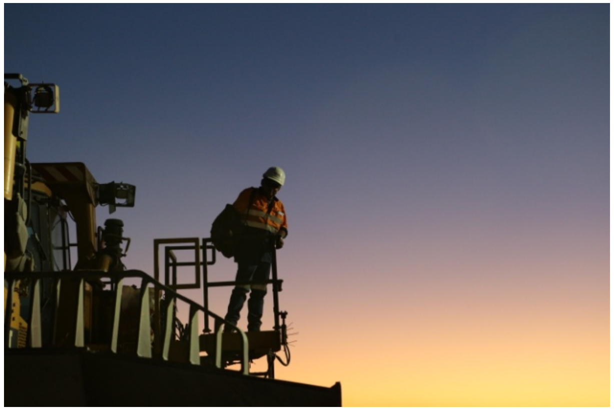
Downer Group 2014
Full Year Results

5 August 2014


Financial overview

Earnings	• Net Profit After Tax (NPAT) $216.0 million, up 5.9%[1] • Earnings Before Interest and Tax (EBIT) $341.1 million, down 4.9%[1] • Return on Funds Employed (ROFE) 16.8%, down from 17.7%[1]
Revenue	• Total revenue[2] $7.7 billion, down 15.3%
Cash Flow	• Operating cash flow $583.4 million, up 30.2%
Work-in-hand	• Work-in-hand[3] $17.6 billion, down 7.4% from June 2013
Balance Sheet	• Net debt[4] $32.7 million, down 86.5% • Gearing[5] 1.6% (9.2% including off-balance sheet debt)
Capital management	• Final dividend declared: 12.0 cps, 100% franked, no DRP • On-market share buy-back
Zero Harm	• LTIFR of 1.08, up from 0.70 at June 2013 • TRIFR of 4.83, down from 5.42 at June 2013

1 (i) Based on statutory numbers; (ii) Following the adoption of AASB11 Joint Arrangements in the current year, prior year 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 based on present value of plant and equipment operating leases discounted at 10% pa: $166.8m (June 2013: $231.8m).

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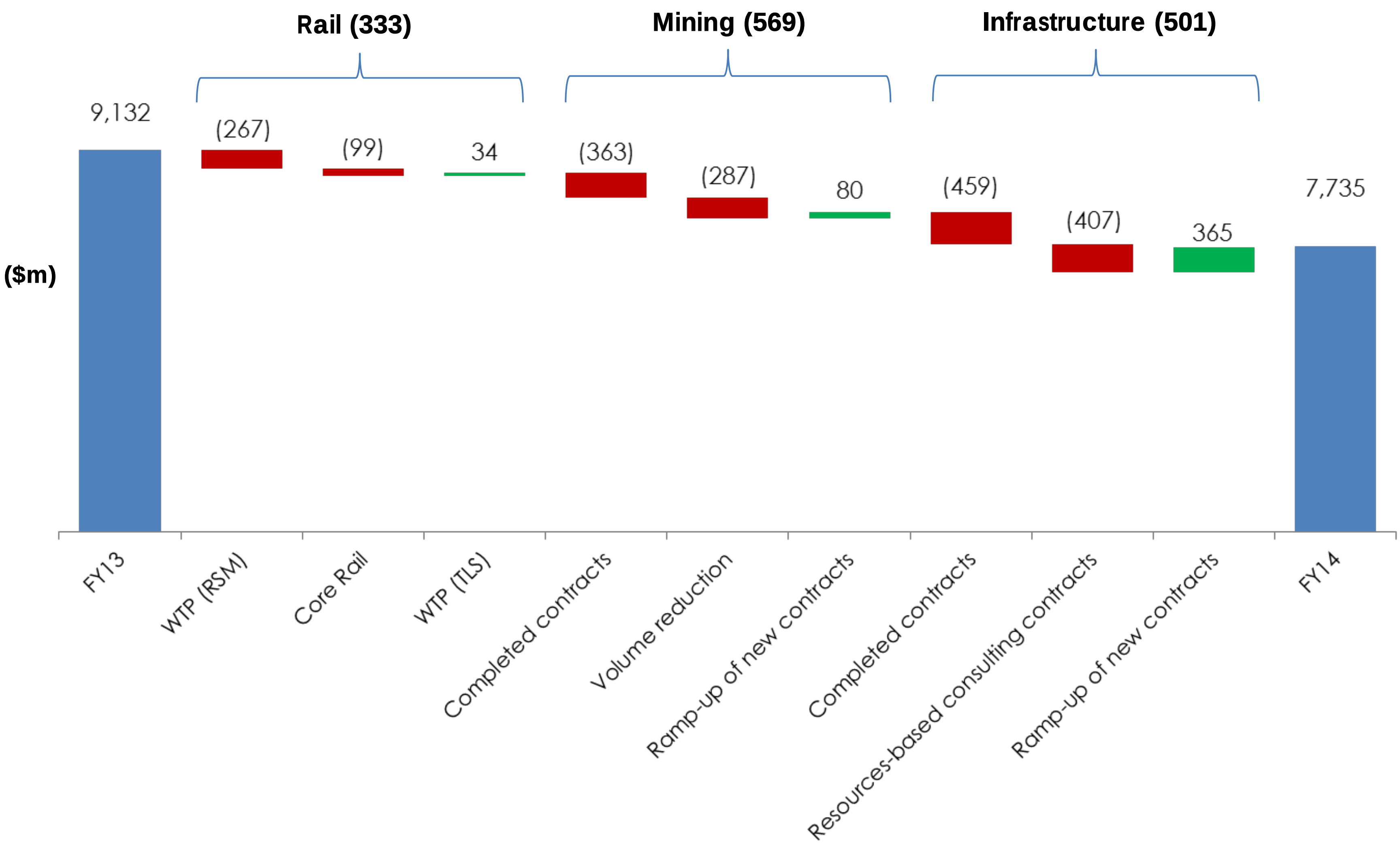
Group revenue: FY13 to FY14



All numbers on this slide are rounded to the nearest whole number. Divisional revenue movements do not add up precisely to total Group revenue due to the exclusion of inter-segment sales and unallocated items.

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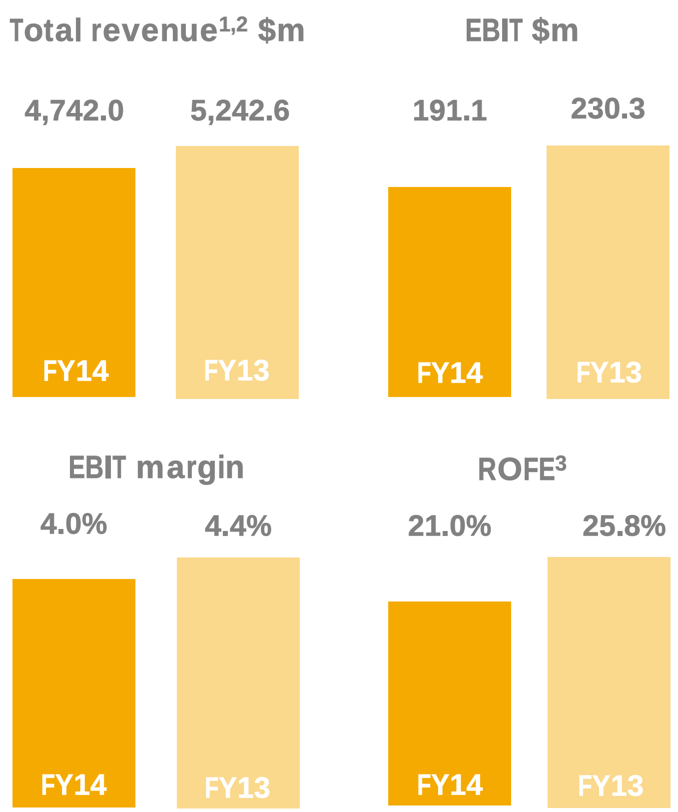
Infrastructure



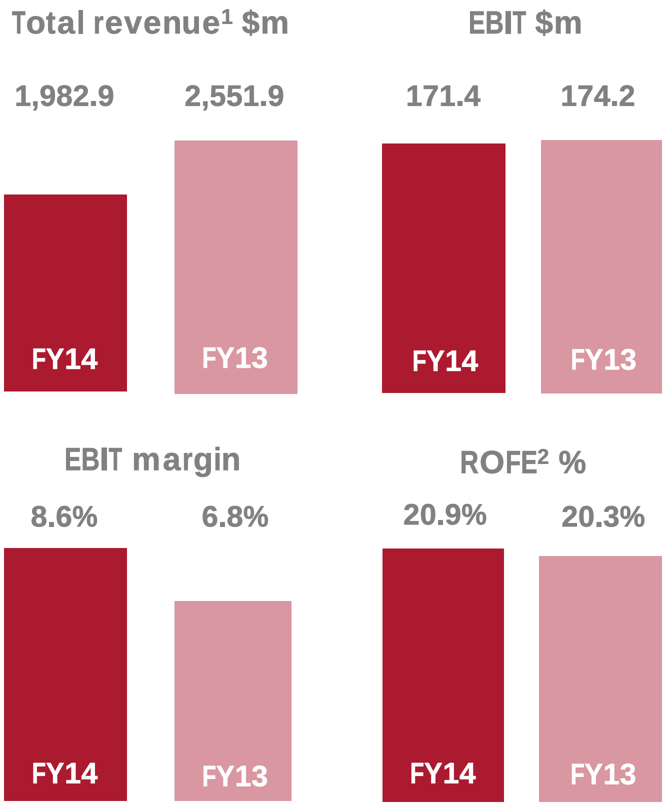
- Subdued conditions for resources-related engineering and construction; multiple initiatives in place to drive efficiencies across the business
- Significant contract wins during the year:
  - Wheatstone E&I ($400 million)
  - Sydney West Zone Stewardship Maintenance Contract (Downer share $350 million)
  - Maules Creek Coal Handling and Processing Plant ($100 million)
  - Yandi E&I ($80 million)
  - TAN Burrup AN Plant ($70 million)
  - In NZ, a number of road infrastructure projects and selected as a lead contractor on stage one of Central Plains Irrigation scheme (NZ$140m)
- Solid New Zealand result, driven by robust activity across all operational areas, continued business improvement and a stronger New Zealand dollar

1 Total revenue includes joint ventures and other income.

2 Following the adoption of AASB11 Joint Arrangements in the current year, prior year comparatives have been re-stated.

3 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 in FY13 and volume reductions
- Strong EBIT margin generated from productivity improvements, changes to equipment financing
- Significant contract wins during the year:
  - 4.5 year contract with Roy Hill Iron Ore ($500 million)
  - Five-year contract extension at Commodore (Millmerran power Partners) ($200-250 million)
  - One-year contract extension at Boggabri (Idemitsu)
- Early termination by BHP Billiton Mitsubishi Alliance (BMA) at Goonyella Riverside mine will reduce work-in-hand by ~$360 million over FY15 and FY16

1 Total revenue includes joint ventures and other income.

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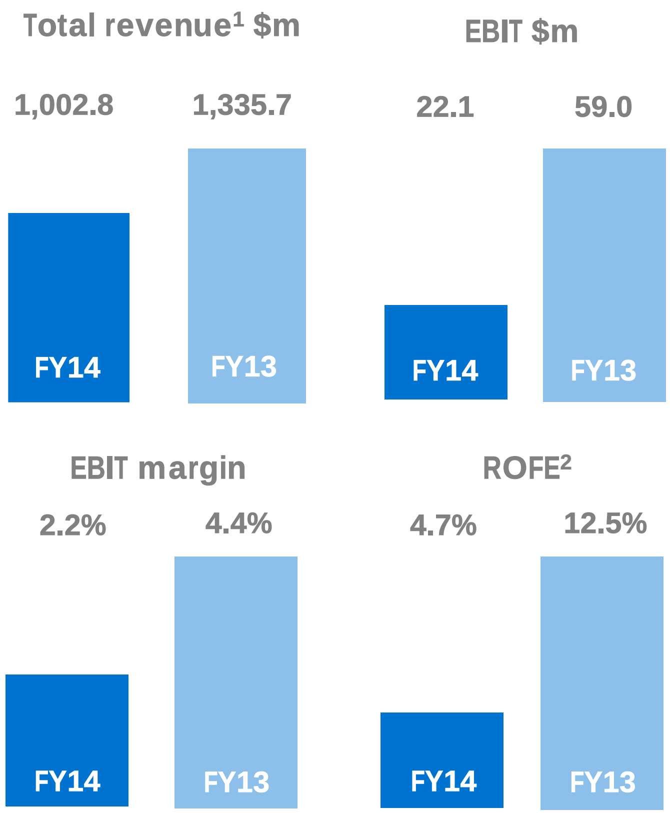
Rail



- Completed Waratah Rolling Stock Manufacture contract in May 2014
- Substantial restructuring continued, including site consolidation and staff redundancies
  - $16.9 million in restructuring costs
- Waratah Through Life Support (TLS) contract now fully operating and performing well
- Keolis Downer JV performing well – Gold Coast Light Rail began operations in July 2014
- Investment in new machines and processes to support more efficient operations
- Ongoing transformation from manufacturing to 365-day, 24/7 service business
- Provision release on Waratah Train Project ($17.0 million) offset by restructuring costs

1 Total revenue includes joint ventures and other income. Total revenue includes revenue related to the underlying business FY14 $845.1m (FY13: $910.7m) and the Waratah RSM contract FY14 $157.7m (FY13: $425.0m).

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

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On market share buy-back

- Ongoing program that will operate from 20 August, 2014
- Total number of shares purchased will depend on share price levels and capital requirements
- Program will be managed in conjunction with capital requirements for growth
- Strong balance sheet and operating cash flows place Downer in a good position to take advantage of growth opportunities, including M&A – any prospect subject to robust risk assessment
- Focus on opportunities that are strategic, the right price and grow our capability

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Group Financials

Financial performance

$m	FY14	FY13[3]	Change (%)
Total revenue[1]	7,734.5	9,132.4	(15.3)
EBITDA	607.5	653.6	(7.0)
EBIT	341.1	358.8	(4.9)
Net interest expense	(43.1)	(67.1)	35.9
Tax expense	(82.1)	(87.7)	6.4
Net profit after tax	**216.0**	**204.0**	**5.9**
EBIT margin	4.4%	3.9%	
Effective tax rate	27.5%	30.1%	
ROFE[2]	16.8%	17.7%	
Dividend declared (cents per share)	23.0	21.0	9.5

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

Summary of earnings

$m	Total	Infrastructure	Mining	Rail	Corporate
Statutory EBIT	**341.1**	**191.1**	**171.4**	**22.1**	**(43.5)**
Add back unfavourable item:					
• Restructuring costs	29.0	11.4		16.9	0.7
Less favourable items:					
• Contingency releases	(24.5)		(7.5)	(17.0)	
• Settlement of contract claims	(6.4)				(6.4)
Adjusted EBIT (approx)	**339.2**	**202.5**	**163.9**	**22.0**	**(49.2)**

Operating cash flow

Operating cash flow ($m)	FY14	FY13[1]
EBIT	341.1	358.8
Add: Depreciation & Amortisation	266.4	294.8
EBITDA	**607.5**	**653.6**
Operating cash flow	**583.4**	**448.1**
Add: Net interest paid[2]	43.3	60.6
Tax paid	41.7	14.3
Waratah Train Project net cash (inflow)/outflow[3]	(93.0)	63.3
Singapore Tunnel settlement	-	39.3
Adjusted Operating cash flow	**575.4**	**625.6**
EBITDA conversion	**94.7%**	**95.7%**

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

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

3 Unaudited.

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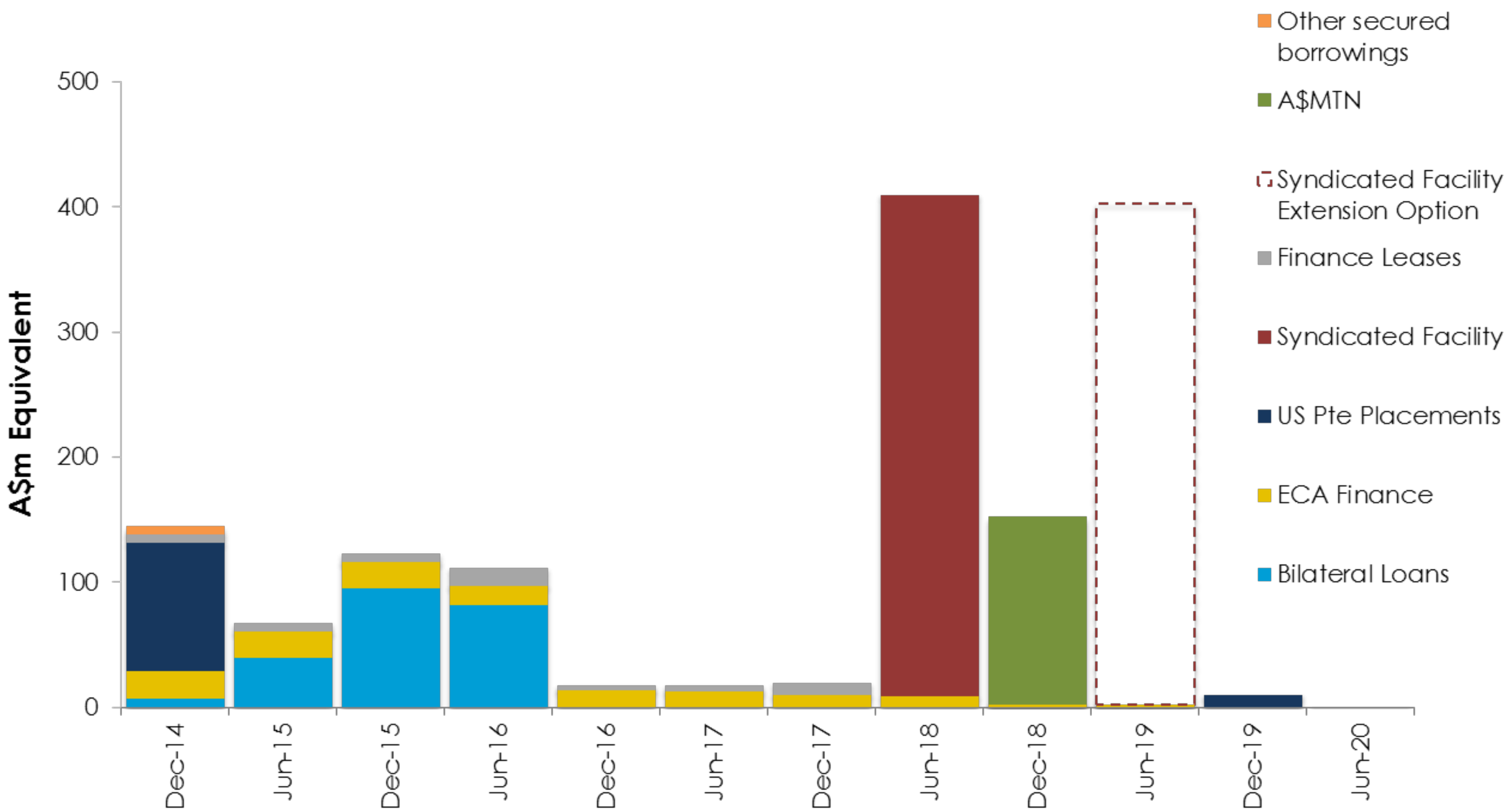
Cash flow

$m	FY14	FY13[1]
Total operating	**583.4**	**448.1**
Capital expenditure	(379.5)	(350.3)
Proceeds from sales of PP&E	129.9	67.6
Other	(29.2)	(5.7)
Total investing	**(278.8)**	**(288.4)**
Dividends paid	(95.6)	(29.7)
Net (repayments)/proceeds from borrowings	(261.0)	38.8
Total financing	**(356.6)**	**9.1**
Net (decrease)/increase in cash held	**(51.9)**	**168.8**
Cash at 30 June	**431.8**	**479.9**
Total liquidity	**1,048.8**	**1,101.1**

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

Debt maturity profile



Weighted average debt duration (June 2014): 2.7 years

Balance sheet and capital management

$m	Jun 14	Jun 13[5]
Total assets	3,868.4	4,239.8
Total shareholders' equity	1,962.0	1,826.6
Net debt[1]	32.7	242.7
Gearing: net debt to net debt plus equity	1.6%	11.7%
Gearing (including off balance sheet debt)[2]	9.2%	20.6%
Adjusted net debt / adjusted EBITDAR[3]	1.8	2.3
Interest cover[4]	7.9	5.5

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: $166.8m (2013: $231.8m).
3 Calculation based on statutory accounts. 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 Under the Common Terms Deed Poll, introduced by the Group in April 2013 pursuant to its debt facilities, the definition of Interest Cover is EBIT/Net Interest Expense.
5 Following the adoption of AASB11 Joint Arrangements in the current year, prior year comparatives have been re-stated.

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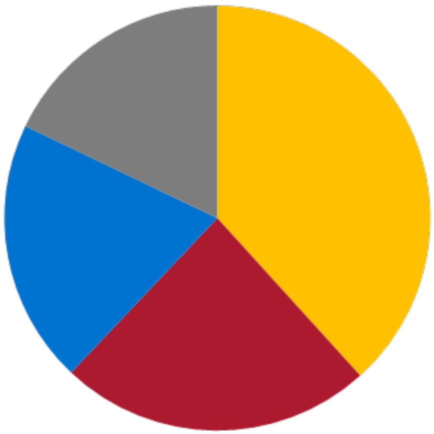
Outlook

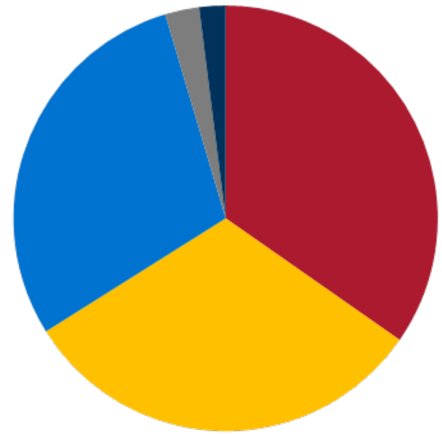
Work-in-hand: $17.6 billion

Work-in-hand by division[1]



	Infrast AU	$6.7 billion	38%
	Mining	$4.2 billion	24%
	Rail	$3.5 billion	20%
	Infrast NZ	$3.2 billion	18%
	TOTAL	**$17.6 billion**	

Work-in-hand by type[1]



	Schedule of rates	$6.1 billion	35%
	Recurring/annuities[2]	$5.5 billion	31%
	Fixed price	$5.1 billion	29%
	Alliance	$0.5 billion	3%
	Cost Plus	$0.4 billion	2%
	TOTAL	**$17.6 billion**	

1 Work-in-hand numbers are unaudited and rounded to one decimal point. Percentage splits are rounded to nearest whole per cent.
2 Recurring/annuities: estimated for five years based on historic performance, demand levels and rates.

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Group outlook

The forward outlook varies by market. Government related expenditure on capital and services looks promising while resources based expenditure is expected to be flat, or declining, on current low levels.

Underlying mining commodity markets are currently very difficult for a number of our major customers. The short term impact of this pressure on service providers like Downer is hard to predict. Longer term, this pressure will drive increased demand for our services as companies look for more efficient service delivery.

For the 2015 financial year, Downer is targeting NPAT of around $205 million.

Supplementary information

Reconciliation of underlying to statutory result

($m)	FY14	FY13[1]
Underlying EBIT	**341.1**	**370.3**
Individually Significant Item (SPPA settlement)	-	(11.5)
Statutory EBIT	**341.1**	**358.8**
Underlying NPAT	**216.0**	**215.4**
Individually Significant Item (SPPA settlement)	-	(11.5)
Statutory NPAT	**216.0**	**204.0**

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

Debt and bonding facilities

Debt facilities	$m
Total facilities	1,081
Drawn[1]	464
Available facilities	**617**
Cash	432
Total liquidity	**1,049**

Bonding facilities	$m
Total facilities	1,282
Drawn	898
Available facilities	**384**

Debt facilities by type	%
Syndicated bank facility	37
Bilateral bank facilities	20
Capital markets: Bonds	14
ECA finance	13
Capital markets: USPP	10
Finance leases & other	6
	100

Debt facilities by geography	%
Australia/NZ	53
North America	20
Asia	16
Europe	11
	100

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

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