

APA Group

Acquisition of Origin Energy Networks

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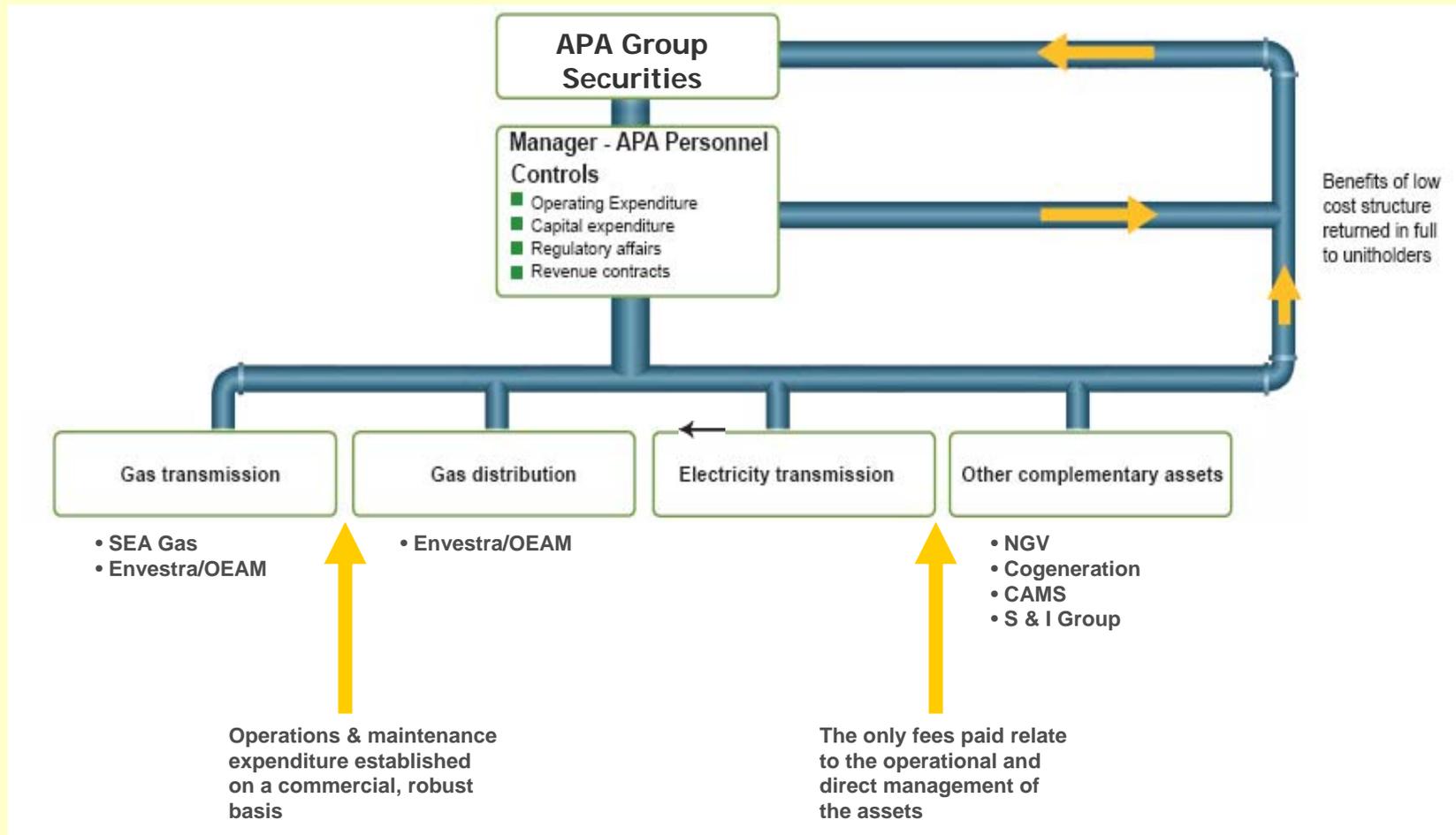
Outline

- Overview
- Business Model
- Assets Acquired and Pricing
- Strategic Rationale
- Asset Description
- Integration Process
- Summary Financials and Impact
- APA Assets as at April 2007
- Conclusion

Overview

- Price of \$556.5m plus \$15.4m transaction costs (inc. stamp duty)
- Increases cash available for distribution and investment from day 1
- Completion targeted for July
 - No material financial impact on FY07 financials
- Strategic acquisitions in APA's core business of energy delivery - all businesses are gas focused and significantly enhance APA's internal operations capability
- Strengthens and diversifies APA's presence across Australia
- Long term predictable cash flow with growth potential
- Assets under operation are over \$8 billion

Business Model



“APA delivers because it has a lean, low-cost business model which maximises returns for securityholders”

Assets Acquired and Pricing

- Total acquisition price \$556.5 m plus \$15.4 m of transaction costs (inc. stamp duty)

Asset acquired	Interest	Purchase price	Multiple
SEA Gas pipeline	33.3% stake	\$133.2m	14.5x EBITDA (FY07) ¹
Envestra securities	17.2% stake	\$170.4m	\$1.20 per security ²
OEAM & other businesses	100% ownership	\$252.9m	13.1x EBITDA (FY07) ¹
Total		\$556.5m	

Notes:

1. Based on APA's forecast of EBITDA
2. A discount to the 1 and 3 month VWAP, 4.4% discount to close price on 3 April 2007

Strategic Rationale

- Assets provide long-term stable revenue which will increase cash available for distribution and further investment
- Significantly expands APA's footprint and provides growth opportunities, including the development of the east Australian gas transmission grid
- Further enhances APA's internal operational capabilities which increases organic growth opportunities
- Enhances APA's ability to deliver gas to all mainland population centres

SEA Gas

Asset overview

- 114 PJ p.a. capacity, 680 km pipeline linking Victorian gas fields to South Australia
- Two compressor stations and readily expandable
- APA transmission systems now access all major population centres
- Commissioned January 2004 and fully contracted



Asset overview (cont'd)

- Subject to rights for existing owners. Upon acquisition APA will have pre-emptive rights over the remaining two-thirds.

Strategic rationale

- Opportunity to develop east Australia gas grid
- Bolts on to APA's core transmission business
- Leverages off APA existing operating capability

Asset overview cont'd

- Employs 500 staff and approximately 700 contractors
- Subject to consents for assignment of contracts
- Natural gas vehicles, cogeneration, two laterals

Strategic rationale

- Continues strategy of increasing internal operating capability.
- Good fit with APA's existing business and complements APA's skill base and technical capability, O&M capability now in all mainland states and territories
- Primarily operates under long term contracts
- Continues APA's strategy of acquiring internally operated businesses
- Increases opportunities of generating additional non-regulated revenues across APA
- These resources will drive greenfield and brownfield developments in all states

Strategic rationale

- Establishes APA as cornerstone investor and largest shareholder
- OEAM operates all Envestra assets
- Opportunity for board representation
- Diversification of assets by type and location
- Together with OEAM, fits APA's business model of owning and operating its assets.

Integration Process

- Detailed integration plan being developed
- A detailed communication strategy to cover both the new APA staff from OEAM and APA's existing staff
- Developing and issuing offers of employment to all OEAM staff
- Integration of new staff into APA's organisational structure
- Roll out of key policies and procedures
- Ensuring a continued strong emphasis on maintaining a safe working environment and ensuring the safe and reliable delivery of gas
- Operations and administration savings were not included in valuation

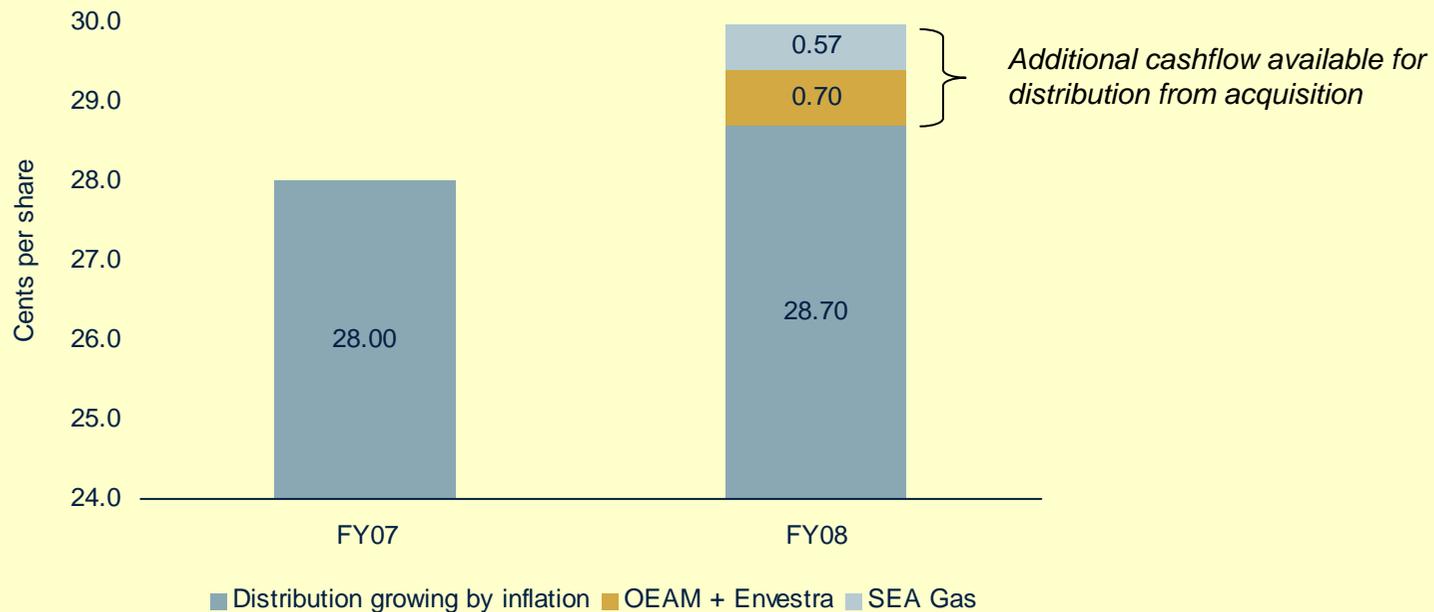
Summary financials – Origin Energy Networks

\$m	2008F
Operating cash flow	43.8
Tax on operating cash flow	(9.3)
Capex	-
Post tax interest	(29.1)
Cashflow available for distribution	5.5

- The acquisition provides incremental cash flow available for distribution and investment

Impact on APA

- No impact on FY07 results or guidance
- Free cash flow accretive from year 1
- Additional cash will allow APA to focus on increasing distributions at least in line with CPI and fund growth opportunities



Impact on APA (cont'd)

Funding

- Funded from committed bridge facilities
- Gearing, following transaction, within existing debt covenants
- Bridge facilities will be refinanced as part of the current syndication process

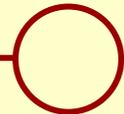
Conclusion

- Good fit and fair price
- Strong free cash flow generation
- Growth opportunities across the Australian supply chain
- Fits with APA core and complementary strategy
 - Provides opportunities to further develop core business and enhances ability to transmit gas around eastern Australia gas grid
 - Substantially builds on strategy of strong internal operating capability
 - Increases opportunities of generating additional non-regulated revenues across APA
 - Bolt-on to existing integration processes



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Accounting Treatment

Asset acquired	Interest	Accounting treatment
SEA Gas pipeline	33.3% stake	Equity accounted
Envestra securities	17.2% stake	Distributions treated as income from associates
OEAM & other businesses ¹	100% ownership	Consolidated

OEAM

■ OEAM complements APA's existing skill base

Capability	Qld		NSW		Vic		SA		WA		Tas		NT	
	APA / OEAM		APA / OEAM		APA / OEAM		APA / OEAM		APA / OEAM		APA / OEAM		APA / OEAM	
Asset management	✓	✓	✓		✓	✓		✓	✓					
Engineering	✓	✓			✓	✓		✓						
Commercial	✓	✓	✓		✓	✓		✓	✓					
Regulatory	✓	✓	✓		✓	✓		✓	✓					
IT	✓	✓	✓		✓	✓		✓	✓					
Asset development	✓	✓	✓		✓	✓		✓	✓					
Operations	✓	✓		✓	✓	✓		✓		✓				✓