

ASX RELEASE

4 March 2014

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:

ASX Announcement: Envestra recommends Scheme of Arrangement acquisition
by APA Group

Yours sincerely

A handwritten signature in blue ink, appearing to read "Des Petherick", with a long horizontal flourish extending to the right.

Des Petherick
Company Secretary and
Manager Corporate Services

Telephone: (08) 8418 1126

4 March 2014

Envestra Limited
ACN 078 551 685

Level 10, 81 Flinders Street
Adelaide, South Australia 5000

Telephone +61 8 8227 1500

Facsimile +61 8 8227 1511

www.envestra.com.au

Envestra Recommends Scheme of Arrangement Acquisition by APA



On 17 December 2013, Envestra Limited (**Envestra**) announced that its Independent Board Committee (**IBC**) had resolved by a majority to progress with the steps necessary to put a revised proposal received from APA Group (**APA**) before Envestra shareholders for their consideration.

Since that date, the IBC has:

- Appointed an Independent Expert, Grant Samuel & Associates Pty Limited (**Grant Samuel**), which has concluded that the proposal is in the best interests of Envestra shareholders other than APA, in the absence of a superior proposal. Grant Samuel has assessed the full underlying value of Envestra (including a premium for control) to be in the range \$1.11-\$1.32 per Envestra share, and assessed the value of the scrip consideration to be in the range \$1.15-\$1.25 per Envestra share. As the value of the scrip consideration falls within the estimate of the full underlying value for Envestra, Grant Samuel has assessed the proposal to be fair and reasonable and, therefore, in the best interests of Envestra shareholders other than APA. A copy of Grant Samuel's report is released contemporaneously with this announcement;
- Sought and received appropriate assurances from sufficient Envestra financiers, in a form acceptable to APA, that any change of control resulting from the Scheme will not be deemed "unacceptable" under Envestra's debt financing arrangements; and
- Facilitated the conduct of a due diligence process.

Following the steps above, Envestra has entered into a Scheme Implementation Agreement (**SIA**) with APA, under which APA will, subject to shareholder and court approval and satisfaction of conditions precedent, acquire 100% of the shares in Envestra that it does not already own pursuant to a Scheme of Arrangement (**Scheme**). A copy of the executed SIA is released contemporaneously with this announcement.

A majority of the non-APA affiliated Directors of Envestra consider the Scheme to be in the best interests of Envestra shareholders (other than APA) and recommend that Envestra shareholders (other than APA) vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of Envestra shareholders (other than APA).

Subject to these conditions, each recommending non-APA affiliated Director who holds or controls voting rights in respect of Envestra shares intends to vote their shares in favour of the Scheme and cause Envestra shares under their control to be voted in favour of the Scheme.

The non-APA affiliated Directors of Envestra recommending that Envestra shareholders (other than APA) vote in favour of the Scheme are: John Allpass (Chairman), Ian Little (Managing Director), Fraser Ainsworth and Olaf O'Duill.

The non-APA affiliated Directors of Envestra recommending that Envestra shareholders (other than APA) vote against the Scheme are: Dominic Chan and Ivan Chan. Dominic Chan and Ivan Chan do not consider the Scheme to be in the best interests of Envestra shareholders (other than APA).

For the Scheme to proceed, it must be approved by at least 75% of the votes cast by Envestra shareholders (other than APA) at the Scheme meeting and by a majority (i.e. greater than 50%) in number of Envestra shareholders (other than APA) voting at the Scheme meeting.¹ As Cheung Kong Infrastructure Holdings (Malaysian) Ltd (**CKI**) holds a 17.5% interest in Envestra, Envestra has made enquiries of CKI regarding its possible voting intentions in relation to the Scheme. CKI has advised Envestra that it does not currently intend to make a public statement regarding its voting intentions.

If the Scheme is implemented, each Envestra shareholder will be entitled to elect to receive consideration in one of the following two alternative forms (with the all scrip consideration being the default consideration):²

- All scrip consideration comprising 0.1919 APA securities per Envestra share.³ Based on an APA security price of \$6.10⁴, the implied value of the all scrip consideration was \$1.17 per Envestra share. Based on the APA security price of \$6.58 as at close of business on 3 March 2014, the implied value of the all scrip consideration is \$1.26 per Envestra share; or
- Maximum cash consideration of \$1.17 cash per Envestra share⁵, subject to an aggregate cap of \$241 million. Shareholders electing to receive maximum cash consideration will have their entitlements to cash scaled back proportionately to the extent that this cap would otherwise be exceeded, with the balance of their consideration comprising APA securities.

¹ Votes may be cast at the Scheme meeting in person or by proxy, attorney or, in the case of corporate shareholders, by a corporate representative. The Court has discretion to approve the Scheme where it is approved by at least 75% of all votes cast by Envestra shareholders (other than APA), but not by a majority in number of Envestra shareholders (other than APA) voting on the resolution.

² Under the Scheme, each Envestra shareholder whose address on the Envestra register is a place outside Australia (and its external territories) or New Zealand will be an "Ineligible Foreign Envestra Shareholder", unless Envestra and APA are satisfied that the laws of all relevant jurisdictions permit APA securities to be issued to that shareholder. APA and Envestra have agreed that CKI will not be an Ineligible Foreign Envestra Shareholder. Under each Scheme consideration alternative, APA securities to which an Ineligible Foreign Envestra Shareholder would otherwise be entitled will be sold on their behalf on the ASX, with the cash proceeds (less any applicable taxes and charges, but excluding brokerage) remitted to them. All other Envestra shareholders may elect to have any APA securities to which they become entitled sold on their behalf under the same cash out facility in the event that they would otherwise receive an unmarketable parcel of APA securities.

³ Should the Scheme not be implemented by 30 June 2014, the scrip consideration may be adjusted under the terms of the Scheme in the event that Envestra's FY2014 final dividend is greater or lesser than 0.1919 of APA's FY2014 final distribution. See Annexure 2 of the SIA for details.

⁴ Rounded from an APA security price of \$6.0974, being the 30 day VWAP of APA securities on the ASX as at close of business on 11 December 2013, as referenced in Envestra's announcement on 17 December 2013.

⁵ Should the Scheme not be implemented by 30 June 2014, the cash consideration per Envestra share may be adjusted under the terms of the Scheme in the event that Envestra's FY2014 final dividend is greater or lesser than 0.1919 of APA's FY2014 final distribution. See Annexure 2 of the SIA for details.

Eligible Envestra shareholders will also be entitled to receive the FY2014 interim Envestra dividend of \$0.032 per share to be paid on 30 April 2014.

APA's FY2014 final distribution, expected to be declared in June 2014, will be payable with respect to all securities issued to Envestra shareholders under the Scheme, should the proposed Scheme be implemented by 30 June 2014.

The proposed Scheme is subject to customary conditions, including Envestra shareholder, Federal Court, ASIC and ASX approvals, no restraints or prescribed occurrences and no material adverse change. The SIA includes the conditions to the Scheme, termination rights and exclusivity arrangements (subject to certain fiduciary carve outs).

A Scheme booklet containing information relating to the proposed acquisition, reasons for the Directors' recommendations, and details of the Scheme meeting is expected to be sent to Envestra shareholders in the coming weeks. Envestra currently expects the Scheme meeting to occur in May and Envestra will continue to update shareholders on this process as appropriate.

Envestra is being advised by Goldman Sachs as financial adviser and Johnson Winter & Slattery as legal adviser.

For further information, please contact:

Des Petherick
Company Secretary

Telephone: 08 8418 1126