



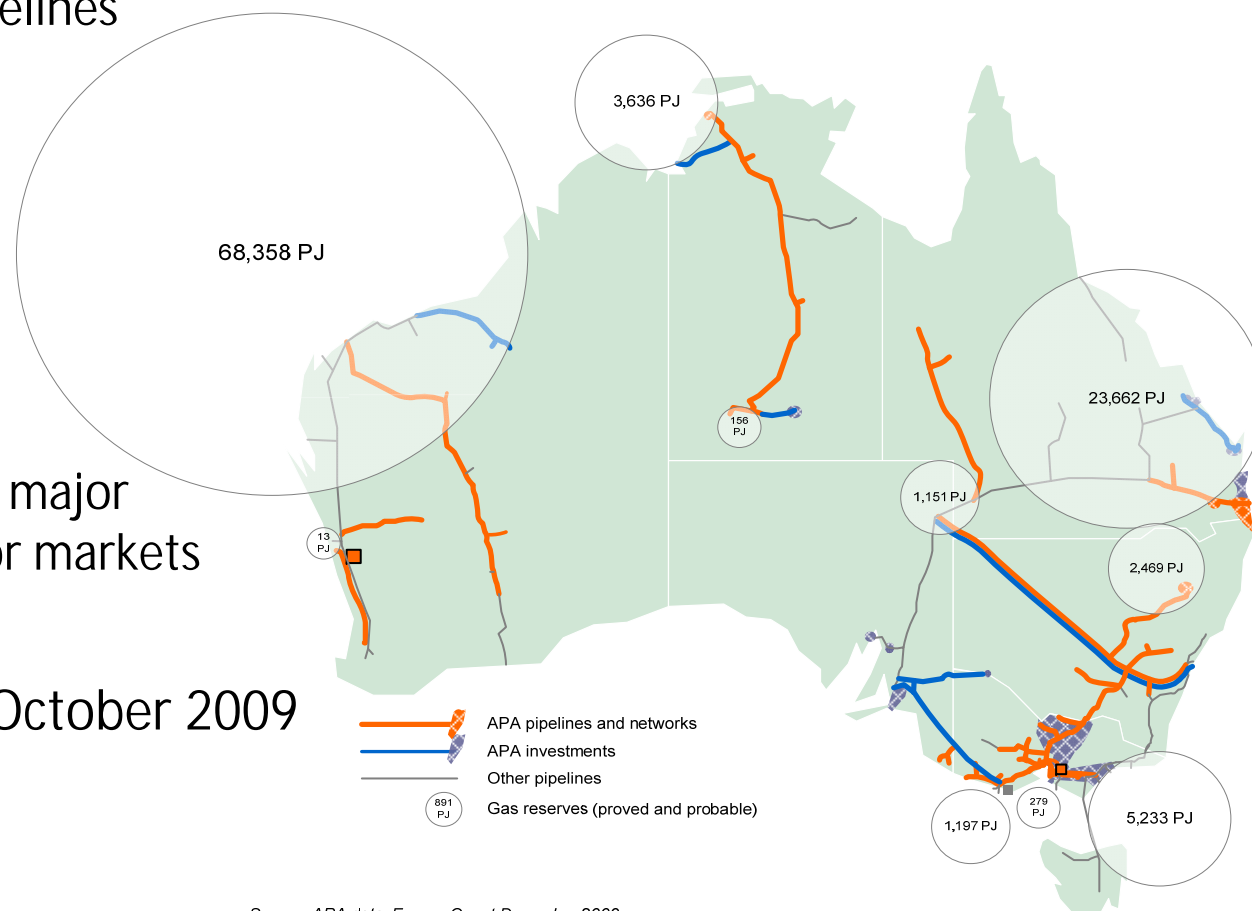
The changing role of gas transmission organisations

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Macquarie Australia Conference
7 May 2010

APA Group overview

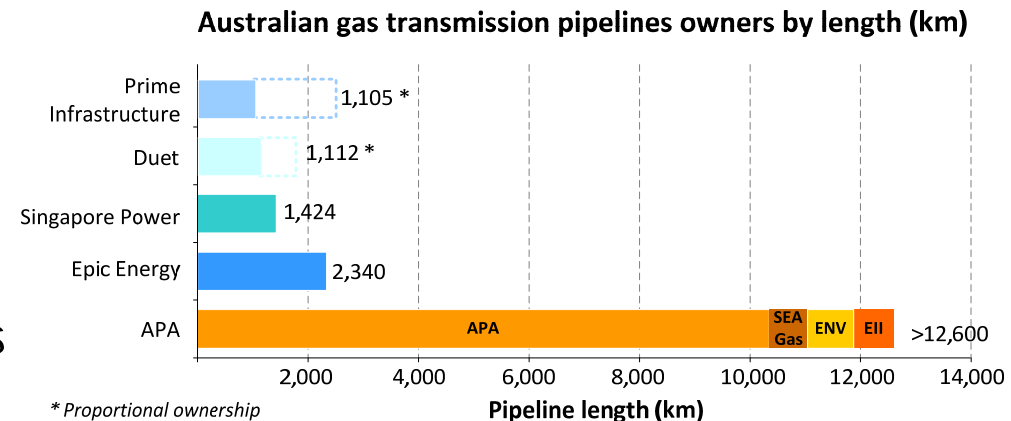
- Australia's leading gas transmission and distribution business
- Infrastructure owner and operator, over \$8 billion assets owned or managed
 - 12,000 km of transmission pipelines
 - Interests in 21,000 km of distribution networks
- Transport >70% of natural gas used in east Australia, and > 50% across Australia
 - Delivering natural gas from all major production sources to all major markets
- Listed on the ASX in June 2000; entered S&P/ASX 100 index in October 2009



Source: APA data; Energy Quest December 2009

APA's strengths

- Unrivalled gas asset footprint
 - largest transporter of natural gas across Australia by pipeline length, capacity and volume
- Integrated portfolio of gas pipeline assets
 - providing revenue and operating synergies
- Attractive growth opportunities
 - enhancing capacity in APA's existing pipelines serving major growth markets across Australia
- Stable cash flow
 - from regulated and contracted revenue
- Internally managed and operated business
 - highly skilled and experienced workforce, extracting greater value from the business and responding to a dynamic energy market



Source: APA & AER State of the Energy Market 2009

APA's strategy

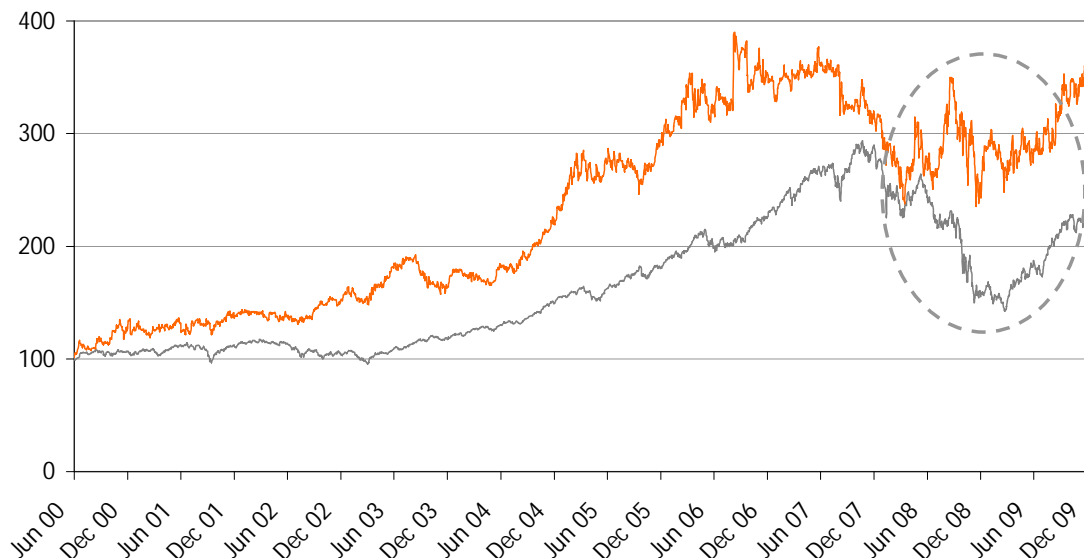
Maximise value for securityholders

- Focusing on gas infrastructure assets in Australia's growing gas market and enhancing APA's portfolio of assets
- Capturing revenue and operational synergies from APA's significant asset base
- Pursuing opportunities that leverage APA's knowledge and skills base

Strategy is underpinned by a strong and responsive balance sheet

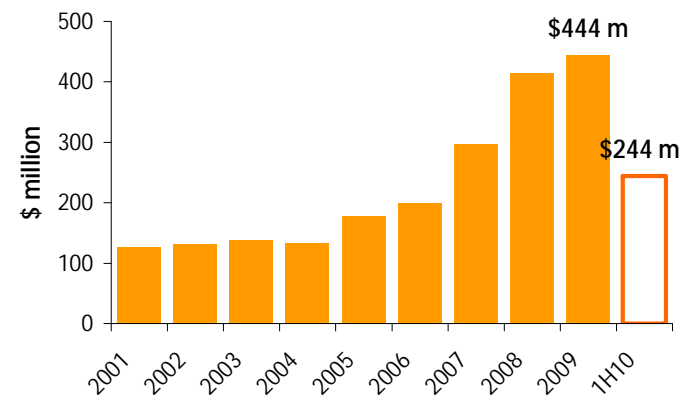
Ten years of consistent, strong performance

Total securityholder returns



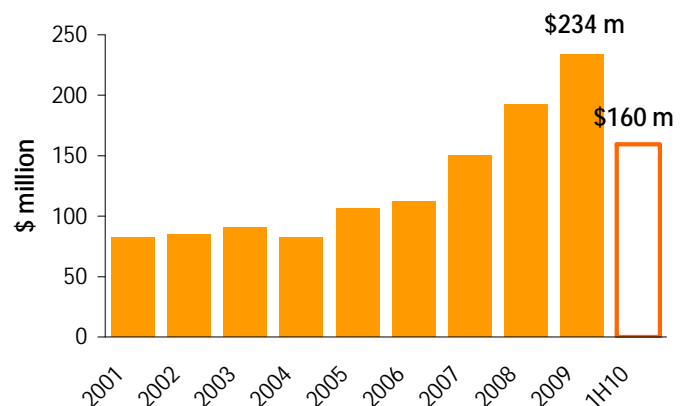
— APA total securityholder returns — All Ords accumulation index

EBITDA

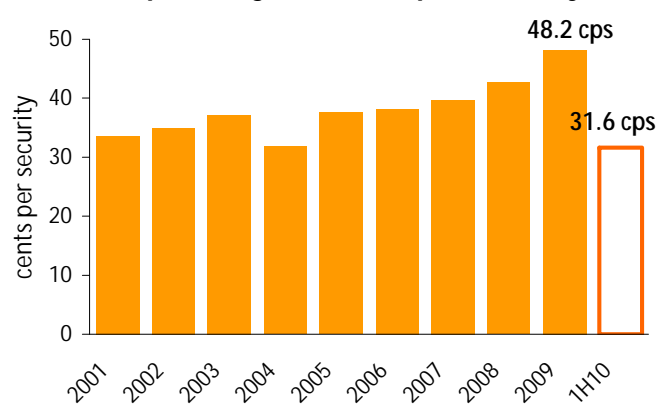


Source: APA based on IRESS data

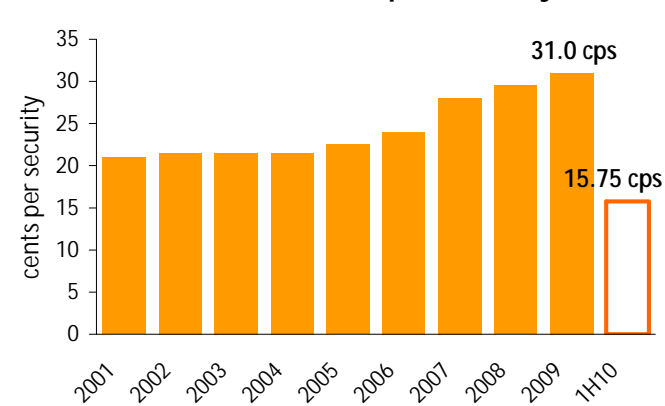
Operating cash flow



Operating cash flow per security



Distributions per security



Delivering securityholder value since listing

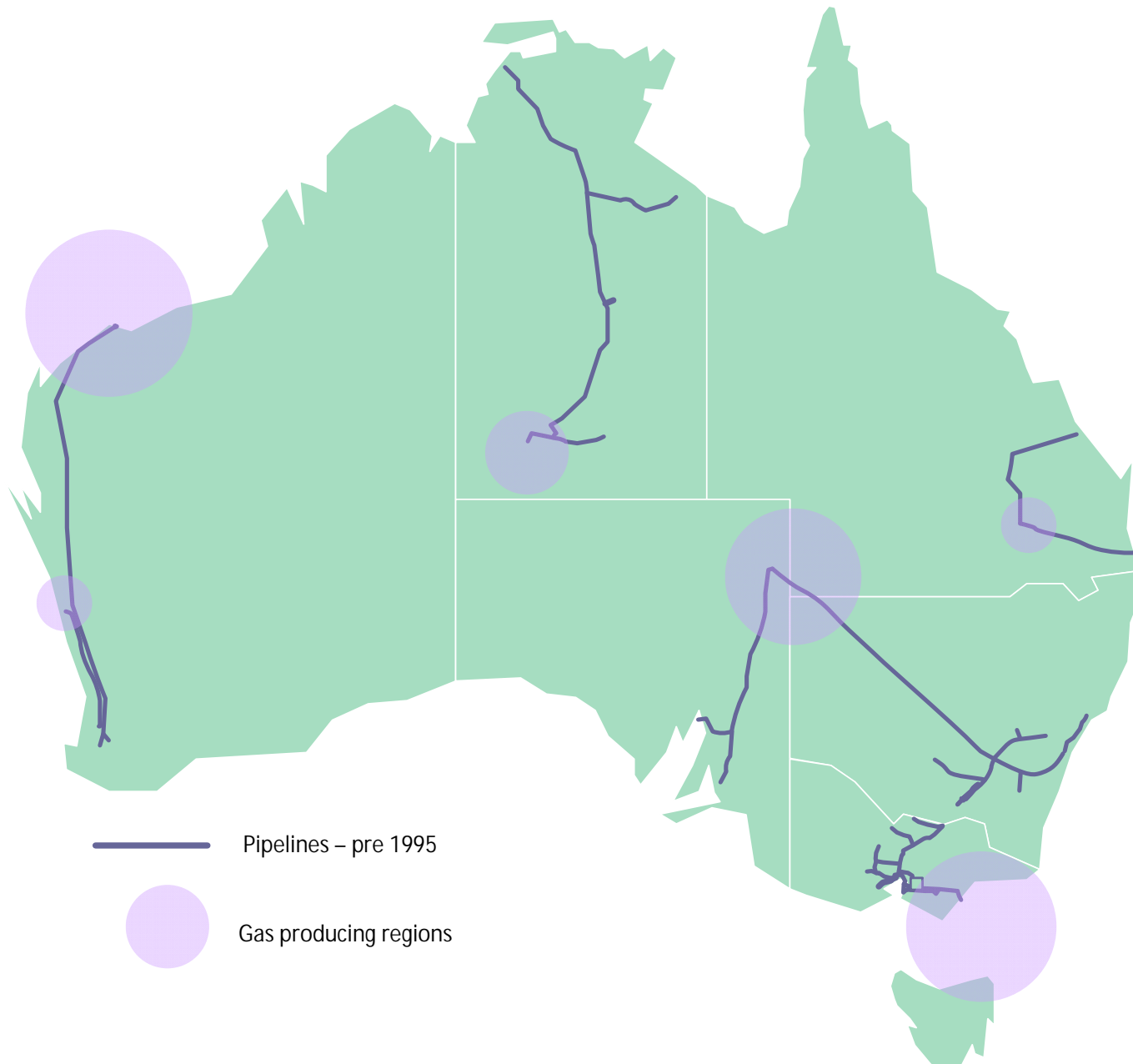
Drivers of future growth and change

- Increasing gas reserves and production
 - Conventional gas, coal seam gas, other (tight gas, shale gas ...)
- Increasing demand for natural gas
- Climate driven legislative changes
- Growing demand for storage services
- Services tailored to shipper/customer requirements

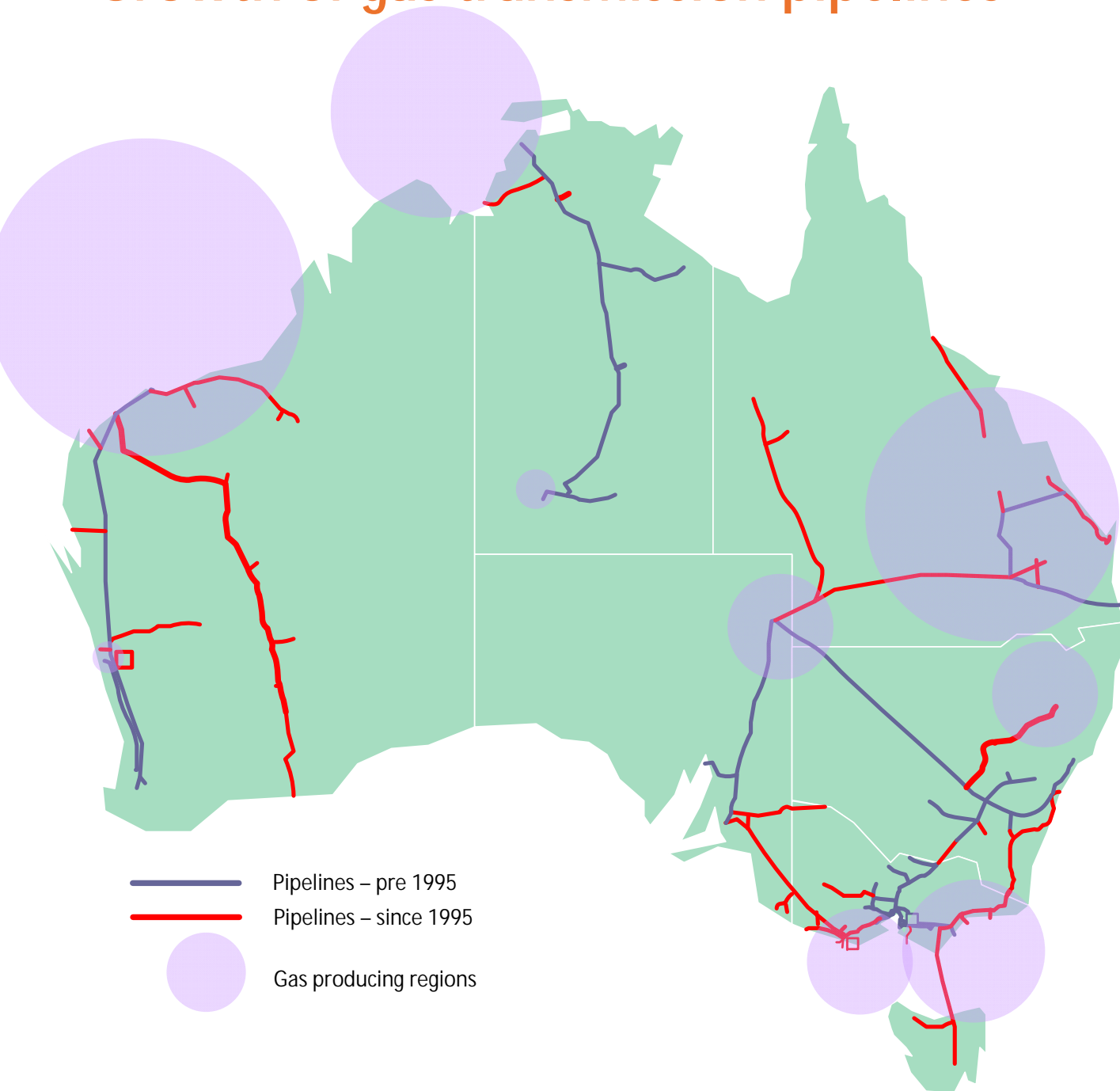
Growth of gas transmission pipelines

Gas pipelines pre 1995

- Total 10,500 km
- Point to point pipelines
- Majority government owned



Growth of gas transmission pipelines



Gas pipelines post 1995

- Total 20,000 km
 - 9,000 km added in the last 15 years
- Interconnected pipelines
- Producer competition
- Privatised industry

— Pipelines – pre 1995
— Pipelines – since 1995
● Gas producing regions

Increase in gas volumes

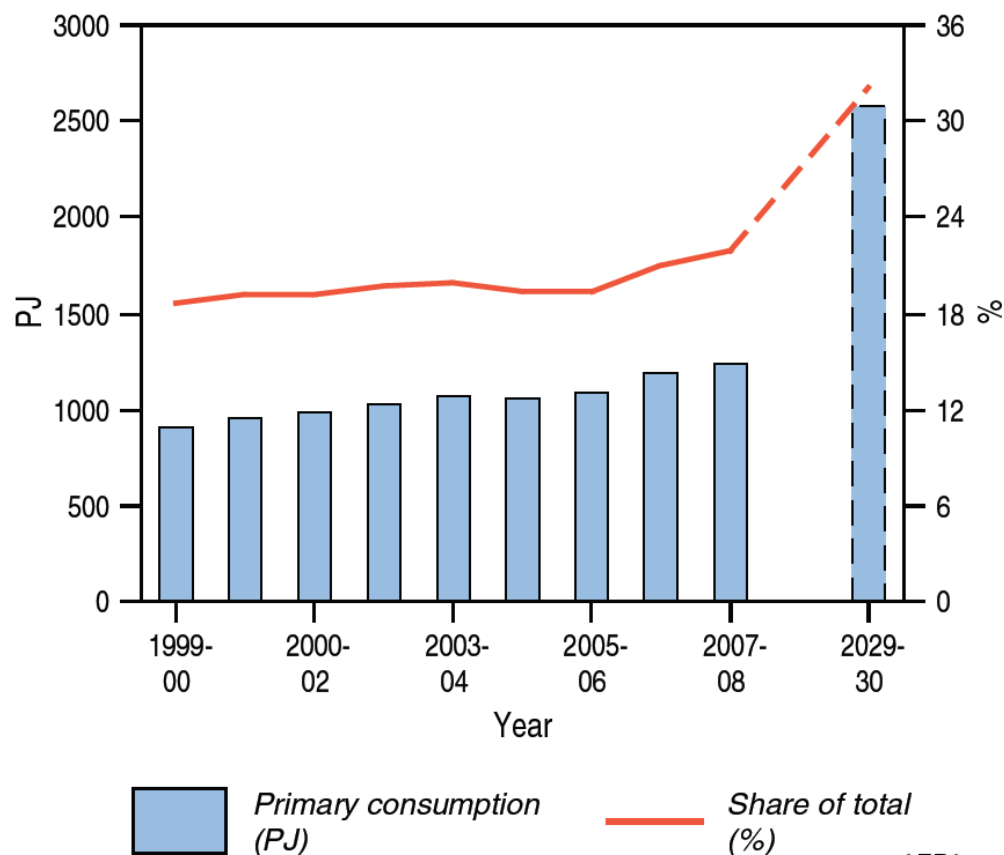


Figure 4.43 Outlook for Australian gas consumption,

Source: ABARE 2010

■ Growth in gas volumes (1)

- Average annual growth rate – 3.4% (compared with 1.4% for primary energy)
- 1,240 PJ in 2007-08, doubling to 2,570 PJ in 2029-30

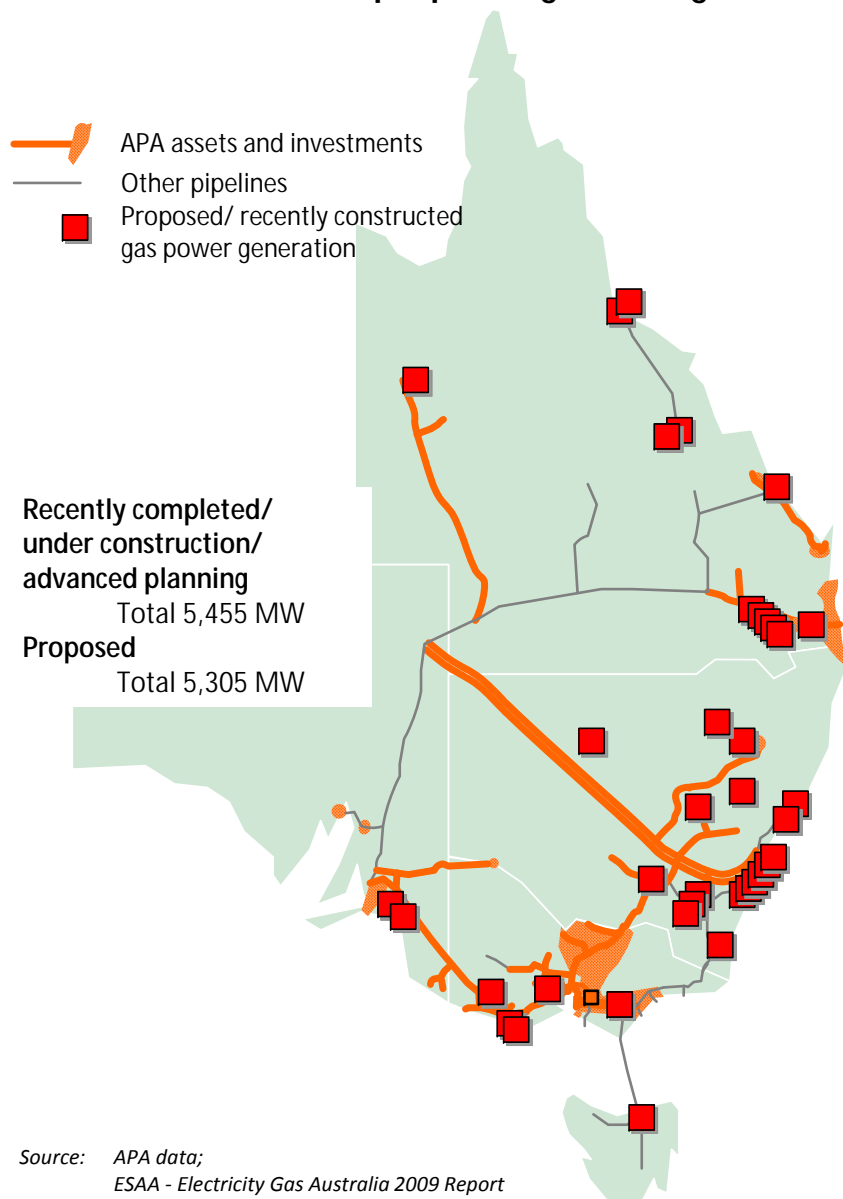
■ Factors influencing gas demand increase

- Population growth of 1.3% pa
- GDP growth of 2.9% pa
- Government policies encouraging lower carbon emissions, particularly in electricity generation
- Electricity generation
- Mining sector

(1) "Australian energy projections to 2029-30", ABARE March 2010

Increase in gas fired power generation

Location of new and proposed gas fired generation



Source: APA data;
ESAA - Electricity Gas Australia 2009 Report

- Reflects the shift to less carbon intensive fuels.
- Growth in electricity generated from gas ⁽¹⁾
 - Average growth rate – 5% pa
 - Share of total generation 19% in 2007-08 increasing to 37% in 2029-30.
- Gas fired generation to manage peak demand and “firm” intermittent wind generation
 - Need for pipeline capacity, despite low gas volumes

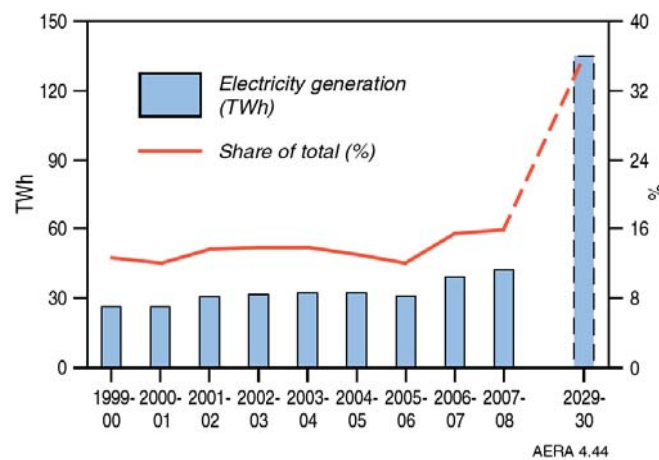
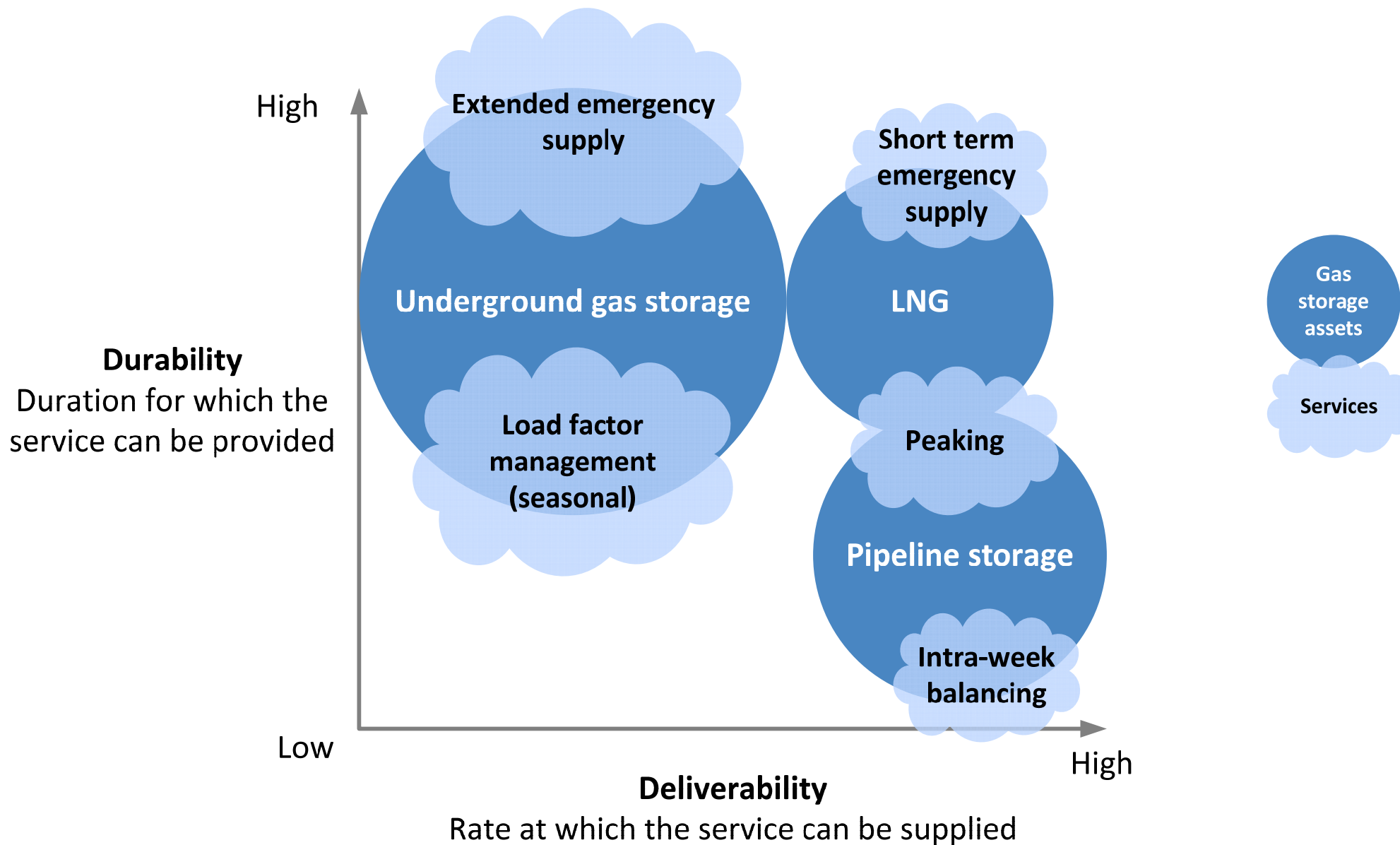


Figure 4.44 Outlook for Australian gas-fired electricity generation

Source: ABARE 2010; IEA 2009a

(1) “Australian energy projections to 2029-30”, ABARE March 2010

Relationship between gas storage assets and services



Shipper consolidation and requirements



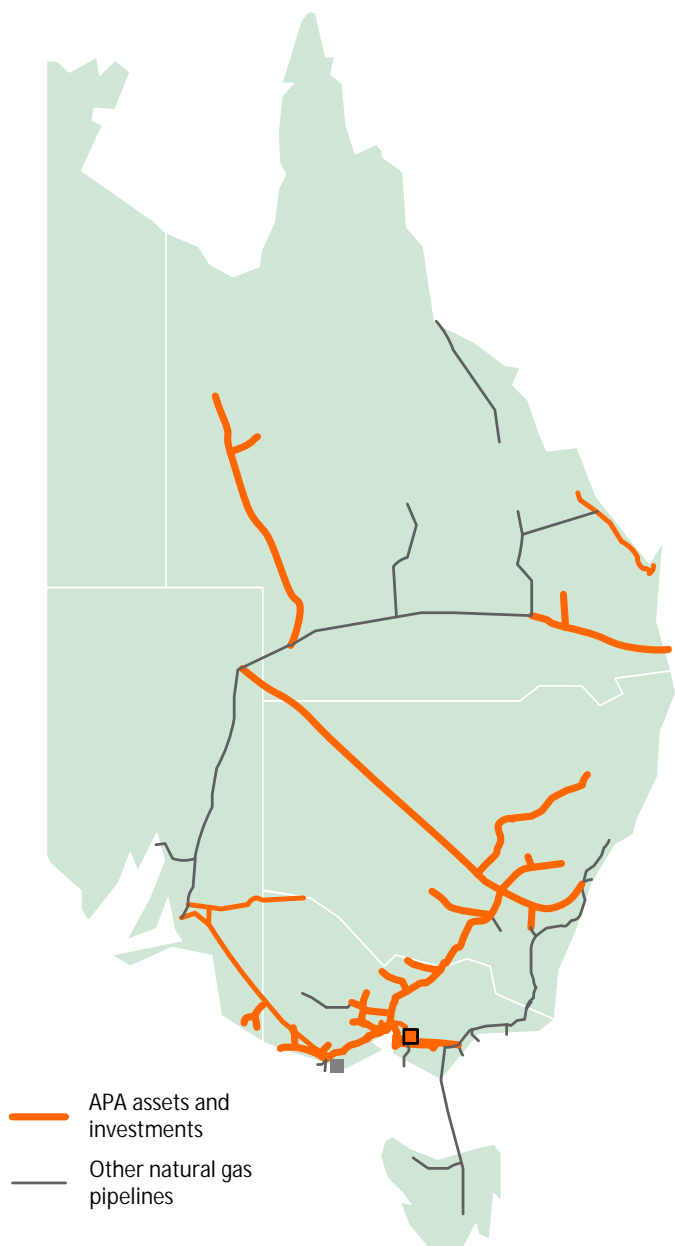
- Small number of retailers across east Australian gas and electricity markets
 - Sell both fuels to multiple markets
 - Have diversified gas portfolios across gas basins and producers
 - Involved upstream in electricity generation, gas production or gas storage

- Shipper requirements:
 - Security of supply
 - Load shaping services such as storage and peak delivery
 - Reduced complexity
 - Flexibility of moving gas from multiple supply sources to multiple markets

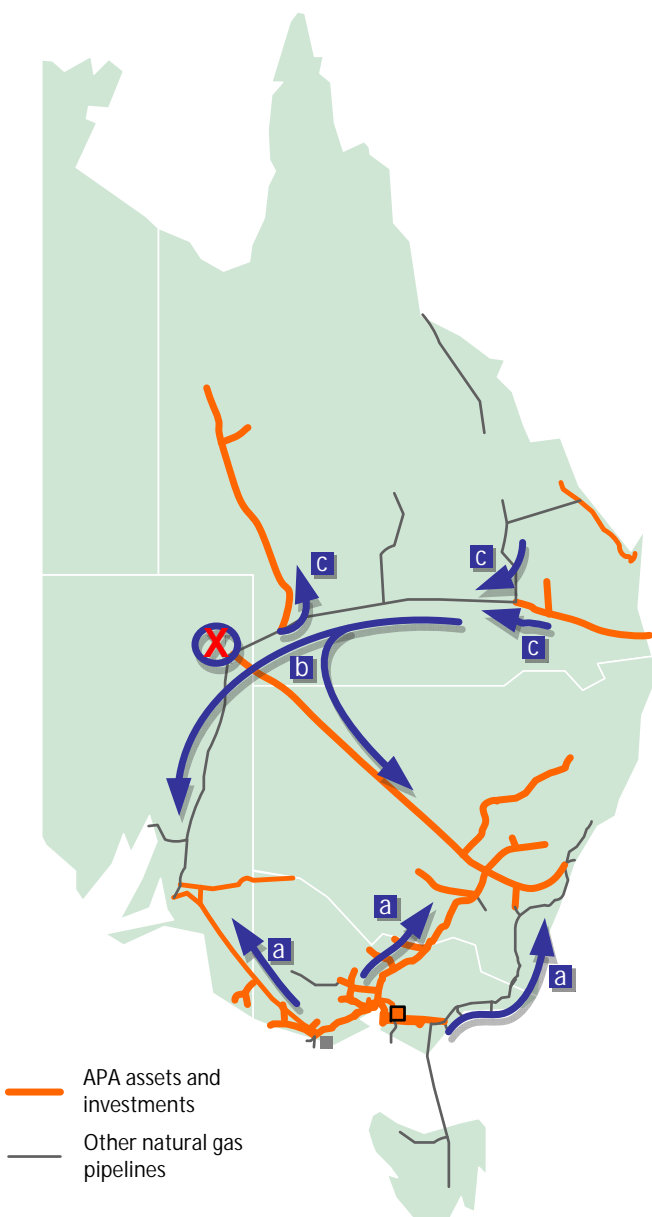
East Australian gas grid benefits

... for all market participants

- Flexibility of supply
- Security of supply
- Gas affordability
- Simpler and potentially lower cost transportation service
- Enhancement of related services



East Australian gas grid currently providing security



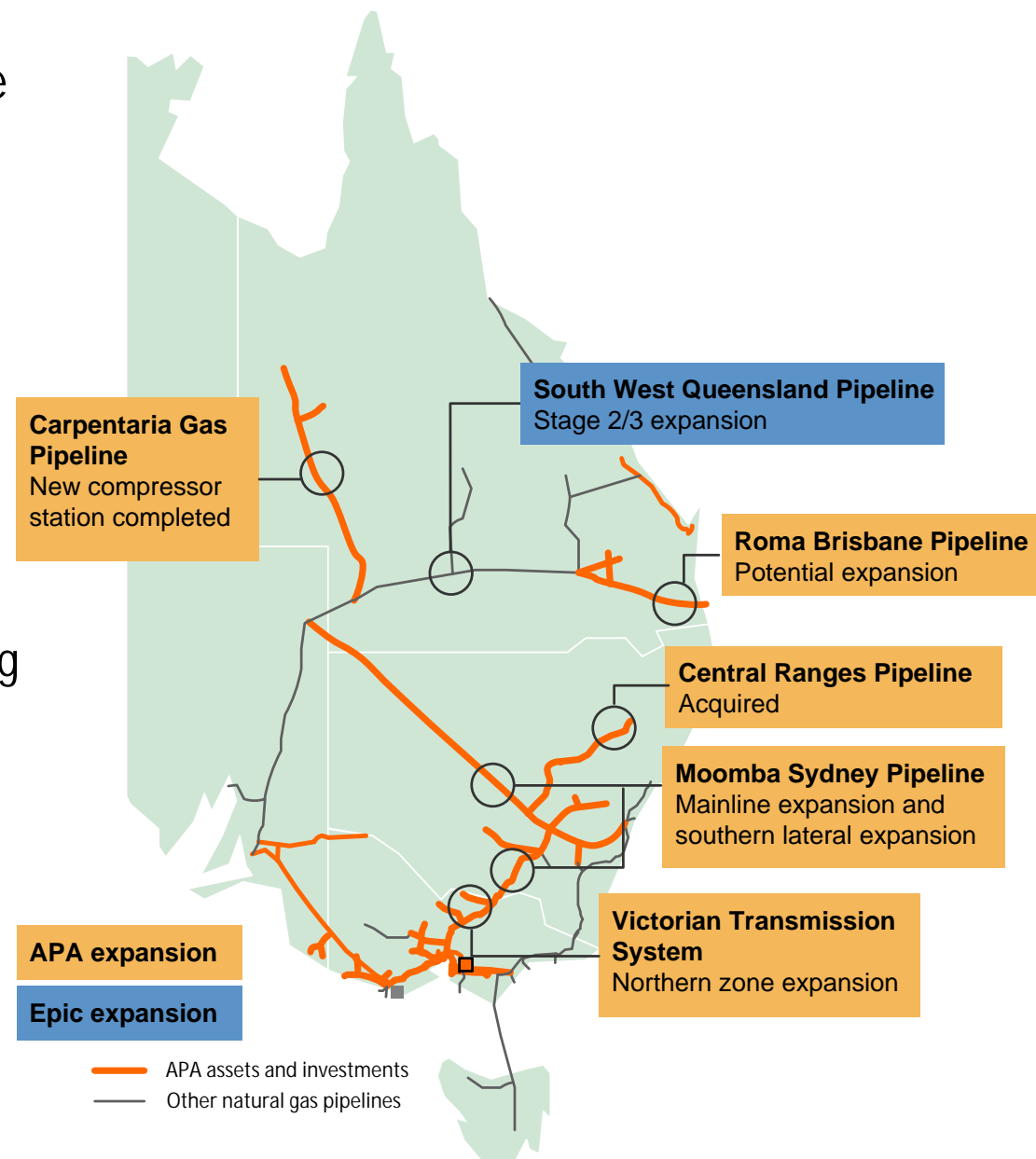
- Gas restriction at Moomba plant for 3 days (late April 10)
 - no Moomba gas delivered into the Moomba Sydney Pipeline (MSP) or Moomba Adelaide Pipeline (MAP)
 - potential gas curtailment in NSW, ACT and SA markets

- Market participants worked together quickly and efficiently to limit gas curtailment with
 - a) additional gas from Vic delivered to NSW via APA’s NSW Vic interconnect and Eastern Gas Pipeline, and to SA via SEA Gas Pipeline
 - b) Qld coal seam gas (CSG) delivered to NSW and SA via the QSN, MSP and MAP – first time Qld CSG delivered to the Sydney market
 - c) additional Qld gas directed into NSW and SA from increased production at Santos operated fields and spare line pack gas from Roma Brisbane Pipeline

- Gas security was the priority for all market participants
 - APA put in place interim emergency arrangements to allow for alternate gas supply and receipt by shippers, and
 - all additional charges that could have been levied by APA were waived during this event

Developing the east Australian gas grid

- A seamless sales and service experience for all our shippers across all our assets
 - A single commercial and operations interaction with shippers to coordinate transport quickly and seamlessly, including transport on 3rd party assets
- “Infrastructure” Layer
 - APA: existing pipelines form grid backbone
 - APA: continued enhancement of existing infrastructure
 - EPIC: expansion of SWQP/QSN
- “Service” Layer
 - Combination of technology, process change and commercial arrangements to deliver on APA’s vision of seamless service to shippers



Conclusion

- APA is Australia's leading gas transmission and distribution business
- Dynamic gas industry, particularly in East Australia
 - facilitates competition, flexibility and efficiency
- Significant drivers of change and growth over the next 10 years
- Infrastructure in place to deliver gas to all major east coast markets
 - and capacity expansion in line with demand
- Continued development of an integrated gas grid to remain in the hands of market participants
- APA's vision is a seamless experience for all shippers on the east Australian gas grid

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Delivering Australia's energy



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