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20 July 2015

## **ASX RELEASE**

### **S&P AFFIRMS DUET GROUP CREDIT PROFILE ON PROPOSED ACQUISITION OF EDL**

DUET is pleased to note the attached press release by Standard & Poor's Ratings Services (S&P) affirming that DUET's investment grade group credit profile is expected to be unaffected by the proposed acquisition of Energy Developments Limited (EDL).

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## Bulletin:

# Ratings On DUET Group's Subsidiaries Unaffected By Its Announcement To Acquire Energy Developments Ltd.

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MELBOURNE (Standard & Poor's) July 20, 2015--Standard & Poor's Ratings Services said today that its ratings on DUET Group's three majority-owned subsidiaries--United Energy Distribution Holdings Pty Ltd. (UED, BBB/Stable/--, 66%), Energy Partnership (Gas) Pty Ltd. (EPG, BBB-/Stable/--, 100%), and DBNGP Trust (BBB-/Stable/--, 80%)--remain unaffected by DUET's announcement to acquire 100% of the listed Energy Developments Ltd. (EDL). We currently view DUET as having a low investment-grade group credit profile and expect this to be unaffected by the announcement. Our view incorporates an expectation that the transaction will be completed via a proposed scheme of arrangement supported by a fully underwritten A\$1.67 billion equity raising. In particular, the equity will be raised upfront, all the necessary approvals will be received, and EDL's debt will be reduced by A\$150 million upon acquisition. EDL is a remote energy and clean energy generator that manages a generation portfolio of about 900 megawatts.

UED, EPG, and DBNGP are regulated energy utilities in Australia and their ratings are linked to DUET's credit profile because we view them as strategically important to DUET Group. DUET not only has strategic influence on their operations but has historically provided strong support when needed. Consequently, DUET's credit profile will remain an important factor for the credit quality of these entities.

*Bulletin: Ratings On DUET Group's Subsidiaries Unaffected By Its Announcement To Acquire Energy Developments Ltd.*

Our credit view on the DUET group is supported by its approach to fully equity fund the transaction and raise the equity ahead of all approvals, thus eliminating any financing risk. Further, DUET's stated intention to target an investment-grade profile for its major operating subsidiaries, policy to have no debt at the DUET level, and its approach to fund its shareholder distribution only from operating cash flows also contribute to our view of DUET's low investment-grade profile. If the EDL acquisition is successful, we would see DUET having a strong business risk profile and expect it to maintain a cash flow leverage of about 10.0%.

We believe the acquisition of EDL should complement DUET's strategy of operating regulated/ contracted assets and enhance its cash flow diversity. In contrast to DUET's existing regulated subsidiaries, we note that EDL's operations are not regulated and therefore will carry a higher business risk. However, EDL's highly contracted and relatively straightforward operations should mitigate its business risk and provide steady cash flows. Further, we expect that DUET will be able to retain key EDL personnel post acquisition, and maintain adequate liquidity in the business on an ongoing basis.

Under Standard & Poor's policies, only a Rating Committee can determine a Credit Rating Action (including a Credit Rating change, affirmation or withdrawal, Rating Outlook change, or CreditWatch action). This commentary and its subject matter have not been the subject of Rating Committee action and should not be interpreted as a change to, or affirmation of, a Credit Rating or Rating Outlook.

**AUSTRALIA**

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