



**Takeover offer for Hastings Diversified Utilities Fund (HDF)  
Sale of 80% of APA Gas Network (Allgas)**

**14 December 2011**

# Agenda

- Overview of APA's takeover offer
- Strategic rationale for acquisition
- HDF Securityholder benefits
- Timetable and conditions
- Sale of 80% of APA Gas Network (Allgas)
- Impacts for APA

# Takeover offer summary

|                     |  |
|---------------------|--|
| Transaction         | <ul style="list-style-type: none"> <li>■ An off-market takeover for Hastings Diversified Utilities Fund (HDF)</li> <li>■ APA currently owns 20.7% of HDF securities</li> <li>■ Takeover offer applies to all HDF securities APA does not already own</li> </ul>  |
| Offer consideration | <ul style="list-style-type: none"> <li>■ HDF securityholders will receive consideration with an implied value of <b>\$2.00 per HDF security<sup>(1)</sup></b>, comprising:             <ul style="list-style-type: none"> <li>– \$0.50 cash</li> <li>– 0.326 APA securities with an implied value of \$1.50</li> </ul> </li> </ul> |
| Key conditions      | <ul style="list-style-type: none"> <li>■ 90% minimum acceptance</li> <li>■ ACCC clearance and FIRB approval</li> <li>■ Market disclosure of security arrangements of financing (including mezzanine debt)</li> <li>■ Capping of performance fee for HDF external manager</li> </ul>  |
| Timing              | <ul style="list-style-type: none"> <li>■ Bidder's Statement to be lodged with ASIC soon</li> <li>■ Bidder's Statement dispatch to HDF securityholders in early January 2012</li> <li>■ Offer open until 31 March 2012, unless extended or withdrawn</li> </ul>   |

(1) Based on the closing price of APA securities of \$4.60 on 13 December 2011.

## Strategic rationale for the takeover offer

- Enhances APA's gas infrastructure portfolio
  - HDF pipelines connected to APA pipelines
  - Enhance gas transmission pipeline network in east Australia
- Enhances APA's services to customers
  - Ease of transporting gas across pipelines and jurisdictions
  - Ease of transporting gas from multiple gas sources to multiple markets
  - Ability to supply more flexible and tailored services to better meet customer requirements
  - Enhanced security of gas supply
- Leverages APA's experience and industry skills
  - Use of APA's management, engineering and operating processes and experience across a larger portfolio
- Satisfies APA's investment criteria

# Benefits for HDF securityholders

- Receive a substantial premium for HDF securities
  - 12.6% premium to the 5-day VWAP<sup>(1)</sup> and 20.6% premium to the 3-month VWAP<sup>(1)</sup>
- Exposure to APA, which has achieved superior total securityholder return in excess of HDF and the market<sup>(2)</sup>
- Benefit from quality management, energy industry know-how & robust financial capability
- Benefit from the self-managed and transparent structure of the combined group, which is free from external management fees
- Become an investor in a significantly larger entity offering the benefits of scale and diversity, while retaining exposure to HDF assets

Consideration should be given to:

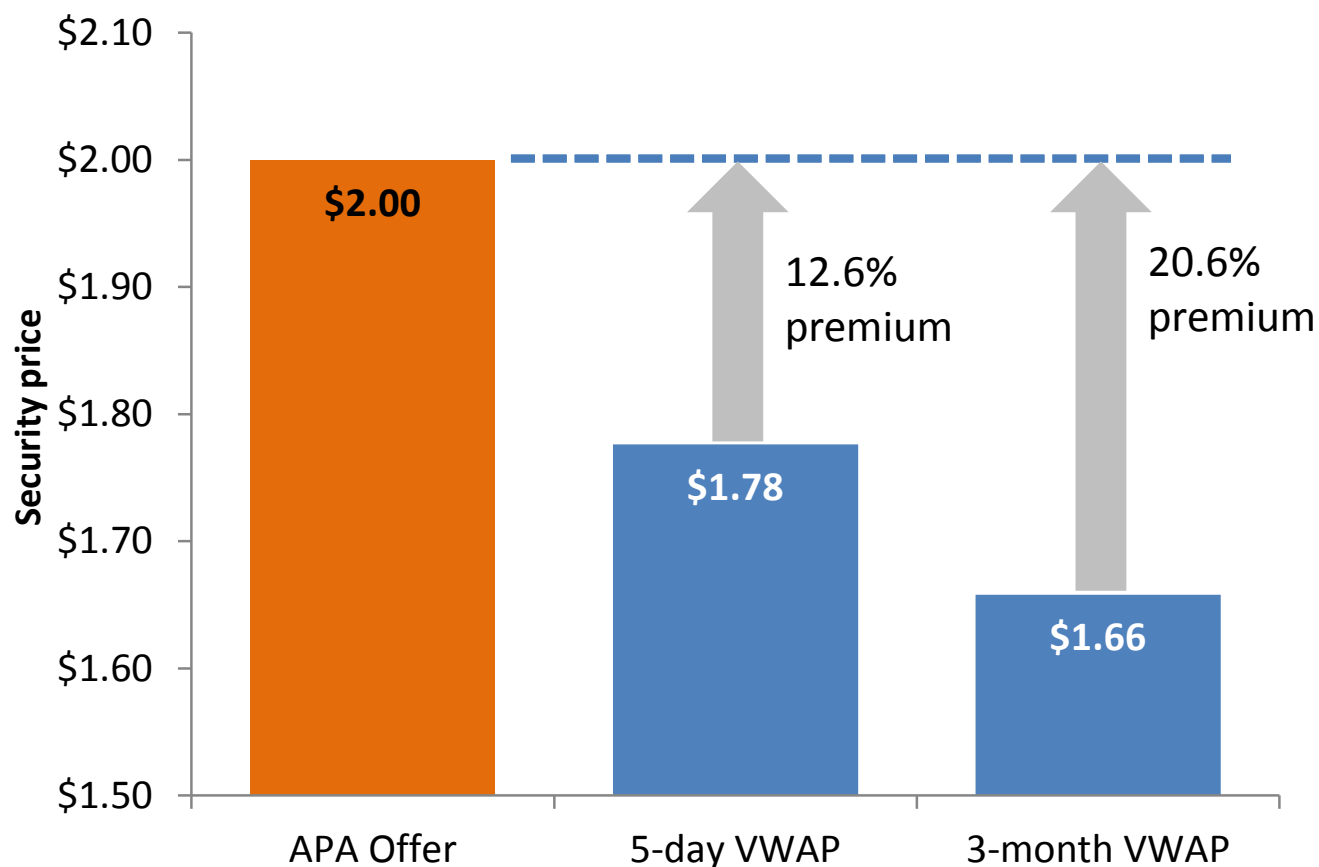
- APA's 20.7 % interest in HDF, reducing the likelihood of alternative bids
- Risks in relation to the Offer

(1) Premium of 12.6% based on the 5 day VWAP of HDUF Stapled Securities of \$1.78 and premium of 20.6% based on the 3 month VWAP of \$1.66 to the closing price of APA Stapled Securities of \$4.60, in each case on 13 December 2011.

(2) Total securityholder return (TSR) is the capital appreciation of the company's security price, adjusted for capital management (such as security splits or consolidations) and assuming reinvestment of distributions at the declared distribution per security. The period analysed is from 10 December 2004 up to and including 13 December 2011.

# Benefits – Substantial premium for HDF securities

APA Offer (implied value) of \$2.00 represents a substantial premium to HDF security price<sup>(1)</sup>

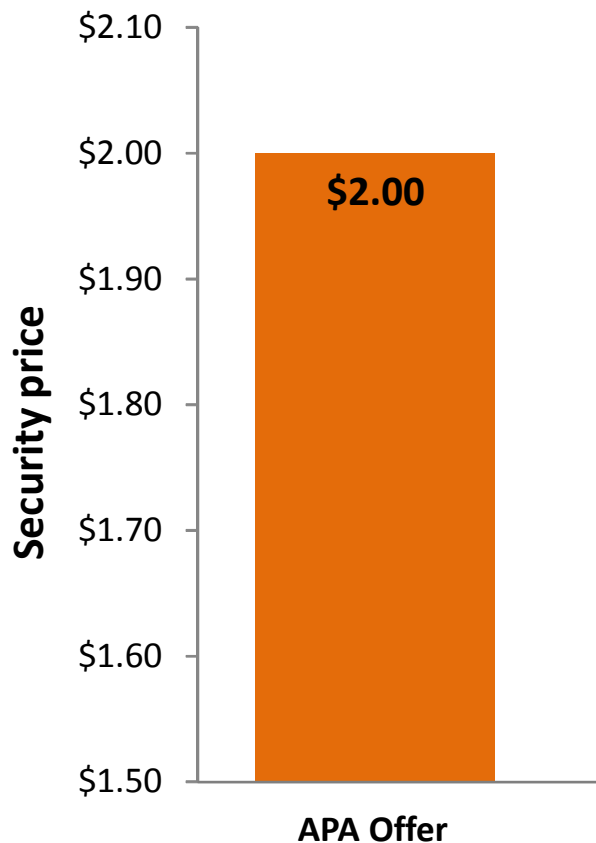


- Since APA's ownership of HDF securities was first publicly announced 2 years ago, there has been speculation regarding a possible takeover offer by APA
- APA believes this speculation has impacted HDF security price favourably
- APA believes HDF security price is likely to fall, in the absence of an alternate bid if the Offer is not successful
- APA currently holds a 20.7% interest in HDF, limiting the likelihood of alternate bids

(1) Based on the closing price of APA securities of \$4.60 on 13 December 2011.

# Benefits – Substantial premium for HDF securities

APA Offer (implied value) of \$2.00 impacted by HDF distributions



- HDF distributions
  - APA’s Offer will be reduced by the amount of any HDF distribution received by HDF securityholders after 14 December 2011<sup>(1)</sup>
  
- APA distributions
  - HDF securityholders who accept the Offer will be entitled to receive any distributions paid to APA securityholders in the future, for each APA security received as part of the Offer<sup>(2)</sup>
  - However, HDF securityholders will not receive the APA interim distribution for the 6 months ending 31 December 2011
  - APA final distribution for the 6 months ending 30 June 2012 is expected to be at least 17.4 cents per security<sup>(3)</sup>

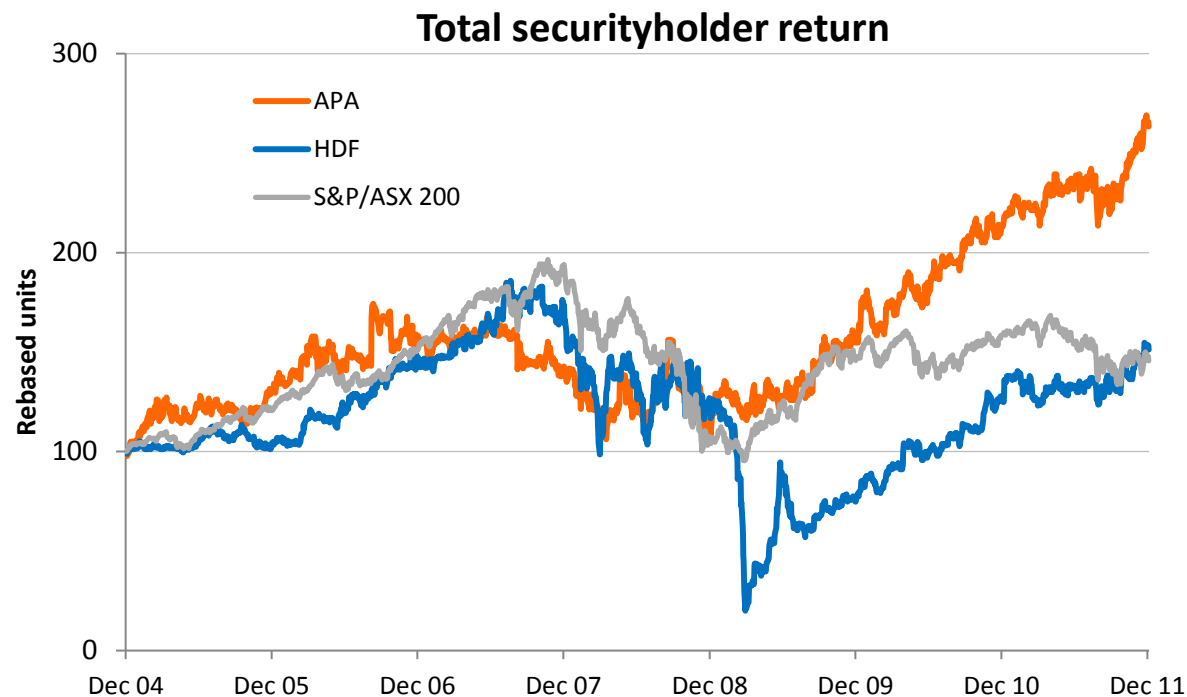
(1) Applies where HDF securities are held on the record date for a HDF distribution.

(2) Applies where APA securities are held on the record date for an APA distribution.

(3) Based on APA FY12 distribution guidance less FY12 interim distribution estimate of 17.0 cents per security.

# Benefits – Exposure to APA, which has achieved superior total securityholder returns

APA has delivered total securityholder returns<sup>(1)</sup> in excess of HDF and the market



■ Comparison of total returns since HDF's listing on the ASX

|   | Total return | CAGR <sup>(2)</sup> |
|---|--------------|---------------------|
| ■ APA   | 163 %        | 15 %                |
| ■ HDF   | 51 %         | 6 %                 |
| ■ S&P/ASX 200 Accumulation Index <sup>(3)</sup> | 46 %         | 6 %                 |

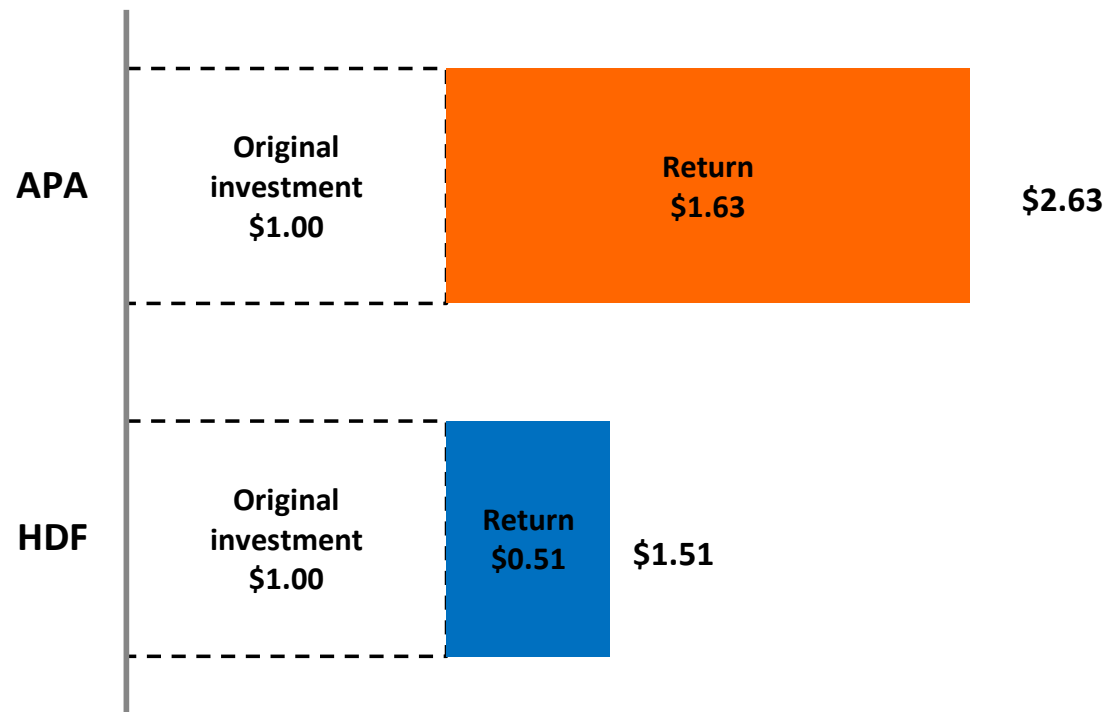
- (1) Total securityholder return (TSR) is the capital appreciation of the company's security price, adjusted for capital management (such as security splits or consolidations) and assuming reinvestment of distributions at the declared distribution per security. The period analysed is from 10 December 2004 up to and including 13 December 2011.
- (2) CAGR – Compound annual growth rate
- (3) Similar to TSR, the S&P/ASX 200 Accumulation Index takes into account the notional security price movements, adjusted for capital management (such as security splits or consolidations) and assuming reinvestment of distributions at the declared distribution per security of the stocks that comprise the S&P/ASX 200 over a period of time.



# Benefits – Exposure to APA, which has achieved superior total securityholder returns

APA has delivered total securityholder returns<sup>(1)</sup> in excess of HDF and the market

Value today of \$1 invested at time of HDF listing

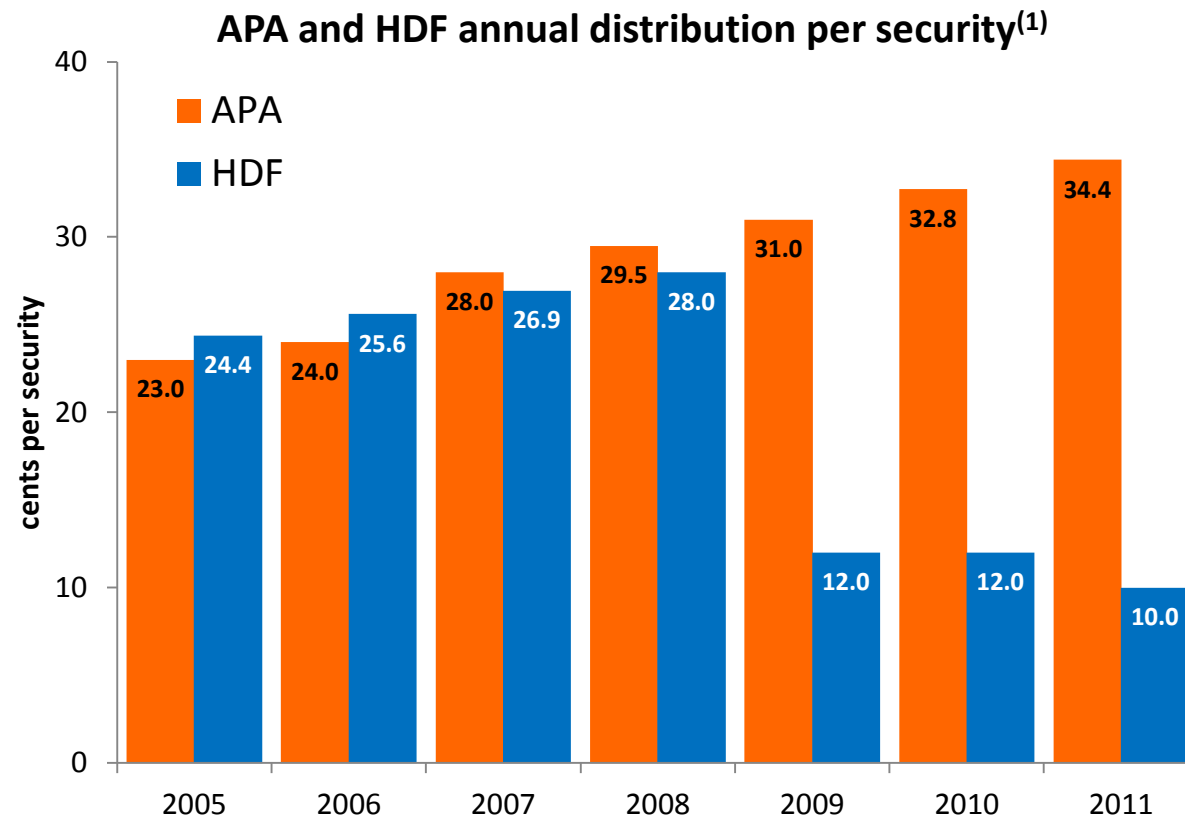


- Using total securityholder return achieved since HDF listing as a basis for comparison, \$1.00 investment in APA Group in December 2004 (when HDF was first listed) would today be worth \$2.63
- This is compared to a \$1.00 investment in HDF during the same period, which would today be worth \$1.51

(1) Total securityholder return uses figures from APA and HDF from 10 December 2004 to 13 December 2011

# Benefits – Exposure to APA, which has achieved superior total securityholder returns

APA has a solid and consistent distribution record



- APA distributions increased steadily from 23.0 cents per security in 2005 to 34.4 cents in 2011, representing a compound annual growth rate of 6%
- HDF distributions have reduced from 24.4 cents per security in 2005 to 10 cents in 2011, representing a compound annual growth rate of negative 12%

(1) APA has a financial year end of 30 June compared to a HDF financial year end of 31 December. For clarity and in order to provide a basis of comparison, the historical figures for APA and HDF are based on figures as at their respective financial year end dates

## Benefits – Quality management, energy industry know-how and robust financial capability

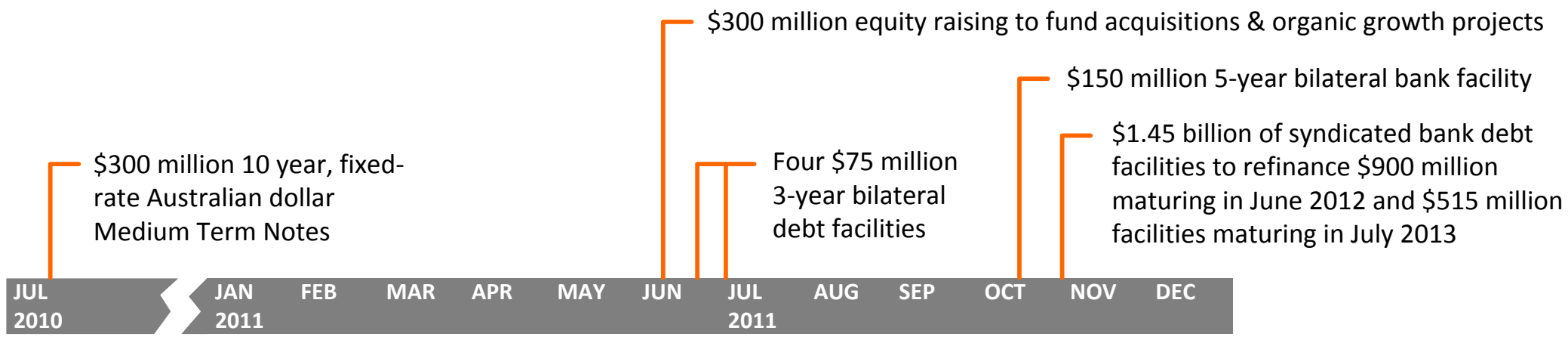
Proven management expertise consistently delivering on APA's strategy

- Increased assets owned and/or operated from \$1.4 billion in June 2000 to approximately \$9 billion today through organic growth and strategic acquisitions
- Extensive experience in the pipeline industry as owner and operator of an infrastructure business
- A national team of 1,200 employees working closely with assets and customers
- Responding to the dynamics of the gas market with innovative solutions and new services for customers
- Track record of successful integration of acquisitions
- Successful development and expansion of gas pipelines and associated assets
- Consistent strong business performance, adhering to strategy and generating value for customers and securityholders

# Benefits – Quality management, energy industry know-how and robust financial capability

Robust financial capability – competitive funding of current and future growth opportunities

- Diversified funding structure, strongly supported by debt and equity markets, as seen in recent financing transactions



- All the above debt raisings were completed on market competitive terms.

# Benefits – Self managed and transparent structure, free from external management fees

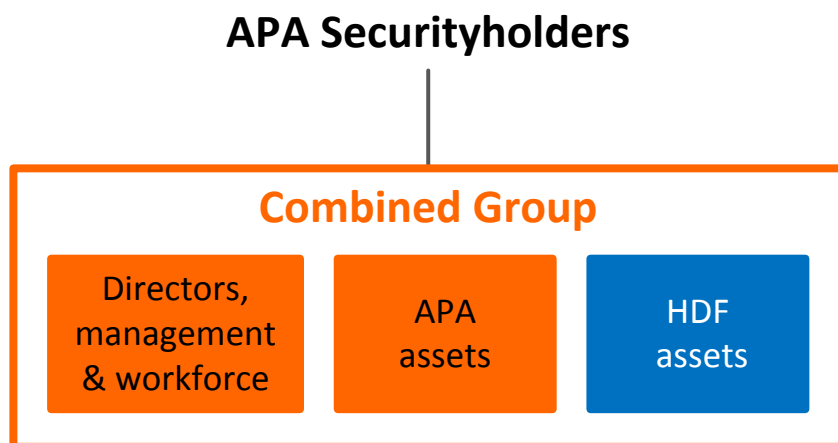
## Transparent business structure

- Self-managed – directors, management and employees are part of APA

## No external management fees

- No fee ‘leakage’ to external managers
  - Securityholders benefit from the full financial performance of the business
- Parties external to HDF have benefited from HDF’s performance
  - To date, HDF payments (management fees and performance fees) to its responsible entity total \$80 million<sup>(1)</sup>, equivalent to 25% of distributions paid to HDF securityholders
  - As a result of this Offer, it is expected HDF’s responsible entity will be entitled to substantial additional performance fees
  - A condition of the Offer includes a restriction on the timing, nature and amount of the performance fee

## Proposed business structure of the combined group



(1) Figures based on HDF published accounts since listing in December 2004. Performance fees have historically been paid to the HDF Responsible Entity in HDF securities at a price of \$2.56

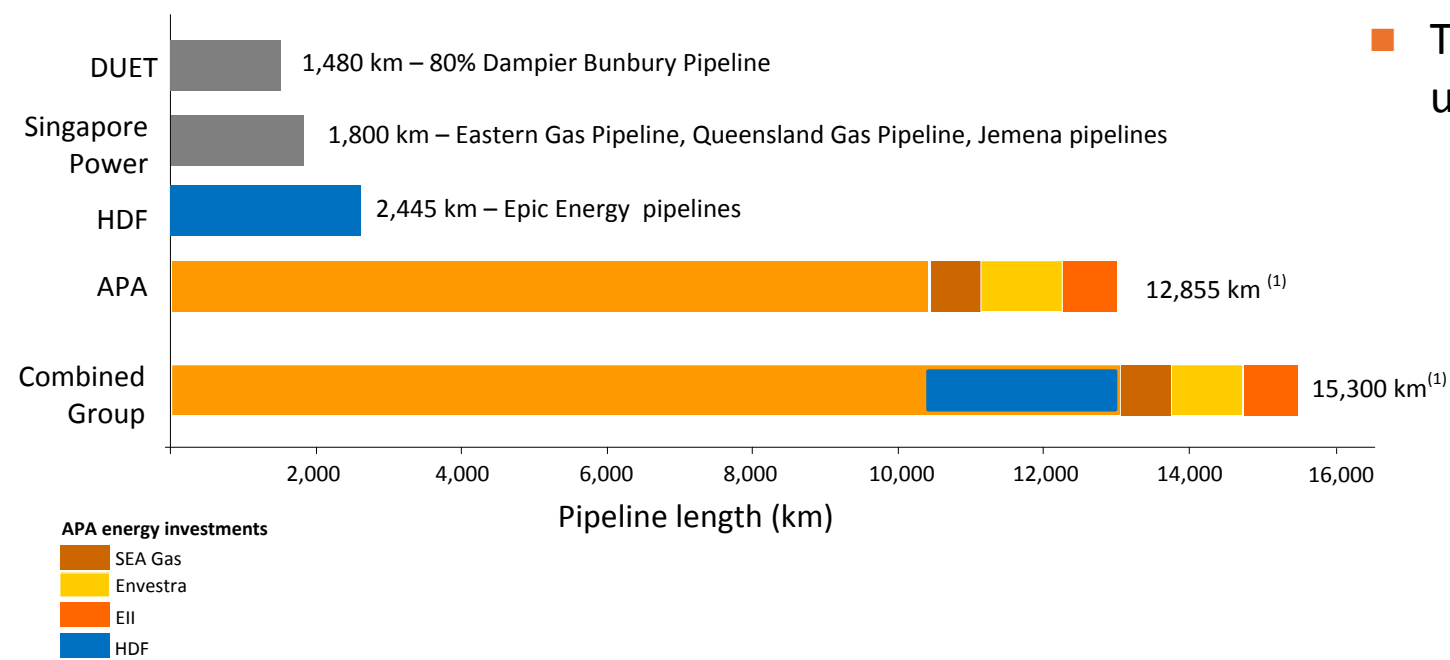
# Benefits – Invest in a significantly larger entity offering scale & diversity, while retaining exposure to HDF assets

Australia's largest gas pipeline owner and operator

- APA is Australia's largest gas transmission business owning and/or operating over 12,800 km of gas pipelines

- Together with the HDF pipelines, the combined group will own and/or operate over 15,000 km of gas pipelines

**Australia's largest natural gas pipeline owners**



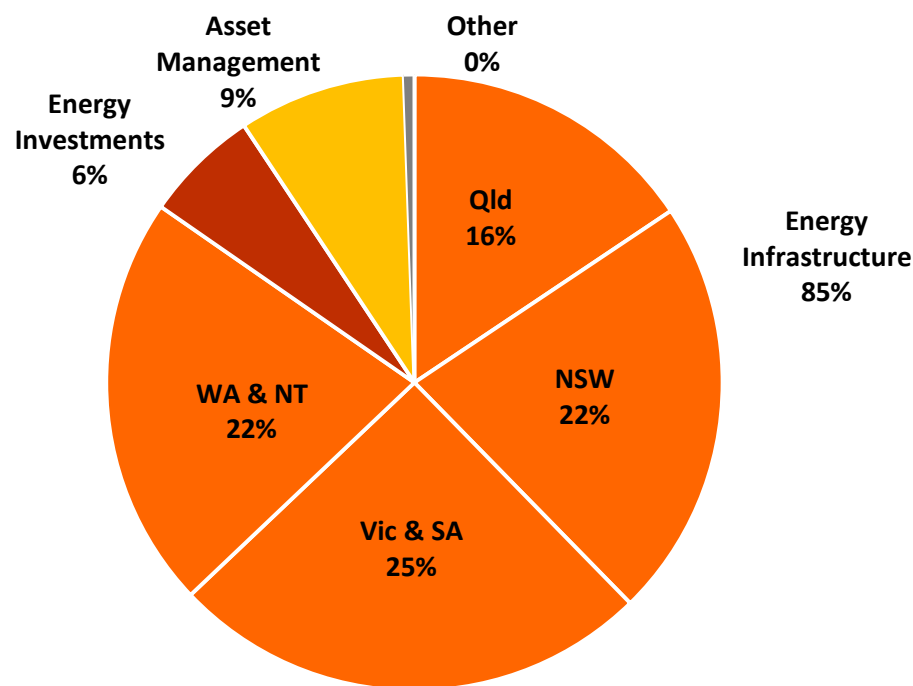
- The combined group will have an unrivalled asset portfolio
  - Enhanced ability to transport gas from all connected major gas fields to all connected major gas markets across the country
  - Well positioned to grow in line with the increasing demand for natural gas in Australia.

(1) Includes the 100% of the pipelines operated by APA Group which form part of its energy investments

# Benefits – Invest in a significantly larger entity offering scale & diversity, while retaining exposure to HDF assets

Diversified sources of EBTIDA by both asset and geography

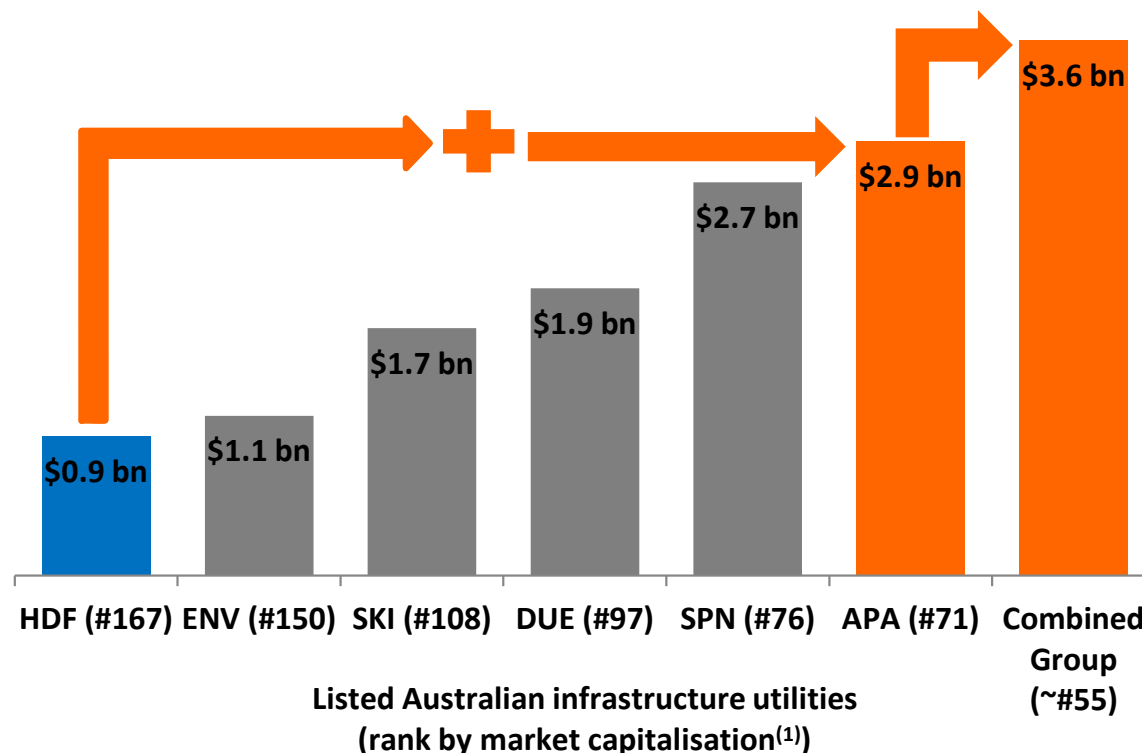
Pro forma FY11 EBITDA by business segment (\$459 million)



- APA has a diversified pro forma EBITDA by both asset and geography
- No single asset in its portfolio contributes more than 25% of EBITDA
- No single region contributes more than 25% of EBITDA
- The combined group should continue to deliver the benefits from its size and diversity to its customers and APA securityholders.

# Benefits – Invest in a significantly larger entity offering scale & diversity, while retaining exposure to HDF assets

A larger combined group by market capitalisation



- HDF has a market capitalisation of \$0.9 billion<sup>(2)</sup>
- The combined group will have a market capitalisation of around \$3.6 billion<sup>(3)</sup>
- Expected to be the largest listed energy infrastructure business, ranked in the top 60 entities in the ASX All Ordinaries

(1) ASX All Ordinaries position based on closing market capitalisation as at 9 December 2011.

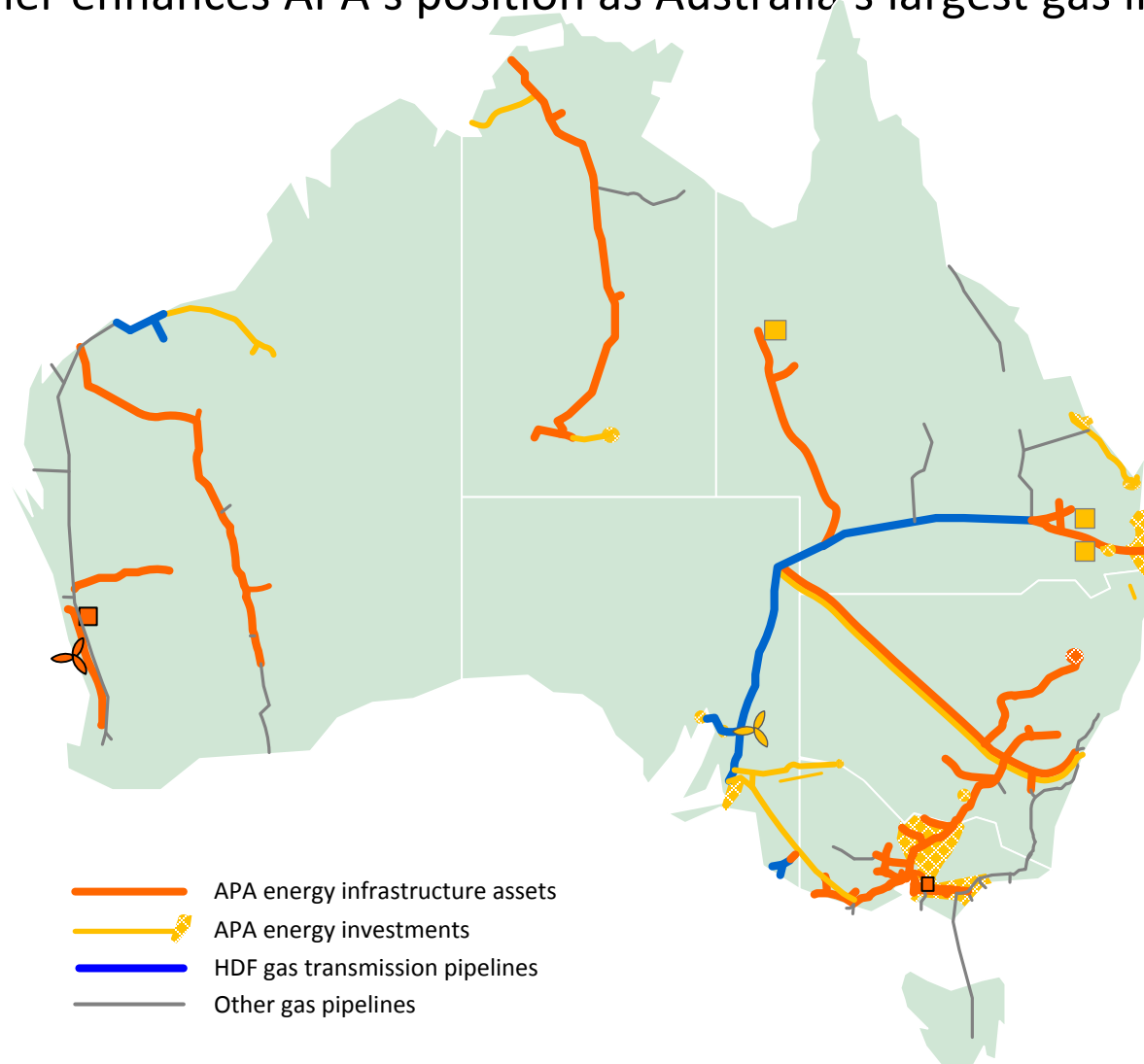
(2) Based on the 5 day VWAP of HDF securities on 13 December 2011 of \$1.78 and HDF securities on issue of 530,001,072.

(3) The expected total securities on issue for the combined group is the sum of the existing number of APA securities on issue (639,334,625) and the APA securities expected to be issued to HDF securityholders as consideration and any APA securities issued to the HDF Responsible Entity under the Offer. The combined group market capitalisation is calculated by multiplying the expected total securities on issue by the closing price of APA securities on 13 December 2011 of \$4.60.



# Benefits – Invest in a significantly larger entity offering scale & diversity, while retaining exposure to HDF assets

Further enhances APA's position as Australia's largest gas infrastructure business



## APA quick facts

ASX listed Stapled Trust  
Listed 13 June 2000

Self managed and operated

Investment portfolio:  
Natural gas pipelines (12,800 km owned and/or operated), gas storage, power generation, energy investments and asset management

## HDF quick facts

ASX listed Stapled Trust  
Listed 13 December 2004

An investment vehicle managed by Hastings Funds Management Limited, a subsidiary of Westpac Banking Corporation

Investment portfolio :  
100% ownership of Epic (2,445 km of gas transmission pipelines) and cash

# Offer conditions and timing

## Key Offer conditions <sup>(1)</sup>

- 90% minimum acceptance
- ACCC clearance and FIRB approval
- Market disclosure of security arrangements of financing (including mezzanine debt)
- Capping of performance fee for HDF

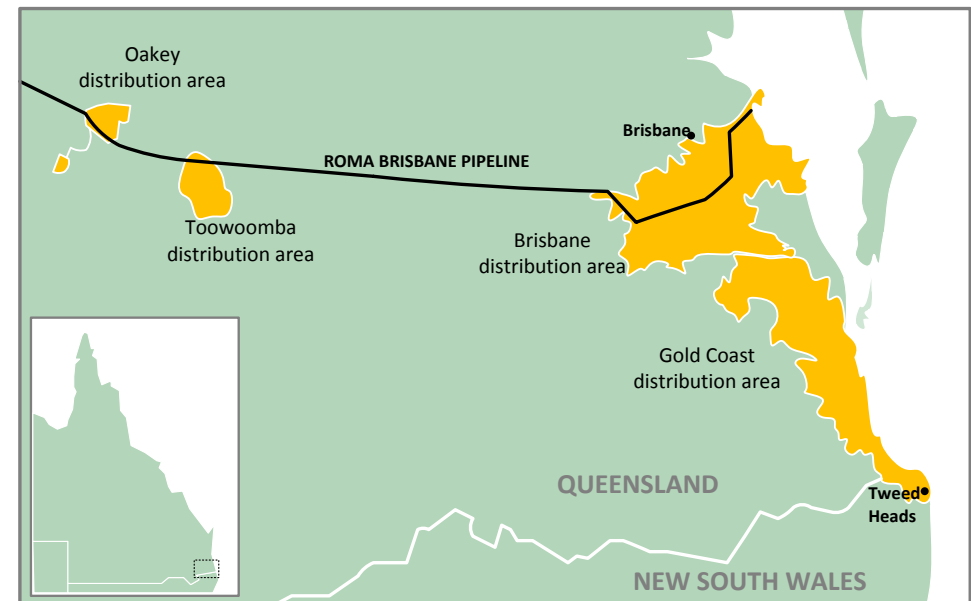
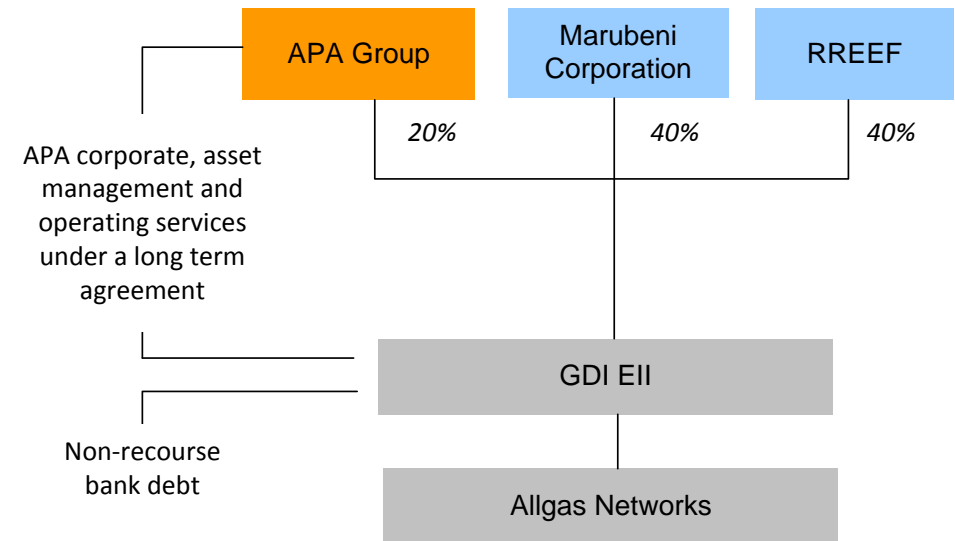
## Timing

|  |   |
|--|---|
| Announcement   | 14 December 2011                              |
| Bidder's Statement dispatched to HDF securityholders | Early January 2012                            |
| Offer close  | 31 March 2012<br>unless extended or withdrawn |

(1) Full conditions attached to the ASX announcement and to be contained in the Bidder's Statement

# Sale of 80% of APA Gas Network (Allgas)

- Creation of APA's third Energy Infrastructure Investment model
- Strong support by quality equity and debt investors
  - Equity participants Marubeni Corporation and RREEF
  - Project specific non-recourse funding provided by leading group of Australian and Asian banks
- APA will have continued exposure to the assets
  - Minority equity interest of 20%
  - 10-year asset management and operation agreement
- Net enterprise value of \$526 million (after transaction costs)
  - FY11 EBITDA multiple of 15 times
- Net proceeds of around \$477 million



# Impacts for APA

- Financial strength maintained
  - Cash component of acquisition funded by cash in the business and to be supported by Allgas transaction
  - Gearing reduces to around 65%
  
- EBITDA and distribution guidance for financial year 2012 unchanged
  - EBITDA guidance retained – \$530 million to \$540 million
  - Distribution guidance maintained – at least 34.4 cents per security



# Questions

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