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MEDIA RELEASE

Internalisation of DUET management

Sydney, 31 July 2012 – Macquarie Group Limited (ASX: MQG; ADR: MQBKY) notes the announcement made today by DUET Group (DUET) that Macquarie Capital, AMP Capital and DUET have reached agreement to internalise the management of DUET, subject to DUET securityholder approval.

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31 July 2012

ASX RELEASE

AGREEMENT TO INTERNALISE MANAGEMENT

DUET Group (“DUET” or “the Group”) has reached agreement with AMP Capital and Macquarie Capital Group (“Macquarie”) to internalise the management of DUET (the “Proposal”).

The internalisation of management will enhance DUET’s corporate governance framework and create value for securityholders, by delivering a number of significant tangible benefits and providing greater certainty over future distributions for DUET securityholders.

Under the Proposal, the consideration payable to AMP Capital and Macquarie for the internalisation will be \$82 million and be used to subscribe for DUET stapled securities.⁽¹⁾ DUET will also pay AMP Capital and Macquarie an estimated total of \$11 million to 30 June 2013⁽²⁾ to provide a range of support services during the transition to independent management.

Importantly, the DUET boards today reaffirmed the distribution guidance of 16.5 cents per stapled security for FY2013. This distribution guidance is subject to change if DUET’s forecast assumptions are not met.

The Proposal was negotiated by the independent directors of the DUET boards (the “Independent Directors”) and is subject to final documentation, an independent expert’s report concluding that the Proposal is fair and reasonable and in the best interests of securityholders, and a minimum 50% approval by DUET’s securityholders voting at a general meeting (“Meeting”) expected to be held in late October 2012.

On behalf of the Independent Directors of DUET Mr Doug Halley said, “The Independent Directors unanimously support the internalisation of DUET’s management under this Proposal and believe it is in the best interests of securityholders, subject to the findings of an independent expert’s report.”

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL) or AMP Bank Limited ABN 15 081 596 009 (AMP Bank). AMP Capital Holdings Limited (ABN 69 078 651 966) has arranged for an external bank limited \$2.5 million guarantee which together with an MBL limited \$2.5 million guarantee are provided to the Australian Securities and Investments Commission in respect of Corporations Act obligations of each of AMPCI Macquarie Infrastructure Management No. 1 Limited and AMPCI Macquarie Infrastructure Management No. 2 Limited as responsible entities of managed investment schemes. MBL and AMP Bank and their related corporations do not otherwise guarantee or provide assurance in respect of the obligations of AMPCI Macquarie Infrastructure Management No. 1 Limited or AMPCI Macquarie Infrastructure Management No. 2 Limited or any other entity noted in this document.

The Proposal:

- Is expected to halve DUET's annual corporate operating costs⁽³⁾ and, in doing so, be accretive to DUET's operating cash flows from FY2014
- Eliminates base management fees giving DUET greater control and certainty over its future operating costs
- Eliminates performance fees from 1 July 2012, removing volatility from the Group's future cash flows and distributions
- Further strengthens the alignment of interests between DUET's boards and management and our securityholders
- Is likely to broaden DUET's appeal to the investment community and potentially expand its investor base by removing the external management arrangements

Mr Halley went on to say, "As a result of the strategic and capital initiatives implemented across the Group over the past 18 months, DUET is transitioning from a sector-based investment fund to an operationally focused operating business.

"With an experienced management team and majority⁽⁴⁾ interests in high-quality, well-managed businesses, DUET is well placed to take this next step in the Group's corporate evolution.

"We are pleased to note that the Proposal delivers attractive implied transaction multiples⁽⁵⁾ when compared to similar recent internalisations," Mr Halley said.

Continuity of Board and Management

The DUET boards have appointed Mr Doug Halley as Independent Chairman-elect of DUET Group, subject to approval of the Proposal. All Independent Directors will remain as directors of the DUET Group and from the 2013 AGM will be subject to nomination and re-election on a rotational basis.

AMP Capital and Macquarie will each remain entitled to nominate one board director. One of those nominees will retire on 30 June 2013, while the other will retire at the DUET 2013 Annual General Meetings expected to be held in November 2013. Following these dates, AMP Capital and Macquarie will no longer have the right to appoint directors to the DUET boards.

Mr David Bartholomew, Chief Executive Officer and Mr Jason Conroy, Chief Financial Officer will continue to lead the business, together with the majority of the DUET team that has overseen the transformation of the business over the past 12 months. This will ensure the continued focus on the Group's strategic and operational objectives and the creation of securityholder value.

Independent Board Committees

Mr Doug Halley and Mr Ron Finlay were appointed Chairs of the Independent Board Committees of their respective DUET Group entities.

Advisors

The Independent Directors appointed Gresham Partners as financial advisor and Allens as legal advisor, each of whom supported the Independent Directors in their negotiations with AMP Capital and Macquarie.

Independent Expert

Grant Samuel has been appointed to prepare an independent expert's report with regard to whether the Proposal is fair and reasonable and in the best interests of securityholders. The independent expert's report will be included in the Explanatory Memorandum to be mailed to securityholders.

Security Holder Approval

Completion of the Proposal is conditional upon (among other things) the approval of a minimum of 50% of DUET's securityholders voting at the Meeting expected to be held in late October 2012.

An Explanatory Memorandum containing further information on the Proposal, including the independent expert's report, is expected to be sent to DUET's securityholders in September 2012.

The Independent Directors note that the Proposal may require certain regulatory approvals and third party consents and approvals under the Group's (and its subsidiaries') governance and debt facility documents. Those matters are being reviewed and will be addressed in the Explanatory Memorandum.

Structure Review Mandate

Under a separate mandate, AMP Capital and Macquarie have been engaged to evaluate, structure and implement a simplification of the DUET Group's structure to be compatible with the internalised management arrangements. In aggregate, AMP Capital and Macquarie will be paid a total advisory fee of \$5 million for these services.

Conference Call

Investors and analysts are invited to participate in a conference call at 10:30am AEST on 31 July 2012 to be hosted by DUET's Independent Chairman-elect Mr Doug Halley.

Please dial the number below and quote the word "DUET".

- from within Australia - 1800 157 000
- from outside Australia - +61 2 8223 9380

Alternatively, the conference call can be accessed via the DUET website (www.duet.net.au).

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End notes:

- ⁽¹⁾ AMP Capital and Macquarie will be required to retain the stapled securities issued until termination of the support services arrangements at the latest. The price for the stapled securities to be issued will be the volume-weighted average price over the 20 day period from 17 July 2012 to 13 August 2012 (inclusive). No discount will be applied to this price to determine the number of securities to be issued.
- ⁽²⁾ From the date of the securityholder vote through to 30 June 2013, calculated on a monthly basis. During this period no base management fees will be paid to AMP Capital and Macquarie. AMP Capital and Macquarie will be entitled to the unpaid portion of this amount should there be a change of control of DUET before 30 June 2013.
- ⁽³⁾ The pre-internalisation corporate operating expense budget for FY2013 is \$25.2 million (excluding non-recoverable GST), comprised of base management fees of \$20.9 million (based on a forecast of DUET's market capitalisation pre-internalisation) and \$4.3 million in other operating costs (including costs such as ASX and registry fees, insurances, director fees and corporate revolver commitment fees).
- ⁽⁴⁾ In aggregate across the various DUET Group entities.
- ⁽⁵⁾ Transaction Multiples

The table below provides a summary of implied multiples relating to the amounts to be paid to AMP Capital and Macquarie should the Proposal be approved.

		Internalisation Consideration \$m	Approx Total Payments from Approval through to 30 June 2013 \$m
	Payment to AMP Capital and Macquarie	82.0	82.0
	Payment for support and transition services	-	11.0
A	Total amount	82.0	93.0
B	Anticipated annual operating cost savings	13.4	13.4
C	Historical annual average performance fee*	13.5	13.5
	Implied Multiples:		
	Annual opex savings (A/B)	6.1x	6.9x
	Annual opex savings and performance fee (A/(B+C))	3.0x	3.4x

*Since listing in 2004, calculated by dividing the total of all performance fees paid by the number of years since listing.

All numbers in the above table exclude GST and/or non-recoverable GST.