



APA Group

## **Acquisition of the QCLNG Pipeline and Entitlement Offer**

10 December 2014

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**Transaction overview**

# Transaction summary

- APA has entered into an agreement to acquire the newly constructed QCLNG Pipeline from a BG Group entity through the acquisition of the shares in QCLNG Pipeline Pty Ltd (**PipeCo**) for US\$5,000 million<sup>1</sup>, representing an FY16 EV / EBITDA multiple of 13.0x.
  - Operational 42 inch pipeline transporting gas from various gas fields in the Surat Basin to the QCLNG LNG export facility on Curtis Island
  - Consists of 543 kilometres of transmission pipeline, 3 laterals, interconnections with the Australia Pacific LNG and Gladstone LNG transmission pipelines, interconnection with APA's east coast grid and supporting infrastructure associated with the operation of the asset
  - Fully contracted revenue derived through long-term take-or-pay<sup>2</sup> Gas Transportation Agreements (**GTAs**) with Foundation Shippers<sup>3</sup>, servicing peak contractual MDQ<sup>4</sup> of 1,510 TJ/day
- The acquisition funding has been designed to retain APA's current credit ratings<sup>5</sup>, through a combination of:
  - An equity raising of A\$1,839 million through a fully underwritten accelerated renounceable entitlement offer
  - A US\$4,100 million<sup>6</sup> fully committed 2 year acquisition bridge facility (intended to be refinanced progressively in the USD denominated bank or bond markets)
- The acquisition follows an extensive due diligence process
- QGC Pty Ltd (**QGC**) (a BG Group entity) will operate the Pipeline under an agreement with an initial term of 3 years that PipeCo may extend at its option for rolling 3 year terms up to the end of the 20 year initial term of the GTAs. APA may assume operatorship of the Pipeline after 12 months following the acquisition<sup>7</sup>
- Completion is subject to a number of conditions, financial close is expected in early Q2 2015
- This acquisition builds on APA's strategy of expanding its revenue base and east coast grid, delivers significant EBITDA increase and is OCF/security accretive, in the order of 10%, for the first full year of ownership

(1) Equivalent to A\$6,049 million. Excludes estimated A\$144 million of stamp duty and an estimated A\$111 million in other transaction costs; (2) The development capex recovery charges are payable irrespective of volume transported whilst volume-related operating charges are passed through to the Shippers; (3) Foundation Shippers are entities owned by BG Group and an entity owned by China National Offshore Oil Corporation (**CNOOC**); (4) Maximum Daily Quantity; (5) A security rating is not a recommendation to buy, sell or hold securities (refer to the risks section); (6) Equivalent to A\$4,959million; (7) Subject to Shipper consent requirements, not to be unreasonably withheld. Note: All conversions are based on AUD/USD exchange rate of 0.8267 as at 12.00pm 9 December 2014.

# Investment highlights

<b>Revenue stability</b>	<ul style="list-style-type: none"> <li>Revenues are fully contracted on a take-or-pay basis<sup>1</sup>, calculated based on a fixed rate of return on the asset base, together with an operating cost pass-through</li> <li>Acquisition price reflects the contracted tariffs under the GTAs with primary tariff components escalated at US CPI</li> <li>~75% of revenue: BG Group Shipper entities backed by guarantee from BG Group's rated entity, BGEH<sup>2</sup></li> <li>~25% of revenue: CNOOC owned QCLNG Project entity</li> </ul>
<b>Long-term contracts</b>	<ul style="list-style-type: none"> <li>Revenues principally derived across 3 GTAs<sup>3</sup>, each for an initial 20 year period to commence from QCLNG Train 1 first commercial delivery date (<b>FCDD</b>) (which is a condition to completion)</li> <li>2 x 10 year options for the Shippers to extend, plus limited 1-2 year 'make-up' periods</li> </ul>
<b>Cost pass-through</b>	<ul style="list-style-type: none"> <li>Operating costs are passed through to Shippers</li> <li>Operated by QGC for initial 3 year term (with PipeCo option to extend for rolling 3 year terms), however APA may assume operatorship after 12 months<sup>4</sup></li> </ul>
<b>Revenue upside</b>	<ul style="list-style-type: none"> <li>Capex<sup>5</sup> during initial 20 year period generates returns through increased contracted revenue</li> <li>Growth with 100% annual US CPI escalation on primary tariff components</li> <li>If GTAs are extended, revenues over the extension period are based on capex spent to facilitate extensions<sup>6</sup></li> </ul>
<b>Expansion potential</b>	<ul style="list-style-type: none"> <li>Subject to Foundation Shipper rights, potential for additional revenue from future expansions and third party shippers</li> </ul>
<b>East coast grid</b>	<ul style="list-style-type: none"> <li>Connected to APA's east coast grid so continues to expand APA's footprint on Australia's East coast</li> </ul>

(1) The development capex recovery charges are payable irrespective of volume transported whilst volume-related operating charges are passed through to the Shippers; (2) BG Energy Holdings Ltd; (3) There is also an agreement to transport gas for use in the domestic market (variable operating charge tariff only) and a storage services agreement; (4) Subject to Shipper consent requirements, not to be unreasonably withheld; (5) Any future capex associated with mandatory or sustaining capital works earns a return via an increase in the tariff charged; (6) Minimal capex anticipated to extend asset life beyond the initial 20 year period given 40 year design life.

# QCLNG Pipeline overview

## Acquisition highlights

- Represents a key component of the QCLNG Project, linking gas fields in the Surat Basin to the LNG plant on Curtis Island for export to Asia Pacific markets
- Benefits from 20 year take-or-pay<sup>1</sup> arrangements to commence from QCLNG Train 1 FCDD with primary tariff components linked to US CPI

## Length

- 543km
- Comprises Export Pipeline (346km) and Gas Collection Header (196km)

## Capacity

- Supports a total peak MDQ of 1,510TJ/day under the various GTAs

## Diameter

- 42 inches

## Pressure<sup>2</sup>

- 10.2Mpa

## Design life

- 40 years

## Construction milestones

- Construction completed in December 2013 with first gas delivered to Curtis Island
- Commissioning completed in March 2014
- QCLNG Pipeline now operational

## QCLNG Pipeline Location



(1) The development capex recovery charges are payable irrespective of volume transported whilst volume-related operating charges are passed through to the Shippers; (2) Maximum allowable operating pressure.

# Alignment with strategy and business model

- Expands contracted customer base with revenues provided by highly creditworthy counterparties, with the weighted average credit profile of APA's counterparties being enhanced following the transaction
- Strengthens contracted revenue profile with 20 year take-or-pay<sup>1</sup> contracts with primary tariff components escalating annually at US CPI
- Further increases the footprint of APA's east coast grid
- Potential organic growth opportunities for the QCLNG Pipeline
- APA can assume operatorship after 12 months<sup>2</sup>
- Attractive asset satisfying key investment criteria:
  - Appropriate investment risk profile
  - OCF/security accretive from first full year of ownership
  - Approach to acquisition funding supports maintaining APA's current credit ratings

(1) The development capex recovery charges are payable irrespective of volume transported whilst volume-related operating charges are passed through to the Shippers; (2) Subject to Shipper consent requirements, not to be unreasonably withheld.



**QCLNG Pipeline and  
acquisition details**

# Detailed due diligence undertaken

Detailed due diligence across key areas including but not limited to:

- Asset Condition, Opex and Capex
  - APA's engineering and operations personnel have conducted site visits, reviewed the construction and operations process and have met with QGC/BG Group site personnel
  - APA has developed an informed view on the asset's condition based on findings and significant experience and expertise in the sector
  - External consultants have also been engaged to report on due diligence findings
- Claims
  - Contractor who constructed the QCLNG Pipeline has made a number of claims against PipeCo under the construction contract which are subject of current ICC arbitration proceedings
  - Under the terms of the transaction, QGC will manage the defence of the claims and has agreed to indemnify PipeCo against any award in such proceedings (as well as any costs associated with those proceedings)
- QCLNG Project and LNG markets
  - 20 year take-or-pay contracts<sup>1</sup> with BGEH guarantee for ~75% of revenue to mitigate exposure to the QCLNG Project
  - 75% of revenue backed by guarantee from BG Group's rated entity, BGEH
  - APA internal team (supported by external experts) conducted a review of the QCLNG Project and LNG market trends
- APA's east coast grid and other APA assets
  - Potential opportunities arising out of the QCLNG Pipeline (and other east coast LNG projects) in relation to existing APA assets well understood given APA's extensive involvement and investment in south east Queensland
  - Opportunities include increased interconnections with APA's existing network

(1) The development capex recovery charges are payable irrespective of volume transported whilst volume-related operating charges are passed through to the Shippers.

# Foreign exchange hedging

- APA has agreed to a USD denominated purchase price and will manage any exposure to fluctuations in the USD:AUD exchange rate prior to financial close through foreign exchange hedging of the offer consideration raised in AUD
  - APA is hedging 100% of the foreign exchange exposure to fund a USD purchase price by (i) accessing a US\$4,100 million syndicated debt facility and (ii) entering into foreign exchange contracts for the remainder of the purchase price to protect itself from any depreciation in the AUD
- Post completion, the revenues earned on the Pipeline for the transportation of gas will be denominated in USD. APA's approach to hedging this exposure includes:
  - A USD denominated debt bridge facility expected to be refinanced by the issue of medium to long-dated USD denominated debt, either denominated in USD or other currencies and swapped into USD. USD debt provides natural hedge on part of USD revenues
  - Short to medium term hedging of residual net USD revenues into AUD on an ongoing basis
- Utilising USD denominated debt as a designated hedge for USD revenue provides APA with the ability to benefit from:
  - The low USD interest environment
  - The longer tenors available in certain offshore capital markets

# Overview of the QCLNG Project



- QGC is developing the QCLNG Project
- The Project proponents include entities owned by BG Group, CNOOC and Tokyo Gas
- The Project is to supply natural gas from the Surat basin to the QCLNG facility located on Curtis Island
- Two QCLNG trains with a combined nameplate capacity of 8.5mtpa are supported by binding 20 year LNG off-take agreements with entities owned by BG Group<sup>1</sup>
- The Project transported first gas to Curtis Island in December 2013 and commissioning work for the LNG facility commenced in the second quarter of 2014

(1) BG Group has advised as follows: Off-take agreements are supported by BG Group's global LNG supply commitments including sales to Singapore, Japan and China. These include supply to CNOOC of 3.6mtpa over a 20 year period (mainly from the QCLNG Project), an additional supply of 5mtpa from 2015 (from BG's Global LNG portfolio, including the QCLNG Project) and supply to Tokyo Gas of 1.2mtpa over a 20 year period from 2015 (from both the QCLNG Project and BG's Global LNG portfolio).

# Asset characteristics

## Main pipeline and facilities

- The Export Pipeline (346km) and Gas Collection Header pipeline (GCH) (196km)
- Three lateral pipelines connecting Bellevue, Jordan and Kenya central processing plants to the GCH
- Receipt Station located near Miles
- Delivery Station on Curtis Island and a one kilometre connecting pipeline to the inlet of the QCLNG Plant
- Pig launch and receipt stations, third party connections and other common facilities
- Interconnections with the Australia Pacific LNG and Gladstone LNG projects and APA's east coast grid
- Construction has been recently completed and the Pipeline has a design life of 40 years



Source: QGC

APA Group, December 2014

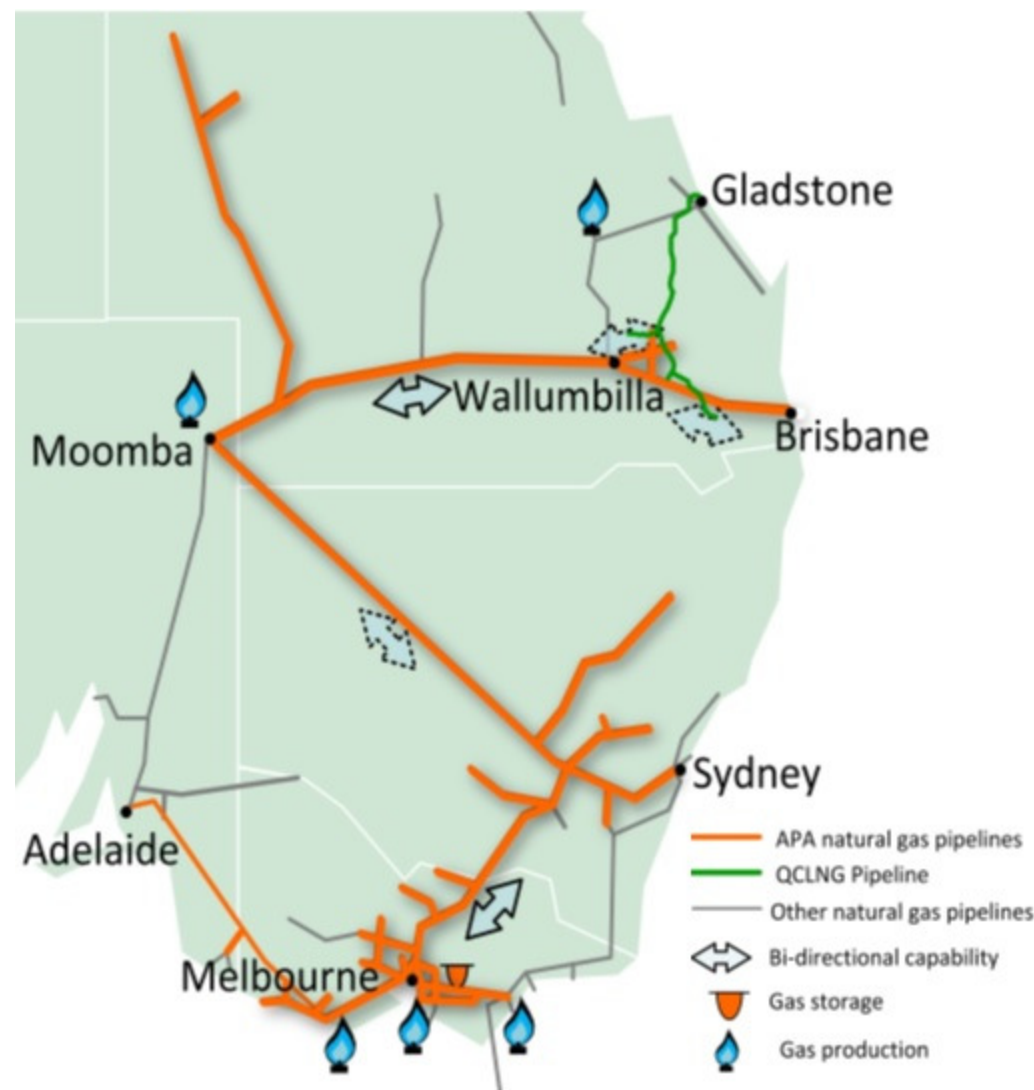
# Contracted tariff structure

- The QCLNG Pipeline has 20 year take-or-pay contracts across 3 GTAs<sup>1</sup> commencing from Train 1 FCDD of LNG from Curtis Island (which is a condition to completion)
- The take-or-pay tariffs under the GTAs are set to provide a fixed rate of return on the pipeline asset base, providing stable revenues with primary tariff components escalating annually at US CPI<sup>2</sup>
- GTA tariffs have the following features:
  - Tariffs set independently of and not linked to oil or LNG prices
  - Only volume related exposure in the GTAs is the variable operating charge (which is a pass-through to shippers)
  - ~75% of revenue from BG Group Shipper entities backed by guarantee from BG Group's rated entity, BGEH, ~25% of revenue from CNOOC owned QCLNG Project entity
- GTAs also allow the pass-through of reasonable operating expenses to the Shippers
- Any future capex associated with mandatory or sustaining capital works earns a return via an increase in the tariff charged
- The terms of the existing GTAs are locked in for the duration of the contract term, and not subject to regulation
- The Pipeline was granted a 15 year greenfield exemption from coverage under the National Gas Law, which ensures that during that period, tariffs and other terms of pipeline access for new contracts will not be subject to regulation
- Development capex recovery related revenue underpinning the take or pay nature of the GTAs may be impacted adversely, suspended or terminated under circumstances including prolonged pipeline related force majeure, default of PipeCo or a regulatory requirement to reduce Pipeline capacity

(1) There is also an agreement to transport gas for use in the domestic market (variable operating charge tariff only) and a storage services agreement; (2) US CPI – All Urban Consumers (Seasonally Adjusted).

# APA's asset base and east coast gas grid

- Acquisition further enhances APA's position as Australia's largest owner of gas transmission pipelines
- The QCLNG Pipeline complements the existing footprint of APA's gas infrastructure assets on the east coast
- APA is well positioned to benefit from evolving dynamics in the market, with gas demand on the east coast expected to continue to increase over the coming years



# Timing to completion

- Binding Sale and Purchase Agreement (**SPA**) to acquire the QCLNG Pipeline has been executed with BG Group
- Financial close under the SPA is subject to satisfaction of the following two conditions precedent<sup>1</sup>:
  - FCDD for the shipment of QCLNG commercial cargoes (post-commissioning) from Train 1 needs to have occurred. This requires the handover of the liquefaction plant by the LNG plant contractor to the QCLNG Project proponents
  - Approval by CNOOC Shipper for the change in control of PipeCo<sup>2</sup>
- After engagement with the regulator, APA has received a 'no action' letter from ACCC in which the ACCC has indicated that based on the information provided, it does not intend to conduct a public review of the acquisition
- Financial close is expected in early Q2 2015

(1) The Longstop Date for satisfaction of the conditions precedent is 30 April 2015, subject to the right of either party to extend that date to 15 June 2015; (2) Under the CNOOC GTA, CNOOC consent is not to be unreasonably withheld.



**Funding and financial impact**

# Acquisition funding

- Acquisition funding of US\$5,211 million / A\$6,304 million:
  - A\$1,839 million equity (equivalent to US\$1,520 million)
  - US\$3,691 million debt facility (equivalent to A\$4,465 million)
- Offer price of A\$6.60 per New Security

Discounts relative to Closing Price		Discounts relative to TERP	
Last Closing Price 9 December 2014	Dividend Adjusted Last Closing Price <sup>1</sup>	TERP <sup>2</sup>	Dividend Adjusted TERP <sup>3</sup>
\$7.970	\$7.795	\$7.627	\$7.496
17.19%	15.33%	13.47%	11.96%

- New Securities issued will rank equally in all respects with existing securities from the date of allotment and will be entitled to the FY 2015 final distribution, but not the FY 2015 interim distribution

(1) Calculated as APA's closing price of A\$7.97 on 9 December 2014 less the FY15 interim distribution of 17.5c per security to reflect the fact that New Securities will not be entitled to receive this distribution; (2) The TERP is a theoretical price at which APA securities trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which APA securities trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to APA's closing price of \$7.97 on 9 December 2014; (3) Dividend Adjusted TERP is calculated by reference to APA's closing price of \$7.97 on 9 December 2014 less the FY15 interim distribution of 17.5c per security to reflect the fact that New Securities will not be entitled to receive this distribution.

Note: All conversions are based on AUD/USD exchange rate of 0.8267 as at 12.00pm 9 December 2014.

# Acquisition funding (cont'd)

- Fully underwritten accelerated renounceable entitlement offer launched today
- 2 year US bank debt bridge facility intended to be progressively refinanced by the issue of medium to long-dated USD debt, either denominated in USD or in other currencies and swapped into USD
- APA has engaged with the credit rating agencies and expects to maintain its current credit ratings upon completion of funding for the acquisition

Sources (A\$ million)		Uses (A\$ million)	
Entitlement offer	\$1,839	Acquisition consideration	\$6,049
Debt	\$4,465	Estimated stamp duty	\$144
		Estimated transaction costs	\$111
<b>Total sources</b>	<b>\$6,304</b>	<b>Total uses</b>	<b>\$6,304</b>

Note: All conversions are based on AUD/USD exchange rate of 0.8267 as at 12.00pm 9 December 2014.

# Acquisition financial impact

- For the full financial year ending 30 June 2016, the asset is expected to:
  - Contribute additional EBITDA of US\$383 million to APA's business (equivalent to A\$464 million)
  - Contribute additional operating cash flow of approximately US\$200 - 221 million (equivalent to A\$242 – 267 million)
  - Contribute in the order of 10% accretion to FY16 operating cash flow per security relative to consensus<sup>1</sup>
- USD denominated revenues
  - Revenues received under the GTAs are denominated in USD
  - Debt funding for the transaction is also denominated in USD
  - USD debt provides natural hedge on part of USD revenues
    - Ability to benefit from a low USD interest environment
    - Allows APA to benefit from refinancing into longer tenors currently available in certain offshore markets
    - APA intends to hedge the remaining USD cashflows into AUD going forward
- Financial strength maintained
  - APA expects to maintain its existing credit ratings following the transaction
  - Expected post transaction gearing of 65.9% remains within APA's target range
  - Distribution policy unchanged with distribution payout ratio expected to remain at historical levels between 60-70% of operating cash flow

(1) Median consensus sourced from Commonwealth Bank, Credit Suisse, Deutsche Bank, Macquarie Research, Morgan Stanley, Morgans and RBC Capital Markets.

Note: All conversions are based on AUD/USD exchange rate of 0.8267 as at 12.00pm 9 December 2014.

# Outlook and guidance for FY 2015

- APA standalone (pre-acquisition) guidance for EBITDA and net interest cost for FY 2015 is unchanged:
  - Statutory EBITDA is expected within a range of A\$1,170 million to A\$1,190 million<sup>1</sup>
  - Normalised continuing business EBITDA within a range of A\$740 million to A\$760 million<sup>2</sup>
  - Net interest cost expected within a range of A\$315 million to A\$325 million
- In addition for FY 2015, the acquisition of the QCLNG Pipeline is expected to generate
  - Additional EBITDA within a range of A\$78 million to A\$118 million<sup>3</sup>
  - Additional net interest costs within a range of A\$13 million to A\$29 million<sup>3</sup>

FY 2015 Guidance	Statutory EBITDA (A\$ million)	Normalised EBITDA <sup>2</sup> (A\$ million)	Net Interest Cost(A\$ million)
FY 2015 (APA standalone)	\$1,170 – \$1,190	\$740 – \$760	\$315 – \$325
QCLNG Pipeline acquisition <sup>3</sup>	\$78 - \$118	\$78 - \$118	\$13 - \$29

(1) Statutory EBITDA includes A\$430m in estimated pre-tax profit from the sale of APA's stake in Envestra; (2) Excludes one-off significant items (being the A\$430m in estimated pre-tax profit from the sale of APA's stake in Envestra), reflecting APA's core earnings from operations; (3) QCLNG Pipeline acquisition metrics are in addition to APA standalone. Range is based on assumed Financial Close date of 1 April 2015 to 30 April 2015.

Note: All conversions are based on AUD/USD exchange rate of 0.8267 as at 12.00pm 9 December 2014.

# Distribution guidance for FY 2015

- New Securities to be issued under the Entitlement Offer will rank equally with existing securities post the “ex” date for APA’s FY 2015 interim distribution – expected to be 22 December 2014
  - New Securities will be eligible for all future distributions including the FY 2015 final distribution for the half year ended June 2015
  - New Securities will not be eligible for FY 2015 interim distribution for the half year ended December 2014
- Total distributions for existing securityholders at least equal to FY14 total distributions per security of 36.25 cents for all existing securities
- Distributions for new securityholders are expected to be at least equal to 18.75 cents per security

FY 2015 Distribution Guidance per security	Interim Distribution	Final Distribution	Total
Existing securities	17.5 cents	At least 18.75 cents	At least 36.25 cents
New Securities	Not eligible	At least 18.75 cents	At least 18.75 cents

# Pro forma balance sheet

(A\$ million)	APA (30-Jun 14)	Pro forma Envestra Disposal	Pro forma Acquisition Balance Sheet <sup>2</sup>	Pro forma Funding for Acquisition	Pro forma Combined Balance Sheet
<b>Assets</b>					
Current assets	203	-	(6,224)	6,224	203
Property plant and equipment	5,574	-	2,689	-	8,263
Intangible assets	171	-	3,549	-	3,720
Other non-current assets	2,024	(393)	-	-	1,631
<b>Total Assets</b>	<b>7,972</b>	<b>(393)</b>	<b>14</b>	<b>6,224</b>	<b>13,817</b>
<b>Liabilities</b>					
Current debt	-	-	-	-	-
Other current liabilities	374	-	-	-	374
Total current liabilities	374	-	-	-	374
Long term debt	4,708	(805)	-	4,428	8,331
Other long term liabilities	394	84	14	(13)	479
Total long term liabilities	5,102	(721)	14	4,415	8,810
<b>Total Liabilities</b>	<b>5,476</b>	<b>(721)</b>	<b>14</b>	<b>4,415</b>	<b>9,184</b>
<b>Net Assets</b>	<b>2,496</b>	<b>328</b>	<b>-</b>	<b>1,809</b>	<b>4,633</b>
<b>Equity</b>					
Issued Capital	2,393	-	-	1,809	4,202
Reserves	(117)	(13)	-	-	(130)
Retained Earnings	220	341	-	-	561
<b>Equity attributable to securityholders<sup>1</sup></b>	<b>2,496</b>	<b>328</b>	<b>-</b>	<b>1,809</b>	<b>4,633</b>

(1) Includes both securityholders of the parent and APT Investment Trust (2) The Pro Forma Acquisition Balance Sheet reflects the proposed accounting entries required for the acquisition of the QCLNG Pipeline. A description of the material pro forma adjustments are set out on slide 55.

Note: All conversions are based on AUD/USD exchange rate of 0.8267 as at 12pm 9<sup>th</sup> December 2014

APA Group, December 2014



APA Group

The diagram consists of two horizontal rows of three colored squares each. The top row has a green square, an orange square with the text 'APA Group', and a blue square. The bottom row has a green square, an orange square, and a blue square. A white circle with a grey outline is positioned to the right of the blue squares, overlapping the right edge of the orange square in the top row. A thin grey horizontal line passes through the center of the circle and the middle of the two rows of squares.

**Offer Summary**

# Entitlement Offer details

- Offer structure and size**
- 1 for 3 accelerated renounceable entitlement offer at an offer price of A\$6.60 per new stapled security (**New Security**) to raise gross proceeds of approximately A\$1,839 million, comprising:
    - Entitlement Offer to existing eligible institutional securityholders (**Institutional Entitlement Offer**)
    - Entitlement Offer to existing eligible retail securityholders (**Retail Entitlement Offer**)
  - Eligible securityholders may choose to take up all, part or none of their pro rata entitlement
  - For renounced and ineligible entitlements, the New Securities which would have been issued in respect of that entitlement will be sold via a bookbuild process and any proceeds of sale in excess of the offer price (net of withholding tax) will be paid to renouncing securityholders

- Offer price**
- Offer price of A\$6.60 per New Security

Discounts relative to Closing Price		Discounts relative to TERP	
Last Closing Price 9 December 2014	Dividend Adjusted Last Closing Price <sup>1</sup>	TERP <sup>2</sup>	Dividend Adjusted TERP <sup>3</sup>
\$7.970	\$7.795	\$7.627	\$7.496
17.19%	15.33%	13.47%	11.96%

- Distributions**
- New Securities issued will rank equally in all respects with existing securities from the date of allotment and will be entitled to the FY 2015 final distribution, but not the FY 2015 interim distribution

- Record date**
- 7pm (Sydney time) on 15 December 2014

(1) Calculated as APA's closing price of A\$7.97 on 9 December 2014 less the FY15 interim distribution of 17.5 cents per security to reflect the fact that New Securities will not be entitled to receive this distribution; (2) The TERP is a theoretical price at which APA securities trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which APA securities trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to APA's closing price of \$7.97 on 9 December 2014; (3) Dividend Adjusted TERP is calculated by reference to APA's closing price of \$7.97 on 9 December 2014 less the FY15 interim distribution of 17.5 cents per security to reflect the fact that New Securities will not be entitled to receive this distribution.

# Offer timetable

## Key event

Date<sup>1</sup>

Trading halt and open Institutional Entitlement Offer	Wednesday, 10 December 2014
Institutional Entitlement Offer closes	Thursday, 11 December 2014
Institutional shortfall bookbuild	Friday, 12 December 2014
Trading halt lifted	Monday, 15 December 2014
Record date for eligibility in the Entitlement Offer	7.00pm Monday, 15 December 2014
Retail Entitlement Offer opens	Tuesday, 16 December 2014
Retail offer booklet despatched	Wednesday, 17 December 2014
Early Retail Acceptance Date – last day to apply for New Securities to be issued on the Initial Allotment Date	5.00pm Friday, 19 December 2014
Settlement of the Institutional Entitlement Offer and Early Retail Acceptance	Monday, 22 December 2014
Ex-dividend date for FY 2015 Interim Distribution	Monday, 22 December 2014
Issue and quotation of New Securities under the Institutional Entitlement Offer and Early Retail Acceptance	Tuesday, 23 December 2014
Retail Entitlement Offer closes	Thursday, 15 January 2015
Retail shortfall bookbuild	Tuesday, 20 January 2015
Last day for settlement of the remaining New Securities under Retail Entitlement Offer	Tuesday, 27 January 2015
Issue of remaining New Securities under the Retail Entitlement Offer	Wednesday, 28 January 2015
Despatch of holding statements for remaining New Securities issued under the Retail Entitlement Offer	Thursday, 29 January 2015
Remaining New Securities under the Retail Entitlement Offer commence trading on ASX on a normal settlement basis	Thursday, 29 January 2015
Retail premium (if any) despatched	Thursday, 29 January 2015

(1) Dates and times are indicative only and subject to change. All dates and times refer to Sydney time. APA Group reserves the right to vary these dates or to withdraw the Entitlement Offer at any time.

APA Group, December 2014

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**Key risks**

# Key risks

- This section discusses some of the key risks associated with any investment in APA Group together with risks relating to the QCLNG Pipeline acquisition and participation in the Entitlement Offer which may affect the value of APA Group Securities. The risks set out below are not listed in order of importance and do not constitute an exhaustive list of all risks involved with an investment in APA Group.
- Before investing in APA Group you should be aware that a number of risks and uncertainties, which are both specific to APA Group and of a more general nature, may affect the future operating and financial performance of APA Group and the value of APA Group Securities.
- Before investing in APA Group Securities, you should carefully consider the risk factors and your personal circumstances. Potential investors should consider publicly available information on APA Group (such as that available on the ASX website), and consult their stockbroker, solicitor, accountant or other professional advisor before making an investment decision.
- Nothing in this presentation is financial product advice and this document has been prepared without taking into account your investment objectives or personal circumstances.

# Business risks

## ■ Economic regulation of APA Group

- Approximately 23% of APA Group's revenue (excluding pass-through revenue) for FY 2014 were obtained from assets that are subject to regulation by the independent national and state energy regulators. Regulatory pricing periods generally run for five years and reflect the regulator's determination, amongst other matters, of APA Group's projected operating and capital costs, and weighted average cost of capital. However, costs can change materially within a regulatory pricing period resulting in adverse impacts on earnings.
- The price regulation outcomes determined by the Australian Energy Regulator and the Economic Regulatory Authority of Western Australia under an Access Arrangement process for a full regulation asset may adversely affect APA Group's revenue in respect of that asset (to the extent revenue on a full regulation asset is not derived from a haulage contract that has its terms and conditions, including price, set for the period of the contract).
- If APA Group is unable to efficiently manage the operating costs within regulatory allowance, or if the regulator's projection of the operating costs, capital costs, taxation and weighted average costs of capital at the beginning of a pricing period are insufficient to meet the actual costs incurred, this may adversely affect APA Group's earnings and/or financial position and performance.
- In addition, a number of APA Group's assets are subject to light regulation which, while not a price regulation regime, does enable the regulator to arbitrate any disputes with customers on price and other terms of access.
- Additionally, under the National Gas Law, any person (including customers seeking access to a pipeline) may make an application that an unregulated pipeline become "covered" and subject to economic regulation. If a determination and decision is made for coverage, it may increase costs associated with regulation and limit APA Group's ability to negotiate tariffs and other commercial terms.

## ■ Bypass and competitive risk

- Bypass and competitive risk occurs when a new transmission pipeline offers gas transportation services to the same end market serviced by existing pipelines. This risk is particularly applicable to the Moomba Sydney Pipeline and Parmelia Gas Pipeline. For example, the Eastern Gas Pipeline is a competitive pipeline to the Moomba Sydney Pipeline, transporting gas from Victoria to the Sydney market. If bypass risk eventuates, APA Group's future earnings could be reduced if customers purchase gas transportation services from new or existing competing pipelines rather than from APA Group's existing pipelines.

## Business risks (cont'd)

### ■ Gas demand risk

- The volume of gas that is transported by APA Group is dependent on end-user demand. The relative price of gas and its competitive position with other energy sources (including electricity, coal, fuel oils, solar, wind and other alternate energy sources) may significantly change demand levels for services on APA Group's assets. The reduction in demand for APA Group's transmission services may also arise if the use of gas swap contracts by customers increases. Gas swap contracts involve customers "swapping" gas at specified delivery points so as to reduce the distance gas needs to be transported. Increased usage of such contracts may adversely affect future revenue. In addition, if APA Group's customers build gas storage facilities, this may reduce the demand for gas transmission and storage services on APA Group assets.
- The competitive position of gas and the actions of APA Group's customers cannot be predicted with certainty. If the demand for gas weakens, it may adversely impact APA Group's future revenue, profits and financial position.

### ■ Gas supply risk

- The availability of competitively priced gas is essential for ongoing use of gas transmission pipelines and distribution networks. If there is a shortage of competitively priced gas, either as a result of gas reserve depletion or the unwillingness or inability of gas production companies to produce gas, APA Group's revenue and the carrying value of its assets may be adversely affected.

### ■ Counterparty risk

- As part of its ongoing commercial activities, APA Group enters into transportation and asset management agreements with various third parties. If a counterparty to such an agreement is unable to meet its commitments to APA Group whether in whole or in part, there is a risk that future anticipated revenue would reduce unless and until APA Group is able to secure an alternative customer. Counterparty risk also arises when contracts are entered into for derivatives with financial institutions. APA Group's counterparty risks are reduced by implementation of credit policies that apply to transportation and derivative contracts.
- The failure of a counterparty to a transportation or derivative contract could, however, materially and adversely affect APA Group's financial position and performance and/or credit rating.
- APA Group is also exposed to counterparty risk with respect to existing interest rate and foreign currency hedging arrangements. Exposures are regularly monitored in accordance with APA Group's treasury risk management policy.

# Business risks (cont'd)

## ■ Interest rates and refinancing risks

- APA Group is exposed to movements in interest rates where funds are borrowed at a floating interest rate and are not effectively hedged or where fixed rate debt is being refinanced. There is a risk that adverse interest rate movements may affect APA Group's earnings, both directly (through increased interest payments) and indirectly (through the impact on asset carrying values).
- APA Group has borrowings extending through to 2024. Access to continuing financing sources to extend and/or refinance debt facilities will be important. An inability to secure new debt facilities at a similar quantum and cost to existing debt facilities may materially and adversely affect APA Group's operations and/or financial position and performance.

## ■ Foreign exchange risks

- Post the completion of the QCLNG Pipeline acquisition, the revenues earned on the Pipeline will be denominated in USD. APA Group will be exposed to movements in the foreign exchange rates and there is a risk that adverse USD:AUD exchange rate movements may affect APA Group's earnings.

## ■ Investment risk

- From time to time, APA Group may acquire infrastructure and related assets or undertake additional or incremental investment in its existing assets. Although the APA Group Board and APA Group's senior management have considerable expertise in the assessment and structuring of such investments, and they engage external expert assistance as considered necessary, any final investment decision places considerable reliance on many assumptions.
- There is a risk that these assumptions and forecasts (some of which may relate to time periods many years away) may ultimately not be realised. If these assumptions and forecasts are not realised or are realised only in part, this may adversely affect APA Group's financial position and performance. There is also a risk that APA Group may be unable to secure further appropriate infrastructure investments on suitable terms, thereby limiting its growth.

## ■ Contract renewal risk

- A large part of APA Group's revenues is the subject of long-term negotiated contracts with end customers. Due to a range of factors including customer demand risk, gas supply risk, counterparty 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 with either its existing customer or new customers when the contracts are due for renewal, this may impact APA Group's future revenue, profits and financial position.

# Business risks (cont'd)

## ■ Operational risk

- APA Group is exposed to a number of operational risks such as equipment failures or breakdowns, rupture of pipelines (including as a result of corrosion) with a risk of explosion, information technology systems failures or breakdowns, employee or equipment shortages, contractor default, unplanned interruptions including through industrial disputes or natural disasters, damage by third parties and unforeseen accidents. Operational disruption, the cost of repairing or replacing damaged assets and the risk of claims by shippers following an operational disruption, could adversely impact APA Group's earnings. Insurance policies may only provide protection for some, but not all, of the costs that may arise from unforeseen events.
- APA Group also faces the risk that a failure on the part of a producer of natural gas to maintain supply, due to a fall in throughput, may adversely affect APA Group's earnings and/or financial position and performance.

## ■ Operating licences and authorisations

- In addition to economic regulation, the natural gas industry in Australia is regulated from an operational perspective. APA Group is directly or indirectly subject to a range of regulatory requirements such as environmental laws and regulation, occupational health and safety requirements and technical and safety standards.
- All pipeline, distribution, gas processing, storage and electricity generation assets owned and/or operated by APA Group require compliance with relevant federal, state and territory laws, regulations and policies. Changes in any such laws, regulations or policies may have an adverse impact on APA Group's pricing, costs or compliance regimes, which could materially affect APA Group's operations, earnings and/or financial position and performance.
- In some instances, assets owned and/or operated by APA Group are dependent on the granting and maintenance of appropriate licences, permits or regulatory consents. Although these authorisations may be renewed following expiry or granted (as the case may be), there can be no guarantee that authorisations will be renewed, granted or continued, or renewed, granted or continued on no more onerous terms. Moreover, these authorisations are potentially subject to loss or forfeiture in the event of material non-compliance. Any failure to obtain or maintain necessary authorisations may adversely affect APA Group's operations and/or financial position and performance.

# Business risks (cont'd)

## ■ Environmental risks

- National, state and territory environmental laws and regulations affect the operations of APA Group's assets. These laws and regulations set various standards regarding certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish, in certain circumstances, obligations to remediate current facilities and locations where operations are, or were, previously conducted.
- There is a risk that liability could be imposed on APA Group for damages, clean-up costs or penalties in the event of discharge of prohibited substances into the environment, environmental damage caused by APA Group or previous owners of property or assets acquired by APA Group, or other non-compliance with environmental laws and regulations. Increased costs associated with regulatory compliance and/or litigation could adversely affect APA Group's earnings and/or financial position and performance.
- APA Group's construction projects may also be subject to delays as a result of environmental disputes, environmental impact assessments and consultation processes and the need to obtain necessary environmental approvals.

## ■ Land tenure

- APA Group's gas pipeline assets are primarily constructed and operated on land over which APA Group has land tenure, including easements, leases or land that it owns. If APA Group loses any land tenure rights or is otherwise required to relocate its pipelines, the operating business could be adversely affected. APA Group's operations could also be negatively impacted if land access costs increase, including through rental increases, renewals of expiring agreements, prevention of easement encroachments or enforcement of APA Group's current land access rights.

## ■ Construction and development risk

- As part of growing its business, APA Group develops new assets and undertakes expansion to its existing assets. Development of APA Group's assets involves a number of typical construction risks including the failure to obtain necessary approvals, employee or equipment shortages, higher than budgeted construction costs, insolvency events and project delays, which may impact the commerciality and economics of the development or otherwise impact on APA Group's other assets.

## ■ Disputes and litigation risks

- In the course of its operations, APA Group may be involved in disputes and litigation. There is a risk that material or costly disputes or litigation could affect APA Group's financial position and performance. As at the date of this presentation, APA Group is not aware of any litigation that would have a material adverse effect on it.

## Business risks (cont'd)

### ■ Insurance

- There may be some circumstances where APA Group's insurance will not cover, or will not be adequate to cover, the consequences of adverse events arising from operations, or where APA Group may become liable for pollution or other operational hazards against which it cannot insure or may have elected not to have insured or keep insured on account of high premium costs or otherwise. In that event, APA Group could incur significant costs that may adversely affect APA Group's financial position and performance.

### ■ Credit rating or security rating risks

- A security rating is not a recommendation to buy, sell or hold securities in so far as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for a given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances warrant. APA Group is under no obligation to update information regarding such ratings should they change over time.

# QCLNG Pipeline acquisition risks

- Risk that material issues may not have been identified by due diligence investigations
  - APA Group undertook a due diligence investigation process in respect of the QCLNG Pipeline acquisition and was provided with the opportunity to review certain detailed information provided by or on behalf of BG Group and third parties. While the APA Group considers that this review was adequate, the information was largely provided by BG Group. Consequently, APA Group has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data and there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the QCLNG Pipeline acquisition have been identified.
  - Similarly, financial information in respect of the QCLNG Pipeline acquisition has been derived from audit reviewed and unaudited financial information. APA Group is unable to verify the accuracy or completeness of this information.
  - It should also be noted that only limited contractual representations or warranties have been obtained in respect of the adequacy or accuracy of the materials disclosed during the due diligence process.
  - If any of the information provided by or on behalf of BG Group or third parties as part of the due diligence process is shown to be incomplete, incorrect, inaccurate or misleading, this may consequently have an adverse impact on the actual performance of QCLNG Pipeline compared to the performance expected of it as part of APA Group's analysis and assessment of the QCLNG Pipeline acquisition opportunity. This may therefore have an adverse impact on the financial position and performance of APA Group.
- Counterparty risk
  - There is a risk that counterparties would not perform their obligations or pay the required tariffs under the GTAs. If a counterparty to the GTAs is unable to meet its commitments to APA Group whether in whole or part, there is a risk that future anticipated revenue would reduce.
- Completion risk
  - Completion of the acquisition of the QCLNG Pipeline is conditional on certain matters including that Train 1 FCDD needs to have occurred and approval by CNOOC shipper for the change of control of PipeCo being obtained. If any of the conditions are not met, completion of the acquisition of the QCLNG Pipeline may be deferred or cancelled. The QCLNG Pipeline acquisition agreement (SPA) may also be terminated or completion delayed in certain circumstances including an unremedied breach of a material term by APA Group. If completion does not occur, APA Group will need to consider alternative uses for, or ways to return the proceeds of, any subscriptions raised from APA Group securityholders under the Entitlement Offer. APA may consider using the proceeds for general corporate purposes if the acquisition does not complete. Failure to complete the QCLNG Pipeline acquisition and/or any action required to be taken to return capital may have a material adverse effect on APA Group's financial performance, financial position and security price. In all circumstances APA Group may incur significant costs and be exposed to material liabilities.

# QCLNG Pipeline acquisition risks (cont'd)

## ■ Analysis of QCLNG Pipeline acquisition opportunity

- APA Group has undertaken financial, operational, asset condition, business and other analysis in respect of the QCLNG Pipeline acquisition in order to determine its attractiveness to APA Group and whether to pursue the QCLNG Pipeline acquisition.
- It is possible that the analysis undertaken by APA Group and the best estimates assumptions made by APA Group draw conclusions and forecasts which are inaccurate or which are not realised in due course (whether because of flawed methodology, misinterpretation of economic circumstances or otherwise).
- Information relating to upstream and LNG plant has not been directly sourced but has been provided by BG Group in documents such as the Information Memorandum.
- To the extent that the actual results achieved by QCLNG Pipeline are weaker than those indicated by APA Group's analysis, there is a risk that there may be an adverse impact on the financial position and performance of APA Group.
- There is a risk that capex related revenue under the GTAs may be impacted adversely, suspended or terminated under circumstances including prolonged Pipeline related force majeure, default of PipeCo or regulatory reduction in Pipeline capacity.

## ■ Integration risk

- There is a risk that the integration of QCLNG Pipeline into APA Group may encounter unexpected challenges or issues including (but not limited to) a failure to obtain necessary consents and takes longer than anticipated, diverts management attention or does not deliver the expected benefits and this may affect APA Group's operating and financial performance.

## ■ Debt funding risk

- APA Group has entered into financing arrangements pursuant to which financiers have agreed to provide debt financing for the QCLNG Pipeline acquisition, subject to the terms and conditions of a debt financing agreement. If certain events occur (e.g. insolvency, compliance with bank covenants etc.), the financiers may terminate the debt financing agreement. Termination of the debt financing agreement would have an adverse impact on APA Group's sources of funding for the QCLNG Pipeline acquisition.
- APA Group intends to refinance the 2 year US bank debt bridge facility in the USD denominated bank or bond markets. APA Group's ability to refinance the bridge facility will depend on, amongst other things, prevailing market conditions and other market factors at the relevant time.

# Offer and general risks

## ■ Underwriting risk

- APA has entered into an underwriting agreement under which three underwriters have agreed to fully underwrite the Entitlement Offer, subject to the terms and conditions of the Underwriting Agreement between the parties. If certain conditions are not satisfied or certain events occur, the underwriters may terminate the Underwriting Agreement. Termination of the Underwriting Agreement would have an adverse impact on the proceeds raised under the Entitlement Offer and APA's sources of funding for the QCLNG Pipeline acquisition. If the Underwriting Agreement is terminated APA will not be entitled to terminate the SPA for the QCLNG Pipeline acquisition. In these circumstances APA would need to find alternative funding to meet its contractual obligations. Termination of the Underwriting Agreement could materially adversely affect APA's business, cash flow, financial condition and results of operations.
- These conditions to the Underwriting Agreement include that the SPA and the debt funding documents for the QCLNG Pipeline acquisition have been entered into and not been terminated, rescinded or varied in any material respect without the underwriters' consent and no condition precedent under such agreements is able to be waived or becomes incapable of being satisfied.

## Termination and restructure events

- There are certain events which trigger termination or restructure of the Underwriting Agreement during the Institutional and Retail Offer periods. The ability of the underwriters to terminate the Underwriting Agreement in respect of some events will depend on whether the event has or is likely to have a material adverse effect on the success, marketing or settlement of the Entitlement Offer, the value of the securities, or the willingness of investors to subscribe for securities, or where they may give rise to liability for the underwriters.

## Institutional Entitlement Offer

- The events which may trigger termination of the Underwriting Agreement in the period from execution of the Underwriting Agreement to settlement of the Institutional Entitlement Offer include where:
  - APA is suspended from the official list of ASX for one or more trading days (other than in connection with the bid or the Entitlement Offer) or its securities are delisted or suspended from quotation;
  - APA alters its capital structure;
  - APA or a material subsidiary of APA is or becomes insolvent;
  - APA's CEO or CFO has their employment terminated for cause;
  - APA contravenes the Corporations Act, its constituent documents, the ASX Listing Rules or other applicable law; or
  - APA's directors engage in fraud or commit certain offences.

# Offer and general risks (cont'd)

## ■ Underwriting risk (cont'd)

- In addition to these termination events, there are certain other defined restructure events including market disruption, hostilities, regulatory action, APA representations and warranties are untrue, change in law, contravention of the law or the ASX Listing Rules, offences by directors, a breach by APA of its obligations or material adverse change. If any such event occurs prior to the settlement of the Institutional Entitlement Offer, the underwriters' obligation to underwrite at the offer price and in accordance with the current timetable would cease to apply, in which case the underwriters and APA would be required to work together in good faith to agree amendments to the Underwriting Agreement to implement an alternative capital raising that enables APA to pursue the QCLNG Pipeline acquisition. In such circumstances, there is no guarantee that the underwriters will agree appropriate and timely amendments to the Underwriting Agreement.

## Retail Entitlement Offer

- In addition to the Institutional Entitlement Offer termination and restructure events, there are certain events which may occur in the period from settlement of the Institutional Entitlement Offer to settlement of the Retail Entitlement Offer which trigger termination of the Underwriting Agreement. These termination events include where:
  - a disclosure in the due diligence committee report or verification materials is or becomes misleading or deceptive, including by way of omission;
  - the documentation for the Entitlement Offer or any aspect of the Entitlement Offer does not comply with the Corporations Act, ASX Listing Rules, the ASX Waivers or any other applicable law;
  - a member of the APA Group breaches or defaults under any provision, undertaking, covenant or ratio of a material debt or financial arrangement or any related documentation which has an adverse effect on the APA Group;
  - an event of default or event which gives a lender or financier the right to accelerate or require repayment of debt or financing or other similar material event occurs under or in respect to any such debt or financing arrangement or related document occurs which has an adverse effect on the APA Group;
  - a scheme of arrangement or reconstruction is announced by APA, or another offer to securityholders is announced by another person, which, if implemented may result in a person and their associates acquiring a beneficial interest in, or voting power of, 50% or more of the interests in APA;
  - a change in the responsible entity of APT and APTIT is proposed or occurs;
  - an event that would have been a restructure event during the Institutional Entitlement Offer period occurs during this period.

# Offer and general risks (cont'd)

## ■ Renouncement risk

- If you are an eligible securityholder, and renounce your entitlement under the Entitlement Offer, there is no guarantee that any value will be received for your renounced entitlement through the bookbuild process.
- The ability to sell New Securities under the bookbuild and the ability to obtain any premium will be dependent upon various factors, including market conditions.
- To the maximum extent permitted by law, APA, the underwriters and the respective related bodies corporate, affiliates or the directors, officers, employees or advisors of any of them, will not be liable, including for negligence, for any failure to procure applications under the bookbuild at a price in excess of the offer price.
- You should also note that if you do not take up all of your Entitlement, then your percentage security holding in APA will be diluted by not participating to the full extent in the Entitlement Offer.

## ■ Market generally

- The price of APA Group securities (including the New Securities to be issued pursuant to the Entitlement Offer) on the ASX will be affected by the financial performance of APA Group and may rise or fall due to numerous often unpredictable factors, including:
  - Australian and international general economic conditions, including inflation rates, the level of economic activity, interest rates and currency exchange rates
  - tensions and acts of terrorism in Australia and around the world
  - investor perceptions in the local and global markets for listed stocks
  - changes in the supply and demand of infrastructure securities.
- APA Group securities (including the New APA Group Securities to be issued pursuant to the Entitlement Offer) may trade at higher or lower prices than the price at the time of this presentation and no assurances can be given that APA Group's market performance will not be materially adversely affected by any such market fluctuations or factors. No member of APA Group, nor any of their directors nor any other person guarantees APA Group's market performance.

# Offer and general risks (cont'd)

## ■ Economic risks

- Changes in global economic conditions (including changes in interest rates, inflation, foreign exchange rates and labour costs) as well as general trends in the Australian and overseas equity markets may affect the trading price of APA Group Securities on the ASX. One or more of these factors may cause APA Group Securities to trade below current prices and may adversely affect the operating and financial performance of APA Group. In addition, changes in the value of APA Group Securities may be unrelated or disproportionate to the actual operating performance of APA Group.

## ■ Economic conditions

- The operating and financial performance of APA Group is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and exchange rates, government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in demand, could materially and adversely affect APA Group's operations and/or financial position and performance.

## ■ Access to capital

- APA Group relies on access to debt and equity financing. The ability to secure financing, or financing on acceptable terms, may be materially adversely affected by volatility in the financial markets, globally or affecting a particular geographic region, industry or economic sector or by a downgrade in its credit rating. For these or other reasons, financing may be unavailable or the cost of financing may be significantly increased. Such inability to obtain, or increase to the costs of obtaining, financing could materially and adversely affect APA Group's operations and/or financial position and performance.

## ■ Asset impairment

- The APA Group Board regularly monitors impairment risk. Where the value of an asset is assessed to be less than its carrying value, APA Group is obliged to recognise an impairment charge in its profit and loss account.
- Asset impairment charges may result from the occurrence of unexpected adverse events that impact APA Group's expected performance. Assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. This could result in the recognition of impairment provisions that could be significant and could have a material adverse effect on APA Group's financial condition and results of operations.

# Offer and general risks (cont'd)

## ■ Changes to accounting standards

- Changes to Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act could affect APA Group's reported results of operations in any given period or APA Group's financial condition from time to time.

## ■ Changes in law, regulation and government policy

- Changes in law (including the National Gas Law and the National Gas Rules), relevant taxation laws, interest rates, accounting standards, other legal, legislative and administrative regimes, and government policies, may have an adverse effect on the assets, operations and ultimately the financial performance of APA Group. These factors may ultimately affect APA Group's financial position and performance and the market price of APA Group Securities.

## ■ Adverse tax developments

- APA Group comprises of two trusts, Australian Pipeline Trust (APT) and APT Investment Trust (APTIT), which are registered managed investment schemes regulated by the Corporations Act. APT Units are "stapled" to APTIT Units on a one-to-one basis so that one APT Unit and one APTIT Unit form a single stapled security which trades on the ASX. Australian taxation laws apply to each of these entities separately. Changes to tax legislation, the interpretation of tax legislation by the courts, the administration of tax legislation by the relevant tax authorities and the applicability of such legislation to the APA Group or entities within the APA Group may increase APA Group's tax liabilities.
- APTIT and its subsidiary trusts are generally not liable for Australian income tax and capital gains tax, provided that all income is distributed. If applicable tax regimes change or the activities of the APA Group result in APTIT or its subsidiary trusts becoming subject to a different tax regime, this could result in material tax liabilities for APA Group.

# Offer and general risks (cont'd)

## ■ Other external factors

- Other external factors may impact APA Group's performance, including changes or disruptions to political, regulatory, legal or economic conditions or to national and international markets.
- Natural phenomenon such as fire, earthquake, flood or cyclone may occur and some of the assets of APA Group may not be insured for such events. Events of this nature can affect a party's ability to perform its contractual obligations.

## ■ Insurance counterparty risk

- There can be no assurance that APA Group maintains, or will continue to maintain, sufficient insurance coverage for all of the risks associated with the operation of its businesses. APA Group is also subject to the credit risk of its insurers and their continued ability to satisfy claims made by APA Group. If APA Group's insurance coverage is not sufficient to cover any losses that are incurred in the course of its business, or if APA Group's insurers are unwilling or unable to satisfy claims made by APA Group, APA Group could be exposed to uninsured losses that are significant.

## ■ Ongoing disputes

- APA Group may from time to time be involved in legal, regulatory and other proceedings and disputes arising from its businesses and operations, including proceedings and disputes relating to construction, development and expansion of pipelines, environmental issues, native title claims, securityholder action, industrial action, special interest group action and disputes with joint venture partners, contractors and other counterparties (including government counterparties). These disputes may lead to legal, regulatory and other proceedings, and may cause APA Group to incur significant costs, delays and other disruptions to its businesses and operations. In addition, regulatory actions and disputes with governmental authorities may result in fines, penalties and other administrative sanctions.

## ■ Health and safety

- APA Group is subject to environmental and health and safety regulations under Australian Commonwealth and State laws. Although APA Group maintains comprehensive environmental management plans to monitor the performance of its operations, no assurance can be given that APA Group will not be subject to potential environmental and health and safety liabilities associated with the operation of its businesses.

# International selling restrictions

This presentation does not constitute an offer of entitlements or New Securities of the APA Group in any jurisdiction in which it would be unlawful. In particular, this presentation may not be distributed to any person, and the entitlements and New Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

## ■ Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of entitlements and New Securities only in the Provinces of British Columbia, Ontario and Quebec (the Provinces) and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – Prospectus and Registration Exemptions, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the entitlements or the New Securities or the offering of such securities and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of entitlements or New Securities or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the entitlements or the New Securities in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements.

The APA Group, and the directors and officers of the APA Group, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the APA Group or its directors or officers. All or a substantial portion of the assets of the APA Group and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against the APA Group or such persons in Canada or to enforce a judgment obtained in Canadian courts against the APA Group or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

Unless stated otherwise, all dollar amounts contained in this document are in AUD.

Statutory rights of action for damages and rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defences contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

# International selling restrictions (cont'd)

## ■ Canada (British Columbia, Ontario and Quebec provinces) (cont'd)

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the entitlements or the New Securities purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the APA Group if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the APA Group. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the entitlements and the New Securities during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the APA Group, provided that (a) the APA Group will not be liable if it proves that the purchaser purchased such securities with knowledge of the misrepresentation; (b) in an action for damages, the APA Group is not liable for all or any portion of the damages that the APA Group proves does not represent the depreciation in value of such securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which such securities were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations. Prospective purchasers of the entitlements and the New Securities should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of such securities as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Securities (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

# International selling restrictions (cont'd)

## ■ European Economic Area – Austria, Belgium, Denmark, Germany, Luxembourg and Netherlands

The information in this document has been prepared on the basis that all offers of entitlements and New Securities will be made pursuant to an exemption under the Directive 2003/71/EC (Prospectus Directive), as amended and implemented in Member States of the European Economic Area (each, a Relevant Member State), from the requirement to produce a prospectus for offers of securities. An offer to the public of entitlements and New Securities has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, MiFID); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

## ■ France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers (AMF). The entitlements and the New Securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. This document and any other offering material relating to the entitlements and the New Securities have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation. Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the entitlements and the New Securities cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

# International selling restrictions (cont'd)

## ■ Hong Kong

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the SFO). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the entitlements and the New Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO). No advertisement, invitation or document relating to the entitlements and the New Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the entitlements or the New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance. The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## ■ Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the Prospectus Regulations). The entitlements and the New Securities have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations.

## ■ Italy

The offering of the entitlements and the New Securities in the Republic of Italy has not been authorized by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa, CONSOB) pursuant to the Italian securities legislation and, accordingly, no offering material relating to these securities may be distributed in Italy and these securities may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998, as amended (Decree No. 58), other than:

- to qualified investors (Qualified Investors), as defined in Article 100 of Decree No. 58 by reference to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999, as amended (Regulation No. 11971); and
- in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

# International selling restrictions (cont'd)

## ■ Italy (cont'd)

Any offer, sale or delivery of the entitlements or the New Securities or distribution of any offer document relating to these securities in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 (as amended) and any other applicable laws; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the entitlements and the New Securities in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such securities being declared null and void and in the liability of the entity transferring the securities for any damages suffered by the investors.

## ■ Japan

The entitlements and the New Securities have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the FIEL) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the entitlements and the New Securities may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires entitlements or New Securities may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of entitlements or New Securities is conditional upon the execution of an agreement to that effect.

## ■ Korea

The APA Group is not making any representation with respect to the eligibility of any recipients of this document to acquire the entitlements or the New Securities under the laws of Korea, including, without limitation, the Foreign Exchange Transaction Act and regulations thereunder. These securities have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea (FSCMA) and therefore may not be offered or sold (directly or indirectly) in Korea or to any resident of Korea or to any persons for re-offering or resale in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its enforcement decree), except as permitted under the applicable laws and regulations of Korea. Accordingly, the entitlements and the New Securities may not be offered or sold in Korea other than to "qualified professional investors" (as defined in the FSCMA).

# International selling restrictions (cont'd)

## ■ Malaysia

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## ■ New Zealand

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- persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- persons who are each required to (i) pay a minimum subscription price of at least NZ\$500,000 for the securities before allotment or (ii) have previously paid a minimum subscription price of at least NZ\$500,000 for securities of the APA Group (initial securities) in a single transaction before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this document.

## ■ Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007. The entitlements and the New Securities may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

# International selling restrictions (cont'd)

## ■ Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore (MAS) and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (the SFA) in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. The APA Group is not a collective investment scheme authorised under section 286 of the SFA or recognised by the MAS under section 287 of the SFA and the entitlements and the New Securities are not allowed to be offered to the retail public. This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the entitlements or the New Securities may not be circulated or distributed, nor may these securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA. This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore. Any offer is not made to you with a view to the entitlements or the New Securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## ■ Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the entitlements or the New Securities be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Any offering of entitlements or New Securities in Sweden is limited to persons who are "qualified investors" (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

# International selling restrictions (cont'd)

## ■ Switzerland

The entitlements and the New Securities may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the entitlements and the New Securities may be publicly distributed or otherwise made publicly available in Switzerland. These securities will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations. Neither this document nor any other offering or marketing material relating to the entitlements and the New Securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of entitlements and New Securities will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA). This document is personal to the recipient only and not for general circulation in Switzerland.

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# International selling restrictions (cont'd)

## ■ United Kingdom

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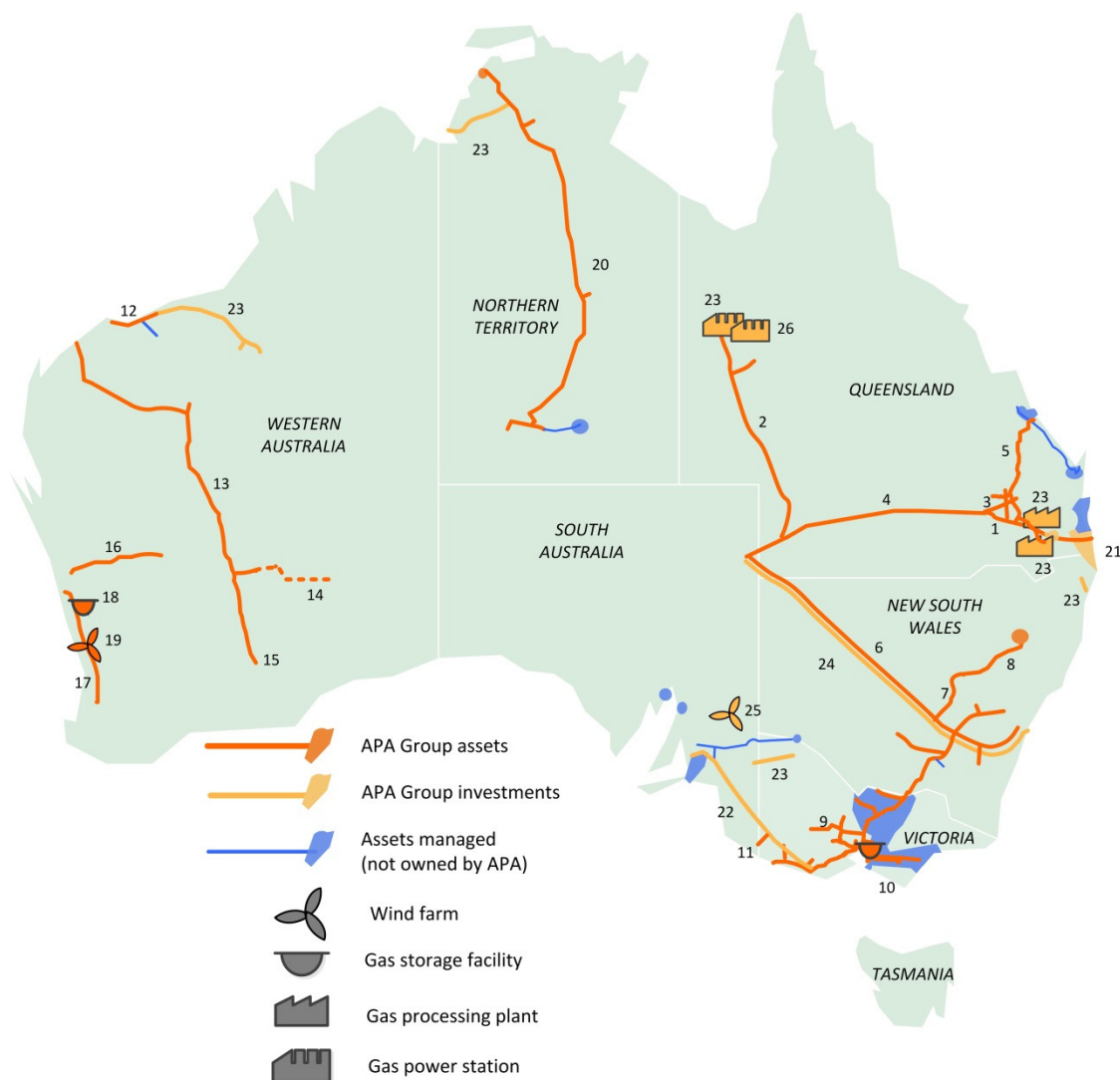
## ■ United States

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**Supplementary information**

# APA asset and investment portfolio



## APA Group assets and investments

Energy Infrastructure	Energy Investments
<b>Queensland</b> (1) Roma Brisbane Pipeline (2) Carpentaria Gas Pipeline (3) Berwyndale Wallumbilla Pipeline (4) South West Queensland Pipeline (5) QCLNG Pipeline	(21) <b>GDI (EII) (20%)</b> Allgas Gas distribution network in Queensland (22) <b>SEA Gas Pipeline (50%)</b> (23) <b>Energy Infrastructure Investments (19.9%)</b> Gas pipelines, electricity transmission, gas-fired power stations and gas processing plants
<b>New South Wales</b> (6) Moomba Sydney Pipeline (7) Central West Pipeline (8) Central Ranges Pipeline	(24) <b>Ethane Pipeline Income Fund (6.1%)</b> (25) <b>EII2 (20.2%)</b> North Brown Hill wind farm
<b>Victoria</b> (9) Victorian Transmission System (10) Dandenong LNG facility	(26) <b>Diamantina and Leichhardt Power Stations (50%)</b>
<b>South Australia</b> (11) SESA Pipeline	<b>Asset Management</b> <b>Commercial and/or operational services to:</b> <ul style="list-style-type: none"> <li>- Australian Gas Networks</li> <li>- GDI (EII) – Allgas (20.0%)</li> <li>- Energy Infrastructure Investments (19.9%)</li> <li>- Ethane Pipeline Income Fund (6.1%)</li> <li>- SEA Gas Pipeline (50.0%)</li> <li>- EII2 (20.2%)</li> <li>- other third parties</li> </ul>
<b>Western Australia</b> (12) Pilbara Pipeline System (13) Goldfields Gas Pipeline (88.2%) (14) Eastern Goldfields Pipeline (under construction) (15) Kalgoorlie Kambalda Pipeline (16) Mid West Pipeline (50%) (17) Parmelia Gas Pipeline (18) Mondarra Gas Storage Facility (19) Emu Downs wind farm	
<b>Northern Territory</b> (20) Amadeus Gas Pipeline	

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APA Group

## Appendix – Financial Details

# Pro forma adjustments

- The Pro forma adjustments in preparation of the Pro forma APA Group Combined Balance Sheet, are summarised below:

1. Pro forma Envestra Disposal Adjustment

The pro forma Envestra disposal adjustment reflects the receipt of a final dividend of \$21 million, disposal of APA Group's 33.05% investment in Envestra in August 2014 for proceeds of \$784 million and the associated tax consequences of the disposal.

2. Pro forma Acquisition Adjustment

The pro forma acquisition adjustments assume a purchase price of \$6,049 million. The fair value of the asset acquisition has been allocated to property, plant and equipment and a contract intangible. Transaction costs of \$175 million have been capitalised and in addition transaction costs of \$80 million have been offset against the debt and equity raised.

3. Pro forma Funding Adjustment

The equity offer is expected to raise gross proceeds of \$1,839 million. Transaction costs directly attributable to the Equity Offer of \$43 million (before tax) have been offset against the equity raise.

The debt issuance is expected to raise gross proceeds of \$4,465 million. Transaction costs directly attributable to the Debt Issuance of \$37 million (before tax) have been offset against the debt raised.

# Key assumptions

## Effect of the QCLNG Pipeline acquisition on earnings

Key assumptions used to determine the impact of the QCLNG Pipeline acquisition on EBITDA, net interest costs, operating cashflow and operating cashflow per security are set out below:

- Financial Close date is assumed to be within a range of 1 April 2015 to 30 April 2015
- USD revenue, debt and net interest costs have been translated into AUD using an exchange rate of 0.8267
- USD revenue escalates in line with US CPI
- The USD bridge facility is refinanced in the bond market which will ultimately take the form of USD denominated debt
- APA Group raises gross proceeds of \$1,839 million under an Equity Offer
- APA Group raises gross proceeds of \$4,465 million of debt

This information is intended to assist investors in assessing, where relevant, the reasonableness and likelihood of the assumptions occurring and is not a representation that the assumptions will occur. Potential investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing this information, and that this may have a positive or negative impact on APA Group's financial performance. Investors are advised to review the key assumptions in this section in conjunction with the section on Key Risks commencing on slide 28.



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