

**AMPCI Macquarie Infrastructure Management No 1 Limited**

ABN 99 108 013 672  
AFS Licence No. 269286

**AMPCI Macquarie Infrastructure Management No 2 Limited**

ABN 15 108 014 062  
AFS Licence No. 269287

**DUET Investment Holdings Limited**

ABN 22 120 456 573

1 Martin Place  
SYDNEY NSW 2000  
GPO Box 4294  
SYDNEY NSW 1164  
AUSTRALIA

Telephone +61 2 8232 6913  
Facsimile +61 2 8232 4713  
Internet [www.duet.net.au](http://www.duet.net.au)



22 May 2012

**ASX RELEASE**

**INTRODUCTION TO DUET PRESENTATION**

DUET Group (DUET) notes today the release of a presentation to be delivered to potential investors during an upcoming offshore investor roadshow.

For further information, please contact:

Investor Enquiries:

**David Bartholomew**

Chief Executive Officer

Tel: +61 414 775 089

Email: [d.bartholomew@duet.net.au](mailto:d.bartholomew@duet.net.au)

Media Enquiries:

**Jane Rotsey**

Public Affairs Manager

Tel: +61 401 997 160

Email: [jane.rotsey@bigpond.com](mailto:jane.rotsey@bigpond.com)

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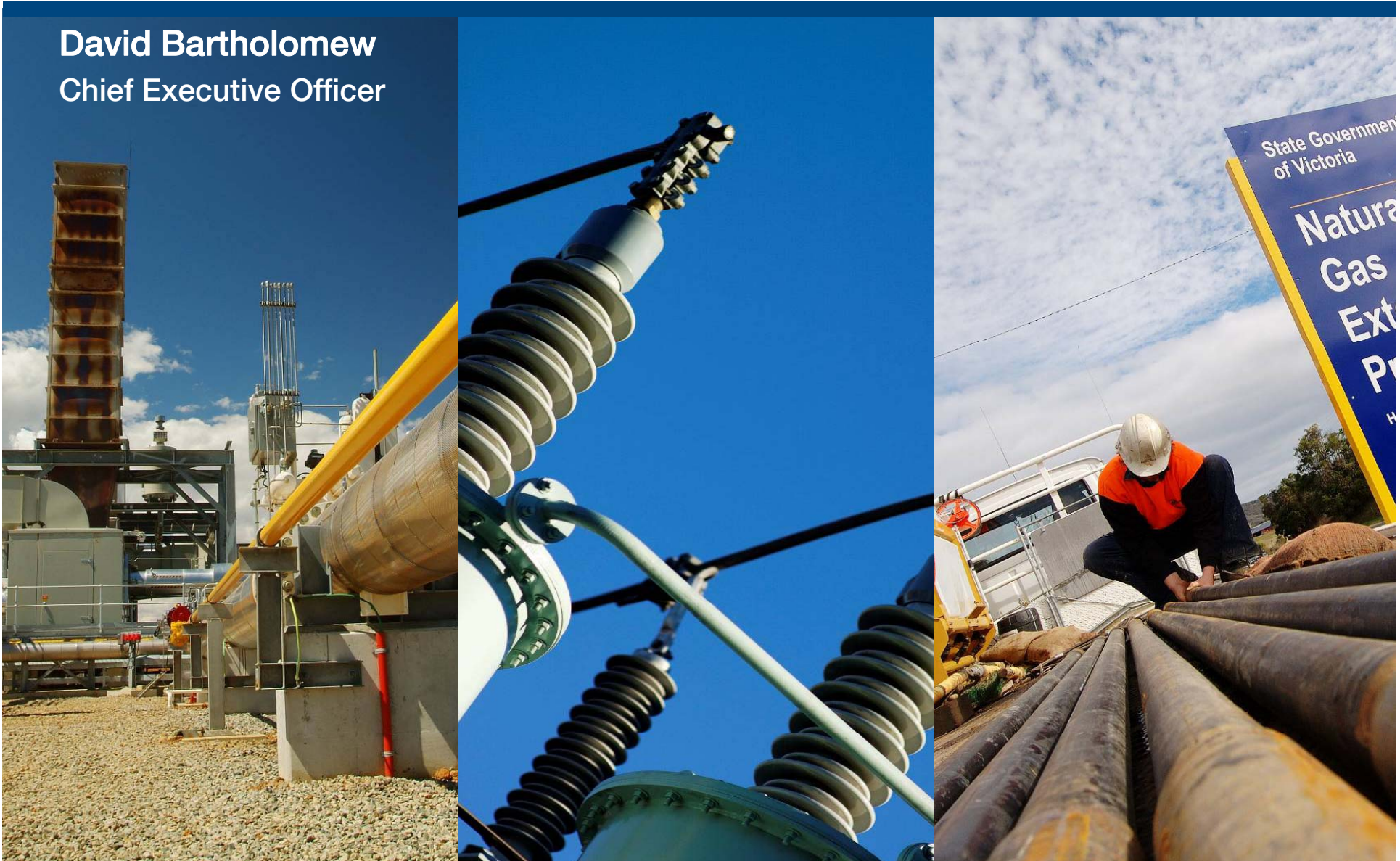
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# Introduction to DUET

May 2012



**David Bartholomew**  
Chief Executive Officer



# Disclaimer

## Important information

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## **Financial data**

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# Overview of DUET Group



# About DUET

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## ❖ ASX listed

- A\$ 2.1 billion<sup>1</sup> market cap
- ASX 100

## ❖ Strong Portfolio

- 3 Australian regulated energy utility businesses
- Majority-owned in aggregate<sup>2</sup>

## ❖ Predictable, Stable Cash Flows

- Revenues: long term contracted or regulated, inflation-linked
- High operating margins
- Hedged debt exposures

## ❖ Organic Growth

- Electricity tariff increases locked-in
- Pipeline expansion potential

## ❖ Distribution Policy

- Distributions covered by operating cash flows
- FY12 guidance: 16 cpss (current trading yield: 8.6%<sup>3</sup>)
- Distribution growth target: 3% pa to FY14

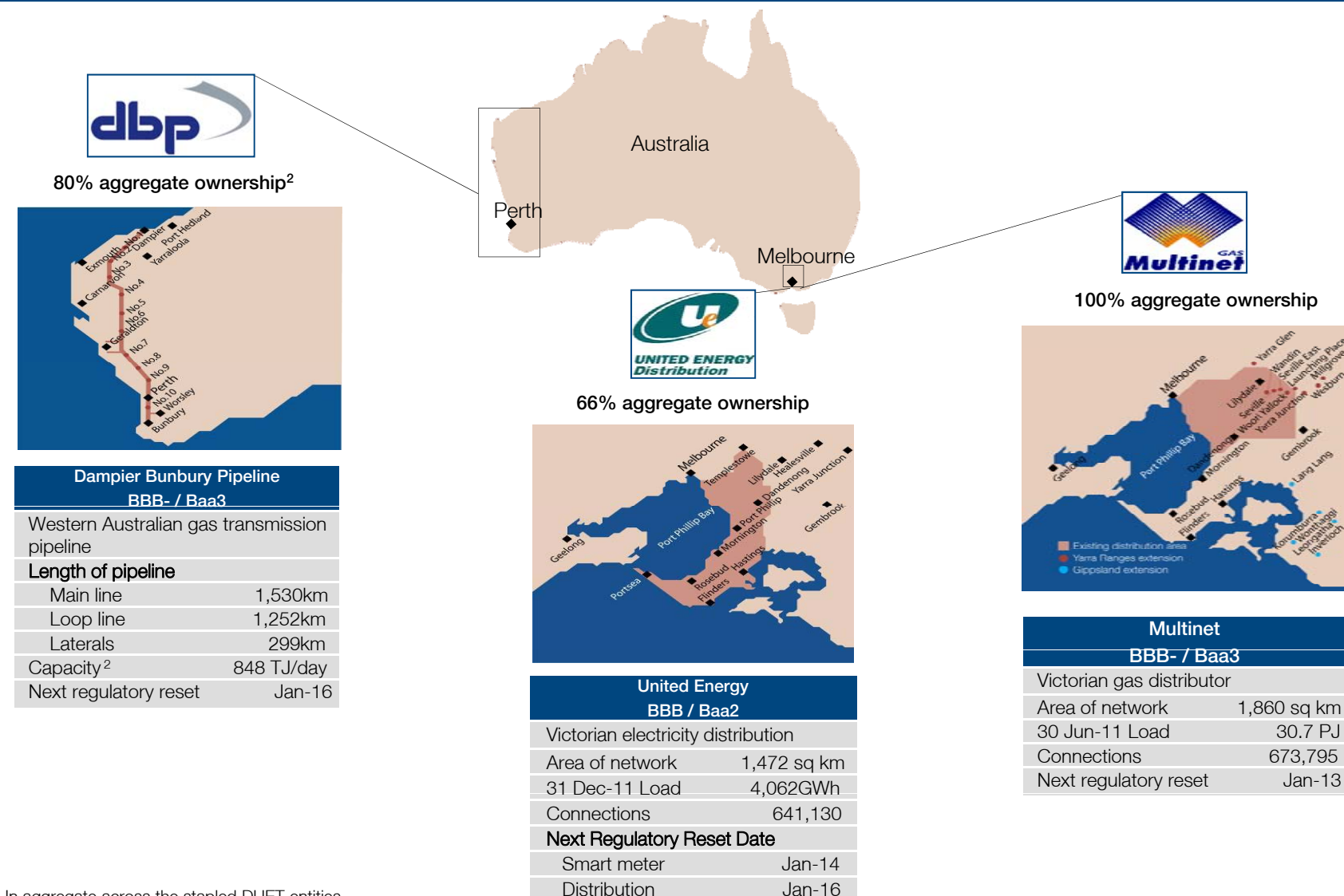
1. As at 30 April 2012

2. Across the stapled DUET entities

3. As at 30 April 2012 based on full-year FY2012 distribution guidance of 16 cents per stapled security

# Portfolio

Majority<sup>1</sup> interests in three Australian energy utility businesses with stable investment grade credit ratings



1. In aggregate across the stapled DUET entities

2. DUET's aggregate ownership interest was 82.4% as at 31 December 2011 but is expected to progressively reduce to 80% as the minority shareholder meets future equity calls



# Stronger and Simpler Investment Proposition

Strategic initiatives successfully completed in 2011



❖ Sold minority interest in Duquesne Light

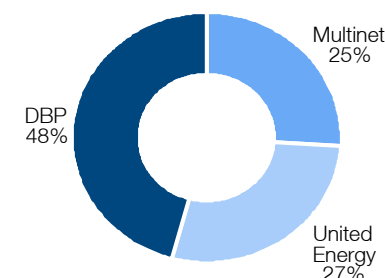
❖ Executed value-accretive asset swap

- Sale of minority interest in WA Gas Networks
- Increased aggregate ownership interests in DBP (to 80%) and Multinet Gas (to 100%)

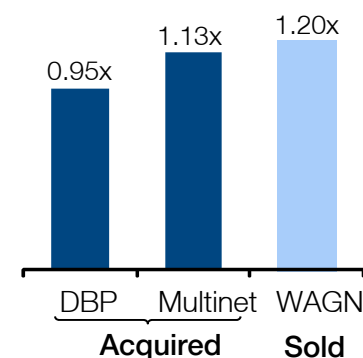
❖ Successful capital raising

- \$277m entitlement offer
- Tight discount, well supported
- Funded asset swap, DBP de-gearing and eliminated all corporate debt and sub debt held in asset companies

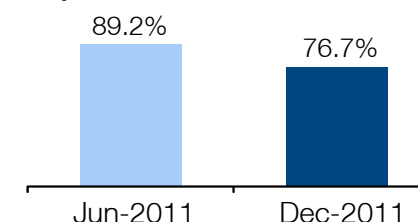
Portfolio EBITDA<sup>1</sup>



EV / RAB Transaction Multiples



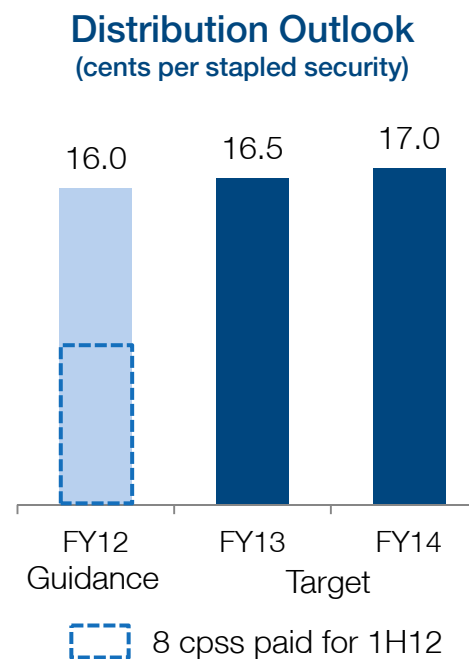
Proportionate Net Debt / RAB



1. % Proportionate EBITDA – 6 months to 31 December 2011, excluding divested interests in WA Gas Networks and Duquesne Light

# Distribution guidance<sup>1</sup>

- ❖ Guidance of 16 cpss for FY12
  - 8 cpss paid in February for 1H12
  - 124% cash coverage (for 1H12 distribution)
- ❖ Target for 3% pa medium term growth in distributions

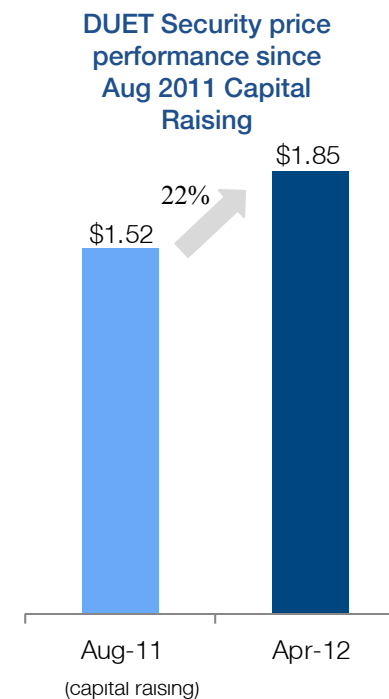
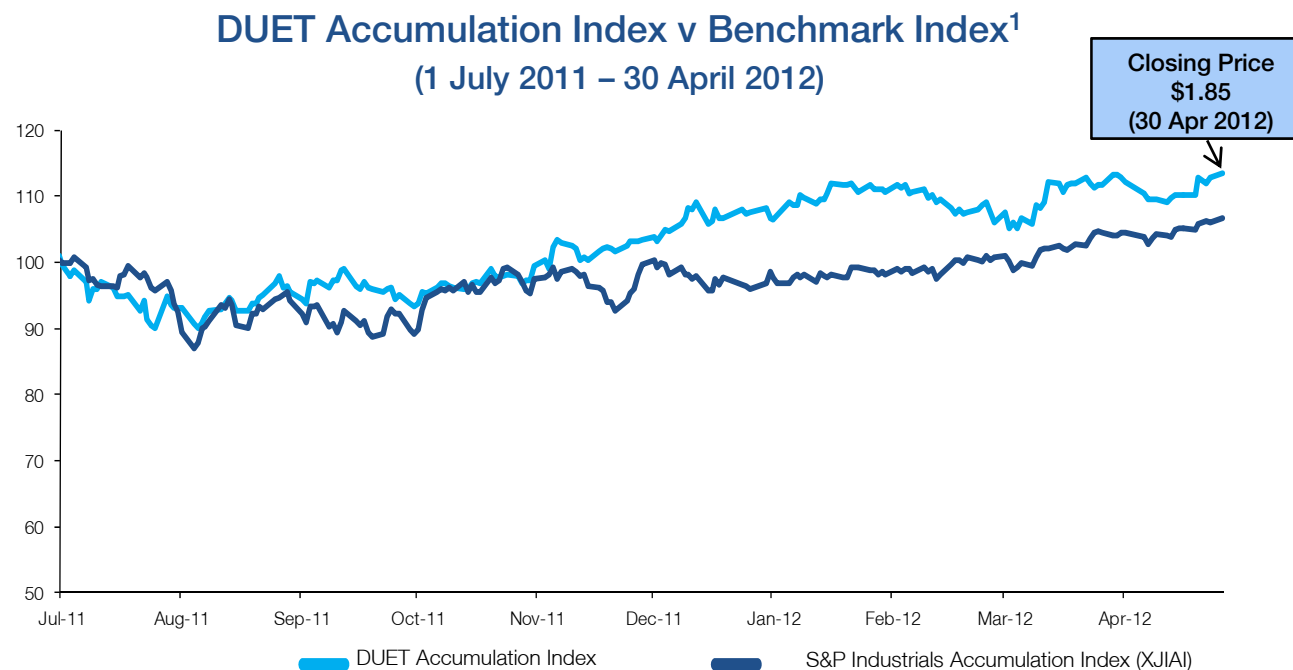


**Important Note:** Forward-looking statements by their very nature are subject to uncertainty and contingencies, many of which are outside the control of DUET.

1. As reaffirmed at DUET's Half Year results announcement – 17 February 2012

# Stapled security performance

DUET has outperformed its benchmark to date during the FY12 period



- ❖ DUET has outperformed its Benchmark Index<sup>1</sup> to date in FY12 by 8.6%
- ❖ Simplification and de-gearing well received by the market
- ❖ Strong uplift in security price since capital raising in August 2011
- ❖ Investors seeking increased exposure to defensive investments such as DUET

1. DUET's Benchmark Index is the S&P/ASX200 Industrials Accumulation Index

## Our Businesses

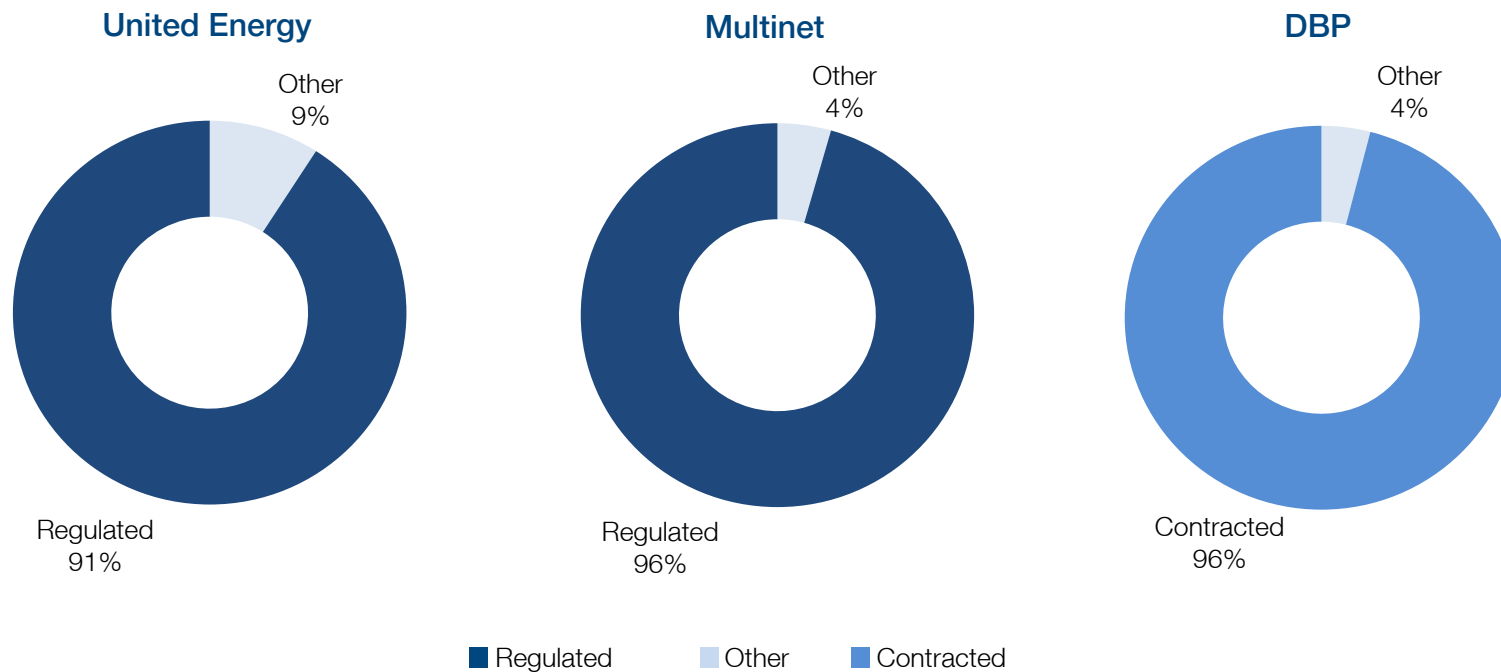


# Predictable Revenues

DUET's regulated and highly contracted businesses produce predictable revenue streams



## 1H FY12 Revenue



1. Based on asset investment mix per slide 7 of this presentation and regulated /contracted revenue split per this slide.



# Future Growth

United Energy will drive DUET's medium term growth

## ❖ CPI linked revenues / high Group EBITDA margin

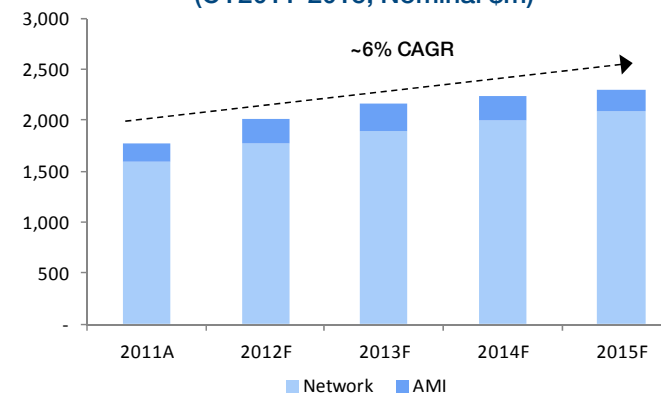
- Provides inflation hedge
- Predictable revenues
- Stable medium term growth outlooks for DBP and Multinet

## ❖ UED growth opportunity to CY2015

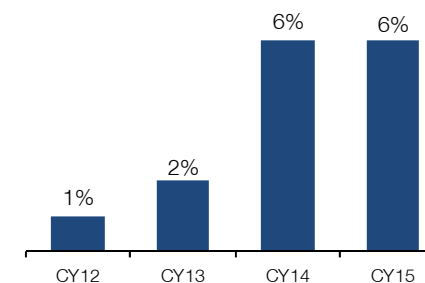
- Smart meter roll out
- Significant network renewal and peak capacity expansion
- Recent appeal outcome: \$80 million in additional revenue over CY2013 to CY2015

## ❖ DBP Stage 6: future expansion potential

United Energy Total RAB  
(CY2011-2015, Nominal \$m)



UED Annual X-Factor uplift<sup>1</sup>  
(pre recent appeal outcome increase)



1. Based on AER final decision. Excludes \$80m of additional revenue uplift in 2013 – 2015 from recent UED appeal

# DBP's Strategic Positioning

Best placed to meet WA's future domestic gas transmission needs

## ❖ Significant gas resource base

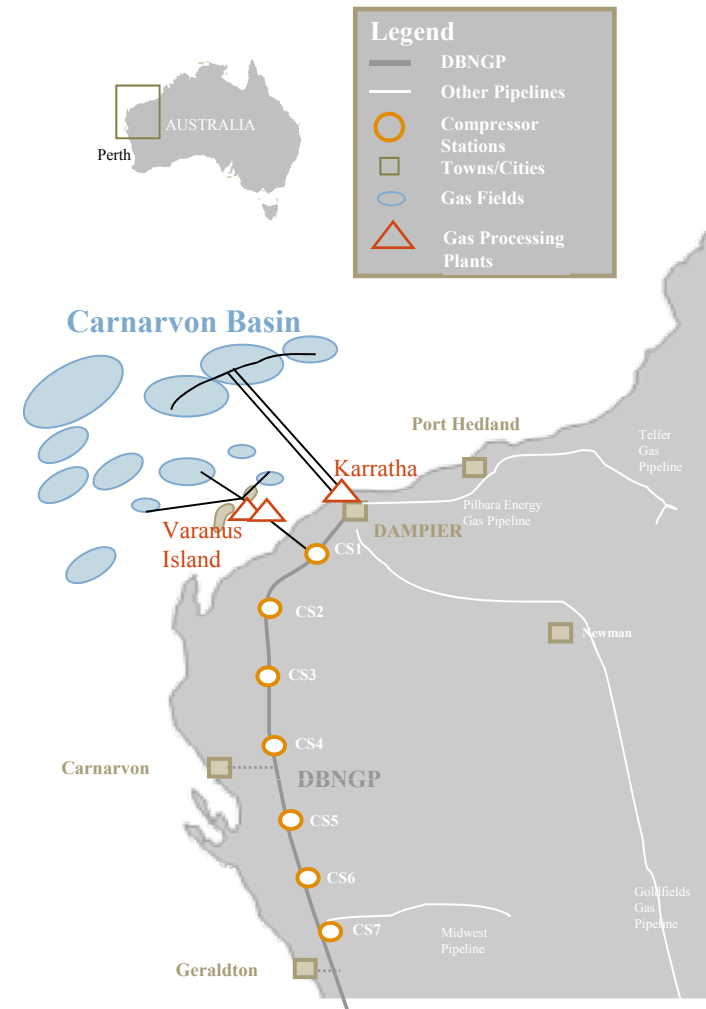
- Over 48 producing fields
- Estimated remaining gas resources of 175 Tcf<sup>1</sup>
- Major processing facilities under construction (Gorgon, Wheatstone, Macedon)

## ❖ 15% Domestic Gas Reservation Policy

## ❖ New projects expected to increase supply

## ❖ Medium term demand growth expected

- New gas-fired base-load electricity generation
- Alumina expansion and other resource projects



1. Source APPEA, Wood Mackenzie 2012 (from APPEA web site)

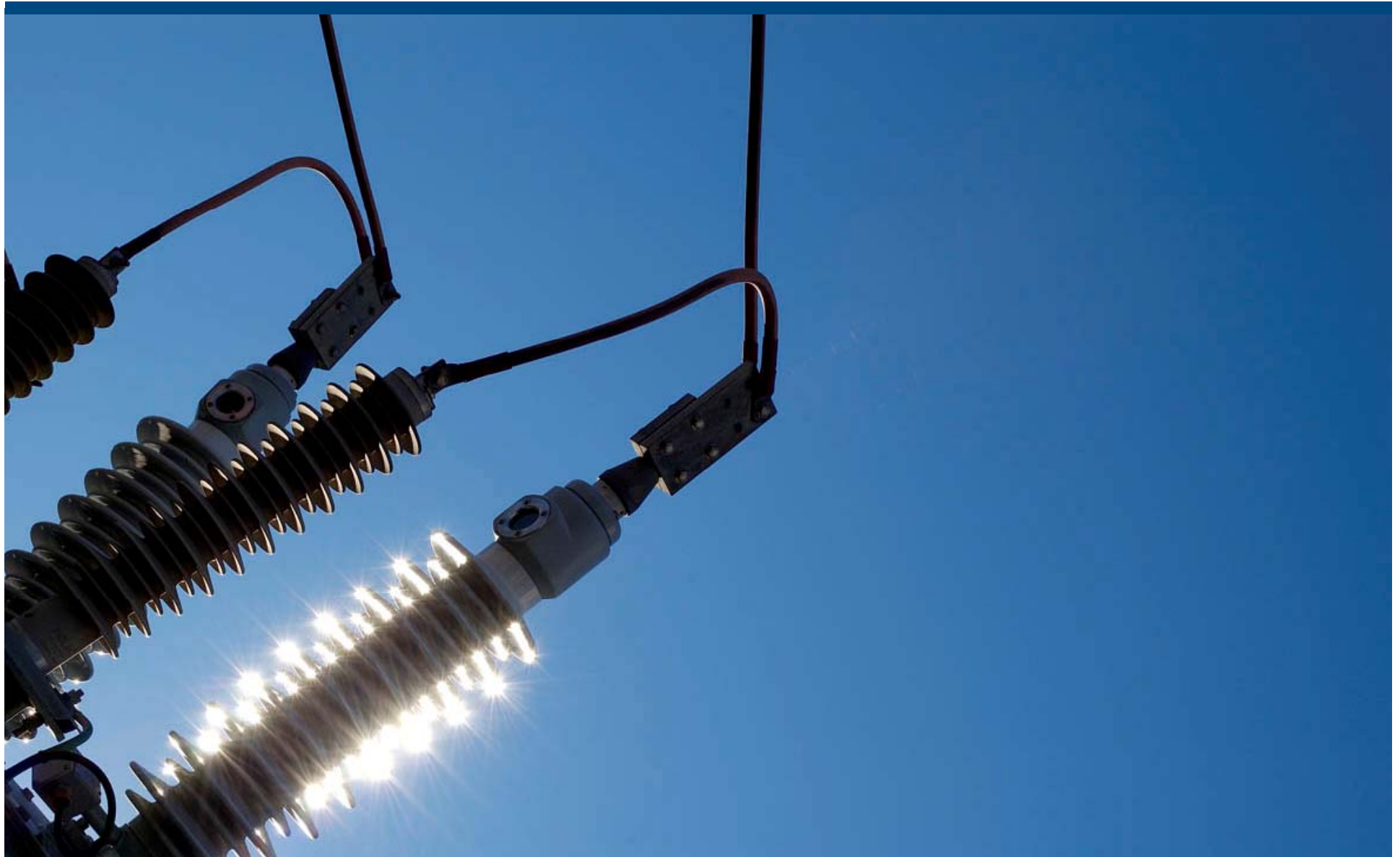
# Operations Restructure

## A new operating model

DBP	United Energy	Multinet
<ul style="list-style-type: none"> <li>• All operations brought in-house in 2010</li> <li>• Cost reduction and operating improvements</li> </ul>	<ul style="list-style-type: none"> <li>• Engineering and corporate functions now in-house</li> <li>• Moved to 2 network field contractors               <ul style="list-style-type: none"> <li>○ incentive - based contracts</li> <li>○ benchmarking and competitive tendering</li> </ul> </li> <li>• 18 month transition of remaining functions               <ul style="list-style-type: none"> <li>○ Control room</li> <li>○ Call centre/back office</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Existing O&amp;M contract expires in June 2013</li> <li>• Corporate and some engineering already in-house</li> <li>• Tendering for field contracts well progressed</li> </ul>

Full operating control and flexibility to manage opex, capex, network performance and customer service

# Regulation



# Regulatory Review Consultation

DUET is actively involved in the public consultation process

## ❖ DUET is playing an active role in the regulatory debate

- AER Rule Change Proposal
- SCER Merits Review Enquiry
- Productivity Commission

## ❖ DUET Participation

- Financial Investor Group (FIG)
- Australian Pipeline Industry Association (APIA)
- Electricity Networks Association (ENA)
- Separate submissions by United Energy and DBP

## ❖ Objectives:

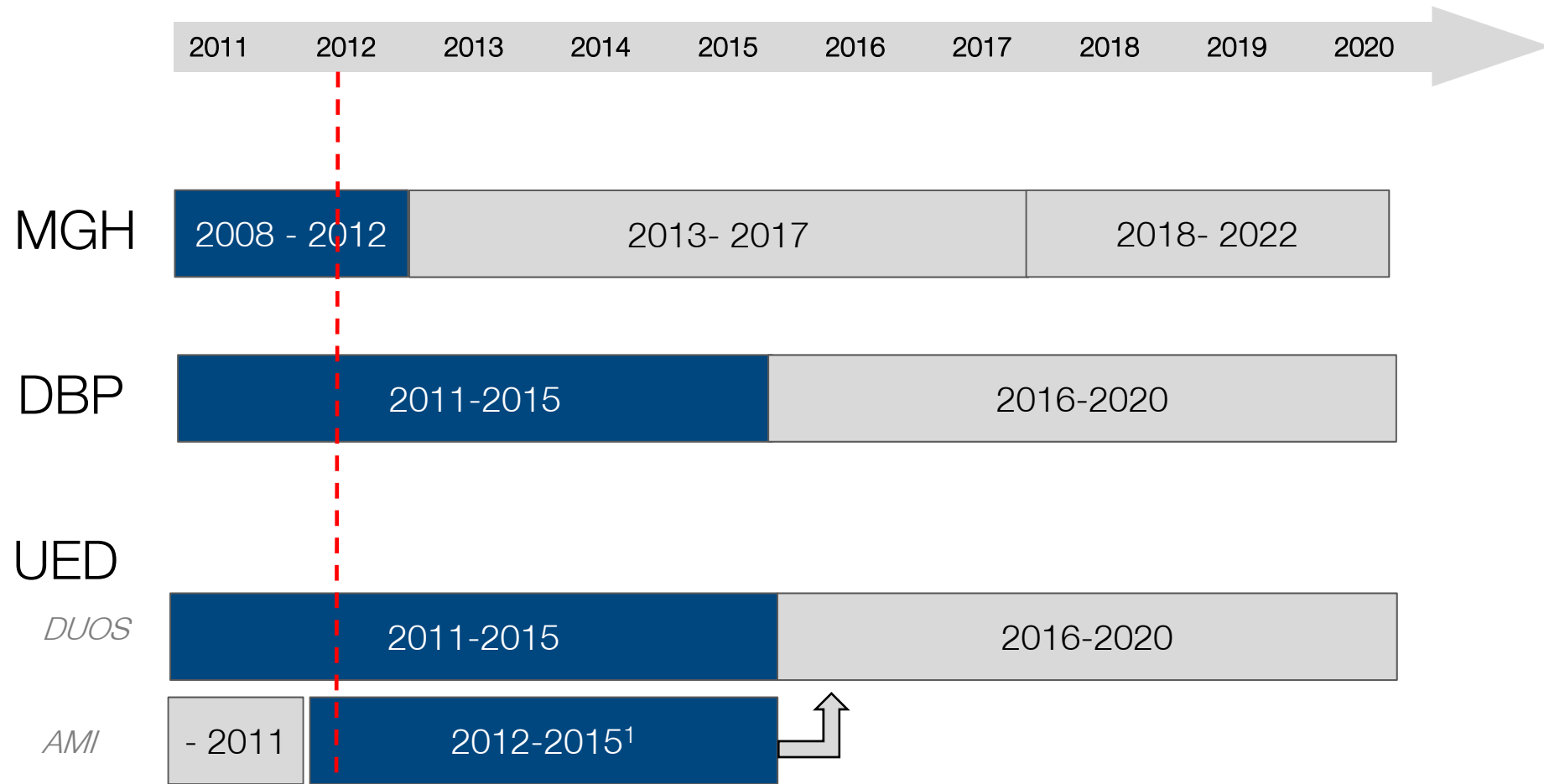
- A stable incentive-based regulatory framework
- A rate of return that encourages investment
- A merits review process that ensures accountability for regulatory decisions

## Australian Regulatory Bodies

Organisation		Role
<b>AER:</b>	Australian Energy Regulator	National regulator “Rule Implementer”
<b>ERA:</b>	W.A. Economic Regulatory Authority	WA regulator
<b>AEMC:</b>	Australian Energy Market Commission	“Rule Maker”
<b>ACT:</b>	Australian Competition Tribunal	Appeal body
<b>SCER:</b>	Standing Council on Energy & Resources	Committee of Federal and State Energy Ministers

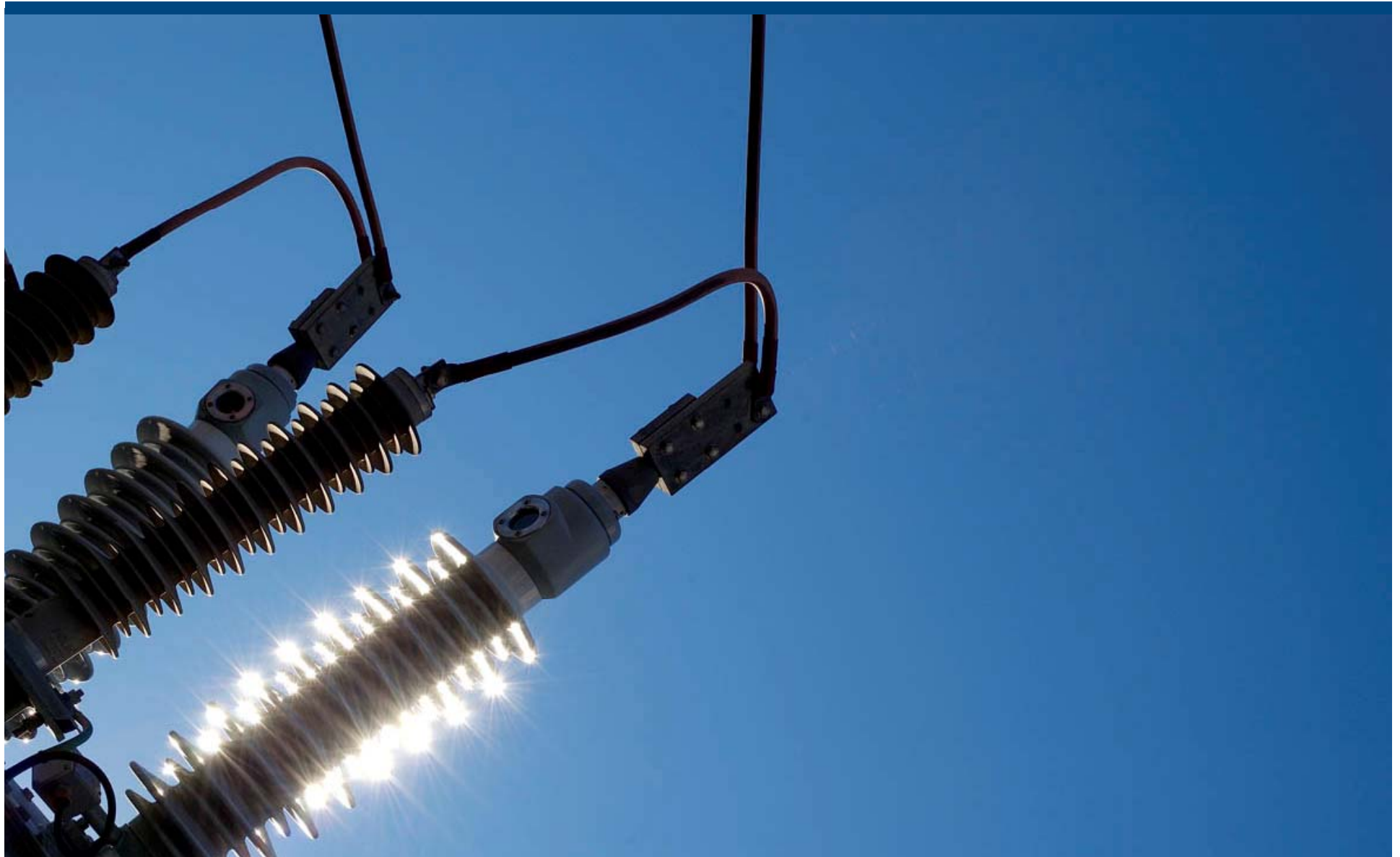


# Regulatory Re-sets



1. From January 2016 the AMI regulated asset base rolls into United Energy's overall regulated asset base

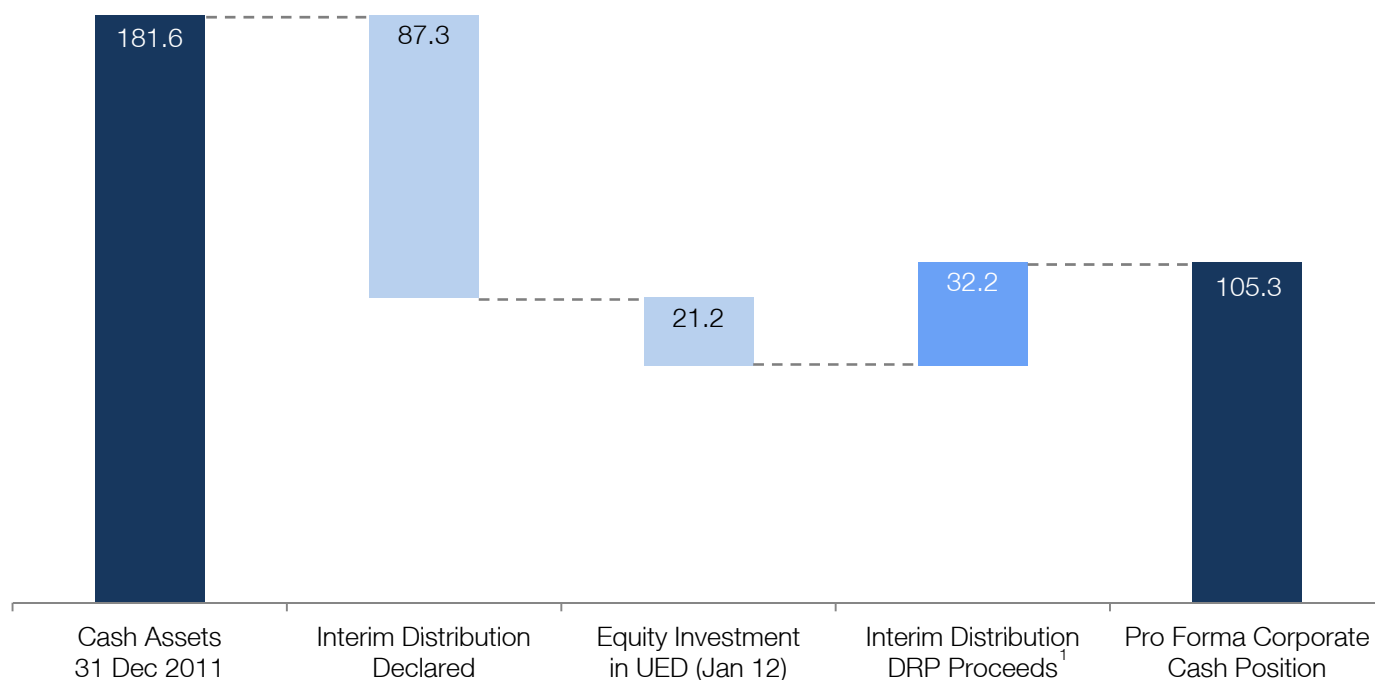
Capital



# Corporate Cash Position

Significant liquidity available to fund growth

DUET Pro Forma Corporate Cash Position  
(\$m)

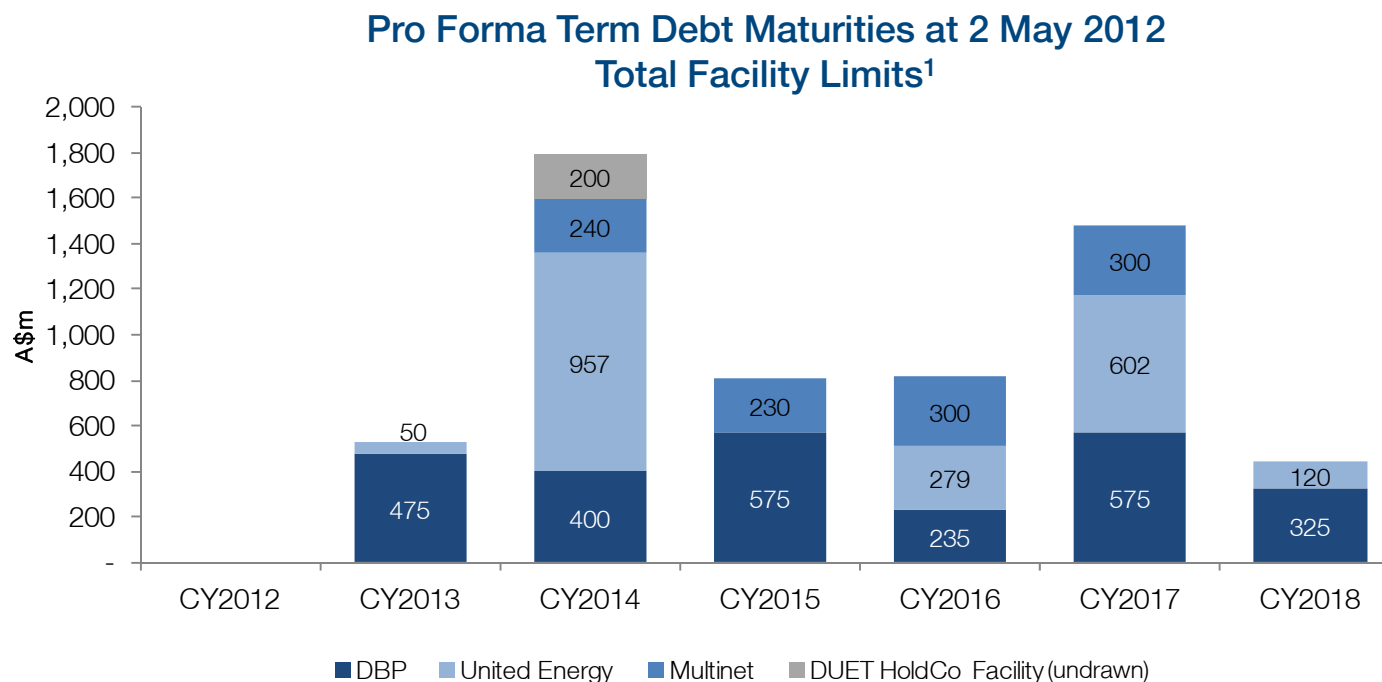


- ❖ DRP strongly supported; proceeds being applied to fund UED's growth program
- ❖ \$200 million undrawn corporate debt facility also provides additional liquidity

1. Represents a 36.9% participation rate for DUET's FY12 Interim Distribution

# Debt Maturities

No Group term debt maturities until April 2013



- ❖ Track record of successfully refinancing debt ahead of maturity dates in multiple markets
- ❖ \$200 million domestic 5-year MTN issued by UED in April 2012
  - Provided working capital and refinanced most of UED's term debt maturing in December 2013
- ❖ Next term debt maturity for the Group is \$325 million for DBP in April 2013
  - Strong bank and bond market relationships are expected to support this refinancing requirement

1. Excludes working capital facilities

# Outlook

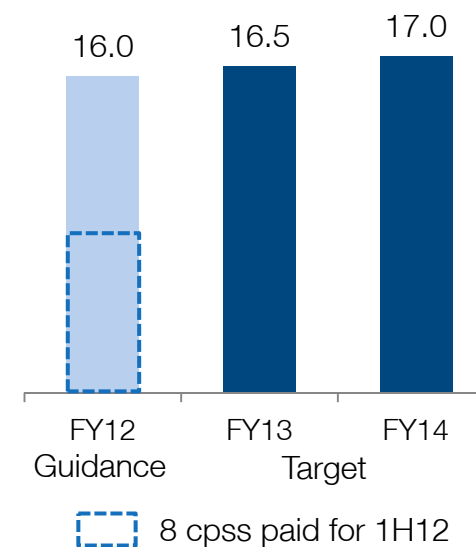




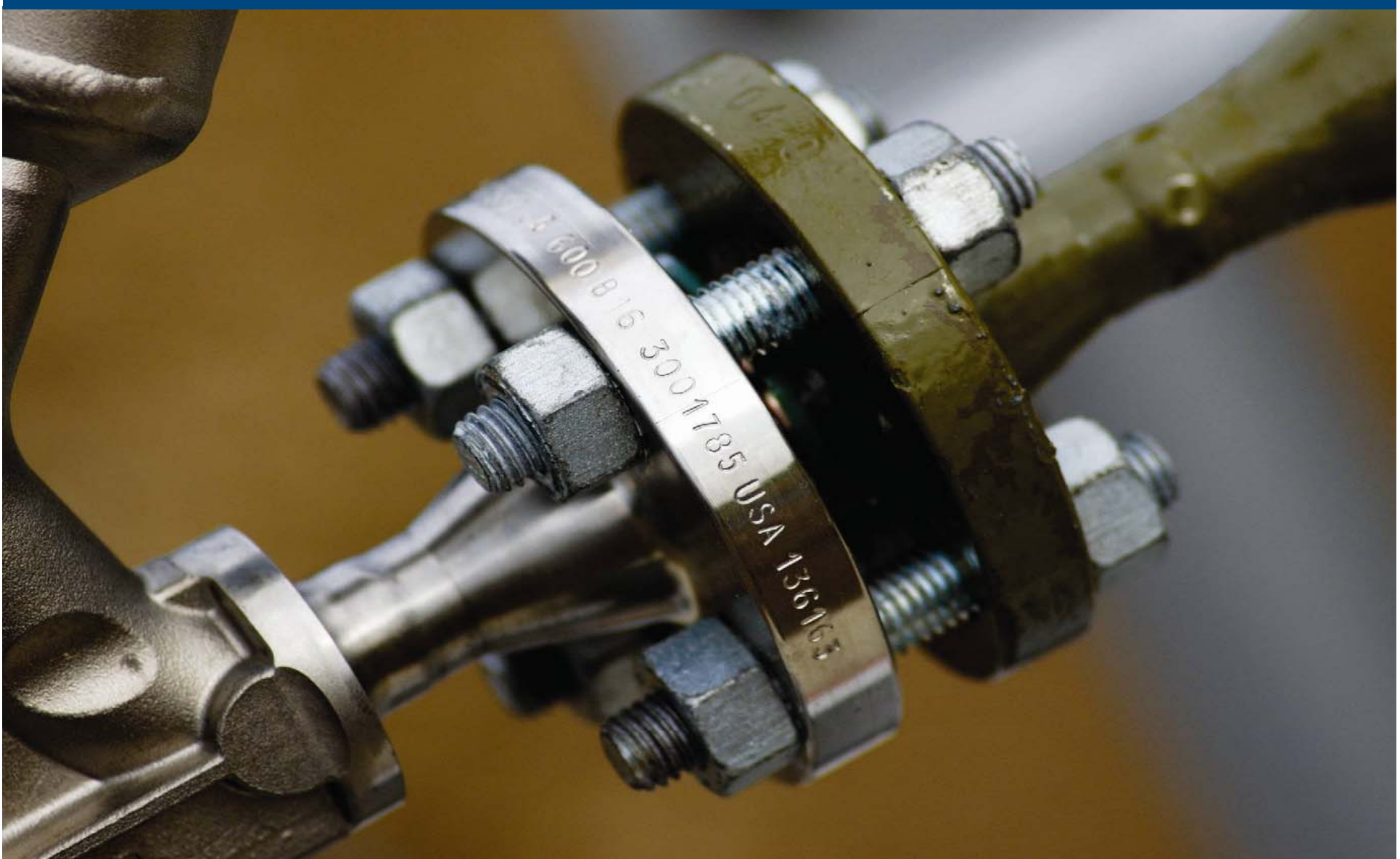
# Outlook

- ❖ Deliver results from consolidated portfolio
  - Predictable revenues from DBP and Multinet
  - Revenue, earnings and RAB growth from UED
- ❖ Deliver UED RAB growth and smart meter roll out
- ❖ Capture benefits from in-sourcing of operations
  - UED: greater control of cashflow, competition between network contractors
  - Multinet: establish in-sourcing framework for July 2013
- ❖ Achieve a satisfactory regulatory outcome for Multinet
- ❖ Influence regulatory consultation processes
- ❖ Deliver the DUET Boards' distribution guidance and growth target

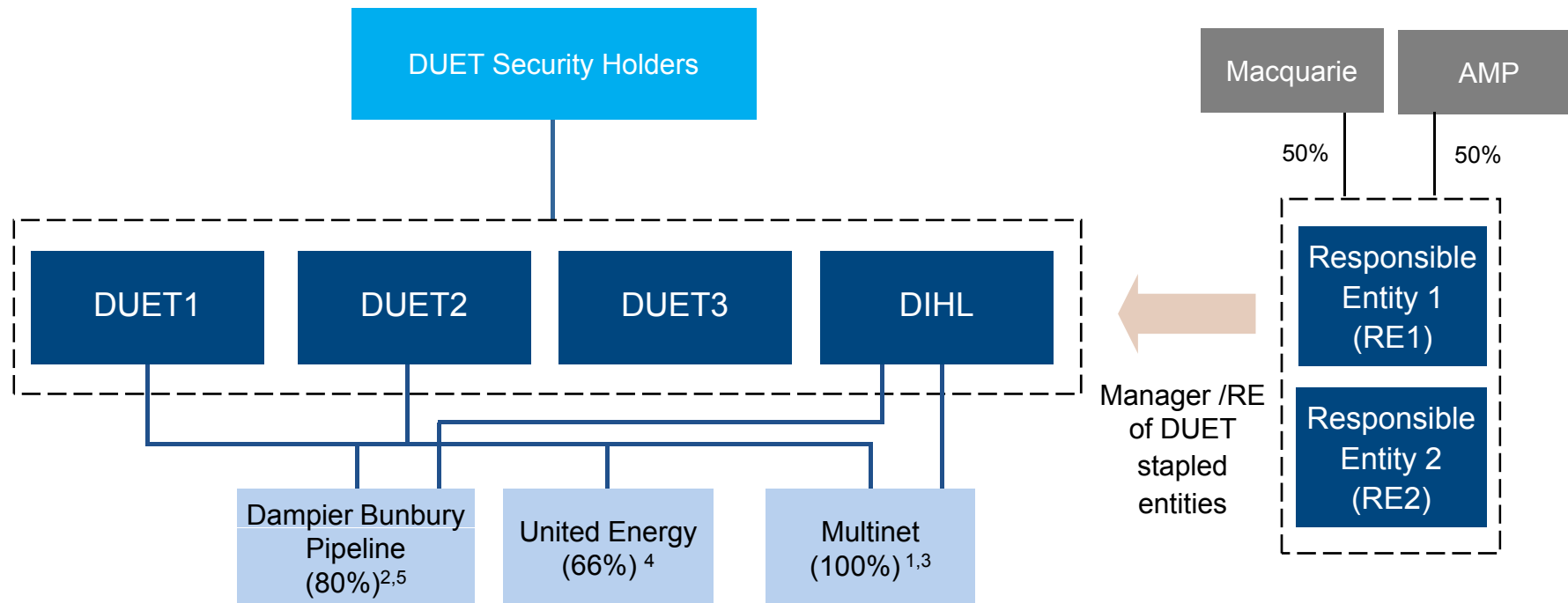
**Distribution Outlook**  
(cents per stapled security)



## Appendix



# DUET is owned by external investors and managed jointly by Macquarie and AMP



- ❖ DUET is managed jointly by Macquarie and AMP Capital Investors
- ❖ Each Stapled Security comprises 1 unit in each of DUET1, DUET2 and DUET3, and 1 share in DIHL

<sup>1</sup> Multinet is owned 39.95% by each of DUET1 and DUET2 and 20.1% by DIHL

<sup>2</sup> DBP is indirectly owned 30% by each of DUET1 and DUET2 and 20% by DIHL

<sup>3</sup> DUET3 holds a hybrid instrument in Multinet

<sup>4</sup> UED is owned 33% by each of DUET1 and DUET2

<sup>5</sup> DUET's aggregate ownership interest was 82.4% as at 31 December 2011 but is expected to progressively reduce to 80% as the minority shareholder meets future equity calls

# DUET Boards and Management

Independent Directors (RE1)<sup>2</sup>



E. Stein<sup>1</sup>

M. Lee

D. Halley<sup>1</sup>

Common Directors



P. Garling

J. Roberts

Independent Directors (RE2)<sup>2</sup>



R. Finlay<sup>1</sup>

E. Goodwin

D. Sutherland



Jason Conroy  
Chief Financial Officer



David Bartholomew  
Chief Executive Officer



Nick Kuys  
Asset Management and IR

1. Independent Directors of DIHL
2. RE1 is the Responsible Entity of DUET1. RE2 is the Responsible Entity for DUET2 and DUET3

## Base and performance fees

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### ❖ **Base Fee<sup>1</sup>**

- 1% pa of market capitalisation adjusted for commitments, borrowings and cash, paid quarterly in arrears

### ❖ **Performance Fee<sup>1</sup>**

- 20% of return above benchmark in each half financial year, paid in arrears
  - Deficits carried forward
  - \$65.3m deficit as at 31 December 2011
- DUET accumulation index versus S&P 200 Industrials Accumulation Index (XJIAI.ASX)

<sup>1</sup> Refer to DUET website at [www.duet.net.au](http://www.duet.net.au) and 2011 Annual Report (remuneration report) for further explanation of fees

# Cash available for distribution

## 124% coverage of the interim distribution

6 months to 31 December 2011 \$m	Dividends	RPS Interest	Hybrid Interest	Note Interest	Total 1H12
DBP	58.5	-	-	-	58.5
United Energy	-	21.2	-	-	21.2
Multinet	18.5	-	2.9	-	21.4
WAGN <sup>1</sup>	-	-	-	-	-
Duquesne <sup>2</sup>	-	-	-	8.3	8.3
<b>Cash receipts from assets</b>	<b>77.0</b>	<b>21.2</b>	<b>2.9</b>	<b>8.3</b>	<b>109.4</b>
Interest on corporate cash					3.6
SOLA interest income from assets					5.8
Other revenue <sup>3</sup>					3.5
<b>Total receipts</b>					<b>122.3</b>
Operating expenses and fees paid (incl. GST)					(11.2)
Corporate borrowing costs paid					(8.7)
<b>Cash available for distribution</b>					<b>102.4</b>
Weighted average securities on issue (millions)					1,036
Cash available for distribution (cpss)					9.9¢
Interim Distribution declared (cpss)					8.0¢
<b>Interim Distribution coverage</b>					<b>124%</b>

1 On 29 July 2011 the equity ownership in WAGN was sold

2 On 13 September 2011 the investment in Duquesne was sold

3 Includes an FX gain on the close out of FX contracts used to hedge income from Duquesne

# 2012 Proportionate Interim Results

Solid earnings, strong distribution coverage and lower gearing



Proportionate Consolidation <sup>1</sup> Per DUET MIR	1H12	1H11	% <i>Variance</i>
Revenue (\$m)	495	461	7.5
EBITDA (\$m)	336	323	4.2
Earnings (\$m)	135	108	25.9
Earnings pss	13.1¢	12.2¢	7.4
Cash available for distribution pss	9.9¢	4.8¢	n/m
Interim Distribution declared pss	8.0¢	10.0¢	(20.0)
Cash coverage of Interim Distribution	124%	48%	n/m
Gearing	76.7%	89.2%	(14.0)

<sup>1</sup> Proportionate consolidation involves the aggregation of the financial results of DUET's energy utility assets in the relevant proportions that DUET holds beneficial ownership interests, weighted by days held in the period (DBP 78.2%; UED 66.0%; MGH 96.9%; WAGN 25.9%; and DQE 29.0%)



# 2012 Interim Statutory results

Operating revenue up 7%, EBITDA up 2% and Net Result after Tax down 34% mostly due to unrealised derivative and actuarial movements



Statutory Net Result			
\$m	1H12	1H11	% Variance
Operating revenue <sup>1</sup>	588.0	551.4	7
Operating costs	(209.3)	(180.6)	16
<b>EBITDA</b>	<b>378.7</b>	<b>370.7</b>	<b>2</b>
Unrealised fair value hedge and actuarial movements	(15.3)	17.4	Nm
Depreciation	(98.6)	(94.7)	4
Amortisation	(11.5)	(10.9)	5
<b>EBIT</b>	<b>253.3</b>	<b>282.5</b>	<b>(10)</b>
Profit from associates – Duquesne and WA Gas Networks	6.8	(6.2)	Nm
Gain on disposal of associates – Duquesne and WA Gas Networks	8.7	-	Nm
Net interest expense	(230.3)	(212.0)	9
Tax expense	1.5	(3.7)	Nm
<b>Net Result after Tax</b>	<b>40.0</b>	<b>60.6</b>	<b>(34)</b>
Loss/(Profit) attributable to other non-controlling interests	2.8	(20.9)	Nm
<b>Net Result after Tax attributable to stapled security holders</b>	<b>42.8</b>	<b>39.7</b>	<b>8</b>

<sup>1</sup> Operating revenue is total statutory revenue of \$600.7m less interest income (included above within Net interest expense) and unrealised fair value hedge and movements.

# DBP

## Revenue and EBITDA up 7%; full contribution from Stage 5B

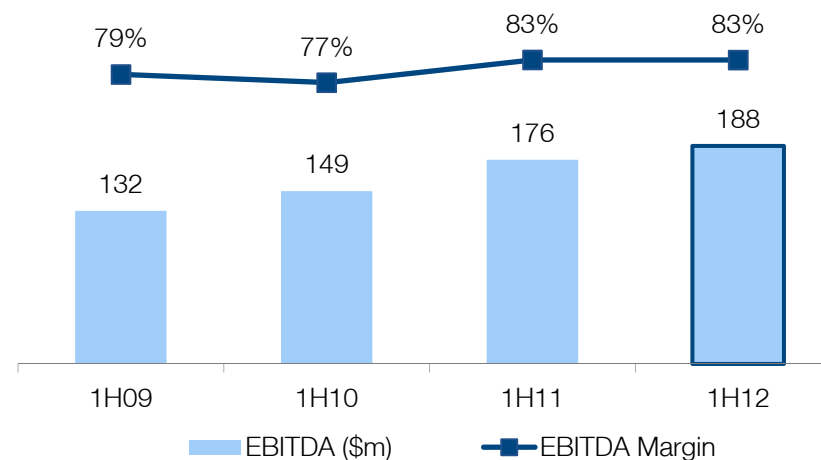
- ❖ Revenue up 7%
  - Full uplift from Stage 5B in the period
- ❖ EBITDA up 7%
- ❖ EBITDA margin maintained
  - Wage inflation
  - Reduced fuel gas and maintenance through optimisation of pipeline configuration
- ❖ Regulatory appeal lodged
  - Outcome expected Q4 CY12
- ❖ Domestic gas supply
  - positive signs emerging

Half Year Financial Highlights			
\$m, 100% per MIR	1H12	1H11	% Variance
Revenue	228	212	7
EBITDA	188	176	7
EBITDA Margin	83%	83%	0
Throughput (PJ)	158	160	(1)

\$m, 100% per MIR	1H12	2H11	% Variance
Growth Capex	28	19	(50)

### EBITDA and EBITDA margin



# United Energy

Revenue up 11%, EBITDA down 4%; includes transition and appeal costs



## ❖ Revenue up 11%

- CPI + 0.37% tariff uplift
- Additional smart meter revenue

## ❖ EBITDA down 4%

- Transition costs of \$16.0m
- EDPR appeal costs of \$0.6m
- Front ended opex, back ended revenue in 2011-15

## ❖ Successful transition to new operating model

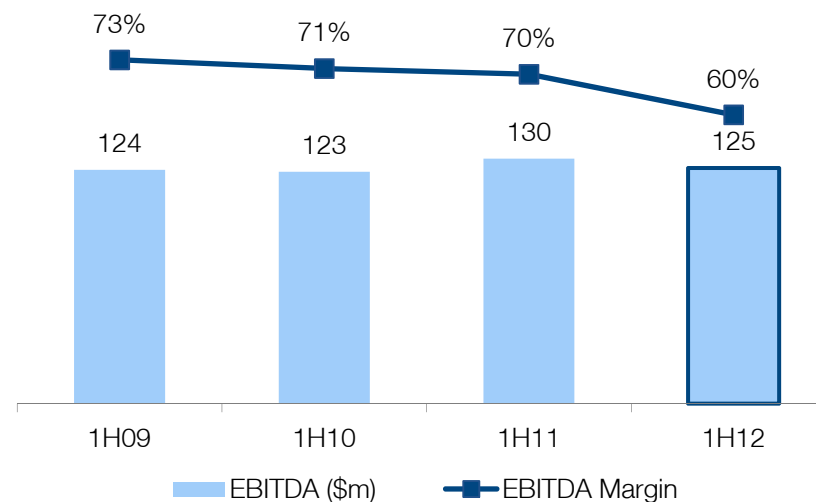
- In-house functions: Corporate Services, Customer Services, Asset Management and IT
- Smooth transition from Jemena to Tenix in southern region on 1 Jan 2012

Half Year Financial Highlights			
\$m, 100% per MIR	1H12	1H11	% Variance
Revenue	207	186	11
EBITDA	125	130	(4)
EBITDA Margin	60%	70%	(14)
Load (GWh)	4,062	4,112	(1)

\$m, 100% per MIR	1H12	2H11	% Variance
Growth Capex	127	73	73

EBITDA and EBITDA margin



# Multinet

## Revenue down 2%, EBITDA down 4%; milder winter

- ❖ Revenue 2% down on lower volumes
- ❖ EBITDA down 4%
  - Partial transition to new operating model, costs incurred of \$1.3m
  - UAFG cost accrual of \$1.8m (CY2010 and first six months of CY2011)

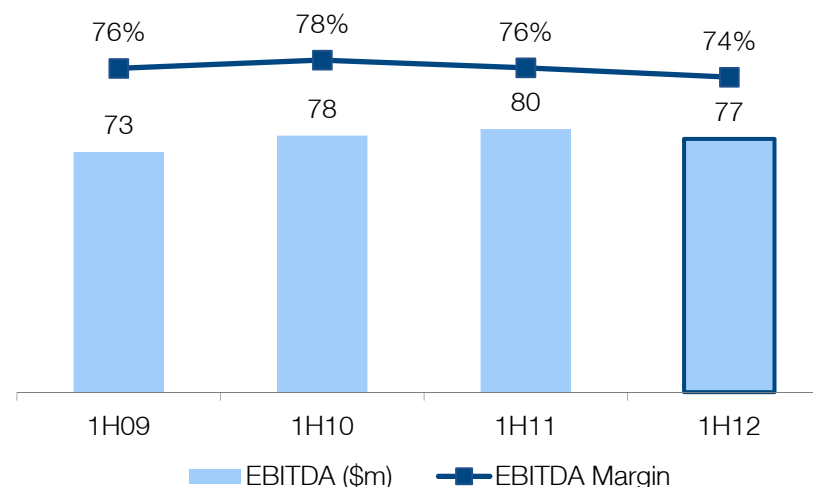
Half Year Financial Highlights			
\$m, 100% per MIR	1H12	1H11	% Variance
Revenue	103	105	(2)
EBITDA	77	80	(4)
EBITDA Margin	74%	76%	(2)
Throughput (PJ)	31	35	(12)

\$m, 100% per MIR	1H12	2H11	% Variance
Growth Capex	35	16	121

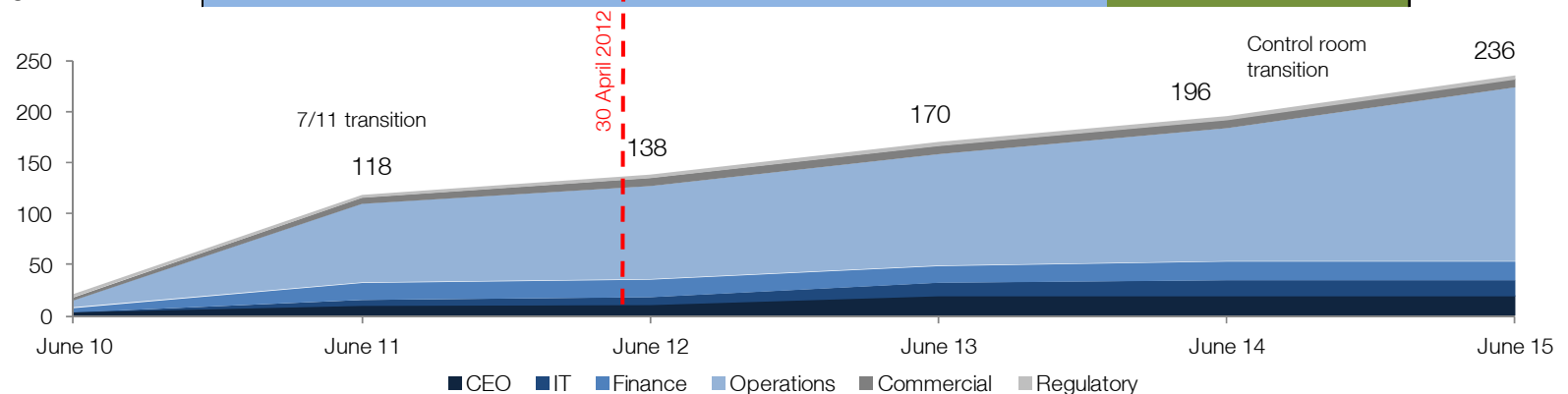
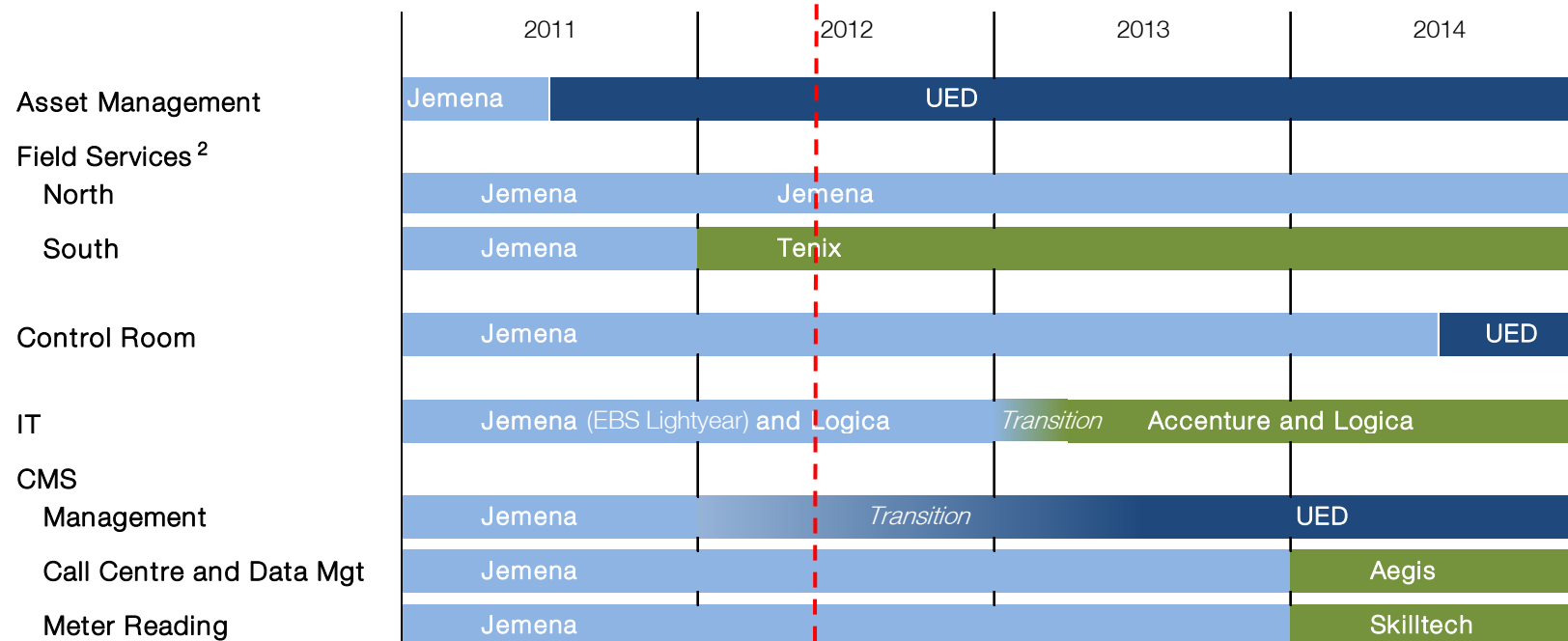
- ❖ 2013 – 2017 GAAR submission to be lodged in March 2012
- ❖ Corporate Services, Asset Management, IT already brought in-house
  - Assessing operating model for 1 July 2013 post current OSA expiry

### EBITDA and EBITDA margin



# New Operating Model

UED and MGH are bringing key functions in-house<sup>1</sup>



1. This slide relates to UED and is for illustration purposes only; the transition plan may vary depending on the business requirements of UED and MGH

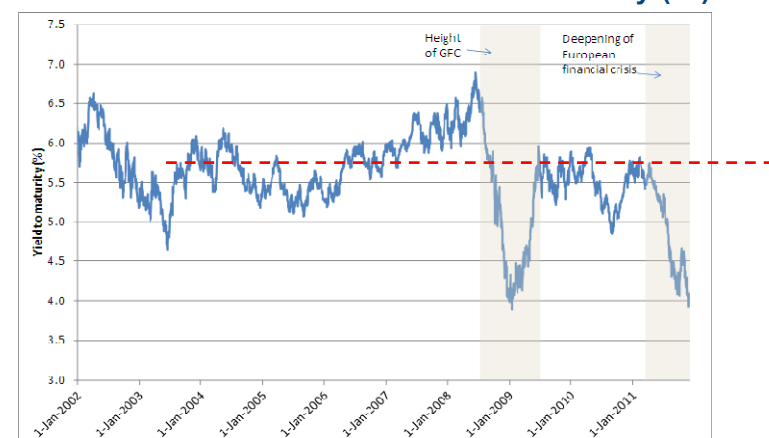
2. UED only, MGH still to finalise field services arrangements

\* Note that Jemena was rebranded as Zinfra Group effective from 1 April 2012

# Multinet GAAR Submission<sup>1</sup>

- ❖ WACC calculation uses *short term* risk free rate with *long term* market risk premium
- ❖ 10 year Australian government bond rate trading at historical lows
- ❖ Multinet's submission based on long term risk free rate and long term market risk premium
- ❖ Gas Rules require WACC to be "commensurate with the market for funds"
- ❖ Multinet's actual capex for 2013-2017 will depend on the WACC decision

## 10 Yr Commonwealth Government Security (Rf)



--- Rf for Multinet 2013 – 2017 GAAR submission

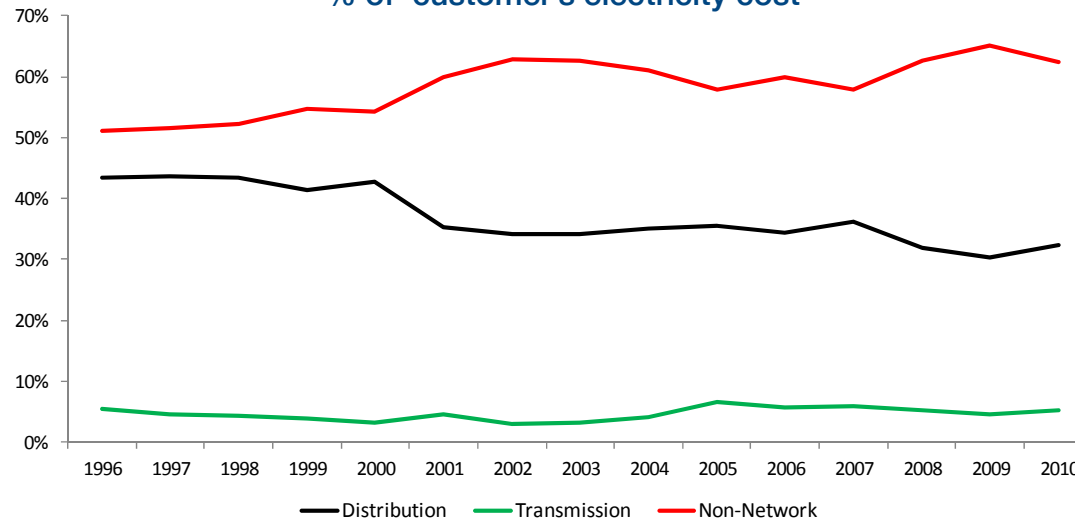
Multinet GAAR WACC	2008-2012 Actual	2013 -2017 Submitted
Nominal Risk Free Rate - equity	6.05%	5.99%
Nominal Risk Free Rate - debt	6.05%	3.99%
Market Risk Premium	6.0%	6.0%
Debt Risk Premium	2.15%	392bps
Equity Beta	0.7	0.8
Gamma	0.5	0.25
Gearing ratio	60:40	60:40
Real post tax Vanilla WACC	6.3%	6.4%
Post tax Nominal ROE	10.3%	10.8%

1. Multinet's GAAR submission covers the 2013 -2017 regulatory period

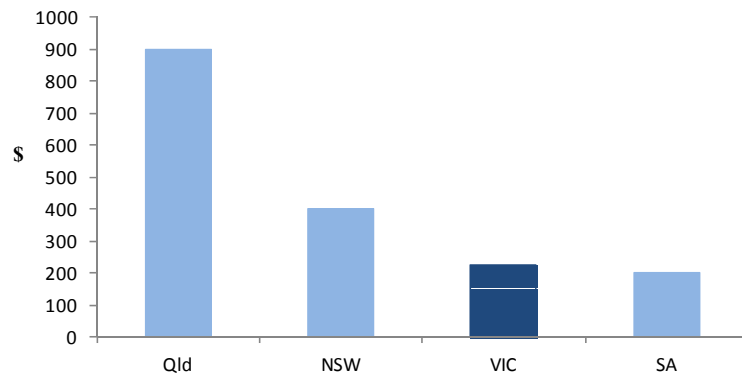
# Regulatory Outcomes

Privately owned Victorian electricity distributors have responded positively to incentive-based regulation

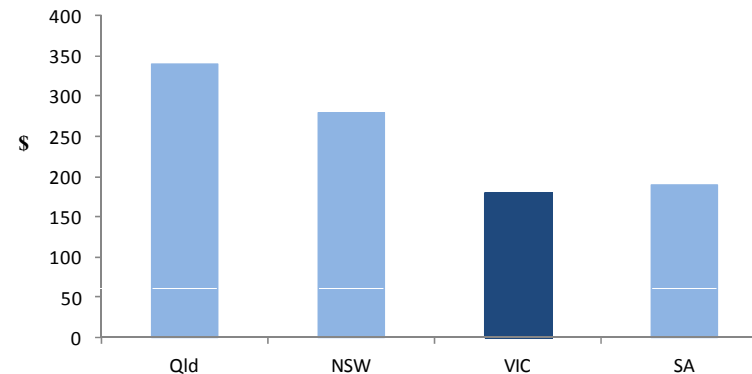
Victorian electricity costs by component  
% of customer's electricity cost<sup>1</sup>



Capex/Customer Number<sup>2</sup>



Opex/Customer Number<sup>2</sup>

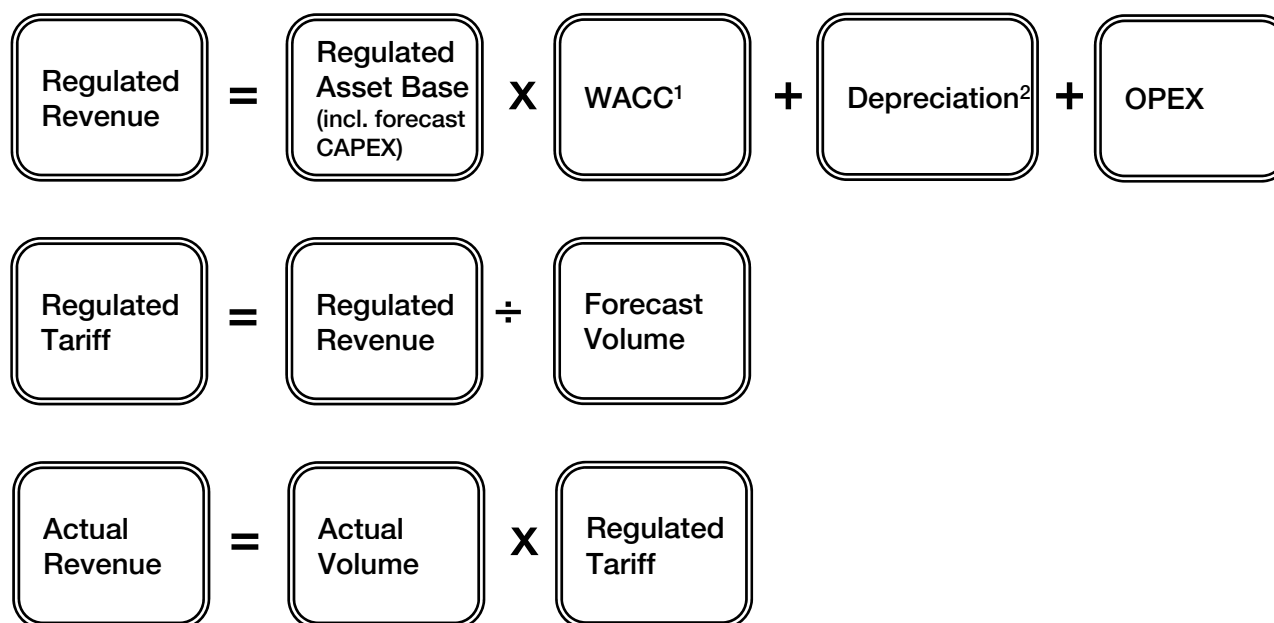


1. \$ per customer, real 2010 – Ernst &Young analysis for Financial Investor Group submission to Review of Limited Merits Review Regime

2. UED EDPR submission - 2010



# Regulatory Building Blocks



- ❖ Well established, transparent regulatory process
- ❖ CPI – X pricing formula
- ❖ Businesses can benefit from efficiency out-performance

1. Based on 10 Yr Australian Treasury Notes  
 2. Depreciation based on regulated economic life of assets