Investing in energy infrastructure

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ASX RELEASE

4 September 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:

- Envestra's Credit Rating Upgraded to 'Baa1'.

Yours sincerely

Des Petherick
Company Secretary

Telephone: (08) 8418 1114

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MEDIA RELEASE

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4 September 2014

Envestra

Envestra's Credit Rating Upgraded to 'Baa1

Envestra Limited announces that Moody's Investor Service has upgraded its credit rating one notch from 'Baa2' to 'Baa1' with a *Stable* Outlook.

The upgraded rating is in response to Envestra's strengthening financial profile, prudent financial management and resolution of Envestra's ownership structure following the Cheung Kong Consortium obtaining control of the Company as a result of an off-market takeover offer, which was declared unconditional on 7 August 2014.

The Moody's Investor Service media release is attached.

For further information:
Greg Meredith: Group Manager Treasury and Risk
Des Petherick: Company Secretary
Telephone: 08 8418 1114

Moody's
INVESTORS SERVICE

Rating Action: Moody's upgrades Envestra's rating to Baa1 from Baa2; Outlook stable

Global Credit Research - 03 Sep 2014

Sydney, September 03, 2014 -- Moody's Investors Service has today upgraded Envestra Limited's underlying secured rating to Baa1 from Baa2.

Outlook on the rating has also been revised to stable from developing.

RATINGS RATIONALE

"The rating upgrade reflects the strengthening of Envestra's financial profile, which has been supported by its conservative financial policy, and which we expect to continue over the medium term, says Spencer Ng, a Moody's Vice President and Senior Analyst.

At the same time, the rating upgrade incorporates the improved visibility in Envestra's long-term corporate and capital structure, following its recent acquisition by a consortium led by Cheung Kong Infrastructure (CKI, unrated)," says Ng, adding "We expect Envestra to be prudently managed and its financial profile to remain consistent with its Baa1 rating, including FFO/Debt at around 11%, and Debt/RAB staying below 80%".

Envestra's financial metrics have been strengthening in recent years driven by a conscious deleveraging strategy as well as a supportive Victorian network tariff decision which commenced from mid-2013.

We consider CKI to be a prudent long-term investor in infrastructure assets, based on its well-established track record in managing its infrastructure investments in Australia -- SA Power Networks (financing vehicle ETSA Utilities Finance Pty Ltd, (P)A3 Stable) in South Australia and Powercor Australia LLC (Baa1 Negative) -- at solid investment grade rate levels. "We do not expect a material change in Envestra's finance policy due to the ownership change" Ng says, adding "CKI also has a practice of running its investments as standalone self managed companies".

As of end of August, the consortium held over 90% of Envestra's outstanding shares, which will allow it to proceed with compulsory acquisition of all remaining shares. Upon completion, CKI will hold 44.97% of Envestra's shares, whilst the other consortium partners -- Power Asset Holdings Limited (PAH, unrated) and Cheung Kong Holdings Limited (unrated) -- will reach hold half of the remaining interest. Cheung Kong Holdings is the ultimate parent of CKI through its subsidiary Hutchison Whampoa Limited (A3 Stable), while PAH is a 38.87% owned subsidiary of CKI.

A large portion of the CKI's asset portfolio is comprised of regulated utilities in UK, Hong Kong, Australia and New Zealand, whilst the balance is made up of utilities, toll roads and infrastructure services companies in mainland China, Canada and Netherlands. The strong quality of its underlying portfolio underpins CKI's investment-grade-like credit quality.

Based on CKI's stated intention to retain Envestra's management team and its long-term operations contract with APT Pipelines Limited (Baa2 stable), Moody's believes integration risk associated with the acquisition to be manageable within Envestra's Baa1 rating and day-to-day operations will not be materially affected by the transaction.

Envestra's Baa1 could be upgraded if there is a sustained improvement in its operating performance. Ratios Moody's would look for include FFO to interest coverage exceeding 3.0 times, FFO to debt of above 14%, and Debt/RAB declining below 70% on a consistent basis.

On the other hand, the rating could be downgraded if there is a material deterioration in the company's performance or if there is an adverse change in the regulatory regime, leading to FFO to interest falling below 2.3x, its FFO to debt dropping below 9%, or its Debt/RAB ratio increasing above 85% on a consistent basis.

Envestra Limited -- headquartered in Adelaide and listed on the Australian Stock Exchange -- is the owner of natural gas pipelines across Australia, including South Australia, Queensland and New South Wales. Through its wholly owend subsidiary Envestra Victoria, it also owns gas networks and transmission assets in Victoria.

The principal methodology used in this rating was Regulated Electric and Gas Networks published in August 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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