



26 October 2023

ASX ANNOUNCEMENT

APA Infrastructure Limited (ASX: AP2)

2023 APA Annual Meeting speeches

Attached is an announcement made by APA Group (ASX: APA) which is provided for the information of APA Infrastructure Limited securityholders.

Authorised for release by Amanda Cheney

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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, \$22 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, Tasmania with Victoria and New South Wales with Queensland through our investments in electricity transmission assets. We also own and operate renewable power generation assets in Australia, with wind and solar projects across the country. 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.

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APA Group (ASX:APA)

2023 APA Annual Meeting speeches

APA Group (ASX:APA) today releases the addresses to securityholders to be given by the Chairman and the Chief Executive Officer and Managing Director at the hybrid annual meeting.

The live webcast is available here: <https://meetings.linkgroup.com/apa23>

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Chairman's Address

FY23 was another solid year of delivery for APA.

Over the last 12 months we have delivered both earnings and distribution growth, invested to expand our asset base and refreshed our strategy to be the partner of choice in delivering infrastructure solutions for Australia's energy transition.

Our financial performance in FY23 was underpinned by the reliability of our infrastructure and the capability of our people. Our CEO and Managing Director, Adam Watson, will provide further details on this shortly.

This performance enabled the Board to declare a final distribution of 29 cents, taking the FY23 distribution to 55 cents per security, in line with our guidance.

This represents an increase of 3.8 per cent on FY22. Notably it has been delivered in parallel with our ongoing investment in the business to build capability and capitalise on growth opportunities in our target markets of contracted renewables and gas firming power generation, electricity transmission, gas pipelines and future energy technologies.

During a time of great change and transformation across our industry, we have remained focussed on growing our business for the benefit of our customers, communities and investors.

Over the last three years, we have not only continued to grow distributions, but we've also maintained our investment grade credit rating and funded the acquisition of Basslink as well as a further \$1.6 billion in organic growth opportunities all from existing cash flow and debt.

Today we reconfirm our FY24 distribution guidance of 56 cents per security, forecast to be up 1.8% on FY23.

Our FY24 distribution guidance reflects our desire to ensure our distribution growth is appropriately balanced to accommodate ongoing investment in the business and to ensure we can deliver long-term value accretive growth for you, our securityholders.

Over the last year we have continued to take steps to further build the capability we need to deliver on our strategy and capitalise on the opportunities ahead.

We appointed Adam Watson as Chief Executive Officer and Managing Director in December 2022 and completed the final appointments to our refreshed executive leadership team. We also recently announced the appointment of Nino Ficca as Non-Executive Director, who will bring significant electricity transmission and energy market experience to APA.

It was also pleasing to recently announce the acquisition of Alinta Energy's assets in the Pilbara and, in parallel, an equity raising.

The equity raise was structured in a way that allowed our retail investors to not only participate in the raising, but also at a discount to the institutional placement. The capital raise was well supported by both our institutional and retail investors and I want to thank all our securityholders for their strong endorsement of the growth strategy we are pursuing with this acquisition.

Our commitment to ensuring our securityholders can continue to participate in the growth of the business is also reflected in our decision to reactivate our Distribution Reinvestment Plan which we announced yesterday. We know that DRPs are attractive to our investors, especially our retail investors, and we will use the proceeds from the DRP to help fund the ongoing growth opportunities we see before us.

I would now like to make some comments on the current dynamics in Australia's energy sector.

Let me start by saying that in my view, the science of climate change is unequivocal. As stated in our Climate Transition Plan and restated in our recent Climate Report, APA is committed to achieving net zero operational emissions for our power generation and electricity transmission infrastructure by 2040 and for our gas infrastructure by 2050.

But as we and the rest of the country drive towards our net zero targets, we need to remain aware of the significant challenges in achieving this lower emissions future while at the same time maintaining a reliable and affordable energy system.

It seems abundantly clear that even with the industry's best endeavours and most optimistic view of the road ahead, there are several factors at play that will inevitably delay the achievement of Australia's renewable energy targets and hence emissions reduction targets.

These factors include the competition for skilled labour, critical minerals and equipment supply right around the world, with many other countries competing for the same resources as Australia. They also include inflationary pressures that are significantly impacting project costs and the glacial pace of project approval processes.

Not to mention that increasingly interventionist energy policies across Australia have also, in a number of instances, rattled investment confidence and there is also significant ongoing local community opposition to new electricity transmission and renewables projects.

What all this means is that we need to be realistic about the energy policies that will take us forward.

While I applaud ambitious emission reduction targets, the reality is policy settings also need to ensure the lights stay on and energy remains affordable. If they don't and there are rolling blackouts and further substantial increases in the cost of energy caused by a lack of reliable generation and a lack of natural gas supplies, it will cause political and economic upheaval.

Public support for the transition will evaporate overnight, making the transition even harder to deliver and that's not what any of us at APA or others across our industry want.

We cannot as a country allow perfection to be the enemy of the good.

In Victoria and NSW, governments have either done, or are in the process of negotiating, deals to extend the operating life of coal fired generators out of necessity. You can do that at relatively short notice when you are dealing with existing assets. You can't do that at short notice when the assets – like essential gas firming generation or new natural gas resources need to be developed.

At APA we want to be part of the solution. That's why we are not only investing in renewable and electricity transmission assets as well as hydrogen opportunities, but we've also taken the initiative at our own risk, to invest in expanding the capacity of our East Coast Gas Grid.

We've done this because it is obvious to us that given the dwindling natural gas supplies in the southern states that more gas will need to flow from north to south in the years ahead.

Without the ability to move larger amounts of gas from the north to the south, southern states will experience energy supply shortfalls, including potential blackouts and higher prices.

This isn't scaremongering. It's there in black and white, as advised by the Australian Energy Market Operator and the Australian Competition and Consumer Commission in recent reports on the supply and demand outlook in our key energy markets.

But our East Coast Gas Grid expansion is only part of the solution. Government policies need to ensure there are both adequate new gas supplies and new reliable gas firming generation capacity before it's too late.

There are several longstanding and emerging gas projects that need to be progressed quickly. The timeframes needed to bring this type of new investment to market are long. You can't just wake up one day and click your fingers to solve the problem.

In this context, it is important to remember that 90% of the gas consumed in Australia is used to power our most critical industries.

Gas is essential for generating industrial heat used in the manufacture of basic building products like bricks, steel and cement. It is also essential to the production of ammonia-based fertilisers for the agricultural sector and explosives used extensively in the mining industry. And gas is also critical to powering our mining and resources projects that are so critical to jobs, our economy and the energy transition itself.

So if we don't take action and alleviate gas supply pressures, not only are governments putting energy reliability at risk, they are also adding to the cost of gas and, in turn, further stoking cost of living pressures and the housing crisis.

Now is the time for all levels of government to take out insurance in the form of policies that ensure the energy transition is as rapid as possible, without causing major disruptions socially and economically to the country.

If they don't, no one will forgive them when the lights go out, when higher energy bills need to be paid and when future governments need to pay yet again to extend the life of whichever emissions intensive coal fired generators are left standing at the time.

Before I hand over to Adam to address the meeting, I want to acknowledge that some of our securityholders have raised concerns in relation to certain aspects of our remuneration arrangements this year. While the Board continues to support the FY23 remuneration outcomes and a vote in favour of our Remuneration Report, those concerns have been heard and we will continue to engage with securityholders in relation to them.

I will go into further detail when we come to Resolution 1.

To conclude, I want to thank our people for their ongoing hard work to execute on our strategy. I also want to thank Adam, his leadership team and my fellow Directors for their contribution over the last year.

I will now invite CEO and Managing Director, Adam Watson, to address the meeting.

CEO and Managing Director's address

Thank you, Michael. And good morning everyone.

I also want to acknowledge the Gadigal people of the Eora nation, Traditional Custodians of the land on which I'm speaking today.

With our operational footprint spanning all states and territories across Australia, APA has an important role to play advancing reconciliation and improving outcomes for First Nations people. I was pleased to recently launch APA's first Reconciliation Action Plan which outlines the meaningful action we will take to deliver this over the years ahead.

There are three key topics I'll cover today.

First, I'll talk to our FY23 operational and financial performance. I'll then update on progress with our strategy. Third and finally, I'll talk to our sustainability achievements, including the progress we've made towards our 2030 Climate Transition Plan targets and goals.

Let's start with an overview of our FY23 financial performance.

- Revenue of \$2.35 billion was up 5.1 per cent.

- Underlying earnings before interest, tax, depreciation and amortisation of \$1.7 billion represented a 2 per cent increase on the previous year.
- Statutory profit after tax was up over 10 per cent to \$287 million.
- And distributions were up 3.8% to 55.0 cents per security.

The key message is that we successfully delivered growth in revenue, earnings and distributions, while at the same time, making the necessary investments in our systems, processes and people to ensure we are positioned to deliver long term sustainable growth for our securityholders.

Our financial performance reflects the solid foundations of our business.

One of those foundations is our people, who are critical to our ongoing success, and their engagement and safety remain one of our key priorities.

I'm pleased to report that we had zero fatalities and zero serious injuries in FY23. We achieved a 42 per cent reduction in our potential serious harm rate compared to FY22 and our overall total recordable injury frequency rate was stable. We remain committed to further improving our safety outcomes in FY24.

I'm very proud to report that we've made strong progress in gender diversity and engagement, having now, for the first time, achieved over 30 per cent representation of women across our workforce. Representation of women in senior leadership positions has also increased, including within our Executive Leadership Team.

Other highlights include implementing significant enhancements to our parental leave entitlements and we also completed a review where we rectified gender pay equity in like for like roles.

Now to our strategy.

This is an exciting time for APA as we continue to grow and invest in support of our customers, communities and Australia's energy transition.

The infrastructure required to decarbonise Australia's energy system will be in the hundreds of billions of dollars. So for APA, it's not an issue of whether the opportunities exist – it's about where we focus.

That's why, in FY23, we brought clarity to our growth strategy. Our strategy is to be the partner of choice in delivering infrastructure solutions for the energy transition. It's a customer driven strategy, focused on selected asset classes, including:

- Contracted renewables and firming;
- Electricity transmission;
- Gas transportation; and
- Future energy, including hydrogen and solutions like carbon capture and storage.

We already have strong momentum with the execution of this customer-led strategy.

Highlights over the last year include delivering the largest remote-grid solar farm in Australia in Mount Isa, along with the recent acquisition of the Alinta Pilbara business which is now very close to completion.

The Alinta Pilbara business is underpinned by high-quality assets and a stable base of blue-chip customers, operating in one of the world's leading mining geographies.

The acquisition will create value for our securityholders and complements our existing assets in Western Australia.

The acquisition gives our business a significant growth platform to expand our footprint in remote generation regions, leveraging the existing skills and experience we have in regions such as Mount Isa and Gruyere. It's a \$25 billion dollar market opportunity and we're well placed to be the leading player in this space.

In addition to the Alinta Energy Pilbara acquisition, we've made other significant investments and completed several major projects in the last year.

This included the acquisition of the Basslink interconnector which further expands our electricity transmission business, and delivery of the first stage of the East Coast Gas Grid expansion, which as the Chairman has noted, will play an important role in the transportation of gas from Australia's northern gas fields to the southern demand centres.

We also completed the Northern Goldfields Interconnect pipeline, providing our customers with greater energy security, supporting growth, and enabling the energy transition to renewables in Western Australia's resources sector.

Now to our sustainability achievements.

Incorporating sustainability into everything we do is central to how we operate. And over the past year we've made further progress against our Sustainability Roadmap.

This included the release of our first Climate Transition Plan, which details our commitment and pathway to net zero, and the recent launch of our inaugural Reconciliation Action Plan.

Our FY23 Climate Report highlights that we successfully delivered a 6.7 per cent net reduction in gas infrastructure emissions and a 5.3 per cent reduction in power generation infrastructure emissions intensity, compared to our FY21 base year.

This represents good progress towards our 2030 interim targets and goals.

During the year we also established a new target to reduce operational methane emissions by at least 30 per cent by 2030, compared to FY21.

In summary we delivered solid financial and operational outcomes during FY23. We refined our strategy and we're in execution mode, supporting our customers as they decarbonise their operations. And we've made good progress with our own sustainability ambitions.

To close, I would like to thank our dedicated employees for their significant contribution to what has been another successful year.

I would like to thank our customers for trusting us with the development and delivery of their energy infrastructure solutions.

And I would also like to thank all of our securityholders for your ongoing support of our business.

I will leave you with three key messages.

One – we are a strong business, we have strong foundations, and a great future. Our solid FY23 operational and financial performance demonstrates this.

Two – we are executing our strategy to be the partner of choice in delivering energy infrastructure for the energy transition. Our acquisition of the Alinta Pilbara business leverages our existing skills in operating large-scale renewables, gas firming, electricity transmission and battery storage infrastructure and is an example of how we are delivering.

And three – we are committed to doing our part to accelerate the energy transition by decarbonising our business and being at the forefront of responsibly transitioning Australia's energy system.

Thank you and I'll now hand back to our Chairman.

Disclaimer

The material in this announcement is general information about APA and its activities current as at the date of the announcement, 26 October 2023. The information given is in summary form and is not necessarily complete. For more information please refer to APA's 2023 Annual Report, the 2023 Climate Report and APA's other announcements lodged with the ASX.

The information contained in this announcement may be based on projected and/or estimated expectations, assumptions, or outcomes. Forward looking statements are subject to a range of risk factors. APA cautions against reliance on any forward looking statements, particularly considering factors including asset performance, macroeconomic conditions, regulatory changes, government policy, project approvals, the supply of labour, critical minerals and equipment as well as the timing of distributions from non-100% owned assets with distributions to be determined at the Board's discretion.

While APA has prepared this information based on its current knowledge and understanding and in good faith, there are risks and uncertainties involved which could cause results to differ from projections. APA will not be liable for the correctness and/or accuracy of the information, nor any differences between the information provided and actual outcomes and reserves the right to change its projections from time to time. APA undertakes no obligation to update any forward looking statement to reflect events or circumstances after the date of this announcement, subject to disclosure obligations under the applicable law and ASX Listing Rules.

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