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## **ASX RELEASE**

### **MOODY'S AFFIRMS DUET RATINGS ON PROPOSED EDL ACQUISITION**

DUET is pleased to note the attached press release by Moody's Investors Service (Moody's) affirming that the stable investment grade credit ratings of DBP, United Energy and Multinet Gas are expected to be unaffected by DUET's proposed acquisition of Energy Developments Limited (EDL).

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**Announcement: Moody's: DBNGP, EPG and UED's ratings unaffected by DUET's proposed acquisition of EDL**

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Global Credit Research - 20 Jul 2015

Sydney, July 20, 2015 -- Moody's Investors Services ("Moody's") says that DUET Group's (unrated) announcement of the proposed acquisition of 100% of the equity in Energy Development Limited ("EDL", unrated) will not have any immediate impact on the existing ratings and outlooks of its portfolio of utility assets comprising 100% of Energy Partnership (Gas) Pty Ltd ("EPG", Baa3 stable), 80% of DBNGP Finance Co Pty Ltd ("DBNGP", Baa3 stable) and 66% of United Energy Distribution Pty Ltd ("UED", Baa2 stable) (collectively the "operating assets"). DUET announced an AUD1.4 billion takeover offer for EDL on 20 July 2015, which is to be funded by a fully underwritten AUD1.67 billion equity issuance and implemented via a scheme of arrangement.

"Our central scenario is that DUET's solid track record of providing support to the operating assets' financial profiles when required will continue," says Mary Anne Low, a Moody's Analyst, adding, "our view reflects our understanding that the acquisition will not materially increase DUET's debt or future investment requirements, and therefore DUET should not exhibit an increased propensity to distribute cash from the operating assets."

Fundamentally, the investment grade ratings of UED and EPG continue to reflect their low business risk profiles which are supported by the transparent regulatory framework and associated predictability of their cash flows. Such transparency also provides these businesses with a window to implement countermeasures to offset declining regulatory returns, if required.

In particular, UED's stable outlook reflects Moody's expectation that UED's management and/or shareholders will introduce countermeasures to maintain its credit profile, given the expected decline in revenue - a consequence of low risk free rates - after its forthcoming regulatory reset in April 2016. The final impact on UED's rating will factor in the regulator's final determination as well as the company's countermeasures.

"We expect UED to reduce its financial leverage over the next 12 to 18 months - as measured by debt to regulated asset base - to around 85%, which represents a five percentage point improvement from 2014," says Low.

"The reduction in leverage will provide support for the Baa2 rating. We also expect UED to maintain interest coverage ratio above 1.9x as measured by the ratio of funds from operations to interest," adds Low.

EPG's Baa3 rating likewise continues to be underpinned by the predictability of its cash flows, particularly because its next regulatory reset only occurs in 2018.

DBNGP's 2014 tariff renegotiation -- which covered over 85% of its aggregate contracted capacity until the end of 2020 - provides support for its Baa3 rating.

"Whilst the remaining 15% of DBNGP's contracted capacity is subject to downside tariff adjustments in the forthcoming 2016 regulatory reset, we believe this risk is manageable given DBNGP has refinanced debt and reset swaps at lower interest rates which will partly offset the lower revenue," says Low.

UED is the owner and operator of an electricity distribution network in Victoria, Australia, and serves the eastern areas of Melbourne and the Mornington Peninsula. The remaining equity in UED is owned by SGSP (Australia) Assets Pty Ltd (A3 stable).

EPG is the owner and operator of the Multinet gas distribution network in Victoria and serves the predominantly residential eastern and southern suburbs of Melbourne.

DBNGP - based in Perth, Western Australia - is the financing vehicle for DBNGP Trust, which owns the Dampier to Bunbury Natural Gas Pipeline. The project is the main pipeline connecting demand centers in the south-west of Western Australia with gas fields in the Carnarvon Basin. The remaining units are held by Alcoa of Australia Limited (Baa2 stable).

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](http://www.moodys.com) for the most updated credit rating action

information and rating history.

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