

ASX RELEASE

26 October 2010

The Manager
Company Announcements Office
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 to acquire Country Energy's New South Wales Gas Networks business.

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

26 October 2010

ENVESTRA TO ACQUIRE COUNTRY ENERGY'S NEW SOUTH WALES GAS NETWORKS BUSINESS FOR \$107 MILLION



Envestra Limited (ASX: ENV) announces that its wholly owned subsidiary, Envestra Transmission Pty Limited, has entered into an agreement with Country Energy (a New South Wales State owned Corporation) to acquire its gas networks business ("Gas Networks").

This acquisition represents a strong strategic fit with Envestra's business model and substantially increases its presence in New South Wales.

HIGHLIGHTS

- Strong strategic fit – leverages Envestra's core competencies in gas distribution
- Mature business with attractive growth potential
- Largely regulated with Access Arrangement in place to 2015 – stable and predictable cash flows
- Earnings and cash flow accretive
- Financed through acquisition facility and existing resources
- Acquisition cost reflects prudent valuation assumptions and low gearing
- Operations outsourced to APA Asset Management consistent with existing arrangements

Description of Gas Networks

Gas Networks comprises 1,160km of gas distribution pipelines and 65km of transmission pipelines in southern New South Wales, in the towns of Wagga Wagga, Tumut, Adelong, Gundagai, Culcairn, Holbrook, Henty, Temora, Walla Walla, Bombala and Cooma. Gas Networks delivers around 3 petajoules annually to 26,000 gas consumers.

The majority of Gas Networks' business operations are in Wagga Wagga, the largest inland city in New South Wales. The Wagga Wagga network is regulated by the Australian Energy Regulator ("AER"). A new five year Access Arrangement became effective 1 July 2010, providing reasonable certainty over future cash flows through to June 2015.

The gas networks within the remaining towns are non-regulated, with the revenue setting mechanism mirroring the AER methodology used in the regulated network. A map of Gas Networks' and Envestra's existing gas distribution assets within the surrounding area is attached.

Envestra expects Gas Networks will deliver 2011-12 full-year revenue of over \$14 million and EBITDA of \$10-11 million. Envestra believes Gas Networks has attractive growth opportunities associated with increased consumer numbers and gas usage.

Strategic Benefits of the Acquisition and Impact on Envestra

The acquisition is consistent with the Envestra Group strategy of investing in natural gas infrastructure that generates attractive returns to shareholders.

Announcing the transaction today, Managing Director, Mr Ian Little said "This transaction strengthens Envestra's position as the leading gas distribution business in Australia and, in particular, increases our exposure to this growing regional Australian market."

"Whilst this is a relatively small acquisition, we believe it demonstrates Envestra's prudent approach to growing the Company through investments that utilise our core competencies. The acquisition is accretive to Envestra Group cash flow and profit from the first full-year of ownership".

APA Asset Management will operate the gas distribution and transmission assets on behalf of Envestra, consistent with Envestra's existing operating and management arrangements. It is anticipated that existing employees of Gas Networks will be offered employment with APA Asset Management.

Purchase Price and Funding

The purchase price comprises an enterprise value of \$107 million, plus an additional \$1.6 million payment, largely for unbilled debtors associated with pre-acquisition gas sales which will be collected by Envestra.

The transaction is being funded through a mixture of debt and equity, with an acquisition gearing ratio of 61% (which compares to the 73% gearing ratio of Envestra's existing business). The debt proceeds will be provided through a facility provided by the Commonwealth Bank of Australia.

Existing cash resources of the Envestra Group, together with funds from the forthcoming Dividend Reinvestment Plan settlement (due on 29 October) will be used to fund the equity component.

Other Details

The transaction is expected to complete on Friday, 29 October 2010.

Core Energy and Gryphon Partners acted as corporate advisors to Envestra, whilst Johnson Winter & Slattery acted as legal advisor.

Further Information

Envestra will conduct a conference call this morning at 11:30am AEST (26 October 2010) for investors and analysts to discuss this announcement in further detail. Please see below for details.

Dial-in access number: 1800 554 798

Participant passcode: 2711351

For further information please contact:

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Information on Envestra

Envestra Limited is Australia's leading natural gas distribution company. Envestra owns about 21,000 kilometres of gas distribution networks and 1,000 kilometres of transmission pipelines, serving over one million consumers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

Envestra was listed on the Australian Securities Exchange in August 1997, but its origins date back almost 150 years to the gas distribution networks of the former South Australian and Brisbane Gas Companies, and the Gas and Fuel Corporation of Victoria.

Today the Company has an enterprise value of about \$2.7 billion, and annual revenue of around \$400 million, and delivers some 115 petajoules of gas each year. The Company has around 20,000 shareholders including APA Group with a holding of 32% and Cheung Kong Infrastructure with 19%.

The location of Gas Networks' assets and those of Envestra within the surrounding area is set out below.

