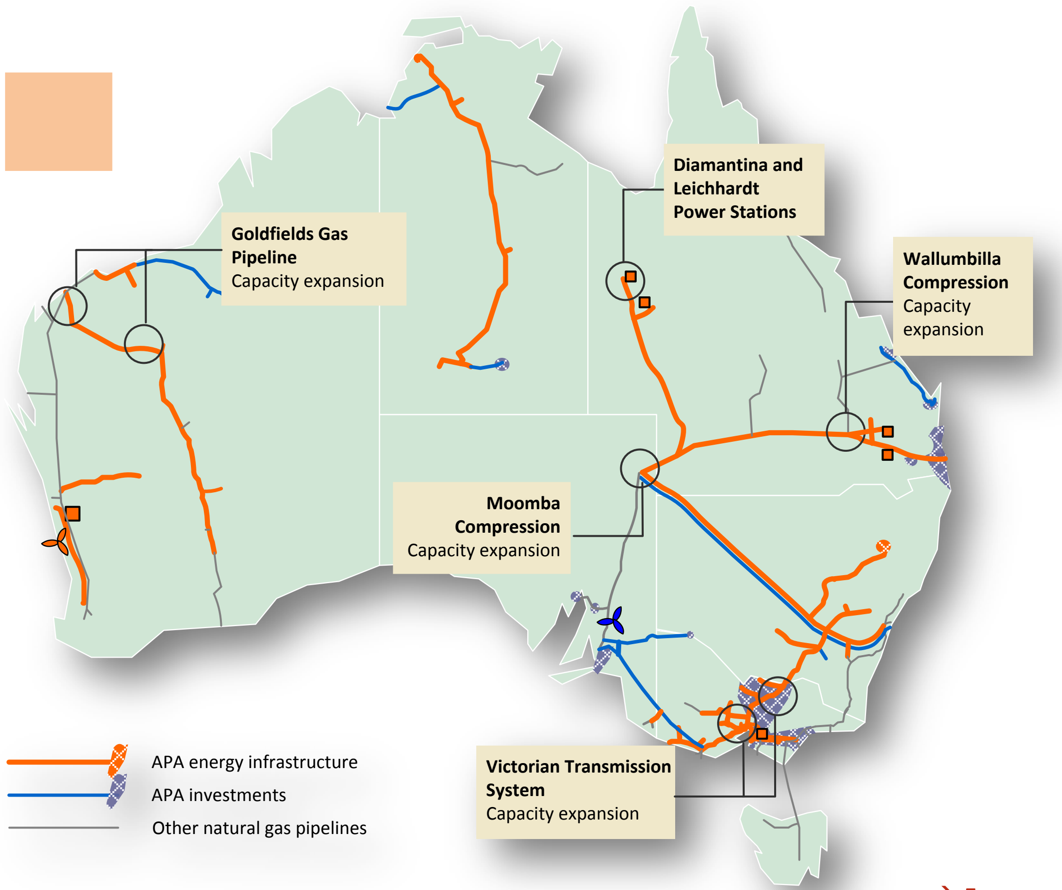
(4) Distribution payout ratio = total distribution payments as a percentage of normalised operating cash flow.

Growth capital projects across Australia

- Continued expansion and enhancement of APA's gas infrastructure portfolio
- Committed projects underwritten by long term revenue contracts and/or regulatory arrangements

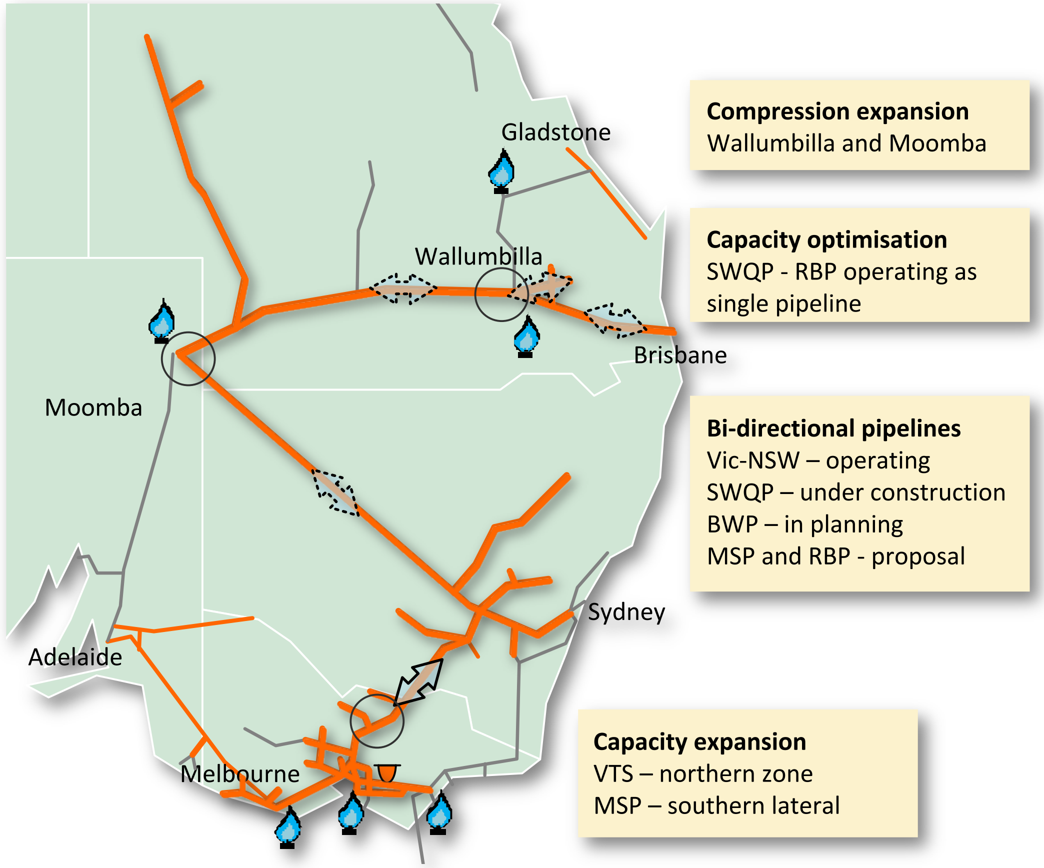
FY 2014 | FY 2015 | FY 2016

Moomba Sydney Pipeline	Southern lateral expansion for northern gas flow
Victorian Transmission System	Capacity expansion of southern and northern sections of the transmission system
Goldfields Gas PIpeline	Two pipeline expansions
Moomba compression	Compression for eastern haul transportation
Wallumbilla compression	Compression at Wallumbilla hub for deliveries to Gladstone LNG
Mondarra Gas Storage Facility	Expanded capacity
Diamantina Power Station	242 MW gas fired power station 60 MW back up generation



East coast grid adapting to market changes

- New gas transportation agreements across the east coast grid
  - Multi pipeline agreements on VTS, MSP, SWQP and RBP
  - New short term SWQP agreements due to capacity available from connected grid
  - New BWP agreement
  - Three revised MSP agreements with retailers increasing gas volumes transported through the VTS into New South Wales
- Enhancing physical operation of the grid
  - SWQP and RBP configured to operate as single pipeline
  - Compression expansions at Wallumbilla hub and Moomba
  - Installing bi-directional capability on SWQP and BWP
  - Planning bi-directional capability on MSP and RBP
  - Capacity expansion on the VTS northern zone



APA's east coast grid:
> 7,000 km of pipelines
5 major pipelines
5 states and territories

APA Group

Financial performance

Peter Fredricson
Chief Financial Officer

Reconciliation – Statutory and normalised results

$ million	1H14			1H13[1]		
	Normalised	**Significant items**	**Statutory**	Normalised	Significant items	**Statutory**
Revenue excluding pass-through[2]	**509.6**	**-**	**509.6**	452.1	-	452.1
EBITDA	**398.9**	**-**	**398.9**	321.9	99.2	421.1
Depreciation and amortisation	**(74.7)**	**-**	**(74.7)**	(63.8)	-	(63.8)
EBIT	**324.2**	**-**	**324.2**	258.1	99.2	357.3
Net interest expense	**(164.0)**	**-**	**(164.0)**	(140.2)	8.7	(131.5)
Pre-tax profit	**160.2**	**-**	**160.2**	118.0	107.9	225.9
Tax	**(39.5)**	**-**	**(39.5)**	(24.3)	5.8	(18.5)
Non-controlling interests	**-**	**-**	**-**	2.8	-	2.8
Net profit after tax	**120.7**	**-**	**120.7**	96.5	113.7	210.2
Operating cash flow	**216.6**	**(8.3)**	**208.3**	212.5	(68.8)	143.7

(1) APA has adopted revised AASB 119 during the current period. As the revised standard must be applied retrospectively, comparative numbers have been restated.
(2) Pass-through revenue is revenue on which no margin is earned.

Solid financial performance

$ million	1H14[1]	1H13[1,2]	Change
Revenue excluding pass-through[3]	509.6	452.1	12.7%
EBITDA	398.9	321.9	23.9%
Depreciation and amortisation	(74.7)	(63.8)	(17.1)%
EBIT	324.2	258.1	25.6%
Net interest expense	(164.0)	(140.2)	(17.0)%
Pre-tax profit	160.2	118.0	35.8%
Tax	(39.5)	(24.3)	(62.6)%
Non-controlling interests	-	2.8	
Net profit after tax	120.7	96.5	25.1%

(1) Normalised results

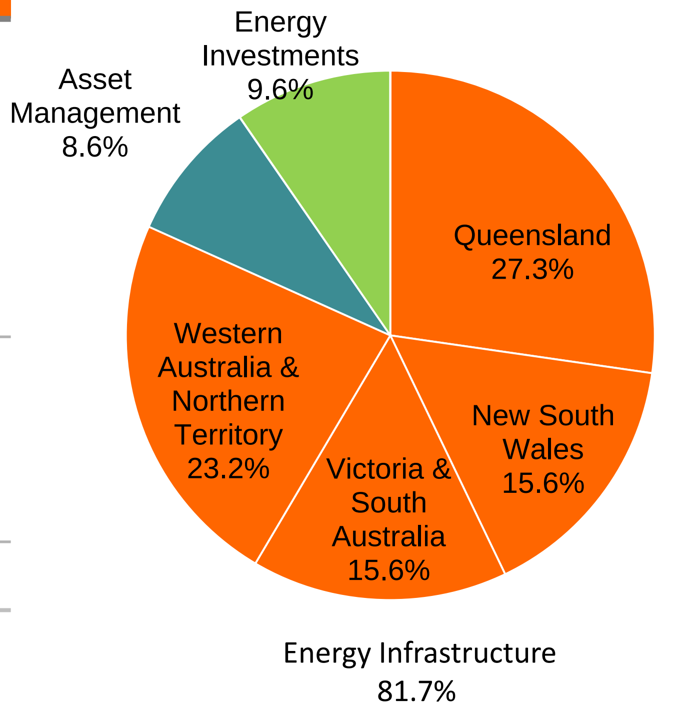
(2) APA has adopted revised AASB 119 during the current period. As the revised standard must be applied retrospectively, comparative numbers have been restated.

(3) Pass-through revenue is revenue on which no margin is earned.

EBITDA by business segment

$ million	1H14[1]	1H13[1,2]	Change
Energy Infrastructure			
Queensland	*108.8*	*64.3*	*69.2 %*
New South Wales	*62.2*	*58.5*	*6.3%*
Victoria & South Australia	*62.4*	*75.0*	*(16.8%)*
Western Australia & Northern Territory	*92.6*	*71.3*	*29.9%*
Energy Infrastructure total	326.0	269.1	21.1%
Asset Management	34.5	15.4	124.0%
Energy Investments	38.4	30.7	25.1%
Total EBITDA[3]	**398.9**	**315.2**	**26.6%**

1H14 EBITDA[2] by business segment

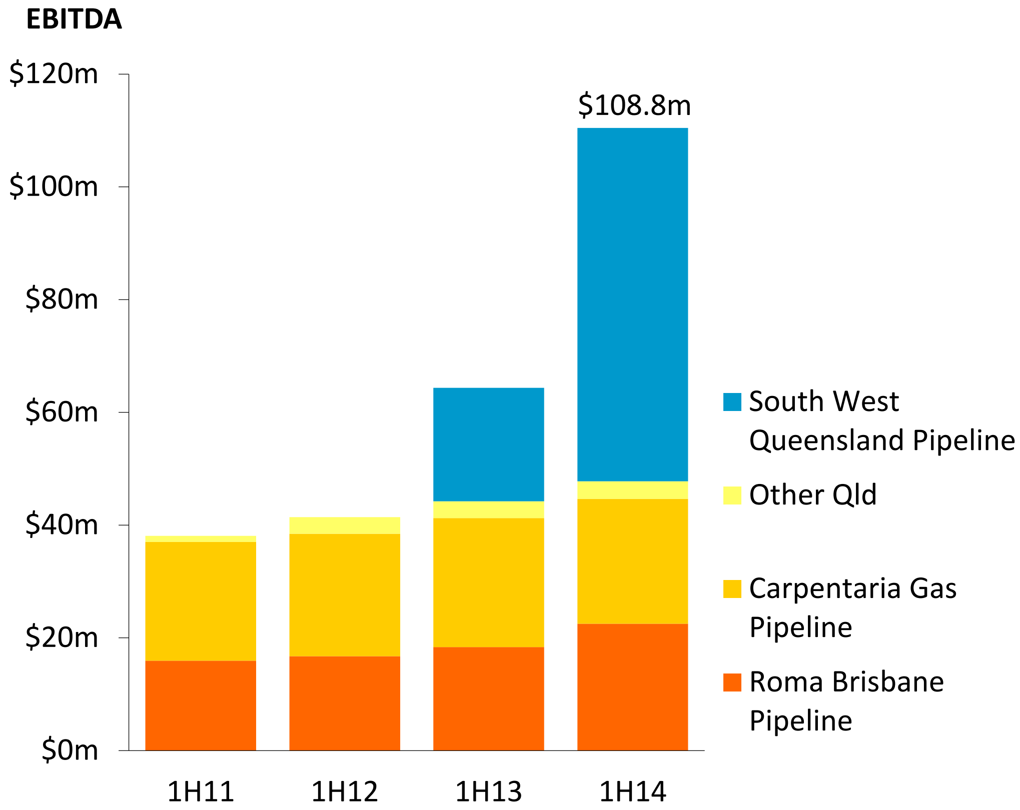


(1) Normalised results
(2) APA has adopted revised AASB 119 during the current period. As the revised standard must be applied retrospectively, comparative numbers have been restated.
(3) Excludes divested business: Moomba Adelaide Pipeline System sold May 2013

Energy Infrastructure

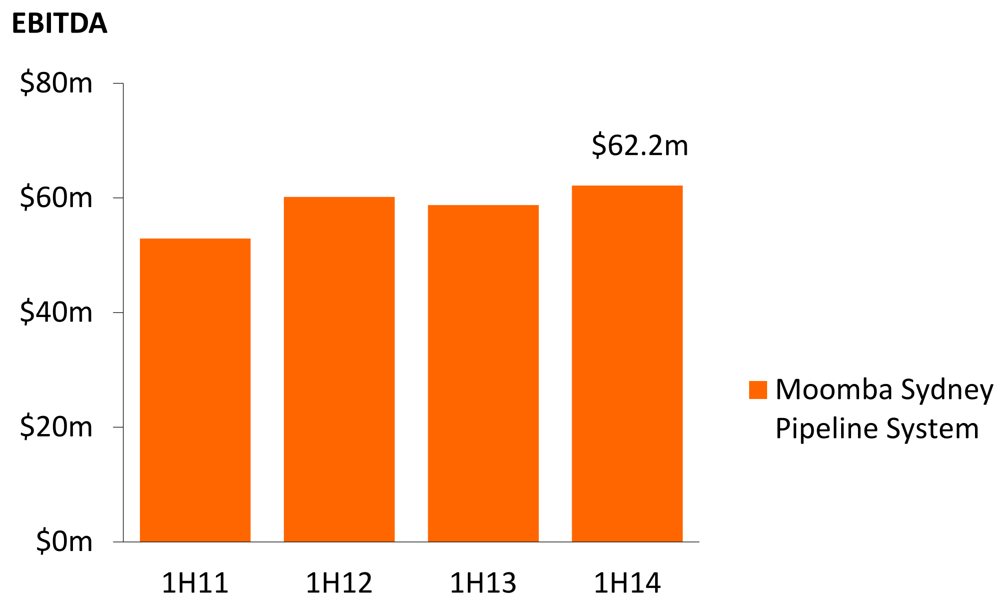
Queensland

- Full 6 month contribution of South West Queensland Pipeline (consolidated Oct 2012) and Roma Brisbane Pipeline expansion (commissioned Sep 2012)
- New short term agreements on the South West Queensland and Berwyndale Wallumbilla pipelines



New South Wales

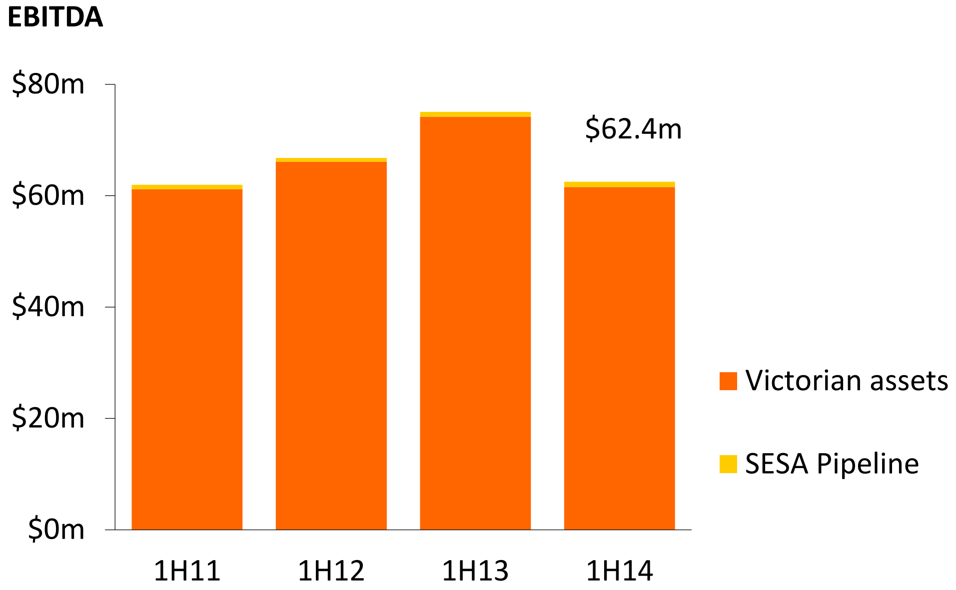
- Three agreements on the Moomba Sydney Pipeline, transporting increased gas volumes north from the Victorian Transmission System (commencing Jan 2014, Jan 2015 and Jun 2015)



Energy Infrastructure

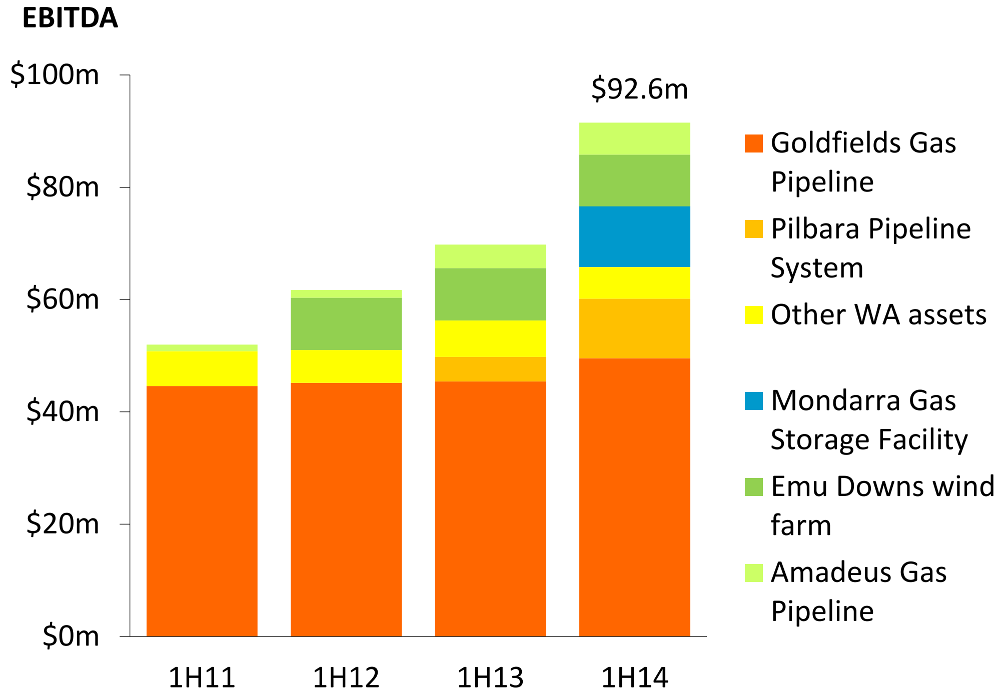
Victoria & South Australia

- Decrease in regulated tariffs on the Victorian Transmission System with commencement of the new access arrangement
- Partial success - APA's appeal of AER's decision
- Increased gas volume flow north to New South Wales



Western Australia & Northern Territory

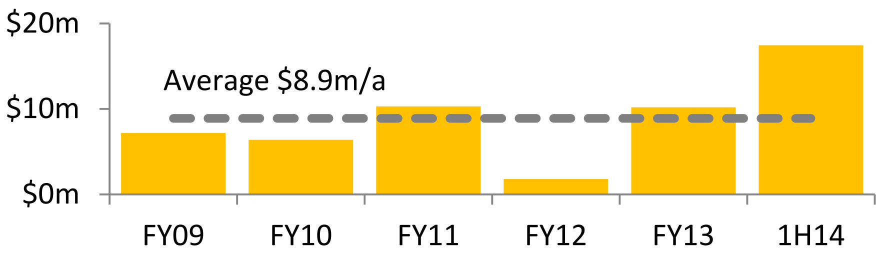
- Expanded Mondarra Gas Storage Facility commenced commercial operation (Jul 2013)
- Full 6 month contribution of Pilbara Pipeline System (consolidated Oct 2012)
- New Goldfields Gas Pipeline agreement commenced October 2013

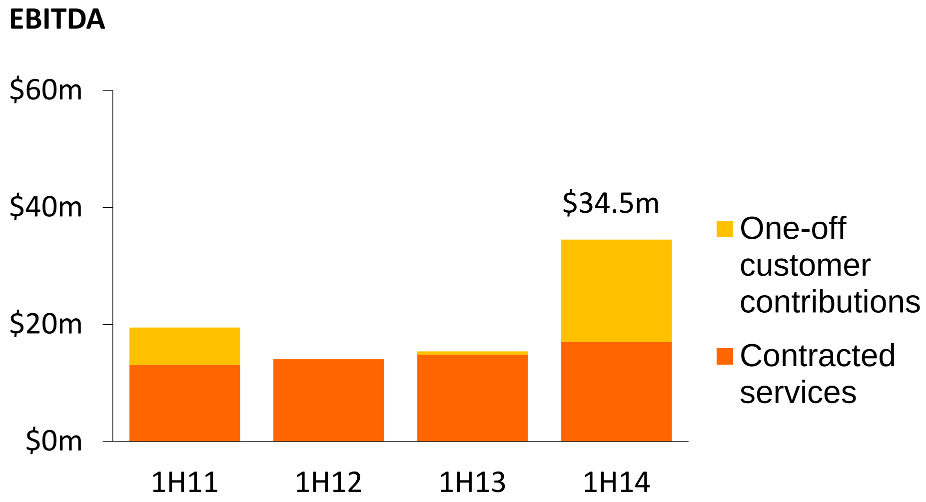


Asset Management and Energy Investments

Asset Management

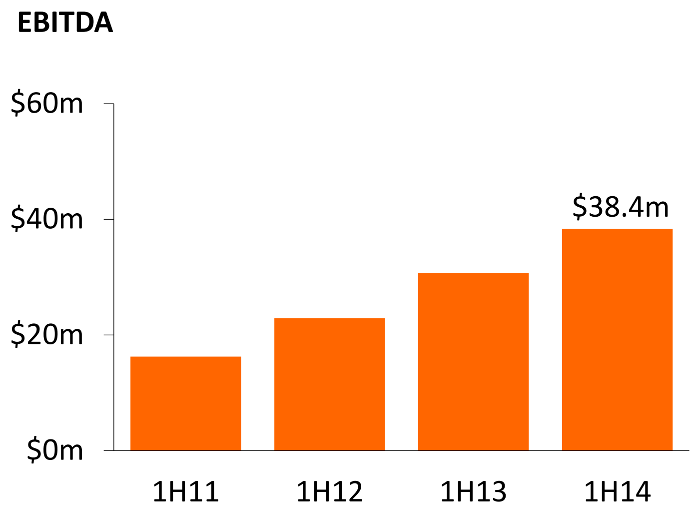
- Services to APA's investments
- One-off customer contributions for relocating APA infrastructure





Energy Investments

- Increased contribution from Envestra investment



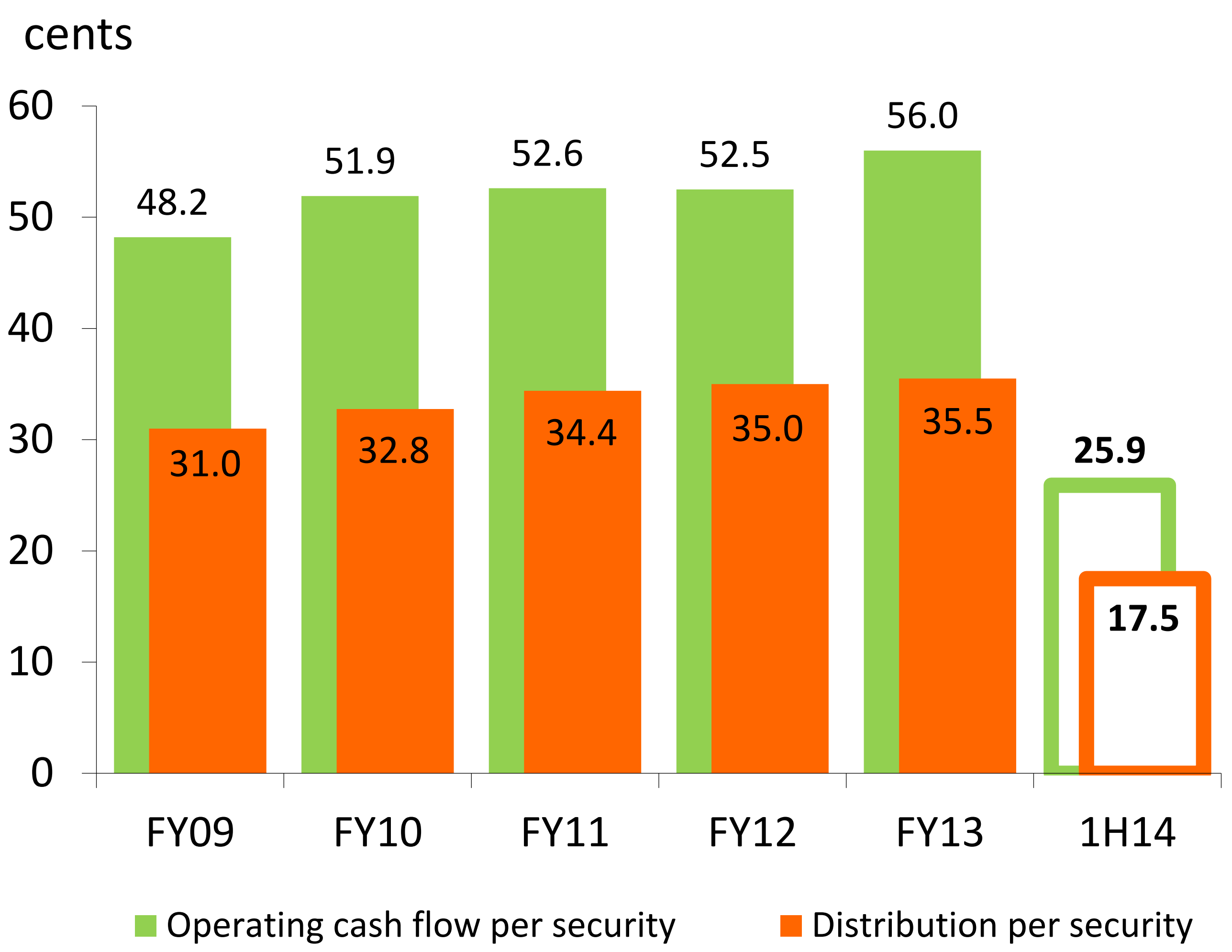
Operating cash flow

$ million	1H14	1H13
Normalised EBITDA	398.9	321.9
Less borrowing costs	(157.8)	(116.4)
Less equity accounted earnings	(36.5)	(26.3)
Add dividends received	28.4	29.4
Other – including working capital	(16.4)	3.9
HDF fee payments	(8.3)	(68.8)
Operating cash flow (statutory)	208.3	143.7
Add back significant items	8.3	68.8
Operating cash flow (normalised)	216.6	212.5

- Debt of $1.65 billion to repay HDF debt and fund acquisitions
- Increased equity accounted earnings

Fully covered distributions

On target to deliver distribution guidance for FY 2014



- 1H14 distribution payout ratio[1,2] of 67.5%
- Distribution components:

16.86	cents profit distribution
0.64	cents capital distribution
17.5	cents

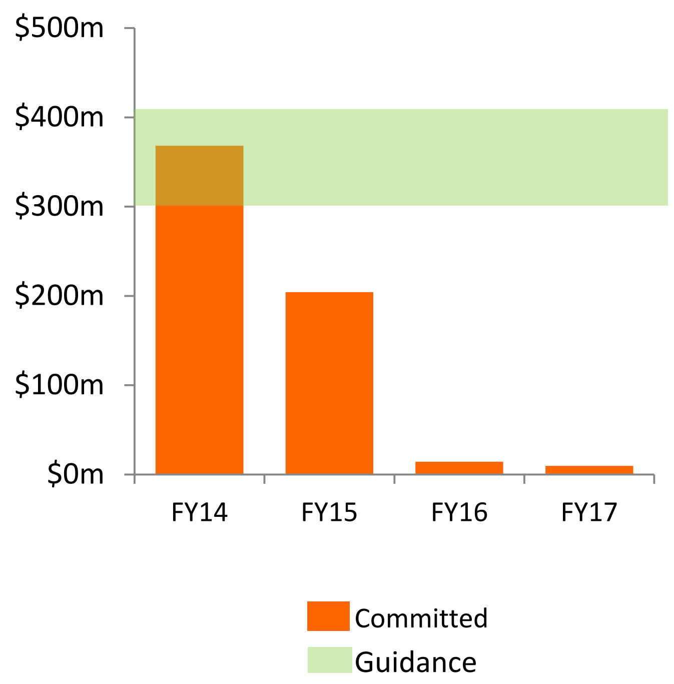
(1) Distribution payout ratio = distribution payments as a percentage of operating cash flow

(2) Based on normalised operating cash flow

Capital expenditure

$ million	1H14	1H13
Growth capex		
Regulated - Victoria	14.9	13.4
Major Projects		
Queensland	93.6	23.7
New South Wales	4.8	13.4
Western Australia	39.1	112.0
Other	11.4	14.9
	148.9	164.0
Total growth capex	**163.7**	**177.4**
Customer contributions	16.4	0.5
Stay in business capex	**20.6**	**9.9**
Total capex	**200.7**	**187.8**
Acquisitions	-	271.7
Total capital & investment expenditure	**200.7**	**459.5**

Committed growth capex



(1) Capital expenditure represents cash payments as disclosed in the cash flow statement for 1H14 and 1H13

Capital management

- Cash and committed undrawn facilities of $809 million at 31 December 2013

-

Metrics	31 Dec 2013	30 Jun 2013
Gearing (1,2)	63.8%	62.8%
Interest cover ratio	2.29 times	2.30 times
Average interest rate applying to drawn debt (2)	7.19%	7.35%
Interest rate exposure fixed or hedged	78.4%	83.2%
Average maturity of senior facilities	5.4 years	6.2 years

- Debt refinancing

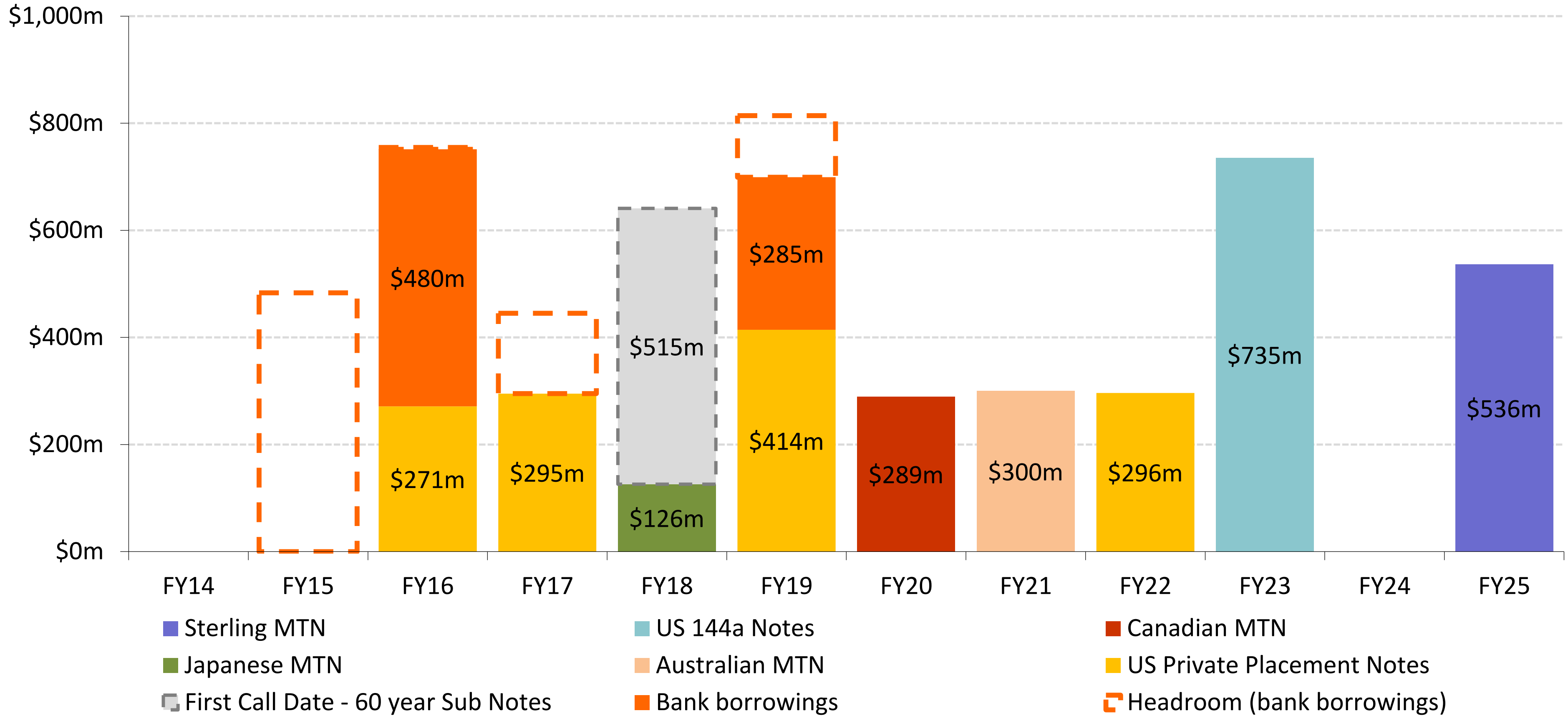
  Four existing $75 million bilateral bank facilities each increased to $100 million and term extended from 3 years to 5 years, maturing December 2018

(1) Ratio of net debt to net debt plus book equity
(2) Includes $515 million of Subordinated Notes

Capital management

- Maintain strong BBB/Baa2 investment grade ratings
- Maintain funding flexibility – internal cash flows plus additional equity and/or debt

Debt Maturity profile
(31 December 2013)



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Outlook and guidance

Mick McCormack
Managing Director and CEO

Diamantina and Leichhardt power stations

Project update

- Commissioning phase underway
  - Generating units progressively brought on line
  - First power delivered to North West Power System in early October 2013
  - Currently providing 70 MW generating capacity for MIM operations
- Transitional plan post Forge receivership
  - Dialogue with receiver/manager, Forge employees and service providers on site
  - Maintaining continuity of activity on site
- Leichhardt Power Station unaffected by Forge event
  - Fixed price EPC contract with Leighton Contractors

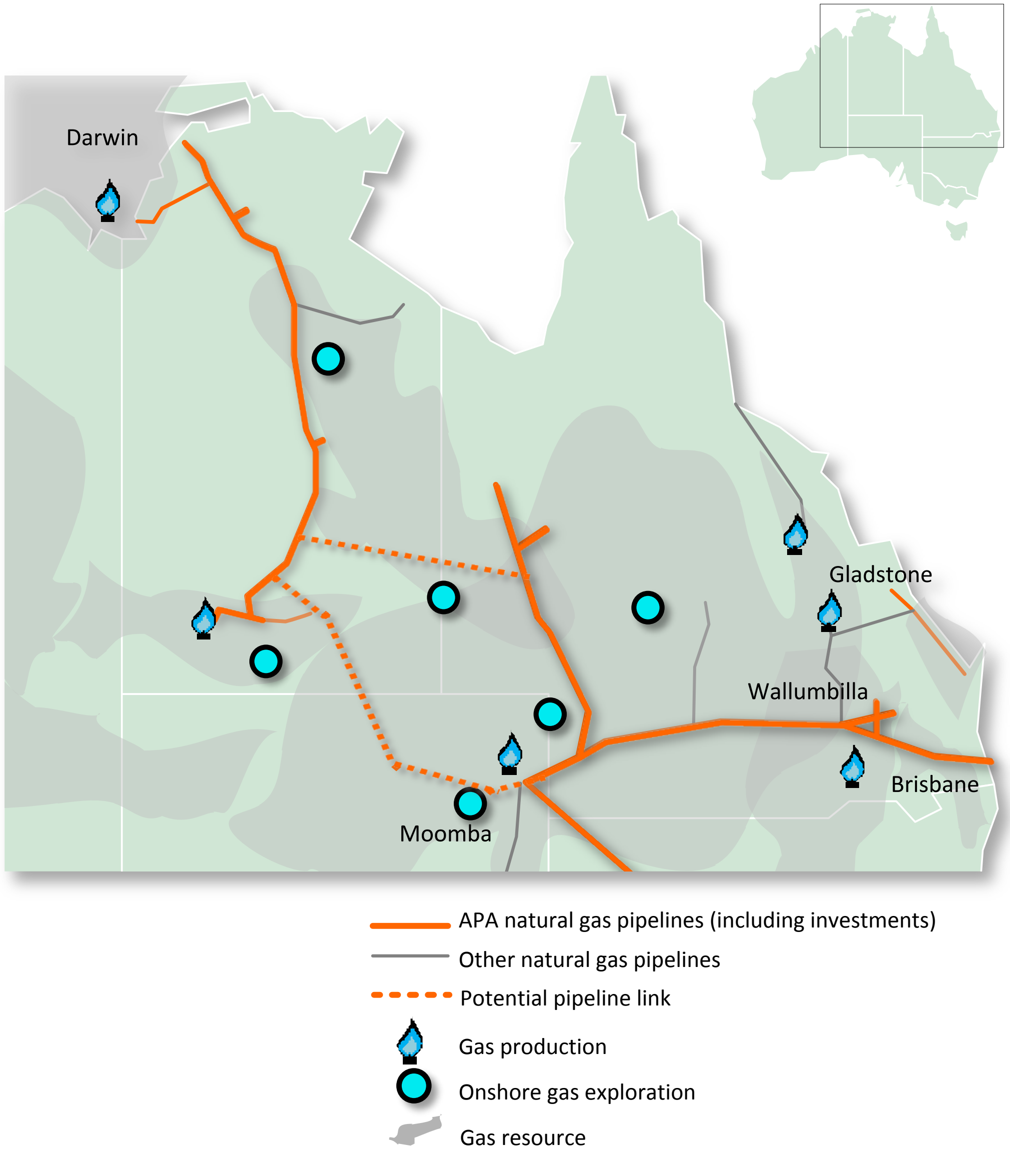

Diamantina Power Station – February 2014


DPS operations

DPS
DIAMANTINA POWER STATION
MOUNT ISA | QUEENSLAND
AGL Energy and APA Group together
Energising North West Queensland

Connecting eastern and northern regions

- Strategic initiative to connect the Northern Territory and the east coast
  - Pipeline linking APA's east coast grid and Northern Territory pipelines
- Benefits and rationale
  - Linking existing APA pipeline infrastructure
  - Connecting regions to new and existing alternative gas sources
  - Seamless, cost effective end-to-end gas transportation service
  - Flexibility and service options across multiple injection and withdrawal points
- Feasibility study to commence in FY14
  - Route selection
  - Engineering
  - Commercial viability



Envestra merger proposal

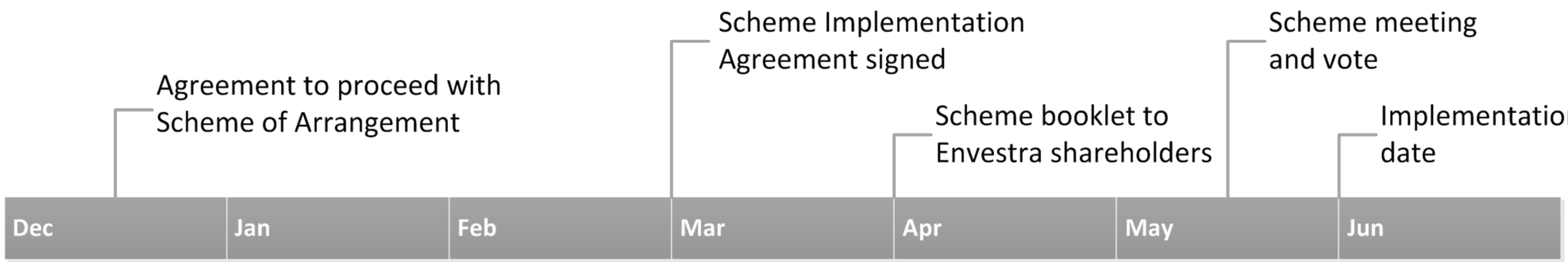
Update

- APA and Envestra agree to progress steps to scheme of arrangement vote (announced 17 December 2013)
  - Offer consideration of scrip and cash revised, with implied value of $1.17 per Envestra share (plus Envestra distribution of 3.2 cps[1])
- Merger progressing well
  - Scheme Implementation Agreement under negotiation
  - Independent Expert Report underway
  - Engagement with Envestra's financiers

Rationale

- Core business – gas distribution
- Largest shareholder and service provider
- Revenue certainty and appropriate commercial returns
- Significant capex growth
- Delivery chain from source to customer

Timeline and next steps



(1) Expected Envestra distribution for the six months to 31 December 2013

Outlook and guidance for FY2014

Outlook

- Continued construction and development of expansion projects
- Commence Northern Territory – east coast interconnection feasibility study
- Progress Envestra merger proposal

Guidance

- EBITDA – expected within a range of $730 million to $740 million
- Net interest cost – expected within a range of $315 million to $325 million
- Distribution – at least 36 cents per security

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Supplementary information

Revenue by business segment

$ million	1H14	1H13[1]	Change
Energy Infrastructure			
Queensland	*132.3*	*86.7*	52.6%
New South Wales	*74.1*	*71.1*	4.3%
Victoria & South Australia	*81.0*	*95.8*	(15.4%)
Western Australia & Northern Territory	*127.1*	*107.0*	18.8%
Energy Infrastructure total	414.5	360.6	15.0%
Asset Management	56.1	37.7	48.8%
Energy Investments	38.4	30.7	24.9%
Total segment revenue	**509.0**	**429.0**	**18.7%**
Pass-through revenue	201.8	172.6	16.9%
Unallocated revenue	0.7	10.5	(93.8%)
Divested business [2]	-	12.6	nm
Total revenue	**711.4**	**624.7**	**13.9%**

(1) APA has adopted revised AASB 119 during the current period. As the revised standard must be applied retrospectively, comparative numbers have been restated.

(2) Moomba Adelaide Pipeline System, consolidated 9 October 2012 and sold 1 May 2013.

Balance sheet

$ million	31 Dec 2013	30 Jun 2013	Change
Current assets	240	280	(14.3%)
Property, plant and equipment	5,398	5,280	2.2%
Other non-current assets	2,188	2,139	2.3%
Total Assets	**7,826**	**7,699**	**1.6%**
Current debt	-	81	nm
Other current liabilities	318	411	(22.7%)
Total current liabilities	318	492	(35.4%)
Long term debt	4,585	4,233	8.3%
Other long term liabilities	455	460	(1.1%)
Total long term liabilities	5,040	4,693	7.4%
Total Liabilities	**5,358**	**5,185**	**3.4%**
Net Assets	**2,468**	**2,514**	**(1.9%)**

Debt facilities

Total committed debt facilities at 31 December 2013

$million[1]	Facility amount	Drawn amount	Tenor
2011 Bilateral borrowings [2]	400	285	5 years maturing December 2018
2011 Bilateral borrowing	150	0	5 years maturing October 2016
2011 Syndicated facility [3]	967	480	3 and 4 year tranches maturing November 2014 and 2015
2003 US Private placement[4]	281	281	12 and 15 year tranches maturing September 2015 and 2018
2007 US Private placement	811	811	10, 12 and 15 year tranches maturing May 2017, 2019 and 2022
2009 US Private placement	185	185	7 and 10 year tranches maturing July 2016 and 2019
2010 AUD Medium Term Notes	300	300	10 year tranche maturing July 2020
2012 JPY Medium Term Notes	126	126	6.5 year tranche maturing in June 2018
2012 CAD Medium Term Notes	289	289	7.1 year tranche maturing in July 2019
2012 US144a/Reg S Notes	735	735	10 year tranche maturing October 2022
2012 GBP Medium Term Notes	536	536	12 year tranche maturing in November 2024
2012 Subordinated Notes	515	515	60 year term, first call date March 2018
Total	**5,295**	**4,543**	

(1) Australian dollars. Any foreign notes issued have been hedged into fixed-rate Australian dollar obligations

(2) Comprises four facilities of $100 million each. In December 2013, the terms of four existing $75 million facilities were extended to five years and their limits were increased by $25 million each

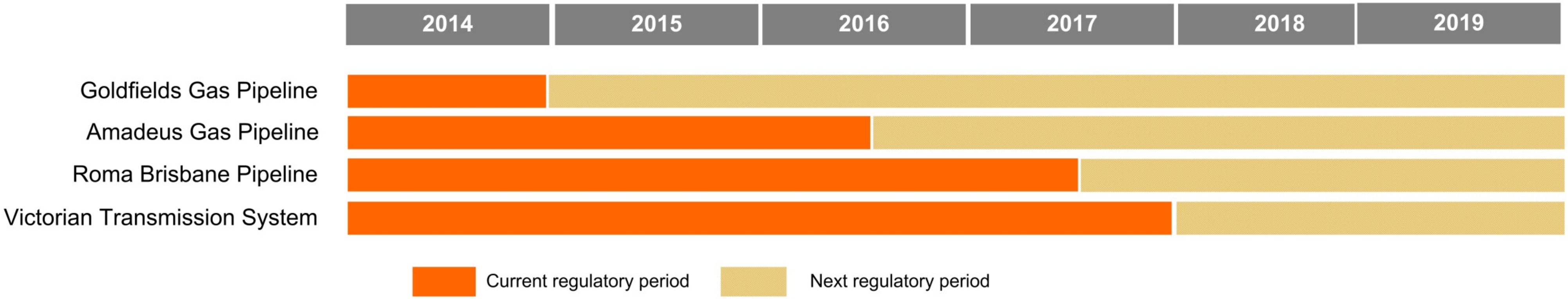
(3) Comprises two facilities of $483.3 million each

(4) A$112.6 million of US Private Placement Notes matured and were repaid in September 2013

Regulatory update

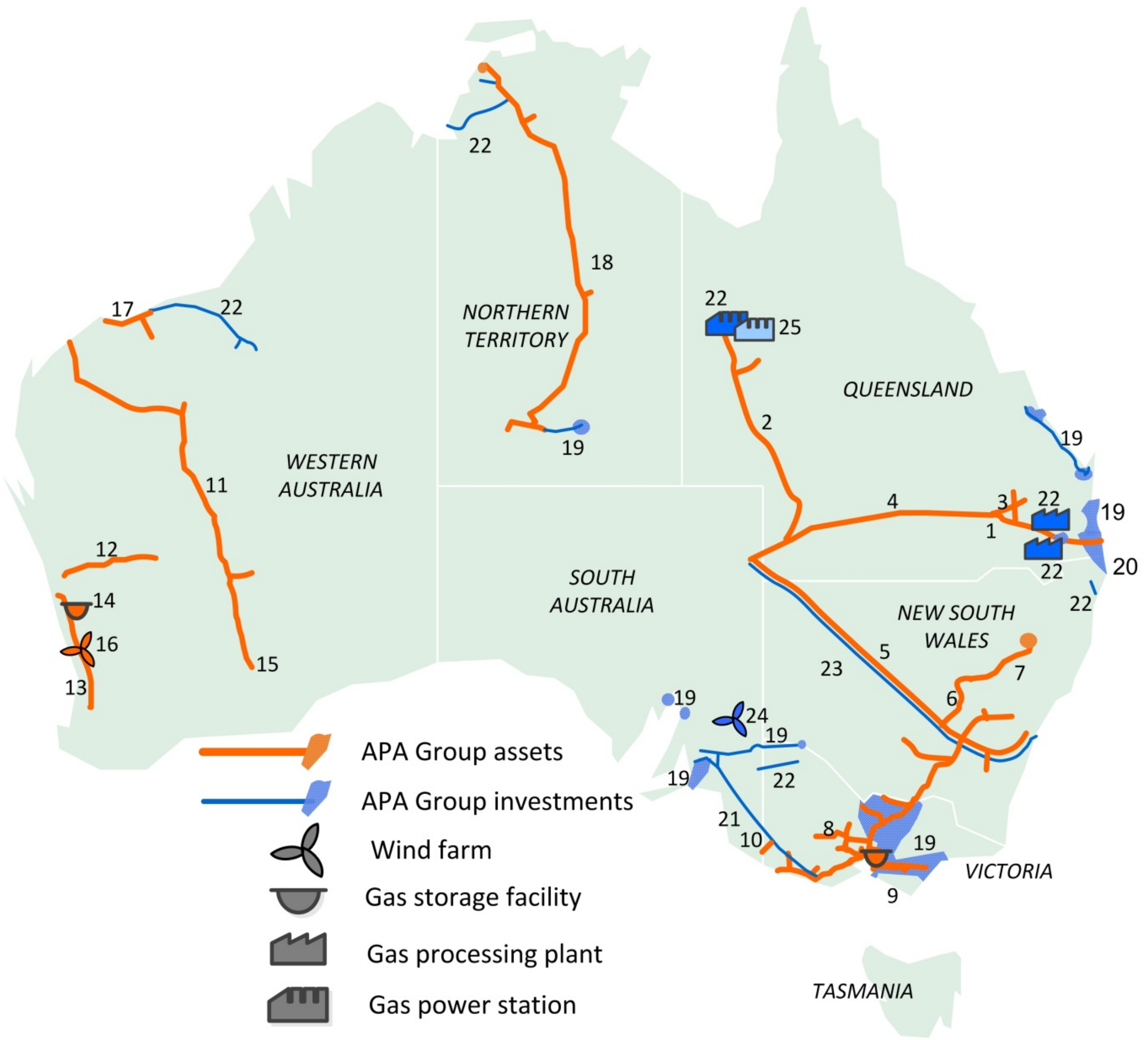
APA's major price regulated assets

- Regulatory resets over the next five years



- Victorian Transmission System access arrangement
  - AER final decision (May 2013) reviewed by Australian Competition Tribunal, decision Sep 2013
  - Recovered approximately $20m in business value from AER decision
- Rate of Return Guidelines
  - New Guidelines released on Rate of Return released by the AER, and the ERA in WA
  - Adopting a broader approach to estimating the allowed return on capital
  - Will first apply to Goldfields Gas Pipeline Access Arrangement Review
- AER Better Regulation Guidelines
  - A series of Guidelines addressing methodologies for assessment of expenditure, benchmarking, confidentiality, incentive mechanisms, and customer engagement

APA asset and investment portfolio



APA Group assets and investments

Energy Infrastructure

Queensland
(1) Roma Brisbane Pipeline
(2) Carpentaria Gas Pipeline
(3) Berwyndale Wallumbilla Pipeline
(4) South West Queensland Pipeline

New South Wales
(5) Moomba Sydney Pipeline
(6) Central West Pipeline
(7) Central Ranges Pipeline

Victoria
(8) Victorian Transmission System
(9) Dandenong LNG facility

South Australia
(10) SESA Pipeline

Western Australia
(11) Goldfields Gas Pipeline (88.2%)
(12) Mid West Pipeline (50%)
(13) Parmelia Gas Pipeline
(14) Mondarra Gas Storage Facility
(15) Kalgoorlie Kambalda Pipeline
(16) Emu Downs wind farm
(17) Pilbara Pipeline System

Northern Territory
(18) Amadeus Gas Pipeline

Asset Management

Commercial and/or operational services to:
- Envestra Limited
- GDI (EII) - Allgas
- Energy Infrastructure Investments
- Ethane Pipeline Income Fund
- SEA Gas Pipeline
- EII2
- other third parties

Energy Investments

(19) **Envestra Limited (33% as at 1 Sep 2013)**
Gas distribution networks and pipelines
(SA, Vic, Qld, NSW & NT)

(20) **GDI (EII) (20%)** Allgas
Gas distribution network in Queensland

(21) **SEA Gas Pipeline (50%)**

(22) **Energy Infrastructure Investments (19.9%)**
Gas pipelines, electricity transmission, gas-fired power stations and gas processing plants

(23) **Ethane Pipeline Income Fund (6.1%)**

(24) **EII2 (20.2%)** North Brown Hill wind farm

Under development

(25) **Diamantina and Leichhardt Power Stations (50%)**

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Delivering Australia's energy

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