



DUET GROUP
INTERIM REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006



Chairman's letter

This interim report includes DUET's key financial and operational highlights for the six months to 31 December 2006.

It has been another busy and successful six months for the DUET Group¹. Our financial results have improved on the previous corresponding period and exciting expansion projects are under way for our existing portfolio of assets. DBP's Stage 5A expansion has commenced following the completion of Stage 4 in December 2006. We have also moved closer to completion of the Duquesne Light Holdings (Duquesne Light) acquisition, with Duquesne Light shareholders voting overwhelmingly in favour of the transaction.

During the period, DUET completed a restructure from a double stapled entity to a triple stapled entity to give DUET greater flexibility in its capital management and investment strategy and to facilitate the acquisition of Duquesne Light. DUET Investment Holdings Limited was established and commenced trading on the ASX as part of the DUET Group on 31 August 2006.

Financial highlights

DUET performed strongly over the period. Revenues increased 1.1% despite a 14.7% cut in United Energy's tariffs. This decrease is a result of the regulatory rate case determination handed down in October 2005, which became effective on 1 January 2006. Net Operating Profit After Tax (NOPAT) increased by 6.8% when compared to the prior corresponding period (pcp).

The DUET parents' cash available for distribution, which determines how much cash we can distribute to stapled unit holders, also increased by 8.6% on pcp. The increase includes DUET's investment in Duquesne Light.

Distributions

In December 2006, DUET announced an interim distribution of 12.25 cents per stapled security. The DUET Group boards have forecast a total 2006/2007 distribution of 24.75 cents, an increase of 5.3% on the total distribution for 2005/2006.

National Regulatory Framework

During 2006 the Ministerial Council on Energy set targets for the Australian Energy Market Commission (AEMC) and Australian Energy Regulator (AER) for 2006. The targets include implementation of an appeals and review mechanism, developing principles for wholesale gas markets in major capital cities, and ongoing reforms in economic regulation, energy access and network pricing, among other areas. DUET and its underlying asset companies continue to participate in the reform process and to advocate for the development of a competitive and efficient energy market.

On behalf of the boards of the DUET Group, we look forward to your ongoing support.



Philip Garling
Chairman

AMPCI Macquarie Infrastructure Management No. 1 Limited

AMPCI Macquarie Infrastructure Management No. 2 Limited

DUET Investment Holdings Limited

1. AMPCI Macquarie Infrastructure Management No. 1 Limited as responsible entity of DUET 1, AMPCI Macquarie Infrastructure Management No. 2 Limited as responsible entity of DUET 2, and DUET Investment Holdings Limited.

Highlights of the financial results for the period include:

	Six months to December 2006	Six months to December 2005
Group revenue excluding interest income	\$410.1m	\$405.7m
Group EBIT	\$187.9m	\$197.1m
Group net profit after tax	\$37.7m	\$35.3m
Group gearing (net debt to adjusted total assets)	65.2%	66.7%
Cash earnings available for distribution per stapled security	12.94c	13.75c
Interim distribution per stapled security	12.25c	11.75c

The six months to 31 December 2006 have been an important period for the development of DUET's portfolio. On 5 July 2006 DUET committed to invest US\$300 million in Duquesne Light Holdings (Duquesne Light), a publicly-listed electricity utility based in Pittsburgh, Pennsylvania. On 11 August 2006, DUET acquired an initial 7.7% shareholding in Duquesne Light, via a placement by Duquesne Light. In addition to the commitment to Duquesne Light, DBP has announced its next substantial expansion, Stage 5A.

Asset company operation

The assets in the portfolio continue to perform in line with expectations, with resulting projected distribution growth of approximately 5.3% for the 2007 financial year compared to the prior corresponding period.

DUET's asset companies have been very active over the period. The key operational highlights for each asset are provided below.

Dampier Bunbury Pipeline (DBP)

During the six months to 31 December 2006, DBP announced the commencement of the Stage 5A expansion of the pipeline. The A\$700 million dollar project is expected to deliver approximately an additional 100 terajoules per day, an increase of approximately 15.9% over the current pipeline throughput. The Stage 4 and Stage 5A expansions represent a combined investment of approximately A\$1.13 billion in the pipeline.

Stage 4 of the DBP expansion has been completed and commercial operation commenced during the period to 31 December 2006. Stage 5A construction has also commenced with the arrival of the first coated line pipe in December 2006.

Operationally, higher than budgeted shipper demands during the period resulted in higher gas throughput and therefore higher operating costs than budgeted. This was offset by higher than budgeted revenue. The pipeline continues to perform in line with expectations.

United Energy Distribution (UED)

Over the six months to 31 December 2006, the UED network performed at near record levels of reliability, with UED reporting performance better than target for all key safety and reliability measures.

The Operating Services Agreement with Alinta Asset Management is currently being negotiated and is expected to be finalised in the first half of 2007.

The interval meter roll-out is progressing with completion of the next phase of capital expenditure due in 2008. Technology trials are under way at the two testing locations, with metering and communications equipment from the major meter vendors installed.

Multinet

During the period, the Multinet network achieved high levels of reliability, with the average duration of supply interruptions 40.0% lower than the regulator's benchmark. Further, substantial completion of the A\$24 million Yarra Ranges distribution project was achieved and, on 3 October 2006, commencement of the A\$50 million South Gippsland distribution project was announced. Completion of the Yarra Ranges project, due at the end of calendar year 2007, will see 150 kilometres of new pipe laid passing 6,000 potential new customers. The South Gippsland project will see 250 kilometres of pipe laid and will pass 10,000 potential customers. The project is expected to be completed by the end of the calendar year 2009.

AlintaGas Networks (AGN)

DUET's 25.9% stake in AlintaGas Networks provides an interest in one of Australia's fastest growing residential environments with average connection growth of 3.0% to 4.0% in recent years. In the 2006 calendar year connections grew by more than 4.3% to over 550,000 customers and the mains network expanded by approximately 1.1% to just over 12,000 kilometres. Colder weather than usual aided demand for gas during the period, and the Western Australian housing and construction industry activity has continued its strong growth, driving up demand.



Dampier Bunbury Pipeline

Length of pipeline:	
Mainline	1,596 km
Laterals	258 km
Maximum allowable operating pressure:	
Mainline	8.5 Mpa
Laterals	6.9 Mpa
No. of compressors	18
Current maximum capacity	635 TJ/day
Next regulatory reset date	Jan 2011



AlintaGas Networks

Length of network	12,064 km
Connections as at 31 December 2006	550,000
New connections in 2006	22,716
31 December 2006 load	31.0 PJ
Next regulatory reset date	Jan 2010



United Energy Distribution

Length of network	13,125 km
Area of network	1,450 km ²
Connections	612,350
31 December 2006 load	7,915 GWh
Next regulatory reset date	Jan 2011

Duquesne Light Holdings (Duquesne Light)

Duquesne Light provides essential electricity distribution and transmission to more than 587,000 customers in and around Pittsburgh. More than 80% of calendar year 2005 EBITDA of US\$261 million was earned from regulated activities. In December 2006 Duquesne Light received approval for an increase in regulatory revenues for their distribution business of US\$117 million per annum. The transmission business is expected to receive its rate case determination in the first half of 2007. Both determinations will take effect from 6 January 2007.

DUET has committed to invest US\$300 million in Duquesne Light and has made an initial investment of A\$145.3 million (US\$109 million) in a placement by the company, representing approximately 7.7% of issued capital. DUET will conduct an equity raising in the first half of 2007¹ to fund its acquisition of Duquesne Light (plus interim funding of Stage 5A of the DBP expansion) and, upon reaching financial close, DUET will be the largest shareholder in the company with a 29.0% equity interest in the consortium.

Duquesne Light shareholder approval to the merger was granted on 5 December 2006 with over 93% of shareholders eligible to vote, voting in favour of the transaction. Regulatory approvals are expected to be granted in the first half of 2007 by the Pennsylvania Public Utility Commission.

Capital management

DUET's financial strategy is to minimise volatility of distributions caused through interest rate rises. DUET's majority-owned asset company subsidiaries have all hedged over 90% of their senior debt for the period to the next regulatory reset. In addition, in August 2006, UED and Multinet hedged their subordinated debt for the period to the next regulatory reset, January 2011 and January 2008 respectively. These hedging policies reduce the potential impact of interest rate rises affecting DUET's profits and distributions.

Outlook

DUET has a portfolio of high quality assets which continue to provide opportunities for organic growth, placing DUET in a unique position compared to other listed energy infrastructure entities.

In the coming period the DUET management team will continue to leverage the AMP Capital Investors and Macquarie Bank Group's finance and management skills to actively manage DUET's assets.

DUET is well placed to capitalise on growth opportunities for its existing assets. We will also continue to target opportunities to invest in quality energy utility assets which meet our investment criteria and add value for our stapled security holders.



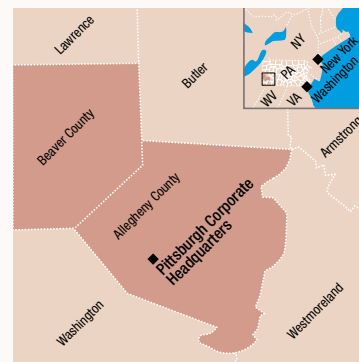
Peter Barry
Chief Executive Officer
DUET Group

1. A disclosure document will be made available when the securities are offered. Anyone who wishes to acquire the securities will need to complete the application form that will accompany the disclosure document.



Multinet

Length of network	9,515 km
Area of network	1,940 km ²
Connections	646,597
31 December 2006 load	61.6 PJ
Next regulatory reset date	Jan 2008



Duquesne Light

Length of network:	
Transmission lines	1,081 circuit-km
Distribution lines and cable	26,425 circuit-km
Area of network	2,072 km ²
Customers	587,000
31 December 2006 load	13,897 GWh
Next regulatory reset date	N/A

DUET Group financial highlights

DUET Group income statement

	Six months to December 2006	Six months to December 2005
Total revenue excluding interest income	\$410.1m	\$405.7m
Operating expenses	(\$146.6m)	(\$142.6m)
EBITDA	\$263.5m	\$263.1m
Depreciation and amortisation	(\$75.6m)	(\$66.0m)
EBIT	\$187.9m	\$197.1m
Equity accounted income	\$2.4m	\$3.7m
Net borrowing costs	(\$139.3m)	(\$142.3m)
Net profit before tax	\$50.9m	\$58.5m
Income tax expense	(\$6.2m)	(\$15.9m)
Minority interests	(\$7.0m)	(\$7.3m)
Net profit after tax	\$37.7m	\$35.3m
Finance costs attributable to stapled security holders	\$0.0m	\$35.3m
Net profit attributable to stapled security holders ¹	\$37.7m	\$0.0m

1. Due to the finite life and present entitlement clauses contained within the DUET 1 and DUET 2 Trust Constitutions, upon adoption of AASB132 on 1 July 2005, the units in DUET 1 and DUET 2 were classified as debt for accounting purposes. The Trust Constitutions of both DUET 1 and DUET 2 were amended on 30 June 2006 such that the finite life clauses were removed and present entitlement clauses were amended. Accordingly the units in DUET 1 and DUET 2 are classified as equity for accounting purposes from 30 June 2006. However, as the units were classified as debt for the period 1 July 2005 to 30 June 2006, the interim distribution declared, as well as the income which accrued to units in the Trusts, were accounted for as an expense and presented in the income statement for the comparative period as a finance cost to security holders in accordance with AASB 132.

DUET Group balance sheet

	As at 31 December 2006	As at 30 June 2006
Cash assets	\$261.4m	\$296.0m
Other current assets	\$130.0m	\$127.9m
Property, plant and equipment	\$3,862.0m	\$3,707.4m
Intangible assets	\$1,985.5m	\$1,997.8m
Other non-current assets	\$388.4m	\$171.2m
Total assets	\$6,627.5m	\$6,300.3m
Interest bearing liabilities	\$4,411.0m	\$4,302.3m
Current liabilities	\$299.9m	\$298.9m
Other non-current liabilities	\$663.5m	\$629.4m
Total liabilities	\$5,374.4m	\$5,230.6m
Net assets excluding minority interests classified as debt	\$1,253.1m	\$1,069.7m
Contributed equity	\$1,093.2m	\$921.8m
Undistributed surplus deficit	(\$90.7m)	(\$71.5m)
Reserves	\$42.4m	\$26.2m
Minority interest and minority interest units classified as debt	\$208.1m	\$193.2m
Total equity and minority interest units classified as debt	\$1,253.1m	\$1,069.7m

DUET Group cash flow sheet

	Six months to December 2006	Six months to December 2005
Net cash flows from operating	\$239.3m	\$285.7m
Acquisition cash flows	(\$182.8m)	\$0.0m
Payments for property, plant and equipment	(\$207.3m)	(\$158.9m)
Proceeds from asset sales	\$7.3m	\$0.9m
Net cash flows from investing	(\$382.8m)	(\$158.0m)
Acquisition and capital raising cash flows	\$187.2m	\$43.8m
Borrowings (net of repayments)	\$123.0m	\$71.6m
Borrowing costs paid	(\$142.9m)	(\$150.1m)
Dividends and distributions paid	(\$58.0m)	(\$39.7m)
Net cash flows from financing	\$109.3m	(\$74.4m)
Net increase in cash	(\$34.2m)	\$53.3m

Corporate directory

DUET Group

Responsible entity of DUET 1 and manager of DIHL

AMPCI Macquarie Infrastructure Management No. 1 Limited (ABN 99 108 013 672) (RE1)

Responsible entity of DUET 2

AMPCI Macquarie Infrastructure Management No. 2 Limited (ABN 15 108 014 062) (RE2)

Level 7, No. 1 Martin Place, Sydney NSW 2000

or

PO Box 4294, Sydney NSW 1164

Registry

Computershare Investor Services Pty Limited
GPO Box 7115, Sydney NSW 2001

or

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Sydney NSW 2000

Telephone: 1800 009 874 or 61 3 9415 4189

Facsimile: 61 3 9473 2500

Website: www.computershare.com

Investor relations of the DUET Group

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Facsimile: 61 2 8232 4713

Website: www.duet.net.au

Directors

RE1

Philip Garling (Chairman)

John Roberts

Hon. Michael Lee

Doug Halley

Emma Stein

RE2

Philip Garling (Chairman)

John Roberts

Ron Finlay

Eric Goodwin

Duncan Sutherland

DIHL

Philip Garling (Chairman)

John Roberts

Doug Halley

Emma Stein

Ron Finlay

Secretaries

Christine Williams

Leanne Brown

DUET's ongoing commitment to your privacy

We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us. DUET has adopted a privacy policy. For further information, visit the DUET website at www.duet.net.au or contact DUET Investor Relations on 1800 005 049 or outside Australia on 61 2 8232 4491.

Complaints handling

A formal complaints handling procedure is in place for DUET. RE1 and RE2 are members of the Financial Industry Complaints Scheme. Complaints should in the first instance be directed to RE1 and RE2. If you have any enquiries or complaints, please contact:

Financial Industry Complaints Service

PO Box 579

Collins Street West

Melbourne 8007

Telephone: 1300 780 808

Website: www.fics.asn.au

Disclaimer

The information in this interim report is given in good faith and derived from sources believed to be accurate at this date but no warranty of accuracy or reliability is given and no responsibility arising in any other way including by reason of negligence for errors or omission is accepted by RE1, RE2, DIHL, Macquarie Bank Limited or their respective officers or any member of the AMP Group or the Macquarie Bank Group.

This interim report is general information and does not take into account the particular investment objectives, financial situation or particular needs of the investor. Before making an investment in the DUET Group, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment need, objectives and financial circumstances and consult an investment adviser if necessary.

Investments in the DUET Group are not deposits with or other liabilities of Macquarie Bank Limited or AMPCI, or any entity in the Macquarie Bank Group or AMP Group and are subject to investment risk, including possible delays in repayment and loss of income and capital invested.

Neither RE1, RE2, DIHL nor any member of the Macquarie Bank Group or the AMP Group guarantees the performance of the DUET Group, the repayment of capital or the payment of a particular rate of return on DUET Group stapled securities.

Interim financial report

A copy of the DUET Group interim financial report for the six-month period ended 31 December 2006 is available on the DUET website www.duet.net.au

Alternatively, if you would like to receive a hard copy, please contact Computershare Investor Services on 1800 009 874.