

# Presentation to USPP Bond Investors

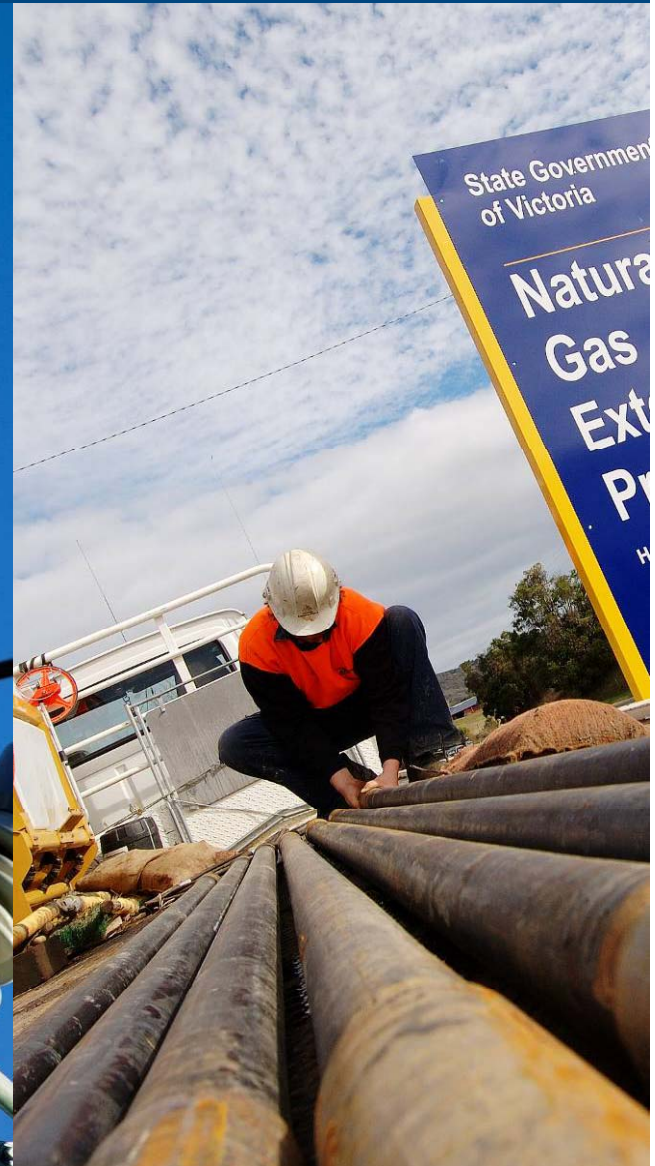
2 May 2012



**David Bartholomew**  
Chief Executive Officer



**Jason Conroy**  
Chief Financial Officer



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# DUET Strengthened and Simplified

## Strategic initiatives successfully completed in 2011



❖ Sold minority interest in Duquesne Light

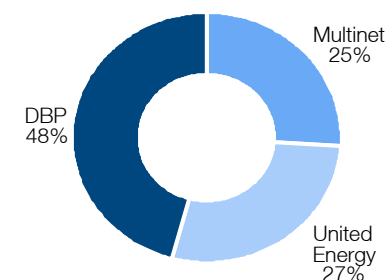
❖ Executed value accretive asset swap

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

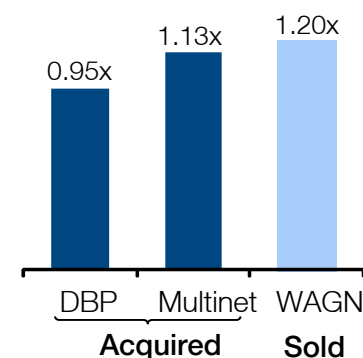
❖ Successful capital raising

- \$277 million non-renounceable entitlement offer
- Tight discount, well supported
- Funded asset swap, DBP de-gearing and eliminated all corporate and SOLA subordinated debt

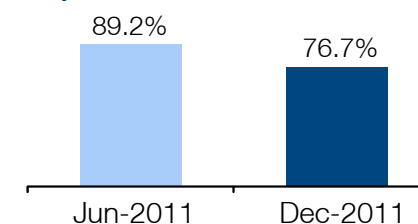
Portfolio EBITDA<sup>1</sup>



EV / RAB Transaction Multiples



Proportionate Net Debt / RAB



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



# Diversity

Majority interests in three Australian energy utility businesses with stable investment grade credit ratings



82.4% aggregate ownership<sup>1</sup>



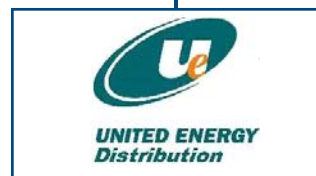
## Dampier Bunbury Pipeline BBB- / Baa3

Western Australia's principal gas transmission pipeline

### Length of pipeline

Main line	1,530km
Loop line	1,252km
Laterals	299km
Capacity <sup>2</sup>	848 TJ/day
Next regulatory reset date	Jan-16

66% aggregate ownership

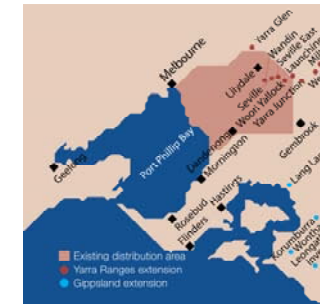


## United Energy BBB / Baa2

Victorian electricity distribution company

Area of network	1,472 sq km
31 Dec-11 Load	4,062GWh
Connections	641,130
<b>Next Regulatory Reset Date</b>	
Smart meter	Jan-14
Distribution	Jan-16

100% aggregate ownership



## Multinet BBB- / Baa3

Victoria's largest gas distributor (by number of customers)

Area of network	1,860 sq km
30 Jun-11 Load	30.7 PJ
Connections	673,795
Next regulatory reset date	Jan-13

<sup>1</sup> DUET's ownership interest in DBP is expected to progressively reduce to 80% as the minority shareholder (Alcoa) meets future equity calls.

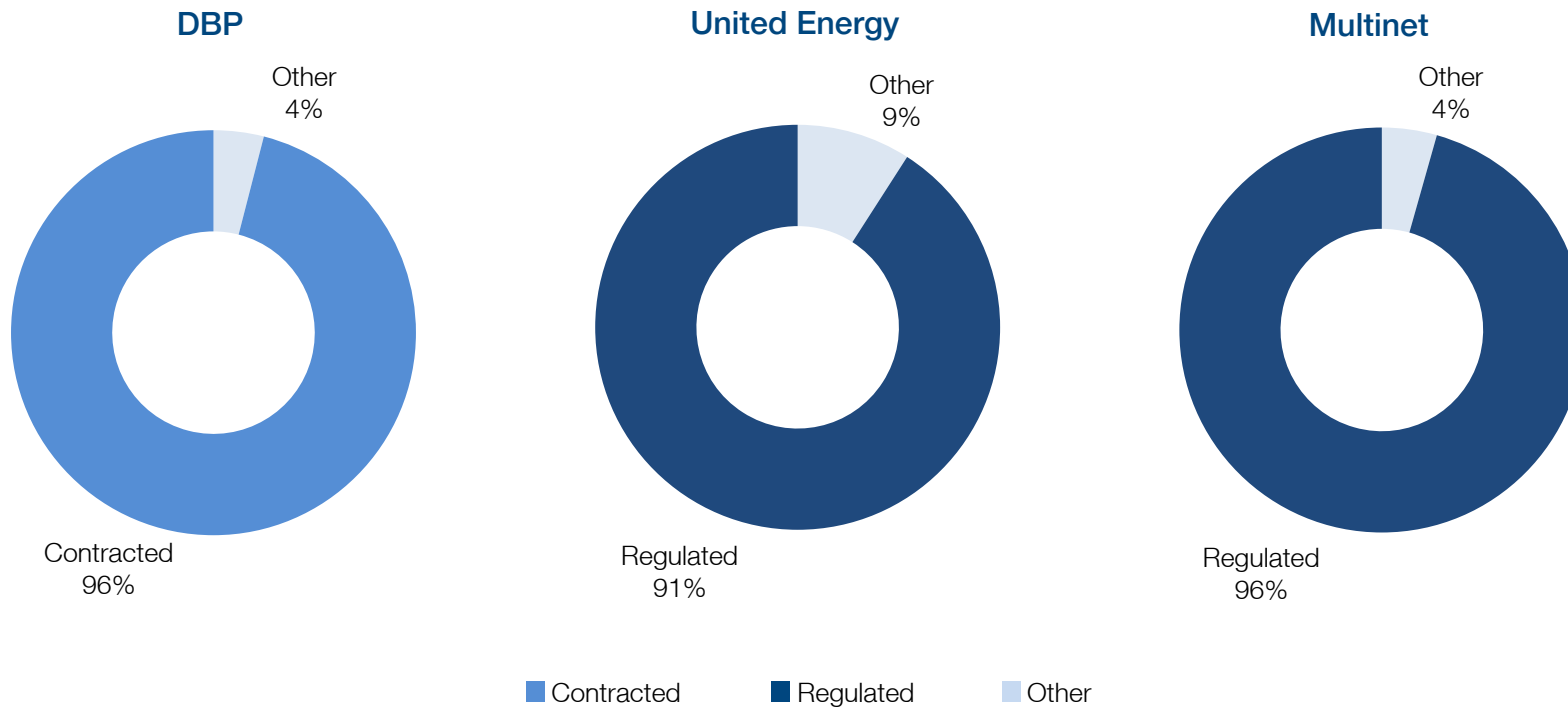
<sup>2</sup> Average contracted full-haul capacity per day

# Resilience

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



## 1H12 Revenue



# Growth

## United Energy will drive DUET's medium term growth



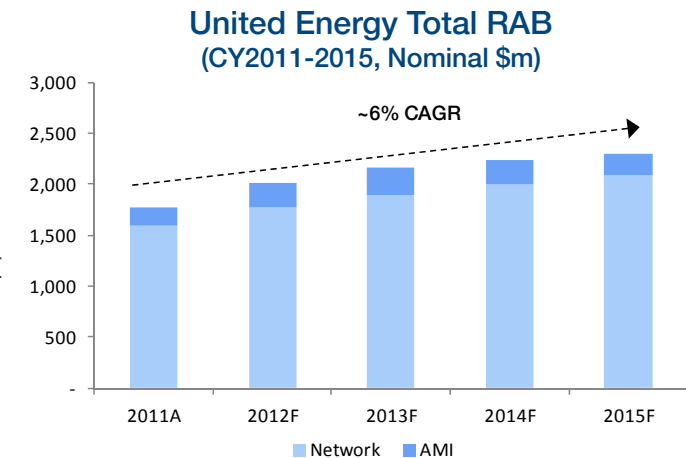
### ❖ CPI linked revenues / high Group EBITDA margin

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

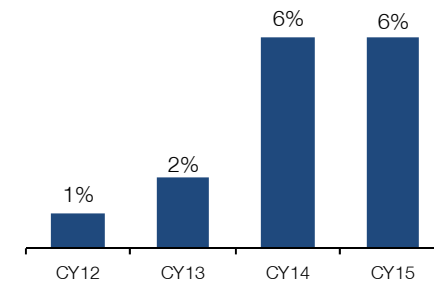
### ❖ UED growth opportunity to CY2015

- 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



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



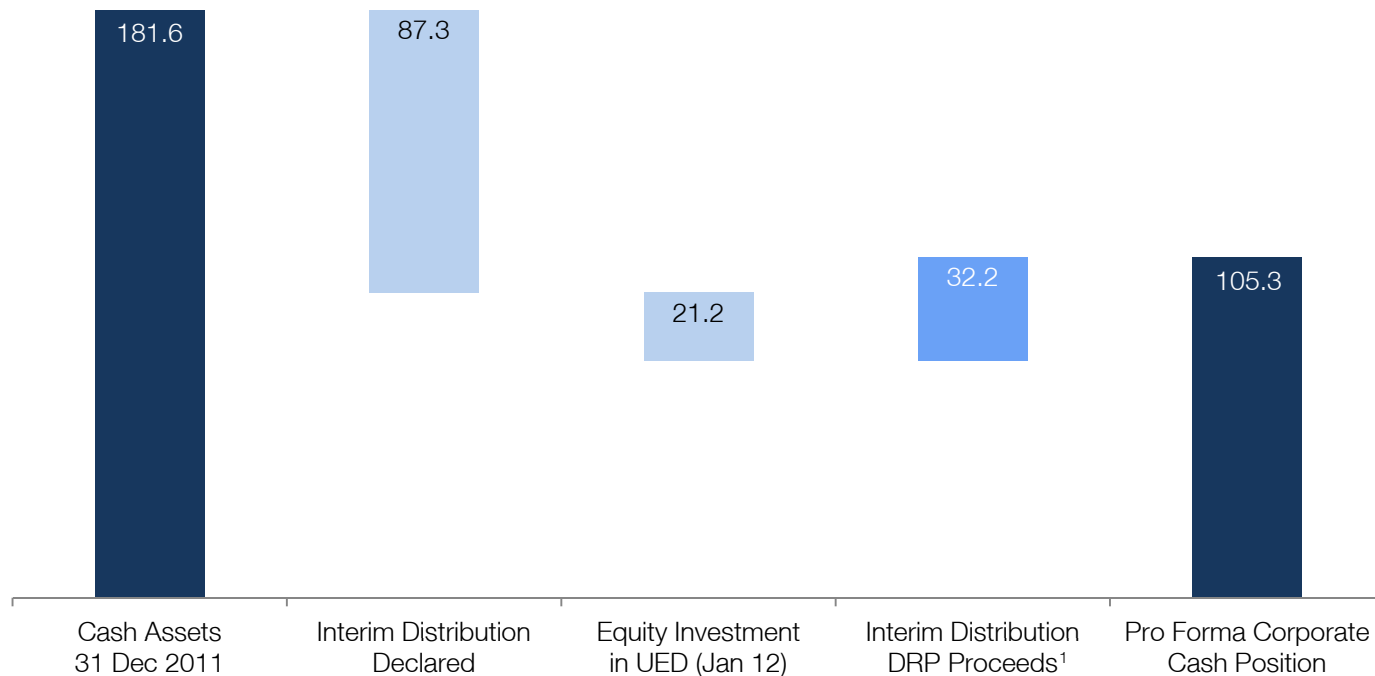
<sup>1</sup>Based on AER final decision. Excludes \$80m of additional revenue uplift in 2013 – 2015 from recent UED appeal

# Capital

## Significant cash balance 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

<sup>1</sup> Represents a 36.9% participation rate for DUET's FY12 Interim Distribution



# Distributions

Funded by net operating cash flows

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>

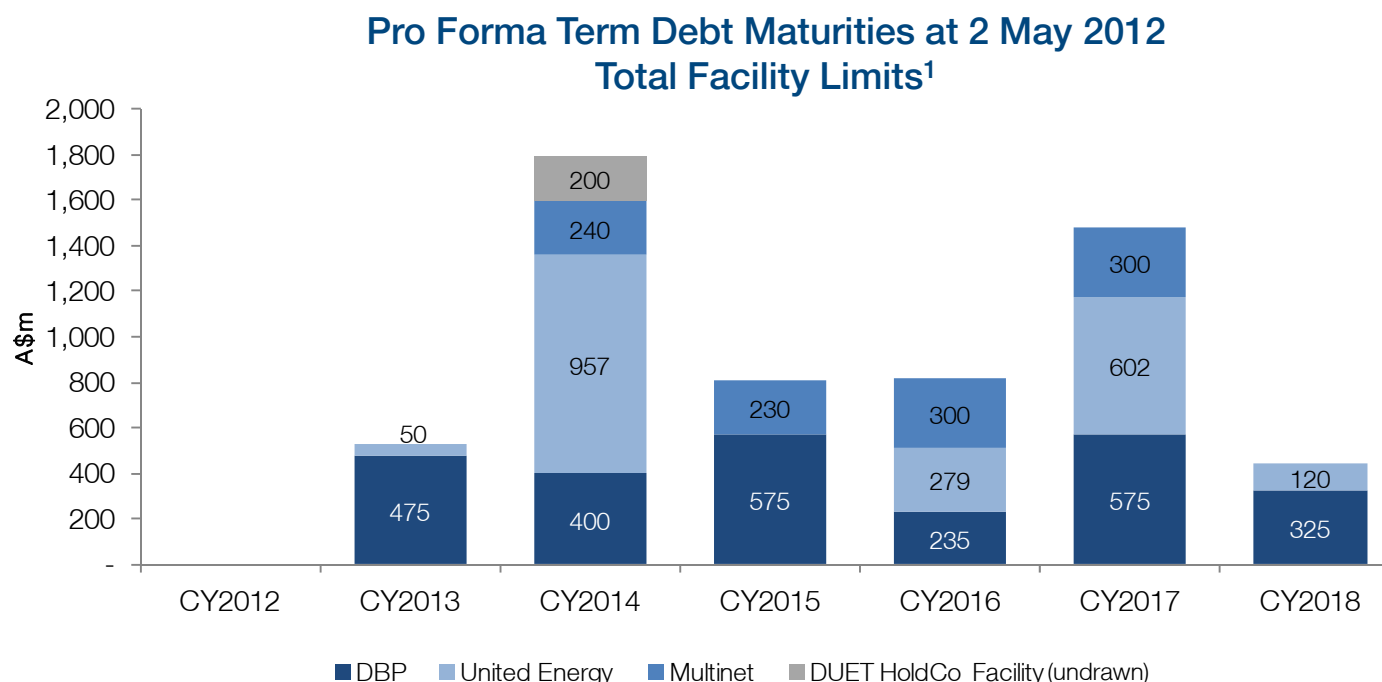
1 On 29 July 2011 the equity ownership in WAGN was sold

2 On 13 September 2011 the equity ownership in Duquesne was sold

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

# 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

# Regulatory Review Consultation

DUET is actively involved in the public consultation process

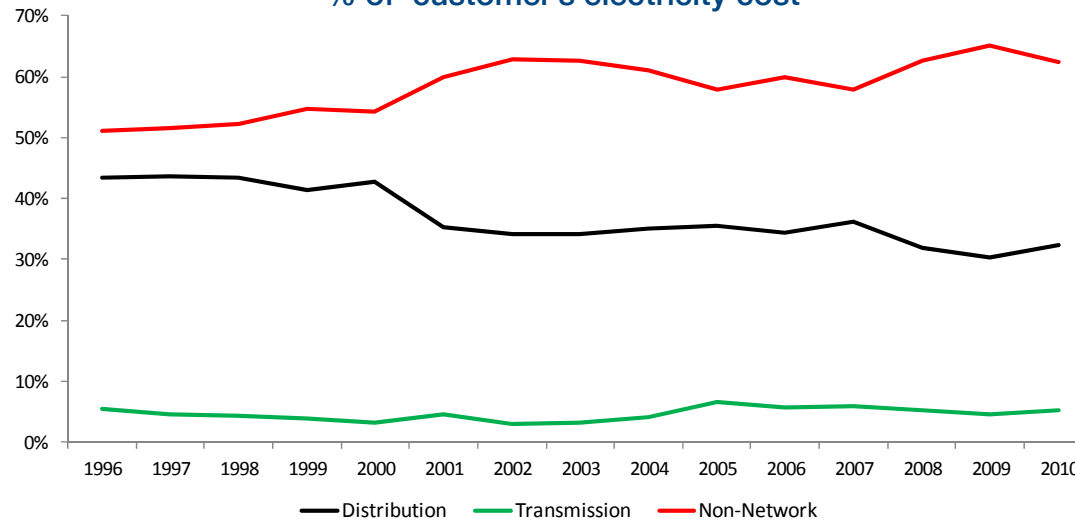
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- ❖ DUET is playing an active role in the regulatory debate
  - AER Rule Change Proposal
  - SCER Merits Review Enquiry
  - Productivity Commission
- ❖ DUET and its asset companies have played a key role in submissions to review bodies:
  - Financial Investor Group (FIG)
  - Australian Pipeline Industry Association (APIA)
  - Electricity Networks Association (ENA)
- ❖ Aim of the investor groups is maintenance of the key attributes of a strong regulatory framework:
  - A stable regulatory framework that encourages investment by providing fair compensation to network service providers
  - A merits review framework to ensure the regulator is held accountable for all decisions

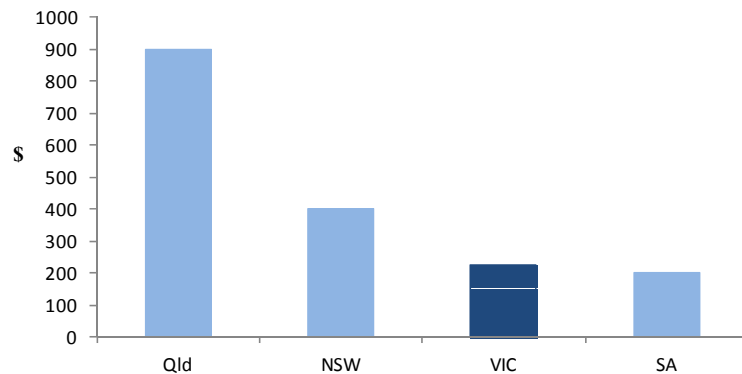
# Regulatory Outcomes

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

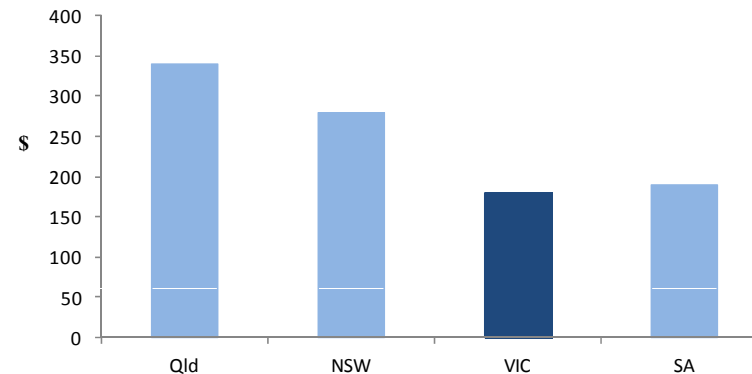
Victorian electricity costs by component  
% of customer's electricity cost<sup>1</sup>



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



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



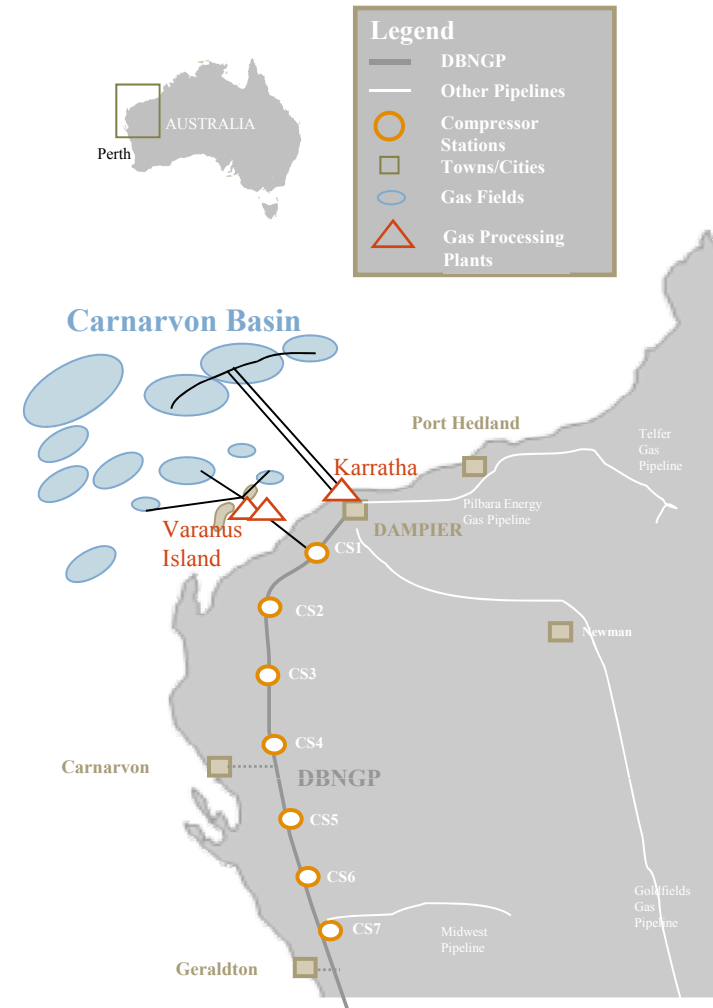
1. \$ per customer, real 2010 – Ernst &Young analysis for Financial Investor Group submission to Review of Limited Merits Review Regime

2. UED EDPR submission - 2010

# DBP's Strategic Positioning

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

- ❖ Significant gas resource base in North West Western Australia with expansion potential:
  - Over 48 producing fields with estimated remaining gas resources of 175 Tcf<sup>1</sup>
  - More processing facilities under construction (Gorgon, Wheatstone, Macedon)
- ❖ 15% Domestic Gas Reservation Policy in place
- ❖ New gas projects expected to increase supply to and replace expiring contracts
- ❖ Strong demand growth expected in future years:
  - New gas-fired base-load electricity generation
  - Alumina expansion and other resource projects



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