



Downer Group 2016 Half Year Results

INVESTOR PRESENTATION

4 February 2016

OVERVIEW

- Total revenue¹ \$3,543.4 million, down 1.2%
- Earnings Before Interest and Tax (EBIT) \$113.2 million, down 20.1% (including \$13 million pre-tax write off of Capital Metro bid costs)
- Net Profit After Tax (NPAT) \$72.1 million, down 23.9%
- Return on Funds Employed (ROFE) 12.5%, down from 15.0%
- Work in hand² \$18.0 billion, down from \$18.5 billion at 30 June 2015
- Operating cash flow \$178.1 million, investing cash flow \$123.5 million
- Net debt³ \$188.4 million, \$9.4 million increase from 30 June 2015
- Gearing⁴ 8.4% (13.8% including off-balance sheet debt)
- Interim dividend declared: 12 cps, 100% franked, no DRP
- LTIFR⁵ of 0.84, down from 0.93
- TRIFR⁶ of 3.67, down from 4.17

1 Total revenue is a non-statutory disclosure and includes revenue from joint ventures and other alliances and other income.

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: \$140.8m (June 2015: \$151.1m)

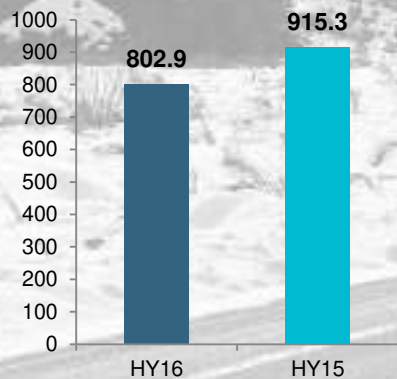
5 Lost Time Injury Frequency Rate - the number of lost time injuries (LTIs) per million hours worked

6 Total Recordable Injury Frequency Rate - the number of LTIs and medically treated injuries per million hours worked

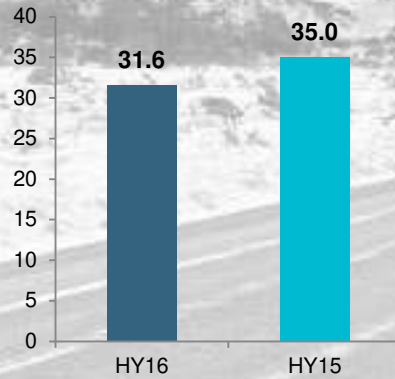
TRANSPORT SERVICES



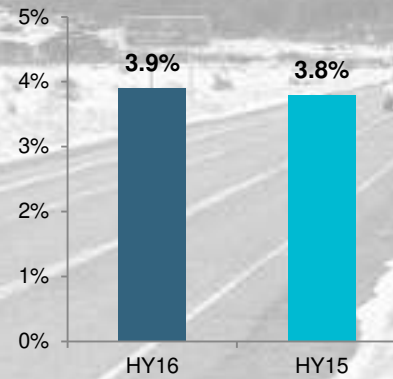
Total revenue¹ \$m



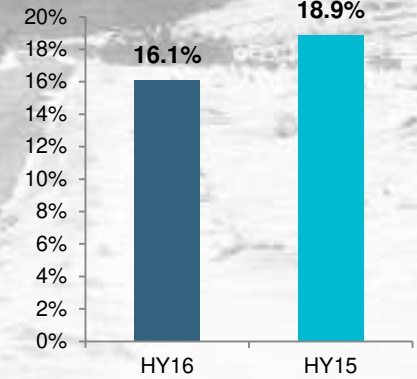
EBIT \$m



EBIT margin



ROFE²

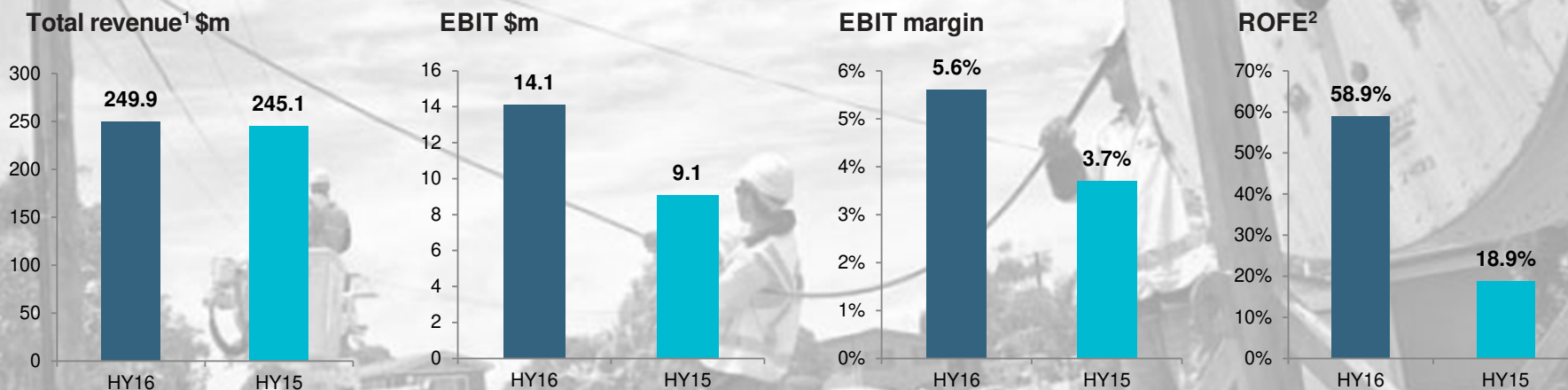


- New Zealand, New South Wales (NSW) and Victoria continued to perform well
- However, the rail infrastructure result contribution was down significantly due to projects completed in the prior corresponding period not being replaced
- In addition, there was reduced Government expenditure and inclement weather, particularly in NSW and Western Australia (WA)

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

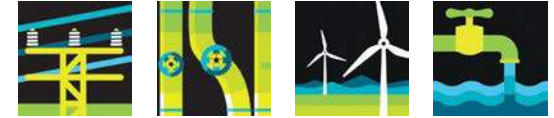


- Strong delivery on nbn™ contracts in Australia
- Good performance on contracts in New Zealand
- Lower revenue from Chorus contract in New Zealand as the roll-out of the Ultra-Fast Broadband fibre network comes to completion and the Next Generation Access (NGA) contracts ramp up

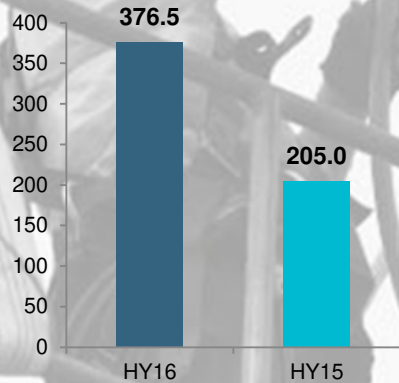
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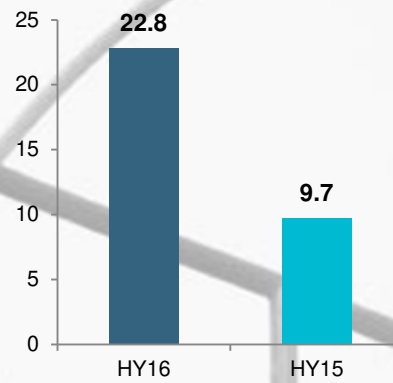
UTILITIES SERVICES



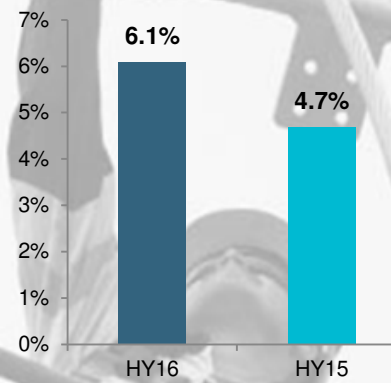
Total revenue¹ \$m



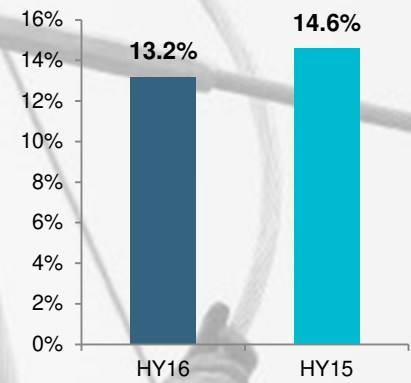
EBIT \$m



EBIT margin



ROFE²

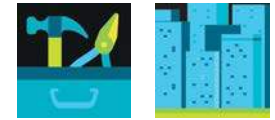


- Current period includes an additional four months of contribution from Tenix
- Tenix integration completed, successfully enhancing the Group's capabilities
- Power and gas projects performed strongly
- Ramp up of activity at Ararat wind farm project in Victoria

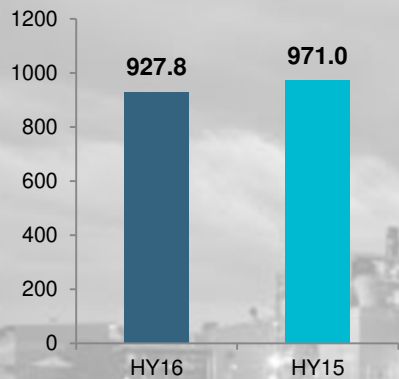
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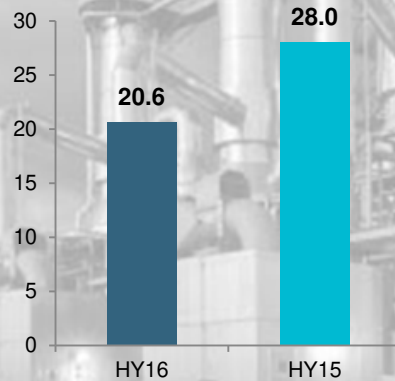
ENGINEERING, CONSTRUCTION & MAINTENANCE



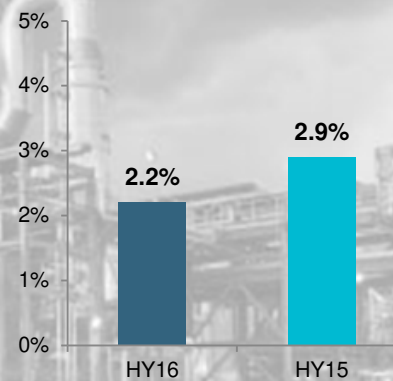
Total revenue¹ \$m



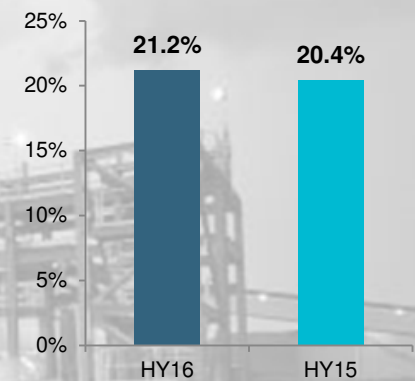
EBIT \$m



EBIT margin



ROFE²

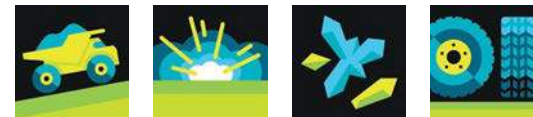


- Continued decline in Metals and Minerals related capital expenditure
- Lower activity in Queensland offset by increased activity on Oil and Gas projects in WA (Gorgon and Wheatstone) and also projects in New Zealand
- \$5.7million in restructuring costs to realign the business to the revenue environment
- Resources related consultancies (QCC and Mineral Technologies) lost \$4.7million in the period

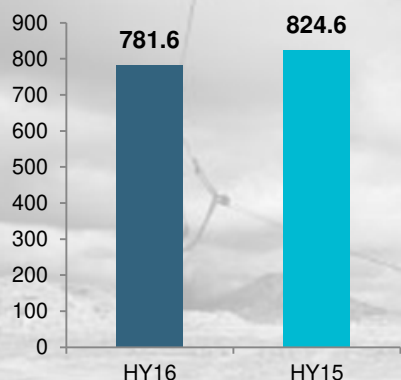
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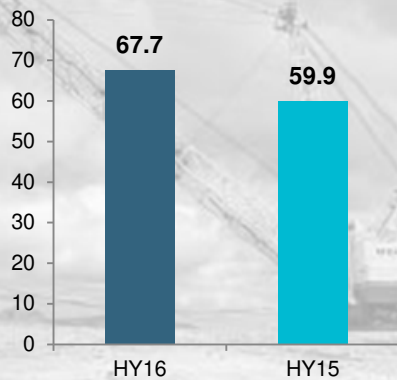
MINING



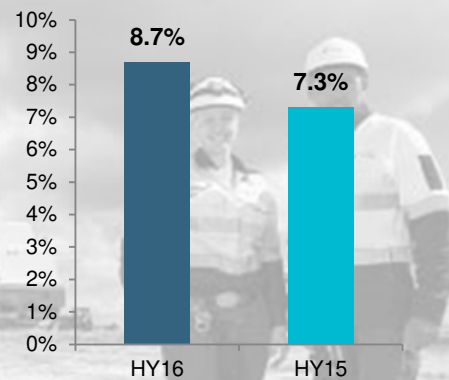
Total revenue¹ \$m



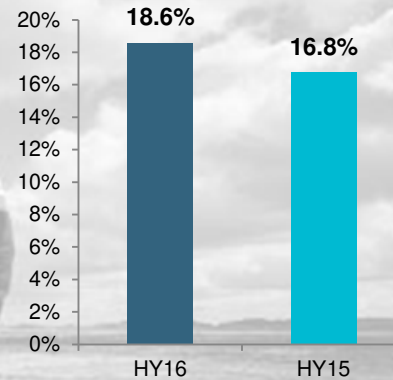
EBIT \$m



EBIT margin



ROFE²



- Strong performance despite extremely difficult environment with further falls in commodity prices and reduced operational expenditure
- Lower revenue due to reduced volumes and contract completions
- EBIT performance benefited from continued strong performance on ongoing contracts and favourable one-off benefits of \$15 million
- Successful expansion into maintenance services

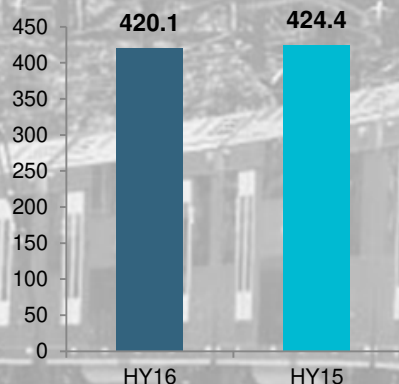
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RAIL



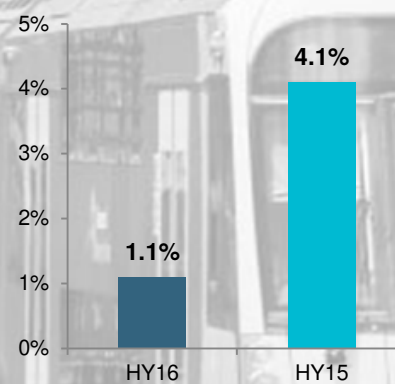
Total revenue¹ \$m



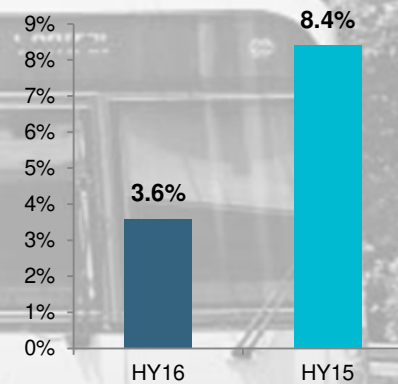
EBIT \$m



EBIT margin



ROFE²



- Lower core Rail revenue reflects the completion of manufacturing contracts, lower freight maintenance expenditure and lower After Market Services sales, largely offset by increased joint venture revenue
- Lower EBIT driven by restructuring costs, provision release in the pcip relating to the Waratah Train Project (WTP) and lower relative performance from joint ventures
- WTP Through Life Support contract performing very well

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.



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GROUP FINANCIALS

FINANCIAL PERFORMANCE

\$m	HY16	HY15	Change (%)
Total revenue ¹	3,543.4	3,586.0	(1.2)
EBITDA	241.2	263.7	(8.5)
EBIT	113.2	141.7	(20.1)
Net interest expense	(15.8)	(13.8)	(14.5)
Tax expense	(25.3)	(33.2)	23.8
Net profit after tax	72.1	94.7	(23.9)
EBIT margin	3.2%	4.0%	
Effective tax rate	26.0%	26.0%	
ROFE ²	12.5%	15.0%	
Dividend declared (cents per share)	12.0	12.0	

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.

SUMMARY OF EARNINGS

\$m	Total	Transport	Tech & Comm	Utilities	EC&M	Mining	Rail	Corp
Statutory EBIT	113.2	31.6	14.1	22.8	20.6	67.7	4.5	(48.1)
▪ Capital Metro bid costs	13.0	-	-	-	-	-	-	13.0
▪ Restructuring costs	13.7	-	-	-	5.7	-	5.7	2.3
▪ Former employee entitlements	10.8	-	-	-	-	10.8	-	-
▪ Loss on sale of Rimtec	2.3	-	-	-	-	2.3	-	-
▪ Contingency release on renegotiated and completed contracts	(28.7)	-	-	-	-	(28.7)	-	-
Adjusted EBIT (approx)	124.3	31.6	14.1	22.8	26.3	52.1	10.2	(32.8)

OPERATING CASH FLOW

\$m	HY16	HY15
EBIT	113.2	141.7
Add: depreciation & amortisation	128.0	122.0
EBITDA	241.2	263.7
Operating cash flow	178.1	257.9
Add: Net interest paid ¹	11.2	12.0
Tax (received) / paid	(34.2)	21.9
Waratah Train Project net cash (inflow) ²	–	(18.9)
Adjusted operating cash flow	155.1	272.9
EBITDA conversion	64.3%	103.5%
Add back project claims	65.0	
Underlying operating cash flow	220.1	
Normalised EBITDA conversion	91.3%	

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

2 Unaudited.

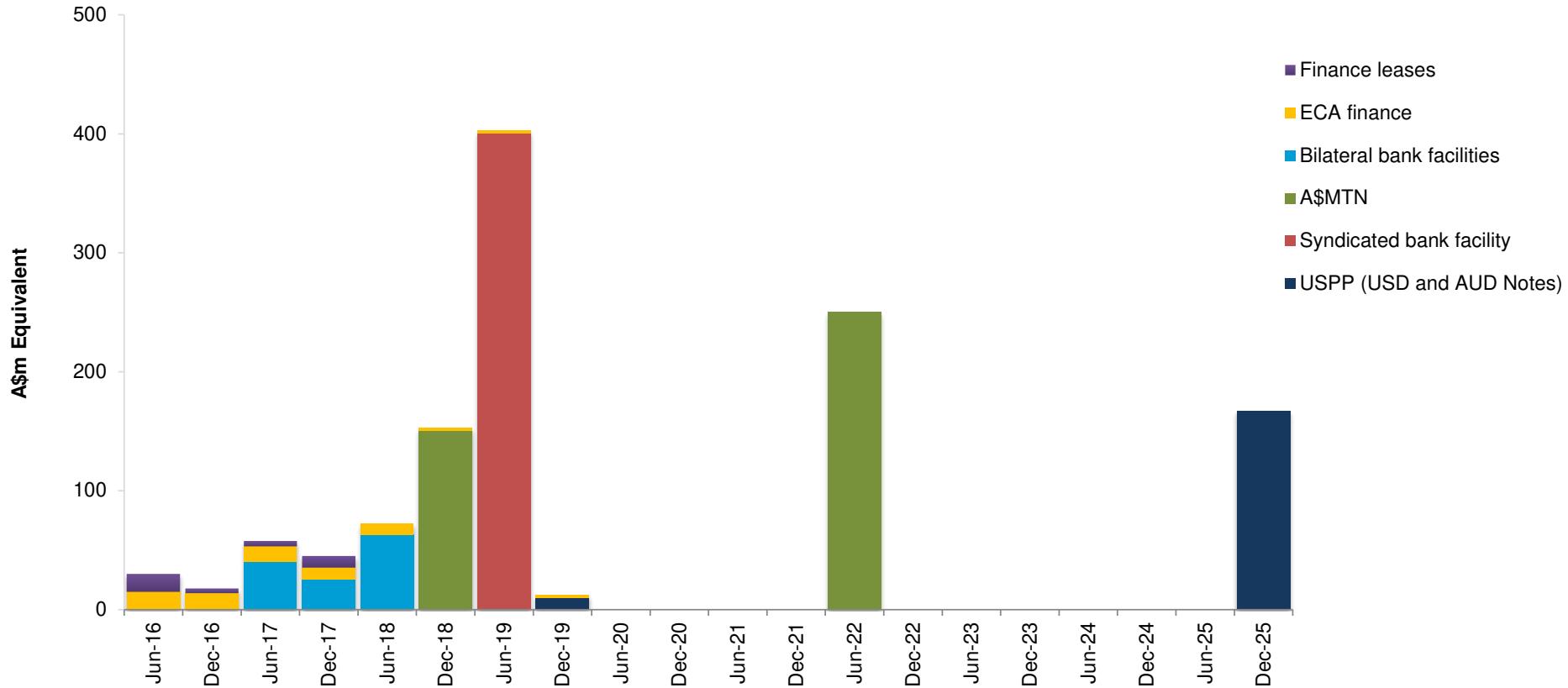
CASH FLOW

\$m	HY16	HY15
Total operating	178.1	257.9
Net capital expenditure	(100.0)	(78.6)
Tenix and VEC acquisitions	–	(318.5)
IT Transformation and Other	(23.5)	(7.0)
Total investing	(123.5)	(404.1)
On-market share buy-back ¹	(6.4)	(11.7)
Net proceeds of borrowings	124.1	159.7
Dividends paid	(56.7)	(57.5)
Total financing	61.0	90.5
Net increase/(decrease) in cash held	115.6	(55.7)
Cash at 31 December	489.5	378.0
Total liquidity²	1,017.5	990.0

1 As at 31 December 2015, Downer had bought back 1.8 million shares, reducing the total number of shares outstanding to 430.9 million.

2 Refer to slide 21 for details.

DEBT MATURITY PROFILE



- Weighted average duration 4.36 years
- Well diversified funding sources

BALANCE SHEET AND CAPITAL MANAGEMENT

\$m	Dec15	Jun15
Total assets	4,090.6	4,004.4
Total shareholders' equity	2,056.5	2,035.3
Net debt ¹	188.4	179.0
Gearing: net debt to net debt plus equity	8.4%	8.1%
Gearing (including off balance sheet debt) ²	13.8%	14.0%
Debtor days	21.7	25.7
WIP days	31.8	31.0
Creditor days	33.2	35.2
Interest cover	9.2	10.4
Net Debt / EBITDA	0.3	0.3
Adjusted Net Debt / adjusted EBITDAR ³	1.8	1.9

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: \$140.8m (2015: \$151.1m).

3 Adjusted Net Debt includes Net Debt plus 6x operating lease expenses in the year. Adjusted EBITDAR equals underlying earnings before interest, tax, depreciation, amortisation and operating lease expense (on a rolling 12 month basis).

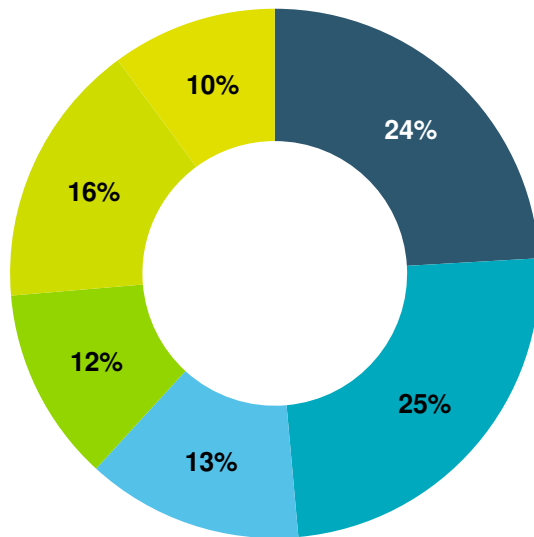


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OUTLOOK

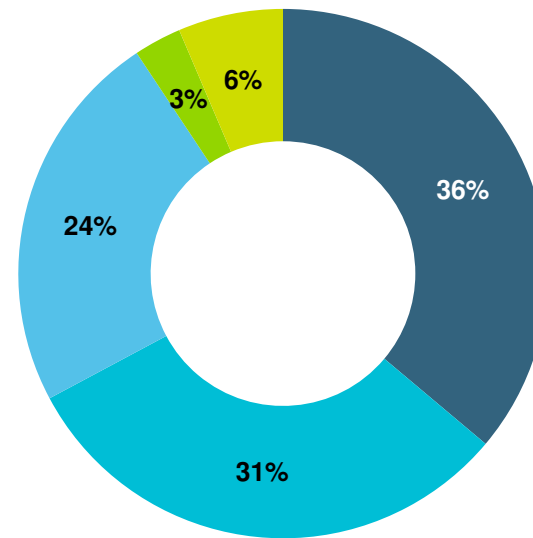
WORK-IN-HAND: \$18 BILLION

By Service Line – December 2015



■ Rail	\$4.4b
■ Transport Services	\$4.5b
■ Mining	\$2.4b
■ EC&M Services	\$2.0b
■ Utilities Services	\$2.9b
■ Technology Communications Services	\$1.8b

By Contract Type – December 2015



■ Fixed Price / Lump Sum	\$6.5b
■ Schedule of Rates	\$5.6b
■ Recurring	\$4.2b
■ Target Cost / Alliance	\$0.5b
■ Cost Plus	\$1.2b

OUTLOOK

Downer stated at its full year results in August 2015 that it was targeting NPAT of around \$190 million for the 2016 financial year.

As announced on 1 February 2016, the ACTivate consortium was not successful in its bid for Capital Metro and, as a result, Downer has written off \$13 million in pre-tax bid costs in the 2016 first half result.

Downer is now targeting NPAT of around \$180 million for the 2016 financial year.



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SUPPLEMENTARY INFORMATION

SEGMENT REPORTING

December 2015								
Dec-15 \$m	Transport Services	Technology and Communications Services	Utilities Services	EC&M	Mining	Rail	Unallocated	Total
Segment revenue	771.8	249.9	376.5	912.1	758.2	211.5	(15.4)	3,264.6
Share of sales from JVs and Associates ¹	31.1	-	-	15.7	23.4	208.6	-	278.8
Total revenue ¹	802.9	249.9	376.5	927.8	781.6	420.1	(15.4)	3,543.4
EBIT	31.6	14.1	22.8	20.6	67.7	4.5	(48.1)	113.2
EBIT margin	3.9%	5.6%	6.1%	2.2%	8.7%	1.1%	-	3.2%

December 2014								
Dec-14 \$m	Transport Services	Technology and Communications Services	Utilities Services	EC&M	Mining	Rail	Unallocated	Total
Segment revenue	886.3	245.1	205.0	951.4	791.8	297.6	0.6	3,377.8
Share of sales from JVs and Associates ¹	29.0	-	-	19.6	32.8	126.8	-	208.2
Total revenue ¹	915.3	245.1	205.0	971.0	824.6	424.4	0.6	3,586.0
EBIT	35.0	9.1	9.7	28.0	59.9	17.5	(17.5)	141.7
EBIT margin	3.8%	3.7%	4.7%	2.9%	7.3%	4.1%	-	4.0%

¹ This is a non-statutory disclosure as it relates to/includes Downer's share of revenue from equity accounted joint ventures and associates

DEBT AND BONDING FACILITIES

Debt facilities	\$m
Total facilities	1,205.7
Drawn	(677.7)
Available facilities	528.0
Cash	489.5
Total liquidity	1,017.5

Bonding facilities	\$m
Total facilities	1,367.6
Drawn	(792.7)
Available facilities	574.9

Debt facilities by type	%
Syndicated bank facility	33
A\$MTN	33
USPP	14
Bilateral bank facilities	11
ECA finance	6
Finance leases & other	3
	100

Debt facilities by geography	%
Australia / NZ	49
North America	23
Asia ¹	22
Europe ¹	5
	100

¹ Including A\$ Medium Term Notes sold to Asian and European domiciled investors measured at financial close of the transaction.

UNALLOCATED COSTS (CORPORATE COSTS)

	HY16	HY15
Settlement of contractual claims	-	10.5
R&D incentives	5.0	10.2
Capital Metro pre-tax bid costs	(13.0)	-
Corporate costs	(40.1)	(38.2)
Total unallocated	(48.1)	(17.5)

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ROUNDING

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



Downer Group 2016 Half Year Results

INVESTOR PRESENTATION

4 February 2016