Downer Group 2012 Full Year Results

13 August 2012

Financial overview

Revenue	• Total revenue[1] $8.5 billion, up 22.5% (includes $0.5 billion in joint ventures)
Earnings[3]	• Underlying EBIT[2] $346.5 million, up 18.6% (excluding Individually Significant Items of $82.3 million) • Underlying NPAT $195.3 million, up 17.4% • ROFE 17.7%, up from 15.8%
Cash Flow	• Operating cash flow $364.5 million, up 96.3%

1 Total revenue includes joint ventures and other income. **Note**: the Company considers Total Revenue to be an appropriate measure due to an industry trend toward joint venture models to meet the needs of engineering, procurement and construction (EPC) customers with regard to large scale integrated projects.

2 Underlying EBIT: derived by adding back Individually Significant Items net interest expense and tax expense to NPAT.

3. See Slide 35 for reconciliation of Statutory result to Underlying result.

Financial overview

Work-in-hand	• Work-in-hand[1] remains strong at $20 billion
Balance Sheet	• Net debt[2] $368.8 million, down 25.1% • Gearing[3] 18.6% (29.2% including off-balance sheet debt) • Total available liquidity[4] $890.2 million (including $296.7 million cash)
Capital management	• Refinancing of Waratah syndicated bonding facility: $260 million • New debt/bonding facilities: $297.6 million • Extension of existing bilateral multi-option facilities: $158.1 million • No dividend declared

1 Work-in-hand numbers are unaudited
2 Adjusted for the mark-to-market of interest rate and cross currency swaps and deferred finance charges
3 Gearing = Net debt / net debt + equity. Gearing including off-balance sheet debt iincludes the present value of plant and equipment operating leases discounted at 10% pa: $299.0m (2011: $241.3m)
4 Refer to slide 19 for breakdown

Downer

Key achievements

Waratah train project	• $260 million bonding facility refinanced • Reliance Rail restructured February 2012 • $173.9 million of $357 million committed bank debt drawn down • Quality standards now consistently achieved in China • China producing at required three trains per month • Cardiff manufacturing flow line production on target • Trains performing well in service
Portfolio	• Sale of CPG Asia • Establishment of Downer Infrastructure • Mining, Infrastructure and Rail - leaders in their sectors

Key achievements

Major Projects	• Curragh CHPP achieved Practical Completion • Christmas Creek contract performing well • Norwich Park mining fleet fully utilised

Major contract wins	• Focus on forward revenue and opportunity management
	• Contract wins matching $8.5 billion burn rate
	• High proportion of FY13 revenue in hand
	• Strong win rate in Infrastructure (including New Zealand) and Mining
	• A number of major strategic wins:
	  • $600-800 million, 5.5 year contract with TEC Coal at Meandu Mine
	  • $570 million, six year contract with Karara Mining
	  • $600 million contract on Santos' GLNG project in QLD
	  • $200 million, four year contract with Foxtel
	  • $400 million contract with Xstrata for a CHPP at Ravensworth North
	  • $285 million, 7.5 year contract with WA Public Transport Authority
	  • $260 million, construction/maintenance contracts in Auckland, NZ

Key achievements

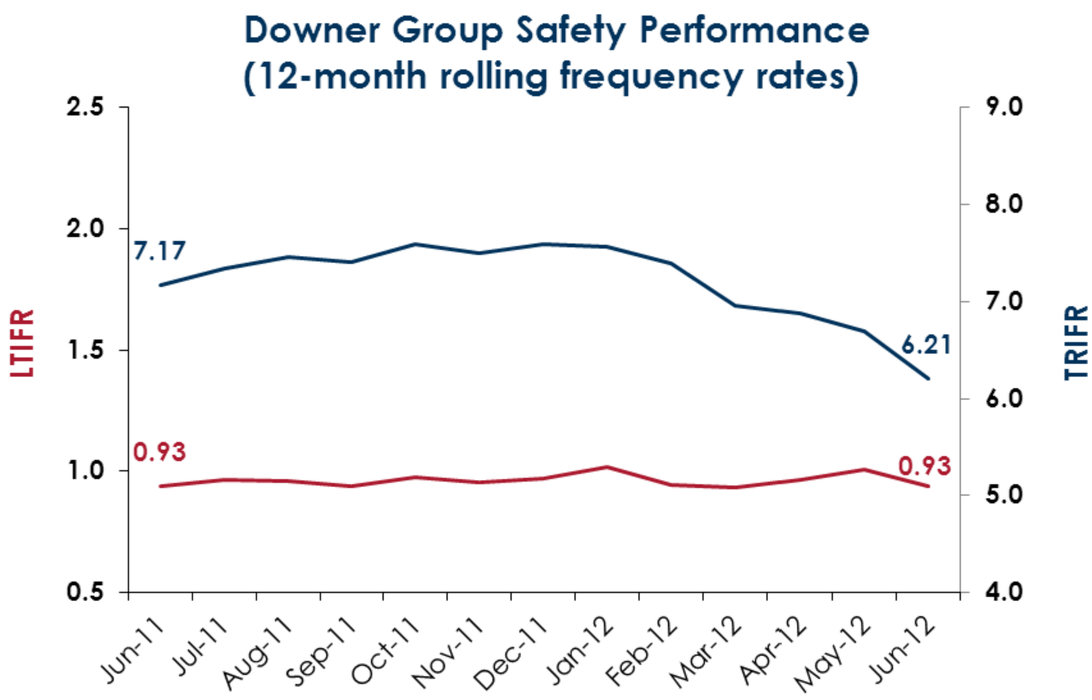
Risk Management

- New project management framework being implemented
- Centralised legal / contract sign off
- Enhanced risk processes – Project / Division / Corporate / Board
- Significant amount of "clean up"

Efficiency

- Fit 4 Business program delivering substantial benefits
- Widespread application of Lean programs
- Improved capital and cash management
- Opportunities predominantly within Divisions

Zero Harm



- Tragically, two workplace fatalities on road maintenance sites
- Initiatives implemented to address hazards with reversing vehicles
- Health and safety remains paramount at Downer

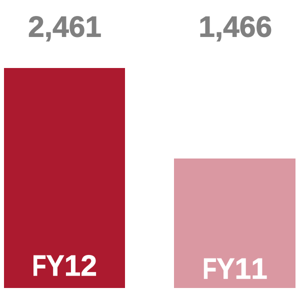
LTIFR: Lost Time Injury Frequency Rate

TRIFR: Total Recordable Injury Frequency

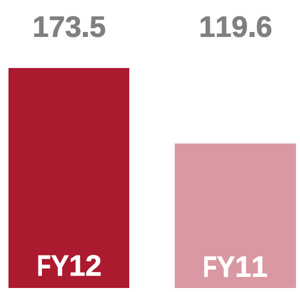
Safety rates published on this slide are unaudited

Mining

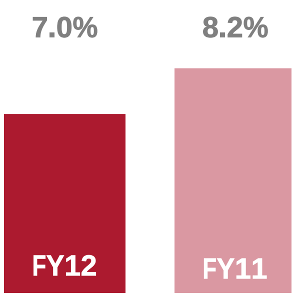
Total revenue[1] $m



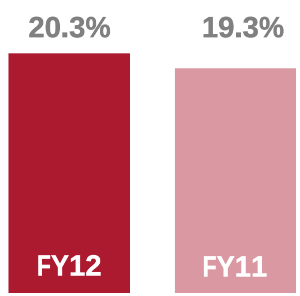
EBIT $m



EBIT margin



ROFE[2] %

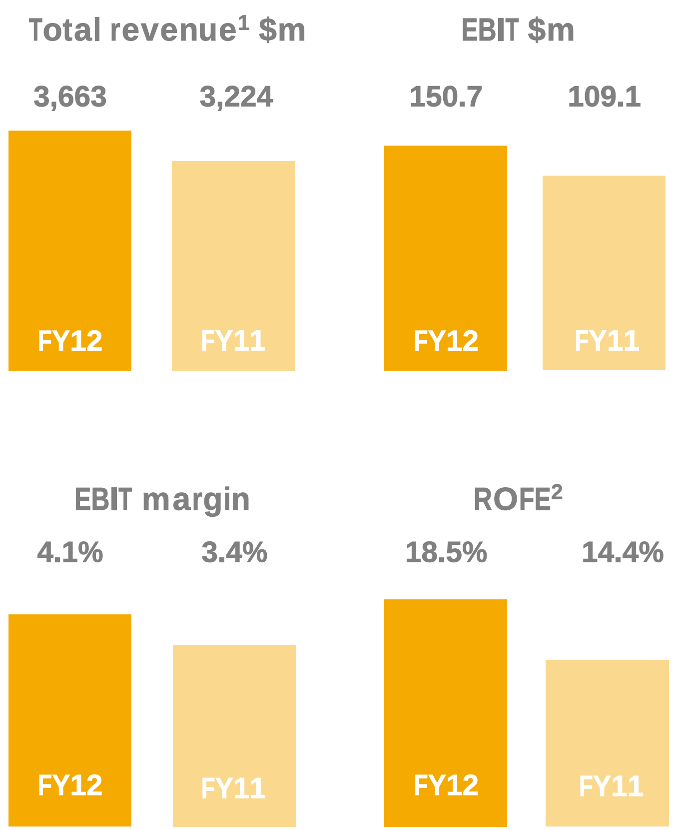


- Strong result despite ramp up and wet weather
- Revenue up 68%; EBIT up 45%
- Substantial improvement at Christmas Creek
- Commencement of Karara magnetite contract
- Redeployment of fleet from Norwich Park to Blackwater and other BMA sites
- Continuing growth of mining services (blasting and tyre management)
- Ongoing improvement in Zero Harm

1 Total revenue includes joint ventures and other income.

2 ROFE = underlying EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity. FY11 and FY12 ROFE have been adjusted to include an allocation of corporate costs.

Infrastructure - Australia

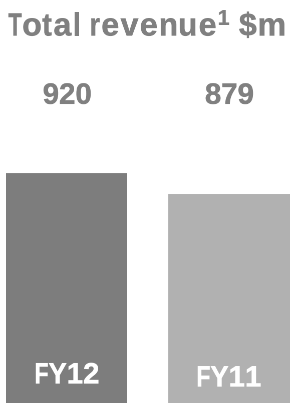


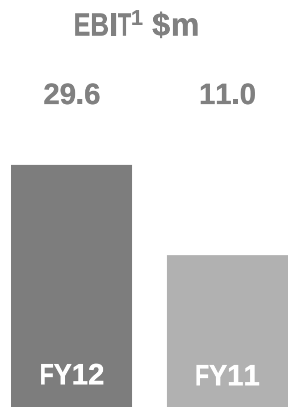
- Strong revenue growth across the business
- Improved EBIT despite underperforming contracts, weather and project delays
- Strong result from East region
- Curragh Practical Completion in June 2012
- Investment in asset management
- Downer Infrastructure integration
- Significant pipeline of opportunities

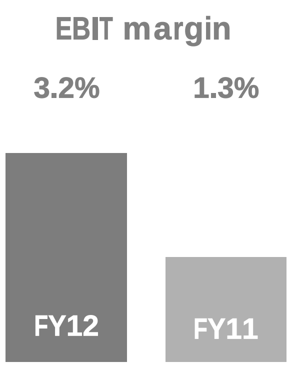
1 Total revenue includes joint ventures and other income. FY11 Revenue differs from the previously reported number due to the exclusion of interest revenue

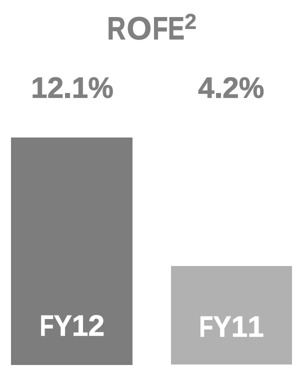
2 ROFE = underlying EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity. FY11 and FY12 ROFE have been adjusted to include an allocation of corporate costs.

Infrastructure – New Zealand









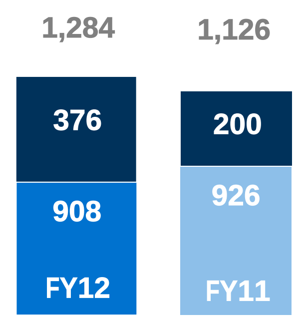
- Strong performance in second half
- Restructuring of depots and workforce
- High proportion of FY13 revenue secured
- A number of key contract wins in past three months
- Major contractor in Ultra-Fast Broadband (UFB) rollout
- Christchurch rebuild ramping up
- Closure of UK business

1 Total revenue includes joint ventures and other income. FY11 Revenue and EBIT differ from previously reported numbers due to the exclusion of Works UK revenue.

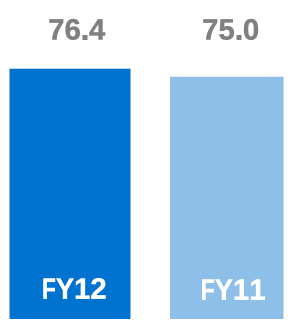
2 ROFE = underlying EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity. FY11 and FY12 ROFE have been adjusted to include an allocation of corporate costs.

Rail

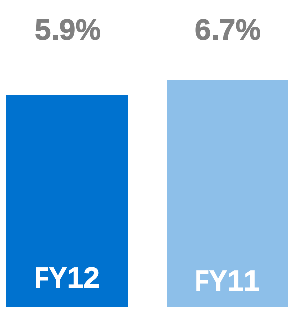
Total revenue[1] $m



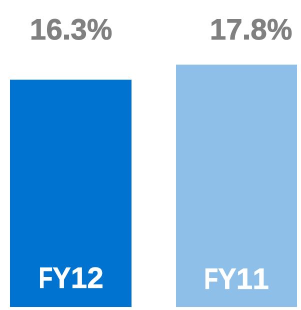
EBIT $m



EBIT margin



ROFE[2]



- Locomotive contracts with BHP Billiton Iron Ore, TasRail and Fortescue Metals Group
- Demand for locomotives reduced compared to prior year
- New five year agreement with EMD establishes foundation for sustainable locomotive business model
- Ongoing passenger build/maintenance
- Transitioning to whole-of-life asset management

1 Total revenue includes joint ventures and other income. Total revenue shows the combination of revenue related to the underlying business FY12 $908m (FY11: $926m) and the Waratah contracts FY12 $376m (FY11: $200m). FY11 Revenue differs from the previously reported number due to the exclusion of interest revenue.

2 ROFE = underlying EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity. FY11 and FY12 ROFE have been adjusted to include an allocation of corporate costs.

Group Financials

Underlying financial performance

$m	FY12	FY11	Change (%)
Total revenue[1]	8,524.6	6,960.9	22.5
EBITDA[2]	593.7	502.7	18.1
EBIT[2]	346.5	292.2	18.6
Net interest expense[2]	(69.0)	(64.3)	7.3
Tax expense[2]	(82.1)	(61.5)	33.5
Net profit after tax[2]	**195.3**	**166.4**	**17.4**
Effective tax rate[2]	29.6%	27.0%	
ROFE[3]	17.7%	15.8%	

1 Total revenue includes joint ventures and other income. FY11 Revenue differs from the previously reported number due to the exclusion of interest revenue
2 Numbers are 'underlying'; i.e. excluding Individually Significant Items
3 ROFE = underlying EBIT divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt + Equity

Downner

Summary of earnings

$m	Total	Downer Australia	Consulting	Mining	Rail	Downer NZ	Corporate
Statutory EBIT	**264.2**	**150.7**	**(4.4)**	**173.5**	**76.4**	**29.6**	**(161.6)**
Add back unfavourable items:							
• Individually Significant Items[1]	82.3						82.3
• Wet weather	10.7	3.9		5.3		1.5	
• Restructuring costs	8.9				5.2	1.5	2.2
• Onerous legacy contracts	57.1	47.9		9.2			
• Retention bonuses CPG Asia sale	6.5		6.5				
• Contract dispute settlement CPG Asia	4.0		4.0				
• Works UK closure costs	5.5					5.5	
Less favourable items:							
• Profit adj'ts on extended/expanded contracts	(14.8)			(14.8)			
• Project closeout/contract margin adj'ts	(25.9)	(7.9)			(18.0)		
• Equity accounted profit	(13.3)			(9.8)	(3.5)		
• Contract litigation award	(7.9)	(7.9)					
• Provision releases	(29.0)	(23.9)			(1.1)		(4.0)
Adjusted EBIT (approx)	**348.3**	**162.8**	**6.1**	**163.4**	**59.0**	**38.1**	**(81.1)**

1 See Slide 35 for breakdown of Individually Significant Items

The summary of earnings reflected above is unaudited

Operating cash flow

$m	FY12	FY11
EBIT[1]	346.5	292.2
Add: Depreciation & Amortisation	247.2	210.5
EBITDA[1]	**593.7**	**502.7**
Operating cash flow	**364.5**	**185.6**
Add: Net interest paid[2]	69.9	59.1
Tax paid	15.7	18.4
Waratah Train Project net cash outflow[3]	93.0	139.3
Adjusted Operating cash flow[1]	**543.1**	**402.4**
EBITDA conversion[1]	**91%**	**80%**

1 Numbers are 'underlying'; i.e. excluding Individually Significant Items

2 Interest received minus interest and other costs of finance paid

3 Unaudited

Downer

Cash flow

$m	FY12	FY11
Total operating	364.5	185.6
Total investing	(203.0)	(319.6)
Total financing	(149.9)	50.4
Net increase/(decrease) in cash held	11.6	(83.6)
Cash at 30 June	**296.7**[1]	**288.6**[2]

1 FY12 closing cash = opening cash + net increase in cash held + FX movements

2 FY11 cash excludes bank overdrafts of $6.3 million which are included in borrowings

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Balance sheet and capital management

$m	Jun 12	Jun 11
Total assets	4,111.3	3,710.7
Total shareholders' equity	1,617.7	1,442.4
Net debt[1]	368.8	492.5
Gearing: net debt to net debt plus equity	18.6%	25.5%
Gearing (including off balance sheet debt)[2]	29.2%	33.7%
Adjusted net debt / adjusted EBITDAR[3]	2.64	2.71
Interest cover[4]	2.89	3.00

1 Adjusted for the mark-to-market of interest rate and cross currency swaps and deferred finance charges
2 Includes the present value of plant and equipment operating leases discounted at 10% pa: $299.0m (2011: $241.3m)
3 Adjusted Net Debt includes Net Debt plus 6x operating lease payments in the year. Adjusted EBITDAR equals underlying earnings before interest, tax, depreciation, amortisation and equipment and properties operating lease rental expense
4 Interest cover equals EBIT adjusted for Significant Items + 1/3 of plant and equipment operating lease rentals (on a rolling 12 month basis) divided by net interest expense + 1/3 of plant and equipment operating lease rentals (on a rolling 12 month basis)

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Capital outlook

$m	FY13
Mining	
Growth capital expenditure:	
• Boggabri	93
• Christmas Creek	13
• Karara	41
• Stanwell	23
Maintenance and other growth	130
Sub-total (Mining)	300
Other Divisions	
• Maintenance and growth	100
Total	**400**

Numbers published on this slide are unaudited

Debt and bonding facilities

Debt facilities	$m
Total facilities	1,259.0
Drawn[1]	665.5
Available facilities	**593.5**
Cash	296.7
Total liquidity	**890.2**

Bonding facilities	$m
Total available facilities	1,294.1
Drawn	966.2
Undrawn facilities	**327.9**

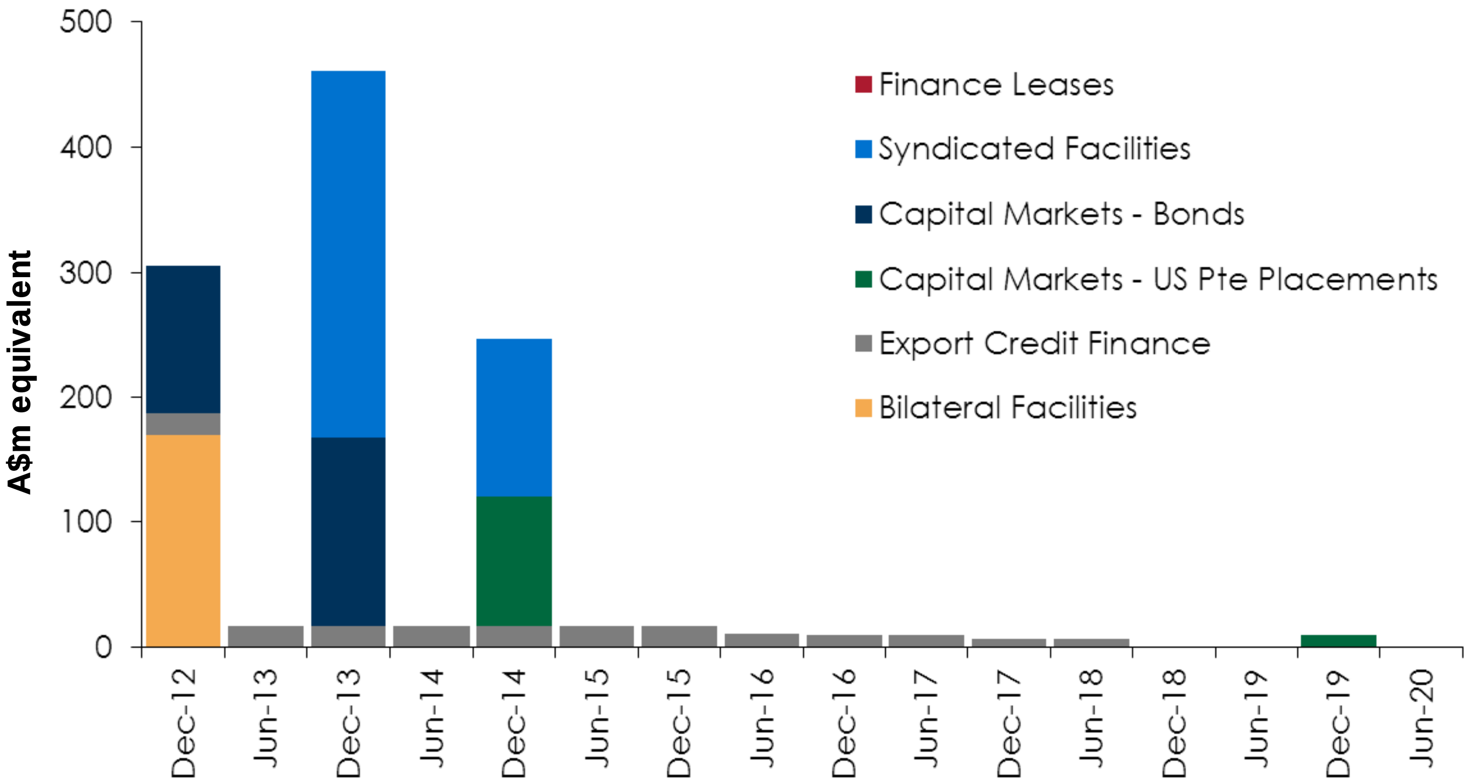
Debt facilities by type	%
Syndicated bank facilities	33
Bilateral bank facilities	15
Capital markets: Bonds	31
Capital markets: USPP	9
Finance leases	9
Export Credit Finance	3
	100

Debt facilities by geography	%
Australia/NZ	69
Asia	8
Europe	4
North America	19
	100

1 Adjustment for the mark-to-market of derivatives and deferred finance charges

Downer

Debt maturity profile



Weighted average debt duration of 1.6 years

Funding strategy

- Bilateral facilities of $158 million maturing December 2012 and expected to roll over in the ordinary course
- NZ150 million Works Bonds to be repaid in September 2012 from combination of remaining proceeds from CPG Asia sale and existing committed bank facilities
- $35 million of debt repayments (MTNs)
- MTNs and three-year tranche of Australian syndicated debt facility maturing 1H14
- Continue to monitor USPP, Export Credit Finance, Australian domestic capital markets and other funding options.

Fit 4 Business

Launched in 2010, Downer's business improvement program has achieved $140 million in gross benefits to date (FY11 $55 million and FY12 $85 million) through efficiency and cost savings[1]

In FY13, over $100 million in gross benefits are being targeted

Initiatives include:

Downer Mining

- Bajool Manufacturing Plant Upgrade
- Low Emission Sustainability Solutions
- Overhead Efficiencies
- Plant Management

Downer Rail

- Asset Management
- Supply Chain Transformation
- Loco Cost Down

Downer Australia

- Office Consolidation
- Workshop Review
- CPG Restructure and Improved Utilisation
- Rationalisation of Plant & Equipment

Downer New Zealand

- Restructure Business to Market Conditions
- Chip Sealing Super Crews
- Productivity Review

Downer Group

- IT Managed Services Agreement
- Workers Compensation and Insurance Review
- Credit Card / Expense Management
- A range of Procurement initiatives including:
  - Contingent Labour Sourcing
  - Freight / Logistics
  - Fleet Services
  - Emerging Markets Program
  - Low Cost Country Sourcing

1 Unaudited

Waratah Train Project

Milestones

- 12 Waratah trains currently available for passenger service
- 23 Waratah trains scheduled to be available by Christmas 2012
  - 26 trains by the end of January 2013, delivery rate continues at 3 per month
  - Delivery rate greater than 3 trains per month planned from June 2013
- Production output now increased to programmed rate in China and Cardiff
- Set 78 scheduled for delivery in mid-2014
- Performance of trains in service continues to be very good
- Through-life-support contract continues to ramp up

Downner

Ongoing manufacturing improvements

Changchun

- Bodyshell shop has continued to produce an average of 16 cars per month
  - Further staff increases planned during September to increase output to 24 per month
- Fit-out shop now producing an average of 24 cars per month
- New production processes and other Value Engineering (VE) changes have successfully eliminated large amounts of re-work
- Target of much reduced re-work by Train 26 was exceeded by CRC at Train 24

Cardiff

- New flow line process has achieved a 4-day TAKT time (the time between "pulses" on the flow line)
- 3-day TAKT time to be implemented 10 sets earlier at Train 41
- Continued good cooperation with RailCorp for Practical Completion process

Current Build Progress

Status	Train Set No.	Status	Train Set No.
Passenger service	3,4,5,6,7,8,9, 10,11,15,16,17	At Dalian Port	31,32
Being prepared for presentation for PC	18,19	At CRC ready for dispatch to Port	33
Cardiff under test	20,21,22	In CRC Fitout Shop	34,35,36,37,38
Cardiff in production / post-production	14,23,24,25,26	In CRC awaiting fitout	39,40,41
Cardiff waiting inspection	12,13	In CRC Bodyshell Production	42,43,44
In transit from China	27,28,29,30	In CRC for retrofit	1
		Awaiting dispatch to CRC for retrofit	2

Train performance

- Fleet has now passed 1 million kilometres of passenger service
- Delivered availability into passenger service is >99%
- Key systems (traction, auxiliaries, electrical systems, climate control, brakes) continue to perform to a very high level with <15% of the total delays vs. 80% of the train content
- Defects with secondary systems (fire detection, lighting) have been rectified with a very low level of repeat faults with only <5% of the total issues causing a delay in service
- 6 trains have now achieved the Final Completion milestone of 2 delays in 50,000km; this is significantly ahead of the bid assumption
- Current performance trends meet and possibly exceed the design reliability target of 1 delay in 50,000km

Forecast cost at completion

- No material change in FCAC over 12 months to 30 June 2012
- $64 million general contingency remaining

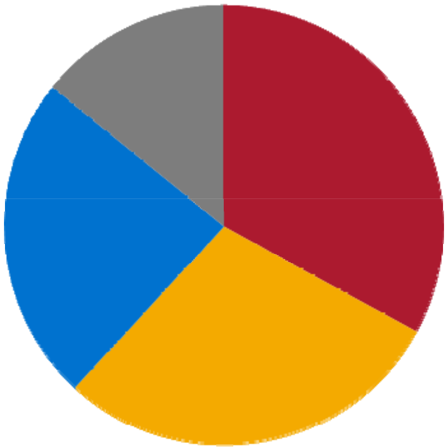
$m	June 11	Change	June 12
Materials & Sub-Contracted Components	1,034	19	1,053
Labour	300	25	325
Engineering Services	148	8	156
Transport, Logistics & Procurement	172	(6)	166
Project Management	126	11	137
Insurance, Bonding & Finance	92	(37)	55
Forecast Liquidated Damages	150	25	175
Manufacturing Delay Account interest receivable	(117)	16	(101)
Other Costs	87	1	88
General Contingency	90	(26)	64
Total FCAC	**2,082**	**36**	**2,118**
Total Revenue	1,652	36	1,688

- FY13 net cash outflow ~ $20-25 million
- FY14/FY15 net cash inflow ~ $110-120 million (including $101 million MDA interest)

Outlook

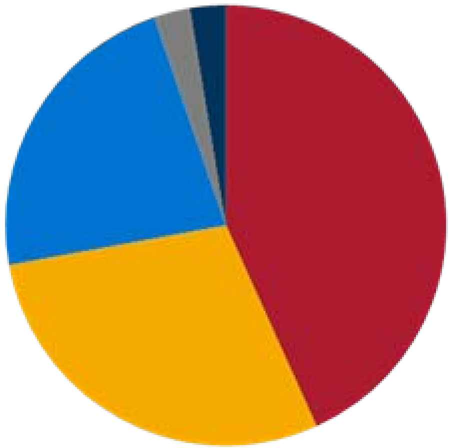
Work-in-hand: $20 billion

Work-in-hand by division[1]



	Mining	$6.5 billion	33%
	Infrast Aus	$5.7 billion	29%
	Rail	$4.8 billion	24%
	Infrast NZ	$2.8 billion	14%
	TOTAL	**$20 billion**	

Work-in-hand by type[1]



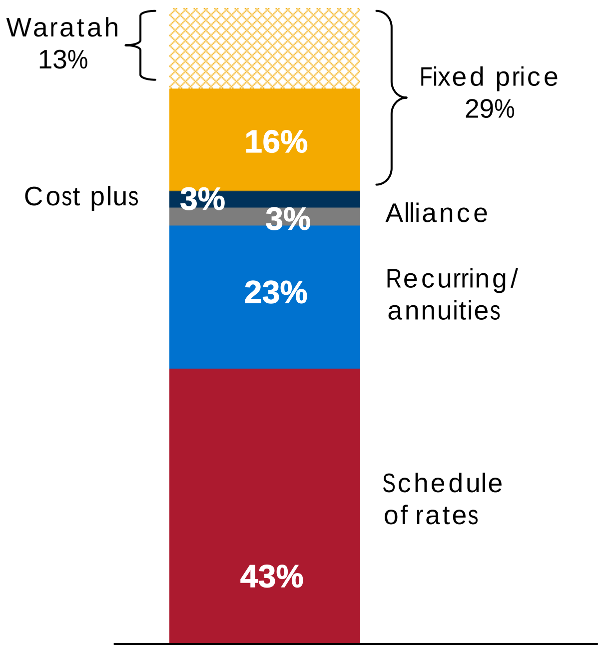
	Schedule of rates	$8.6 billion	43%
	Fixed price	$5.7 billion	29%
	Recurring/annuities[2]	$4.5 billion	23%
	Cost plus	$0.5 billion	3%
	Alliance	$0.5 billion	3%
	TOTAL	**$20 billion**	

1 Work-in-hand value as at 30 June 2012 rounded to one decimal point. Percentage splits rounded to nearest whole per cent
2 Recurring/annuities: estimated for five years based on historic performance, demand levels and rates

Work-in-hand numbers are unaudited

Work-in-hand

Work-in-hand by type[1]



Fixed price projects	Total value (approx)	% complete[2]	Profitable
Waratah – TLS	$1,970 million	2%	✓
Waratah – RSM	$1,650 million	65%	x
KDR – Yarra Trams	$1,400 million	32%	✓
Locomotive orders (x5)	$290 million	10%	✓
PSMC – RTA North Sydney	$340 million	45%	✓
Millennium Train maintenance	$274 million	59%	✓
QR Tilt Train	$190 million	29%	✓
Western Power 330 KV transmission line	$175 million	<1%	✓
E&I contract - Pilbara	$142 million	30%	✓
Mornington Peninsula	$130 million	45%	✓
CSBP - AN Plant	$100 million	11%	✓

1 Work-in-hand split by type rounded to nearest whole percent and are unaudited
2 Fixed price project completion rounded to nearest whole percent

Downer

Group outlook

- There is, at the current time, an increasing level of uncertainty around the level and timing of Government and private sector investment in infrastructure in both Australia and New Zealand.
- That said, Downer is well positioned in terms of the percentage of work already secured that will impact on the year ahead.
- Accordingly, Downer expects to deliver EBIT of around $370 million and NPAT of around $210 million for the 2013 financial year.

Supplementary information

Reconciliation of Total Revenue to Statutory Revenue

$m	FY12	FY11
Total revenue	**8,525**	**6,961**
Share of revenue from JVs and Associates	(453)	(319)
Other income	(5)	(9)
Statutory revenue	**8,066**	**6,633**
• Continued operations	7,915	6,434
• Discontinued operations	151	200

Reconciliation of Underlying result to Statutory result

$m	FY12 EBIT	FY12 NPAT
Underlying result[1]	**346.5**	**195.3**
Individually Significant Items:		
• Goodwill impairment[2]	(18.0)	(18.0)
• Profit on CPG Asia sale	33.6	33.6
• Reliance Rail hedge reserve	(72.5)	(72.5)
• Singapore Tunnel provision	(20.0)	(20.0)
• Legal settlement	(5.3)	(5.5)
Statutory result	**264.2**	**112.9**
• Continued operations	261.2	107.5
• Discontinued operations	3.0	5.4

1 Underlying EBIT and NPAT are considered a more appropriate measure of Downer's performance than 'statutory' results, because the statutory results include several Individually Significant Items ("ISIs") that are unlikely to be recurrent. Of these ISIs, the major item relates to the transfer of the equity accounted Reliance Rail hedge reserve via the income statement to retained earnings. This transfer has had no impact on cash, equity, net assets or underlying earnings.

2 Goodwill impairment relates to Downer Asia and CPG Australia.

Waratah train project overview

Maintenance facility	• Design, build and commission Auburn Maintenance Centre • Total revenue $220 million (fixed price lump sum) • Practical Completion achieved in June 2010
Train build	• Design, build and commission 78 eight-car sets (626 carriages) • Joint venture with Hitachi Australia • Total Downer revenue $1.65 billion (fixed price lump sum) • Original delivery period: 2010-2013
Through-life-support contract	• Provide TLS for all 78 eight-car sets • 72 sets in service • Total revenue $2.25 billion over 30 years • Deductions/bonuses based on performance

Downer

Reliance Rail overview

Reliance Rail (RR)	• Special purpose vehicle (SPV) established to fund Waratah Train Project • $1.9 billion bonds outstanding • Funding arrangements non-recourse to Downer
Bank funding	• $173.9 million of $357 million bank debt drawn down since February 2012 • Prior to each monthly draw-down, RR Directors form a view that debt being drawn will be capable of being refinanced as and when it falls due • Banks can terminate undrawn commitments on insolvency of both monoline insurers
SPV structure	• Project funding established in 2006; substantial value remains within SPV • Low-cost funding in place to 2018 • Stakeholders have significant interest in maintaining the structure

WTP: Impact of termination of WTP

- Current view of Downer that Reliance Rail will continue as the operating entity of the WTP

$m	P&L impact ($m)	Cash impact ($m)
Write-off of WIP on Downer B/S 30 June 2012	398	-
Write-back of B/S provision at 30 June 2012	(164)	-
Estimated cash payments on cancelled orders	~160	~260
Mark-to-market losses on hedge instruments	38	38
Write back of B/S provision against mark-to-market losses on hedge instruments	(38)	-
TLS WIP, FMFS and Inventory	56	-
Sale of Waratah assets owned by Downer (subject to PPSA)	Reduce loss	Cash inflow
Approximate pre-tax net impact (pre mitigation)[1]	**450-500**	**300-320**

1 Assumes that all staff in Cardiff and China can be redeployed and that legal costs are expensed as incurred in the ordinary state of business

Unaudited

Risk management framework

Tender

- Approval to prepare bid
- Approval to submit bid
  - >A$250m – TCC and Board approval
  - <A$250m – TCC endorsement and CEO approval
  - <A$30m – Divisional CEO approval

Execution & Monitoring

- Approval of contract formation
- Mobilisation and commercial set-up
- Project valuations
- Project reviews
- Internal audit reviews

Post Completion

- Project reviews
- Key learnings
- Update risk processes

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