Downer Group 2015 Full Year Results

6 August 2015

Financial overview

Earnings	▪ Net Profit After Tax (NPAT) $210.2 million, down 2.7% ▪ Earnings Before Interest and Tax (EBIT) $309.7 million, down 9.2% ▪ Return on Funds Employed (ROFE) 14.7%, down from 16.8%
Revenue	▪ Total revenue[1] $7,430.1 million, down 3.9%
Cash flow	▪ Operating cash flow $486.5 million, EBITDA conversion 88.5%
Work in hand	▪ Work in hand[2] $18.5 billion, up 5.1% from June 2014
Balance sheet	▪ Net debt[3] $179.0 million, up from $32.7 million at June 2014 ▪ Gearing[4] 8.1% (14.0% including off-balance sheet debt)
Capital management	▪ Final dividend declared: 12 cps, 100% franked, no DRP
Zero Harm	▪ LTIFR of 0.86, down from 1.08 at June 2014 ▪ TRIFR of 3.78, down from 4.83 at June 2014

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 Work-in-hand numbers are unaudited.
3 Adjusted for the mark-to-market of derivatives and deferred finance charges.
4 Gearing = Net debt / net debt + equity. Gearing including off-balance sheet debt based on present value of plant and equipment operating leases discounted at 10% pa: $151.1m (June 2014: $166.8m).

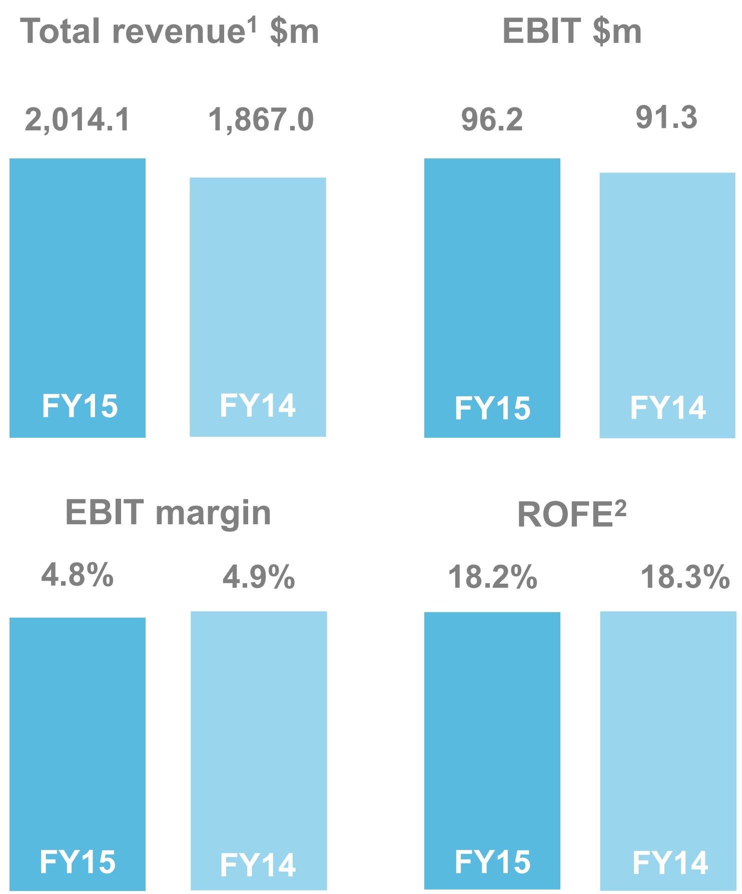
New segment reporting

Downer announced a restructure of its business in January 2015. For ease of analysis, Downer has reported its segment results under both the former operating structure (Infrastructure, Mining, Rail) and the new service line structure (Transport Services; Technology and Communications Services; Utilities Services; Engineering, Construction and Maintenance; Mining; and Rail).

The table below shows a reconciliation between the former and new structures:

FY15 structure	FY16 structure
Infrastructure Australia (DI-AU) and New Zealand (DI-NZ)	Transport Services
	Technology & Communications Services
	Utilities Services
	Engineering, Construction & Maintenance (EC&M)
Mining	Mining
Rail	Rail

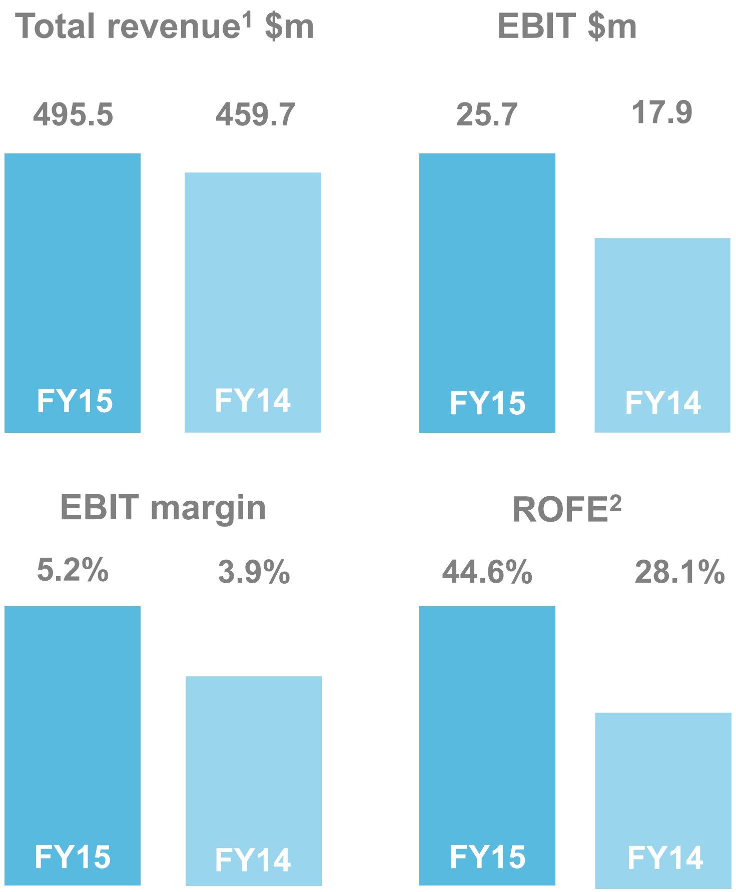
Transport Services



- Comprises the Group's road, rail, airport and port infrastructure businesses
- Strong performance by NSW and Victorian road services offset by tougher conditions for Queensland road services; rail infrastructure below expectations
- NZ continued to improve, adapting to a more competitive environment and maintaining a strong market share
- Acquired VEC Civil Engineering, a specialist in bridges and structures, to complement existing infrastructure projects offerings
- ACTivate consortium short-listed to build, operate and maintain Canberra's new light rail system

1 Total revenue includes joint ventures and other income.
2 ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

Technology and Communications Services



- Comprises the Group's fibre, copper and radio network infrastructure businesses
- Revenue up 7.8%, EBIT up 43.6%
- Awarded a new five-year contract by nbn™ in June 2015 to continue rolling out the NBN under the new Multi-technology Mix model. The contract is valued at around $100 million in the first year.
- Signed a new agreement with Chorus (New Zealand) to deliver Ultra-Fast Broadband fibre network connections for around 300,000 homes

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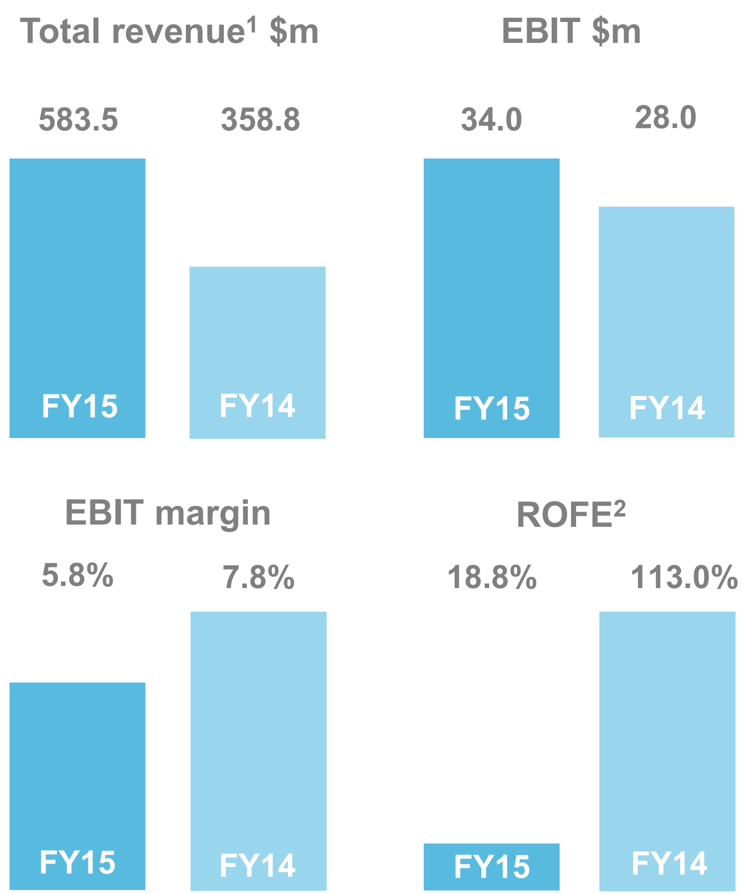
Utilities Services



- Comprises the Group's power, gas and water network infrastructure and renewable energy businesses
- Includes eight months' contribution from Tenix - $387.4 million revenue, $16.6 million EBIT ($23.2 million EBIT excluding amortisation)
- Awarded several significant contracts:
  - $180 million contract extension with Logan City Council, for water/wastewater services
  - $180 million contract extension with United Energy for operations and maintenance and augmentation services
  - $130 million contract for electrical and construction services on Ararat Wind Farm, Victoria
- Significant opportunities from NSW privatisation of power distributors and the need for other States to significantly improve efficiency of networks

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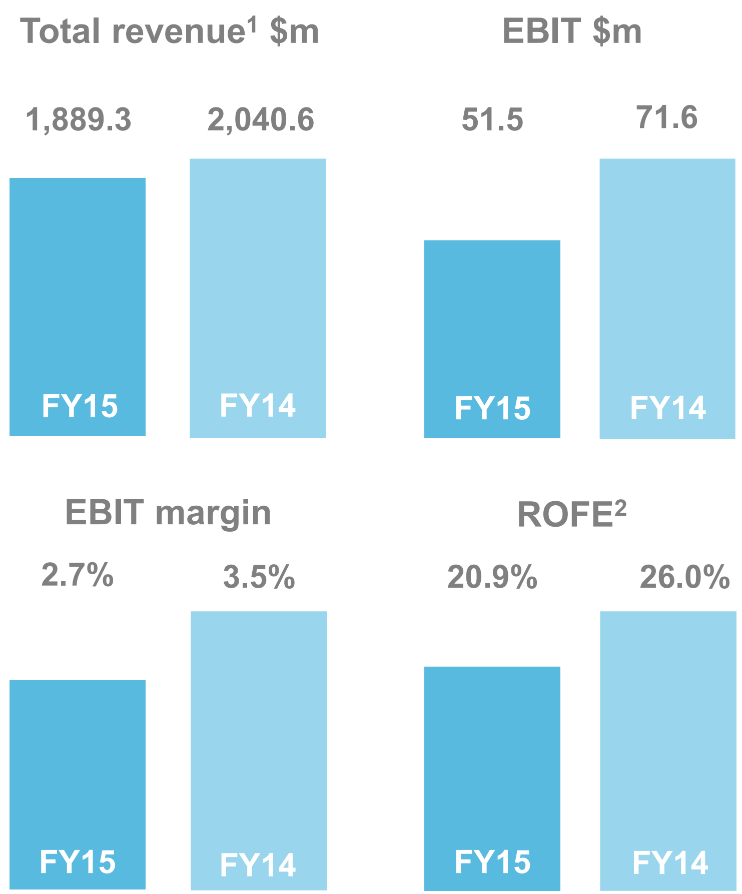
Engineering, Construction & Maintenance



- Comprises the Group's industrial and commercial construction and maintenance businesses and resource based consultancies, QCC and Mineral Technologies (MT)
- Challenging year due primarily to $11.4 million of losses for QCC and MT and project underperformance in WA
- Awarded contract in September 2014 for miscellaneous works on the Chevron-operated Gorgon LNG project, valued at up to $170 million
- Also mobilising at Chevron-operated Wheatstone LNG project
- Business restructured to operate nationally rather than by geographic region – better aligned to customers, reduced management layers and functional overhead

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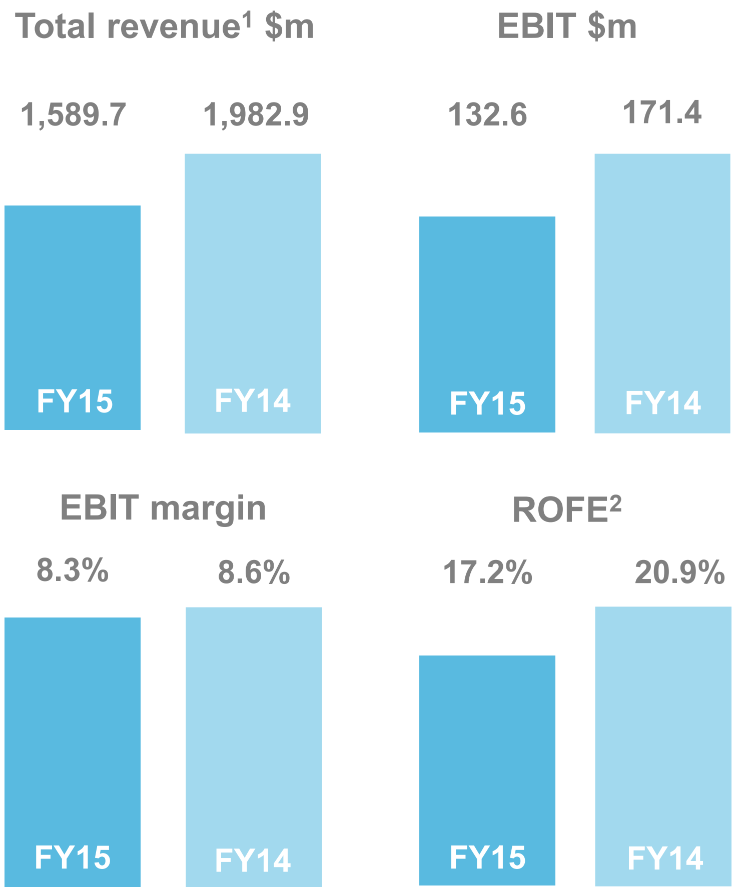
Mining



- Revenue and EBIT declines due to a number of contract completions and volume reductions
- Fewer opportunities for blasting business and pricing pressure on Ammonium Nitrate supply
- Several contract wins during the year:
  - Blackwater coal mine extension (BMA), $100 million over two years
  - Cobar copper mine (Cobar Management), $70 million over two years
  - Christmas Creek iron ore mine (Fortescue) expanded contract, c. $500 million p.a.
- Snowden consultancy now part of Mining, expanding front end solutions capability

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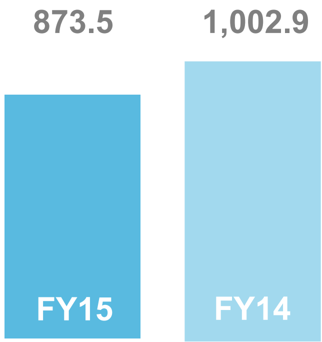
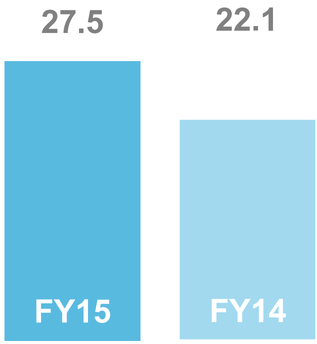
Rail

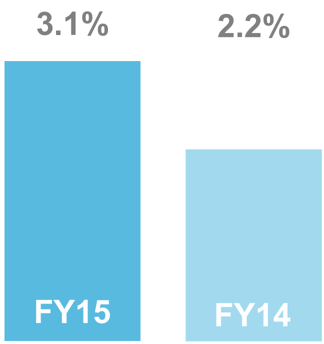
Total revenue[1] $m



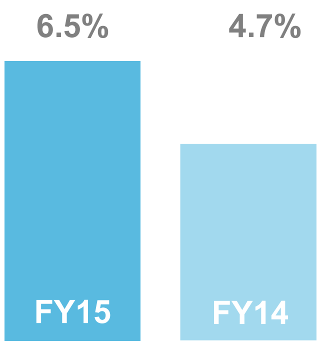
EBIT $m



EBIT margin



ROFE[2]



- Lower revenue due to completion of passenger manufacture contracts
- Increased EBIT driven by productivity improvements, lower restructuring costs and strong contribution from Keolis Downer (Yarra Trams, Gold Coast Light Rail)
- Awarded 10 year, $1.0 billion contract with Pacific National to provide full suite of asset management services for over 300 locomotives
- Keolis Downer acquired Australian Transit Enterprises, one of Australia's largest route, school and charter bus businesses
- ACTivate consortium short-listed to build, operate and maintain Canberra's new light rail system (bid costs $10-15 million)
- Other major bids: Transport for NSW inter-city fleet (bid costs $10-15 million); Victorian next generation trains (bid costs $10-15 million)

1 Total revenue includes joint ventures and other income.
2 ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

Group financials

Financial performance

$m	FY15	FY14	Change (%)
Total revenue[1]	7,430.1	7,734.6	(3.9)
EBITDA	562.8	607.5	(7.4)
EBIT	309.7	341.1	(9.2)
Net interest expense	(29.9)	(43.0)	30.5
Tax expense	(69.6)	(82.1)	15.2
Net profit after tax	**210.2**	**216.0**	**(2.7)**
EBIT margin	4.2%	4.4%	
Effective tax rate	24.9%	27.5%	
ROFE[2]	14.7%	16.8%	
Dividend declared (cents per share)	24.0	23.0	4.3

1 Total revenue includes joint ventures and other income.
2 ROFE = EBIT divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt + Equity.

Summary of earnings

$m	Total	Transport	Tech & Comm	Utilities	EC&M	Mining	Rail	Corp
Statutory EBIT	**309.7**	**96.2**	**25.7**	**34.0**	**51.5**	**132.6**	**27.5**	**(57.8)**
Add back unfavourable item:								
• Restructuring costs	21.6	5.4	0.9	2.6	0.8	5.6	3.7	2.6
• Tenix acquisition costs	5.2							5.2
• Consultancy losses	16.9				11.4	5.5		
Less favourable items:								
• R&D FY14 true up	(15.1)							(15.1)
• WTP MDA interest	(4.0)						(4.0)	
• Contract settlements	(14.8)							(14.8)
Adjusted EBIT (approx)	**319.5**	**101.6**	**26.6**	**36.6**	**63.7**	**143.7**	**27.2**	**(79.9)**

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Operating cash flow

$m	FY15	FY14
EBIT	309.7	341.1
Add: depreciation & amortisation	253.1	266.4
EBITDA	**562.8**	**607.5**
Operating cash flow	**486.5**	**583.4**
Add: Net interest paid[1]	25.2	43.3
Tax paid	49.0	41.7
Waratah Train Project net cash (inflow)[2]	(62.6)	(93.0)
Adjusted operating cash flow	**498.1**	**575.4**
EBITDA conversion	**88.5%**	**94.7%**

1 Interest and other costs of finance paid minus interest received.

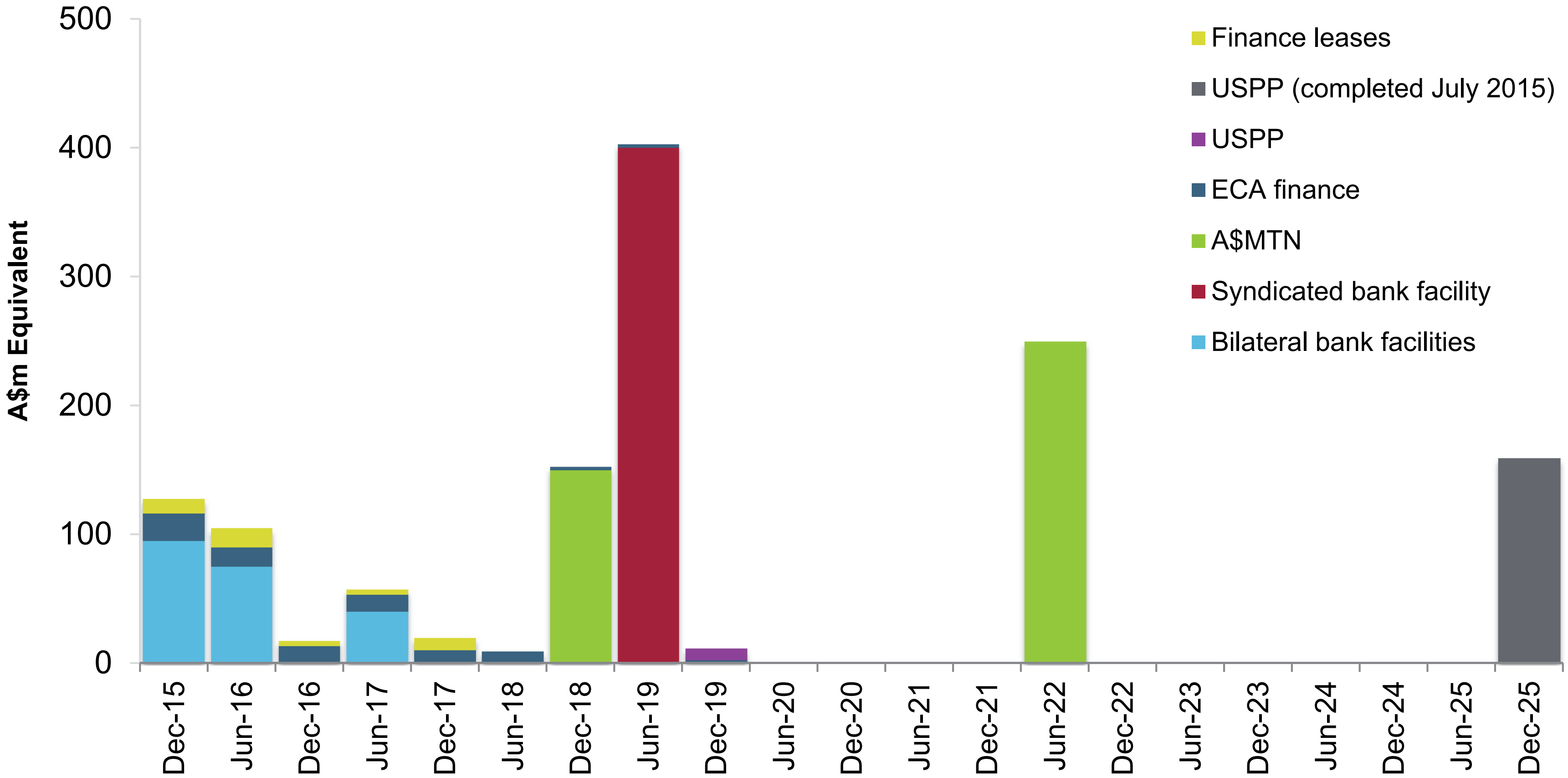
2 Unaudited.

Cash flow

$m	FY15	FY14
Total operating	**486.5**	**583.4**
Net capital expenditure	(98.3)	(249.6)
Tenix, ATE and VEC acquisitions	(368.3)	-
Other	(31.6)	(29.2)
Total investing	**(498.2)**	**(278.8)**
On-market share buy-back[1]	(11.7)	-
Net proceeds/(repayment) of borrowings	79.7	(260.9)
Dividends paid	(114.8)	(95.6)
Total financing	**(46.8)**	**(356.5)**
Net decrease in cash held	(58.5)	(51.9)
Cash at 30 June	**372.2**	**431.8**
Total liquidity[2]	**982.2**	**1,048.8**

1 As at 30 June 2015, Downer had bought back 2.7 million shares, reducing the total number of shares outstanding to 432.7 million.
2 Refer to slide 25 for details.

Debt maturity profile



Weighted average debt duration (30 June 2015): **3.5 years**

- Including new USPP maturing 2025[1]: **4.3 years**

1 On 8 July 2015, Downer completed a new issue of 10 year fixed rate senior unsecured US Private Placement Notes, in tranches of US$100 million and A$30 million.

Balance sheet and capital management

$m	FY15	FY14
Total assets	4,004.4	3,868.4
Total shareholders' equity	2,035.3	1,962.0
Net debt[1]	179.0	32.7
Gearing: net debt to net debt plus equity	8.1%	1.6%
Gearing (including off balance sheet debt)[2]	14.0%	9.2%
Adjusted net debt / adjusted EBITDAR[3]	1.9	1.8
Interest cover	10.4	7.9

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: $151.1m (2014: $166.8m).
3 Calculation based on statutory accounts. 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 operating lease rental expense (on a rolling 12 month basis).

Outlook

Work-in-hand: $18.5 billion

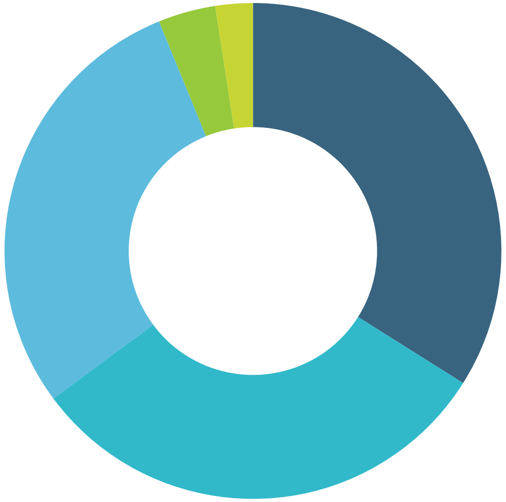
By Division - old structure

Infrastructure - AUS	$7.6b (41%)
Infrastructure - NZ	$2.7b (15%)
Mining	$3.1b (17%)
Rail	$5.1b (27%)

By Division[1] – new structure

Rail	$5.1b (27%)
Transport Services	$4.3b (24%)
Mining	$3.1b (17%)
EC&M Services	$2.8b (15%)
Utilities Services	$2.1b (11%)
Technology and Communications Services	$1.0b (6%)

By contract type[1]



Fixed Price / Lump Sum	$6.3b (34%)
Schedule of Rates	$5.7b (31%)
Recurring / Annuities	$5.3b (29%)
Alliance	$0.7b (4%)
Cost Plus	$0.4b (2%)

1 Does not add up precisely to $18.5 billion due to rounding.

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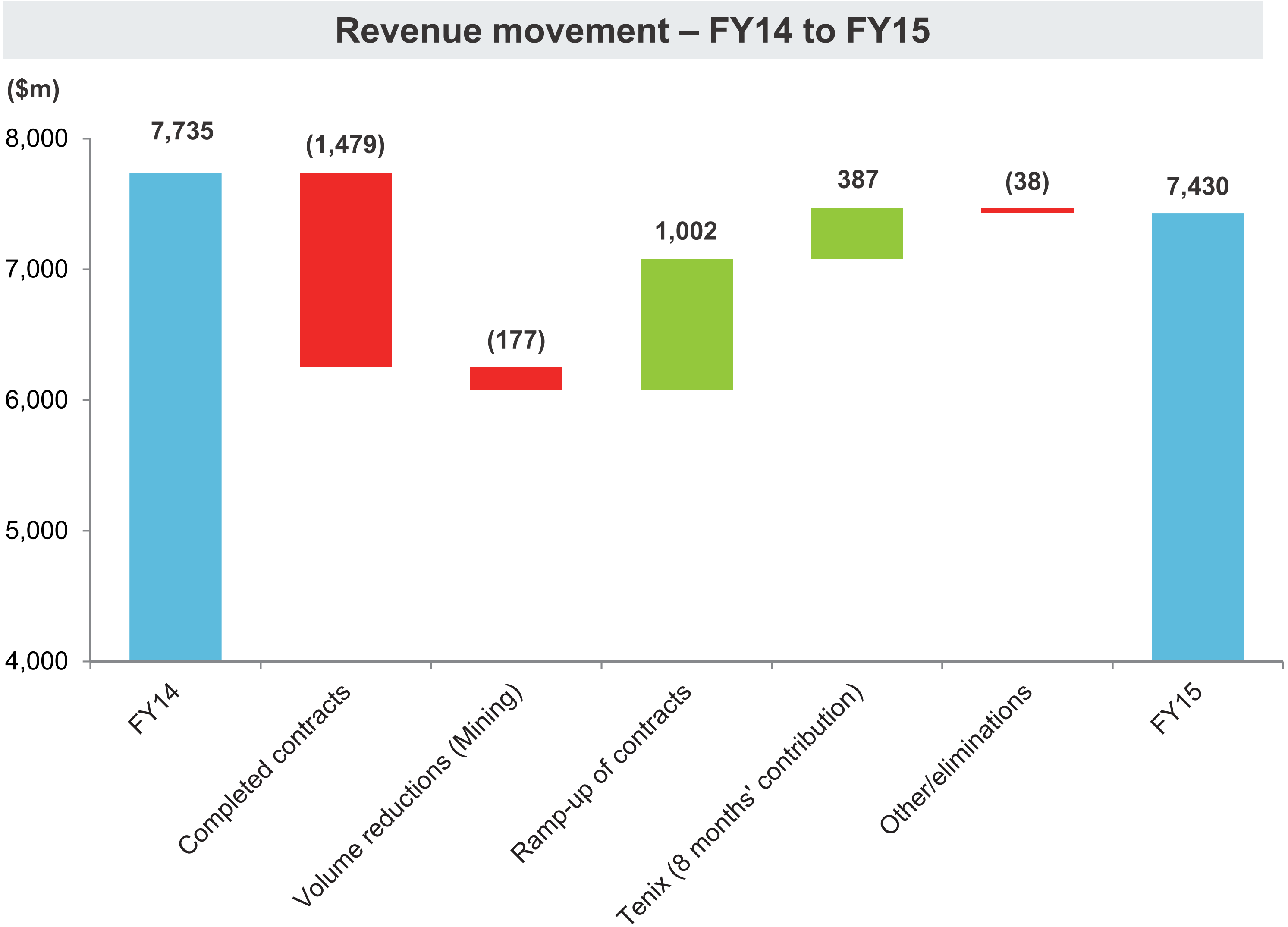
Outlook

- Downer's business mix has provided a sound base
- Providing guidance for the 2016 financial year has proven more difficult than in the past five years
- In this environment, it is difficult to predict the flow of uncontracted revenue, which is slightly higher than at this time last year
- For the 2016 financial year, Downer is targeting NPAT of around $190 million.

Supplementary information

Group revenue – FY14 to FY15



FY15 audited segment reporting

The tables below show FY15 revenue and EBIT under the former and new reporting structures.

HISTORICAL REPORTING STRUCTURE						
2015 $m	Infrastructure Australia	Infrastructure New Zealand	Mining	Rail	Unallocated	Total
Segment revenue	3,669.4	1,202.0	1,532.4	611.6	4.5	7,019.9
Share of sales from JVs and Associates	84.8	6.2	57.3	261.9	-	410.2
Total revenue	3,754.2	1,208.2	1,589.7	873.5	4.5	7,430.1
EBIT	144.4	59.3	132.6	27.5	(54.1)	309.7
EBIT margin	3.8%	4.9%	8.3%	3.1%	-	4.2%

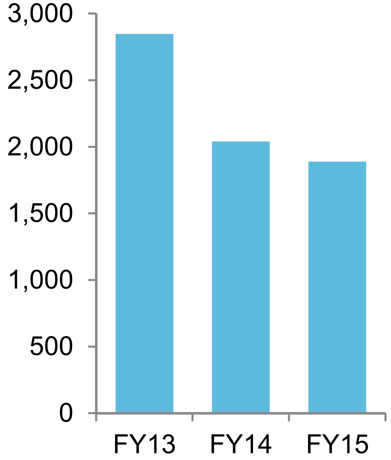
NEW REPORTING STRUCTURE								
2015 $m	Transport Services	Technology and Communications Services	Utilities Services	EC&M	Mining	Rail	Unallocated	Total
Segment revenue	1,953.5	495.5	583.5	1,858.9	1,532.4	611.6	(15.5)	7,019.9
Share of sales from JVs and Associates	60.6	-	-	30.4	57.3	261.9	-	410.2
Total revenue	2,014.1	495.5	583.5	1,889.3	1,589.7	873.5	(15.5)	7,430.1
EBIT	96.2	25.7	34.0	51.5	132.6	27.5	(57.8)	309.7
EBIT margin	4.8%	5.2%	5.8%	2.7%	8.3%	3.1%	-	4.2%

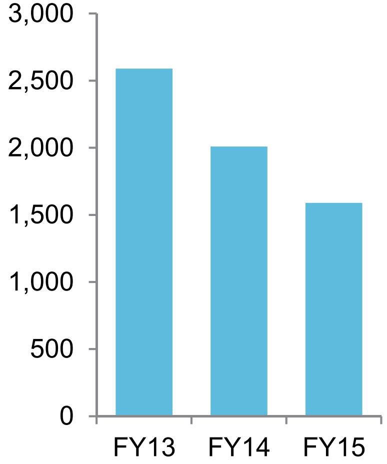
New divisional structure – historical financials

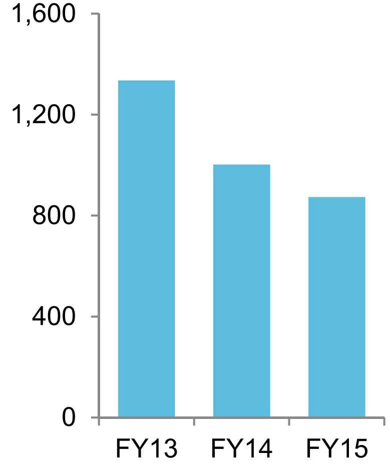
New divisional structure – historical financials

EC&M | **Mining** | **Rail**

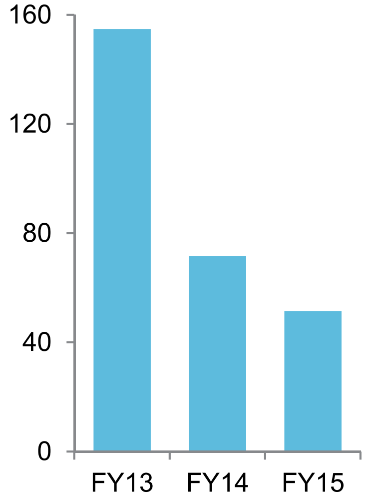
Revenue ($m)

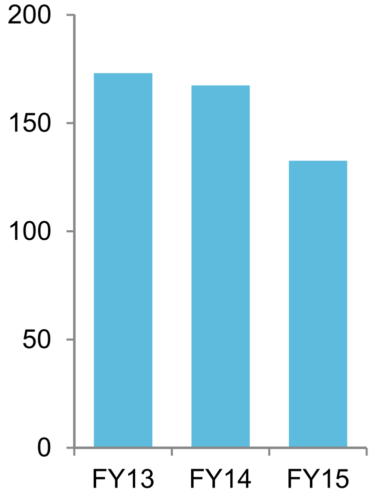


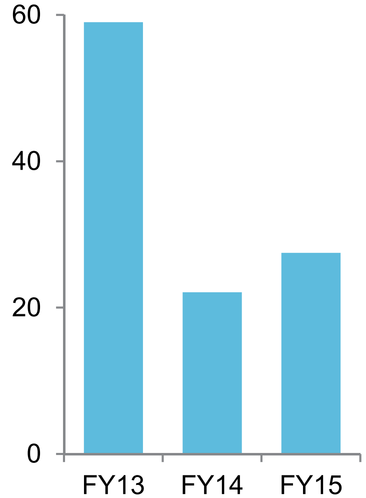




EBIT ($m)







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Debt and bonding facilities

Debt facilities	$m
Total facilities	1,158.1
Drawn	548.1
Available facilities	**610.0**
Cash	372.2
Total liquidity	**982.2**

Debt facilities by type	%
Syndicated bank facility	34
A$MTN	34
Bilateral bank facilities	18
ECA finance	9
Finance leases & other	4
USPP[2]	1
	100

Bonding facilities	$m
Total facilities	1,333.3
Drawn	808.4
Available facilities	**524.9**

Debt facilities by geography	%
Australia/NZ	64
Asia[1]	19
North America	12
Europe	5
	100

1 Including A$ Medium Term Notes sold to Asian domiciled investors measured at financial close of the transaction.
2 Excludes USPP closed 8 July 2015.

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Downer

Relationships creating success