APA Group

APA Group Subordinated Notes

Peter Fredricson Chief Financial Officer
Ian Duncan Group Treasurer

9 August 2012

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Unless otherwise defined, capitalised terms in this Presentation have a consistent meaning with terms in the Prospectus.

Not for distribution in the United States of America


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Offer summary

Issuer	▪ APA Group via its borrowing entity APT Pipelines Limited ("APTPL") – APA Group is Australia's largest natural gas infrastructure business – S&P/ASX 100 company with a market capitalisation of $3.1 billion(1) – APTPL is a wholly owned subsidiary of Australian Pipeline Trust ("APT")
Guarantee	▪ The Notes are guaranteed on an unsecured and subordinated basis by APA Group's responsible entity, Australian Pipelines Limited ("APL") in its capacity as responsible entity of APT and APT Investment Trust ("APTIT")(2)
Security	▪ APA Group Subordinated Notes ("Notes")
Offer Size	▪ $350 million with the ability to raise more or less
Use of proceeds	▪ General corporate purposes, supporting APA Group's ongoing investment in the growth of its infrastructure assets, and the acquisition of Hastings Diversified Utilities Fund (HDF) if it proceeds
Equity credit	▪ APA Group expects that Notes will provide an amount of equity credit from rating agencies
Offer structure	▪ APA Securityholder Offer, Broker Firm Offer, Institutional Offer and General Offer
Bookbuild date	▪ Expected to be 16 August 2012
JLMs	▪ Credit Suisse, Evans & Partners, Macquarie Capital, Morgan Stanley, RBS and RBS Morgans ▪ First NZ Capital, Forsyth Barr and Macquarie Capital New Zealand as New Zealand Lead Managers
Listing	▪ Notes are expected to be listed on ASX under the code "**AQHHA**"

Refer to Sections 1 and 6 of the Prospectus for further information about the Offer
(1) As at 8 August 2012
(2) Together APT, APTIT and APL and each of the entities controlled by APL comprise the APA Group

Notes summary

Security	▪ APA Group Subordinated Notes ("Notes")
Issue Price	▪ A$100 per Note
Maturity Date	▪ 30 September 2072, unless redeemed earlier
First Call Date	▪ 31 March 2018
Interest payments	▪ Floating rate, unfranked cash payments ▪ Payable quarterly in arrears, commencing on 31 December 2012, subject to deferral
Interest deferral	▪ At the issuer's discretion, subject to a distribution stopper ▪ Any deferred interest payments are cumulative and compounding
Margin	▪ Expected range of 4.50% - 4.70% p.a., to be determined under the Bookbuild ▪ Equates to an initial yield of approximately 8.14% - 8.34%(1)
Change of control	▪ Issuer redemption right ▪ If not redeemed by the Issuer, the Margin will increase by an additional 3.00% p.a.
Ranking	▪ Notes are unsecured and rank ahead of APA Stapled Securities, equally with Equally Ranking Obligations and behind all other creditors and other classes of securities
Guarantee	▪ The Notes are guaranteed on an unsecured and subordinated basis by APT and APTIT

Refer to Sections 2 and 5 of the Prospectus for further information about the Notes and key risks
(1) Based on an illustrative 90 day Bank Bill Swap Rate of 3.64% as at 8 August 2012

APA overview

Australia's largest natural gas infrastructure business	▪ Largest Australian pipeline owner and operator, transporting half the nation's natural gas usage ▪ Operating and managing approximately $9 billion of energy infrastructure assets across mainland Australia, including $4.7 billion assets on behalf of its energy investment partners: – 12,855 km gas transmission pipelines – 25,000 km gas distribution mains and 1.1 million gas customer connections – Related energy infrastructure including gas storage facilities, gas processing facilities, power generation and electricity interconnectors ▪ Dynamic business, expanding and enhancing its unique asset portfolio to capture the growth in demand for natural gas in Australia ▪ Currently over $400 million capital expenditure is committed to organic growth projects
Strong financial profile and performance	▪ Consistent strong business performance, delivering growing cash flows and earnings principally derived from regulated and contracted revenues ▪ Diversified EBITDA by both asset and geography, with no single asset in its portfolio or single region contributing more than 25% of EBITDA ▪ Prudent capital management and robust financing capability
Proven management and operating expertise	▪ Proven management team with track record of delivering securityholder value ▪ National team of 1,400 employees with operating expertise and extensive industry know how ▪ Strategic development of its asset portfolio through organic growth and acquisitions, with assets owned and/or operated increasing from $1.4 billion in June 2000 to approximately $9 billion in June 2012

Refer to Sections 3, 5 and 8 of the Prospectus for further information about APA and key risks


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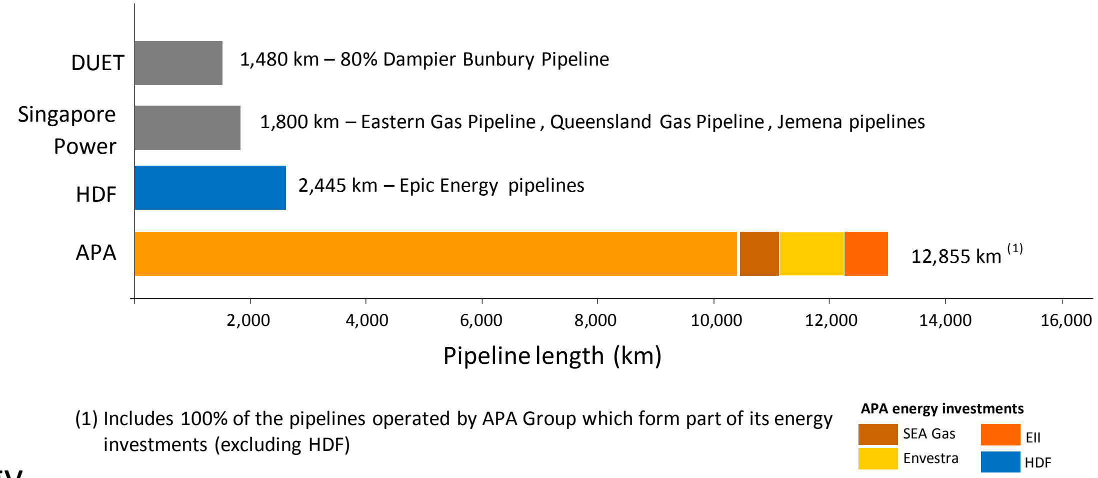
About APA Group

- APA is Australia's largest natural gas infrastructure business
  - **Energy Infrastructure**: primarily natural gas pipelines and interconnected gas storage facilities across Australia
  - **Asset Management**: provision of asset management, operating and maintenance services to the majority of APA's investments
  - **Energy Investments**: minority interests in energy infrastructure businesses, including Envestra, SEA Gas, Hastings Diversified Utilities Fund, Energy Infrastructure Investments (I & II) and GDI
- APA generates predictable cash flows from contractual and regulatory arrangements across its asset base
- APA has direct management and operational control over the majority of its assets and investments

Australia's largest natural gas pipeline owners

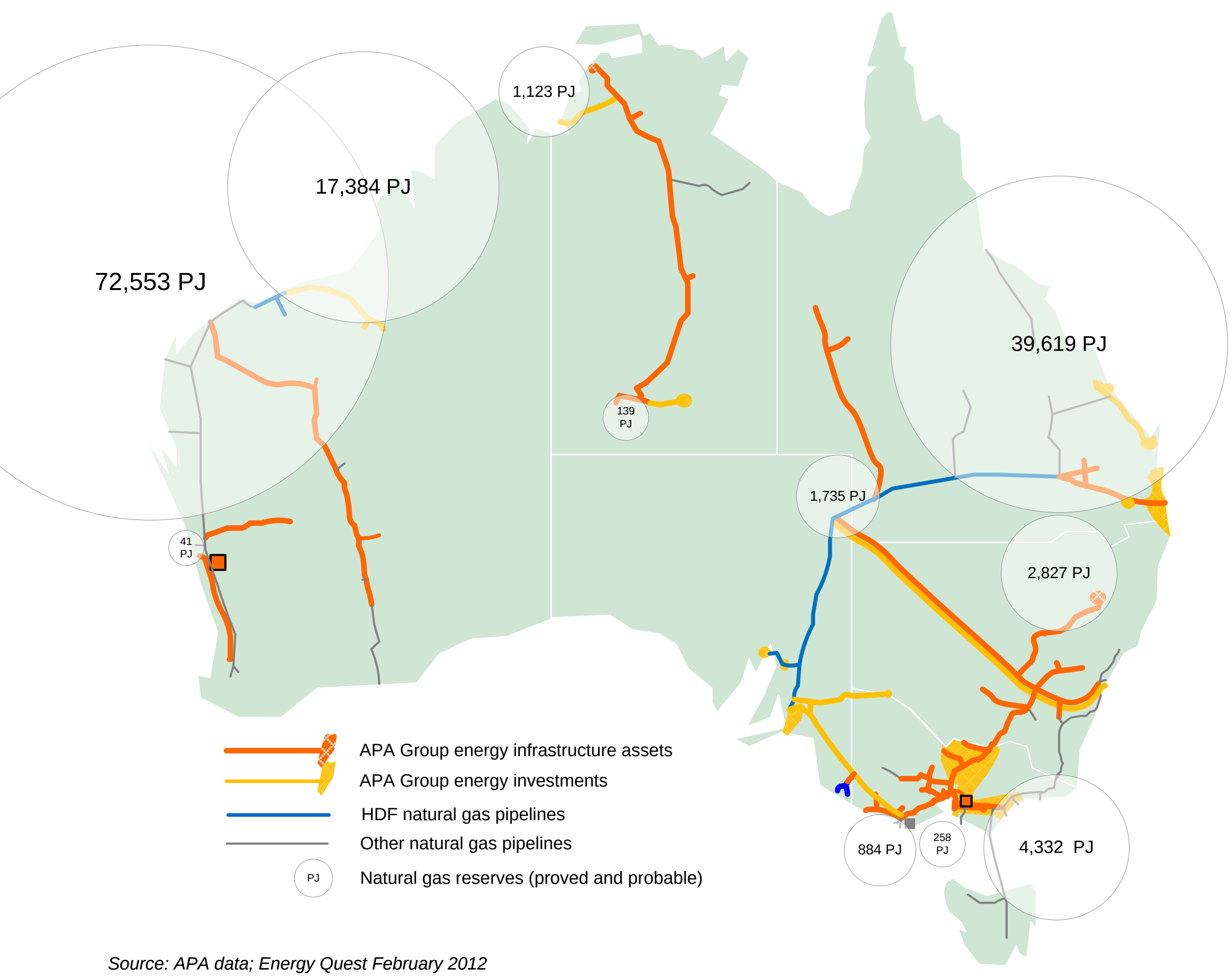


(1) Includes 100% of the pipelines operated by APA Group which form part of its energy investments (excluding HDF)

Source: APA & AER State of the Energy Market 2011

APA Group (at 8 August 2012)	
Date listed	13 June 2000
ASX symbol	APA
Market capitalisation	A$3.1 billion
Rank S&P/ASX 100	64th
World Indices	MSCI; FTSE
Securities on issue	644 million
Fiscal year end	30 June

APA well positioned in a growing industry



Source: APA data; Energy Quest February 2012

- Unrivalled gas asset footprint
  - Largest transporter of natural gas across Australia [(1)]
- Stable and predictable cash flow
  - Regulated and contracted revenue
- Attractive growth opportunities
  - Enhancing capacity in APA's portfolio to meet increasing gas demand
- Integrated portfolio of assets
  - Providing revenue and operating synergies
- Internally managed and operated business
  - Highly skilled and experienced workforce

APA delivers half of Australia's domestic gas usage

(1) APA's 12,855 km of pipelines represents approximately two thirds of Australia's gas transmission pipelines

Strategy for sustainable growth and security

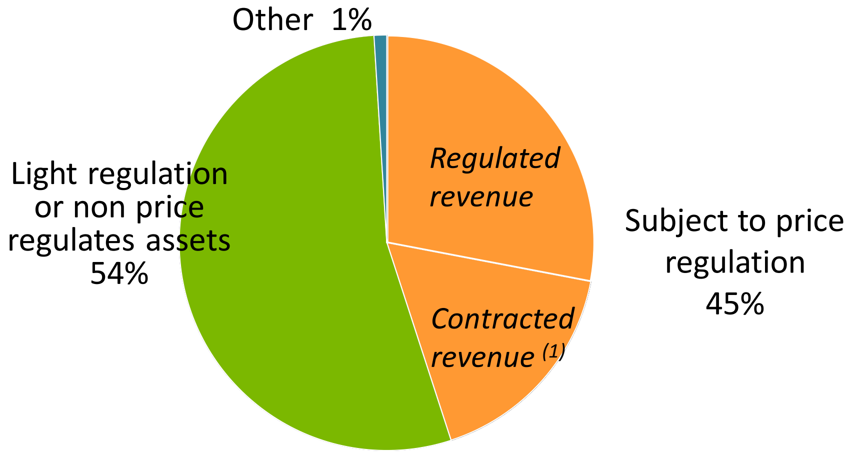
- Enhancing APA's portfolio of gas infrastructure assets in Australia's growing energy market
  - Abundant and growing gas reserves
  - Increasing demand for natural gas, particularly for electricity generation
- Capturing revenue and operational synergies from APA's significant asset base
- Facilitating the development of gas related projects that enhance APA's energy infrastructure portfolio
- Pursuing opportunities that leverage APA's knowledge and skills base
- Strengthening financial capability

Stable and predictable long-term cash flow underpinned by contractual or regulatory arrangements

Stable and predictable revenue

- 99% of APA's pro-forma FY11 revenue is derived from either price regulated or contracted assets
- Price regulated assets
  - Tariffs on core services are set by regulation
  - Retain ability to contract for services outside of the regulatory framework
  - Staggered reset dates for APA's regulated assets – access arrangements are generally set every 5 years
- Tariffs commercially negotiated for all other pipelines, new capacity on most pipelines and gas storage

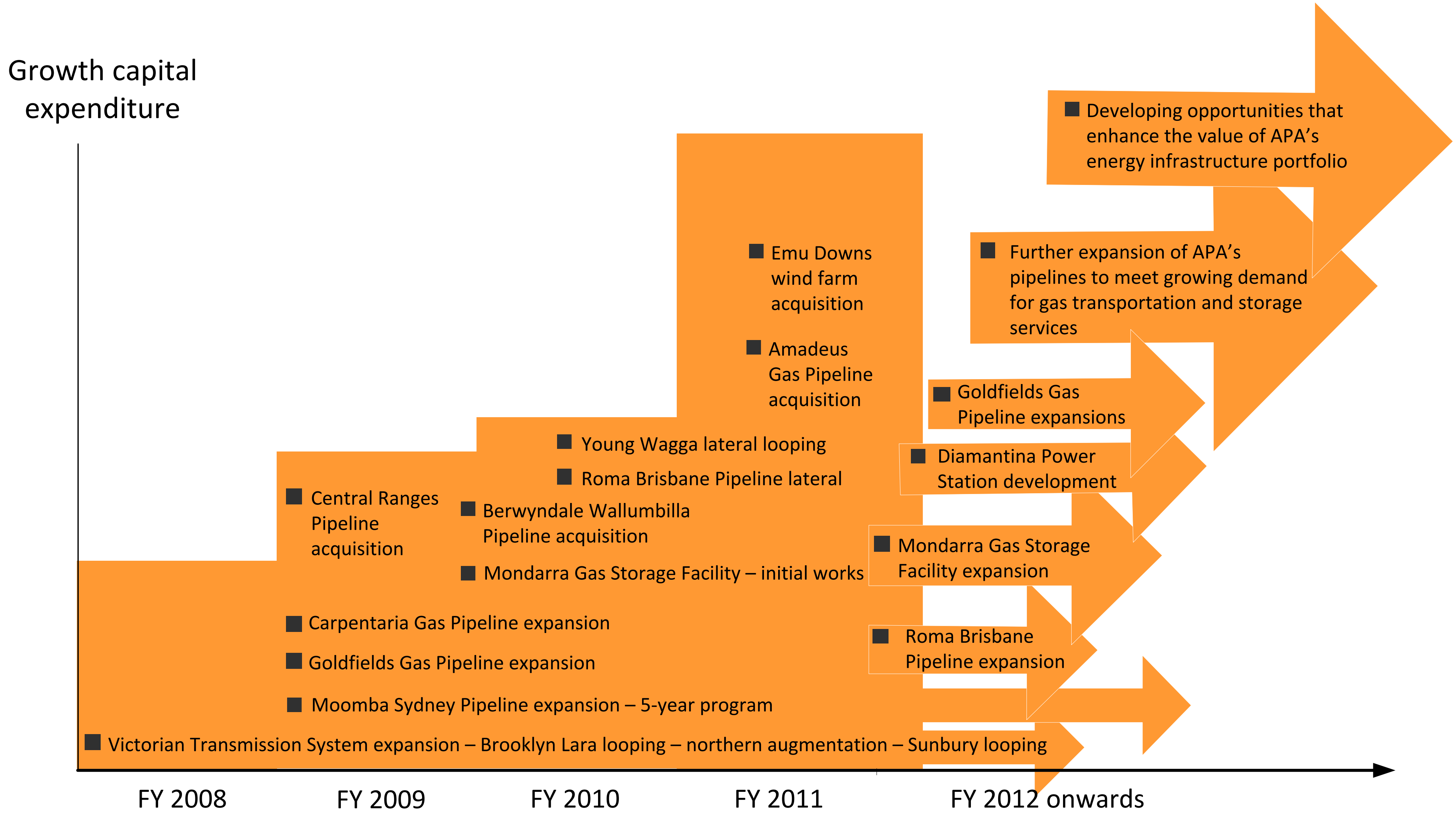
Pro-forma FY11 revenue split



	Regulated assets	APA's contracted assets
Term	Life of asset	Often in excess of 5 years Average contract term of 12 years
Counterparty credit	Broad population	For APA's 4 major contracted assets, 85% of the contracted capacity is with investment grade counterparties
Volume risk	Assets exhibit little volume risk	More than 80% of revenue is capacity based (i.e. 'take or pay') therefore relatively unaffected by volume variability
Competition	Monopoly by definition	Some degree of competition

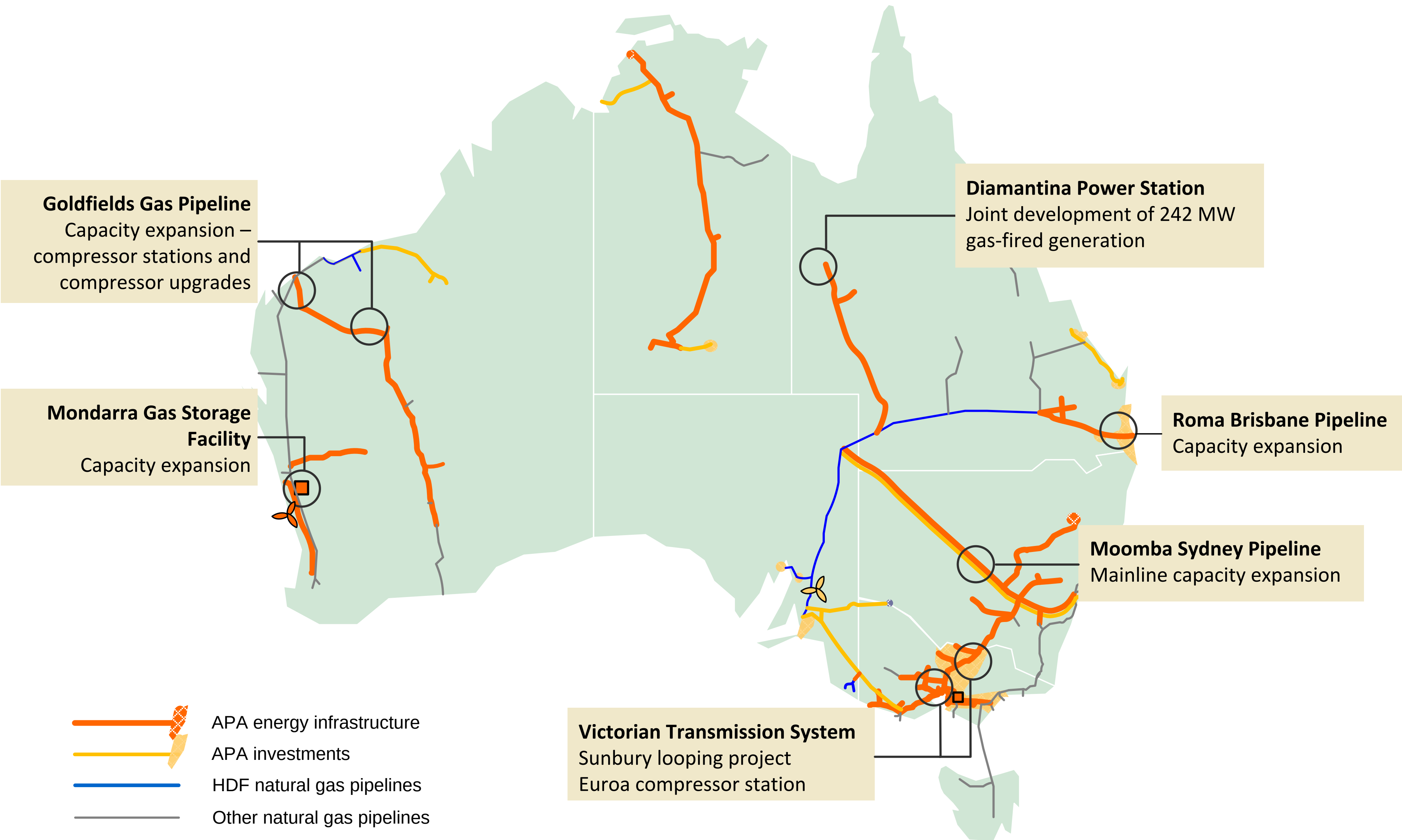
(1) Revenue from haulage contracts on price regulated assets. Contracts have set terms, including price for the life of the contract, and have limited exposure to regulatory decisions.

Developing profitable growth opportunities



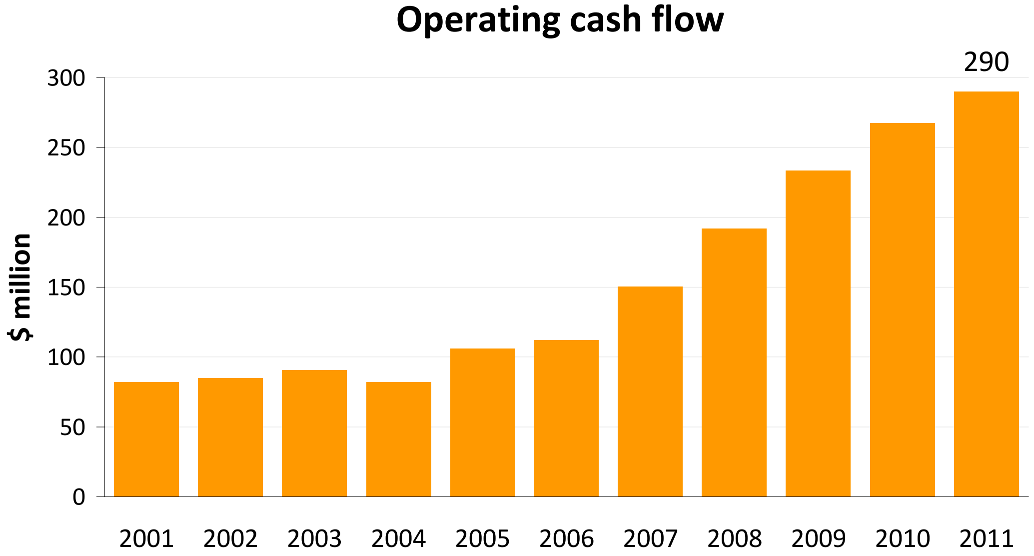
Almost $1 billion of asset portfolio expansions over the last four years

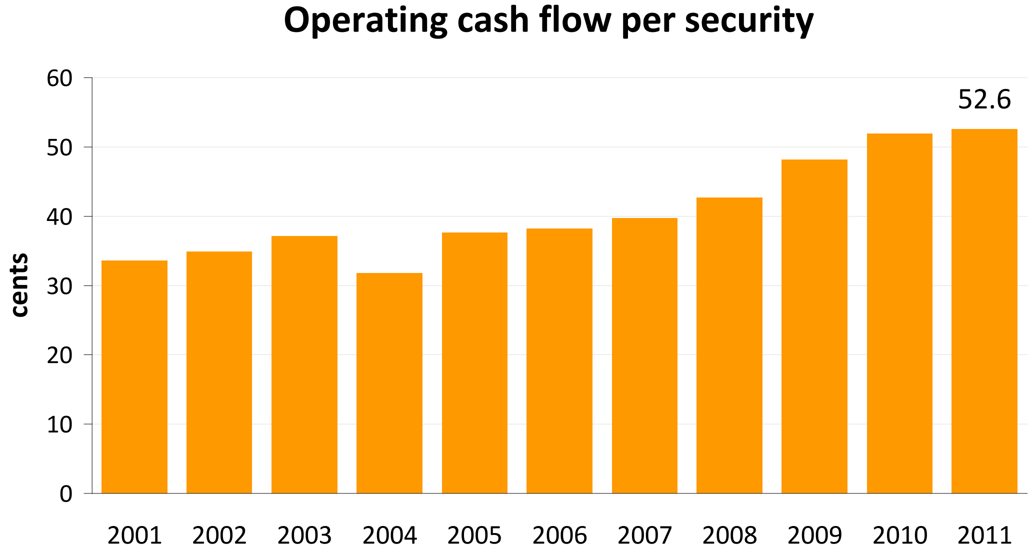
Capital projects with predictable, long term returns

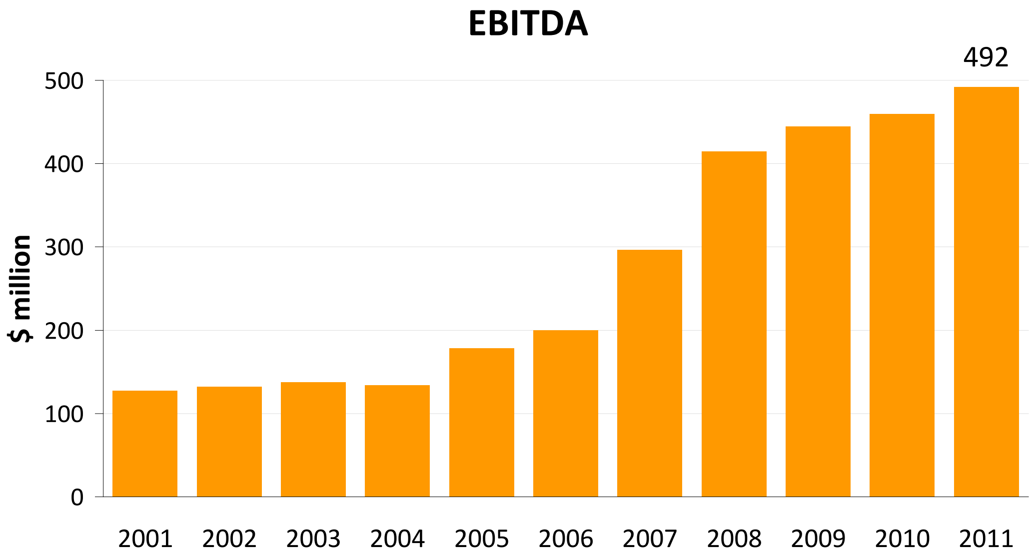


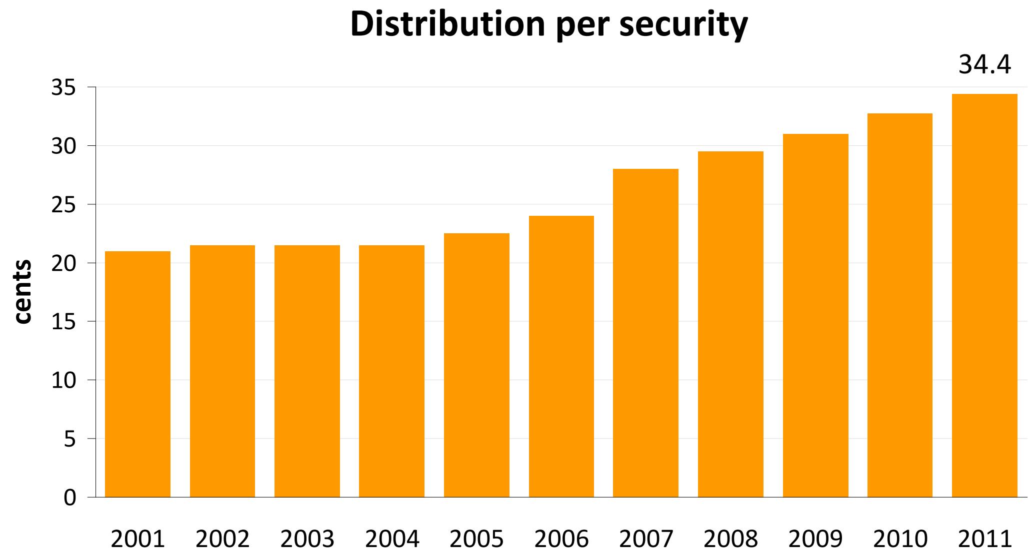
Growth projects totalling over $400 million announced or in progress

History of delivering consistent cash flows and earnings







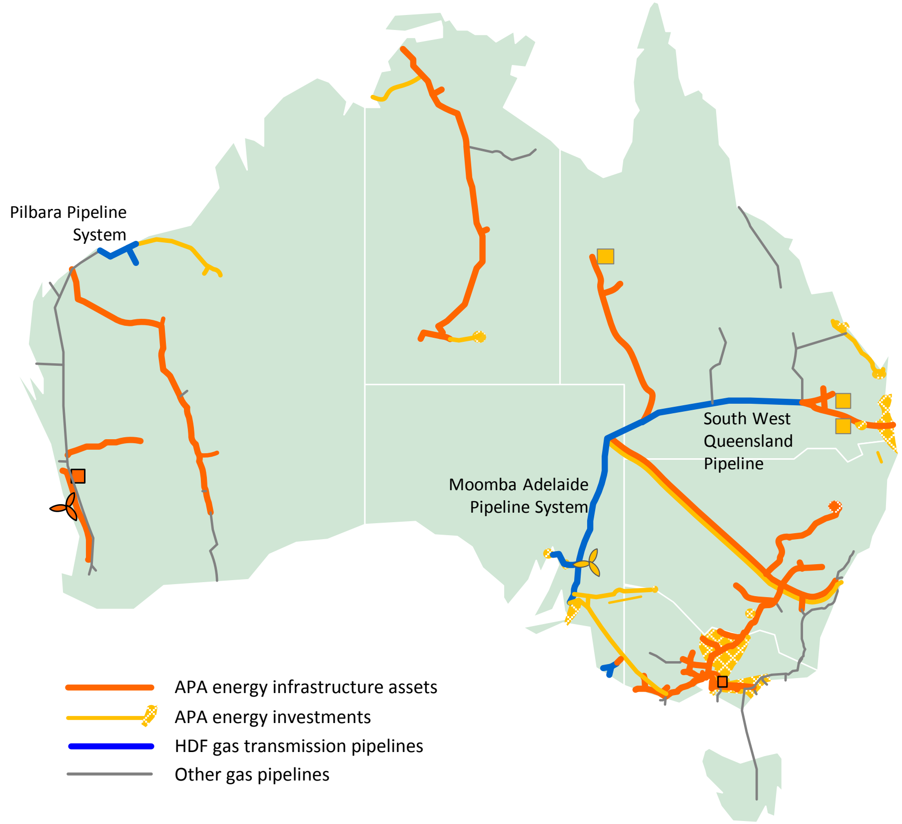


Delivering on strategy - FY12 highlights

- Continued work on pipeline capacity expansion projects
  - Roma Brisbane Pipeline
  - Moomba Sydney Pipeline
  - Victorian Transmission System
- Continued work on Mondarra gas storage expansion
- New capacity expansions announced
  - Goldfields Gas Pipeline
- Gas-fired energy development for Mt Isa (joint venture with AGL)
  - Long term electricity supply arrangements – Diamantina Power Station
  - Long term gas supply contract – Carpentaria Gas Pipeline
- Sell down of APA Gas Network (Allgas)
- Takeover offer for HDF – Epic Energy pipelines
- Completed debt refinancing program – over $2 billion of new funds raised
- Responding to customer demands and developing tailored services

APA Group's off-market takeover offer for HDF

- Rationale
  - HDF Epic Energy pipelines form a natural fit with APA's assets
  - Enhanced gas transmission pipeline network – benefits securityholders (HDF and APA) and customers
- APA improved offer
  - Improved takeover offer announced 9 August of \$0.62 cash and 0.390 APA securities, with implied value of \$2.51 per HDF security (based on APA security closing price on 8 August)
  - ACCC clearance to proceed, on the basis of undertaking to divest HDF's Moomba Adelaide Pipeline System
  - Further reduction in conditionality of the bid
  - Offer open until 4 September 2012 unless extended



Summary

Focused on delivering sustained and profitable growth

- Optimising energy infrastructure portfolio
  - Enhance, extend, protect or complement APA's existing portfolio
  - Expansions, acquisitions and new developments to meet increasing demand from customers for natural gas transportation and storage services
  - Maximise long term growth
- Maintaining operations and earnings
  - Revenue underpinned by long term contracts or regulatory arrangements
  - Internal capability, managing and operating assets and investments and delivering on capital projects
  - Balance sheet strength to fund growth and maintain credit profile
- Customer focused
  - Developing responsive energy infrastructure and service solutions for customers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Financial position and performance

A$ million	1H 2012 APA Group pro-forma	1H 2012 Pro-forma combined group (100%)	1H 2012 Pro-forma combined group (50.1%)	FY 2011 APA Group pro-forma	FY 2011 Pro-forma combined group (100%)	FY 2011 Pro-forma combined group (50.1%)
Total Revenue	516.1	580.8	580.8	1,074.4	1,204.4	1,204.4
EBITDA	270.5	316.5	256.9	459.1	548.4	517.0
Profit Before Tax	104.7	93.6	40.0	159.8	176.5	157.3
Net Operating Cash Flow	156.5	184.0	186.8	285.5	347.3	349.2
Gearing ratio (%)	63.4%	62.5%	59.0%	62.4%	59.6%	58.4%
Interest Cover Ratio (times)	2.4x	2.2x	2.4x	2.2x	2.2x	2.2x

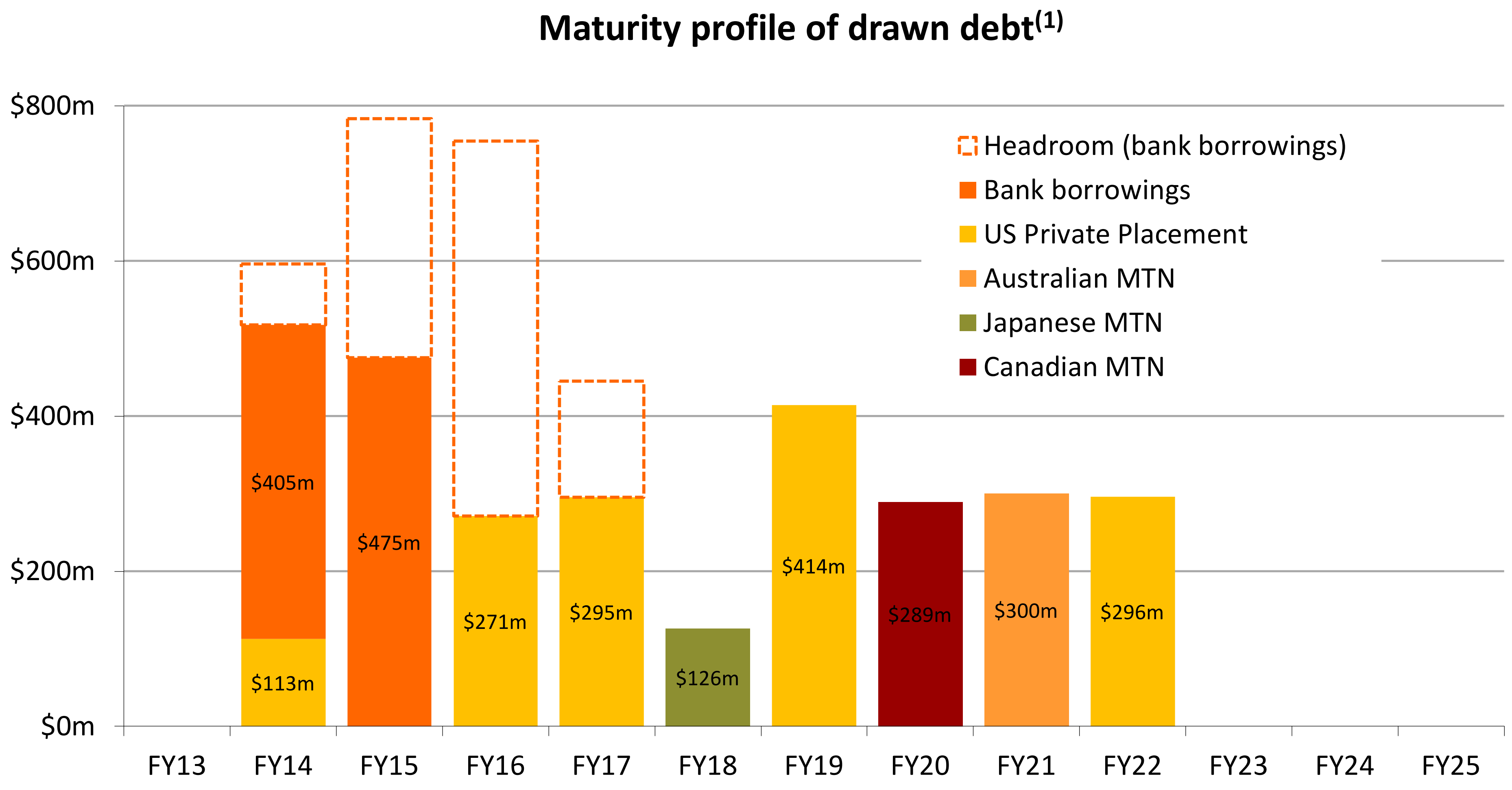
Refer to Section 4 of the Prospectus for further information

Capital management

- Cash and committed undrawn facilities of $1.0 billion(1)
- Equity raising through the Distribution Reinvestment Plan – $50 million in FY12
- $2.2 billion of new debt facilities raised in FY2012 as part of refinancing activities
  - Refinanced $1.065 billion of debt maturing in FY 2012 and replaced $515 million of higher cost debt due to mature in FY 2014
  - A$126 million raised in January 2012 – JPY 10 billion 6.5 year Medium Term Notes
  - A$289 million raised in June 2012 – CAD 300 million 7 year Medium Term Notes
- Refinancing program focused on extending debt maturity, diversifying funding sources and reducing borrowing costs
- APA funding efficiently and cost effectively in volatile markets

(1) As at 8 August 2012

Debt maturity profile



(1) As at 8 August 2012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Key features of Notes

Interest Payments	▪ Floating rate, unfranked cash payments ▪ Payable quarterly in arrears, subject to deferral ▪ Any deferred interest payments are cumulative and compounding ▪ Calculated as 90 Day Bank Bill Rate + Margin ▪ Margin will be determined under the Bookbuild (expected range of 4.50% - 4.70% p.a.) ▪ Equates to an initial yield of approximately 8.14% - 8.34%(1) p.a.
First Call Date	▪ The Issuer may redeem the Notes from 31 March 2018 and any interest payment date thereafter
Step-up	▪ 1.00% margin step-up on 31 March 2038
Maturity Date	▪ 30 September 2072, unless redeemed earlier
Change of control	▪ If a Change of Control Event occurs, the Issuer may redeem all Notes ▪ If not redeemed by the Issuer, the Margin will increase by an additional 3.00% p.a.
Ranking	▪ Notes rank ahead of APA Stapled Securities, equally with Equally Ranking Obligations and behind all other creditors and other classes of securities
Guarantee	▪ The Notes are guaranteed on an unsecured and subordinated basis by APT and APTIT
Listing	▪ Application will be made for the Notes to be quoted on ASX under the code "**AQHHA**"

Refer to Sections 1, 2 and 5 of the Prospectus for further information about the Notes and key risks

(1) Based on an illustrative 90 day Bank Bill Swap Rate of 3.64% as at 8 August 2012

Deferral of Interest

Overview	▪ The issuer, may at its discretion, defer an Interest Payment (Optional Deferral) ▪ Any Deferred Interest Payments may be paid at any time ▪ Deferred Interest must be paid prior to or at Redemption
Distribution and Capital Stopper	▪ If the issuer has elected to defer Interest Payments, the APA responsible entity must not – declare or pay any dividend, interest or distribution on Guarantor Equal Ranking Obligations or on APA Stapled Securities; or – redeem, reduce, cancel, purchase or buy-back any Guarantor Equal Ranking Obligations or APA Stapled Securities, ▪ until the date on which all Optionally Deferred Interest Payments have been paid in full.
Accumulation	▪ Deferred Interest Payments are cumulative and compounding.

Comparison of Notes with recent note issues

	APA Group Subordinated Notes	Caltex Subordinated Notes	AGL Energy Subordinated Notes	Origin Energy Subordinated Notes
Offer size	~A$350 million	A$525 million[1]	A$650 million	A$900 million
Ranking	Subordinated	Subordinated	Subordinated	Subordinated
Maturity date	60 years (2072)	25 years (2034)	27 years (2039)	60 years (2071)
Scheduled call dates	Approximately year 5.5 and any interest payment date thereafter	Year 5 and any interest payment date thereafter	Year 7 and any interest payment date thereafter	Year 5 and any interest payment date thereafter
Interest payment	Unfranked, floating rate, quarterly cash payments in arrears	Unfranked, floating rate, quarterly cash payments in arrears	Unfranked, floating rate, quarterly cash payments in arrears	Unfranked, floating rate, quarterly cash payments in arrears
Initial margin	Expected range of 4.50 - 4.70%	4.50%	3.80%	4.00%
Interest step-up	1.00% at approximately year 25.5	0.25% at year 5	0.25% at year 7	1.00% at year 25
Optional interest deferral	Yes	Yes	No	Yes
Mandatory interest deferral	No	No	Yes	Yes
Change of control	Issuer call, 300bp step-up if not redeemed	Issuer call, holder put	Issuer call, holder put	Issuer call, 500bp step-up linked to other listed securities

Information regarding Caltex Subordinated Notes, AGL Energy Subordinated Notes and Origin Energy Subordinated Notes is sourced from documents published by those issuers. APA Group takes no responsibility for that information and investors should read those documents for information regarding those securities.

(1) Offer size exclusive of Shareholder Offer and General Offer which are currently being conducted


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Key risks associated with Notes

These and other risks associated with Notes, the market and APA Group are discussed in more detail in Section 5 of the Prospectus. All potential investors should review the risks outlined in the Prospectus and not rely on this presentation

Notes are subordinated obligations	▪ There may be a shortfall of funds to pay all amounts ranking senior to and equally with Notes or obligations under the Guarantee in an event of insolvency of APTPL and the winding up of APT or APTIT. This would result in Holders not receiving any payment if claims ranking senior to Notes and Guarantee obligations were not satisfied in full, or otherwise not receiving a full return of any amounts due on the Notes but unpaid at that time.
Deferral of Interest Payments	▪ APTPL may defer Interest Payments at its discretion. Deferral is likely to have an adverse effect on the market price of Notes. Deferral will also be disadvantageous to Holders from the perspective of the timing of cash flows.
Notes are long-dated	▪ Notes will mature in 60 years on the Maturity Date. Although APTPL may redeem Notes in certain circumstances prior to such date, APTPL is under no obligation to do so.
APTPL may redeem Notes under certain circumstances	▪ If redeemed early, the Redemption Amount may be less than the current market value of Notes at the time of redemption. ▪ Timing of redemption of Notes may be unfavourable having regard to a Holder's individual financial circumstances or tax position.
Holders have no rights to request an early redemption	▪ Holders have no right to request redemption of Notes prior to the Maturity Date.
No limitation on issuing senior or equal ranking securities	▪ The APA Group has a significant amount of prior ranking debt on issue at present. ▪ APA Group is not restricted from issuing equal or further senior ranking securities or from incurring any such other debt obligations which may reduce the amount (if any) recoverable by Holders in an event of insolvency of APTPL or a winding up of APT and APTIT if it were to occur.
Changes in Interest Rate	▪ The Interest Rate is calculated by reference to the Bank Bill Rate, which is influenced by a number of factors and may fluctuate over time. ▪ The Interest Rate may become less attractive compared to rates of return available on other securities or financial products.
Risks related to the market generally	▪ The market price of Notes may fluctuate and trade below the Issue Price due to various factors, including investor perceptions, economic conditions, interest rates and credit spreads. ▪ Holders who wish to sell their Notes may be unable to do so at an acceptable price, if at all. The market for Notes may be less liquid than the market for APA Stapled Securities.

Key risks associated with APA Group

These and other risks associated with Notes, the market and APA Group are discussed in more detail in Section 5 of the Prospectus. All potential investors should review the risks outlined in the Prospectus and not rely on this presentation

Economic regulation	▪ Approximately 45% of APA Group's pro forma revenue for the 2011 financial year (excluding pass-through revenue) was earned on assets subject to pricing regulation by independent national and state economic regulators. This proportion did not increase materially in the 2012 financial year. ▪ This pricing regulation provides for the regulator to determine the price and other terms for services. Costs could materially change within a regulatory pricing period for a particular asset resulting in adverse impacts on earnings for that asset and potentially indirectly affecting APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee. ▪ Changes to the regulatory framework may also adversely affect APA Group's earnings and/or financial position and performance (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee). For example, the AEMC is currently considering proposals for changes to the National Gas Rules which, if adopted, may have an adverse revenue impact on APA Group's regulated assets.
Bypass and competitive risk	▪ Bypass and competitive risk occurs when a new transmission pipeline offers gas transportation service to the same end market serviced by existing pipelines. This risk is particularly applicable to the Moomba Sydney Pipeline and the Parmelia Gas Pipeline. APA Group's future earnings could be reduced (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee) if customers purchased gas transportation services from new pipelines that bypass APA Group's existing pipelines.
Gas demand risk	▪ The volume of gas that is transported by APA Group is dependent on end user demand, which is dependent on a number of variables including the relative price of gas and its competitive position with other energy sources. If the demand for gas weakens, it may reduce the demand for future contracted pipeline capacity and adversely impact APA Group's future revenue, profits and financial position (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee).

Key risks associated with APA Group (cont.)

Operational risk	▪ APA Group is exposed to a number of operational risks such as equipment failures or breakdowns, rupture of pipelines, information technology systems failures or breakdowns, employee or equipment shortages, contractor default or other unplanned interruptions. Operational disruption, or the cost of repairing or replacing damaged assets, could adversely impact APA Group's earnings (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee).
Contract renewal risk	▪ A large part of APA Group's revenues are the subject of long term revenue contracts with end customers. Due to a range of factors including customer demand risk, gas supply risk, counterparty credit risk, bypass and competitive risk, APA Group may not be successful in recontracting the available pipeline capacity when it comes due for contract renewal. If APA Group is unable to recontract the available pipeline capacity when it comes due for renewal, it will adversely impact APA Group's future revenue, profits and financial position (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee).
Construction and development risk	▪ APA Group's capital expenditure on growth projects is expected to be significant. In certain circumstances, APA Group sets the commercial terms with its customers based on expected capital expenditure costs. Should these costs exceed those estimates used in finalising commercial terms with customers, it may adversely impact APA Group's future profits and financial position (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee).
HDF Offer risks	▪ There is a risk that APA Group will not acquire the remaining securities in HDF at the end of the bid period under the HDF Offer. If you believe that a Combined Group would enhance APTPL's or the APA Responsible Entity's ability to meet its obligations under the Notes and/or Guarantee, you may consider this to be an adverse event. ▪ Should APA Group's bid for HDF be successful, there is a risk that synergy benefits reasonably expected through the integration of APA Group and HDF may not be realised at all or not realised to their full extent, or that they may be realised over a longer period of time than anticipated. ▪ There is also a risk that implementation and other one-off costs may be substantial or greater than reasonably anticipated. This could have a material adverse impact on the Combined Group's financial position and performance (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee). ▪ The ACCC has provided clearance for the proposed HDF Offer having accepted an undertaking from APA Group to divest the MAPS business. There are risks associated with the ACCC undertaking and the divestment of the MAPS business which could materially and adversely affect the APA Group's and potentially HDF Group's operations and/or financial position and performance.


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Offer structure

APA Securityholder Offer	For Eligible APA Securityholders resident in Australia and New Zealand
Broker Firm Offer	For Australian and New Zealand resident retail clients of Syndicate Brokers who have received a firm allocation under the Bookbuild
Institutional Offer	For institutional investors who have been invited to bid for Notes under the Bookbuild
General Offer	For members of the general public resident in Australia and New Zealand

Key dates

Key dates for the Offer	
Lodgement of prospectus with ASIC	9 August 2012
Bookbuild to determine the Margin	16 August 2012
Announcement of Margin and lodgement of replacement prospectus with ASIC	17 August 2012
Opening Date for the Offer	17 August 2012
Closing date for the Securityholder Offer and General Offer	5pm AEST on 10 September 2012
Closing Date for the Broker Firm Offer	10am AEST on 17 September 2012
Issue Date	18 September 2012
Notes begin trading on ASX (deferred settlement basis)	19 September 2012
Notes begin trading on ASX (normal settlement basis)	24 September 2012

All dates other than “lodgement of Prospectus with ASIC” are indicative and subject to change

Key Dates for Notes	
First Interest Payment Date	31 December 2012
First Call date	31 March 2018
Step-up Date	31 March 2038
Maturity Date	30 September 2072

Key contacts

APA Group			
Peter Fredricson Ian Duncan	Chief Financial Officer Group Treasurer	peter.fredricson@apa.com.au ian.duncan@apa.com.au	(02) 9693 0008 (02) 9693 0074
Joint Lead Managers			
Macquarie Capital	Cameron Duncan Scott Favaloro	cameron.duncan@macquarie.com scott.favaloro@macquarie.com	(02) 8232 7405 (03) 9635 8072
Credit Suisse	Nick Schiffer Will Farrant	nicholas.schiffer@credit-suisse.com will.farrant@credit-suisse.com	(03) 9280 1771 (02) 8205 4891
Evans & Partners	Damian Pretty Mike Saba	dpretty@eandp.com.au msaba@eandp.com.au	(03) 9631 9801 (03) 9631 9813
Morgan Stanley	Bob Herbert Patrick Mullins	bob.hebert@morganstanley.com patrick.mullins@morganstanley.com	(03) 9256 8937 (02) 9770 1151
RBS	Trent Skeers David Pointon	trent.skeers@rbs.com david.pointon@rbs.com	(02) 8259 6170 (02) 8259 5782
RBS Morgans	Steven Wright Michael Johnston	steven.wright@rbsmorgans.com michael.johnston@rbsmorgans.com	(07) 3334 4941 (02) 8215 5060
New Zealand Lead Managers			
First NZ Capital	David Smith Graeme Beckett	david.smith@fnzc.co.nz graeme.beckett@fnz.co.nz	+64 4 474 4472 +64 9 302 5545
Forsyth Barr	Shaun Roberts Jonathan Burke	shaun.roberts@forsythbarr.co.nz jonathan.burke@forsythbarr.co.nz	+64 4 495 1329 +64 9 368 0030
Macquarie Capital (New Zealand) Limited	Martin Wight Cameron Baudinet	martin.wight@macquarie.com cameron.baudinet@macquarie.com	+64 9 357 6961 +64 9 363 1432
Further information			
APA Notes Offer Information Line	1800 992 312 (toll free within Australia) or +61 2 8280 7132 (outside Australia)		
APA Group Notes Offer website	www.apanotesoffer.com.au		

APA Group

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For further information visit APA's website

www.apa.com.au