Downer Group
FY10 Full Year Results

19 August 2010

Agenda

- Business highlights
- Group financials
- Waratah update
- Strategy and outlook

Business highlights

Financial overview

- Total revenue up 1.9% to $6.1 billion
- Underlying net profit after tax of $197 million up 4.2%
- Underlying operating cash flow of $377 million or 119% of EBIT
- Sound balance sheet with gearing[1] at 29.9%
- Final dividend of 16 cents per share declared (total dividend 29.1 cents)
- Liquidity in excess of $800 million
- Investment-grade credit rating
- Record work-in-hand of over $20 billion

1 Net debt/(Net debt plus equity)

Note: All percentages refer to movement compared to the twelve months ended 30 June 2009

Divisional overview

Engineering

Mining

Rail

Works

Engineering

Markets

- Competitive market with reduced margins
- Delayed project commitments – global economy and resources tax
- Consulting market difficult in Australia and New Zealand

Operations

- Building Engineering leadership team under new CEO
- Western Australia performing well, Eastern Australia more challenging
- Increased mechanical and instrumentation capability
- Result and margins supported by positive project close-outs
- Consulting in Australia and New Zealand significantly down on prior year

Wins

- Curragh Coal preparation plant design and construct, Ravensworth Coal preparation plant design, Collgar Wind Farm, Pluto LNG electrical and instrumentation and the TransGrid Yabulu to Ingham transmission lines

Mining

Markets

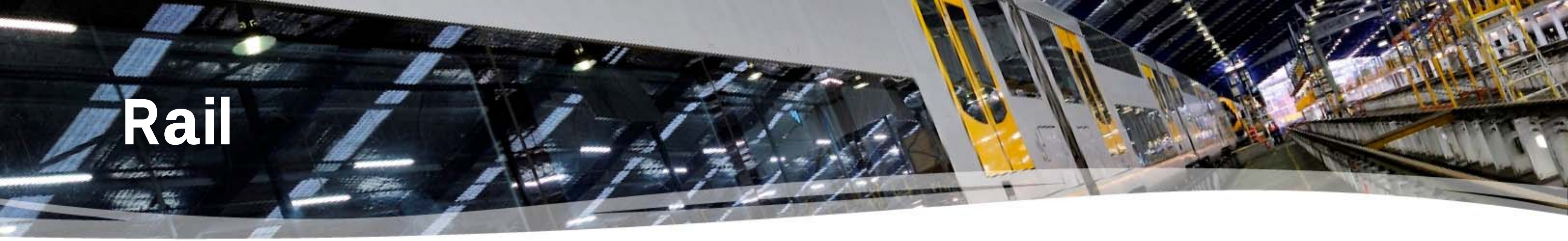
- Strong demand for contract mining services
- Market embracing innovative solutions

Operations

- Business improvement ongoing
- Customer support for Downer mining services
- Continued focus on cost base and fleet management
- Blasting Services and Otraco continue to grow

Wins

- Stockton (NZ) Alliance for Solid Energy, Ensham blasting services for Idemitsu, Commodore contract extension, Sunrise Dam contract extension
- Since 30 June 2010, an additional $5 billion in contracts with BMA and FMG



Rail

Markets

- Strong demand for coal and iron ore driving locomotive demand
- State governments investing in passenger rail as patronage and population increases
- Increased foreign competition

Operations

- Production lines for locomotives nearing full capacity
- Successfully operating the Melbourne Yarra Tram network with partner Keolis
- Agreement with NREC to supply Australian market
- Maintenance business performing strongly

Wins

- Secured over $400 million in new standard and narrow gauge locomotive orders during the year
- Shortlisted with QR for passenger cars

Works

Markets

- Challenging demand environment, particularly in New Zealand and the United Kingdom
- Pull back in higher margin discretionary spend
- Maintained market share and clear market leader in outsourced road maintenance in Australia and New Zealand

Operations

- Key focus on gross margin improvement
- Downer NZ consolidated (Works, Engineering)
- Rail track maintenance business continues to expand
- Well positioned with strong client relationships

Wins

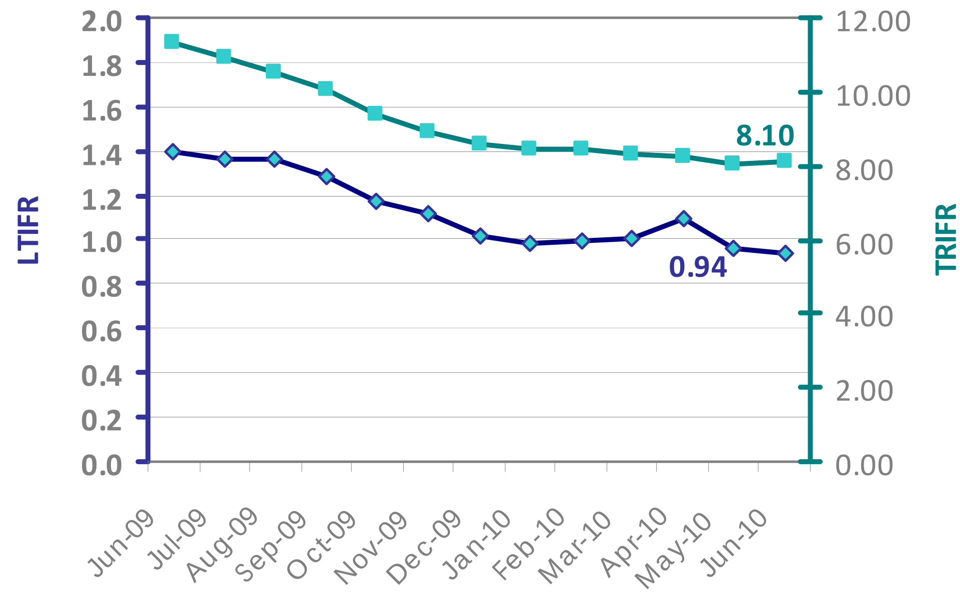
- Contract wins with government clients across Australia and NZ
- Preferred Integrated Service provider for Main Roads WA on Metro and Mid-west contracts
- Extension of V1 Alliance, ARTC
- North-east maintenance alliance with VicRoads

Downer

Zero harm

- Industry-leading performance
- 33% reduction in LTIFR
- 28% reduction in TRIFR
- Key differentiator for clients
- Continued investment in systems and leadership
- Our fleet at Commodore Mine has reduced its greenhouse gas emissions by 23% through improved fuel efficiency and switching to Biodiesel

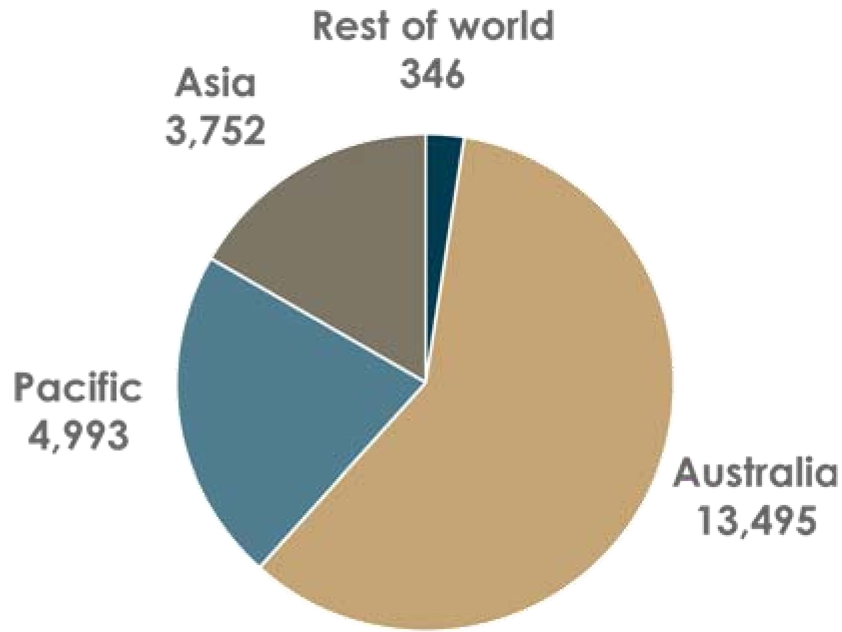
Downner Safety Performance (12-month rolling frequency rates)



LTIFR : Lost Time Injury Free Rate **TRIFR** : Total Recordable Injury Frequency

Our people

- 22,586 down 6% from FY09
- Continue to strengthen project management skills
- Investment in systems and processes
- Over 450 apprentices across Australia and New Zealand
- Indigenous employment at 5%



Group financials

Financial performance

$m	FY10	FY09	Change
Total revenue	6,055.9	5,941.4	↑ 1.9%
Reported EBIT	53.4	304.8	↓ 82.5%
Reported NPAT	3.0	189.4	↓ 98.4%
Underlying EBIT[1]	317.8	304.8	↑ 4.3%
Underlying EBIT Margin[1]	5.2%	5.1%	↑ 0.1 pt
Underlying NPAT[1]	197.3	189.4	↑ 4.2%
Underlying effective tax rate[1]	25.2%	26.9%	↓ 1.7pts
Dividend per share (¢)	29.1	29.0	↑ 0.3%
Underlying return on funds employed[2]	17.5%	17.7%	↓ 0.2pts

1 Underlying results are reported results adjusted for significant items and one-off items
2 ROFE = underlying EBIT divided by average funds employed (AFE) (AFE = Average Opening and Closing Net Debt + Equity)

Operating cash flow

$m	FY10	FY09
EBITDA	213.6	446.6
Net interest paid	(50.9)	(42.0)
Tax paid	(24.8)	(16.4)
Movement in working capital	62.7	(60.8)
Other	3.7	9.1
Operating cash flow	**204.3**	**336.5**
Add: Waratah train net cash outflow to suppliers	172.8	14.2
Underlying operating cash flow	**377.1**	**350.7**
Underlying EBIT conversion	**119%**	**115%**

Cash flow

$m	FY10	FY09	Change
Total operating	204.3	336.5	(132.2)
Total investing	(144.4)	(321.0)	176.6
Total financing	25.3	33.0	(7.7)
Net increase in cash held	85.1	48.5	
Cash at 30 June[1]	**385.1**	**300.0[2]**	**85.1**

1 Cash excludes bank overdrafts of $6.7 million (2009: $7.2 million) which are included in borrowings
2 Balance adjusted for foreign exchange movement

Balance sheet and capital management

$m	FY10	FY09
Total assets	3,456.0	3,383.1
Total shareholders equity	1,242.9	1,330.4
Net debt	530.7	517.7
Net debt to net debt plus equity	29.9%	28.0%
Adjusted net debt / Adjusted EBITDAR[1]	2.6	2.5
Interest cover[2]	4.1	4.5

1 Adjusted Net Debt includes Net Debt plus 6x operating lease payments in the year. Adjusted EBITDAR equals underlying EBITDAR adjusted for operating lease payments in the year

2 Interest cover equals EBIT adjusted for significant items + 1/3 of FY10 plant and equipment operating lease rentals divided by Net interest expense + 1/3 of FY10 plant and equipment operating lease rentals

Capital outlook

$m	FY11
Committed capital expenditure	
• Goonyella	140
• Norwich Park	52
• Christmas Creek	156
	348
Maintenance and other growth	~102
Total	**~450**

Debt and bonding facilities

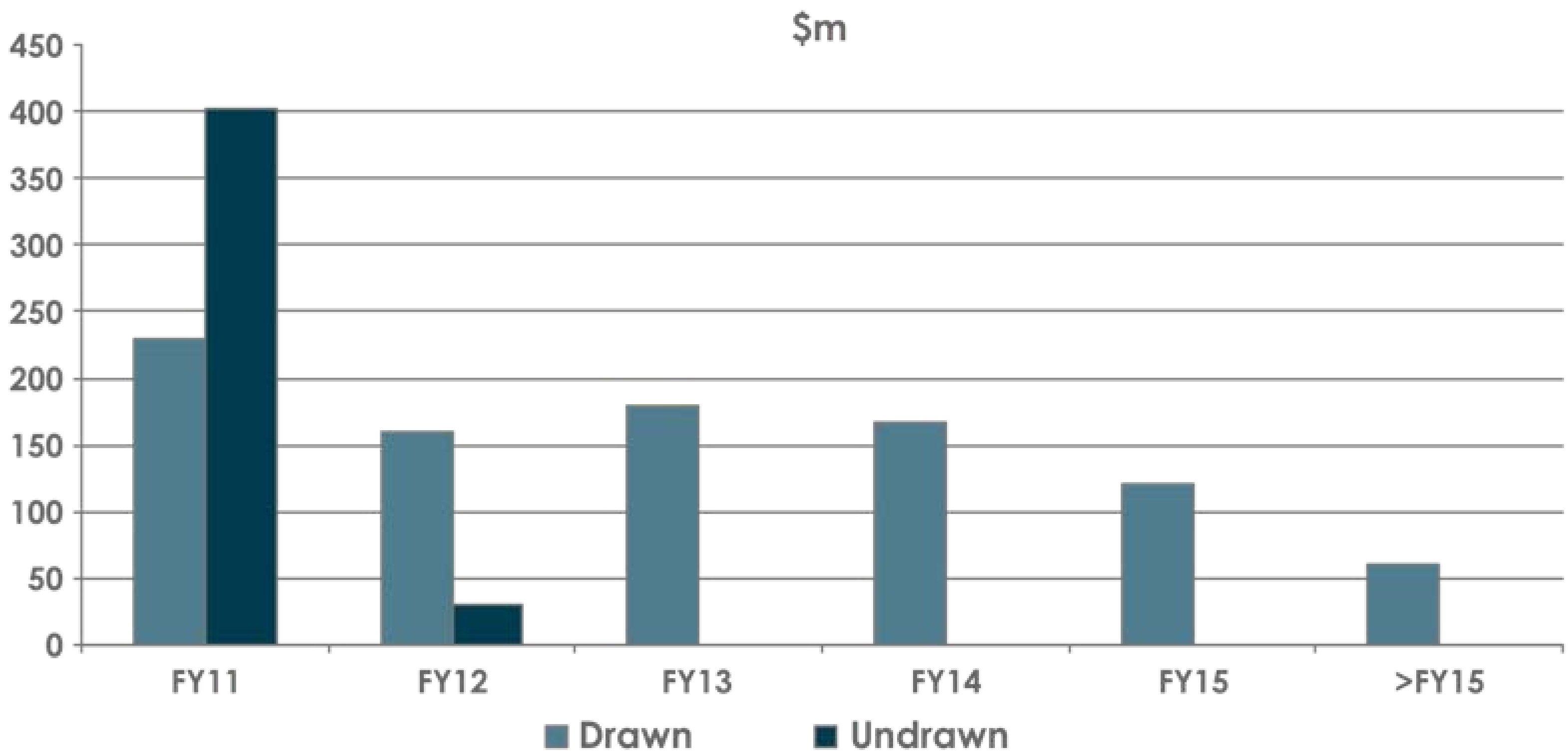
Debt facilities	$m
Total facilities	1,349
Drawn[1]	916
Available facilities	**433**
Cash	385
Total liquidity	**818**

Bonding	$m
Total facilities	1,229
Drawn	835
Available facilities	**394**

Funding diversity	%
Bank facilities	
Syndicated loans	36
Bi-lateral loans	21
ECA finance	10
Finance leases	4
Capital markets	
MTN and Bonds	20
USPP	9
	100

1 Includes mark-to-market revaluation adjustments for swap hedges plus deferred finance charges

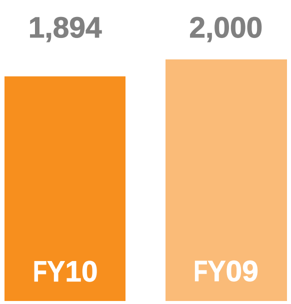
Debt profile



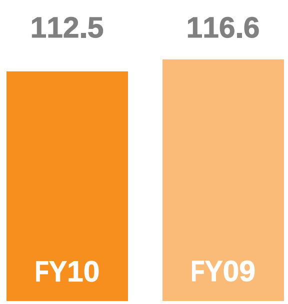
- Average maturity 2.1 years

Engineering

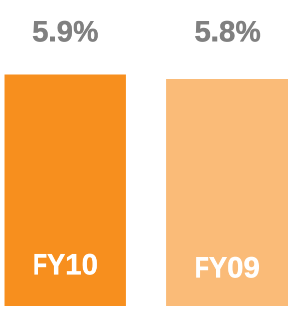
Total revenue $m



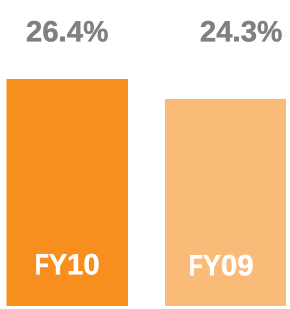
EBIT $m



EBIT margin

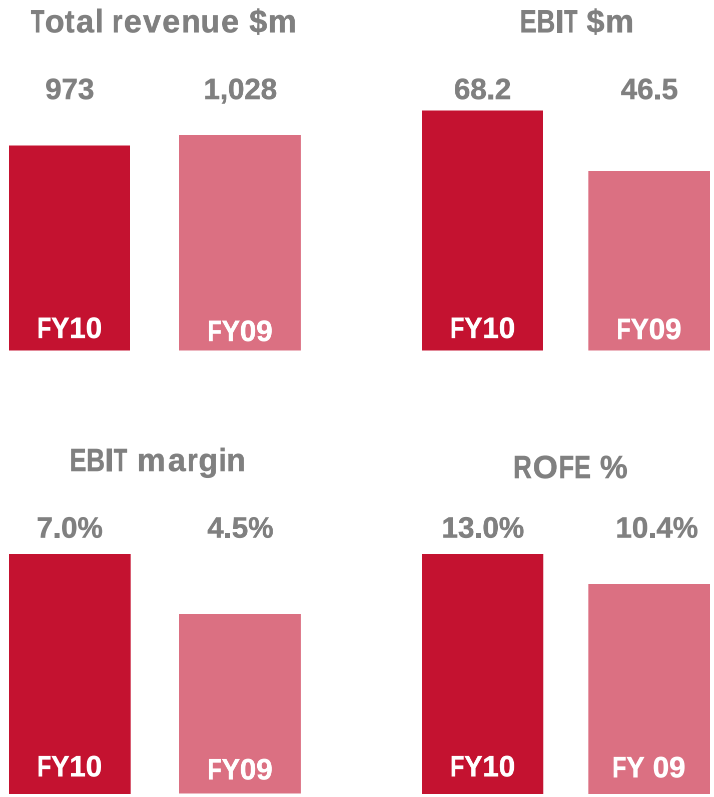


ROFE



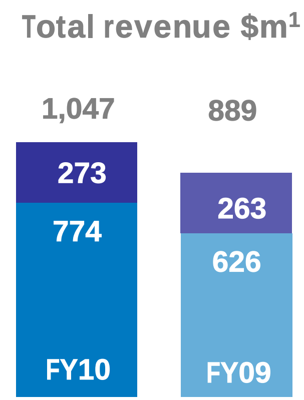
- Solid performance from Engineering West Coast operations, new projects and CPG Singapore
- Weaker conditions across the East Coast and difficult trading environment for Consulting
- EBIT performance reflects weakness in Consulting and East Coast operations offset by the positive close-out of Engineering projects during the year
- Increased ROFE reflects improved funds management

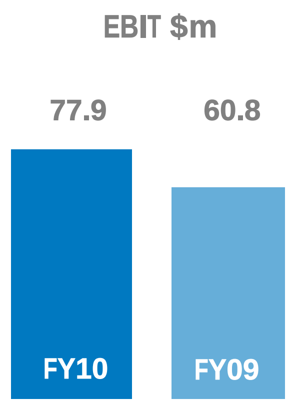
Mining

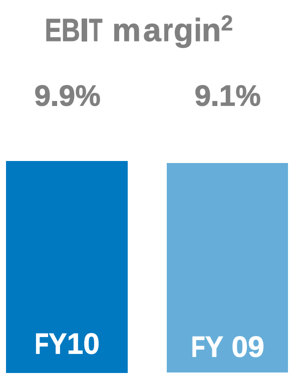


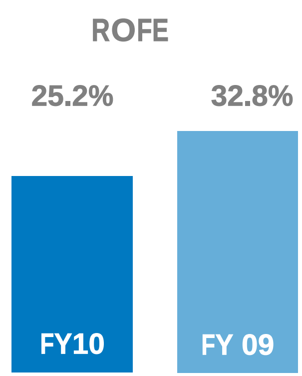
- Wet weather and contract completions contributed to modest revenue decline
- Strong EBIT performance reflects ongoing improvement of business with focus on profitable projects and efficiency
- Contribution from Stockton Alliance and mining services
- ROFE improvement reflects increased EBIT with modest increase in asset base

Rail





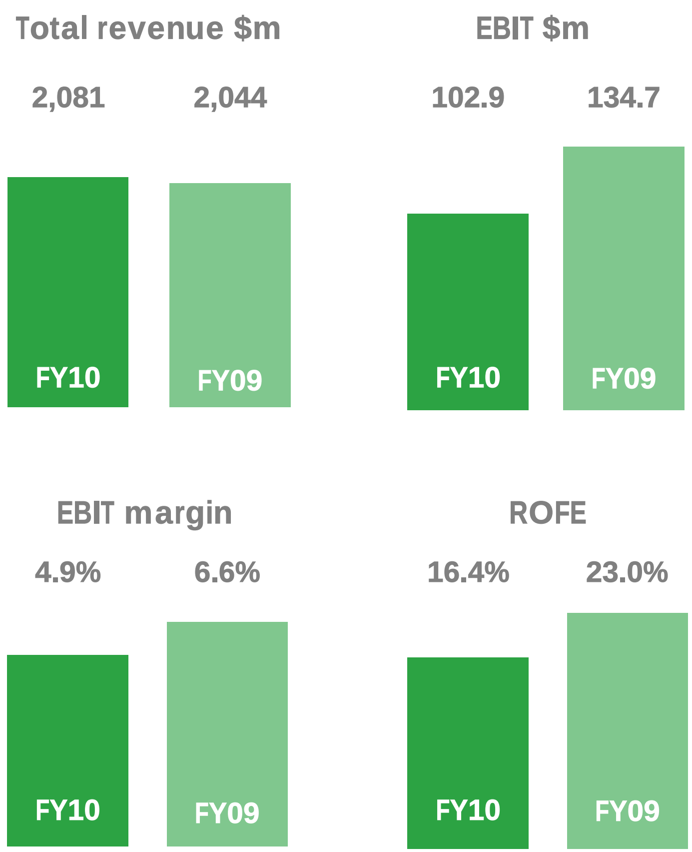




- Total revenue reflects continued demand for locomotives and passenger
- Strong contribution from KDR joint venture
- EBIT performance in line with revenue improvement coupled with efficiency and operational improvements
- Decline in ROFE reflects build-up of work-in-progress on Waratah train project

1 Total revenue shows the combination of revenue related to the underlying business (2010: $774m) and the Waratah contract (2010: $273m)
2 All other metrics reflect the underlying Rail business

Works



Australia

- Maintained market share and clear market leader in Australia
- Tough road maintenance and civil markets driving weaker margins
- Rail sector delivered strong growth
- Local/regional government discretionary spend constrained
- Exited unprofitable civil operations

New Zealand

- NZ economy driving intense competition and weaker margins

‘Fit-for-Business’ program

Overview of Program

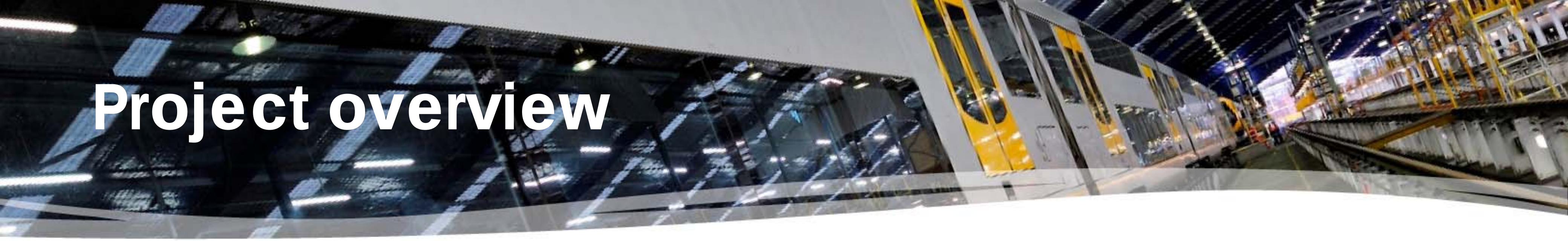
- Synergies program commenced February 2009
- Extended into new five-year ‘Fit-for-Business’ program targeting $250 million in savings
- Broader focus on all levers of sustainable margin improvement
- Program led by Group CFO

Initiatives in FY11

- Site consolidation
- Office consolidation
- IT network transformation
- IT equipment rationalisation
- Working capital efficiency
- Recruitment
- Business services

Waratah update

Project overview



Train build

- Design, build and commission 78 eight-car sets (626 carriages)
- Joint venture with Hitachi Australia
- Total revenue $1.84 billion (fixed lump sum)
- Delivery period: 2010-2013

Maintenance facility

- Design, build and commission Auburn Maintenance Centre (16,000m2 & 12km of track)
- Total revenue $220 million (fixed lump sum)

Through-life-support contract

- Provide TLS for all 78 eight-car sets
- 72 sets in service
- Total revenue $2.5 billion over 30 years
- Deductions/bonuses based on performance

Current status

Train build

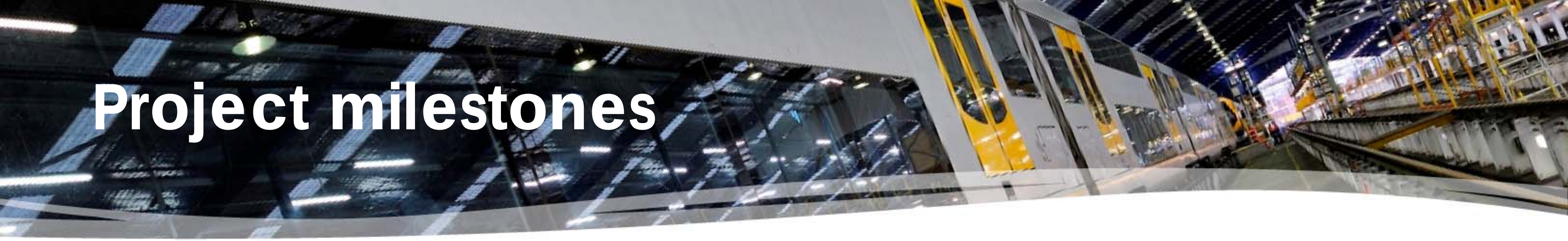
- Prototype testing complete
- Network testing of set 1 commenced
- Sets 2, 3 and 4 currently in Cardiff, sets 5 through 8 in fit-out at CRC
- Sets 9 through 12 in various stages of production at CRC
- June 2010 provision $190 million

Maintenance facility

- Practical completion achieved 18 June 2010
- Home to PPTV and Set 1

Through-life-support contract

- Mobilisation of personnel well advanced (70 as at July 2010)
- PPTV and set 1 under TLS management
- Training of RailCorp and Downer EDI Rail personnel in progress



Project milestones

Train build

- PC of simulators end of August 2010
- First set into passenger service December 2010
- Set 2-6 into passenger service June 2011
- All 78 sets into passenger service by end of 2013

Maintenance facility

- Now in operation

Through-life-support contract

- Testing and commissioning operations commenced mid-August 2010
- Integrated IT operations and maintenance systems implementation Nov 2011
- Maintenance operations commence December 2010

Downer

Key risks

Program timetable

- Testing and commissioning
- Supply chain
- Achievement of reliability targets for sets 1-6

Production

- Achieving required quality and beat rate

Acceptance

- Documentary evidence
- Physical trains

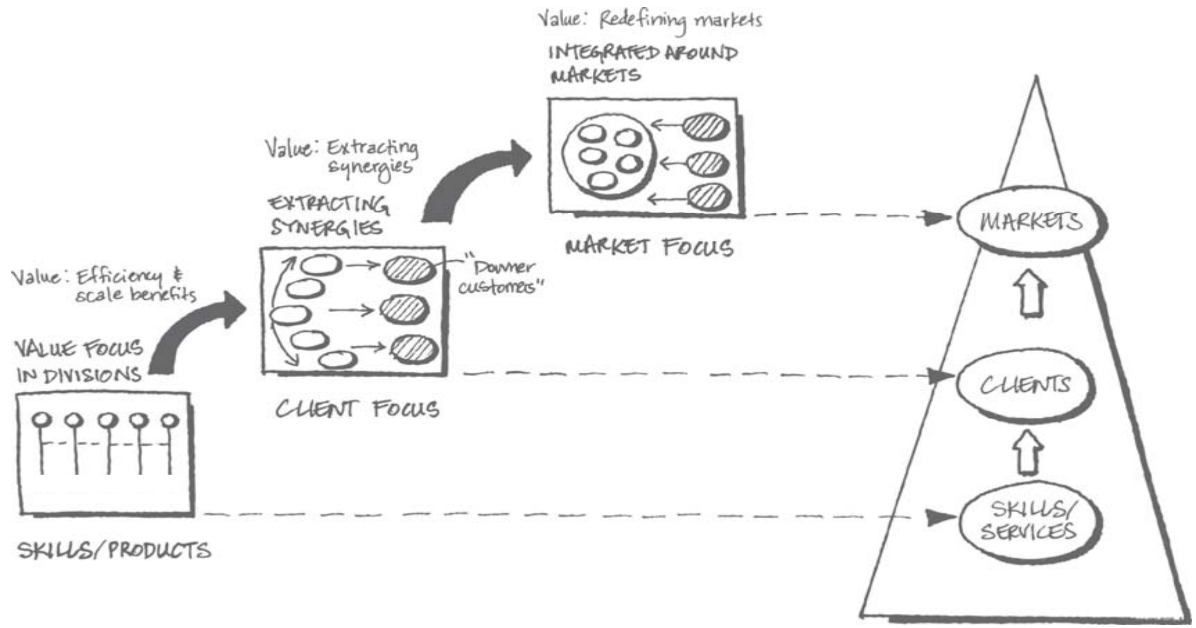
Strategy and outlook

Strategy

- Critical infrastructure - we design, build, operate and maintain assets that are essential for the functioning of communities

- Asia Pacific focus

- Delivery and performance

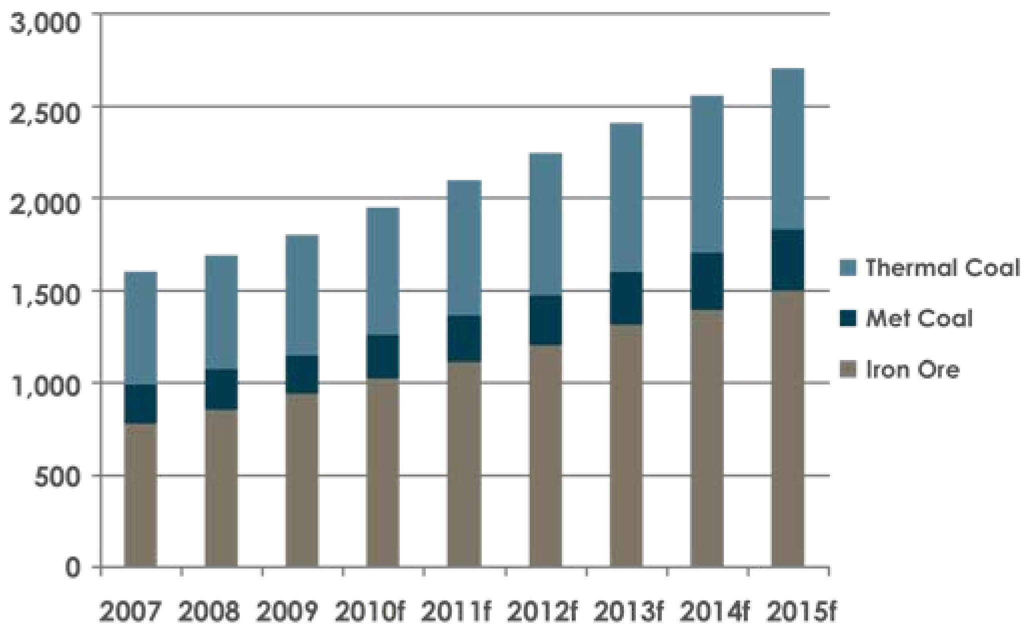


Organisation structure

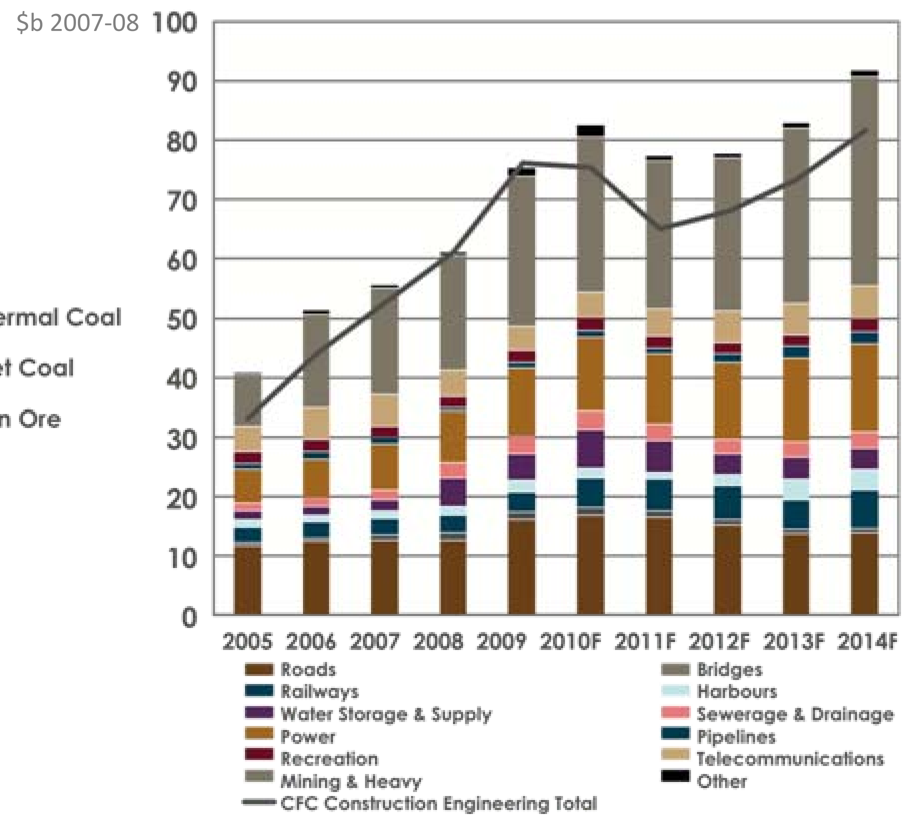
- Streamlined reporting structure
- Operating divisions direct to Chief Executive Officer
- Chief Operating Officer
  - project management
  - risk management
  - business development

Market outlook

Global commodity production

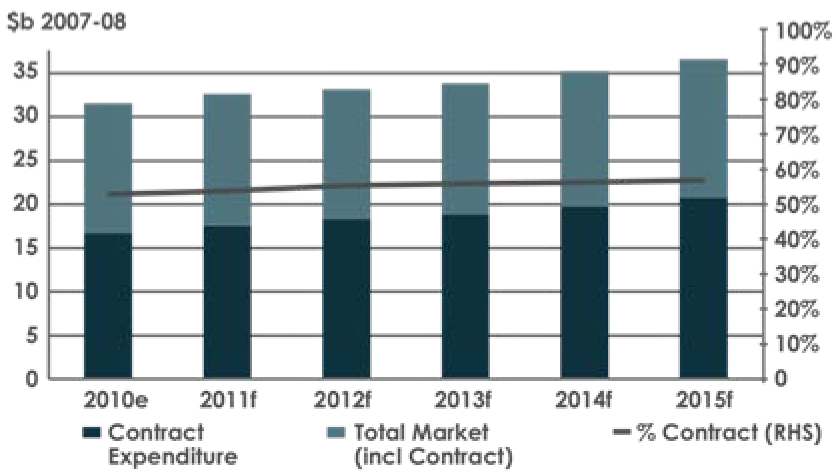


Engineering construction market in Australia



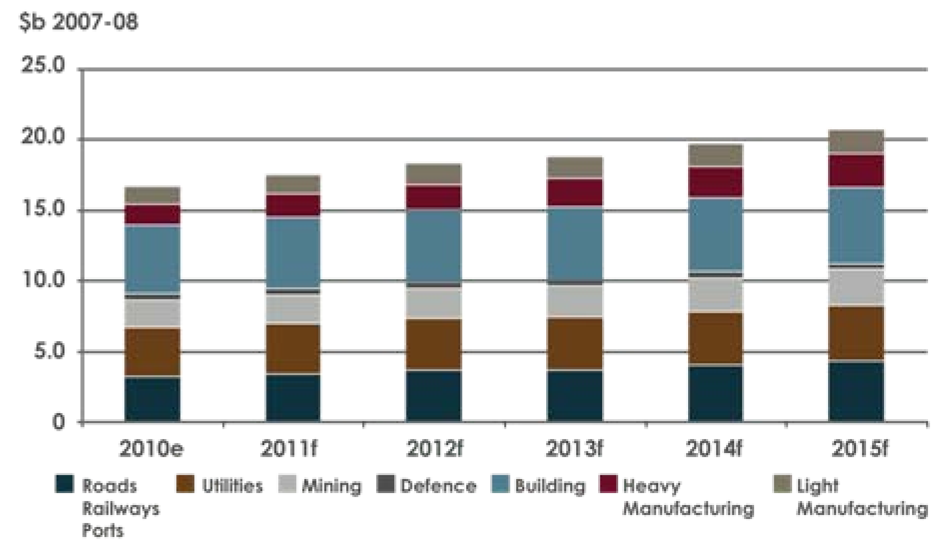
Market outlook

Maintenance market in Australia



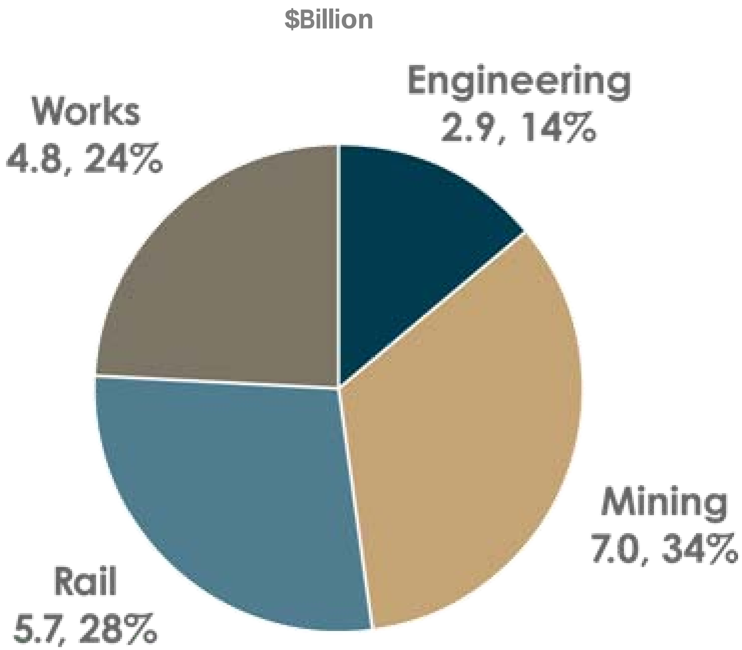
Source: BIS Shrapnel, Maintenance in Australia 2010-2025, August 2010.

Contract maintenance in Australia



Source: BIS Shrapnel, Maintenance in Australia 2010-2025, August 2010.

Work-in-hand over $20 billion



- Diversified portfolio of work
- Growth in rail and mining share
- Provides solid foundation for future growth

Group outlook

- Strong underlying businesses, well positioned in their respective markets
- Work-in-hand over $20bn supports strategy and future growth
- FY11 outlook across our businesses is variable - markets and geographies
- Overall, we expect improvement of around 5% in operating performance and, reflecting an expected increase in effective tax rates and interest expense, NPAT in line with underlying FY10

Supplementary information

Financial performance

$m	EBIT	NPAT
Underlying result	**317.8**	**197.3**
Significant items:		
• Waratah train provision	(190.0)	(133.0)
• Impairment of CPG NZ goodwill	(22.0)	(22.0)
• Impairment of Works UK goodwill	(20.0)	(20.0)
• Provision/settlement for legacy contracts	(18.0)	(13.6)
• Provision against MB Century investment	(10.0)	(10.0)
Significant items announced 1 June	**(260.0)**	**(198.6)**
Other items:		
• Profit from property sales	27.8	27.8
• Ramu Highway PNG - arbital award recognition	31.0	26.4
• Impairment of MB Century	(15.8)	(15.8)
• Profit on sale of MB Century	2.3	3.4
• Provision/settlement for legacy contracts	(32.9)	(24.8)
• Restructuring costs	(16.8)	(12.7)
Net other items	**(4.4)**	**4.3**
Reported result	**53.4**	**3.0**

Summary income statement

$m	FY10	FY09	Change	%
Services and other revenue	5,796.6	5,843.2	(46.6)	(0.8%)
Interest revenue	18.1	18.2	(0.1)	(0.3%)
Revenue from ordinary activities	5,814.7	5,861.4	(46.7)	(0.8%)
Other revenue	30.1	6.4	23.6	369.3%
Total statutory revenue	5,844.8	5,867.8	(23.0)	(0.4%)
Employee benefits expenses	(1,975.6)	(2,068.0)	92.5	4.5%
Raw materials and consumables used	(1,468.2)	(1,454.5)	(13.6)	(0.9%)
Subcontractor costs	(1,029.5)	(985.3)	(44.3)	(4.5%)
Plant and equipment costs	(537.9)	(560.2)	22.3	4.0%
Other operating expenses	(357.0)	(344.2)	(12.8)	(3.7%)
Depreciation and amortisation costs	(160.2)	(141.8)	(18.4)	(13.0%)
Finance costs	(72.3)	(65.0)	(7.3)	(11.2%)
Share of net profit of JV	18.0	10.2	7.9	77.5%
Significant items	(260.0)	-	(260.0)	(100.0%)
Profit before income tax (PBT)	2.1	259.0	(256.9)	(99.2%)
Income tax benefit	0.9	(69.6)	70.5	101.3%
Net profit after tax (NPAT)	3.0	189.4	(186.4)	(98.4%)

Summary balance sheet - Assets

$m	FY10	FY09	Change	%
Current assets				
Cash and cash equivalents	385.1	299.5	85.6	28.6%
Inventories	193.1	198.4	(5.3)	(2.7%)
Trade and other receivables	1,183.9	1,165.4	18.5	1.6%
Other current assets	55.3	124.0	(68.7)	(55.4%)
Total current assets	1,817.4	1,787.3	30.1	1.7%
Non current assets				
Property, plant and equipment	862.1	846.3	15.8	1.9%
Intangible assets (including goodwill)	589.4	610.0	(20.6)	(3.4%)
Deferred tax assets	123.3	87.4	35.9	41.0%
Other non-current assets	63.8	52.1	11.7	22.6%
Total non current assets	1,638.6	1,595.8	42.8	2.7%
Total assets	**3,456.0**	**3,383.1**	**72.9**	**2.2%**

Summary balance sheet - Liabilities

$m	FY10	FY09	Change	%
Current Liabilities				
Trade and other payables	987.3	946.1	41.2	4.4%
Borrowings	272.2	215.8	56.3	26.1%
Provisions	199.4	185.6	13.8	7.5%
Other current liabilities	46.5	57.9	(11.4)	(19.7%)
Total current liabilities	**1,505.4**	**1,405.4**	**100.0**	**7.1%**
Non Current Liabilities				
Borrowings	617.0	578.6	38.4	6.6%
Deferred tax liabilities	23.3	18.2	5.1	28.2%
Other non-current liabilities	67.5	50.5	17.0	33.6%
Total non current liabilities	707.8	647.3	60.4	9.3%
Total liabilities	**2,213.1**	**2,052.7**	**160.4**	**7.8%**

Summary balance sheet

$m	FY10	FY09	Change	%
Total assets	3,456.0	3,383.1	72.9	2.2%
Total liabilities	(2,213.1)	(2,052.7)	(160.4)	(7.8%)
Net assets	**1,242.9**	**1,330.4**	**(87.5)**	**(6.6%)**
Issued capital	1,118.7	1,078.8	39.9	3.7%
Reserves	(107.9)	(85.1)	(22.8)	(26.7%)
Retained earnings	232.0	336.7	(104.7)	(31.1%)
Non-controlling interest	0.1	-	0.1	100%
Shareholders equity	**1,242.9**	**1,330.4**	**(87.5)**	**(6.6%)**

Downer

Engineering

Twelve months to 30 June	2010	2009	%
Total revenue ($m)	1,893.6	2,000.3	(5.3%)
EBIT ($m)	112.5	116.6	(3.5%)
EBIT margin	5.9%	5.8%	
ROFE[1]	26.4%	24.3%	
Work-in-hand ($b)[2]	2.9	2.7	

1 ROFE = underlying EBIT divided by average funds employed (AFE) (AFE = Average Opening and Closing Net Debt + Equity)
2 Work-in-hand reflects current Work-in-hand
NOTE – Engineering numbers exclude the New Zealand operations and include Process Engineering (Projects) and Mineral Technologies, Consulting and Singapore operations.

Mining

Twelve months to 30 June	2010	2009	%
Total revenue ($m)	973.5	1,028.0	(5.3%)
EBIT ($m)	68.2	46.5	46.5%
EBIT margin	7.0%	4.5%	
ROFE [1]	13.0%	10.4%	
Work-in-hand ($b) [2]	7.0	2.2	

1 ROFE = underlying EBIT divided by average funds employed (AFE) (AFE = Average Opening and Closing Net Debt + Equity)
2 Work-in-hand reflects current Work-in-hand
NOTE : Mining numbers exclude Process Engineering (Projects) and Mineral Technologies

Rail

Twelve months to 30 June	2010	2009	%
Total revenue – Rail ($m)	774.3	625.8	23.7%
Total revenue – Waratah PPP ($m)	272.5	263.1	3.6%
Total revenue ($m)	1,046.8	888.9	17.8%
EBIT ($m)	77.9	60.8	28.2%
EBIT margin	7.4%	6.8%	
ROFE [1]	25.2%	32.8%	
Work-in-hand ($b) [2]	5.7	4.8	

1 ROFE = underlying EBIT divided by average funds employed (AFE) (AFE = Average Opening and Closing Net Debt + Equity)
2 Work-in-hand reflects current Work-in-hand

Works

Twelve months to 30 June	2010	2009	%
Total revenue ($m)	2,081.3	2,043.6	1.8%
EBIT ($m)	102.9	134.7	(23.6%)
EBIT margin	4.9%	6.6%	
ROFE [1]	16.4%	23.0%	
Work-in-hand ($b) [2]	4.8	4.8	

1 ROFE = underlying EBIT divided by average funds employed (AFE) (AFE = Average Opening and Closing Net Debt + Equity)
2 Work-in-hand reflects current Work-in-hand
NOTE: Works numbers include Engineering operations in New Zealand

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