

22 March 2010

Moody's Revises Envestra Credit Rating



Envestra Ltd has been advised that the Moody's Investor Service (Moody's) has revised its credit rating on the Company from Baa2/Outlook *Negative* to Baa2/Outlook *Stable*. The Moody's Press Release is attached.

The decision to return the rating to Baa2 with a *Stable* Outlook reflects the strengthening of the Company's balance sheet over the last 12 months, including the raising of new equity, retention of funds to support the capital expenditure program, and extending the duration of the Group's debt portfolio with a number of significant debt re-financings achieved in 2009/10.

The Moody's Baa2 rating is equivalent to Standard & Poor's 'BBB' rating. Standard & Poor's currently assign a 'BBB' minus (Stable Outlook) rating to the Company.

The revised credit rating will not affect the current borrowing costs of the Company, but is expected to improve the Group's access to both domestic and international debt markets.

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Envestra is Australia's largest distributor of natural gas, delivering the environment friendly fuel to over one million consumers. The Company has operations in Victoria, South Australia, Queensland, New South Wales and the Northern Territory.



Moody's Investors Service

Rating Action: Moody's revises Envestra's rating outlook to stable

Global Credit Research - 19 Mar 2010

Approximately A\$750 Million in Debt Securities Affected

Sydney, March 19, 2010 -- Moody's Investors Service has today revised the outlook on Envestra Ltd's ("Envestra") Baa2 rating to stable from negative.

"The change in outlook reflects Envestra's improved financial profile and liquidity position", says Spencer Ng, a Moody's Analyst, adding "Over the next two years, we expect a continuation of the improvement in the company's financial metrics which will strengthen Envestra position in its rating".

Over the next 2-3 years, Moody's expects Envestra's Debt/Regulated Asset Base (RAB) to trend in the low 80% range. Such level, combined with its FFO/Interest which is expected to trend towards 1.8x, provide rating support at the Baa2 level.

Envestra's Baa2 continues to reflect its low business risk profile, given its ownership of regulated gas networks in South Australia, Queensland and Victoria. Cash flows generated from these assets are stable and predictable.

The rating incorporates a degree of uncertainty surrounding Envestra's capital expenditure plan in the current regulatory period, following the company's recently announced plan to cut capital spending. "Such situation raises uncertainty about Envestra's financial profile over the medium term", Ng, adds.

When assessing the financial profile of Envestra, Moody's considers the consolidated financial metrics of Envestra Limited and its fully owned subsidiary, Envestra Victoria Pty Ltd (EnVic) given the consolidated security package across the group.

An upward trend in Envestra's Baa2 rating could emerge if there is evidence of consistent improvement in the financial profile. Financial metrics Moody's would look for are: FFO/Interest of 2.3 to 2.5 times, Debt/RAB of around 80 to 85%.

On the other hand, the company's rating could face downward pressure if its consolidated financial metrics weakens to: FFO/Total Interest falling consistently below 1.7 times and Total Debt/RAB rising above 90%.

The last rating action on Envestra was on September 15, 2008 when the outlook on its rating was revised from stable to negative.

The principal methodology used in rating this issuer was the Regulated Electric and Gas Networks methodology, published in August 2009, and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Envestra is a gas distributor, based on Adelaide, South Australia. The company is listed on the Australian Stock Exchange. Envic -- which operates a gas distribution network in Victoria -- is wholly owned by Envestra.

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