Australian Pipeline Ltd ACN 091 344 704 | Australian Pipeline Trust ARSN 091 678 778 | APT Investment Trust ARSN 115 585 441
Level 25, 580 George Street Sydney NSW 2000 | PO Box R41 Royal Exchange NSW 1225
Phone +61 2 9693 0000 | Fax +61 2 9693 0093
APA Group | apa.com.au

For personal use only

21 October 2021

ASX ANNOUNCEMENT

**APA Group (ASX: APA)**
**(Also for release to APT Pipelines Limited (ASX: AP2))**

# 2021 Annual Meeting Speeches

APA Group (ASX:APA) today releases the addresses to securityholders to be given by the Chairman and the CEO and Managing Director at the virtual Annual Meeting.

The live webcast is available via a link on our website at:

https://agmlive.link/APA21

Also provided for the information of APT Pipelines Limited (ASX: AP2) securityholders.

**Authorised for release by the Company Secretary**

For further information, please contact:

Investor enquiries:
**Mark Ley**
General Manager, Investor Relations
Telephone: +61 2 8044 7045
Mob: +61 419 491 712
Email: Mark.Ley@apa.com.au

Media enquiries:
**Ben Pratt**
General Manager, External Affairs & Reputation
Telephone: +61 2 9228 8300
Mob: +61 419 968 734
Email: Ben.Pratt@apa.com.au

**About APA Group (APA)**

APA is a leading Australian Securities Exchange (ASX) listed energy infrastructure business. We own and/or manage and operate a diverse, $21 billion portfolio of gas, electricity, solar and wind assets. Consistent with our purpose to strengthen communities through responsible energy, we deliver approximately half of the nation's gas usage and connect Victoria with South Australia and New South Wales with Queensland through our investments in electricity transmission assets. We are also one of the largest owners and operators of renewable power generation assets in Australia, with wind and solar projects across the country.

always powering ahead

APA Infrastructure Limited is a wholly owned subsidiary of APA Infrastructure Trust and is the borrowing entity of APA Group.

For more information visit APA's website, apa.com.au.

# Chairman's address

When we gathered virtually for our annual meeting last year, few of us might have imagined that we'd be forced to do it again in 2021.

In that context, I want to acknowledge up-front the extraordinary efforts of our people in another extraordinary year for our business, our country and the rest of the world.

While COVID-19 has continued to challenge us, thanks to the adaptability and resilience of our people, and their commitment to delivering for our customers, APA was able to deliver another solid set of financial results in FY2021.

- Revenues were marginally higher than the prior year;
- Underlying EBITDA was relatively stable at $1.633bn which was within our guidance range; and
- Our balance sheet remained strong and full year distributions to Securityholders increased by 2% over the prior year.

And I would note that this continues our long track record of growth in distributions to securityholders.

Our reported Net Profit after tax was impacted by two significant items.

Firstly, back in February, we incurred a $249 million impairment charge relating to the Orbost processing plant. That impairment reflected increased capital expenditure and reassessment of the plant's future cash flows following commissioning work during the first half of FY21.

Secondly, in March this year we completed a liability management exercise which, while it had a cost of $148 million attached to it, has strengthened our balance sheet, reduced our long-term debt costs and provided significant debt capacity to fund future growth.

This year also marks 21 years since APA was formed and listed on the ASX as APA. This is an exciting milestone for our business and has given us cause to both reflect on the drivers of success to date and the opportunities for the future.

With that in mind, the Board and the Executive Team took the opportunity to refresh our strategy. While we maintain our focus on opportunities in natural gas infrastructure and renewable energy, we have also broadened our focus to the significant opportunities in electricity.

We also continue to see the North American market as attractive as we explore energy infrastructure opportunities there.

We believe our strategy will position APA to play a leading role in the development and deployment of the energy solutions of tomorrow as Australia and the world continues to decarbonise energy supply systems.

Reflecting that broadened focus, I can advise Securityholders that in early 2022, we will harmonise naming conventions across the APA Group. Australian Pipeline Limited will simply become APA Group Limited. Australian Pipeline Trust will become APA Infrastructure Trust and APT Investment Trust will become APA Investment Trust.

The Board believes this is a sensible move that gives the APA name pre-eminence across our business structure and it follows our brand refresh earlier this year through which we gave life to the APA acronym with the tagline: Always Powering Ahead.

Consistent with our refreshed strategy and our commitment to Powering Ahead, Securityholders would be aware of APA's recent proposal to acquire 100% of the shares in AusNet Services.

For personal use only

AusNet is one of the largest electricity network operators in Australia

We think it's a highly attractive business with a largely regulated asset base providing predictable earnings and cash flows.

Our proposed acquisition of AusNet would enable us to leverage and significantly expand our presence in electricity transmission and distribution as well as gas distribution. If we are successful in acquiring Ausnet it would provide APA with:

- Exposure to fast growing electricity infrastructure markets
- An attractive organic growth pipeline
- An experienced management and operating team; and importantly
- Additional skills and capabilities that will enable further growth

This would be a transformative acquisition for APA and for the future of energy infrastructure development in Australia.

It is a unique opportunity to establish an Australian-owned national energy champion with the strategic intent and financial capability to accelerate the $20 billion growth in electricity transmission infrastructure needed to support the decarbonisation of Australia's economy.

Importantly, it would deliver value for both groups of investors.

We expect it will deliver strong returns over the long term and we also expect it to be free cash accretive in the first financial year post acquisition. The combination of APA and AusNet would achieve revenue growth and cost synergies not currently available to AusNet's shareholders.

The energy transition is of course accelerating - both here in Australia and around the world. As we head towards the upcoming COP26 meeting in Glasgow, there is growing momentum for a net zero future and APA is pleased to be playing its part.

Our refreshed strategy is underpinned by our ambition for Net Zero operations emissions by 2050, which we announced in February. This is an ambitious target but one that sends a clear message to our investors, the market, our customers and the community about APA's commitment to playing its part towards decarbonisation.

We already have a climate management framework in place that sets out priority areas of focus for the business, together with our Net Zero & Climate transformation program. We are currently in the process of establishing interim targets for 2030 on our Net Zero by 2050 journey and these targets are intended to align with the Paris Agreement.

We'll publish those targets and our Net Zero 2050 Plan during 2022 and we intend to continue to consult with our securityholders over the next year on giving them a say as to the appropriateness of our plans and targets.

I want to emphasise that your Board remains confident in the role of natural gas and gas infrastructure in the energy transition, supporting the integration of renewable energy into the energy system, and powering hard-to-abate and hard-to-electrify sectors.

Existing gas infrastructure may also play a critical role in supporting the delivery of 'clean molecules' to homes and businesses, such as biogas and hydrogen, which are likely to be critical additions to our future energy mix.

Turning now to the outlook.

For personal use only

We will continue to be disciplined in our proposed acquisition of AusNet and on the execution of our strategy, while our existing portfolio and organic growth pipeline gives us confidence about our capacity for growth.

That organic growth pipeline now exceeds $1.3bn – and we are in delivery mode on critical projects such as the Northern Goldfields Interconnect in Western Australia and the Kurri Kurri Pipeline, which will deliver natural gas and have the ability to deliver blended hydrogen to the receipt station at Snowy Hydro's new electricity generator in the Hunter.

Our balance sheet is strong and lower interest costs and additional revenue from our West Australian and our Power assets in the first quarter has delivered a solid start to FY22.

I'd also note that the recent increase in inflation rates will support future revenue growth, as our long-term infrastructure contracts generally contain clauses that prospectively increase revenue based on either Australian or United States inflation rates.

We are determined to keep delivering for our Securityholders with distributions expected to increase again in FY22 to 53 cents per security, up 4% on FY21.

So, to conclude, I again want to thank our people for their hard work, adaptability and resilience in another difficult year of COVID-19 restrictions. I particularly want to thank Rob Wheals and his Executive Team for the leadership they have provided to the business through this challenging time.

And I would also like to thank you our Securityholders for your ongoing support of APA.

I will now invite CEO and Managing Director, Rob Wheals, to say a few words.

## Managing Director's address

Thank you, Michael. And good morning everyone.

I also acknowledge Traditional Owners of country and I pay my respects to their elders past, present and emerging.

I also want to join with Michael in acknowledging the tremendous efforts of our people during 2021. Our people are our most important assets and in the face of extraordinary challenges, including border closures, movement restrictions and work from home orders, they worked incredibly hard to deliver on our Purpose to strengthen communities through responsible energy.

Their efforts again saw APA deliver a solid set of results, as Michael outlined, and high reliability operational performance for the year, with 99.9% of our customer's gas transmission nominations being delivered.

And most importantly, they did so safely, with APA reporting a 30 per cent improvement in our Total Recordable Injury Frequency Rate (TRIFR) in FY21. Safety will always be our number one priority.

With COVID restrictions now starting to ease, I look forward to the opportunity to shortly get out again to our sites right around Australia to thank the nearly 2000 people that make up the APA team for their commitment and hard work.

As Michael has outlined, we meet at an extraordinarily exciting and dynamic time in the history of our business.

As the energy transition gathers pace, we are well placed to play a leading role, consistent with our vision to be world class, and leveraging our core skills and capabilities to deliver on our strategy for growth.

For personal use only

In fact, in our chosen growth markets of Australia and the US alone, we believe there are more than US$2.8 trillion of opportunities that APA is well placed to play for across renewables, firming and storage, gas pipeline infrastructure and electrification. Not to mention the opportunities for growth that will come from the energy solutions of tomorrow, like hydrogen.

And I'm pleased to say we are firmly in execution mode.

- Our organic growth pipeline now exceeds $1.3 billion
- We've further expanded our new energy portfolio and capabilities through our Pathfinder Program – which I will return to shortly
- We've made tangible steps to better support our customers and strengthen our stakeholder engagement; and
- We have continued to have a laser like focus on creating value for all our Securityholders

Our industry-shaping proposal to acquire AusNet shows that strategy in action. It is a proposal that doesn't just come with a higher price than the one on offer by Canadian private equity firm Brookfield Asset Management. It also brings greater certainty, not least because as an Australian business APA does not require Foreign Investment Review Board approvals. Importantly, it would deliver value for both APA and AusNet investors.

And, as Michael said, it would see us create a national, Australian flagship energy infrastructure business, capable of playing a leading role in supporting Australia's energy transition.

Both electricity and gas infrastructure will play a foundational role in Australia's pathway to decarbonisation. And if we are successful in acquiring AusNet, APA would be uniquely placed to fast track that transition through a combined portfolio of integrated and complementary electricity and gas infrastructure.

We would play a leading role in the creation of the vital transmission links Australia will need to bring new renewable generation into the grid – delivering the critical infrastructure backbone that will support the significant investment in renewables and firming generation as Australia winds down its reliance on coal.

And as that transition takes place, gas will continue to play a critical role. It already accounts for more than a quarter of primary energy consumption and a fifth of electricity generation.

And over time, we know a combination of gas and renewables is the most economical and secure pathway to net zero. Indeed, Australia's transition to net zero, while keeping the lights on and energy affordable, means continuing to invest in the gas infrastructure necessary to support the transition.

That's because gas is the perfect companion to renewable energy.

So, if we are successful in our proposal, we would be well placed to:

- benefit from the $20 billion of electricity infrastructure required in the NEM;
- lead in the delivery of the $8 billion in market opportunities in gas infrastructure over the next two decades.
- while enabling the $40 billion of market opportunities in renewables and firming

And perhaps, most importantly, we would keep these critical energy infrastructure assets in Australian hands – ensuring they deliver energy security for Australians – and with a platform for Australian investors – from mums and dads through to large Australian superannuation funds – to continue to own a stake.

Another plank in our efforts to support the energy transition is our Pathfinder program.

For personal use only

Pathfinder will help us unlock the innovation, technology and new energy opportunities of tomorrow.

We already have a number of investments underway including our first hydrogen project which is targeted at enabling the conversion of a section of the Parmelia Gas Pipeline in Western Australia into Australia's first 100 per cent hydrogen-ready transmission pipeline.

It is showing promising results and, if successful, would create a significant opportunity for the development of a hydrogen hub in the Kwinana Industrial precinct near Perth.

We know that our existing gas infrastructure will be vital to connecting Australia to the energy solutions of tomorrow, like hydrogen and biogas – and APA's pipelines are adjacent to some of the best geographical areas for hydrogen production in Australia.

With billions of dollars already invested in gas infrastructure across the country it makes sense to look at ways to efficiently use our existing energy infrastructure to support Australia's transition to a low-carbon future.

We have also joined a consortium of Australian and Japanese energy players in an effort to establish Queensland's largest green hydrogen project.

This project could potentially underpin the future of hydrogen supply to Japan, while at the same time, create jobs for regional Queenslanders, and pave the way for a domestic hydrogen supply chain for local and national customers.

We are also strengthening our approach to other environmental, social and governance issues.

Our Sustainability Roadmap is designed to create a further step-change in the way we approach sustainability.

As part of this, we have enhanced our approach to social performance.

We are:

1. Dialling up local content on our projects;
2. Taking a more involved and inclusive approach to working with stakeholders;
3. Strengthening our focus on engagement with First Nation's communities;
4. And we're investing to build the skills and capabilities of our people to deliver the energy solutions of today and tomorrow.

And as the nation emerges from the worst phases of the pandemic, we're taking our responsibilities to protect the health and safety of the communities in which we work seriously. That includes ensuring compliance with government declared vaccine mandates, such as those already announced in Western Australia and Victoria, and by taking a risk-based approach that will see us mandate vaccines for our people where we believe it is necessary to help protect our people and communities

Finally, I want to take this opportunity to particularly thank my executive team for their hard work and support during this extremely busy year for APA.

We have of course welcomed Adam Watson to APA as our CFO, as well as Jane Thomas who joined in May as Group Executive for People, Safety and Culture.

Shortly we will farewell Hannah McCaughey. After a very busy time successfully establishing our new Pathfinder Program and leading our IT and cyber transformation programs, Hannah is leaving APA and we thank her for her contribution and wish her all the very best.

For personal use only

We will also soon say farewell to our Group Executive for Governance and External Affairs, Nevenka Codevelle. Nevenka began her career with APA about the same time as me, more than 13 years ago, and I have greatly valued our working relationship, her wise counsel and her friendship throughout our time working together.

I know Nevenka will be familiar to many Securityholders in her role as Company Secretary and on your behalf and that of the Board, I want to publicly wish Nevenka all the very best with her next endeavour.

Earlier this week, we welcomed Shirley Chowdhary to APA. After a short handover period with Nevenka, Shirley will capably assume the role of Group Executive for Governance and External Affairs on an interim basis, and I am delighted to have her join the team.

So, to conclude, I am extremely excited by the opportunities ahead for APA as we position your business to play a leading role in Australia's energy transition, with the strategy, capability and expertise to deliver.

Thank you again to our people, the Board and to you – our Securityholders – for your ongoing support of APA.

I will now hand back to the Chairman.

**Forward looking statements:** This release contains forward looking information, including about APA Group, its financial results and other matters which are subject to risk factors. APA Group believes that there are reasonable grounds for these statements and whilst due care and attention have been used in preparing this release, certain forward looking statements are made in this release which are not based on historical fact and necessarily involve assumptions as to future events and analysis, which may or may not be correct. These forward looking statements should not be relied on as an indication or guarantee of future performance. Investors should form their own views as to these matters and any assumptions on which any forward-looking statements are based. APA Group assumes no obligation to update or revise such information to reflect any change in expectations or assumptions. All references to dollars, cents or '$' in this presentation are to Australian currency, unless otherwise stated.

For personal use only