Hastings Funds Management Limited
ABN 27 058 693 388
AFSL No. 238309
Australian Infrastructure Fund Limited
ABN 97 063 935 553

Level 27, 35 Collins Street
Melbourne VIC 3000 Australia
T +61 3 8650 3600
F +61 3 8650 3701
www.hfm.com.au
Melbourne, London, New York, Sydney

ASX Announcement

Australian Infrastructure Fund (AIX)

24 August 2012

Australian Infrastructure Fund enters into non-binding sale proposal

Australian Infrastructure Fund Limited (**AIFL**) and Hastings Funds Management Limited (**HFML**), as responsible entity of the Australian Infrastructure Fund (together, **AIX**), today advised that AIX has entered into a memorandum of understanding in relation to a proposal received from the Future Fund Board of Guardians (**Future Fund**) to acquire all of AIX's assets, being AIX's interests in Perth Airport, Australian Pacific Airports Corporation (Melbourne Airport), Queensland Airports, HTAC, NT Airports and Statewide Roads.

The price proposed by Future Fund for the assets is $2.0 billion. AIX will continue to receive all amounts distributed from its assets in the usual course having regard to past practice, up to the completion of any sale of these assets.

The indicative offer price equates to approximately $3.22 per stapled security which, together with the residual cash held by AIX after allowing for any taxes, payments to the Hastings Group for management and performance fees, transaction related costs and residual liabilities of AIX, is intended to be distributed to securityholders.

AIX will continue to keep securityholders informed of these details, and the timing of payments, as the amounts are finalised. It is anticipated that these distributions would occur in the first half of next year.

The proposal is conditional and non-binding. The parties will only proceed to binding documentation after sale and purchase agreements for each of AIX's assets have been executed, and after Future Fund has completed confirmatory due diligence and received final approval for the transaction from the Future Fund Board of Guardians.

Completion of any sale by AIX of its assets will be subject to further conditions, including approval by AIX securityholders. It is expected that the approval of AIX securityholders will be requested at a general meeting to be held later this year.

If binding sale and purchase agreements are executed with respect to all of AIX's assets on the terms proposed under the memorandum of understanding, the directors of AIX (other than those who may not make a recommendation due to their relationship with HFML) intend to recommend the transaction to AIX securityholders, in the absence of a superior proposal and subject to the opinion of an independent expert as to whether the transaction is fair and reasonable.

As the proposal is conditional and non-binding, and no definitive agreement has been reached at this time, there can be no assurance that any transaction will result. The key terms of the memorandum of understanding are summarised in the attachment to this announcement.

It is intended that HFML and its related entities will continue to provide management services to AIX through to completion of any proposal, for which HFML is likely to be entitled to similar fees to those provided for under the proposal to internalise the management of AIX, as announced on 29 June 2012.

The Boards of AIFL and HFML have meanwhile agreed to continue to progress the implementation agreement for the proposed internalisation of AIX, which is now at an advanced stage, until such time as a binding sale and purchase agreement for the assets of AIX is executed.

AIFL Chairman, Paul Espie, said: “The proposal from Future Fund was sufficiently compelling for the Boards to enter into the memorandum of understanding and to facilitate the due diligence inquiries of the Future Fund. The indicative purchase price represents a significant premium to recent trading in AIX securities.”

HFML Chairman, Alan Cameron, said: “Since we announced the decision to proceed with the proposal to internalise the management of AIX, HFML has operated within a rigorous corporate governance framework, including appropriate conflict management procedures. This will continue to be the case.”

AIX will keep the market and AIX securityholders informed of developments in respect of this proposal.

AIX is being advised by Credit Suisse as financial adviser and Freehills as legal adviser.

Jane Frawley
Company Secretary
Australian Infrastructure Fund

Paul Espie
Chairman
Australian Infrastructure Fund
Tel: +61 3 8650 3600
Fax: +61 3 8650 3701
Email: investor_relations@hfm.com.au
Website: www.hfm.com.au/aix

Jeff Pollock
Chief Executive Officer
Australian Infrastructure Fund
Tel: +61 3 8650 3600
Fax: +61 3 8650 3701
Email: investor_relations@hfm.com.au
Website: www.hfm.com.au/aix

For further enquiries, please contact:

Paula Hannaford
Kreab Gavin Anderson
0413 940 180

ATTACHMENT TO THE AIX ANNOUNCEMENT

Summary of Memorandum of Understanding

1. Proposed sale to Future Fund of AIX's interests in Perth Airport, APAC, Queensland Airports, HTAC, NT Airports and Statewide Roads.
2. Proposed price of $2 billion.
3. The proposal is subject to Future Fund completing due diligence on the assets, which AIX has agreed to facilitate.
4. The parties will only proceed to execute a binding sale and purchase agreement after:
   (a) the negotiation of definitive terms;
   (b) Future Fund completing confirmatory due diligence; and
   (c) approval of the sale by the Future Fund board of Guardians and the Boards of AIFL and HFML.
5. AIX has agreed to deal exclusively with Future Fund while they conduct their due diligence inquiries. Exclusivity arrangements include customary no-shop obligations and no-talk and notification obligations (subject to fiduciary duties). Future Fund also has a right to match any superior proposal within 5 business days.
6. The parties propose that any definitive sale agreement would provide that completion of the sale of assets would be conditional, inter alia, on the following:
   (a) AIX security holder approval, including by special or extraordinary resolution, if necessary;
   (b) A$ not falling below US$0.85;
   (c) certain other conditions relating to warranties, corporate actions and insolvency events.
7. If the sale of any asset is pre-empted, AIX will pay a fee to Future Fund equal to 1% of the price of that asset.
8. Under certain circumstances, AIX will be required to pay a 1% break fee to Future Fund.