

ASX Announcement

Hastings Diversified Utilities Fund (HDF)

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HDF releases its Target's Statement in response to the Pipeline Partners Australia Offer

A subcommittee of independent directors of Hastings Funds Management Limited (HFML), as Responsible Entity for HDF, today released its Target's Statement which outlines the reasons why HDF Securityholders should accept Pipeline Partners Australia's all cash offer of \$2.325 per HDF security¹, in the absence of a superior proposal and the Independent Expert continuing to conclude that the offer is fair and reasonable.

By unanimously recommending that HDF Securityholders accept the Pipeline Partners Australia offer, the independent directors have considered numerous factors, including that the offer of \$2.325 per HDF security is within the valuation range for a control acquisition of \$2.30-\$2.69 estimated by Independent Expert Grant Samuel & Associates. Grant Samuel & Associates has concluded that the offer is fair and reasonable in the absence of a superior proposal.

The other key factors considered by the independent directors in making a recommendation to HDF Securityholders to accept the Pipeline Partners Australia offer included:

- the Pipeline Partners Australia offer is for a cash price and provides HDF Securityholders with value certainty;
- Pipeline Partners Australia's offer is presently the highest value choice available to HDF Securityholders; and
- in the absence of the current takeover activity, including the offers from both Pipeline Partners Australia and APA Group (APA), HDF is expected to trade at a price below the Pipeline Partners Australia offer price.

Internalisation

The independent directors carefully considered the merits of an internalisation of HDF management relative to the Pipeline Partners Australia offer. While the estimated net cost savings of an internalisation would be approximately \$4 million to \$5 million per annum, in the absence of any takeover offer, HDF's security price could be expected to trade below Pipeline Partners Australia's offer of \$2.325 per security. Moreover, there are potential disadvantages associated with the internalisation of HDF, in particular the expectation that financiers' consent and/or renegotiation of its total debt facilities of \$1.375 billion would be required.

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¹ Securityholders on HDF's register as at 29 June 2012 will be entitled to receive the \$0.025 cash distribution for the quarter ended 30 June 2012 without any reduction in Pipeline Partners Australia's offer price.

APA Group

HDF remains in discussion with APA regarding APA's intention to increase its takeover offer for HDF subject to completion of satisfactory due diligence.

APA has the intention, subject to satisfactory due diligence, to increase its offer consideration to a value of at least \$2.50 per security, comprised of at least \$0.60 cash and the remainder being a fixed amount of APA securities, representing a value of at least \$2.525 per security when combined with HDF's distribution payable of \$0.025 per security on 6 August 2012.

HFML Chairman Alan Cameron said, "HDF is working positively with APA and may provide APA with access to appropriate due diligence in due course. However, at this point in time there is no certainty that APA will make a formal revised takeover offer for HDF".

HDF Securityholder choices

Mr Cameron said, "Your independent directors have carefully considered Pipeline Partners Australia's offer and have concluded that it is presently the highest value choice available to all HDF Securityholders, given the uncertainty of APA's intention to increase its offer and the assessment of the merits of internalisation".

Mr Cameron continued, "HDF Securityholders have the choice to accept the offer now, reject the offer or do nothing and wait. Securityholders who do not wish to accept the Offer now should be aware that the offer from Pipeline Partners Australia may lapse and that there is no certainty that a superior offer may eventuate".

Chief Executive Officer Colin Atkin said, "While the underlying asset of HDF continues to perform strongly and has a bright outlook, the formal offer from Pipeline Partners Australia provides an adequate control premium to Securityholders and represents an opportunity that effectively de-risks Securityholders' investment in HDF from any potential downside."

Information Line

If you have enquiries regarding Pipeline Partners Australia's Takeover Offer, please contact the HDF Information Line on 1800 815 610 (toll-free in Australia) or +612 8256 3357 (outside Australia).

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