

ASX RELEASE

5 August 2013

The Manager
ASX Market Announcements
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000



Electronic Lodgement

Dear Sir or Madam

Company Announcement

Attached is the following announcement for release to the market:

- Envestra not to proceed with APA proposal.

Yours sincerely

Des Petherick
Company Secretary and
Manager Corporate Services

Telephone: (08) 8418 1126

5 August 2013



ENVESTRA NOT TO PROCEED WITH APA PROPOSAL

On 16 July 2013, Envestra Limited (ASX:ENV, "**Envestra**") announced that it had received an unsolicited, indicative, conditional and non-binding all-scrip proposal from APA Group (ASX:APA, "**APA**") to acquire all of the issued capital of Envestra which it does not currently own ("**Proposal**"). A copy of the Proposal was attached to the announcement.

The all-scrip Proposal was for a scheme of arrangement, including a requirement for it to be proposed and unanimously recommended by the non-APA Group affiliated Envestra Directors. A scheme of arrangement would require support from 75% by value and over 50% by number of non-APA Envestra shareholders who vote on the scheme.

Envestra formed an Independent Board Committee ("**IBC**") to consider the Proposal. The IBC representatives were Mr John Allpass (appointed Chairman of the IBC), Mr Ian Little, Mr Fraser Ainsworth, Mr Ivan Chan (with Mr Dominic Chan as his alternate) and Mr Olaf O'Duill. The IBC appointed financial, legal and tax advisers to assist in this process. The IBC has met several times and, along with its advisers, reviewed, considered and assessed the Proposal.

The IBC has concluded that the Proposal significantly undervalues Envestra shares in the context of the proposed control transaction and is not in the best interests of non-APA Envestra shareholders. Accordingly, the IBC decided to not proceed with the Proposal.

In particular, the IBC noted that:

- The Proposal of 0.1678 APA shares implied a value of \$1.07 per Envestra share based on APA's closing share price on 15 July 2013 (the day before announcement of the Proposal) of \$6.38 per share compared with Envestra's closing share price on the same day of \$1.06 per share implying less than a 1% premium;
- Based on the most recent closing trading price for APA of \$6.05 per share the Proposal implies a value of \$1.02 per Envestra share or a 4% discount to Envestra's share price on 15 July 2013 and a 9% discount to Envestra's most recent closing trading price of \$1.12 per share; and

- The proposal undervalues Envestra's shares, and Envestra's shareholders would not be better off financially were the Proposal to proceed, particularly taking into account the different risk profiles of APA and Envestra.

Chairman of the IBC and the Envestra Board, Mr John Allpass, commented that:

"The IBC has undertaken a thorough review of the Proposal and has concluded that it does not represent a fair exchange of value for the non-APA Envestra shareholders."

"Envestra has a highly attractive portfolio of gas distribution networks in some of Australia's key markets which have underpinned the Company's high cash generation and growth."

"Envestra has generated average annual shareholder returns of 27%⁽¹⁾ over the past 5 years, and remains committed to maximising value for all Envestra shareholders in the future."

For further information please contact:

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⁽¹⁾ 5 year average to 30 June 2013, consistent with the methodology used in the Envestra Annual Report.