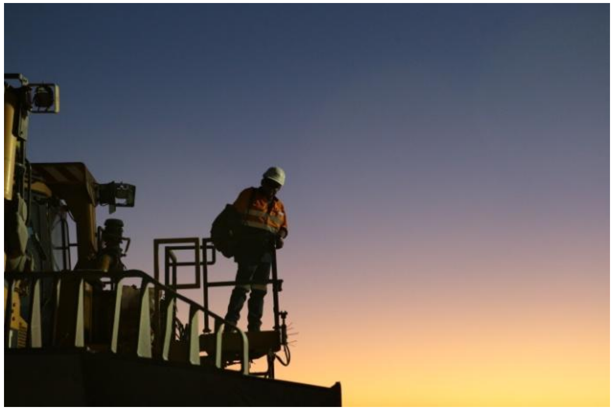
Downer Group 2014
Half Year Results

4 February 2014



Financial overview

Earnings	• Net Profit After Tax (NPAT) $99.1 million, up 5.4%[1] • Earnings Before Interest and Tax (EBIT) $160.1 million, down 5.4%[1] • Return on Funds Employed (ROFE) 16.6%, down from 16.9%[1]
Revenue	• Total revenue[2] $3.9 billion, down 16.7%
Cash Flow	• Operating cash flow $280.3 million, up 54.9%
Work-in-hand	• Work-in-hand[3] remains strong at $19.6 billion, up from $19.0 billion
Balance Sheet	• Net debt[4] $169.7 million, down 30.1% (from June 2013) • Gearing[5] 8.2% (16.2% including off-balance sheet debt)
Dividend	• Interim dividend declared: 11.0 cents per share, 70% franked
Zero Harm	• LTIFR of 0.76, down from 0.77 • TRIFR of 4.82, down from 5.49

1 (i) Based on statutory numbers. (ii) Following the adoption of AASB11 Joint Arrangements in the current period, prior period comparatives have been re-stated.

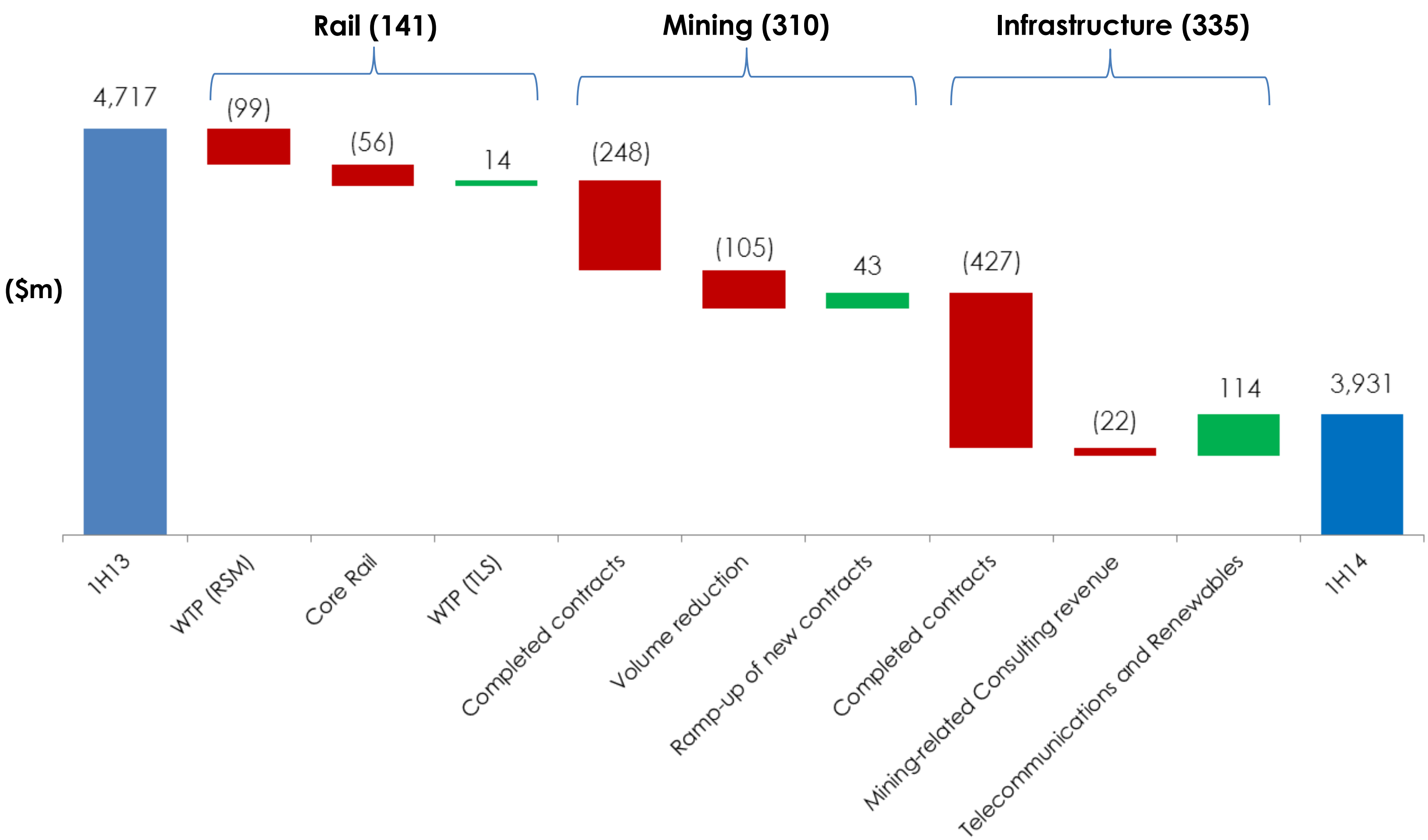
2 Total revenue is a non-statutory disclosure and includes revenue from joint ventures and other alliances and other income. Note: the Company considers Total Revenue to be an appropriate measure due to an industry trend toward joint venture models to meet the needs of engineering, procurement and construction (EPC) customers with regard to large scale integrated projects.

3 Work-in-hand numbers are unaudited.

4 Adjusted for the mark-to-market of derivatives and deferred finance charges.

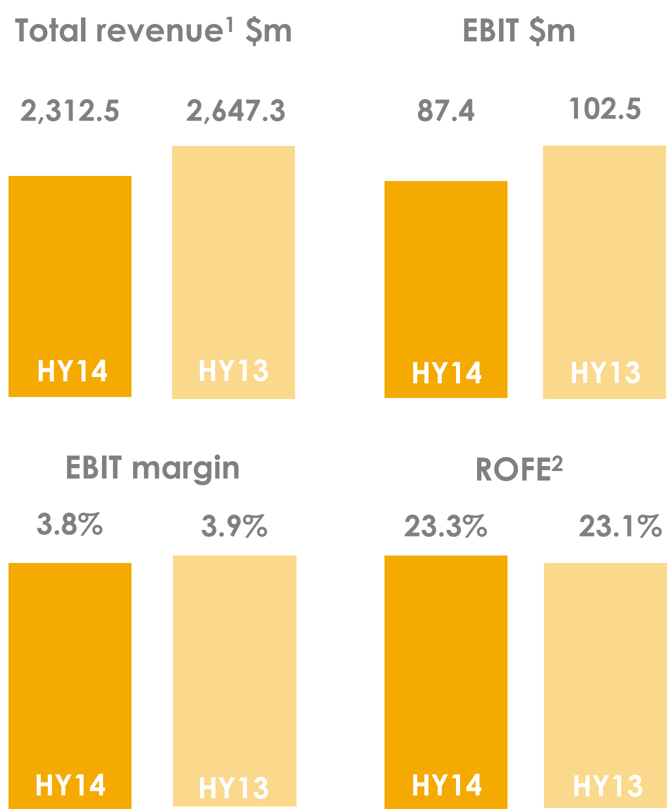
5 Gearing = Net debt / net debt + equity. Gearing including off-balance sheet debt includes the present value of plant and equipment operating leases discounted at 10% pa: $198.1m (June 2013: $231.8m).

Group revenue: 1H13 to 1H14



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

Infrastructure

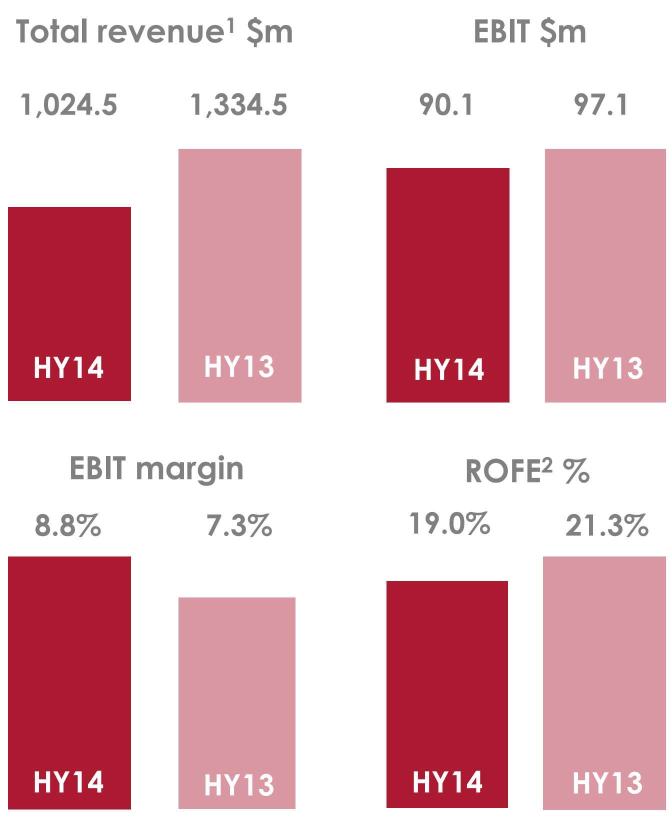


- Challenging market conditions :
  - reduction in mining- related capital works; project deferrals and cancellations
  - ongoing reduction in costs and overheads
- Improved New Zealand result
- Significant contract wins to contribute in FY15:
  - Wheatstone E&I ($400 million)
  - Sydney West Zone Stewardship Maintenance Contract (Downer share $350 million)
  - Yandi E&I ($80 million), starting early 2014

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.

Mining

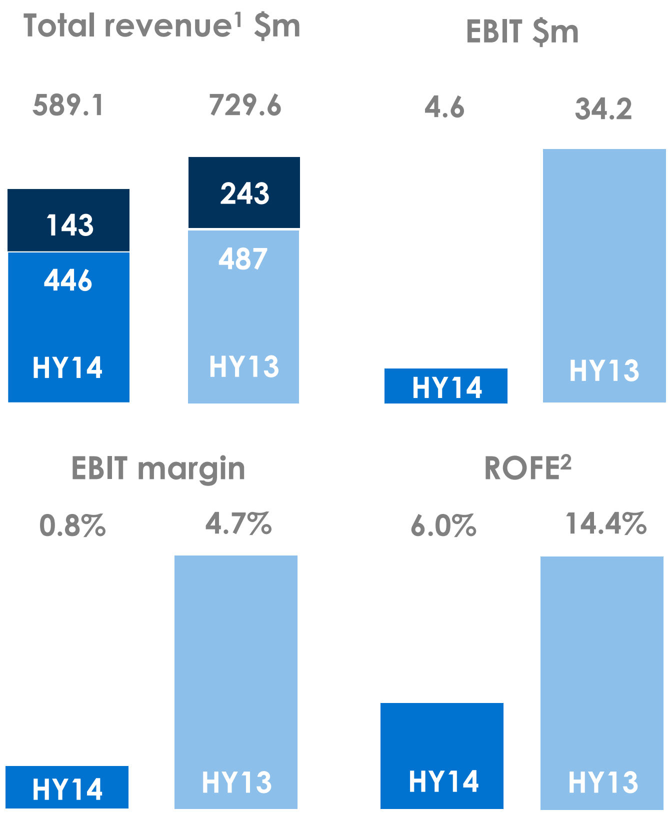


- Revenue down as a result of contracts finishing and volume reductions
- Ongoing focus on productivity improvements, cost efficiencies and optimal equipment funding
- In November 2013, awarded 4.5 year, $500 million mining services contract with Roy Hill Iron Ore, scheduled to start early 2014 calendar year
- Currently bidding on a range of opportunities

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.

Rail



- Lower revenue due to WTP RSM contract nearing completion and significant reduction in locomotive sales and maintenance activity
- $10.5 million restructuring costs as business transforms from manufacturing to asset management:
  - substantial reduction in headcount
  - site consolidation
- Positive earnings momentum for second half of FY14

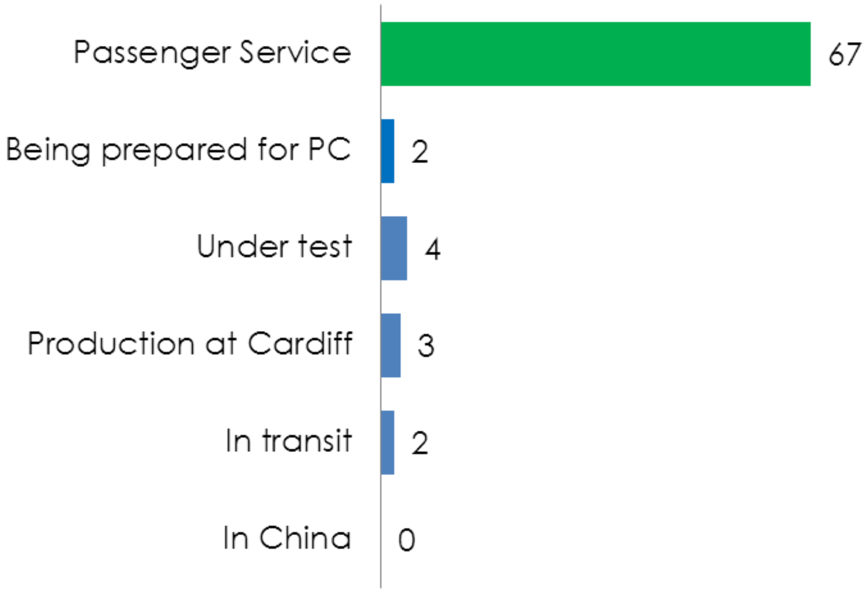
1 Total revenue includes joint ventures and other income. Total revenue shows the combination of revenue related to the underlying business HY14 $446m (HY13: $487m) and the Waratah RSM contract HY14 $143m (HY13: $243m).

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

Downner

Waratah Train Project (WTP)

Status of Waratah fleet: 78 sets



- 67 trains now available for passenger service
- 78th train on target for delivery to Transport for NSW in May 2014
- Performance continues to be very good; 'Through Life Support' contract at maximum staffing levels
- 17 trains have achieved Final Completion
- 36 more 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
- General contingency of $21 million remaining

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Group Financials

Financial performance

$m	HY14	HY13[3]	Change (%)
Total revenue[1]	3,931.1	4,716.6	(16.7)
EBITDA	297.5	324.2	(8.2)
EBIT	160.1	169.3	(5.4)
Net interest expense	(23.7)	(32.7)	27.3
Tax expense	(37.2)	(42.6)	12.6
Net profit after tax	**99.1**	**94.0**	**5.4**
Effective tax rate	27.3%	31.2%	
ROFE[2]	16.6%	16.9%	
Dividend (cents per share)	11.0	10.0	10.0

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.
3 (i) Based on statutory numbers. (ii) Following the adoption of AASB11 Joint Arrangements in the current period, prior period comparatives have been re-stated.

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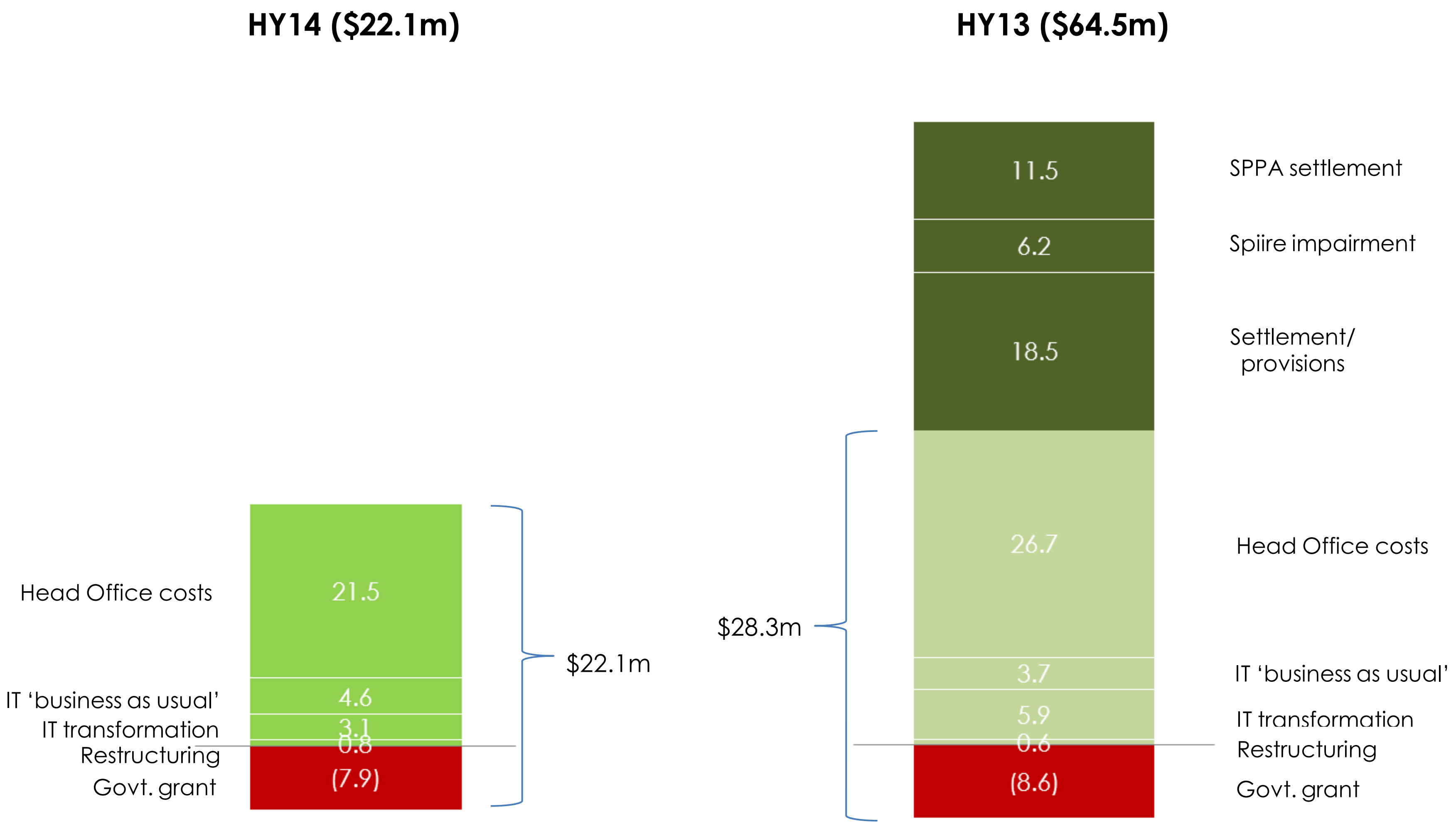
Summary of earnings

$m	Total[1]	Infrastructure	Mining	Rail	Corporate
Statutory EBIT	**160.1**	**87.4**	**90.1**	**4.6**	**(22.1)**
Add back unfavourable item:					
• Redundancy costs	18.3	7.0		10.5	0.8
Less favourable item:					
• Government grant	(7.9)				(7.9)
Adjusted EBIT (approx)	**170.5**	**94.4**	**90.1**	**15.1**	**(29.2)**

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

Unallocated items (corporate costs)



Operating cash flow

Operating cash flow ($m)	HY14	HY13[1]
EBIT	160.1	169.3
Add: Depreciation & Amortisation	137.4	154.9
EBITDA	**297.5**	**324.2**
Operating cash flow	**280.3**	**181.0**
Add: Net interest paid[2]	25.4	32.8
Tax paid	16.4	9.8
Waratah Train Project net cash (inflow)/outflow[3]	(28.1)	69.9
Singapore Tunnel settlement	-	7.8
Adjusted Operating cash flow	**294.0**	**301.2**
EBITDA conversion	**98.8%**	**92.9%**

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

1 (i) Based on statutory numbers. (ii) Following the adoption of AASB11 Joint Arrangements in the current period, prior period comparatives have been re-stated.

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

3 Unaudited.

Cash flow

$m	HY14	HY13[1]
Total operating	280.3	181.0
Total investing	(163.8)	(220.4)
Total financing	(237.7)	(47.5)
Net increase/(decrease) in cash held	(121.2)	(87.0)
Cash at 31 December	**363.5**	**222.3**

[1] Following the adoption of AASB11 Joint Arrangements in the current period, prior period comparatives have been re-stated.

Balance sheet and capital management

$m	Dec 13	Jun 13[5]
Total assets	3,952.3	4,239.8
Total shareholders' equity	1,897.3	1,826.6
Net debt[1]	169.7	242.7
Gearing: net debt to net debt plus equity	8.2%	11.7%
Gearing (including off balance sheet debt)[2]	16.2%	20.6%
Adjusted net debt / adjusted EBITDAR[3]	2.17	2.25
Interest cover[4]	3.21	3.05

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: $198.1m (2013: $231.8m).
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 (on a rolling 12 month basis).
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).
5 Following the adoption of AASB11 Joint Arrangements in the current period, prior period comparatives have been re-stated.

Debt and bonding facilities

Debt facilities	$m
Total facilities	1,180
Drawn[1]	533
Available facilities	**647**
Cash	364
Total liquidity	**1,011**

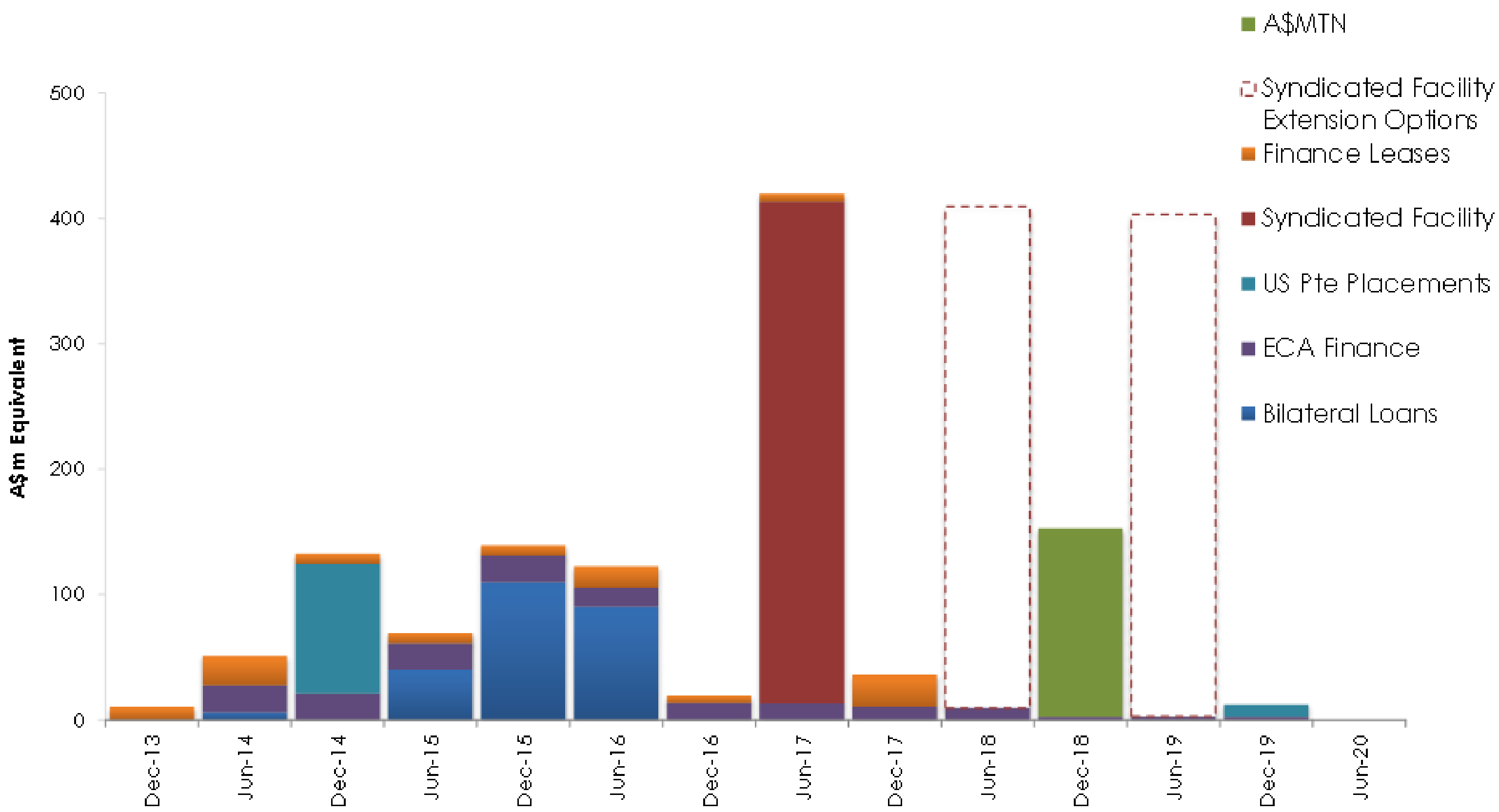
Bonding facilities	$m
Total facilities	1,361
Drawn	956
Available facilities	**405**

Debt facilities by type	%
Syndicated bank facility	34
Bilateral bank facilities	21
Capital markets: Bonds	13
ECA finance	13
Finance leases	10
Capital markets: USPP	9
	100

Debt facilities by geography	%
Australia/NZ	50
North America	20
Asia	19
Europe	11
	100

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

Debt maturity profile



Weighted average debt duration of 2.7 years

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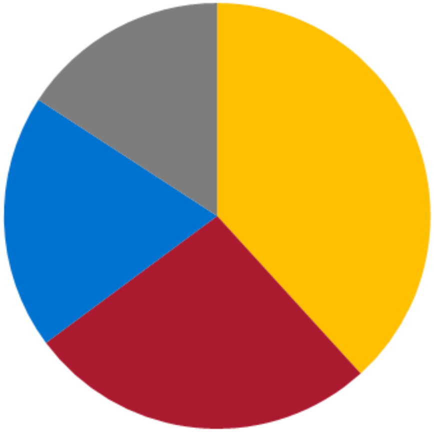
Outlook

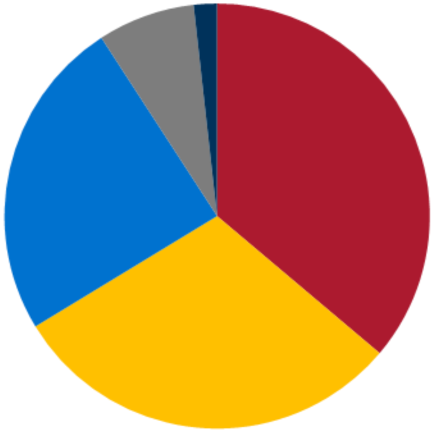
Work-in-hand: $19.6 billion

Work-in-hand by division[1]



	Infrast AU	$7.5 billion	38%
	Mining	$5.2 billion	27%
	Rail	$3.8 billion	19%
	Infrast NZ	$3.1 billion	16%
	TOTAL	**$19.6 billion**	

Work-in-hand by type[1]



	Schedule of rates	$7.1 billion	36%
	Recurring/annuities[2]	$5.9 billion	30%
	Fixed price	$4.8 billion	25%
	Alliance	$1.5 billion	7%
	Cost Plus	$0.3 billion	2%
	TOTAL	**$19.6 billion**	

1 Work-in-hand value as at 31 December 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

As expected, the 2014 financial year has been 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, 2014 has so far been a year of consolidation rather than growth and this is expected to continue through the full year.

That said, the performance of the Group in the first half of the year, including the focus on costs and efficiency, suggests that Downer is on track to meet its forecast NPAT of around $215 million for the 2014 financial year.

Supplementary information

Reconciliation of underlying to statutory result

($m)	HY14	HY13
Underlying EBIT	**160.1**	**180.8**
Individually Significant Item (SPPA settlement)	-	(11.5)
Statutory EBIT	**160.1**	**169.3**
Underlying NPAT	**99.1**	**105.5**
Individually Significant Item (SPPA settlement)	-	(11.5)
Statutory NPAT	**99.1**	**94.0**

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Waratah Train Project – Forecast Cost at Completion

$m	Jun 13 Estimate ($m)	Change	Dec 13 estimate ($m)
Materials & Sub-Contracted Components	1,074	1	1,075
Labour	323	2	325
Engineering Services	156	2	158
Transport, Logistics & Procurement	169	7	176
Project Management	137	4	141
Insurance, Bonding & Finance	51	2	53
Forecast Liquidated Damages	176	1	177
Manufacturing Delay Account interest receivable	(96)	4	(92)
Other Costs	88	(2)	86
General Contingency	41	(20)	21
Total FCAC	**2,119**	**1**	**2,120**
Total Revenue	**1,689**	**1**	**1,690**
FCAC (Loss)	**(430)**	**-**	**(430)**

Projected cash inflow:

FY14 ~ $50 million
FY15 ~ $150 million
FY18 ~ $12 million

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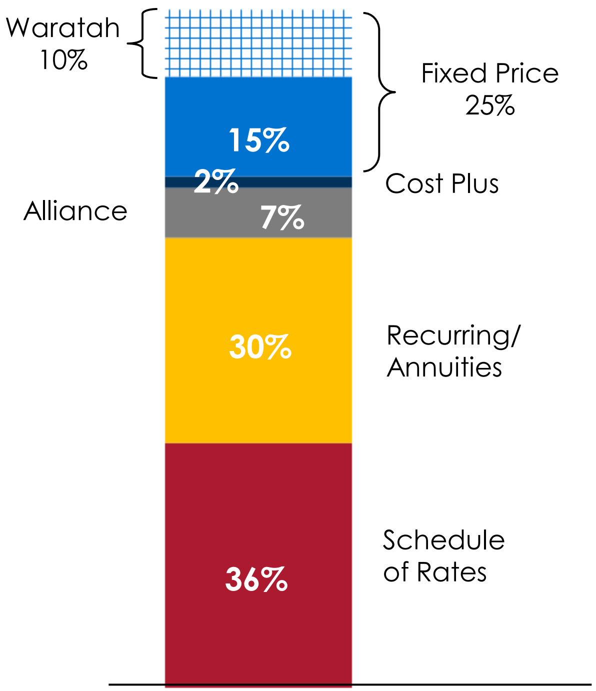
Work-in-hand

Work-in-hand by type[1]



Fixed price projects	Total value (approx)	% complete	Profitable
Waratah – TLS	$1,970 million	6%	✓
Waratah – RSM	$1,650 million	99%	X
KDR – Yarra Trams	$1,400 million	52%	✓
PSMC – RTA North Sydney	$340 million	64%	✓
Millennium Train maintenance	$290 million	64%	✓
E&I contract - Pilbara	$240 million	92%	✓
QR Tilt Train	$190 million	89%	✓
Western Power 330 KV transmission line	$175 million	76%	✓
Public Transport Authority of WA – rail maintenance	$140 million	20%	✓
Mornington Peninsula	$130 million	56%	✓
Newman HV Power System	$120 million	95%	✓

1 Work-in-hand split by type rounded to nearest whole per cent and are unaudited.

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