

**APA GROUP 2007 ANNUAL MEETING SECURITYHOLDER QUESTIONS &
ANSWERS**

QUESTIONS SUBMITTED BY SECURITYHOLDERS

ALINTA

- 1. Will small shareholders be offered cash to acquire their unmarketable parcels of shares in order to keep registry costs down?**

Answer

The Board is reviewing all options to ensure a manageable and efficient securityholder register, including consideration of options to assist small securityholders to divest their small parcels. Given the Security Purchase Plan, it is likely that any additional action will be taken after the close of the SPP.

- 2. RE Alinta takeover - we were given a quote for APA shares @ \$1.27. It appears I paid \$3.64. "Was there some fiddling of the books?"**

Answer

That is a question for Alinta/Babcock and Singapore Power to answer. APA was not involved in the "in specie distribution" or the sale of APA units on behalf of Alinta shareholders. You will need to talk to Alinta about how they determined a price for distribution.

- 3. What is the impact of the sale of Alinta, and the distribution of their APA holding to many (new) shareholders?**

Answer

For APA, it allowed a satisfactory resolution of the ownership of Alinta's interest in APA and provided APA with a significantly increased number of investors. An additional associated benefit was the termination of the various maintenance and operating agreements for a number of APA's pipeline assets. This provides the opportunity for APA to directly operate all of its assets.

- 4. Under what circumstances were APA shares used for an in specie dividend distribution by Alinta? Was APA consent sought and given? What effect will the above, if any, on APA?**

Answer

Alinta and Babcock & Brown/Singapore Power International Consortium agreed between themselves that the Consortium did not want to take an interest in APA. For APA,, it allowed a satisfactory resolution of the ownership of Alinta's interest in APA and provided APA with a significantly increased number of investors. An additional benefit was the termination or assignment of the various maintenance and operating agreements for a number of APA's pipeline assets. This provides the opportunity for APA to directly operate all of its assets.

- 5. As part of the Alinta sale process to Babcock & Brown and Singapore Power Consortium Alinta agreed to distribute its 35% holding in APA**

Where did APA come from in the equation Alinta-->APA-->B&B? Does APA Group still have any connection to AGL Energy?

Answer

Alinta and Babcock & Brown/Singapore Power International Consortium agreed between themselves that the Consortium did not want to take an interest in APA. For APA, it allowed a satisfactory resolution of the ownership of Alinta's interest in APA and provided APA with a significantly increased number of investors. The major benefit was the termination or assignment of the various maintenance and operating agreements for a number of APA's pipeline assets. This provides the opportunity for APA to directly operate all of its assets.

APA has no relationship with AGL other than through gas transportation contracts, which are set at market rates. A good example of this is APA's transportation agreements with AGL to deliver gas through the Moomba to Sydney Pipeline.

SECURITIES

- 6. Why have the prices for APA securities fallen since the AGL Alinta takeover?**

Answer

We don't speculate on why the market has increased or decreased our price. It is possible that the removal of the Alinta interest in APA has caused the market to speculate on whether further corporate action is likely on our stock.

The important thing to remember is that the fundamentals of APA remain consistent and strong – we have a balanced portfolio of assets with a mix of medium and long term contracts, and the goal of increasing cash distributions to all securityholders by at least CPI every year.

- 7. Explain why the share price is dropping continually in a market that has risen 25% in the past year.**

Answer

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DISTRIBUTIONS

- 8. Having been a unitholder since 2000, my recollection was that dividend payments were to be progressively franked. The 06/07 annual tax statement shows no franking, however some provision for capital return. Does the APA Group intend to use the popular franking measure to make dividends more attractive?**

The ability to “frank” distributions is driven by the amount of income tax paid by APA Group. As it is not expected that income tax will be paid over the medium term as a result of current gearing levels and acquisitions made over the last 18 months, distributions to security holders will remain unfranked for the foreseeable future.

The use of the stapled structure allows APA Group flexibility to increase cash payments to unitholders by payment of pre tax income and tax deferred distributions. This can mitigate the lack of franking by the APA Group.

REMUNERATION

9. Why do the unit holders of APA group not have to vote on a remuneration report?

Answer

Because APA is not a public company, it is not currently required to prepare a remuneration report under the Corporations Act although it does so for accounting purposes. It is not required to seek a vote on the report. APA does however believe in transparency and therefore provides the report for the benefit of all securityholders.

10. How will the board be assessed as being seen as being successful to achieve maximum remuneration that will be available to them?

Answer

Non-executive Directors fees are benchmarked in June each year against fees paid by similar companies and businesses in the S & P /ASX 200 index to ensure relativities are maintained and best practice adhered to. An independent consultant undertakes this work.

Ultimately, the performance of APA in meeting or exceeding its strategic goals is the best measure of determining the Board’s success.

FINANCIALS/Results

11. Given the high quantity of debt financing on APA's balance sheet, are you concerned by the current credit squeeze and impact on interest and refinancing?

We are currently geared at 73.6 % which is within our long term covenant. But we would like to get this down to below 70%.

It is important to note that APA has protected itself against any potential market volatility and as of the end of June, 84 % of all our interest rate exposures were either hedged or at fixed interest rates for varying periods.

OUTLOOK

12. What is the long term business goals for the group over the short, medium and later terms over a foreseeable number of years, like 5 years?

Answer

APA has a three phase approach to growth, by: growing the business organically; investing in brown and greenfields projects and through acquisition. Organic growth occurs via the expansion of existing assets and in particular, our core pipeline assets.

Brownfields projects which involve the expansion of existing assets , for example compressor stations provide immediate returns by building upon an already established income stream.

Greenfields opportunities involves development of new assets. These opportunities provide sustained long-term returns arising from the investment in the initial stages of the projects (the Bonaparte Gas Pipeline project in Northern Territory is an excellent example)
Acquisition of core and complementary assts completes the three phase approach, ensuring that APA's philosophy of being a stable, strong and long-term investment for securityholders is achievable.

13. As a shareholder I am a little concerned about our long term future. Can you enlighten us. Are we looking forward, not afraid of change, to become a stronger more dynamic company.

Answer

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STRATEGY

14. Details of company growth potential and plans in the future.

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Directors

- 15. Please would you put the age of directors seeking re-election, so as to give a general idea of the years of experience of the overall board?**

Answer

The Board will add the specific years of experience of each director to the next Annual Report.

- 16. Does APL constitution provide an age for compulsory retirement from the board?**

Answer

No.

TRUST STRUCTURE

- 17. Please explain how and why the company has changed from what it was to the "stapled" form it now is.**

Answer

At the annual meeting of APA in October 2004, unitholders approved changes to the Australian Pipeline Trust (APT) constitution to enable APA to staple securities of another entity to APT units.

Historically APT was a taxpaying public trading trust, with unitholders generally receiving after-tax distributions of income together with periodic returns of capital.

In December 2006, APT Investment Trust (APTIT) was stapled to APT to act as a passthrough trust for tax purposes. A passthrough trust is not required to pay tax on its income and as a result distributions are made pre-tax. Distributions in excess of taxable income resulting from tax timing differences can also be passed through to unitholders as tax deferred income. APTIT is therefore generally able to make higher cash distributions out of the income it receives and also return capital on which tax is deferred until units are sold.

APA believes that the stapled structure allows maximum distribution flexibility to unitholders allowing them to obtain higher cash distributions than would otherwise be the case.

POLICY

18. In what way are you satisfied that the board has an adequate succession plan/policy.

Answer

The Board has a Nominations and Remuneration Committee which meets regularly to address succession plan issues. The Board as a whole considers policy issues.

OPERATIONS

19. How old are the pipelines (average) and what is the life span and how much is budgeted for replacement.

Answer

APA's major pipelines range in age from 38 years to 3 years. Nominating an average age is very subjective but on a simple calculation the average age is approximately 20 years. With the normal life expectancy of a pipeline being over 50 years there is no need to budget money for replacement at this time.

PROJECTS

20. Does APA intend to expand its acquisitions of pipelines in 2007/08 in South East Asian countries?

Answer

APA has no current plans to acquire pipelines in South East Asian countries.

21. What do you propose for the Geraldton pipeline's finish date?

Answer

APA is not currently involved in the construction of any pipelines in the Geraldton area of WA.

ENVIRONMENT

22. What is APA doing to minimise environmental impacts of methane loss from pipelines, and reduce costs and greenhouse impacts of energy used in pumping gas.

Answer

In the normal course of operations there are no methane losses from APA's pipelines. The release of gas from the pipeline is sometimes required so that necessary maintenance can be carried out and APA makes every effort to ensure that the methane released is as small as possible. Our compressor stations do burn natural gas and the exhaust gases do contain Carbon Dioxide. Again APA makes every effort to ensure that the compressor stations are operated as efficiently as possible so the Carbon Dioxide emissions are minimised.

STRESS CORROSION CRACKING

- 23. Are the activities, and profitability of the APA Group likely to be seriously affected by the ongoing Stress Corrosion problems of some pipelines?**

Answer

The Moomba to Sydney (MSP) pipeline is the only APA pipeline that is affected by Stress Corrosion Cracking (SCC). APA will need to continue to spend money to manage the SCC for the life of the pipeline and as this is only on the MSP, this is not expected to seriously impact on the profitability of the whole APA Group.

OTHER

- 24. Review outward mailings - cost savings possible. Eg. We receive 3 advices separately in 2 days - other holders?**

Answer

APA is constantly looking for ways to improve efficiencies and reduce costs.