Downner Group 2013 Half Year Results

14 February 2013

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Financial overview

Revenue	• Total revenue[1] $4.7 billion, up 20.2% (includes $0.3 billion in joint ventures)
Earnings[3]	• Underlying EBIT[2] $180.8 million, up 12.7% (excluding Individually Significant Item of $11.5 million) • Underlying NPAT $105.5 million, up 24.1% • ROFE 17.4%, up from 17.0%
Cash Flow	• Operating cash flow $184.0 million, up 71.8%

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 31 for reconciliation of statutory result to underlying result.

Financial overview

Work-in-hand	• Work-in-hand[1] remains strong at $18.9 billion
Balance Sheet	• Net debt[2] $422.9 million • Gearing[3] 19.7% (28.3% including off-balance sheet debt) • Total available liquidity[4] $841.7 million (including $214.9 million cash)
Capital management	• $292.1 million in new financings closed: Debt $142.1m, Bonding $150.0m • Repaid NZ$150.0 million Works bonds • Rolled over $177.0 million in bilateral debt facilities • Interim dividend declared: 10cps (70% franked)

1 Work-in-hand numbers are unaudited
2 Adjusted for the mark-to-market of debt related 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: $255.1m (30 June 2012: $299.0m)
4 Refer to slide 18 for breakdown

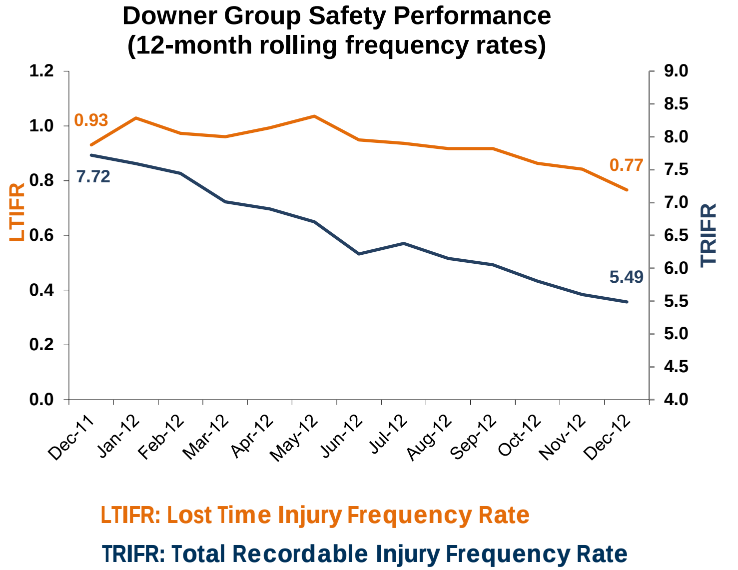
Downer

Waratah Train Project

- China continues to produce at required three trains per month
- Cardiff now operating at 3 day TAKT time (TAKT = pulse time)
- 28 trains now available for passenger service and performing well
- Project slightly ahead of previously declared program

Zero Harm

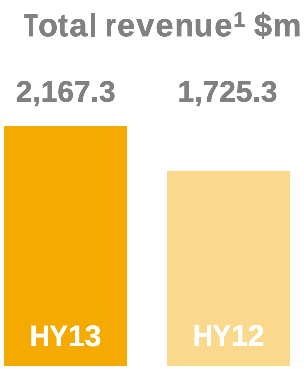
- LTIFR down 17% and TRIFR down 29%[1]
- Workplace fatality in New Zealand in October 2012
- Intensified focus on critical risks
- Cardinal rules program:
  - o Focus on assessing, understanding and mitigating critical risks
  - o Plant-pedestrian interface, energy isolation, working at heights, working near suspended loads and maintaining and enforcing exclusion zones.

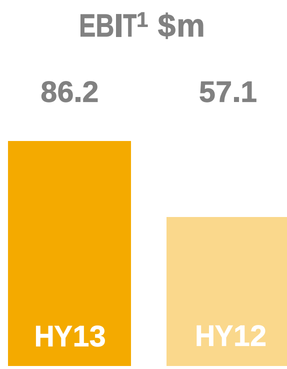


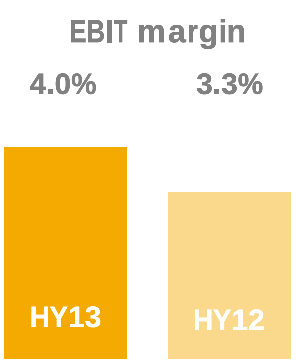
1 December 2012 compared to December 2011
Safety rates published on this slide are unaudited

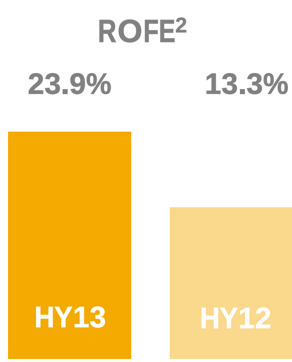
Downer

Infrastructure - Australia









- Revenue up 25.6%; EBIT up 50.9%
- Revenue growth achieved across most businesses
- Particularly strong performance in the East – road infrastructure and resources based projects
- Continuing to achieve cost and revenue synergies from integration of the former Works and Engineering businesses

1 Total revenue includes joint ventures and other income. HY12 Revenue differs from the previously reported number due to the exclusion of interest revenue and Consulting revenue. HY12 EBIT differs from previously reported number due to the exclusion of Consulting EBIT.

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

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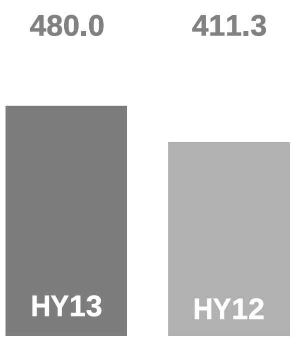
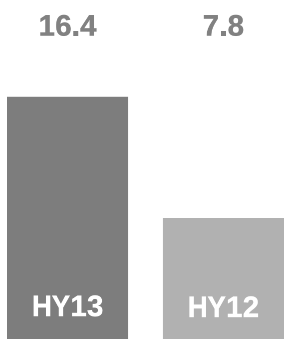
Infrastructure – New Zealand

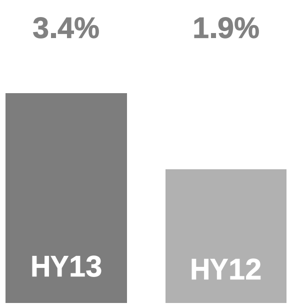
Total revenue[1] $m



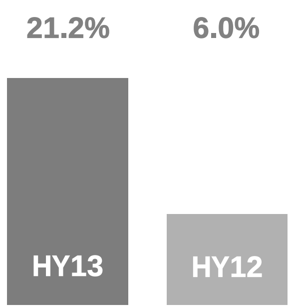
EBIT $m



EBIT margin



ROFE[2]

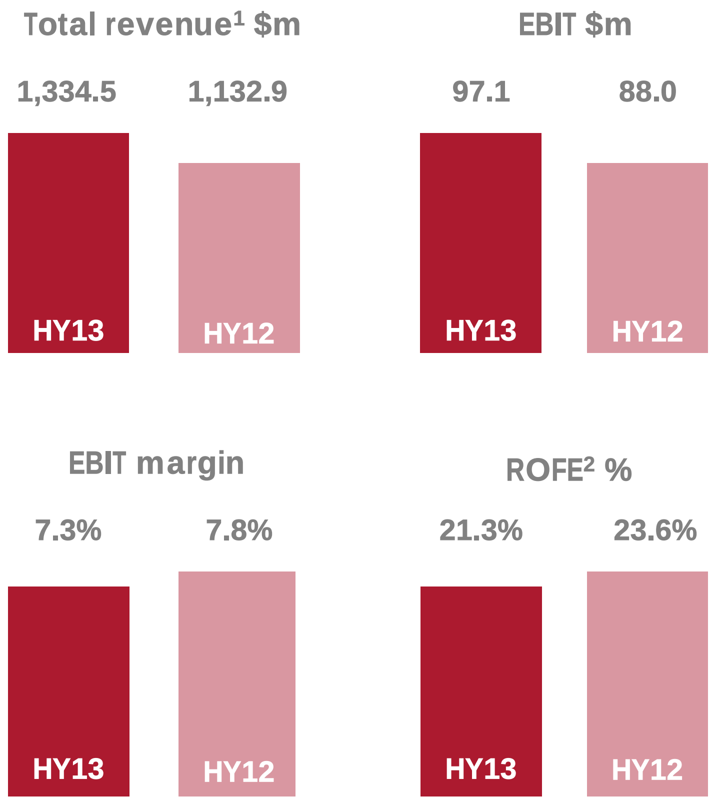


- Revenue up 16.7%; EBIT up 110%
- Contract wins across all sectors
- All businesses performing to, or exceeding, expectations
- Christchurch rebuild gaining momentum
- Economic conditions remain challenging; Government budgets stretched

1 Total revenue includes joint ventures and other income. HY12 Revenue differs from the previously reported number due to the exclusion of interest revenue. All figures in Australian dollars.

2 ROFE = underlying EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity. HY12 ROFE has been restated due to the attribution of ROADS equity to New Zealand.

Mining



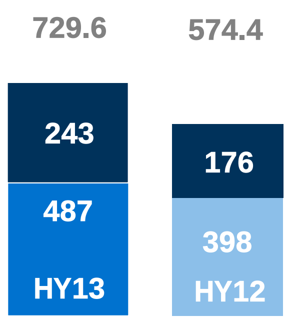
- Revenue up 17.8%; EBIT up 10.3%
- Strong focus on Zero Harm performance showing improved results
- Ongoing focus on contract execution and resource utilisation – major review of plant strategy underway to bring increased efficiencies into operations
- Assisting customers with cost-reduction programs
- Mobilisation at Meandu Mine completed
- Completed mobilisation at Daunia and Blackwater (replacing Norwich Park contract)

1 Total revenue includes joint ventures and other income. HY12 Revenue differs from the previously reported number due to the exclusion of interest revenue.

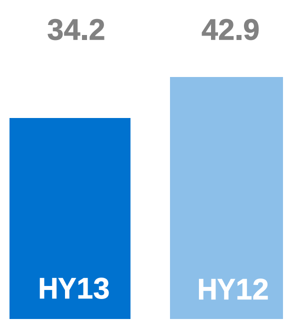
2 ROFE = underlying EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

Rail

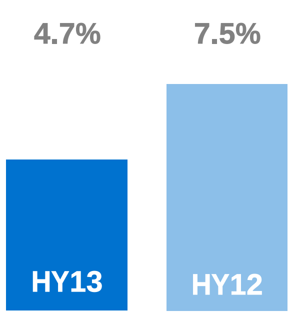
Total revenue[1] $m



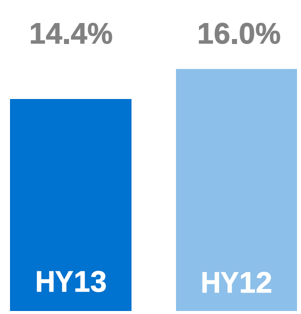
EBIT $m



EBIT margin



ROFE[2]



- Locomotive demand declined from recent peaks; medium term outlook remains positive
- Transitioning out of locomotive manufacturing in Australia, focusing on whole-of-life asset management
- $41m extension order from Perth Transit Authority for seven "B" Series passenger trains
- EBIT margin with Waratah RSM revenue (zero margin) excluded: 7.0% (HY12: 10.8%)

1 Total revenue includes joint ventures and other income. HY12 Revenue differs from the previously reported number due to the exclusion of interest revenue. Total revenue shows the combination of revenue related to the underlying business HY13 $487m (HY12: $398m) and the Waratah Rolling Stock Manufacture (RSM) contract HY13 $243m (HY12: $176m).

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

Group Financials

Underlying financial performance

$m	HY13	HY12[4]	Change (%)
Total revenue[1]	4,716.6	3,922.8	20.2
EBITDA[2]	335.6	280.1	19.8
EBIT[2]	180.8	160.4	12.7
Net interest expense	(32.7)	(38.9)	16.1
Tax expense	(42.6)	(36.4)	(16.9)
Net profit after tax[2]	**105.5**	**85.0**	**24.1**

Effective tax rate[2]	28.8%	30.0%
ROFE[3]	17.4%	17.0%
Dividend (cents per share)	10	-

1 Total revenue includes joint ventures and other income. HY12 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
4 Prior period includes continuing and discontinued operations

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Summary of earnings

$m	Total	Infrast. Australia	Infrast. NZ	Mining	Rail	Corporate
Statutory EBIT	**169.3**	**86.2**	**16.4**	**97.1**	**34.2**	**(64.5)**
Add back unfavourable items:						
• Individually Significant Item	11.5					11.5
• Onerous legacy contracts	13.6	13.6				
• Impairment of goodwill	6.2					6.2
Less favourable items:						
• Government grant (R&D)	(8.6)					(8.6)
• Project closeout/contract margin adj'ts	(4.8)	(4.8)				
• Provision releases	(8.6)	(2.6)			(6.0)	
Adjusted EBIT (approx)	**178.6**	**92.4**	**16.4**	**97.1**	**28.2**	**(55.4)**

Downner

Operating cash flow

$m	HY13	HY12
EBIT[1]	180.8	160.4
Add: Depreciation & Amortisation	154.8	119.7
EBITDA[1]	**335.6**	**280.1**
Operating cash flow	**184.0**	**107.1**
Add: Net interest paid[2]	32.8	35.4
Tax paid	9.8	9.9
Waratah Train Project net cash outflow[3]	69.9	83.4
Singapore Tunnel settlement	7.8	-
Adjusted Operating cash flow[1]	**304.2**	**235.8**
EBITDA conversion[1]	**90.7%**	**84.2%**

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

2 Interest received minus interest and other costs of finance paid

3 Unaudited

Cash flow

$m	HY13	HY12
Total operating	184.0	107.1
Total investing	(221.2)	(148.9)
Total financing	(47.5)	(18.0)
Net decrease in cash held	(84.7)	(59.8)
Cash at 31 December	**214.9**[1]	**222.1**

1 HY13 closing cash = opening cash + net increase in cash held + FX movements

Balance sheet and capital management

$m	Dec 12	Jun 12
Total assets	4,050.2	4,111.3
Total shareholders' equity	1,718.4	1,617.7
Net debt[1]	422.9	368.8
Gearing: net debt to net debt plus equity	19.7%	18.6%
Gearing (including off balance sheet debt)[2]	28.3%	29.2%
Net lease adjusted debt/operating EBITDAR[3]	2.50	2.64
Interest cover[4]	3.10	2.89

1 Adjusted for the mark-to-market of debt related derivatives and deferred finance charges
2 Includes the present value of plant and equipment operating leases discounted at 10% pa: $255.1m (June 2012: $299.0m)
3 Net lease adjusted debt includes net debt plus 6x operating lease payments in the rolling 12 month period. Operating 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 Item + 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	91
• Christmas Creek	30
• Karara	43
• Meandu	5
• Daunia/Blackwater	27
Maintenance and other growth	64
Sub-total (Mining)	260
Other Divisions	
• Maintenance and growth	100
Total	**360**

Numbers published on this slide are unaudited

Debt and bonding facilities

Debt facilities	$m
Total facilities	1,264.6
Drawn[1]	637.8
Available facilities	**626.8**
Cash	214.9
Total liquidity	**841.7**

Bonding facilities	$m
Total available facilities	1,401.9
Drawn	954.0
Undrawn facilities	**447.9**

Debt facilities by type	%
Syndicated bank facilities	33
Export Credit Finance	16
Bilateral bank facilities	16
Finance leases	14
Capital markets: Bonds	12
Capital markets: USPP	9
	100

Debt facilities by geography	%
Australia/NZ	64
North America	18
Asia	11
Europe	7
	100

1 Adjusted for mark-to-market of debt-related derivatives and deferred finance charges

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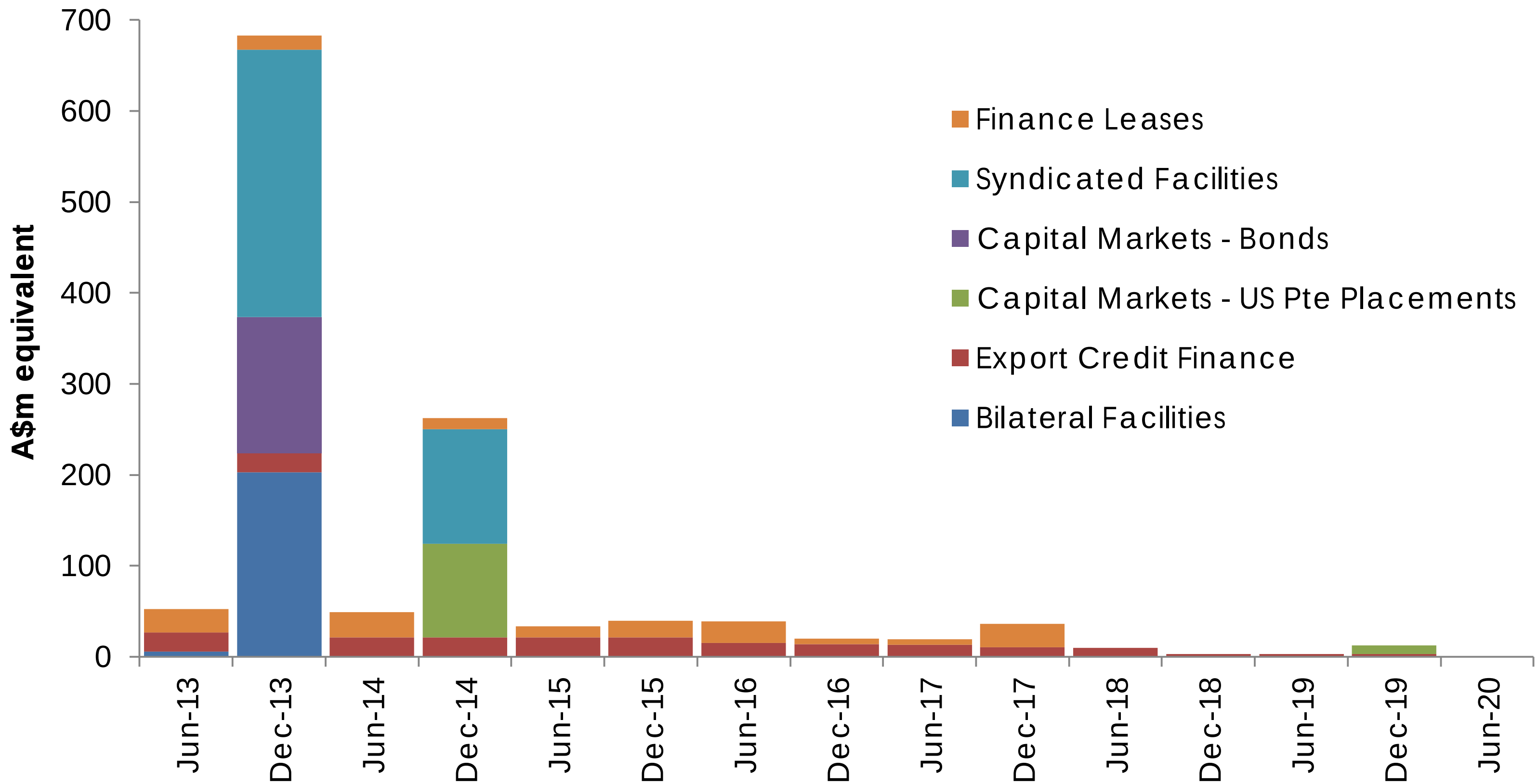
Debt maturity profile



Weighted average debt duration of 1.6 years

Funding position

- NZ$150.0 million Works Bonds repaid in September 2012
- $177.0 million in bilateral debt facilities successfully rolled
- $292.1 million in new financings closed
  - Debt $142.1 million
  - Bonding $150.0 million
- Currently preparing for refinancing of the $294.0 million Australian syndicated debt facility and the $150.0 million MTN, maturing 1H14
- Australian syndicated bank loan, capital markets and USPP under consideration
- Seeking to extend debt duration and continuing to diversify funding sources

Waratah Train Project

Project overview

- Project is currently slightly ahead of the program declared in 2012
- Project is now out of recovery and essentially "normalised“
- 28 Waratah trains currently available for passenger service
- 3-day TAKT time (the time between “pulses” on the flow line) in Cardiff implemented in December almost 2 months ahead of plan
- Production output, both in China and Cardiff, now at required rate to complete full production program to schedule
- Set 78 planned for delivery in mid-2014
- Performance of trains in service continues to be very good, TLS continues to ramp up

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Current build progress

Status	Train Set No.	Status	Train Set No.
Passenger service	3,4,5,6,7,8,9, 10,11,15,16,17,18, 19,20,21,22,23,24, 25,26,27,28,29,30, 31,32,33	At Dalian Port	48
Being prepared for Practical Completion	14,34,35	At CRC ready for dispatch to Port	49
Cardiff under test	36,37,38,39	In CRC Fitout Shop	50,51,52,53,54
Cardiff in production / post-production	13,40,41,42	In CRC awaiting fitout	54,55,56
Cardiff waiting production	12,43,44	In CRC Bodyshell Production	56,57,58,59
In transit from China	45,46,47	In CRC for retrofit	1,2

Performance

- Fleet has now passed 2.7 million kilometres in 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
- 14 trains have now achieved the Final Completion reliability milestone of 2 delay incidents in 50,000km; this is significantly ahead of the bid assumption
- Current performance trends indicate the fleet will meet and possibly exceed the design reliability target of 1 delay incident in 50,000km
- The initial reliability of the Sets from production into service has improved considerably as a result of build quality and reliability growth improvements

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Forecast cost at completion

- No material change in FCAC over 6 months to 31 December 2012
- $51 million general contingency remaining

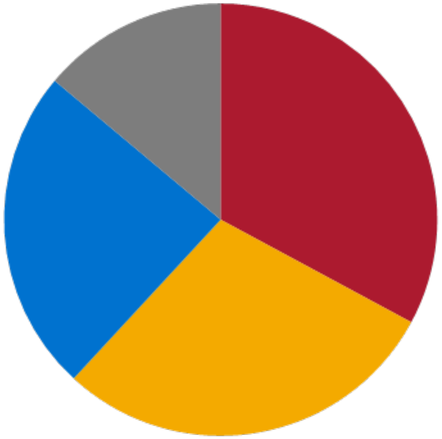
$m	Jun 12	Change	Dec 12
Materials & Sub-Contracted Components	1,053	15	1,068
Labour	325	(3)	322
Engineering Services	156	-	156
Transport, Logistics & Procurement	166	2	168
Project Management	137	-	137
Insurance, Bonding & Finance	55	(5)	50
Forecast Liquidated Damages	175	(1)	174
Manufacturing Delay Account interest receivable	(101)	6	(95)
Other Costs	88	-	88
General Contingency	64	(13)	51
Total FCAC	**2,118**	**1**	**2,119**
Total Revenue	**1,688**	**1**	**1,689**
FCAC Profit/(Loss)	**(430)**	**-**	**(430)**

- FY13 net cash outflow ~ $25-30 million
- FY14/FY15 net cash inflow ~ $170-180 million (including $95 million MDA interest)

Outlook

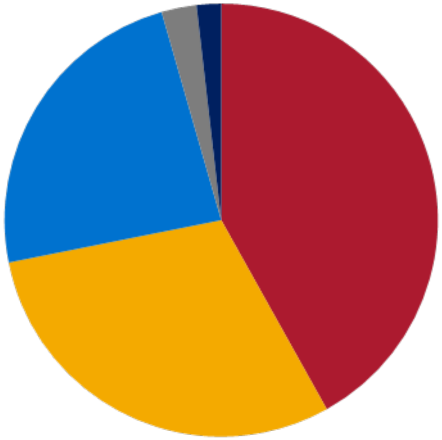
Work-in-hand: ~$19 billion

Work-in-hand by division[1]



	Mining	$6.2 billion	33%
	Infrast Aus	$5.5 billion	29%
	Rail	$4.6 billion	24%
	Infrast NZ	$2.6 billion	14%
	TOTAL	**$18.9 billion**	

Work-in-hand by type[1]



	Schedule of rates	$7.9 billion	42%
	Fixed price	$5.7 billion	30%
	Recurring/annuities[2]	$4.5 billion	24%
	Cost plus	$0.5 billion	<3%
	Alliance	$0.3 billion	2%
	TOTAL	**$18.9 billion**	

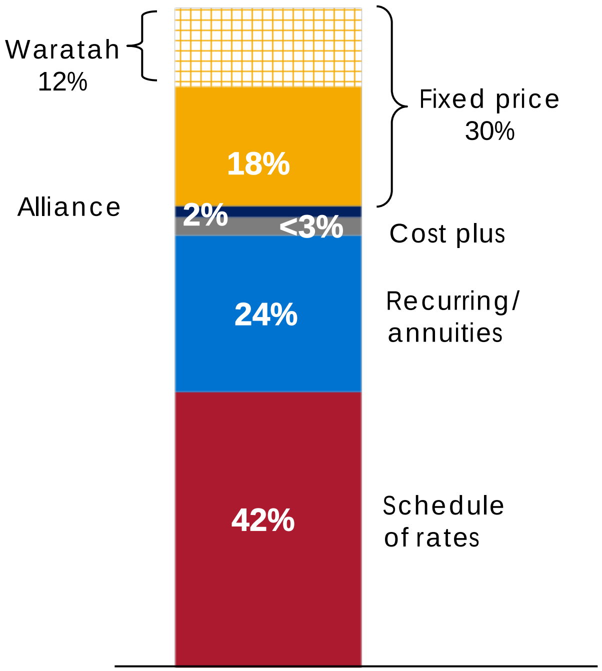
1 Work-in-hand value as at 31 December 2012 rounded to one decimal point. Percentage splits rounded to nearest whole per cent

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	3%	✓
Waratah – RSM	$1,650 million	80%	x
KDR – Yarra Trams	$1,400 million	39%	✓
PSMC – RTA North Sydney	$340 million	51%	✓
Millennium Train maintenance	$289 million	58%	✓
QR Tilt Train	$190 million	55%	✓
Western Power 330 KV transmission line	$175 million	12%	✓
E&I contract - Pilbara	$142 million	69%	✓
Mornington Peninsula	$130 million	48%	✓
CSBP - AN Plant	$100 million	36%	✓

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

Group outlook

Downer expects to deliver underlying EBIT of around $370 million and NPAT of around $210 million for the 2013 financial year.

Supplementary information

Reconciliation of underlying result to statutory result

$m	HY13 EBIT	HY13 NPAT
Underlying result[1]	**180.8**	**105.5**
Individually Significant Item:		
• Singapore Tunnel provision	(11.5)	(11.5)
Statutory result	**169.3**	**94.0**

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 will pay SPPA a total of $39.3 million, of which $27.8 million was already held against the claim.

Downer