

INVESTOR DAY 2017



Downer
Relationships creating success

OUR PURPOSE, PROMISE AND PILLARS

OUR PURPOSE

We exist to create and sustain the modern environment by building trusted relationships with our public and private sector customers.

OUR PROMISE

To work closely with our customers to help them succeed, using world leading insights and solutions.

Our business is founded on four pillars which support our Promise and our Purpose.

OUR PILLARS

Safety

Zero Harm is embedded in Downer's culture and is fundamental to the company's future success



Delivery

We build trust by delivering on our promises with **excellence** while focusing on safety, value for money and efficiency

Relationships

We **collaborate** to build and sustain enduring relationships based on trust and **integrity**

Thought leadership

We remain at the forefront of our industry by employing the best people and having the **courage** to challenge the status quo

Drive improvement in existing businesses

Invest in growth

Create new positions

DRIVE IMPROVEMENT IN EXISTING BUSINESSES

Customer Relationship Management (CRM) to **improve revenue visibility**



PMO dashboards to monitor and **manage project delivery and profitability**



Group **finance transformation project** to standardise systems and processes



Embracing technology to **drive operational efficiency**



Utilisation of **data analytics** in core markets to improve service delivery



Restructure of New Zealand operations to **improve market alignment and competitiveness**

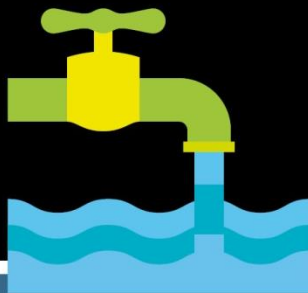


INVEST IN GROWTH

Undertake research and development in **recycled pavement technology**



Grow our **share of the Australian water market**



Invest in innovation platforms to **capture and create group IP**



Targeted acquisitions to augment competitive advantage



Invest in **community and indigenous** partnerships to deliver lasting benefits



Invest in Neuroverse platform as an enterprise business intelligence tool



CREATE NEW POSITIONS

Grow
Defence
footprint in
Australia and
New Zealand



Create
enhanced
**'value added
services'** to improve
proposition for customers



Partner with
Microsoft
and Cisco to
**explore new
technology
markets**



Acquire scale in the
facilities management
market through proposed
acquisition of Spotless



SPOTLESS



Acquire a position in
the growing New Zealand building
market through **Hawkins**

Review new geographies
to **export
established core
competencies**



TAKEOVER OFFER FOR SPOTLESS

The proposed acquisition of Spotless represents a significant investment in growth and would create new positions in adjacent sectors.

1. Continues Downer's portfolio transformation

- Higher proportion of earnings from stable services businesses with resilient earnings.
- De-risks Downer's portfolio while maintaining upside potential from continued resources recovery.

2. Enhances contract portfolio

- Spotless' portfolio includes long term contracts providing high certainty over revenues.

3. Contributes a complementary, high quality customer base

- Spotless has a diversified contract portfolio across a high quality customer base, with a high proportion of government-backed contracts.

4. Extends services capabilities

- Creates an integrated services provider with a range of capabilities across facilities and asset management services.

TRENDS SHAPING DOWNER'S STRATEGY



**Growing urbanisation
in major cities**



**Operational technology
proliferation**



**Catering for an ageing
population**



**Uptick in Government
outsourcing**

TRANSPORT SERVICES

RAIL AND KEOLIS DOWNER

UTILITIES SERVICES

TECHNOLOGY & COMMUNICATIONS SERVICES

ENGINEERING, CONSTRUCTION & MAINTENANCE

MINING

FACILITIES SERVICES

GROWING URBANISATION IN MAJOR CITIES

Globally, **three billion** additional people will join the **consuming class by 2025**



Australia is looking at a future of almost **30 million people** living in **four super-cities**

Over 60% of forecast NZ population **growth will occur in Auckland** in coming decades



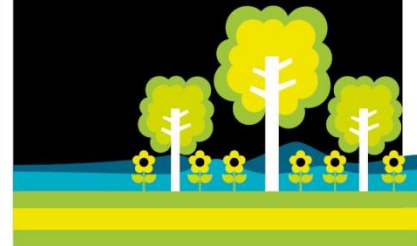
Developing countries will have **150 cities** with a GDP **greater than \$50bn by 2025**



As few as **seven in every 100 Victorians** are born or settle outside Melbourne



Cities will require sustainable and resilient solutions to optimise resources, reduce risks, and promote the wellbeing of all citizens



OPERATIONAL TECHNOLOGY PROLIFERATION

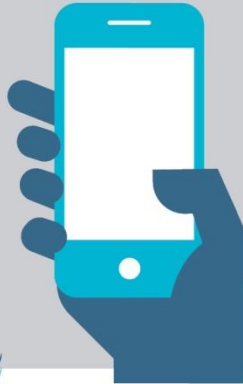
The proliferation of the Internet of Things will **drive industry towards big data analytics**



Woodside deploys **200,000 sensors on Pluto LNG**, performing 3 million calculations daily



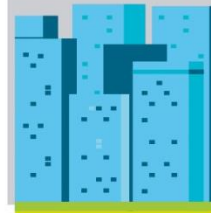
End customers want **real-time information** to make decisions, plan journeys, and reduce waste



Construction continues to lag other industries in digitisation and technology adoption - the potential exists to unleash significant productivity gains



Buildings and facility services increasingly utilise advanced BIM systems or platforms



'Anything as a Service' business model will continue to **open up market opportunities**



CATERING FOR AN AGEING POPULATION

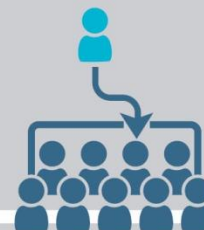
The population of **Australians over 65 will almost double** in the years towards **2040**



Australians' life expectancy is increasing and ranked 6th amongst OECD countries

Growing demand for healthcare services is driving increased public and private sector investment

Public hospitals are increasingly **moving towards the outsourcing** of non-clinical services to **drive cost efficiencies**



Digital health strategies will **increasingly shape patient services** and health infrastructure

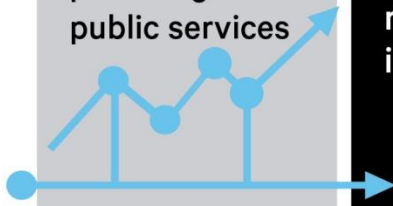


Private hospital capital expenditure has **increased 9.1% over 2015**



UPTICK IN GOVERNMENT OUTSOURCING

Continued **growth in the 'mixed' economy**, with a combination of public, private and not-for-profit organisations providing public services



DHL manages over **£4 billion of spending in UK's National Health Service**, to deliver £300 million in **cost savings** over the three years to 2018



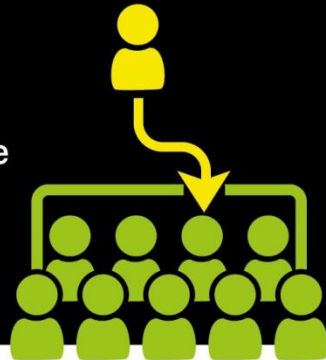
Backlog maintenance levels now **exerting pressure on governments** to act



Budgetary constraints in the face of **growing customer demand is driving innovative financing models**, emerging technologies, and smarter procurement



Governments are starting to **embrace the benefits of outsourcing models** to realise cost efficiencies while improving service delivery.



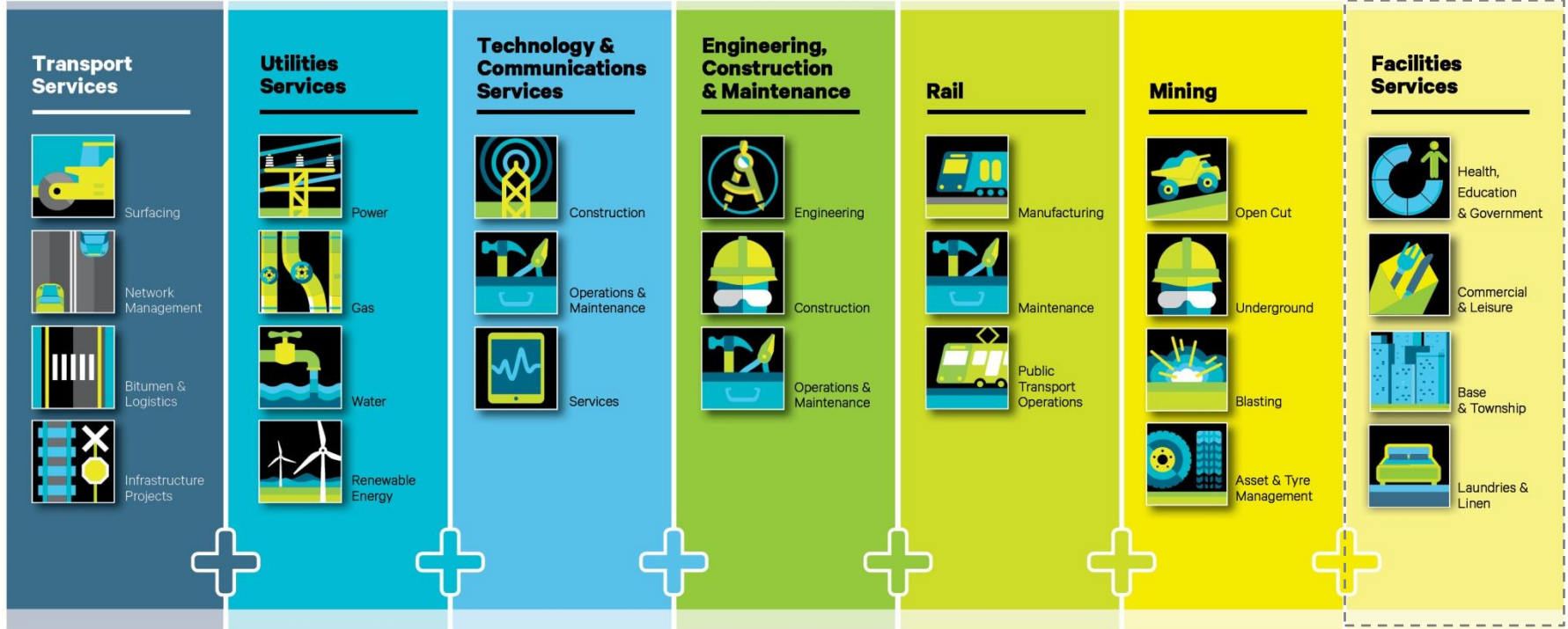
The guaranteed outcome associated with **performance specified contracts** has positioned outsourcing favourably with Governments



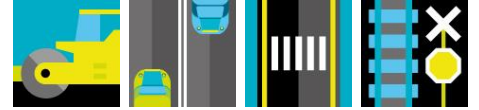
- As announced on 21 March, strong operating performance across each of Downer's segments has continued in the second half of FY17.
- Guidance to deliver standalone underlying¹ net profit after tax of at least \$175 million for FY17.
- Downer continues to assess opportunities to drive organic growth, examine strategic acquisitions and rationalise its existing businesses.

¹ Downer underlying net profit after tax excludes the impacts of the takeover offer for Spotless Group Holdings Limited (SPO.ASX), announced on 21 March 2017 and the associated transaction costs.

OUR SERVICE LINES



TRANSPORT SERVICES



Manages about
55,000 km
of road networks


One of the
largest
maintainers of
ITS
assets



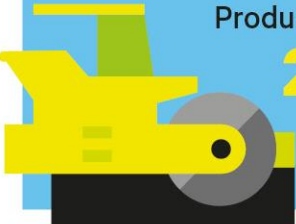
Constructing the
HCMT train
maintenance
facility,
stabling
yards,
training
simulators
and light
service
facility



Owens,
operates
and
manages
35 fixed and
six mobile
asphalt plants



Delivering the infrastructure
required for the **Newcastle**
and **Adelaide Light Rail**
projects



Produces more than
2.5 million
tonnes of asphalt
per annum

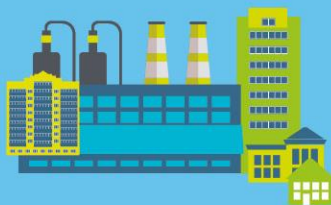


48
network
management
contracts

UTILITIES SERVICES



Connects close to **20,000** new residential, commercial and industrial gas services each year



Maintains electricity networks serving more than **1.1 million** customers



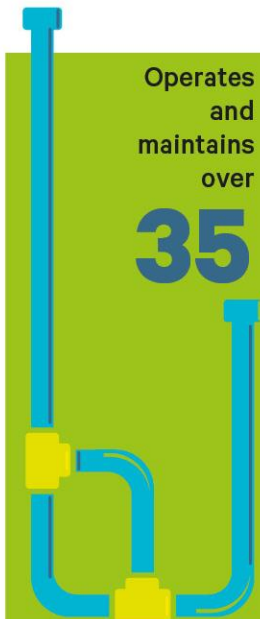
Constructed **first solar farm registered** as a market generator in the National Electricity Market



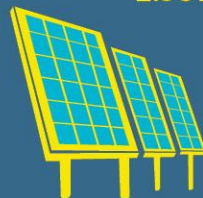
Operates and maintains over

35

treatment plants, contracts, and alliances



Will have facilitated the delivery of **more than 2.3GW** of renewable energy in Australia when Ross River Solar Farm is complete

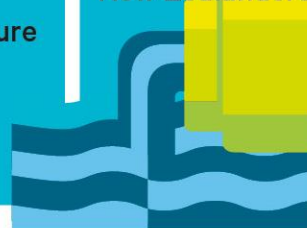


More than **130km** of gas pipes laid each year

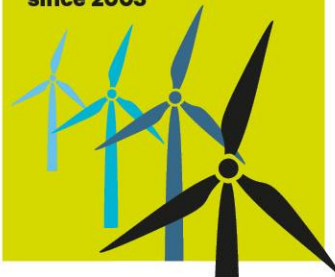


Delivered **\$1.2 billion** worth of water infrastructure projects in the **last five years**

Deliver water services to about **25%** of New Zealanders



Completed **15** wind energy projects since 2003



TECHNOLOGY AND COMMUNICATIONS SERVICES



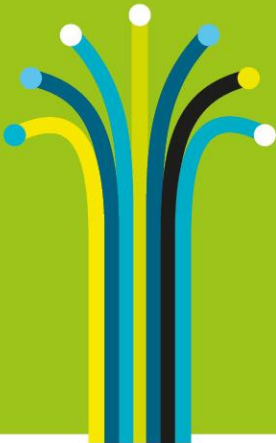
Service provider to all major fixed line and mobile providers in **New Zealand** & major fixed line providers in **Australia**



More than **5,500km** of fibre hauled for the Ultra-Fast Broadband (UFB) and National Broadband Network (nbn™) to date



200,000+ premises connected to UFB fibre network



140,000+ problems resolved on fixed and mobile networks annually in New Zealand



- 150,000 connections under Fibre to the Premises
- 380,000 connections under Fibre to the Node & Fibre to the Basement
- 20,000 connections under the Hybrid Fibre Co-Axial (HFC) program



Over **2,000** construction partners in Australia



ENGINEERING, CONSTRUCTION AND MAINTENANCE



Creating opportunities at

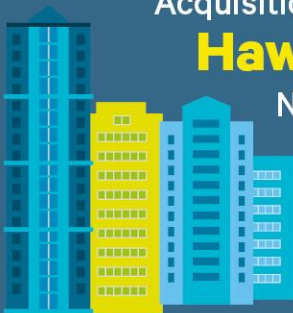
Prelude FLNG,
Ichthys LNG
and **Queensland**
CSG



Acquisition of

Hawkins in

New Zealand
– an excellent
strategic fit



Expanding Defence footprint
with the **acquisition** of
AGIS and
partnership with **ATS**



Positioning mechanical and
electrical services for
upcoming **\$10b p.a**
Transport
Infrastructure
investment



Growing **long term**
asset maintenance
and **hard FM**
contracts in **CSG, LNG,**
Resources
and **Critical**
Infrastructure

Kaikoura earthquake repairs
North
Canterbury
Transport
Infrastructure
Recovery
alliance



Investing in **specialised**
Engineering and Technology
Service offerings





Keolis Downer

is the largest light rail operator in Australia

- Yarra Trams
- G: Link
- Newcastle Transport



930
buses



Relationship with
CRRC
the world's
largest rail
manufacturer



Awarded Victoria's
largest ever
rolling stock project,
HCMT



Australia's leading provider of
passenger rolling stock
asset management services:

- Waratah
- Millennium
- WA PTA
- HCMT



\$16m Newport upgrade
drives
Victorian
jobs





we operate at over
50 mine sites
across

6 countries



Approximately **600**
items of major
mining fleet currently
under management
including **50 Ultra Class**
trucks and **three**
800t excavators



Investing in **enabling**
technologies and
developing
Neuroverse
delivery
platform in
partnership
with
Microsoft



Market leading

operational performance
underpinned by **high**
asset
utilisation

and
competitive
labour
agreements



Improving market conditions

- Growth in opportunity pipeline
- New awards and renewals (Palabora, Karara, Meandu, CITIC Pacific)



Successfully **diversifying**
revenue mix – overseas
markets, Asset Management,
Blasting, Underground



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