



ASX ANNOUNCEMENT

17 December 2013

APA Group (ASX: APA)
(also for release to APT Pipelines Limited (ASX: AQH))

APA and Envestra agree to proceed with scheme of arrangement proposal

APA Group (ASX: APA), Australia's largest natural gas infrastructure business, has today reached agreement with Envestra Limited (ASX: ENV) to progress a scheme of arrangement proposal to combine the two businesses.

APA has put forward a revised proposal which implies a value of \$1.17¹ per Envestra share ("APA Proposal") and follows discussions with Envestra and some limited due diligence.

Under the proposal, Envestra shareholders will have the option to receive either:

- 0.1919¹ APA securities for each Envestra share; or
- a combination of APA securities and cash, whereby the cash component will be offered through a "mix and match facility", subject to an overall cap of \$241 million.

Envestra shareholders would be entitled to receive the dividend of \$0.032 per share expected to be paid by Envestra in April 2014. APA securities issued as part of the offer prior to 30 June 2014 would be entitled to APA's FY2014 final distribution.

Key conditions and timing

The Independent Board Committee of Envestra has agreed by majority to proceed with the steps necessary to put the APA Proposal before Envestra shareholders for their approval. Those steps include:

- APA and Envestra undertaking mutual confirmatory due diligence (including access for an independent expert to all reasonably required information);
- Envestra seeking binding confirmations from its financiers (as agreed with APA) that they will not declare that any Envestra change of control resulting from the proposed Scheme is "unacceptable" for the purposes of Envestra's Inter Creditor Deed Poll; and
- Appointment of an Independent Expert to opine on whether the proposed Scheme is fair and reasonable and in the best interests of Envestra's shareholders (excluding APA).

Following completion of these steps, a recommendation in relation to the proposed scheme of arrangement will be made by the Independent Directors on the Envestra Board.

APA envisages that a scheme of arrangement would be possible to implement by June 2014.

¹ Implies a value of \$1.17 per Envestra share, based on an APA security price of \$6.0974, being the 30 day VWAP as of the close of business on Wednesday, 11 December 2013.

Benefits of the combination

APA Chairman, Mr Len Bleasel AM, said “We have always believed that combining APA and Envestra is in the best interests of both sets of shareholders. The completion of the acquisition of the Hastings Diversified Utilities Fund and the subsequent sale of the Moomba to Adelaide Pipeline has allowed APA to focus on progressing the proposal to Envestra.

“We believe this proposal is attractive to Envestra’s shareholders and provides key benefits to APA. As we have indicated throughout this process of engagement with Envestra, the proposed transaction is consistent with our strategy and capabilities, and delivers on our key drivers of growth, security and value for APA securityholders”.

In particular, APA believes a combination of APA and Envestra will deliver:

- An appropriate return for all shareholders through aligning APA’s existing long term operating agreement with APA’s ownership;
- Portfolio diversity – the combination creates a significant Australian energy infrastructure business with a diverse asset portfolio across mainland Australia;
- Greater revenue certainty – Envestra has regulated earnings under access arrangements in place until at least 2016;
- Strong asset growth profile – Envestra has proposed A\$1.3 billion of capital programs in current access arrangements; and
- More efficient access to debt and equity capital markets to fund Envestra’s capital program over the medium term and through the business cycle.

APA expects that this transaction will be cash accretive on an operating cash flow per APA security basis immediately after implementation of the transaction.

APA will update the market on progress of this transaction.



Mark Knapman
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Australian Pipeline Limited

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About APA Group (APA)

APA is Australia’s largest natural gas infrastructure business, owning and/or operating \$12 billion of energy assets. Its gas transmission pipelines span every state and territory on mainland Australia, delivering approximately half of the nation’s gas usage. APA has direct management and operational control over its assets and the majority of its investments. APA also holds minority interests in energy infrastructure enterprises including Envestra, SEA Gas Pipeline, Energy Infrastructure Investments and GDI.

APT Pipelines Limited is a fully owned subsidiary of Australian Pipeline Trust and is the borrowing entity of APA Group.

For more information visit APA’s website, www.apa.com.au