



2015 Half Year Results

Downer

5 February 2015

Financial overview

Earnings	<ul style="list-style-type: none">• Net Profit After Tax (NPAT) \$94.7million, down 4.4%¹• Earnings Before Interest and Tax (EBIT) \$141.7 million, down 11.5%¹• Return on Funds Employed (ROFE) 15.0%, down from 16.6%¹
Revenue	<ul style="list-style-type: none">• Total revenue² \$3.6 billion, down 8.8%
Cash Flow	<ul style="list-style-type: none">• Operating cash flow \$257.9 million, down 8.0%
Work-in-hand	<ul style="list-style-type: none">• Work-in-hand³ \$18.0 billion, down from \$19.6 billion (at December 2013)
Balance Sheet	<ul style="list-style-type: none">• Net debt⁴ \$252.7 million (post acquisition of Tenix), up from \$32.7 million (at 30 June 2014)• Gearing⁵ 11.2% (17.4% including off-balance sheet debt)
Dividend	<ul style="list-style-type: none">• Interim dividend declared: 12.0 cents per share, 100% franked
Zero Harm	<ul style="list-style-type: none">• Lost Time Injury Frequency Rate (LTIFR) of 0.93• Total Recordable Injury Frequency Rate (TRIFR) of 4.17

¹ Based on statutory numbers.

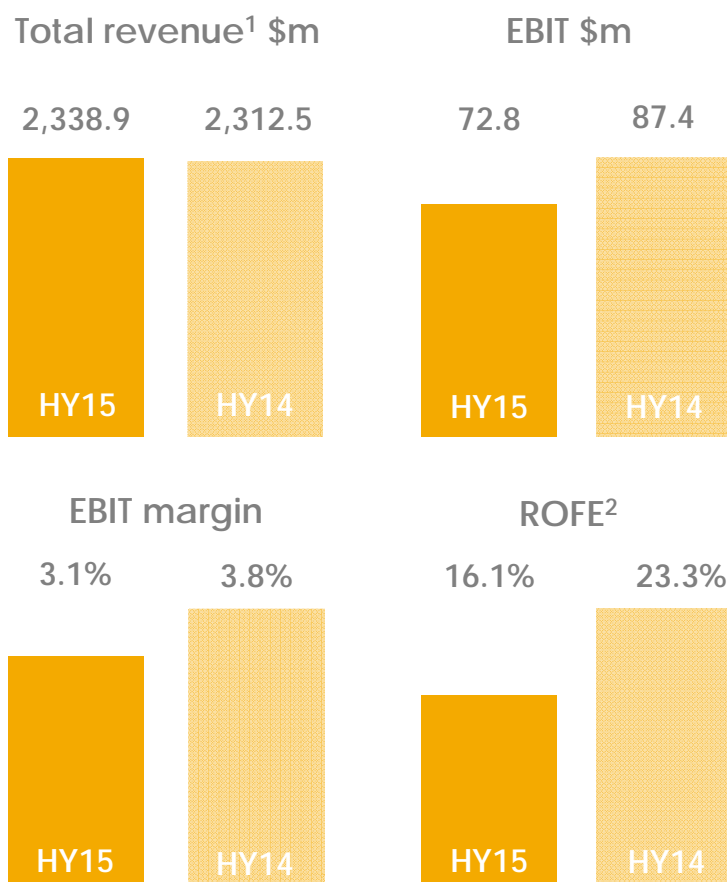
² Total revenue is a non-statutory disclosure and includes revenue from joint ventures and other alliances and other income. Note: the Company considers Total Revenue to be an appropriate measure due to an industry trend toward joint venture models to meet the needs of engineering, procurement and construction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

³ Work-in-hand numbers are unaudited. Excludes >\$2.0 billion as per two Letters of Award from Adani Mining for work on Carmichael Coal Mine, announced 19 December 2014.

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: \$167.0m (June 2014: \$166.8m).

Infrastructure

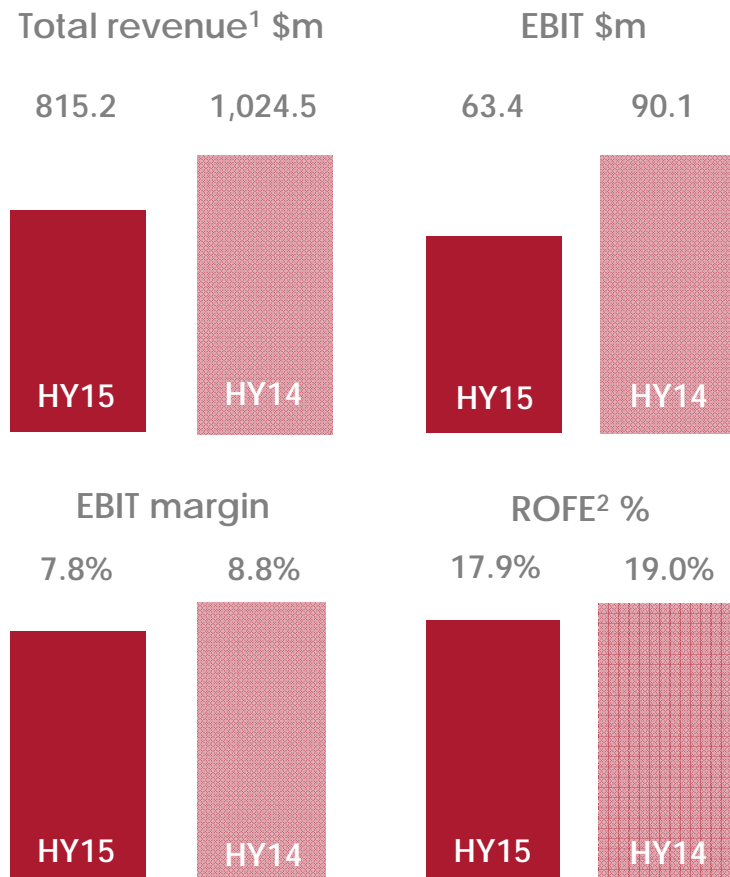


- Markets remain very challenging due to low commodity prices and reduced capital investment
- Highly competitive tendering environment with fewer opportunities, pressure on bid margins
- Consulting businesses (Snowden, QCC and Mineral Technologies) were loss-making during the period
- New Zealand affected by tighter margins and reduced UFB volumes
- Acquisition of Tenix provides platform for growth
- Solid opportunities in market sectors including Oil & Gas, Transport (road, rail, light rail), Utilities, Telecommunications
- Continuing to focus on cost efficiencies and investigating new service offerings and markets

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

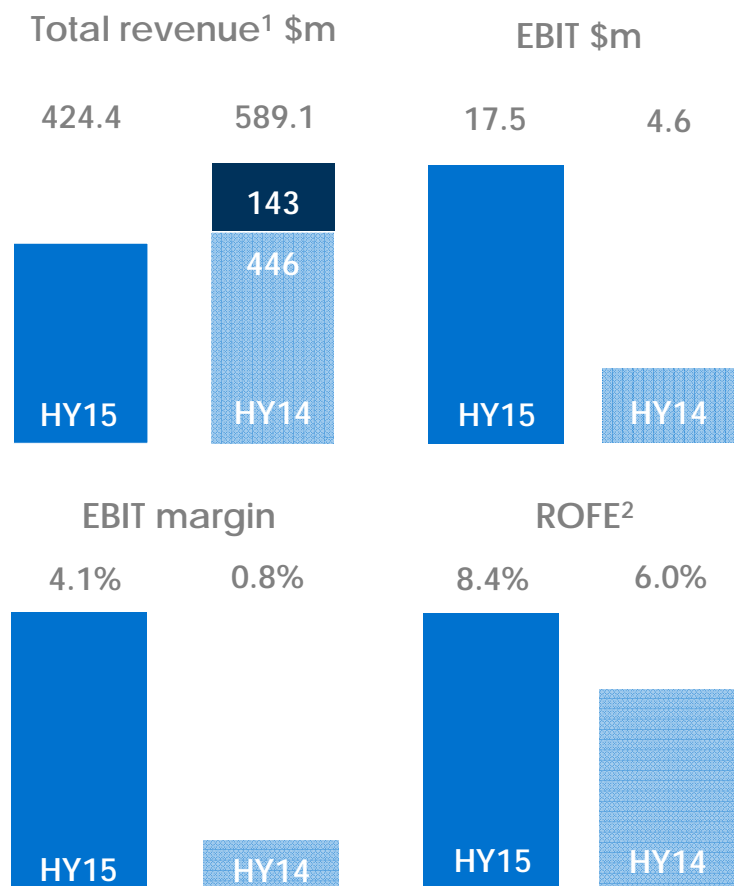


- Pressure on commodity prices continues to be a major challenge for our customers
- Lower revenue due to early termination of Goonyella, contract completion at Daunia and reduced volumes
- In December 2014 received two Letters of Award from Adani Mining, valued at over \$2.0 billion, for mining services and construction of infrastructure at the Carmichael Coal Mine in Queensland
- Opportunities to work with customers to help them take costs out of their business

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 completion of Waratah Train Project Rolling Stock Manufacture (RSM) contract
- Restructuring costs considerably lower (1H15: \$2.4 million, 1H14:\$10.5 million)
- WTP Through Life Support (TLS) contract performing strongly
- 10-year, \$1 billion asset management contract with Pacific National announced yesterday
- Gold Coast Light Rail began operations in July 2014 and performing well; Keolis Downer is pursuing other public transport growth opportunities in Australia and New Zealand
- Other opportunities include NSW intercity train project, Dandenong rail project (Victoria)

¹ Total revenue includes joint ventures and other income. Total revenue in HY14 shows the combination of revenue related to the underlying business (\$446 million) and the Waratah RSM contract (\$143 million).

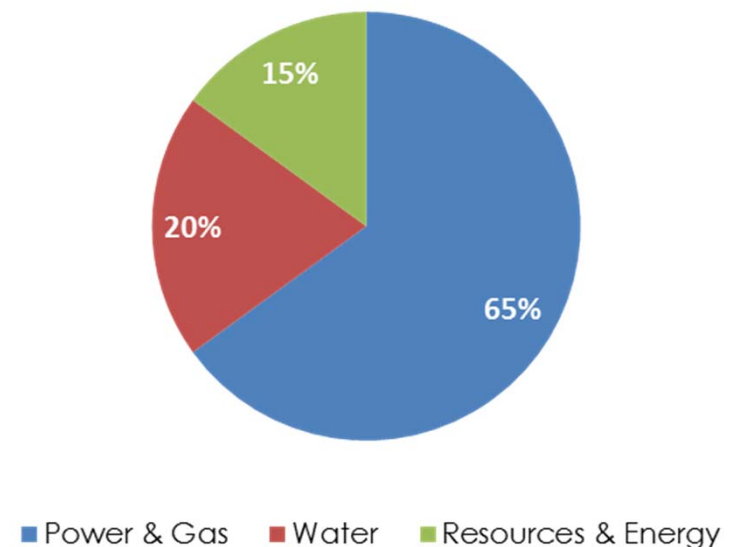
² ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

Acquisition of Tenix Holdings Australia

- Acquired Tenix Holdings Australia on 31 October 2014 for \$300 million on a cash and debt free basis. Re-branded DownerTenix.
- Tenix is a leading provider of long-term operations and maintenance services to owners of electricity, gas, water, wastewater, industrial and resources assets in Australia and NZ
- Excellent strategic fit with strong safety performance and culture, complementary businesses, recurring revenue streams and long-term customer relationships
- Well positioned to secure opportunities arising from the outsourcing of maintenance and asset management by State Governments
- Integration is proceeding well

DownerTenix

Tenix revenue (FY14) by sector



Divisional restructure

- To ensure Downer continues to succeed, take advantage of future opportunities and best meet the needs of its customers, the Group will operate as five Divisions:
 - Infrastructure Services (Australian road and rail Infrastructure, telecommunications, power and DownerTenix)
 - Engineering, Construction and Maintenance (Australian E&I and SMP businesses, QCC, Mineral Technologies)
 - New Zealand
 - Mining
 - Rail
- Also, Group Head Office restructure including establishment of new Strategy, Growth and Innovation function

Group Financials

Financial performance

\$m	HY15	HY14	Change (%)
Total revenue ¹	3,586.0	3,931.1	(8.8)
EBITDA	263.7	297.5	(11.4)
EBIT	141.7	160.1	(11.5)
Net interest expense	(13.8)	(23.7)	41.9
Tax expense	(33.2)	(37.2)	10.8
Net profit after tax	94.7	99.1	(4.4)
EBIT margin	4.0%	4.1%	
Effective tax rate	26.0%	27.3%	
ROFE ²	15.0%	16.6%	
Dividend (cents per share)	12.0	11.0	9.1

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	Infrastructure	Mining	Rail	Corporate
Statutory EBIT	141.7	72.8	63.4	17.5	(12.0)
Add back unfavourable items:					
• Redundancy costs	11.6	4.8	3.7	2.4	0.7
• Acquisition cost – Tenix	5.2	-	-	-	5.2
• Amortisation of customer related intangibles	1.6	-	-	-	1.6
Less favourable items:					
• WTP-RSM MDA interest	(4.0)	-	-	(4.0)	-
• Settlement of customer contracts	(10.5)	-	-	-	(10.5)
Adjusted EBIT (approx)	145.6	77.6	67.1	15.9	(15.0)

Operating cash flow

Operating cash flow (\$m)	HY15	HY14
EBIT	141.7	160.1
Add: Depreciation & Amortisation	122.0	137.4
EBITDA	263.7	297.5
Operating cash flow	257.9	280.3
Add: Net interest paid ¹	12.0	25.4
Tax paid	21.9	16.4
Waratah Train Project net cash inflow ²	(18.9)	(28.1)
Adjusted Operating cash flow	272.9	294.0
EBITDA conversion	103.5%	98.8%

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

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

² Unaudited.

Cash flow

\$m	HY15	HY14
Total operating	257.9	280.3
Net capital expenditure	(78.7)	(156.4)
Tenix acquisition	(308.9)	-
Other	(16.5)	(7.4)
Total investing	(404.1)	(163.8)
Tenix bridge loan finance	300.0	-
Share buy-back ¹	(11.7)	-
Net repayment of borrowings	(140.3)	(191.2)
Dividends paid	(57.5)	(46.5)
Total financing	90.5	(237.7)
Net decrease in cash held	(55.7)	(121.2)
Cash at 31 December	378.0	363.5

¹ As at 5 February 2015, Downer had bought back 2.7 million shares, reducing the total number of shares outstanding to 432.7 million.

Balance sheet and capital management

\$m	Dec 14	Jun 14
Total assets	4,041.5	3,868.4
Total shareholders' equity	1,995.6	1,962.0
Net debt ¹	252.7	32.7
Gearing: net debt to net debt plus equity	11.2%	1.6%
Gearing (including off balance sheet debt) ²	17.4%	9.2%
Adjusted net debt / adjusted EBITDAR ³	2.0	1.8
Interest cover ⁴	9.7	7.9

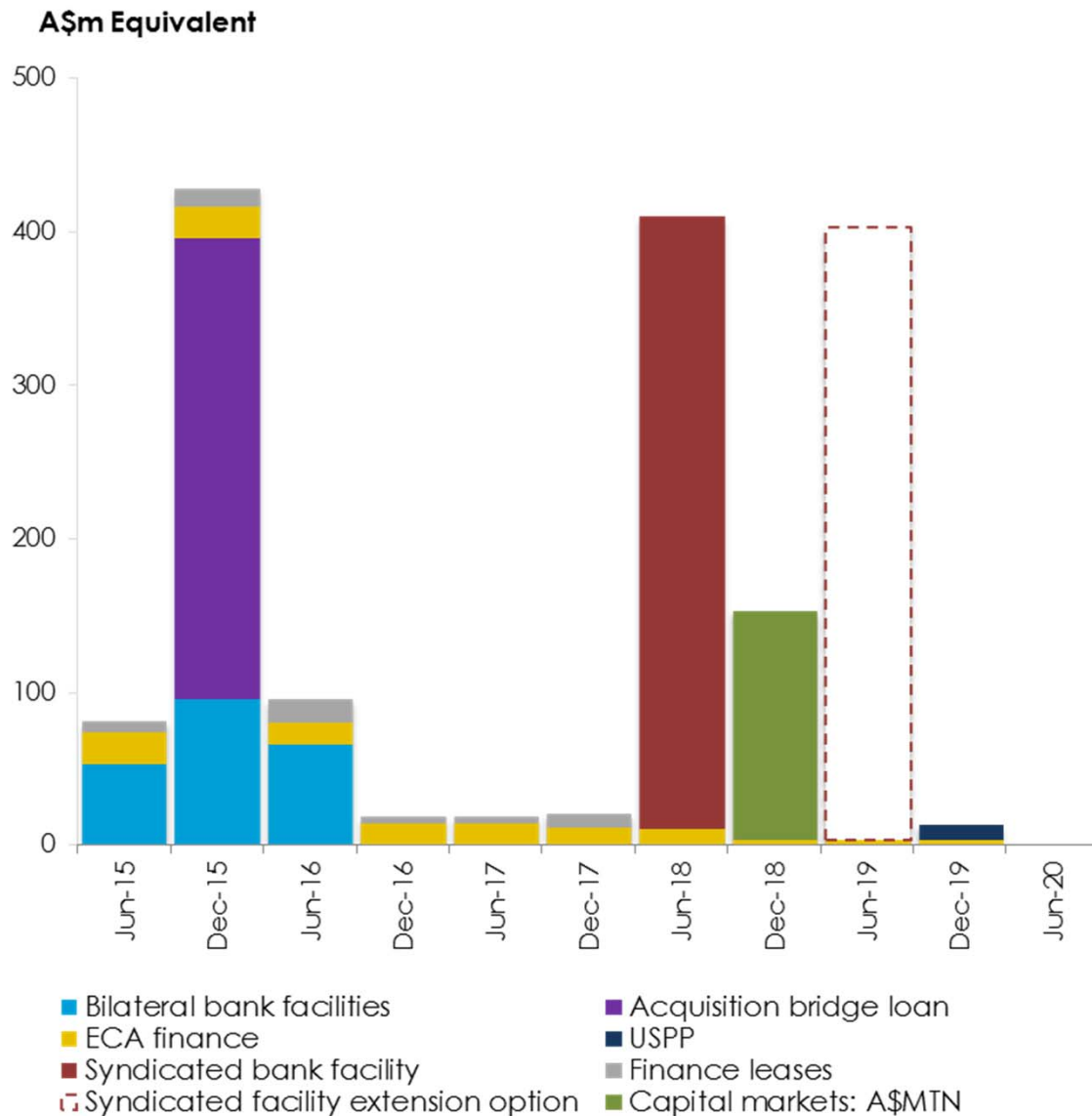
1 Adjusted for the mark-to-market of derivatives and deferred finance charges.

2 Includes the present value of plant and equipment operating leases discounted at 10% pa: \$167.0m (2014: \$166.8m).

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 property operating lease rental expense (on a rolling 12 month basis).

4 Interest cover equals EBIT adjusted for Significant Items (on a rolling 12 month basis) divided by net interest expense

Debt maturity profile



- Weighted average debt duration: 2.1 years (at December 2014)
- Downer intends to refinance \$300 million Acquisition bridge loan in the debt capital markets
- Debt capital markets being targeted: A\$MTN and USPP with tenors of 7-10 years
- Expect to exercise option to extend existing syndicated bank facility by one year
- Projected weighted average debt duration at 30 June 2015 (assuming the above transactions are closed): 3-4 years

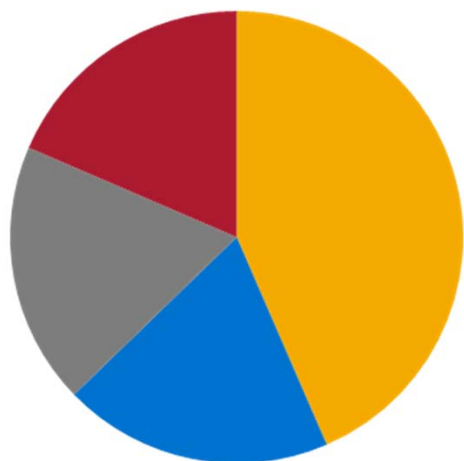
Financial reporting





- Downer will report its results for the 2015 financial year under the Divisions of Infrastructure, Mining and Rail
- From the 2016 financial year, Downer will report its results along service lines, being:
 - Transport Services
 - Telecommunications Services
 - Utilities Services
 - Engineering, Construction & Maintenance
 - Mining
 - Rail
 - Corporate

Outlook

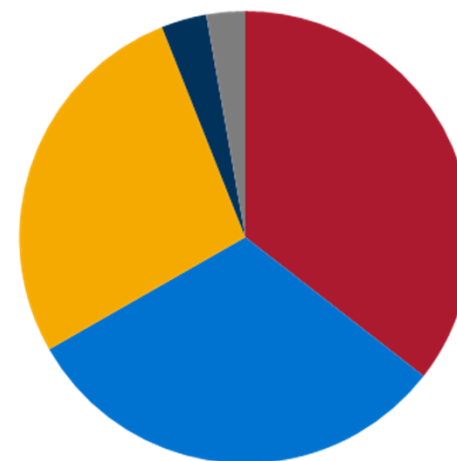
Work-in-hand: \$18.0 billion






Work-in-hand by division¹



	Infrast AU	\$7.8 billion	43%
	Rail	\$3.5 billion	19%
	Infrast NZ	\$3.4 billion	19%
	Mining	\$3.3 billion ²	19%
TOTAL		\$18.0 billion	

Work-in-hand by type¹



	Schedule of rates	\$6.4 billion	36%
	Fixed price	\$5.6 billion	31%
	Recurring/annuities ³	\$4.9 billion	27%
	Cost Plus	\$0.6 billion	3%
	Alliance	\$0.5 billion	3%
TOTAL		\$18.0 billion	

¹ Work-in-hand value as at 31 December 2014 rounded to one decimal point. Percentage splits rounded to nearest whole per cent.

² Excludes >\$2.0 billion as per two Letters of Award from Adani Mining for work on Carmichael Coal Mine, announced 19 December 2014.

³ Recurring/annuities: estimated for five years based on historic performance, demand levels and rates.

Group outlook

On current trading, Downer is on track to meet its target NPAT of around \$210 million for the 2015 financial year.

Appendices

Debt and bonding facilities

Debt facilities	\$m
Total facilities	1,243
Drawn ¹	631
Available facilities	612
Cash	378
Total liquidity	990

Bonding facilities	\$m
Total facilities	1,349
Drawn	912
Available facilities	437

Debt facilities by type	%
Syndicated bank facility	32
Acquisition bridge loan	24
Bilateral bank facilities	17
Capital markets: A\$MTN	12
ECA finance	9
Finance leases	5
USPP	1
	100

Debt facilities by geography	%
Australia/NZ	61
Europe	17
Asia	14
North America	8
	100

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

FY16 reporting structure

		Operational Lines												
		Infrastructure Services			NZ				EC&M	Mining	Rail	Corporate	Group	
		Transport	Telco	Utilities	Transport	Telco	Utilities	Major Projects						
Services Lines	Transport Services	X			X									X
	Telco Services		X			X								X
	Utility Services			X			X							X
	EC&M Services							X						X
	Mining Services								X					X
	Rail Services										X			X
	Unallocated											X		X
	Group		X			X		X	X	X	X		X	
Geographic Lines	Australia	X	X	X				X	X	X	X		X	
	New Zealand			X	X	X	X		X	X			X	
	Other				X		X	X	X				X	
	Group												X	

Summary of Mining contracts

Business	Description	Major contracts		
		Name / Customer	Initial contract value	Duration
Open cut	Mine engineering, scheduling and planning, load and haul operations, dozer push operations, crusher feed and operation, facilities and infrastructure design and operation, mine road construction, mine site rehabilitation.	Christmas Creek - Fortescue	\$3.1b	2010-16
		Boggabri Stage I & II – Idemitsu	\$1.8b	2006-17
		Karara - Karara Mining	\$0.6b	2012-18
		Meandu - TEC Coal	\$0.6 - \$0.8b	2013-19
		Roy Hill - Roy Hill Iron Ore	\$0.5b	2014-19
		Carmichael – Adani Mining ¹	>\$2.0b	2016-22
Services	Blasting: Down-the-hole and total loading services, explosives supply, shottfiring, emulsion manufacturing facilities, blast management. Fleet management: complete operation and maintenance of mining fleet, including specialist tyre management. Underground mining: decline and lateral development, production drilling and charging, loading and hauling.	Moolarben, Yarrabee, Ashton, Duralie – Yancoal Australia	\$0.5b	2006-16
		Minerva – Sojitz Corporation		
		Carosue - Saracen Mineral Holdings		
	Cosmo Gold Mine – Crocodile Corp.	\$72m	2014-16	
	Haul truck maintenance contract	\$60m	2015-17	

¹ Two Letters of Award received from Adani Mining on 19 December 2014 for mining services and construction of mine infrastructure at the Carmichael Coal Mine in Queensland. The contracts are expected to have a combined value in excess of \$2.0 billion over seven years. Both Letters of Award are subject to the parties executing binding contracts

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