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ASX RELEASE

MOODY'S UPDATE ON UNITED ENERGY'S CREDIT RATING

DUET Group is pleased to note the attached announcement by Moody's Investors Service ("Moody's") regarding United Energy's Baa2 investment grade credit rating and stable outlook.

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MOODY'S
INVESTORS SERVICE

Announcement: Moody's says proposed equity recapitalization of UED is credit positive; ratings unaffected

Global Credit Research - 19 Nov 2014

Sydney, November 19, 2014 -- Moody's Investors Service ("Moody's") says the proposed equity recapitalization of United Energy Distribution Pty Limited (UED) is credit positive but its Baa2 issuer and senior unsecured ratings, as well as the stable outlook are unaffected.

UED is 66% owned by Diversified Utility and Energy Trusts ("DUET"; unrated), an ASX 100 owner of energy utilities listed on the Australian Stock Exchange. The remaining equity in the utility is owned by SGSP (Australia) Assets Pty Ltd (Baa1 stable).

DUET has today announced that it will raise AUD165 million of equity through an underwritten rights issue to be invested into UED over the next three to four years.

"The proposed equity recapitalization is credit positive for UED's financial profile, providing financial flexibility and headroom within its current Baa2 rating tolerance levels," says Mary Anne Low, a Moody's Analyst.

"UED's Baa2 rating is constrained by its high financial leverage, and to the extent the proceeds are used to delever the company on a permanent basis, then this will strengthen the company's ability to manage the expected decline in returns from the next regulatory period from 2016," says Low.

Moody's will seek clarification from UED's management in relation to its plan for the specific use of proceeds. "As we had previously mentioned, we expect UED, based on its capital management plan, to reduce leverage by 2016 to around 85% on a debt to Regulated Asset Base ("RAB") basis (from 91% in FY2014) by the end of FY 2016, thereby providing support for the Baa2 rating. The proposed recapitalization, if applied to debt reduction, supports this strategy.

Moody's does not expect the rating to undergo upward trend over the near term due to the high leverage. Over the longer term, upward rating movement could occur on evidence of consistent improvement in its gearing, as measured by debt to RAB of below 75%, while maintaining its FFO/interest at no lower than 2.3-2.5 times.

On the other hand, the rating could face downward pressure if the deleveraging does not materialize as planned and debt/RAB remains above 85% after 2016, and if its Funds from Operations ("FFO")/interest falls below 1.9 times.

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.

UED is the owner and operator of an electricity distribution network in Victoria, Australia. UED services the state's population across the eastern areas of Melbourne and the Mornington Peninsula.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

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