

24 September 2021

ASX ANNOUNCEMENT

APA Group (ASX: APA)

APA presentation on its Superior Proposal to AusNet Services

Leading Australian energy infrastructure business, APA Group (ASX: APA), today provides the attached document from APA management that will be presented to various equity sales desks over the next week. The presentation covers the non-binding indicative proposal to the Board of AusNet Services Ltd.



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About APA Group (APA)

APA is a leading Australian Securities Exchange (ASX) listed energy infrastructure business. We own and/or manage and operate a diverse, \$21 billion portfolio of gas, electricity, solar and wind assets. Consistent with our purpose to strengthen communities through responsible energy, we deliver approximately half of the nation's gas usage and connect Victoria with South Australia and New South Wales with Queensland through our investments in electricity transmission assets. We are also one of the largest owners and operators of renewable power generation assets in Australia, with wind and solar projects across the country. APT Pipelines Limited is a wholly owned subsidiary of Australian Pipeline Trust and is the borrowing entity of APA Group. For more information visit APA's website, apa.com.au.

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Superior Proposal for AusNet Services

Sales Desk Presentation

24 September 2021

apa

disclaimer

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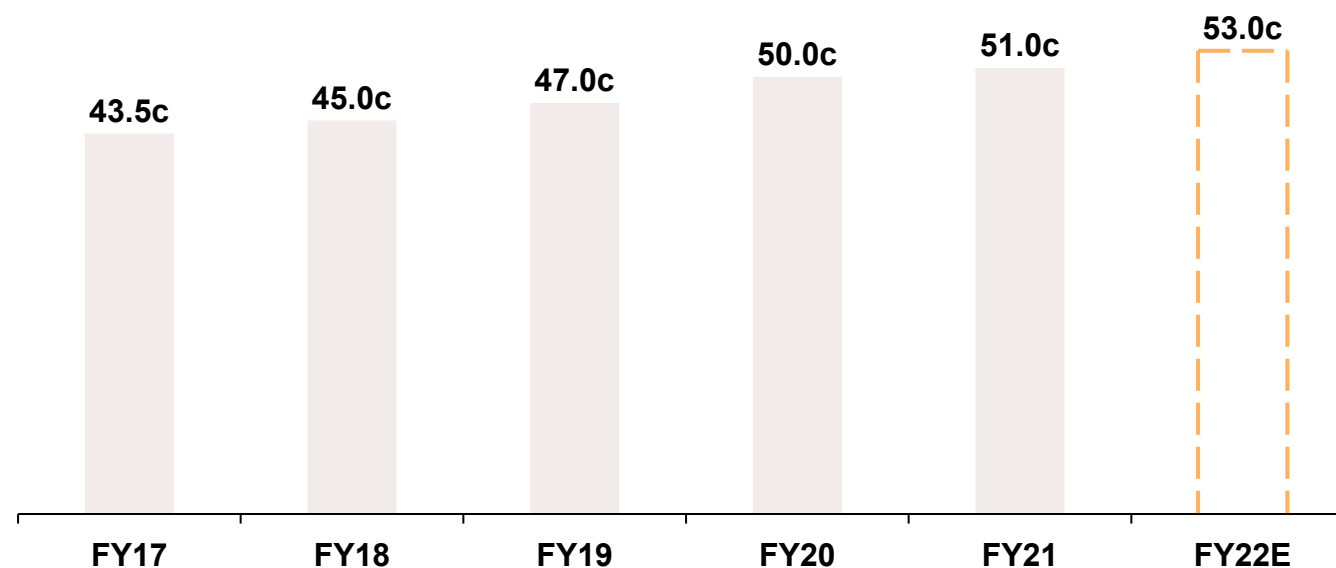
Acknowledgement: Certain icons used in the presentation were designed by Freepik, Icongreek26, Nikita Golubev, Eucalypt and Srip from Flaticon.

APA is a leading Australian owned energy infrastructure business

APA has deep experience in owning and operating energy infrastructure

- **Servicing 1.4m network customers** and ~100 wholesale customers
- **Experienced senior** management team and **~2,000 employees** spread across more than 50 locations
- **\$2.1 billion revenue²** and **\$1.6 billion underlying EBITDA³** for FY21
- Share register largely **Australian institutions and residents**

Compelling 6.0% FY22 distribution yield¹



Stable business operations, solid cash flow with positive leverage to increasing inflation

Strong distributions and attractive yield

Growing organic growth pipeline of \$1.3bn over the next three years

Strong ESG credentials with net zero emission ambition for 2050

Strong balance sheet, low cost of capital and high demand for APA's investment grade (BBB/Baa2) credit

Summary of APA's Superior Proposal

Superior Proposal	<ul style="list-style-type: none">• Proposal to acquire 100% of AusNet Services ("AusNet") shares for \$2.60 per share⁽¹⁾ via scheme of arrangement (the "Proposal")• Under the Scheme, all AusNet shareholders would receive \$1.820 cash and 0.0878 APA securities for each AusNet share with a mix and match facility enabling shareholders to accept more cash or more securities, subject to aggregate caps• APA considers the Proposal more attractive than the Brookfield Scheme for a number of reasons outlined on slide 15
What the combination delivers	<ul style="list-style-type: none">• Creates Australia's largest energy transmission and distribution infrastructure utility, with a combined enterprise value of \$35 billion and total assets of \$29 billion• Creates a flagship Australian company with the scale and capability to accelerate the \$20 billion growth in electricity transmission infrastructure needed to support the decarbonisation of Australia's economy• Achieves cost synergies and revenue growth opportunities by integrating operations and by leveraging APA's national platform and the world-class operational and development capabilities of the two businesses• Releases certain existing AusNet constitutional constraints which are expected to limit the growth of its business• Provides customers and the community with a range of safe, clean and reliable energy solutions across electricity, gas, renewables, storage and other emerging technologies and would provide employees with new and exciting career opportunities in a larger, more diverse organisation• Provides substantially greater liquidity and free float with the combined entity ranking in the top 40 ASX companies by market capitalisation
Funding	<ul style="list-style-type: none">• Cash consideration under the Proposal will be funded via a combination of existing cash and debt facilities on hand, new bridging facilities and an equity raising. Any equity raising is expected to be approx. \$1.5 billion and anticipated to be offered to eligible existing securityholders on a functionally pro-rata basis⁽²⁾ or via an Entitlement offer• Committed to maintaining APA's target credit rating of BBB/Baa2

(1) Based on APA's last close on 20 September 2021 of \$8.88 per security and default consideration of \$1.82 cash and 0.0878 APA stapled securities for each AusNet share

(2) In a functionally pro rata offer, it is expected that APA and the underwriters would use best endeavours to allocate securities to eligible institutional / professional investors via a pro rata placement, but no formal reconciliation process would be undertaken. In addition, it is expected that an SPP of approximately \$300 million would be made available for eligible existing securityholders. It is estimated that 97% of the APA register would be able to take up a pro rata (or higher) stake. An eligible securityholder's existing holding will be estimated by reference to APA's latest available beneficial register. No verification or reconciliation of the holdings as shown in the historical beneficial register will be undertaken.

Creating Australia's flagship energy infrastructure business through the proposed acquisition of AusNet

Uniquely positioned to deliver infrastructure solutions critical to the nation's energy transition

~\$35bn
enterprise value⁽¹⁾

~\$29bn
total assets⁽²⁾

~\$4.5bn
revenue⁽²⁾

~\$2.8bn
Underlying
EBITDA⁽²⁾

**Multi-billion
dollar pipeline
of organic growth
opportunities**

~3,500
employees⁽³⁾

Electricity infrastructure



Transmission⁽⁴⁾
~7,100 km high voltage lines



Distribution
~54,000 km high voltage lines

Gas infrastructure



Transmission⁽⁴⁾
>15,400 km transmission
pipelines



Distribution⁽⁵⁾
>42,000 km gas mains and
pipelines

Power generation



Renewable energy⁽⁴⁾
342 MW Wind
149 MW Solar



Gas fired⁽⁴⁾
440 MW

New Technology & Complementary infrastructure



Renewable energy



Storage



Microgrids

(1) Enterprise value calculated as APA market capitalisation as at 17 September 2021 of \$10.6 billion and net debt as at 30 June 2021 of \$9.0 billion, and AusNet market capitalisation as at 17 September 2021 of \$7.6 billion and net debt as at 5 August 2021 of \$7.6 billion

(2) Revenue including pass-through, underlying EBITDA and total asset based on FY21 annual reports. For APA, Underlying EBITDA excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items. For AusNet, based on information extracted from 2021 Annual Report.

(3) Employees based on ~2,000 for APA and ~1,500 for AusNet

(4) Includes 100% of assets which form part of the Energy Investments segment, specifically Mortlake Gas Pipeline (50% ownership interest), SEA Gas Pipeline (50% ownership interest), North Brown Hill Wind Farm (20.2% ownership interest), and the assets of Energy Infrastructure Investments (19.9% ownership interest).

(5) Includes 100% of assets operated by APA in Queensland, New South Wales, Victoria, and South Australia

AusNet is a highly attractive business

One of the largest electricity network operators in Australia

- **\$11.2 billion** Regulated & Contracted Asset Base
- **\$1.9 billion** annual revenues
- servicing over **1.5 million** customers
- **60,850 km** transmission and distribution lines across Victoria
- **~12,400 km** gas networks
- Connections for around **1,600 MW** renewable generation
- **~13,000** transmission towers

Predictable earnings and cash flows

94% of FY21 EBITDA generated from regulated businesses

Exposure to growing energy markets

Deep skill and experience in developing and delivering electricity networks

Attractive organic growth pipeline

\$2.2 billion total Victorian regulated capital investment to 2027⁽¹⁾

Targeting additional \$1.6 billion contracted asset base by FY26⁽²⁾

Experienced management and operating team

Workforce of over 1,500 with strong safety culture

(1) Total permitted capital expenditure under the Electricity Distribution final determination for the 2021-2026 regulatory period, and under the Electricity Transmission revised revenue proposal for the 2022-2027 regulatory period

(2) Total value under contract (unconditional) regardless of construction phase as at 31 March 2021 was \$1,021m

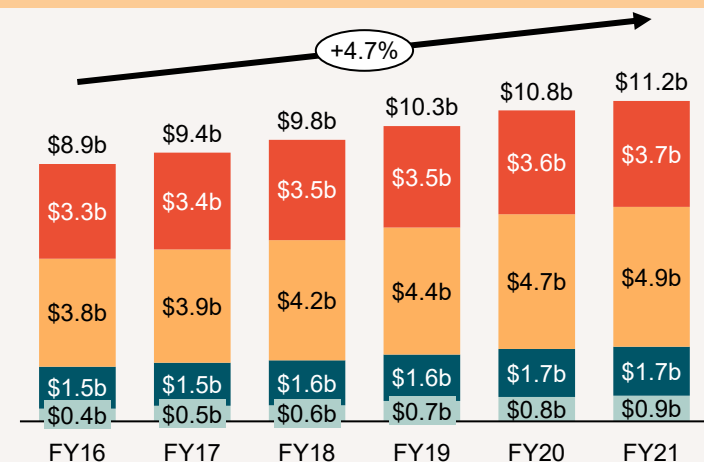
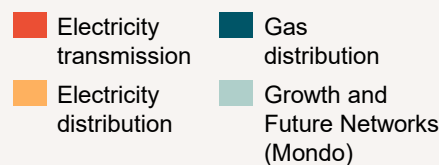
AusNet's predictable earnings and cash flows

Historical financials⁽¹⁾

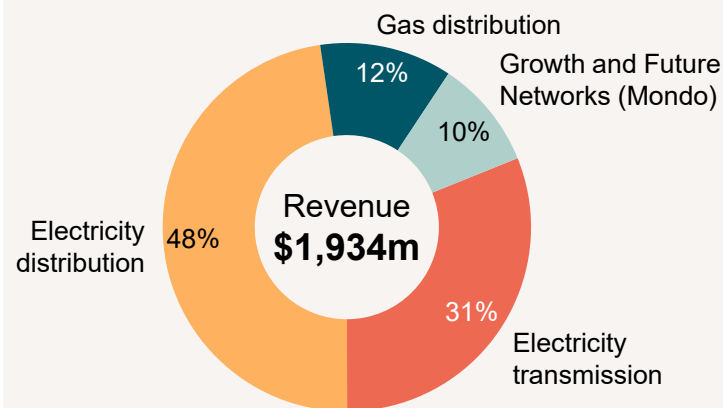
\$m	FY16	FY17	FY18	FY19	FY20	FY21
Revenue ²	1,919	1,882	1,910	1,862	1,978	1,925
% Growth		(2)%	1%	(3)%	6%	(3)%
EBITDA	1,143	1,073	1,143	1,134	1,197	1,155
% Margin	60%	57%	60%	61%	61%	60%
EBIT	750	647	701	678	732	691
% Margin	39%	34%	37%	36%	37%	36%
Capex	823	840	750	970	989	765
% Change		2%	(11)%	29%	2%	(23)%

History of consistent RCAB⁽⁴⁾ growth

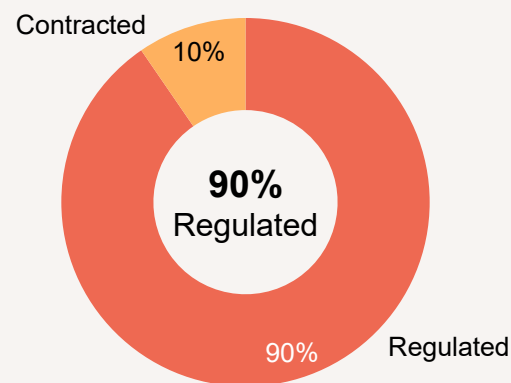
- RAB: \$0.7bn growth expected by FY26
- CAB: targeting \$2.5bn by FY26 (23-29% CAGR)⁽⁵⁾



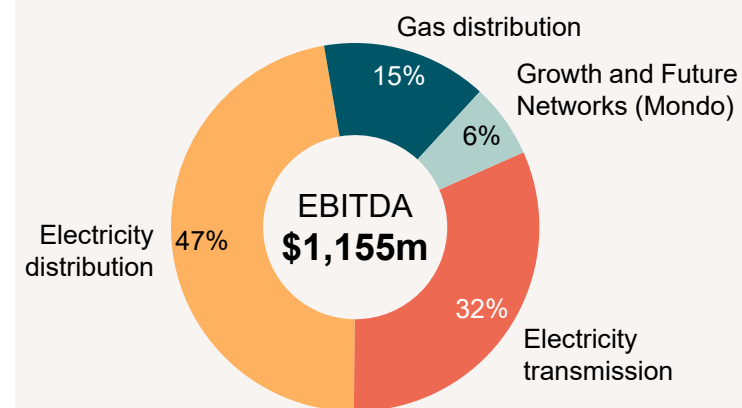
FY21 revenue by segment⁽³⁾ (%)



FY21 revenue mix – regulated vs contracted⁽⁶⁾

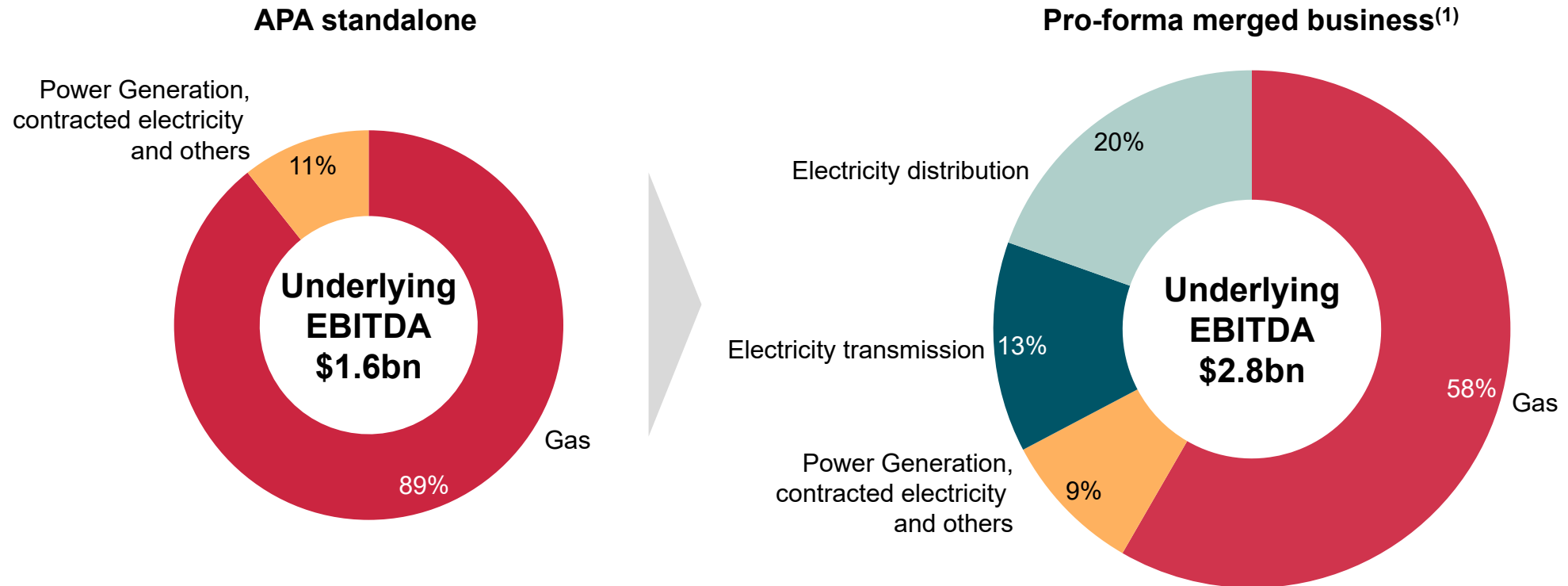


FY21 EBITDA by segment (%)



Notes: (1) Mar-year end as defined in AusNet's filings (2) Statutory revenue inclusive of inter-segment eliminations. (3) Excludes (-9.5) million inter-segment eliminations (4) Regulated and contracted asset base (5) Total value under contract (unconditional) regardless of construction phase as at 31 March 2021 was \$1,021m. (6) Revenue split based on contributions from regulated and contracted businesses respectively.

Increasing exposure to electrification



Sources: APA and AusNet Investor Presentations.

Notes: APA corporate costs accounted for in the "Gas and gas-related assets" earnings component. AusNet's GFN is included in contract electricity and other segment on a pro-forma basis. Based on APA's underlying EBITDA and AusNet segment results EBITDA. Underlying EBITDA excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items.

(1) Based on APA's EBITDA for FY21 and AusNet's EBITDA for FY21

Fast tracks the potential to unlock long term growth opportunities in the Australian energy transition

Unlocking growth with a combined business

- Accelerates APA to be Australia's flagship energy transmission and distribution infrastructure business delivering the connections critical for the rapid growth in renewables and firming generation necessary for the nation's energy transition
- APA's national platform, balance sheet, deep energy sector relationships and capability provides immediate opportunities to:
 - Expand AusNet's electricity business nationally
 - Enhance capacity to provide customers with integrated energy solutions
 - Fast track pursuit of contestable projects in REZs
 - Accelerate next generation energy solutions
- Combined current organic growth pipeline of ~\$5 billion
- Long term market opportunities ~\$68 billion

Organic growth pipeline

Market opportunities

Gas infrastructure

\$1.3 billion organic capex pipeline to 2024

\$8 billion market opportunity to 2040

Electricity infrastructure

Regulated: \$2.2 billion in investments targeted to 2027 in Victoria

Contracted: \$1.6 billion targeted increase in asset base by 2026 in Victoria

\$20 billion national market opportunity to 2040⁽¹⁾

Renewables and firming

\$40 billion market opportunity to 2040

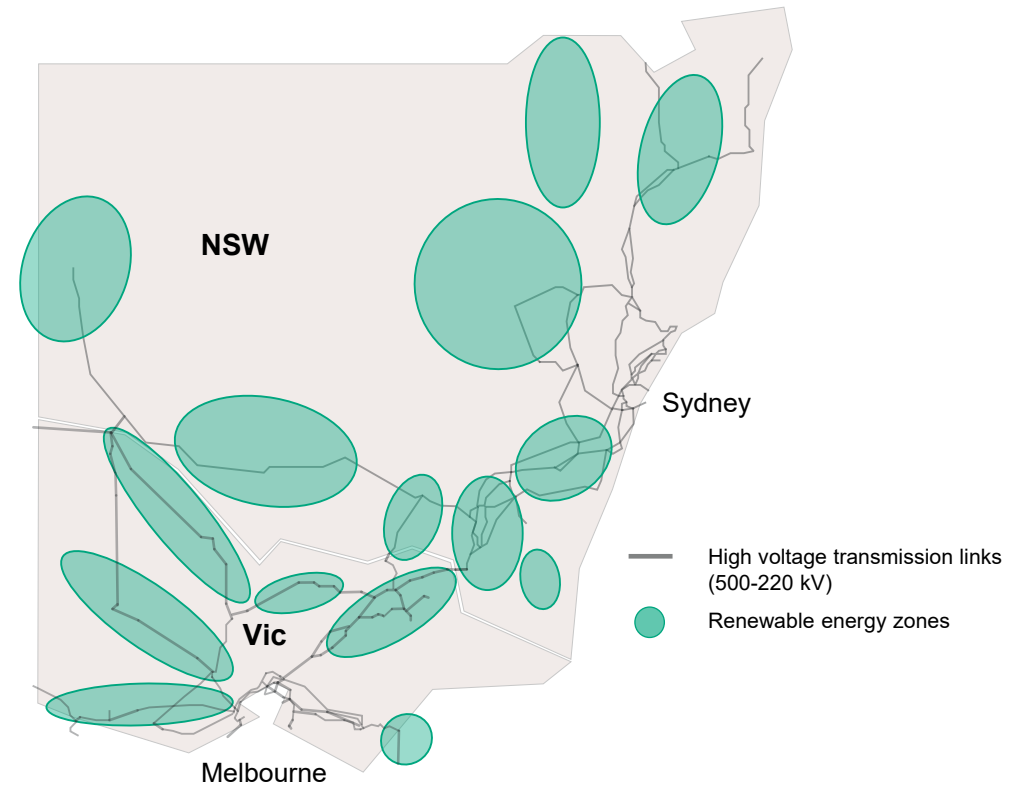
Source: Investment forecast in real terms based on renewables and firming and electrification based on AEMO ISP includes renewables and gas, APA estimates

(1) RAB growth will be subject to regulatory determinations by AER. Estimates based on CAGR of 2.0-3.5% pa to 2040

Case study: significant grid investment required to support Renewable Energy Zones (REZs)

- State Governments developing REZs to combine infrastructure and attract private investment
- State Governments seeking to increase project contestability via procurement structures
- Victorian projects are already contestable
- Significant investment to 2040
 - NSW projects up to \$10 billion⁽¹⁾
 - Victoria projects up to \$5 billion⁽¹⁾

NSW and Victorian Renewable Energy Zones



Source: AEMO Integrated System Plan 2020 - Projected transmission network requirements; NSW Electricity Infrastructure Roadmap

(1) \$20 billion investment required based on the mid-point costs of committed, actionable and actionable with decision rules projects named in 2020 AEMO ISP. Projects that benefit multiple states have been assumed to share capex across states (e.g. Marinus Link 75% to Victoria, 25% to Tasmania; Energy Connect 75% to NSW 25% to SA; VNI West 50% Victoria and NSW; and QNI Medium & Large 75% to NSW and 25% to Queensland)

APA has deep experience in owning and operating energy infrastructure

Infrastructure development

- Commercial development
- Project development and management
- Planning, heritage and environmental management
- Construction delivery

Stakeholder management

- Regulatory management
- Access and approvals
- Governance and risk management

Climate

- Announced ambition for net zero operations emission by 2050
- Launched Sustainability Roadmap
- Developed a Climate Change Management Framework

Social Performance

- Positive active engagement with First Nations' communities
- Social performance KPIs embedded in supplier agreements

Operational capability

- National operating platform
- People and process safety
- Asset lifecycle management
- Asset maintenance
- Network management
- Customer metering operations

Funding

- Investment appraisal
- Access to capital
- Counterparty risk management
- Investor relations

Community engagement

- Increased landholder contact visits
- Community Investment Program supporting communities in need

People

- Target of 30% senior leadership being female by 2025
- Top 8th Intern Employer and Top 100 Graduate Employer
- Launched National Apprenticeship Program

Unique opportunity to create value for APA and AusNet investors

Immediate value for investors

- Proposal is expected to be free cash flow per security accretive over the long-term and in the first financial year post acquisition⁽¹⁾
- Expected to exceed APA's return hurdles
- AusNet shareholders will receive a 33% premium relative to 30 trading day VWAP of \$1.95 and the option to receive APA securities and/or cash⁽²⁾

Revenue growth and synergies

- Capturing growth opportunities in Victoria, Australia's fastest growing state⁽³⁾
- Leveraging APA's national footprint to expand AusNet's infrastructure networks beyond Victoria
- Integrating operations and leveraging world-class operational and development capabilities
- Commitment to BBB / Baa2 ratings

Accelerates growth

- Creates the scale, balance sheet and capability to unlock ~\$20 billion electrification investment required to support the decarbonisation of Australia's economy⁽⁴⁾
- Enabling governments and communities to utilise a flagship Australian company to accelerate growth in Renewable Energy Zones (REZs) and support the decarbonisation of Australia's economy

Standalone AST valuation



Remove AST's growth constraints



Leverage APA national footprint



Cost synergies



Balance sheet and funding



Tax and other benefits



APA valuation of AST

Creating value for APA securityholders

Unlocking value not currently available to AusNet shareholders

- (1) Free cash flow per security accretive based on market available information for the AusNet's regulated assets, 45% of regulatory capital expenditure deemed as stay-in-business capex, approximate CPI escalation on FY21 non-regulated asset's free cash flow, historical net working capital, tax payable based on PPE tax step up uplift, proposed funding and pricing structure and 100% ownership
- (2) Based on APA closing share price on 20 September 2021. Option subject to aggregate caps on each form of consideration
- (3) Australian Bureau of Statistics – Victoria estimated population growth based on a 5-year compounded annual growth rate to December 2020
- (4) \$20 billion electrification investment based on the mid-point of committed, actionable and actionable with decision rules projects in the NEM identified in the 2020 AEMO ISP

APA's Superior Proposal delivers optimal mix of value and certainty for AusNet shareholders

Full and fair value

- Substantial premium to recent trading levels and compelling value for AusNet shareholders
- AusNet shareholders electing cash consideration can exit their investment at an all-time high share price

Shareholder friendly offer

- Mix and match consideration allows AusNet shareholders to crystallise returns or reinvest⁽¹⁾
- Reinvestment provides participation in the upside from growth and synergy potential

Limited conditionality

- APA understands that Singapore Power is supportive of APA and AusNet engaging in discussions to determine whether a transaction could proceed and APA has also discussed the proposal with State Grid
- Offer conditional on limited confirmatory due diligence, regulatory approvals (not subject to FIRB) and AusNet shareholder approval

Attractive premium to current trading levels

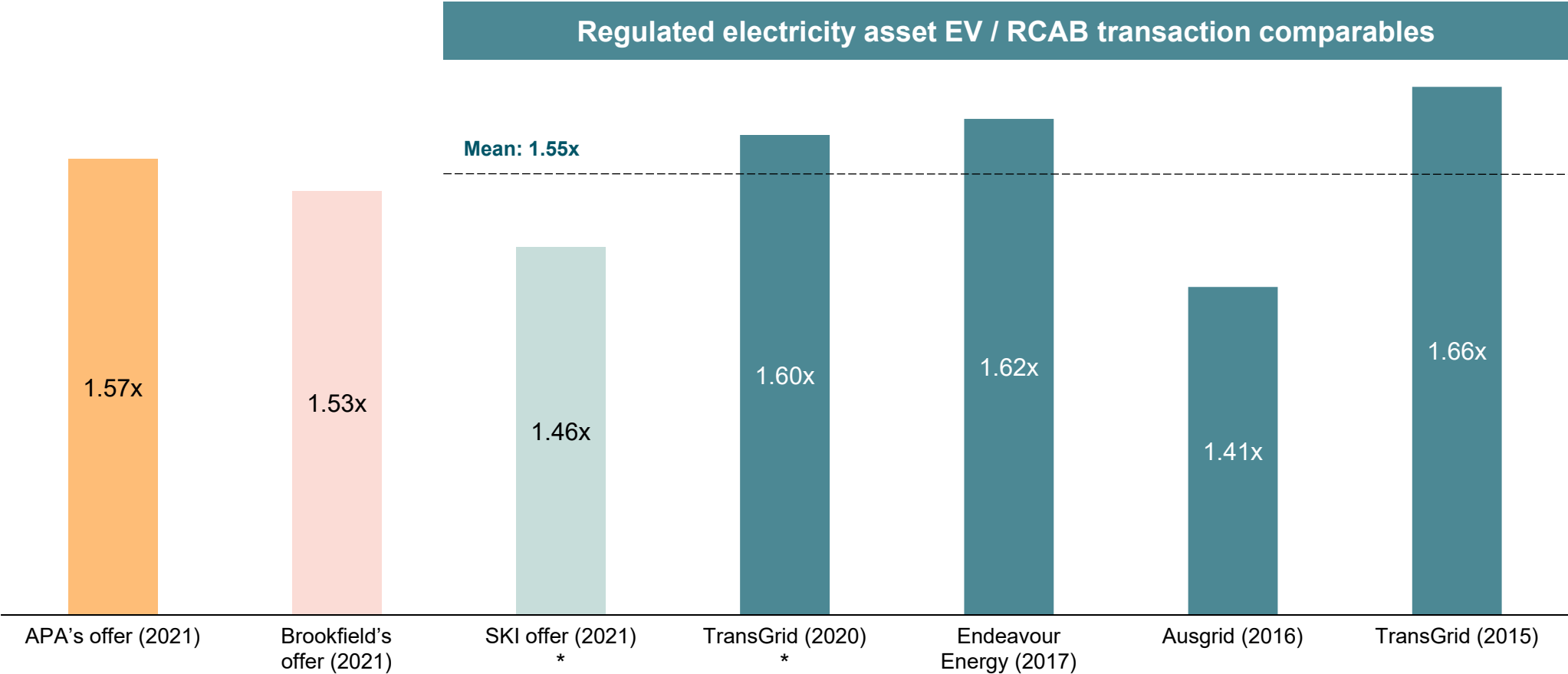


Notes:

APA offer price of \$2.60 per AusNet share based on APA's closing price on 20 September 2021 of \$8.88 per security and default consideration of \$1.82 cash and 0.0878 APA stapled securities for each AusNet share. AusNet spot price as at close on 17 September 2021, 30 day trading VWAP as at 17 September 2021, and 90 day trading VWAP as at 17 September 2021

(1) AusNet shareholders will be able to obtain CGT rollover relief for the component of the offer that is represented by Australian Pipeline Trust securities

Proposal consistent with comparable energy infrastructure transactions



* Transactions relate to minority interests in underlying assets

APA's Superior Proposal comparison to the Brookfield Proposal

	APA's Superior Proposal	Brookfield's Proposal
1 Value	\$2.60 per share ⁽¹⁾	\$2.50 per share
2 FIRB conditionality	Not subject to FIRB approval	FIRB approval required
3 Timing	4 weeks confirmatory due diligence	8 weeks minimum exclusivity period
4 Growth potential	National platform and proven operating and delivery capabilities to expand AusNet's role in Australia's electrification/energy transition	No platform to expand AusNet beyond Victoria
5 Future positioning	Australia's national champion delivering critical energy infrastructure	Portfolio asset within global private equity investor
6 Optionality for AusNet shareholders	Option to retain high profile ASX exposure and increase scrip via mix and match flexibility	Cash to reinvest while market is near all time highs and limited comparable exposures exist on ASX
7 CGT rollover relief	At least 75% CGT rollover relief on scrip component ⁽²⁾	Unavailable
8 Funding	Clearly articulated funding strategy	Funding uncertain. Exclusivity period longer than required for due diligence

(1) Based on APA's closing price on 20 September 2021 of \$8.88 per security and default consideration of \$1.82 cash and 0.0878 APA stapled securities for each AusNet share

(2) AusNet shareholders will be able to obtain CGT rollover relief for the component of the offer that is represented by Australian Pipeline Trust securities

Creating Australia's flagship energy infrastructure business

A leading Australian owned energy infrastructure business

APA is a leading Australian owned energy infrastructure business with a diverse portfolio of high-quality long-life assets

Experienced local management team with the skills and capability to support Australia's energy transition

Strong track record of creating value for securityholders, with a growing organic growth pipeline and attractive distributions

Combination delivers value to APA and AusNet investors

Proposal creates a unique combination of electricity, gas and renewable infrastructure

Combination of complementary businesses to accelerate revenue growth and deliver cost synergies

AusNet shareholders being offered maximum value with the option of cash or reinvestment into APA scrip

Expected to be free cash flow per security accretive over the long-term and in the first financial year post acquisition⁽¹⁾

Consistent with Vision and Purpose

To be world class in energy solutions, strengthening communities through responsible energy

APA executing its strategy

Creates Australia's largest energy transmission and distribution business, uniquely positioned for the energy transition

Low-risk and predictable cash flows from regulated and contracted energy solutions

Appropriately funded

Efficient acquisition funding mix supported by securityholder friendly equity raise

Funding structure consistent with APA's commitment to its investment grade credit ratings of BBB/Baa2

Strong Growth Platform

Combined organic growth pipeline of ~\$5 billion

Enhances capability to participate in ~\$68 billion of growth opportunities across electricity, gas and renewables

Pathfinder/Growth & Future Networks a strong platform for the energy transition, new energy and hydrogen projects

(1) Free cash flow per security accretive based on market available information for the AusNet's regulated assets, 45% of regulatory capital expenditure deemed as stay-in-business capex, approximate CPI escalation on FY21 non-regulated asset's free cash flow, historical net working capital, tax payable based on PPE tax step up uplift, funding structure (including price) and 100% ownership.

(2) Inclusive of new securities issued under the equity raising and as consideration for the acquisition of AusNet