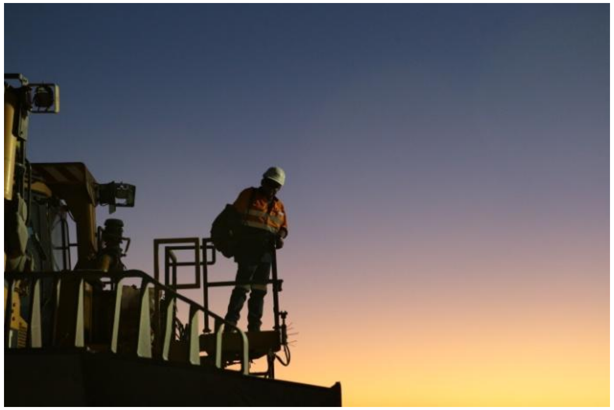
Downer Group 2013 Full Year Results

6 August 2013



Financial overview

Revenue	• Total revenue[1] $9.1 billion, up 7.1% (includes $0.8 billion in joint ventures)
Earnings[3]	• Underlying NPAT $215.4 million, up 10.3% (excluding Individually Significant Item of $11.5 million) • Underlying EBIT[2] $370.3 million, up 6.9% • ROFE 18.2%, up from 17.7%
Cash Flow	• Operating cash flow $452.4 million, up 24.1%

1 Total revenue is a non-statutory disclosure and includes revenue from joint ventures and other alliances 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 is a non-statutory disclosure derived by adding back Individually Significant Item net interest expense and tax expense to NPAT.

3. See Slide 24 for reconciliation of statutory result to underlying result.

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Financial overview

Work-in-hand	• Work-in-hand[1] remains strong at $19.0 billion
Balance Sheet	• Net debt[2] $248.9 million, down 32.5% • Gearing[3] 12.0% (20.8% including off-balance sheet debt) • Total available liquidity[4] $1,095 million (including $473.7 million cash)
Capital management	• Refinanced syndicated credit facility with $400 million facility (4-year term) • Completed $150 million issue of fixed rate Medium Term Notes (5.5-year term) • Secured $292 million in new debt and bonding facilities • Renewed all existing bilateral debt and bonding facilities • Final dividend declared: 11 cents per share, 70% franked

1 Work-in-hand numbers are unaudited
2 Adjusted for the mark-to-market of derivatives and deferred finance charges
3 Gearing = Net debt / net debt + equity. Gearing including off-balance sheet debt includes the present value of plant and equipment operating leases discounted at 10% pa: $231.8m (June 2012: $299.0m)
4 Refer to slide 14 for breakdown

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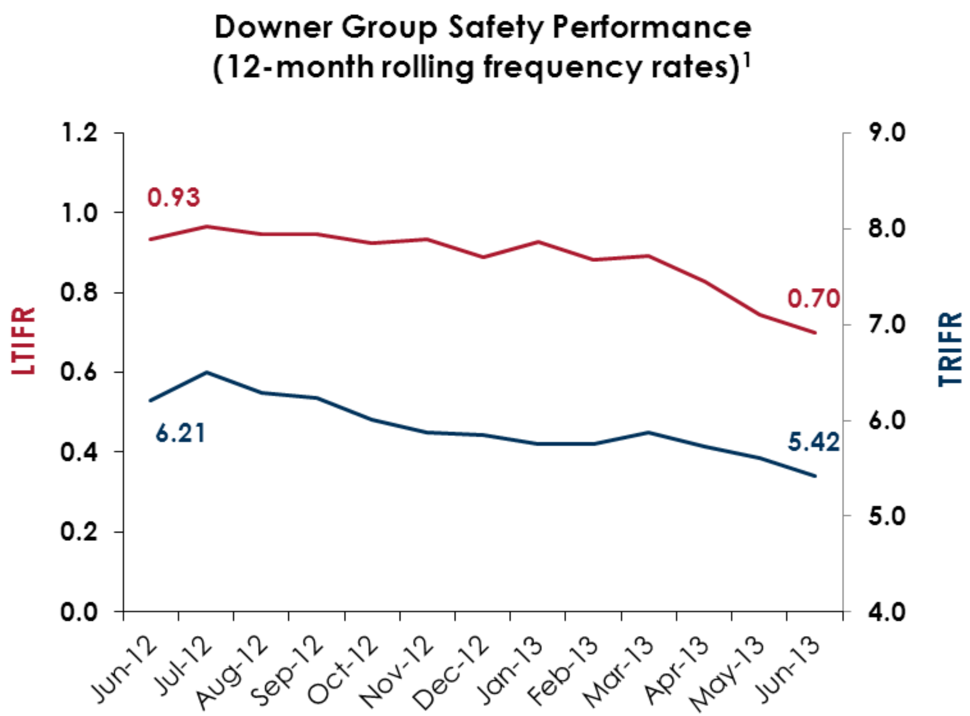
Zero Harm



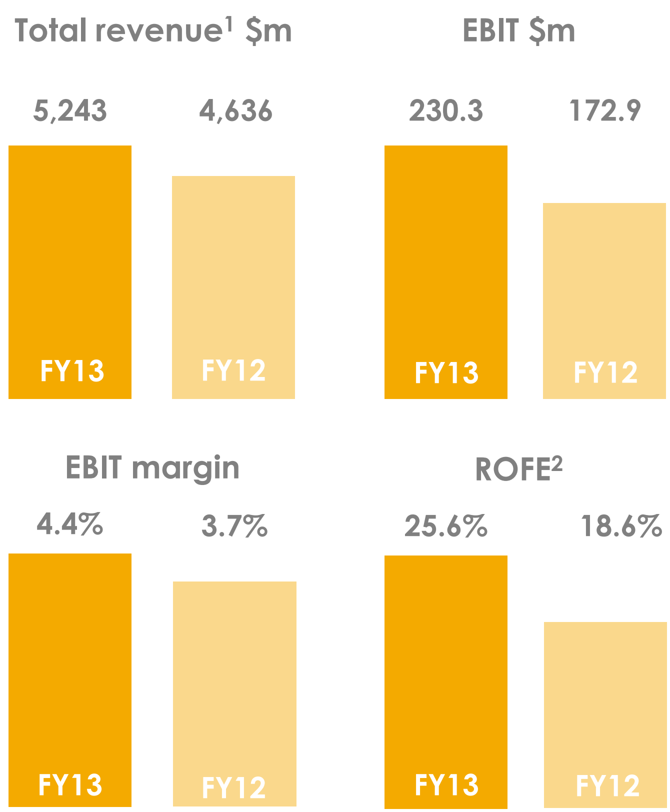
LTIFR: Lost Time Injury Frequency Rate

TRIFR: Total Recordable Injury Frequency Rate

- Continued improvements in safety performance metrics, however one fatality in New Zealand
- Intense focus on critical risks, including 'Cardinal Rules' program
- Annualised energy savings equivalent to ~ 5% of Group energy consumption (initiatives include more fuel efficient fleet and state-of-the-art asphalt plants)

1 Safety rates published on this slide are unaudited

Infrastructure



- Revenue up 13.1%; EBIT up 33.2%
- Strong performance across most businesses
- Contract wins in telecommunications, road and rail maintenance, electrical and instrumentation and renewable energy sectors
- Improved EBIT margins reflecting better contract performance, greater productivity and business rationalisation
- Integration benefits continue to be achieved

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.

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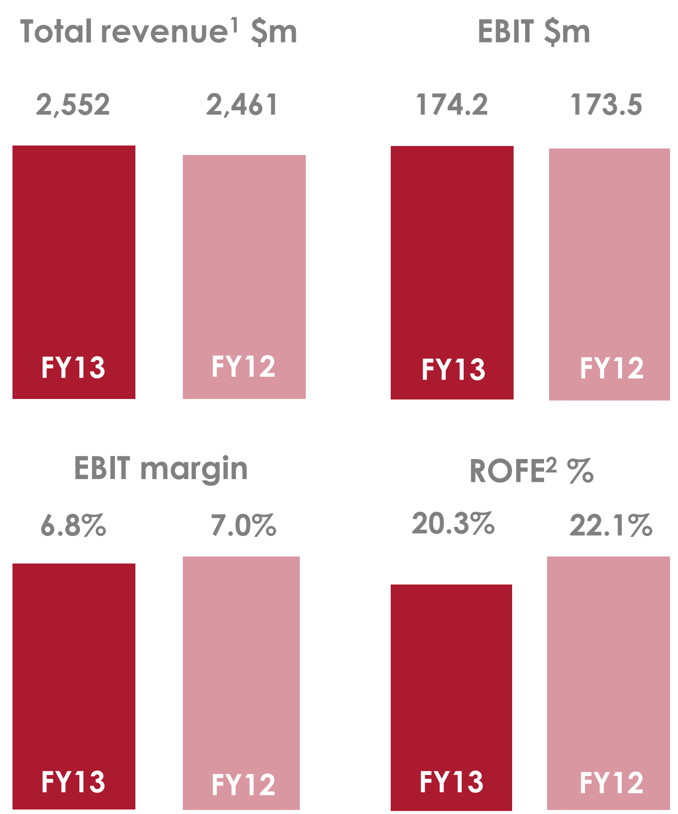
Mining

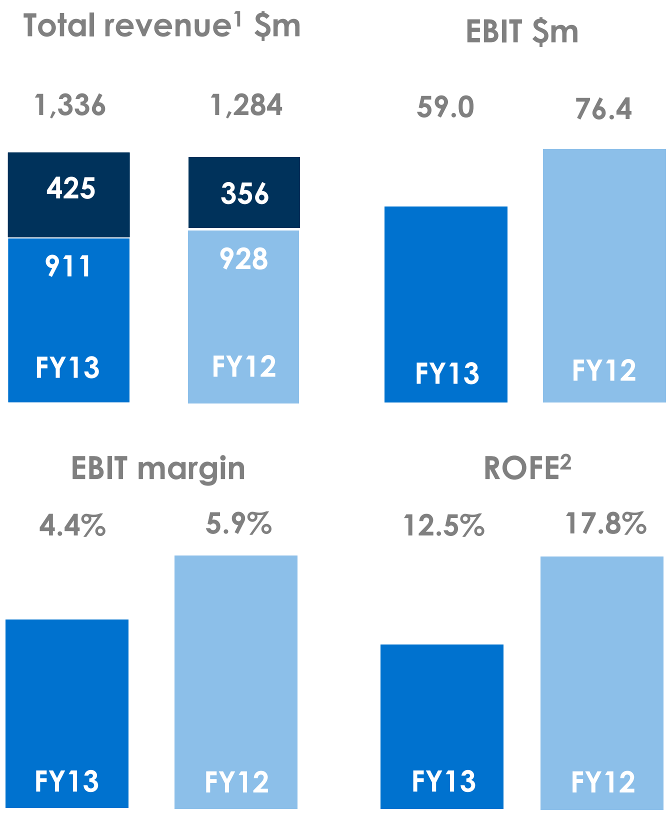


- Revenue up 3.7%; EBIT up 0.4%
- Market conditions remain challenging, with customers reviewing their operations and seeking to reduce costs
- Strong focus on operational efficiency and asset utilisation
- Successful ramp-up up at Karara, Boggabri and Meandu
- New work secured through contract extensions and expansions and through the blasting and tyre management businesses

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.

Rail



- Revenue up 4.0%; EBIT down 22.7%
- Revenue growth driven by Waratah Train Project
- Transition to whole-of-life asset management
- Lower margins from new business model and sharp decline in demand for freight locomotives
- Opportunities in public transport infrastructure, including light rail

1 Total revenue includes joint ventures and other income. Total revenue shows the combination of revenue related to the underlying business FY13 $911m (FY12: $928m) and the Waratah RSM contract FY13 $425m (FY12: $356m).

2 ROFE = underlying EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

Group Financials

Underlying financial performance

$m	FY13	FY12	Change (%)
Total revenue[1]	9,132.4	8,524.6	7.1
EBITDA[2]	665.1	593.7	12.0
EBIT[2]	370.3	346.5	6.9
Net interest expense	(67.2)	(69.0)[2]	2.6
Tax expense	(87.7)	(82.1)[2]	(6.8)
Net profit after tax[2]	**215.4**	**195.3**	**10.3**
Effective tax rate	28.9%	29.6%	
ROFE[3]	18.2%	17.7%	

1 Total revenue includes joint ventures and other income.
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

Summary of earnings

$m	Total[1]	Infrastructure	Mining	Rail	Corporate
Statutory EBIT	**358.9**	**230.3**	**174.2**	**59.0**	**(104.6)**
• Individually Significant Item	11.5				11.5
Underlying EBIT	**370.3**	**230.3**	**174.2**	**59.0**	**(93.1)**
Add back unfavourable items:					
• Redundancy costs	13.9	4.6		7.8	1.5
• Onerous legacy contracts	14.1	14.1			
• Profit adj't on amended contract	10.0		10.0		
• Impairment of goodwill	6.2				6.2
Less favourable items:					
• Government grant	(10.3)				(10.3)
• Project closeout/contract margin adj'ts	(13.5)	(6.1)		(7.4)	
• Provision releases	(17.4)	(1.7)	(3.1)	(12.6)	
Adjusted EBIT (approx)	**373.3**	**241.2**	**181.1**	**46.8**	**(95.7)**

1 Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

Operating cash flow

$m	FY13	FY12
EBIT[1]	370.3	346.5
Add: Depreciation & Amortisation	294.8	247.2
EBITDA[1]	**665.1**	**593.7**
Operating cash flow	**452.4**	**364.5**
Add: Net interest paid[2]	60.7	69.9
Tax paid	14.3	15.7
Waratah Train Project net cash outflow[3]	63.3	93.0
Singapore Tunnel Settlement	39.3	-
Adjusted Operating cash flow[1]	**630.0**	**543.1**
EBITDA conversion[1]	**94.7%**	**91.5%**

1 Numbers are 'underlying'; i.e. excluding Individually Significant Items
2 Interest and other costs of finance paid minus interest received
3 Unaudited

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Cash flow

$m	FY13	FY12
Total operating	452.4	364.5
Total investing	(289.1)	(203.0)
Total financing	9.1	(149.9)
Net increase in cash held	172.4	11.6
Cash at 30 June	**473.7**	**296.7**

Balance sheet and capital management

$m	Jun 13	Jun 12
Total assets	4,172.0	4,111.3
Total shareholders' equity	1,826.6	1,617.7
Net debt[1]	248.9	368.8
Gearing: net debt to net debt plus equity	12.0%	18.6%
Gearing (including off balance sheet debt)[2]	20.8%	29.2%
Adjusted net debt / adjusted EBITDAR[3,4]	2.25	2.55
Interest cover[5]	3.05	2.89

1 Adjusted for the mark-to-market of derivatives and deferred finance charges
2 Includes the present value of plant and equipment operating leases discounted at 10% pa: $231.8m (2012: $299.0m)
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 June 2012 adjusted using revised methodology from Fitch (published 30 October 2012).
5 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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Debt and bonding facilities

Debt facilities	$m
Total facilities	1,343.9
Drawn[1]	722.6
Available facilities	**621.2**
Cash	473.7
Total liquidity	**1,095.0**

Bonding facilities	$m
Total facilities	1,377.5
Drawn	918.9
Available facilities	**458.5**

Debt facilities by type	%
Syndicated bank facility	30
Capital markets: Bonds	22
Bilateral bank facilities	17
Export Credit Finance	13
Finance leases	10
Capital markets: USPP	8
	100

Debt facilities by geography	%
Australia/NZ	54
Asia	18
North America	18
Europe	10
	100

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

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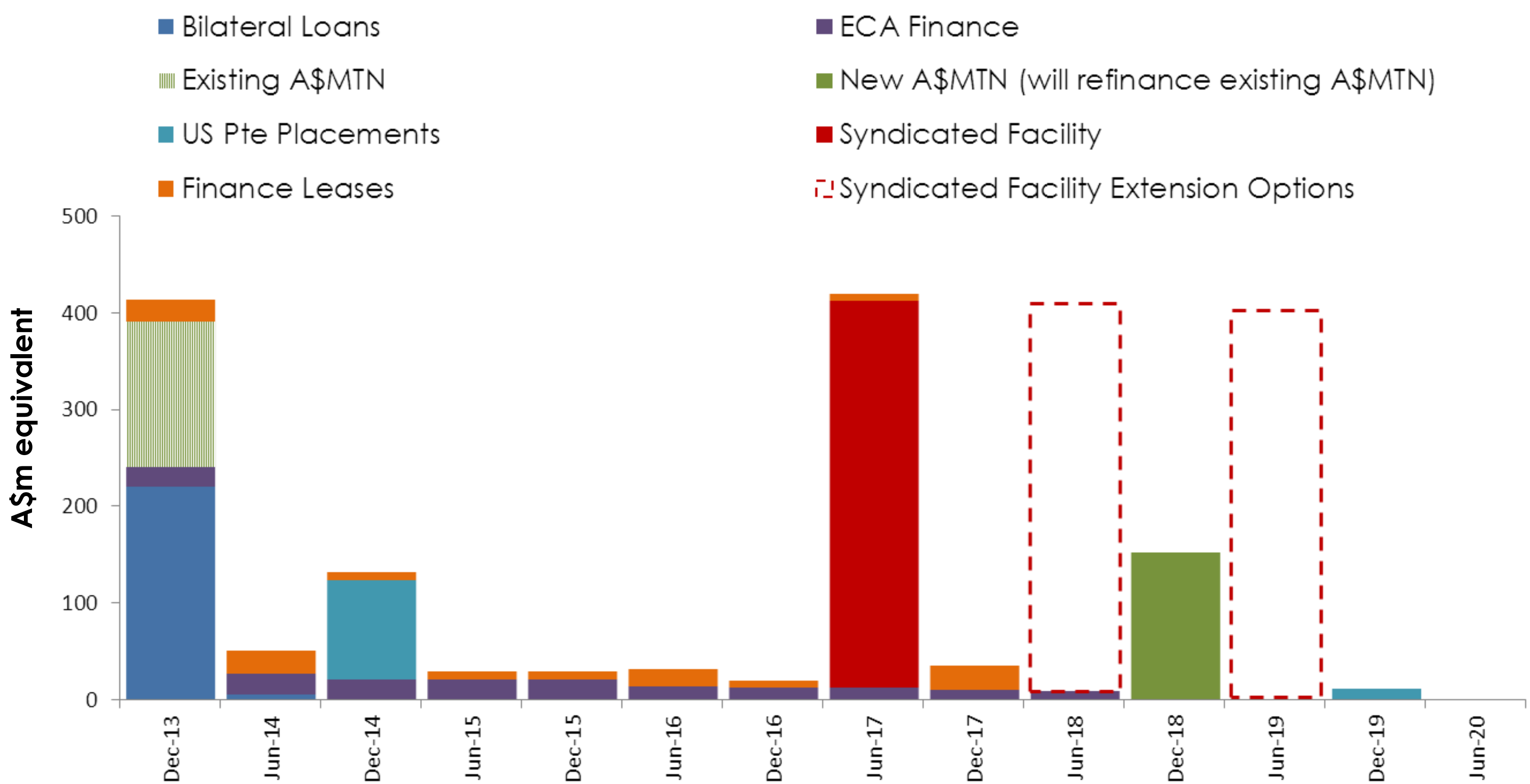
Debt maturity profile



Weighted average debt duration of 2.5 years

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Group funding and capital outlook

- Diverse funding profile with weighted average debt maturity of 2.5 years
- Activity during FY13 included:
  - refinancing of syndicated credit facility with $400 million facility (4-year term)
  - completion of new $150 million issue of fixed rate Medium Term Notes (5.5- year term)
  - securing of $292 million in new debt and bonding facilities
- Downner continues to monitor USPP, Export Credit Finance, Australian domestic capital markets, finance lease and other funding options
- Indicative capital expenditure for FY14 ~$300 million, subject to growth opportunities.

‘Fit 4 Business’ program

- Established in 2010, initial target of $250 million in gross benefits over five years
- Initial target achieved in three years (FY11: $55 million, FY12: $85 million and FY13 $140 million)
- Revised five-year target of $500 million
- Initiatives for FY14 and FY15 focus on:
  - Strategic procurement
  - Labour productivity
  - Lean overheads
  - Asset utilisation and productivity

Waratah Train Project (WTP)

- 47 trains now available for passenger service, 78^{th} train remains on target for delivery in mid-calendar 2014
- Performance continues to be very good; 'Through Life Support' contract now at maximum staffing levels
- 34 trains have achieved the Final Completion reliability milestone (no more than 2 delay incidents in 50,000km)
- Performance is slightly ahead of prediction at this stage of fleet introduction
- Robust plans are in place to deliver the design reliability target of 1 delay incident in 50,000km
- Roll out of LEAN maintenance principles has seen reduction in hours to deliver the annual maintenance procedure in line with plans
- No material change in forecast cost at completion (FCAC) during FY13
- General contingency of $41 million remaining

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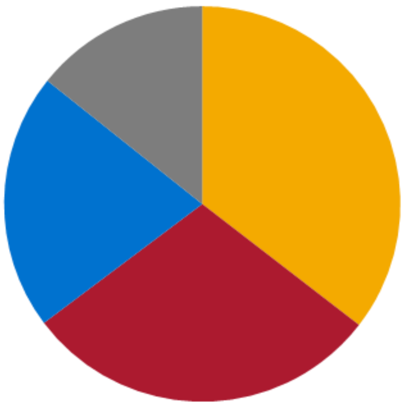
WTP build progress

Status	No. of train sets	Status	No. of train sets
Passenger service	47	In transit / at Dalian Port	5
Being prepared for Practical Completion	1	At CRC ready for dispatch to Port	1
Auburn under test	2	In CRC Fitout Shop	4
Cardiff under test	4	In CRC awaiting fitout	1
Cardiff in production/ post-production	2	In CRC Bodyshell Production	2
Cardiff waiting production	2	In CRC for retrofit	1

Outlook

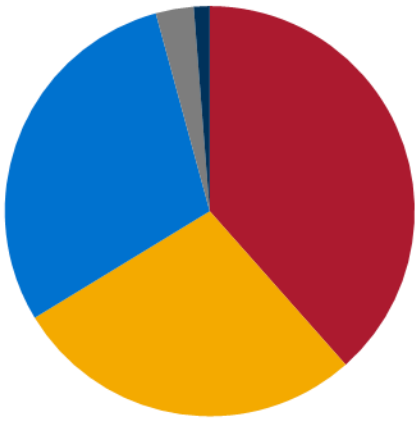
Work-in-hand: $19.0 billion

Work-in-hand by division[1]



	Infrast AU	$6.7 billion	35%
	Mining	$5.6 billion	30%
	Rail	$4.0 billion	21%
	Infrast NZ	$2.7 billion	14%
	TOTAL	**$19.0 billion**	

Work-in-hand by type[1]



	Schedule of rates	$7.3 billion	38%
	Fixed price	$5.3 billion	28%
	Recurring/annuities[2]	$5.6 billion	30%
	Cost plus	$0.6 billion	3%
	Alliance	$0.2 billion	1%
	TOTAL	**$19.0 billion**	

1 Work-in-hand value as at 30 June 2013 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

Group outlook

It is expected that the 2014 financial year will be characterised by a reduction in new major capital works in the resources sector, a greater emphasis by mining customers on optimising their volumes and cost of production and budgetary pressure on the level of Government expenditure on road and rail maintenance.

As a result, there is a higher level of uncertainty in revenue for the 2014 financial year than in the prior year.

The company's short term focus is on securing our revenue base for the 2014 financial year and continuing to drive down costs through improved project execution and our Fit 4 Business program.

For the 2014 financial year, Downer is targeting a flat NPAT of around $215 million.

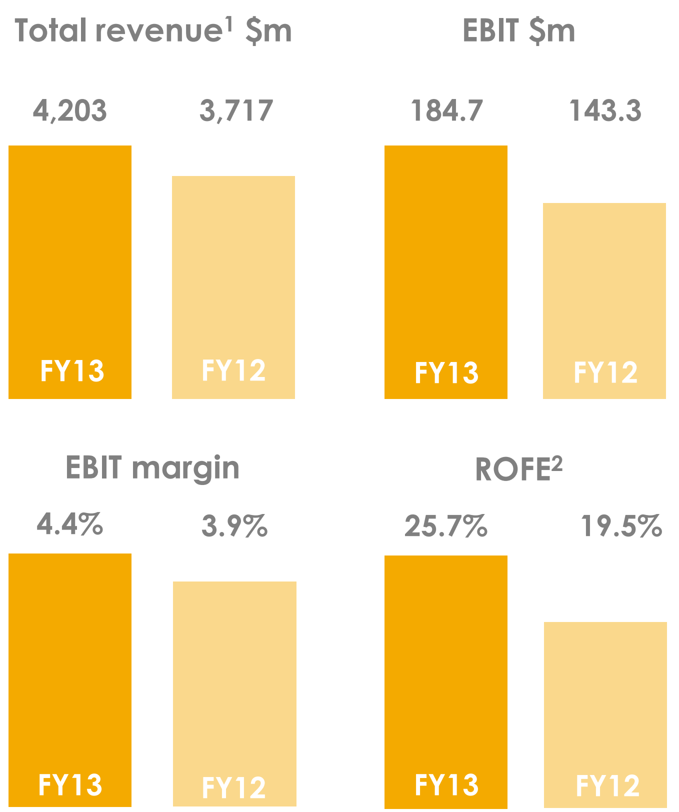
Supplementary information

Reconciliation of underlying to statutory result

$'000	FY13 EBIT	FY13 NPAT
Underlying result[1]	**370,333**	**215,442**
Individually Significant Item:		
• Singapore Tunnel provision	(11,456)	(11,456)
Statutory result	**358,877**	**203,986**

1 Underlying EBIT and NPAT are considered a more appropriate measure of Downer's performance than 'statutory' results, because the statutory results include an Individually Significant Item ("ISI") that is unlikely to be recurrent. The Singapore Tunnel provision relates to the settlement of an arbitration claim commenced by SP PowerAssets Limited (SPPA) in 2009. The claim relates to a contract awarded to Downer in 2003 for the construction of an electrical services tunnel in Singapore. Under the settlement, Downer paid SPPA a total of $39.3 million, of which $27.8 million was already held against the claim.

Infrastructure Australia



- Revenue up 13.1%; EBIT up 28.9%
- Strong performance across most businesses, particularly the East region
- Contract wins in telecommunications, road and rail maintenance, electrical and instrumentation and renewable energy sectors
- Improved EBIT margins reflecting better contract performance and greater productivity
- Integration benefits continue to be achieved

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.

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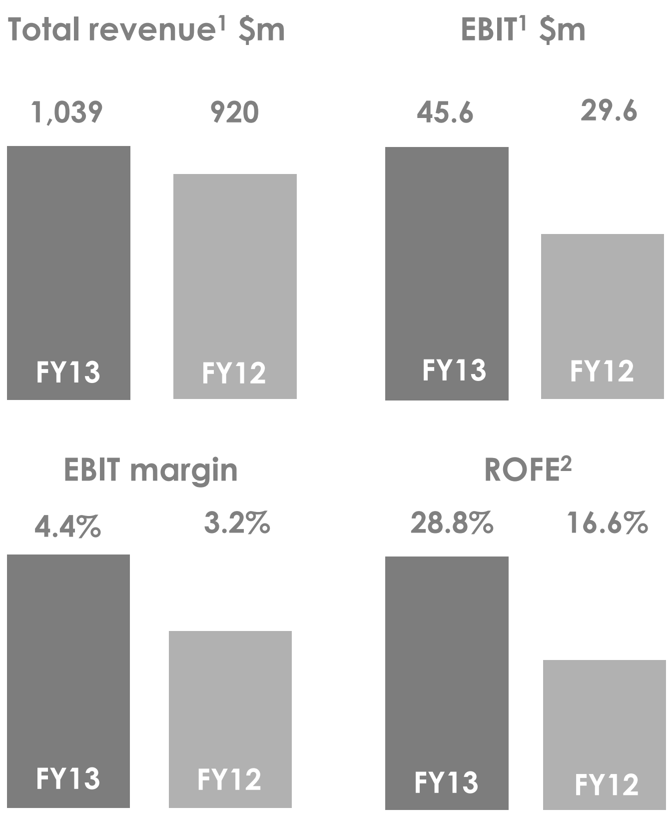
Infrastructure New Zealand



- Revenue up 13.0%; EBIT up 53.9%
- All businesses performed to, or exceeded, expectations
- Contract wins across all sectors including a NZ$500 million UFB contract with Chorus, road infrastructure contracts in Auckland and Wellington and several work packages with the Stronger Christchurch Infrastructure Rebuild Team (SCIRT)
- Business rationalisation, contract execution and focus on productivity has driven margin improvement

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.

Waratah Train Project – Forecast Cost at Completion

$m	Dec 12 estimate ($m)	Change	Jun 13 estimate ($m)
Materials & Sub-Contracted Components	1,068	6	1,074
Labour	322	1	323
Engineering Services	156	-	156
Transport, Logistics & Procurement	168	1	169
Project Management	137	-	137
Insurance, Bonding & Finance	50	1	51
Forecast Liquidated Damages	174	2	176
Manufacturing Delay Account interest receivable	(95)	(1)	(96)
Other Costs	88	-	88
General Contingency	51	(10)	41
Total FCAC	**2,119**	**-**	**2,119**
Total Revenue	**1,689**	**-**	**1,689**
FCAC (Loss)	**(430)**	**-**	**(430)**

Projected cash inflow:

- FY14 $60 – 65 million
- FY15 $150 – 160 million
- FY18 $12 million

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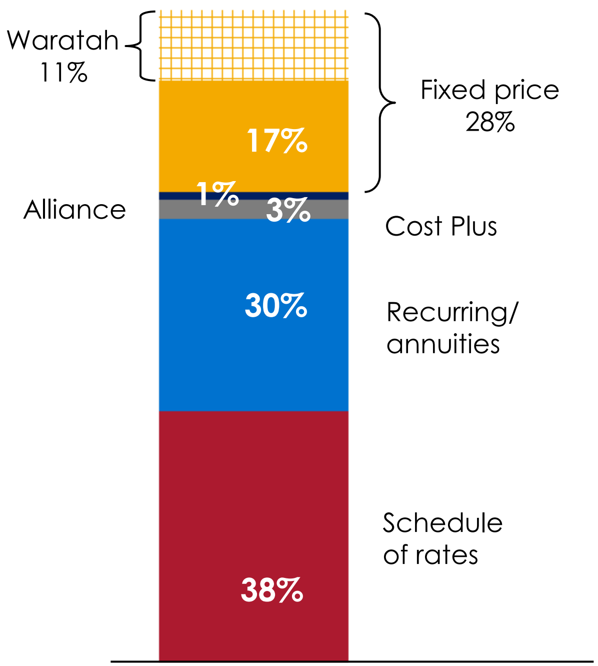
Work-in-hand

Work-in-hand by type[1]



Fixed price projects	Total value (approx)	% complete[2]	Profitable
Waratah – TLS	$1,970 million	4%	✓
Waratah – RSM	$1,650 million	90%	X
KDR – Yarra Trams	$1,400 million	45%	✓
PSMC – RTA North Sydney	$340 million	56%	✓
Millennium Train maintenance	$290 million	61%	✓
E&I contract - Pilbara	$240 million	71%	✓
QR Tilt Train	$190 million	77%	✓
Western Power 330 KV transmission line	$175 million	47%	✓
Public Transport Authority of WA – rail maintenance	$140 million	14%	✓
Mornington Peninsula	$130 million	52%	✓
Newman HV Power System	$120 million	78%	✓

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

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