

ASX Announcement and Media Release

Hastings Diversified Utilities Fund (HDF)

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HDF releases its Target's Statement recommending investors REJECT APA's Offer

- The highly conditional Offer fails to provide an adequate premium for control
- The Offer is an opportunistic attempt to secure HDF's highly strategic assets
- HDF is about to deliver significant revenue growth based on secure and expanding contracted revenues
- HDF has achieved strong total securityholder returns for investors since inception

The Board of Hastings Funds Management (Hastings), as Responsible Entity for Hastings Diversified Utilities Fund (HDF), today released its Target's Statement which confirms its recommendation that securityholders reject the opportunistic takeover Offer by APA for HDF.

Hastings' Chairman Alan Cameron said the Board has carefully considered the Offer and unanimously recommends that HDF Securityholders reject the Offer.

The Target's Statement sets out in detail why the Hastings' Board recommends that APA's Offer should be rejected.

"Your Board regards the Offer as opportunistic and entirely inadequate given the substantial expansion opportunities which HDF has recently delivered and which will benefit HDF Securityholders for many years to come," Mr Cameron said.

The Target's Statement provides a clear outline of HDF's significant contracted revenue growth, underpinned by more than \$4 billion of total contracted revenue, which will be handed cheaply to APA if its Offer succeeds.

New contracts such as those announced in December 2011, mean that HDF Securityholders can look forward to growing cash flows that these contracts are expected to produce in the medium term, as HDF more fully utilises its capacity amid increasing local and overseas demand for cleaner energy sources such as gas.

"APA's Offer does not reflect an adequate premium for control and fails to appropriately value HDF's anticipated strong medium term cash flow growth that is both contracted and prospective," Mr Cameron said.

APA agreed to issue a supplementary Bidder's Statement which confirms that after adjusting for APA and HDF interim dividends the value of the Offer equates to \$1.92 based on the closing price of APA Stapled Securities on 13 December 2011, rather than the headline implied value of \$2.00 represented in APA's original Bidder's Statement. Based on the closing price of APA Stapled Securities as at 13 January 2012, the implied value of the Offer would be \$1.95.¹

Mr Cameron added that, "HDF securityholders should be aware that there are 19 conditions attached to the Offer and that HDF Securityholders who accept the Offer will not be eligible for CGT roll-over relief despite a large part of the Offer consideration being APA Stapled Securities."

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Other key aspects highlighted in the Target's Statement include:

- As calculated by Mercer, HDF Securityholders have received a total security return of 9.78% per annum compared to the S&P/ASX 200 Industrials Accumulation Index return of 4.50% per annum since HDF's IPO in December 2004. On the other hand, APA Securityholders have received a total security return of 5.69% per annum compared to the S&P/ASX 200 Industrials Accumulation Index return of 5.59% per annum over the same period.²
- The SWQP Stage 3 Expansion, which is expected to be completed nearly \$30 million under budget, will result in the doubling of SWQP contracted revenue from \$63 million in 2011 to approximately \$134 million in 2013 and approximately \$202 million in 2015. These revenues are underpinned by long-term contracts with Origin and AGL, with over 90% of incremental volumes contracted through to 2028.
- HDF is poised to deliver strong short term revenue growth leading to anticipated higher distributable cash flows in the medium term following the successful completion of major development opportunities; in particular the completion of the SWQP Stage 3 Expansion in December 2011³ and the haulage agreements announced during 2011, which are set to commence in 2015.
- APA's Offer is subject to 19 conditions, thereby making it uncertain whether the Offer will ever become unconditional. HDF Securityholders who accept the Offer will not be able to accept a higher price from a competing bidder if such a bid eventuates (provided FIRB approval is given and unless withdrawal rights are available).
- HDF's assets are not currently subject to any price regulation, whereas in FY2011 45% of APA's pro forma revenues (excluding pass through revenue) were subject to price setting by independent regulators.

HDF has excellent revenue growth prospects on a stand-alone basis, which is expected to translate into material medium term (2015 to 2017) distribution growth. If you accept the Offer your exposure to HDF's significant contracted revenue growth potential will be diluted.

A presentation on the Target's Statement will be broadcast from 11:30AM today via www.hfm.com.au/hdf.

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Hastings Funds Management Limited

1. Calculated as the closing price of APA Stapled Securities as at 13 January 2012, multiplied by 0.326 + \$0.475, representing the \$0.50 cash component of the Offer less HDF's \$0.025 distribution payable on 30 January 2012.
2. Returns calculated as at the Announcement Date. The return calculations assume an investor reinvested each distribution in the applicable securities at the closing price on the distribution date and that the investor participated fully in any entitlement offers. HDF conducted a one-for-one entitlement offer in July 2009 and APA conducted a two-for-seven entitlement offer in November 2006. The S&P/ASX 200 Industrials Accumulation Index return differs between the APA and HDF comparisons as each index return figure assumes a proportionate investment in the index at the time of APA and HDF's respective entitlement offers.
3. Subject to final administrative sign off processes that are expected to occur in 2012.