



2015 Annual Investor Forum and General Meetings

18 November 2015

## **Disclaimer**



### Important Information

The DUET Group comprises DUET Company Limited (ABN 93 163 100 061) ("DUECo"), DUET Investment Holdings Limited (ABN 22 120 456 573) ("DIHL") and DUET Finance Limited (ABN 15 108 014 062) ("DFL") (AFSL 269287) in its personal capacity and as responsible entity of DUET Finance Trust (ARSN 109 363 135) ("DFT") (DUECo, DIHL, DFL and DFT are collectively referred to as "DUET" or "DUET Group"). As DUECo is the parent entity of the DUET Group, it and DIHL (as the Corporate Arm) are responsible for all information contained in this presentation. DFL and DFT (as the Funding Arm) are only responsible for the general stapled securityholder information and financial information of DFL and DFT incorporated into the statutory consolidated financial information contained and/or summarised in this presentation.

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#### **Policies**

This presentation has been prepared using policies adopted by the directors of DUECo, DIHL and DFL, unless stated otherwise in the Management Information Report, these policies have been consistently applied to all periods presented in this presentation.

### Presentation should be read in conjunction with the 2015 Financial Report

Parts of this presentation have been prepared on a different basis to the Financial Report of DUET Group. Certain information contained within this presentation does not, and cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of DUET Group as in the Financial Report. This presentation should be read in conjunction with the 2015 Financial Report of DUET, which can be found on the DUET website at www.duet.net.au.

### **Board of Directors**



### **Corporate Arm**

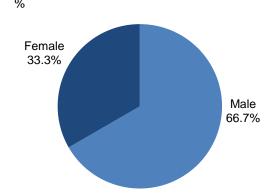
### **Entities**

- DUET Investment Holdings Limited
- DUET Company Limited

### **Directors**

- Doug Halley (Chairman)
- Ron Finlay
- Shirley In't Veld
- Emma Stein
- Jack Hamilton
- Simon Perrott

### **DIHL/DUECo Board Diversity**



### **Funding Arm**

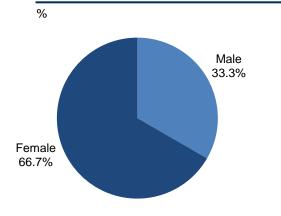
### **Entities**

- DUET Finance Limited
- DUET Finance Trust

### **Directors**

- Eric Goodwin (Chairman)
- Jane Harvey
- Terri Benson

### **DFL Board Diversity**



## **Other Meeting Participants**



### Management

David Bartholomew Chief Executive Officer

Jason Conroy Chief Financial Officer

Leanne Pickering Company Secretary and General Counsel

### Registry

Roopa Paradkar Computershare

### **Auditor** (and voting scrutineer)

Matthew Honey Ernst & Young

### **External Legal Counsel**

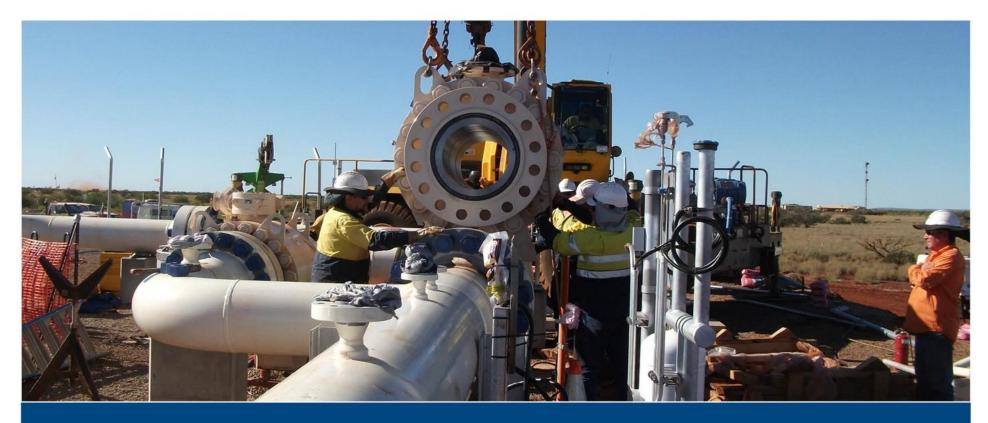
Marc Kemp Allens

## **Meeting Agenda**



- Chairman's Address
- CEO's Address
- Resolutions
- Poll
- Closure of Meeting
- Refreshments
- Voting Results announced to ASX





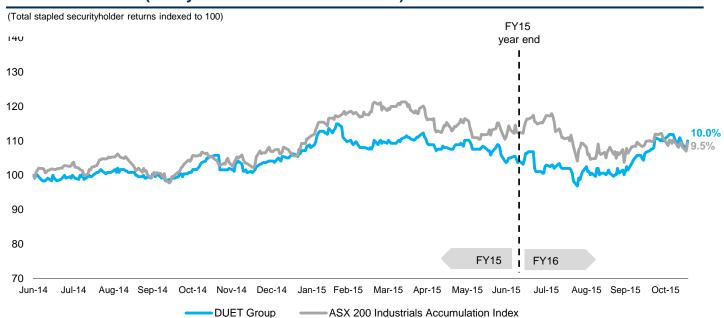
# Chairman's Address Doug Halley

## **Stapled Security Performance**



- 10.0% Total Securityholder Return (TSR) since start of FY15
  - 3.4% TSR in FY15
  - 6.1% TSR in 4.5 months to 17 November 2015
- Outperformed ASX 200 Industrials benchmark index over period
- Strong performance since successful capital raising in July 2015

### TSR Performance (1 July 2014 to 17 November 2015)

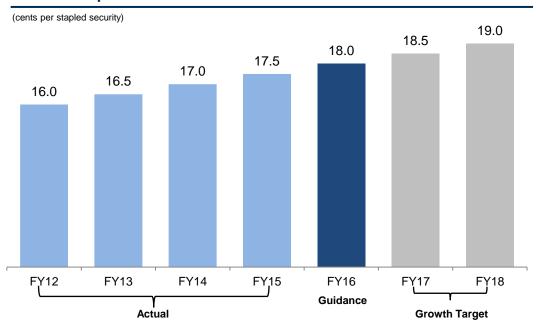


## Distribution growth target re-established



- Delivered FY15 distribution guidance of 17.5 cpss
- Following announcement of acquisition of Energy Developments Limited:
  - upgraded FY16 guidance of 18.0 cpss (re-affirmed today)
  - established distribution growth target to FY18
- Current 7.7% trading yield¹

### **DUET Group Distributions**



<sup>8</sup> 

## Successful delivery of organic growth opportunities



- Two DDG pipeline development projects successfully completed
  - Wheatstone Ashburton West Pipeline (WAWP) commissioned in December 2014
  - Fortescue River Gas Pipeline (FRGP) commissioned in March 2015
- DDG actively investigating additional opportunities
  - Extension of FRGP
  - Development/acquisition of infrastructure for/of Australian gas producers
  - No longer involved in NT Government's gas pipeline proposal
- Continued investment in United Energy's regulated asset base
- Received AER approval to continue Multinet Gas' accelerated pipeworks replacement program





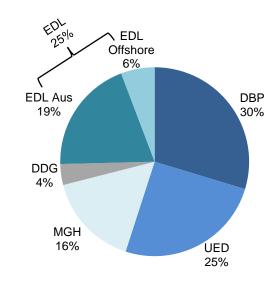
## **Completed acquisition of Energy Developments**



- DUET recently completed the acquisition of 100% of Energy Developments Limited (EDL)
  - EV multiple of 8.8 times EDL's FY15 EBITDA
- DUET undertook extensive due diligence
- EDL is a strong strategic fit with DUET:
  - Long term, contracted energy infrastructure cash flows
  - Further diversifies DUET's cash flows
  - EDL's remote energy business is complementary to DDG
  - · Attractive growth platform
  - Experienced management team with proven track record
- Acquisition expected to deliver significant value to DUET securityholders
  - · Immediately cashflow accretive
  - DUET's FY16 distribution guidance upgraded from 17.5cpss to 18.0cpss
  - DPS growth target established out to FY18

### Pro Forma DUET Group Proportionate EBITDA<sup>1,2</sup>

By business, %



Based on DUET Group and EDL's 1H15 results and pro forma HY run rate contribution from DDG.

EBITDA is prior to corporate costs.

## EDL is a market leader in distributed generation



### **Remote Energy**



- · Power for mines and remote towns
- 389MW1 installed
- Mostly tolling arrangements or fixed price contracts with limited fuel or price risk
- #1 in <100 MW sector in Australia

### **Waste Coal Mine Gas**



- Utilises waste gas from low-cost, longlife coking coal mines
- 253MW1 installed
- Mostly fixed price contracts
- 100% market share in Australia<sup>2</sup>

### **Landfill Gas**



- Utilises waste gas from landfill sites
- 262MW¹ installed
- Operations in Australia, US, UK/Europe
- Mostly fixed price contracts
- > 40% market share in Australia

<sup>1.</sup> As at 31 March 2015. Remote Energy includes 22MW which are operated and maintained only. WCMG includes 5MW which are operated and maintained only. LFG includes 24MW that is 50% owned via a Greece based joint venture.

<sup>2.</sup> Excludes miners with self managed WCMG operations.









## **EDL** acquisition capital raising



- To fund the acquisition, DUET completed a \$1.67 billion equity raising
  - Issue price of \$2.02 per new stapled security
  - 10.3% discount to the theoretical ex-rights price (TERP)
- Capital raising in two parts:
  - \$550m institutional placement, including a cornerstone investment by UniSuper
  - \$1,122m accelerated non-renounceable entitlement offer
    - Retail investors invited to apply for double their pro-rata entitlement<sup>1</sup>
- Cornerstone investment enabled DUET to:
  - Secure the underwriting of the entire \$1.67 billion equity capital requirement
  - Provide EDL's shareholders with a binding offer that was not conditional on funding, reducing risk of a competing bid
  - Minimise the issue discount to ensure that DUET could:
    - Maximise the accretion from the acquisition
    - Upgrade FY16 distribution guidance
    - Provide a distribution growth target to FY18
- All DUET securityholders expected to benefit from the transaction
  - Improved distribution outlook
  - DUET's security price currently 16.3% above issue price





## Chief Executive Officer's Address

David Bartholomew

## **FY15 – Financial Performance Summary**



- 10.8% increase in adjusted EBITDA less interest
- Slightly higher revenues
  - Lower recontracted revenue at DBP offset by other operating companies
- Opex up due to reset of DBP fuel gas contract, offset by \$38.1m lower interest costs at DBP due to base interest rate rehedging
- Achieved FY15 distribution guidance

### **Financial Performance Summary**

	FY15	FY14	% Change
Proportionate Revenue (\$m)	854.7	850.8	0.5%
Proportionate Opex (\$m)	244.1	233.5	(4.6)%
Proportionate EBITDA (\$m)	610.6	617.3	(1.1)%
Adjusted EBITDA¹ (\$m)	590.3	599.7	(1.6)%
Adjusted EBITDA less net external interest (\$m)	313.9	283.3	10.8%
Distributions (cpss)	17.5	17.0	2.9%

## **Operations Summary**





- Distribution Revenue up 6.5%
- EBITDA up 7.9%
- Adj EBITDA less interest up 10.4%
- RAB up 3.9%
- Smart Meter rollout complete



- Distribution Revenue up 2.9%
- EBITDA down 0.9%
- Adj EBITDA less interest up 8.6%
- RAB up 1.6%



- Transp. Revenue down 8.2%
- EBITDA down 9.8%
- Adj EBITDA less interest up 5.8%
  - Outperformed guidance



- Completed two development pipelines
  - WAWP
  - FRGP
- Continuing to investigate additional gas infrastructure opportunities





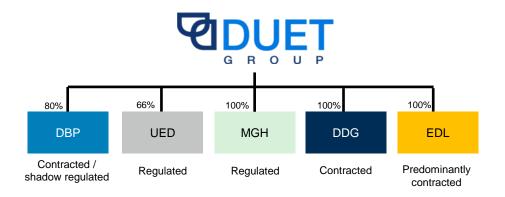




## Integration of EDL into DUET Group



- EDL is being managed as a standalone DUET business, similar to existing DUET businesses
  - Clear reporting lines and governance arrangements
  - Full control of EDL operations, cashflow and capital management decisions
- DUET is aiming to enhance EDL's overall cash flow predictability through hedging financial exposures
- An appropriate retention and incentive package has been put in place to retain and incentivise key EDL executives



## Regulation



- United Energy and DBP undergoing regulatory resets, effective 1 January 2016
- United Energy draft decision published by AER on 29 October 2015
  - Lower allowed regulatory returns mainly due to current low risk free rates
  - UE will benefit from material interest savings when it rehedges base interest rates
  - AER final decision expected in April 2016, with potential for appeal

(\$m nominal)	UE Proposed	2011-2015 Allowance	AER Draft Decision	% Change Allow – Draft
Nominal Vanilla WACC	7.4%	9.5%	6.1%	(3.4)%
Post tax Nominal ROE	9.9%	10.3%	7.3%	(3.0)%
Total Revenue (smoothed)	2,220.6	1,715.0	1,832.3	6.8%
Operating Expenditure <sup>1</sup>	761.0	594.0	711.2	19.7%
Total Net capex <sup>2</sup>	1,121.8	810.3	876.7	8.2%

- DBP draft decision now expected at end of 2015 at the earliest
  - Regulated tariff will not apply to volumes that were re-contracted in August 2014

## Regulatory Jurisdiction



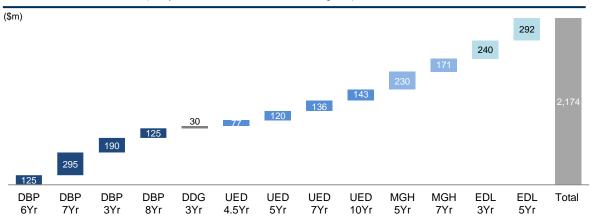
The 'UE Proposed' opex has been reduced by \$101.8m to reflect the AER decision to include AMI-related operating expenditure under Alternative Control Services.

<sup>2.</sup> The 'UE Proposed' Non-Network General Capex has been reduced by \$65.1m to reflect the AER decision not to include the Power of Choice and RIN collection initiatives. Should these initiatives be implemented, it is expected that tariffs will be adjusted on a pass-through basis.

## **Debt Capital Management**

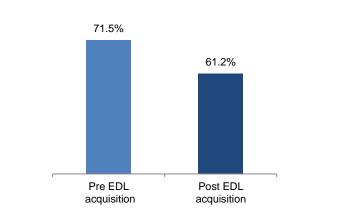


### **Debt Transactions** (1 July 2014 to 17 November 2015, including EDL)



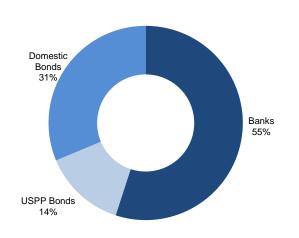
### Gearing

Pro-forma Consolidated Net Debt/(Net Debt + Equity) as at 31 December 2014, %

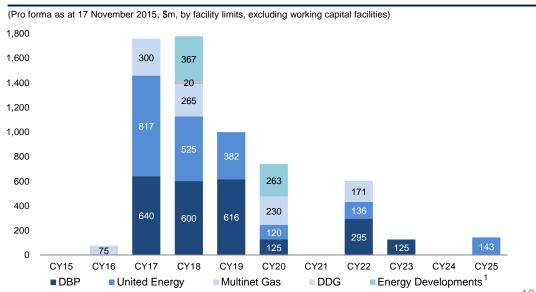


### **Debt Facility Mix**

(Pro forma as at 17 November 2015, by facility limits, excluding working capital facilities)



### **Debt Maturities**



1. EDL foreign debt maturities converted to AUD as at 30 October 2015.

## **Management Priorities**



- Deliver FY16 distribution guidance
- Successfully integrate EDL's operations
- Finalise United Energy and DBP's 2016-2020 regulatory resets
- Complete EDL contract renewals and capacity expansions
- Grow the Regulated Asset Base
  - Continue network investment at United Energy
  - Continue Multinet Gas' accelerated pipeworks replacement program
- Refinance CY2016 and CY2017 debt maturities
- Explore new DDG projects and opportunities to invest in energy infrastructure investments



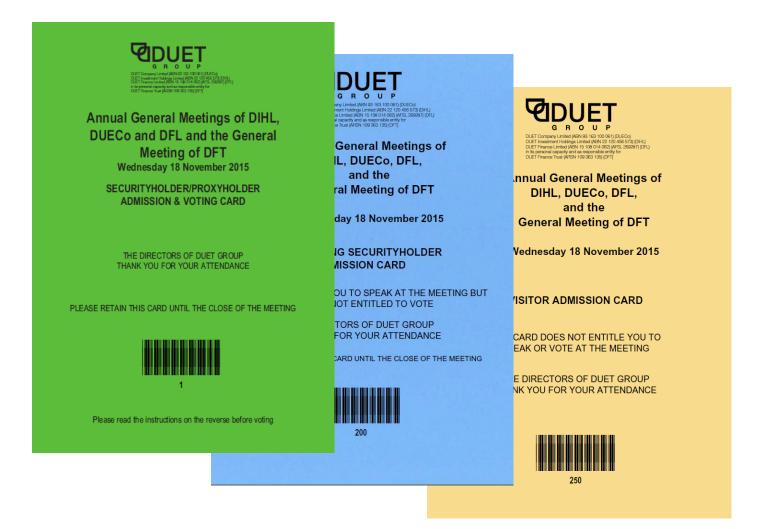


## Formal Business of Meetings

## **DUET 2015 Annual General Meetings**

## Voting cards









## **Questions**

## **DUET Group – 2015 Meetings**

## Formal Proceedings



	DIHL	DUECo	DFT	DFL
Ordinary Resolutions				
Remuneration Report Resolution	Resolution 1	Resolution 1		Resolution 1
Director Re-election Resolution – R Finlay	Resolution 2	Resolution 2		
Director Re-election Resolution – E Stein	Resolution 3	Resolution 3		
Director Election Resolution – S Perrott	Resolution 4	Resolution 4		
Director Re-election Resolution – E Goodwin				Resolution 2

Special Resolutions				
Refresh Placement Capacity	Resolution 5	Resolution 5	Resolution 1	Resolution 3
Proportional Takeovers Renewal	Resolution 6	Resolution 6	Resolution 2	Resolution 4



### **DIHL - Financial Accounts and Reports**

To receive and consider the DIHL Financial Report, the Directors' Report and the Auditor's Report thereon, for the period ended 30 June 2015.

### **DUECo - Financial Accounts and Reports**

To receive and consider the DUECo Financial Report, the Directors' Report and the Auditor's Report thereon, for the period ended 30 June 2015.

### **DFL - Financial Accounts and Reports**

To receive and consider the DFL Financial Report, the Directors' Report and the Auditor's Report thereon, for the period ended 30 June 2015.



### **DIHL Resolution 1 – Adoption of Remuneration Report**

That the company adopt the remuneration report included in DUET Investment Holdings Limited's Directors' Report for the period ended 30 June 2015.

### **DUECo Resolution 1 – Adoption of Remuneration Report**

That the company adopt the remuneration report included in DUET Company Limited's Directors' Report for the period ended 30 June 2015.

### **DFL Resolution 1 – Adoption of Remuneration Report**

That the company adopt the remuneration report included in DUET Finance Limited's Directors' Report for the period ended 30 June 2015.

### **Voting restriction:**

No votes may be cast on this resolution by key management personnel or their closely related parties<sup>1</sup>

## **Remuneration Framework**



### **Remuneration Framework Objectives:**

- Attract, retain and motivate high performing executives
- Provide transparent disclosure
- Ensure strong alignment with securityholders
- Benchmarked against sector peers and ASX200 companies

### **Director Remuneration:**

Only Fixed pay – no options, retirement benefits, STI/LTI

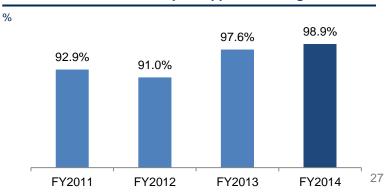
### **Executive Remuneration (CEO & CFO):**

- Material portion of total remuneration 'at risk'
- STI measures:
  - 50% financial outcomes, 50% qualitative measures
  - High retention component vesting over multiple year period
- LTI aimed at longer term securityholder value creation
  - Test and vest 3 years after award date
  - Measures based on:
    - TSR performance against ASX 200 Industrials
    - Achievement of distribution targets
- Strong securityholder support for remuneration report in prior years

### **FY2015 Remuneration Enhancements**

- Increased retention of STI awards
- Retained STI vests over a 2 year period
- Retained STI paid in 'notional equity' directly linked to DUET share price performance
- Introduction of clawback for STI
- Greater component of LTI award aligned with distributions to securityholders

### **Previous Remuneration Report Approval Ratings**





### **DIHL Resolution 2**

To consider and, if thought fit, to pass as an ordinary resolution:

That Mr Ron Finlay, who retires in accordance with clause 10.3 of the DIHL Constitution and being eligible, be elected as a Director of DIHL.

### **DUECo Resolution 2**

To consider and, if thought fit, to pass as an ordinary resolution:

That Mr Ron Finlay, who retires in accordance with clause 10.3 of the DUECo Constitution and being eligible, be elected as a Director of DUECo.

Experience	Other Directorships	Qualifications	DUET Shares Held	Director Tenure
Legal, property, construction development, infrastructure projects, governance	<ul> <li>Independent Chairman, Sydney Light Rail Advisory Board</li> <li>Member, Expert Advisory Panel, Commonwealth Future Submarines Project</li> <li>Independent Chair, PCG for Brisbane Airport's New Parallel Runway Project</li> </ul>	<ul><li>LLB (Sydney)</li><li>AM</li></ul>	57,419	11 years  Date of last re-election  22 Nov 2013



### **DIHL Resolution 3**

To consider and, if thought fit, to pass as an ordinary resolution:

That Ms Emma Stein, who retires in accordance with clause 10.3 of the DIHL Constitution and being eligible, be elected as a Director of DIHL.

### **DUECo Resolution 3**

To consider and, if thought fit, to pass as an ordinary resolution:

That Ms Emma Stein, who retires in accordance with clause 10.3 of the DUECo Constitution and being eligible, be elected as a Director of DUECo.

Experience	Other Directorships	Qualifications	DUET Shares Held	Director Tenure
Utilities, energy retailing, asset management, acquisition integration and divestment	<ul> <li>Alumina Limited</li> <li>Programmed Maintenance Group</li> <li>Transpacific Industries Limited</li> <li>Transgrid</li> </ul>	<ul> <li>BSC (Hons) Physics (Manch)</li> <li>MBA (Manch)</li> <li>FAICD</li> </ul>	56,078	11 years  Date of last re-election  22 Nov 2013



### **DIHL Resolution 4**

To consider and, if thought fit, to pass as an ordinary resolution:

That Mr Simon Perrott, in accordance with clause 10.8 of the DIHL Constitution, be elected as a Director of DIHL.

### **DUECo Resolution 4**

To consider and, if thought fit, to pass as an ordinary resolution:

That Mr Simon Perrott, in accordance with clause 10.8 of the DUECo Constitution, be elected as a Director of DUECo.

Experience	Other Directorships	Qualifications	DUET Shares Held	Director Tenure
Investment banking, M&A, equity and debt capital markets	<ul> <li>Lend Lease Real Estate Investments Ltd</li> <li>Wayside Chapel</li> <li>Australian Cancer Research Foundation (Trustee)</li> </ul>	<ul><li>BSC (Melbourne)</li><li>MBA (AGSM)</li></ul>	50,000	Appointed 1 Jul 2015



### **DFL Resolution 2**

To consider and, if thought fit, to pass as an ordinary resolution:

That Mr Eric Goodwin, who retires in accordance with clause 10.3 of the DFL Constitution and being eligible, be elected as a Director of DFL.

Experience	Other Directorships	Qualifications	DUET Shares Held	Director Tenure
Construction, project management, funds management	<ul> <li>Macquarie Global Property Fund Advisors</li> <li>Eureka Funds Management</li> <li>Jarjum College Council</li> </ul>	<ul><li>BEng (NSW)</li><li>MIE (Aust)</li><li>AM</li></ul>	135,316	11 years  Date of last re-election  22 Nov 2013

## **Special Business**



### DIHL Resolution 5, DUECo Resolution 5, DFT Resolution 1 and DFL Resolution 3

To consider and, if thought fit, to pass as an ordinary resolution:

The approval and ratification of the prior issue of 272,277,227 shares in DIHL, DUECo and DFL and 272,277,227 units in DFT on 3 August 2015 to institutional investors as part of an institutional placement<sup>1</sup>.

### **Voting Restriction:**

The entities will disregard any votes cast on the resolution by a person who participated in the placement and any of their associates<sup>2</sup>.

I. The full text of the resolution is set out in the Notice of Meeting convening the DIHL, DUECo, DFL and DFT meetings.

<sup>2.</sup> Except as a proxy for a person who is entitled to vote on this resolution, appointed by way of a Proxy Form that directs how the proxy is to vote on the resolution.

## **Special Business**



### DIHL Resolution 6, DUECo Resolution 6, DFL Resolution 4 and DFT Resolution 2

To consider and, if thought fit, to pass as a special resolution:

That for the purposes of section 648G of the *Corporations Act 2001* (Cth) and all other purposes, the proportional takeover provisions contained in articles 5.11 to 5.16 (inclusive) of the constitutions of each of DIHL, DUECo and DFL and clauses 3.22 to 3.27 (inclusive) of the DFT constitution be renewed with effect from 18 November 2015 for a period of three years.

## Proxy Votes (1 of 2)



	For	Against	Open	Abstain	% For
Remuneration Report Resolution					
DIHL Resolution 1					
DUECo Resolution 1					
DFL Resolution 1					
Director Appointment Resolutions					
DIHL Resolution 2 – R Finlay					
DUECo Resolution 2 - R Finlay					
DIHL Resolution 3 – E Stein					
DUECo Resolution 3 – E Stein					
DIHL Resolution 4 – S Perrott					
DUECo Resolution 4 – S Perrott					
DFL Resolution 2 – E Goodwin					

## Proxy Votes (2 of 2)



	For	Against	Open	Abstain	% For
Placement Ratifications					
DIHL Resolution 5					
DUECo Resolution 5					
DFT Resolution 1					
DFL Resolution 3					
Renewing Proportional Takeovers					
DIHL Resolution 6					
DUECo Resolution 6					
DFT Resolution 2					
DFL Resolution 4					





## **2015 Annual Investor Forum and General Meetings**

**Closure of Meetings**