



DOWNER HALF YEAR RESULTS

Investor presentation | 2 February 2017

OVERVIEW

- Total revenue¹ \$3,603.0 million, up 1.7%
- Earnings Before Interest and Tax (EBIT) \$120.8 million, up 6.7%
- Net Profit After Tax (NPAT) \$78.2 million, up 8.5%
- Return on Funds Employed (ROFE) 13.0%, up from 12.5%
- Work in hand² \$21.1 billion, up from \$18.6 billion at 30 June 2016
- Operating cash flow \$243.6 million, EBITDA conversion 102.6%
- Net debt³ \$22.2 million, down from \$87.4 million at 30 June 2016
- Gearing⁴ 1.0%, (6.4% including off-balance sheet debt)
- Interim dividend declared: 12.0 cps, 100% franked no Dividend Reinvestment Plan
- LTIFR⁵ of 0.55, down from 0.84 at 31 December 2015
TRIFR⁶ of 3.61, down from 3.67 at 31 December 2015
- Full year NPAT outlook increased from \$163 million to around \$175 million

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.

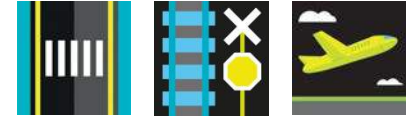
3 Adjusted for the mark-to-market of derivatives and deferred finance charges.

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: \$122.5m (June 2016: \$128.5m).

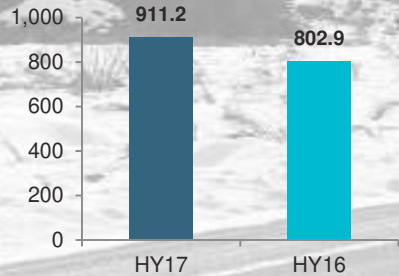
5 Lost Time Injury Frequency Rate - the number of lost time injuries (LTIs) per million hours worked.

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

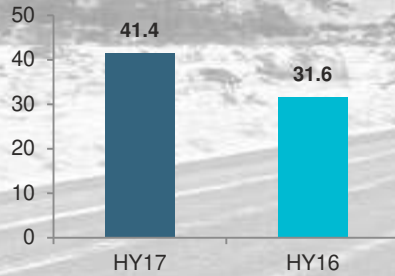
TRANSPORT SERVICES



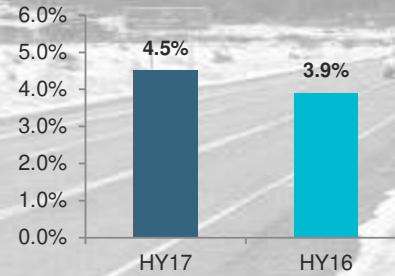
Total revenue¹ \$m



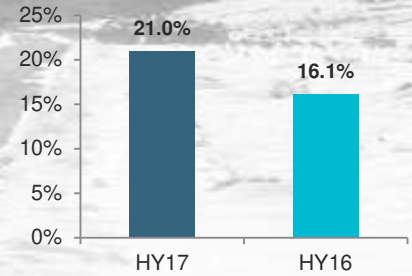
EBIT \$m



EBIT margin



ROFE²



- Revenue increase of 13% driven by new projects, road maintenance and RPQ acquisition
- Continuing strong performance for customers on existing contracts
- Contribution from new projects including Newcastle Light Rail, NSW Transport Access Program
- Acquisition of RPQ provides further geographical presence and capability mix
- Numerous contract wins in Australia and New Zealand
- Performance in the previous corresponding period affected by inclement weather

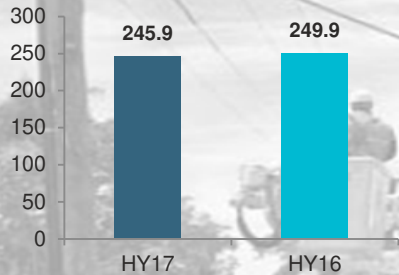
¹ Total revenue includes joint ventures and other income.

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

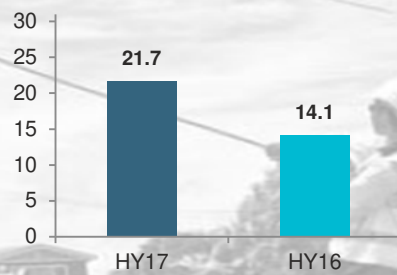
TECHNOLOGY AND COMMUNICATIONS SERVICES



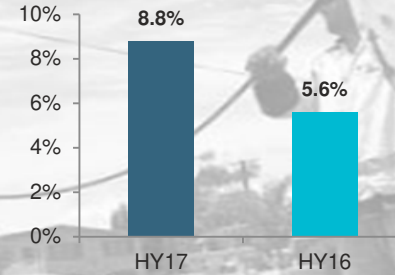
Total revenue¹ \$m



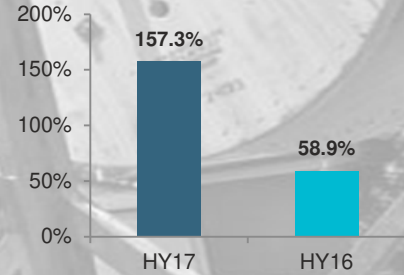
EBIT \$m



EBIT margin



ROFE²



- Improved earnings performance despite reduced revenue
- Strong contribution from nbnTM contracts with increased volumes
- A number of new contracts awarded including Telstra Wideband

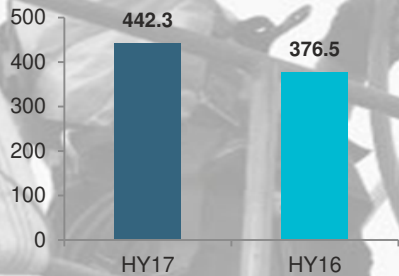
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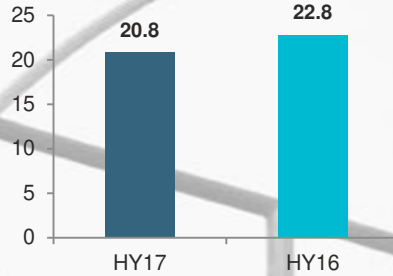
UTILITIES SERVICES



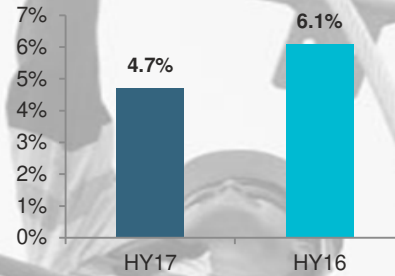
Total revenue¹ \$m



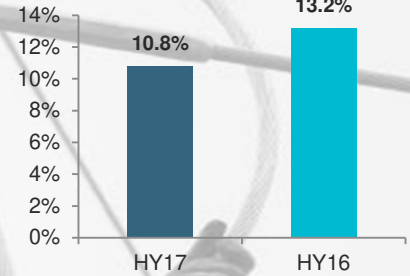
EBIT \$m



EBIT margin



ROFE²



- Revenue increase of 18% driven by new and existing contracts
- EBIT reduced by completion of major gas and power projects in the previous corresponding period
- Good performance across Power and Gas distribution, stronger performance by Water business
- Awarded Clare Solar Farm contract (December 2016); well positioned for the large pipeline of renewable projects
- Advisory role with Ausgrid
- Positioned well for services to privatised and Government owned power assets

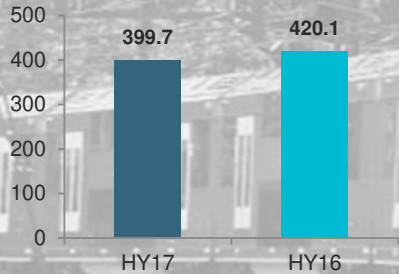
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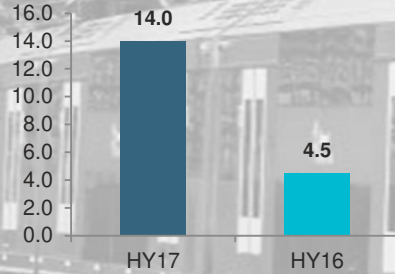
RAIL



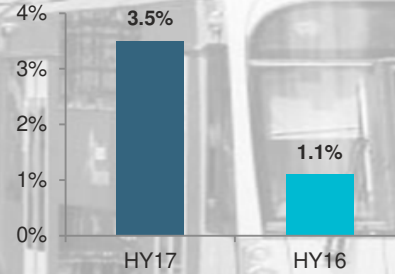
Total revenue¹ \$m



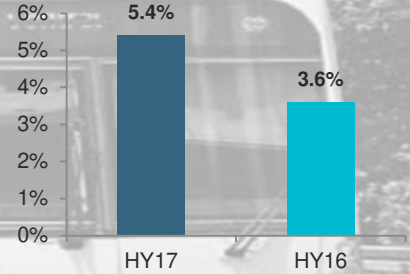
EBIT \$m



EBIT margin



ROFE²



- Continuing strong performance on maintenance contracts e.g. Waratah TLS and Millennium
- Improved performance by joint ventures
- Improved depot performance driven by restructuring in the previous corresponding period
- Awarded three major contracts: High Capacity Metro Trains in Victoria; Sydney Growth Trains in NSW; Transport for Newcastle (Keolis Downer)

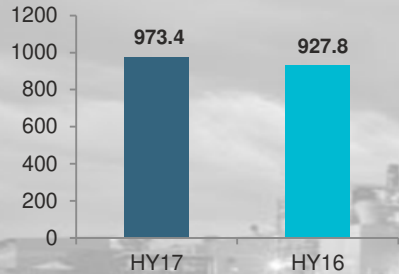
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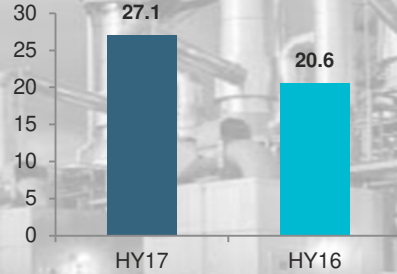
ENGINEERING, CONSTRUCTION & MAINTENANCE



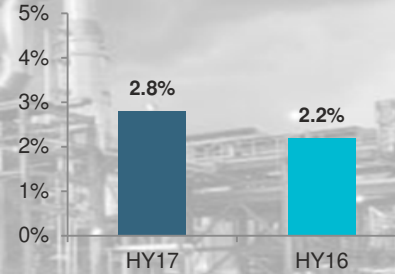
Total revenue¹ \$m



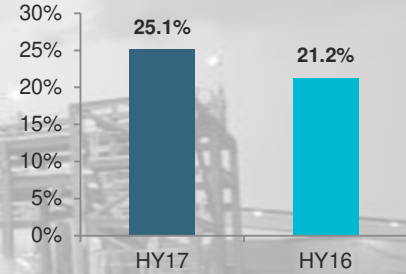
EBIT \$m



EBIT margin



ROFE²



- Continuing strong performance at Gorgon and Wheatstone
- EBIT result benefited from restructuring in FY16
- Improved result from consultancies (QCC and MT)
- Expansion of Defence footprint through acquisition of AGIS

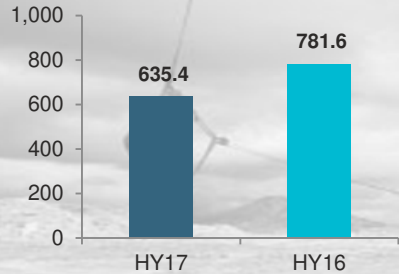
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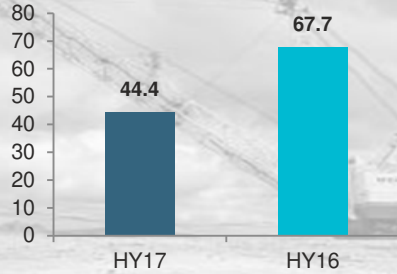
MINING



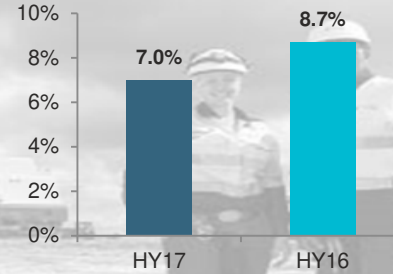
Total revenue¹ \$m



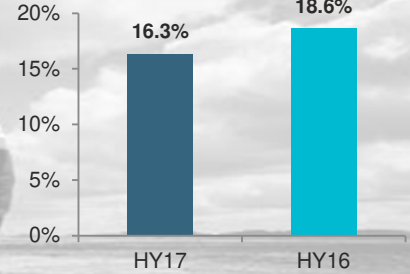
EBIT \$m



EBIT margin



ROFE²



- Expiry of Christmas Creek contract
- Two year extension to Meandu Mine contract (to June 2020)
- Four year extension to Karara Mining contract (to March 2022)
- Several mining services contract wins (blasting and underground)

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	HY17	HY16	Change (%)
Total revenue ¹	3,603.0	3,543.4	1.7
EBITDA	225.8	241.2	(6.4)
EBIT	120.8	113.2	6.7
Net interest expense	(13.7)	(15.8)	13.3
Tax expense	(28.9)	(25.3)	(14.2)
Net profit after tax	78.2	72.1	8.5
EBIT margin	3.4%	3.2%	0.2
Effective tax rate	27.0%	26.0%	1.0
ROFE ²	13.0%	12.5%	0.5
Dividend declared (cents per share)	12.0	12.0	-
Ordinary Dividend payout ratio	69.0%	76.5%	(7.5)

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	Rail	EC&M	Mining	Corp
Statutory EBIT	120.8	41.4	21.7	20.8	14.0	27.1	44.4	(48.6)
New Intercity Fleet bid costs	10.0							10.0
Settlement of contractual claims	5.0							5.0
Contract closure	(6.5)						(6.5)	
Adjusted EBIT (approx)	129.3	41.4	21.7	20.8	14.0	27.1	37.9	(33.6)

UNALLOCATED COSTS (CORPORATE COSTS)

\$m	HY17	HY16
R&D incentives	4.2	5.0
New Intercity Fleet bid costs	(10.0)	-
Capital Metro bid costs	-	(13.0)
Settlement of contractual claims	(5.0)	-
Corporate costs	(37.8)	(40.1)
Total unallocated	(48.6)	(48.1)

OPERATING CASH FLOW

\$m	HY17	HY16
EBIT	120.8	113.2
Add: depreciation & amortisation	105.0	128.0
EBITDA	225.8	241.2
Operating cash flow	243.6	178.1
Add: Net interest paid ¹	13.2	11.2
Tax received	(25.1)	(34.2)
Adjusted operating cash flow	231.7	155.1
EBITDA conversion	102.6%	64.3%
Add back project claims	-	65.0
Underlying operating cash flow	231.7	220.1
Normalised EBITDA conversion	102.6%	91.3%

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

CASH FLOW

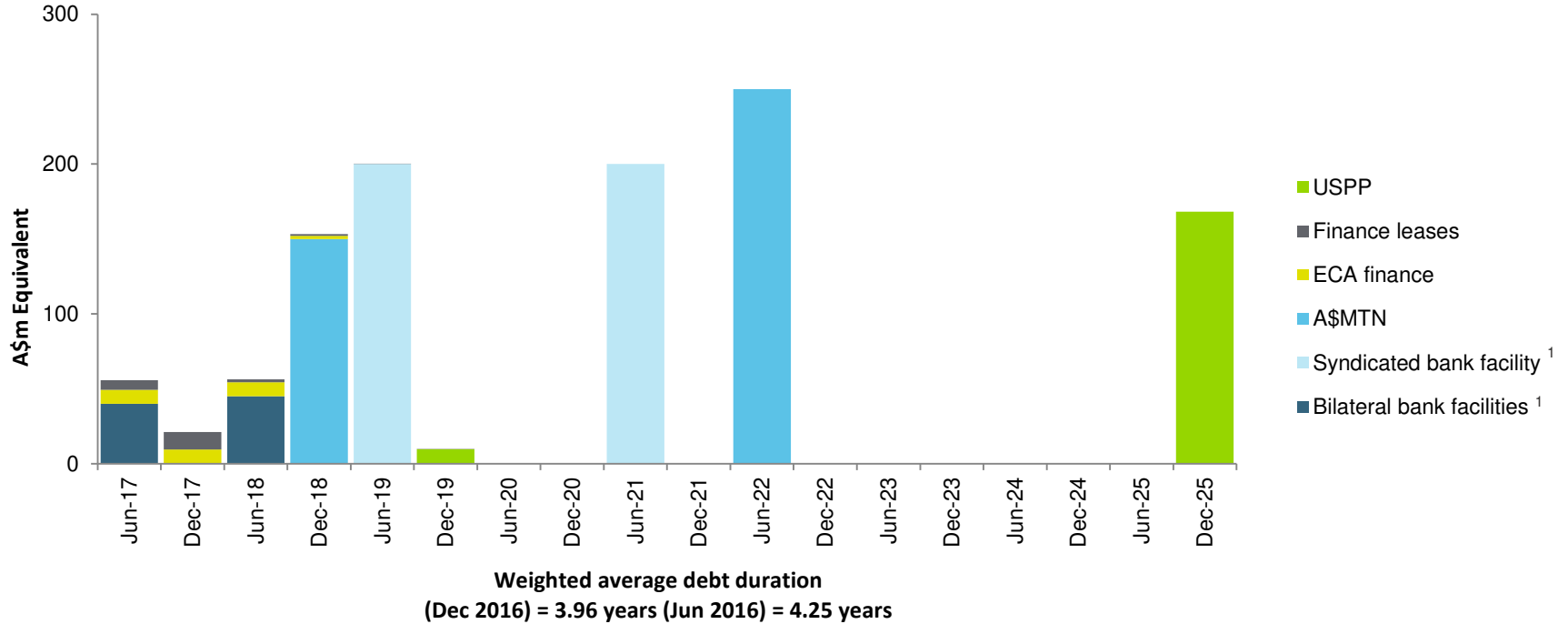
\$m	HY17	HY16
Total operating	243.6	178.1
Net capital expenditure	(54.4)	(100.0)
AGIS and RPQ acquisitions	(52.6)	-
IT Transformation and Other	(16.4)	(23.5)
Total investing	(123.4)	(123.5)
On-market share buy-back ¹	-	(6.4)
Net (repayment)/ proceeds of borrowings	(32.8)	124.1
Dividends paid	(55.3)	(56.7)
Total financing	(88.1)	61.0
Net increase in cash held	32.1	115.6
Cash at 31 December	602.1	489.5
Total liquidity²	1,087.1	1,017.5

1 As at 31 December 2015, Downer had bought back 18 million shares, reducing the total number of shares outstanding to 430.9 million.

2 Refer to slide 24 for details.

DEBT MATURITY PROFILE

By Limit (at 31 Dec 2016)



1. Undrawn \$485m. June 2016 undrawn facility was \$525m with \$40m re-allocated to bonding facilities

BALANCE SHEET AND CAPITAL MANAGEMENT

\$m	Dec 16	Jun 16
Total assets	4,125.7	4,200.3
Total shareholders' equity	2,118.4	2,088.5
Net debt ¹	22.2	87.4
Gearing: net debt to net debt plus equity	1.0%	4.0%
Gearing (including off balance sheet debt) ²	6.4%	9.4%
Debtor days	20.8	23.6
WIP days	30.5	34.1
Creditor days	31.6	37.2
Interest cover	9.5 x	8.8 x
Net Debt / EBITDA	0.04	0.2
Adjusted Net Debt / adjusted EBITDAR ³	1.5 x	1.6 x

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: \$122.5m (2016: \$128.5m).

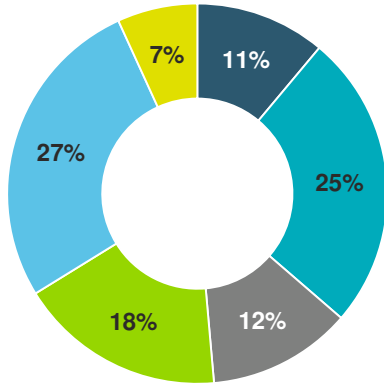
3 Adjusted Net Debt Includes Net Debt plus 6x operating lease expenses in the year. Adjusted EBITDAR equals underlying earnings before interest, tax, depreciation, amortisation and operating lease expense (on a rolling 12 month basis).



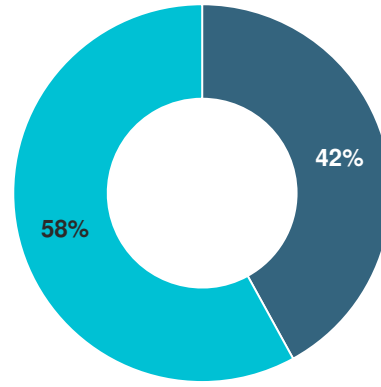
OUTLOOK

Downer
Relationships creating success

DOWNER REVENUE BASE



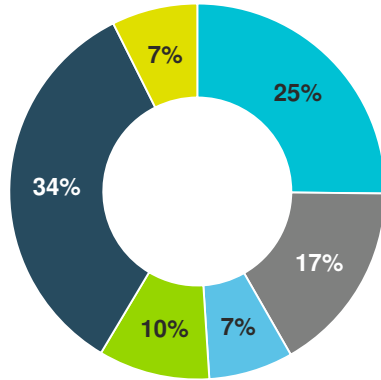
- Rail
- Transport Services
- Utilities Services
- Mining
- EC&M
- Technology & Communications Services



- Public
- Private

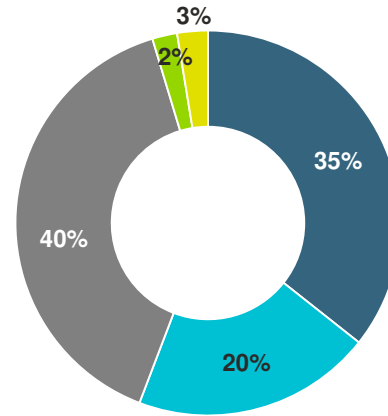
WORK-IN-HAND: \$21.1 BILLION

By Service Line – December 2016



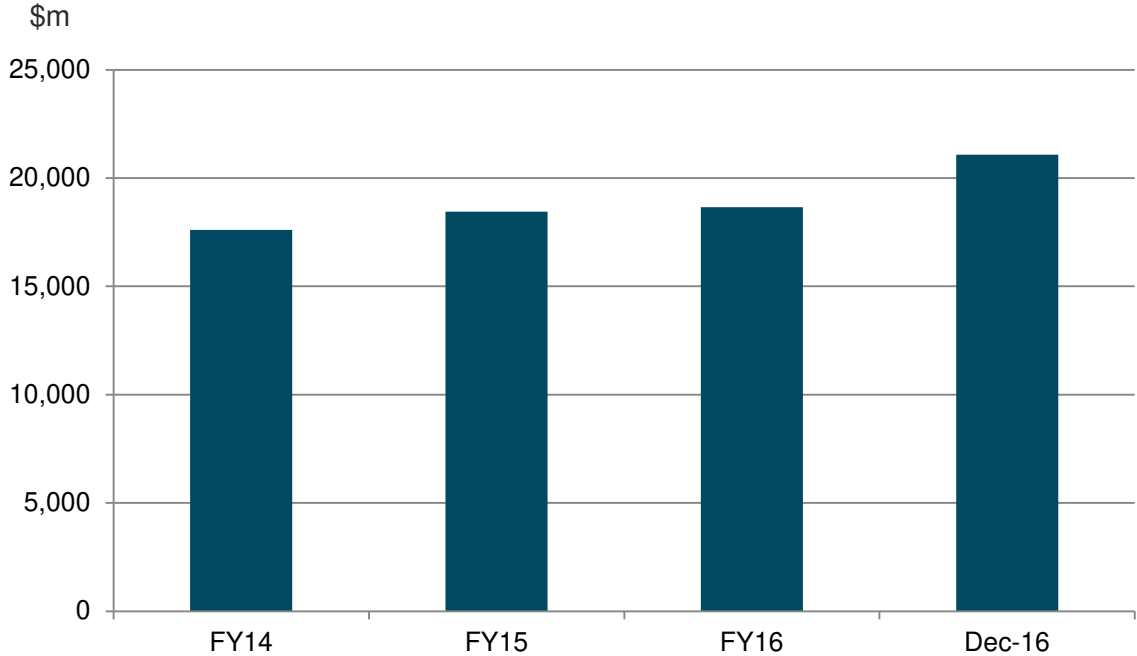
- Transport Services
- Utilities Services
- EC&M
- Mining
- Rail
- Technology & Communications Services

By Contract Type – December 2016

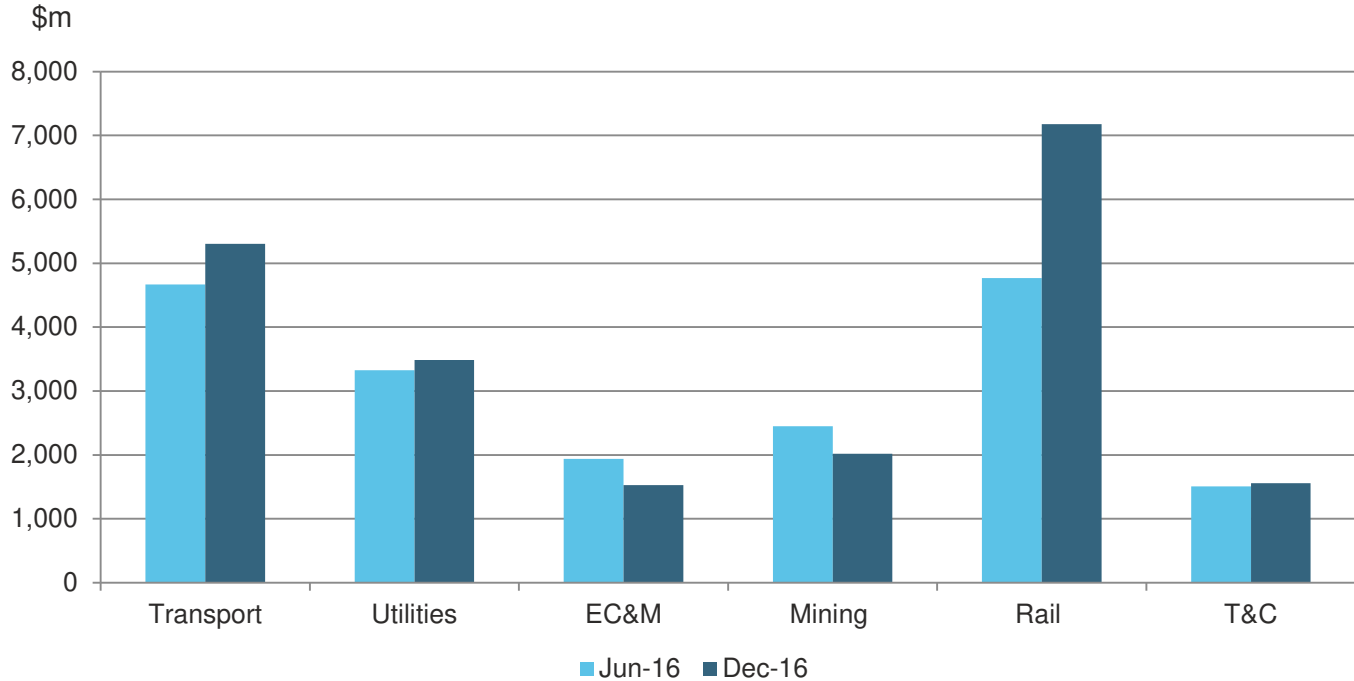


- Schedule of Rates
- Recurring
- Lump Sum / Fixed Price
- Alliance / Target Cost
- Cost Plus

WORK-IN-HAND: BOOSTED BY RECENT RAIL WINS



WORK-IN-HAND BY SERVICE LINE





OUTLOOK



Downer is targeting NPAT of around \$175 million for the 2017 financial year.



SUPPLEMENTARY INFORMATION

DEBT AND BONDING FACILITIES

Debt facilities	\$m
Total facilities	1,109.3
Drawn	(624.3)
Available facilities	485.0
Cash	602.1
Total liquidity	1,087.1

Bonding facilities	\$m
Total facilities	1,629.1
Drawn	(805.5)
Available facilities	823.6

Debt facilities by type	%
Syndicated bank facility	36
A\$MTN	36
USPP	15
Bilateral bank facilities	8
ECA finance	3
Finance leases & other	2
	100

Debt facilities by geography	%
Australia / NZ	50
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.

SEGMENT REPORTING

HY17								
\$m	Transport Services	Technology and Communications Services	Utilities Services	Rail	EC&M	Mining	Unallocated	Total
Segment revenue	885.5	245.9	442.3	202.0	951.6	612.2	(4.9)	3,334.6
Share of sales from JVs and Associates ¹	25.7	-	-	197.7	21.8	23.2	-	268.4
Total revenue ¹	911.2	245.9	442.3	399.7	973.4	635.4	(4.9)	3,603.0
EBIT	41.4	21.7	20.8	14.0	27.1	44.4	(48.6)	120.8
EBIT margin	4.5%	8.8%	4.7%	3.5%	2.8%	7.0%	-	3.4%

HY16								
\$m	Transport Services	Technology and Communications Services	Utilities Services	Rail	EC&M	Mining	Unallocated	Total
Segment revenue	771.8	249.9	376.5	211.5	912.1	758.2	(15.4)	3,264.6
Share of sales from JVs and Associates ¹	31.1	-	-	208.6	15.7	23.4	-	278.8
Total revenue ¹	802.9	249.9	376.5	420.1	927.8	781.6	(15.4)	3,543.4
EBIT	31.6	14.1	22.8	4.5	20.6	67.7	(48.1)	113.2
EBIT margin	3.9%	5.6%	6.1%	1.1%	2.2%	8.7%	-	3.2%

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