

ASX Announcement

Australian Infrastructure Fund (AIX)

Total pages: 5

26 November 2012

Australian Infrastructure Fund enters into implementation agreement with Future Fund

Australian Infrastructure Fund Limited (AIFL) and Hastings Funds Management Limited (HFML), as responsible entity of the Australian Infrastructure Fund (together, AIX) announced today that AIX had entered into a binding implementation agreement (Agreement) with the Future Fund Board of Guardians (Future Fund) for the proposed sale of all of AIX's assets, being AIX's interests in Perth Airport, Australian Pacific Airports Corporation (Melbourne and Launceston Airports), Queensland Airports, HTAC, NT Airports and Statewide Roads.

The Agreement, as summarised in the Appendix, is consistent with the commercial terms outlined in AIX's announcement of 24 August 2012. Further details will be included in an explanatory booklet, which AIX securityholders can expect to receive in early December 2012. This booklet will also include an independent expert's report from Grant Samuel.

Future Fund's offer price of \$2 billion for all of AIX's assets equates to approximately \$3.22 per stapled security. These proceeds, together with the cash held by AIX, will be distributed to securityholders after allowing for all taxes, management and performance fees, transaction costs and residual liabilities of AIX, as well as the distribution to be paid for the six months ended 31 December 2012. This distribution is currently estimated to be 5.5 cents per stapled security, to be paid in February 2013.

Following completion of each asset sale, AIX will return the net proceeds of each asset sale and substantially all of AIX's cash reserves to securityholders, expected in total to be within the range of \$3.19 to \$3.23 per stapled security. These net proceeds will be paid to securityholders in the form of:

1. A main return, estimated to be in the range of \$2.95 to \$2.98 per stapled security, comprising several payments from both AIFT and AIFL. The main return is currently expected to be paid in late April 2013; and
2. A residual return, estimated to be in the range of \$0.24 to \$0.25 per stapled security, comprising additional payments from AIFL only. AIX is targeting payment of the residual return by 30 June 2013, although this may be delayed, depending on when AIFL receives the proceeds from the sale of its assets and the requirement to ensure that AIFL has sufficient franking credits to fully frank the dividend component of this residual return. However, payment of this residual return will be no later than 31 December 2013.

Unless otherwise stated, the information contained in this document is for informational purposes only. It does not constitute an offer of securities and should not be relied upon as financial advice. The information has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person or entity. Before making an investment decision you should consider, with or without the assistance of a financial adviser, whether any investments are appropriate in light of your particular investment needs, objectives and financial circumstances. Neither Hastings, nor any of its related parties including Westpac Banking Corporation ABN 33 007 457 141, guarantees the repayment of capital or performance of any of the entities referred to in this document and past performance is no guarantee of future performance. Hastings, as the Manager or Trustee of various funds, is entitled to receive management and performance fees.

AIFL Chairman, Paul Espie, and HFML Chairman, Alan Cameron said: “The proposal from the Future Fund represents a significant premium to the AIX security price prior to the indicative proposal being announced. We are pleased that we have now agreed binding terms with the Future Fund which, in the absence of a superior offer, will be unanimously recommended by all independent directors of both AIFL and HFML. We look forward to putting the proposal to AIX securityholders for their approval.”

The current indicative timetable for the proposed transaction is set out below.

- Early December 2012:** Explanatory booklet and notices of meetings to be dispatched to securityholders.
- Early January 2013:** AIX AGM and meeting for securityholders to vote on the proposed transaction and, if approved, execution of individual agreements for the sale of each AIX asset.
Commencement of the pre-emptive rights sale processes in respect of each of AIX’s assets (where applicable).
- Mid February - mid March 2013:** Pre-emptive rights sale periods expire, with sale of each AIX asset to complete following expiration of that asset’s pre-emptive rights period.
- Mid April 2013:** Special review and due diligence process for distribution of funds to AIX securityholders completed.
- Late April 2013:** Payment of main return to AIX securityholders.
- Late June - 31 December 2013:** Payment of smaller residual return to AIX securityholders.

A copy of this announcement will be sent to AIX’s securityholders.

Paul Espie
Chairman

Australian Infrastructure Fund
Email: investor_relations@hfm.com.au
Website: www.hfm.com.au/aix

Alan Cameron AO
Chairman

Hastings Funds Management
Email: investor_relations@hfm.com.au
Website: www.hfm.com.au/aix



Jane Frawley
Company Secretary
Australian Infrastructure Fund

For further information please call the AIX Information Line on:
1800 606 449 (toll-free in Australia) or +61 2 8256 3382 (outside Australia)

For media inquiries please call:
Paula Hannaford
Kreab Gavin Anderson
0413 940 180

APPENDIX – SUMMARY OF IMPLEMENTATION AGREEMENT

1. The proposed Transaction is conditional on the following conditions precedent being satisfied or waived:
 - AIX securityholders approving the proposed Transaction (and other relevant resolutions) at the securityholder meeting;
 - the AUD/USD exchange rate not falling below 0.85 United States Dollars per Australian Dollar on three consecutive Business Days between the date of the Implementation Agreement and the date of the securityholder meeting;
 - no AIX prescribed event occurring between the date of the Implementation Agreement and 8.00am on the date of the securityholder meeting. AIX prescribed events are limited to insolvency type events and the asset owning entities taking certain actions that adversely affect AIX compared with other investors in those assets;
 - the due diligence materials provided to the Future Fund, and representations and warranties provided to Future Fund by AIX, not being materially incorrect during the period up to 8.00am on the date of the securityholder meeting;
 - prior to 8.00am on the date of the securityholder meeting, no government agency taking any action, or imposing any legal restraint or prohibition, to prevent the implementation of the proposed Transaction, which remains in force at 8.00am on the date of the securityholder meeting.

Once the conditions precedent are satisfied or waived, AIX and Future Fund will enter into individual sale and purchase deeds in respect of each Asset.

2. The sale of AIX's interest in Perth Airport, Australia Pacific Airports Corporation (Melbourne Airport), Queensland Airports and NT Airports will be conditional on completing required pre-emptive rights processes. The sale of AIX's interest in HTAC and Statewide Roads will be unconditional. Future Fund will not acquire any assets in respect of which pre-emptive rights are validly exercised.
3. The aggregate purchase price is \$2 billion for all of the Assets, subject to certain adjustments.
4. The implementation agreement includes exclusivity arrangements in favour of Future Fund for the period up to the signing of the sale and purchase deeds, being:
 - an obligation not to solicit or discuss any competing proposal (which is defined to cover a transaction over all or a substantial part of the assets, an acquisition of 10% of AIX securities or otherwise for the control of AIX, but excluding the internalisation proposal or a sale of HTAC or an HTAC asset), subject to a customary fiduciary carve-out if a potentially superior proposal is received;
 - an obligation to notify Future Fund within 2 business days of any approach, negotiations or discussions, or proposals, or the granting to another person of non-public information, in relation to a competing proposal, subject to a customary fiduciary carve-out; and
 - Future Fund has a right for 5 business days to match a superior proposal before AIX can recommend it, or enter into any agreement to implement it.
5. A reimbursement fee of \$20 million is payable by AIX to the Future Fund in the following circumstances where the Transaction does not proceed to execution of the sale and purchase deeds:
 - prior to the securityholder vote, any AIFL director or Hastings director fails to recommend (except where that director is not an independent director) or publicly withdraws or changes his recommendation of the proposed Transaction, other than as a result of the Independent Expert opining that it is not fair and reasonable to AIX securityholders (other than where the reason for that opinion is a competing proposal);

- prior to the securityholder vote, any AIX director recommends a competing proposal;
- a person other than Future Fund implements or completes the acquisition of 50% or more of the voting power in AIX or the acquisition of all or a substantial part of the AIX assets within 6 months after the termination of the Implementation Agreement pursuant to a transaction announced before the securityholder vote;
- a disposal or restructure of AIX's interest in HTAC is agreed to or resolved to be implemented without the prior written consent of Future Fund; or
- AIX is in breach of the Implementation Agreement such that it could be terminated by Future Fund,

except where AIX has properly terminated the Implementation Agreement as a result of a breach by Future Fund.

The amount of the reimbursement fee is reduced if the sale of any Asset to Future Fund completes notwithstanding the occurrence of any event that would otherwise trigger its payment.

6. AIX may terminate the Implementation Agreement by written notice to Future Fund at any time before the sale and purchase deeds are executed if:
 - Future Fund is in breach of any obligation under the Implementation Agreement which, if not remedied, would cause the proposed Transaction to be frustrated and unable to proceed in accordance with the Implementation Agreement and the breach remains unremedied following written notice by AIX to Future Fund setting out the breach and stating an intention to terminate if it is not remedied; or
 - a majority of the independent directors on either AIFL Board or the Hastings Board withdraw or change their recommendation of the proposed Transaction or their recommendation that AIX securityholders vote in favour of the proposed Transaction.
7. Future Fund may terminate the Implementation Agreement by written notice to AIX at any time before the sale and purchase deeds are executed if:
 - AIX is in material breach of the Implementation Agreement and the breach remains unremedied following written notice by Future Fund to AIX setting out the breach and stating an intention to terminate if it is not remedied;
 - AIX is in breach of the exclusivity arrangements;
 - an independent director of the AIFL Board or Hastings Board withdraws or changes his recommendation of the proposed Transaction or their recommendation that AIX Securityholders vote in favour of the Proposed Transaction; or
 - any AIFL or Hastings director publicly recommends, promotes or otherwise endorses a competing proposal.
8. Termination rights will also arise under the Implementation Agreement:
 - on failure of the conditions precedent; and
 - in the event that the parties are unable to agree an appropriate adjustment to the purchase price allocation in the event of a material adverse change in respect of an asset.
9. Once the sale and purchase deeds are signed, termination rights will arise where completion of the sale of the relevant asset is delayed such that it cannot occur before 30 April 2013.