Downer
Relationships creating success

Downer Group 2016 Half Year Results

INVESTOR PRESENTATION

4 February 2016

OVERVIEW

- Total revenue[1] $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 hand[2] $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 debt[3] $188.4 million, $9.4 million increase from 30 June 2015
- Gearing[4] 8.4% (13.8% including off-balance sheet debt)
- Interim dividend declared: 12 cps, 100% franked, no DRP
-
  - LTIFR[5] of 0.84, down from 0.93
  - TRIFR[6] 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

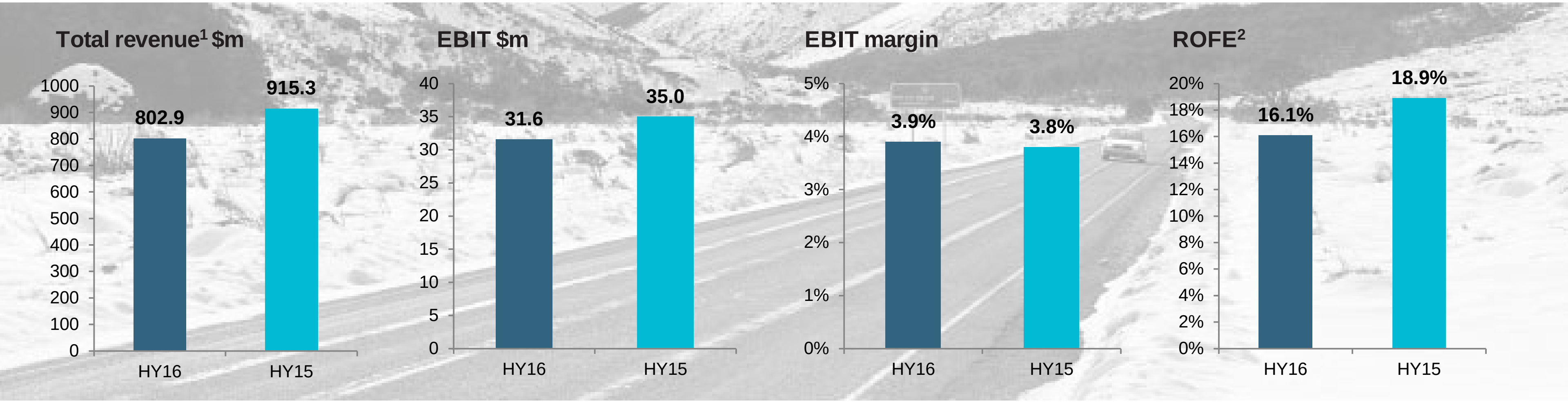
3 Adjusted for the mark-to-market of derivatives and deferred finance charges.

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

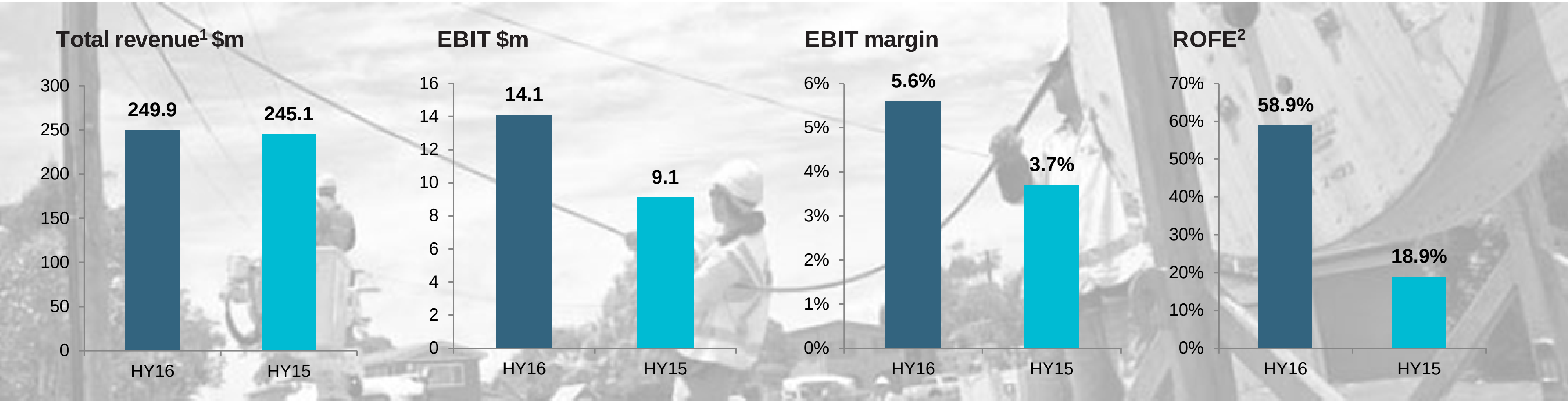


- New Zealand, New South Wales (NSW) and Victoria continued to perform well
- However, the rail infrastructure result contribution was down significantly due to projects completed in the prior corresponding period not being replaced
- In addition, there was reduced Government expenditure and inclement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

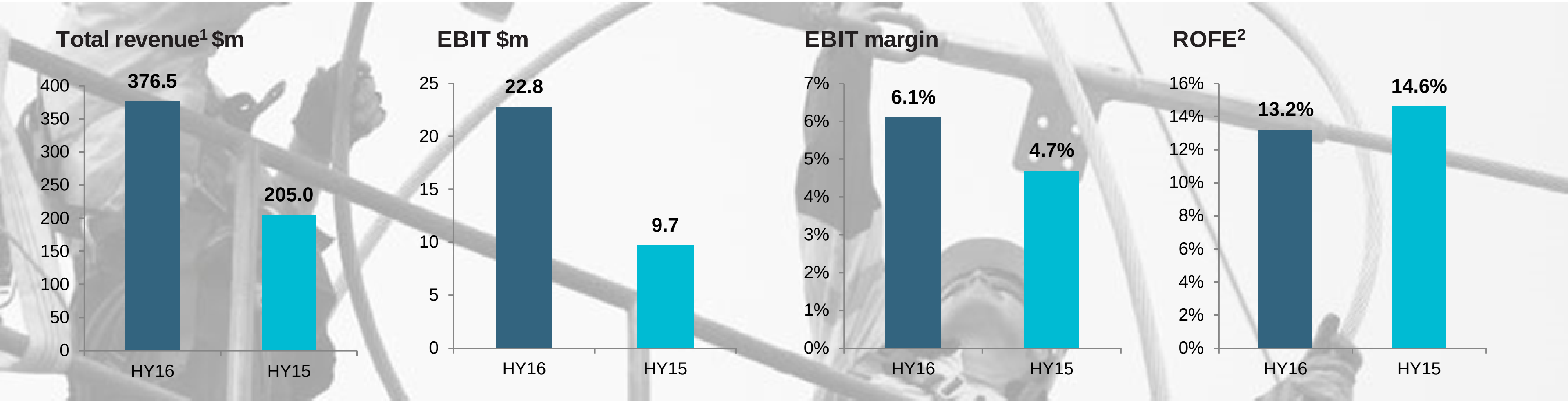


- Strong delivery on nbn™ contracts in Australia
- Good performance on contracts in New Zealand
- Lower revenue from Chorus contract in New Zealand as the roll-out of the Ultra-Fast Broadband fibre network comes to completion and the Next Generation Access (NGA) contracts ramp up

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.

UTILITIES SERVICES

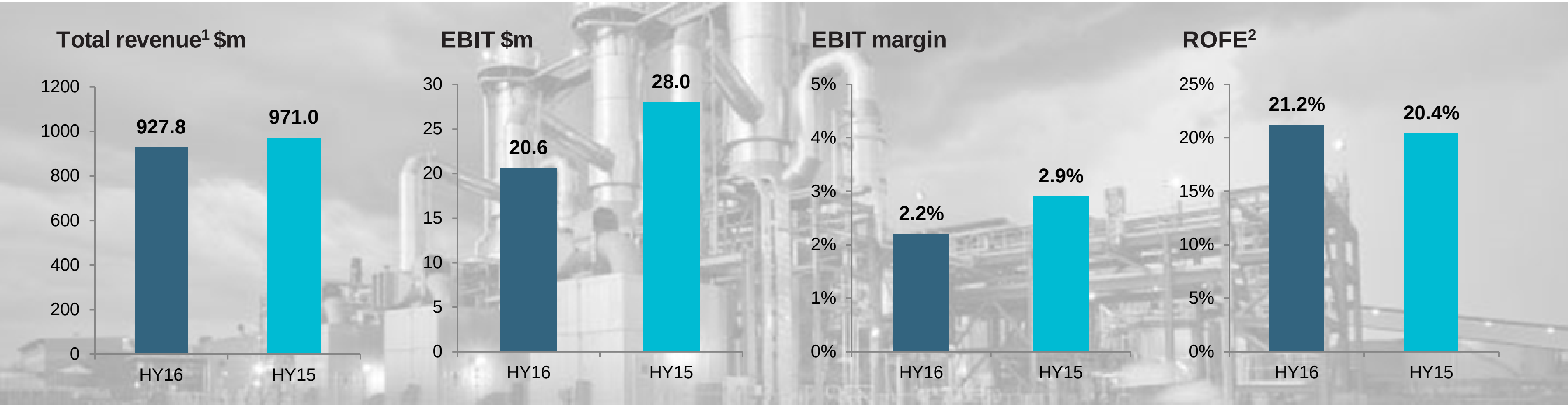


- Current period includes an additional four months of contribution from Tenix
- Tenix integration completed, successfully enhancing the Group's capabilities
- Power and gas projects performed strongly
- Ramp up of activity at Ararat wind farm project in Victoria

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.

ENGINEERING, CONSTRUCTION & MAINTENANCE

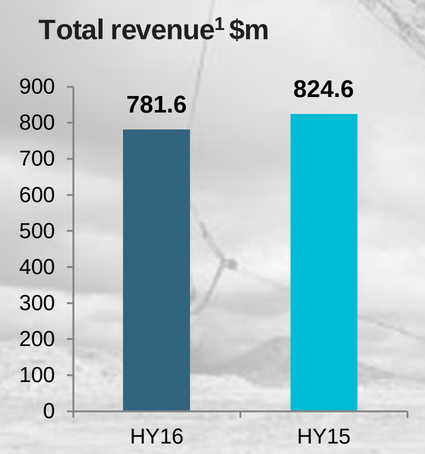


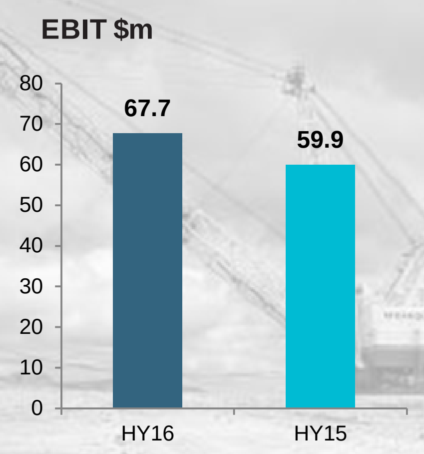
- Continued decline in Metals and Minerals related capital expenditure
- Lower activity in Queensland offset by increased activity on Oil and Gas projects in WA (Gorgon and Wheatstone) and also projects in New Zealand
- $5.7million in restructuring costs to realign the business to the revenue environment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

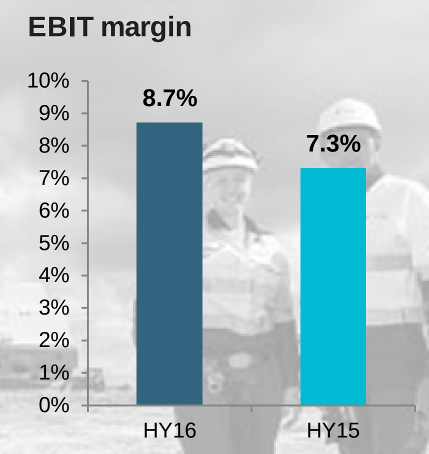
1 Total revenue includes joint ventures and other income.

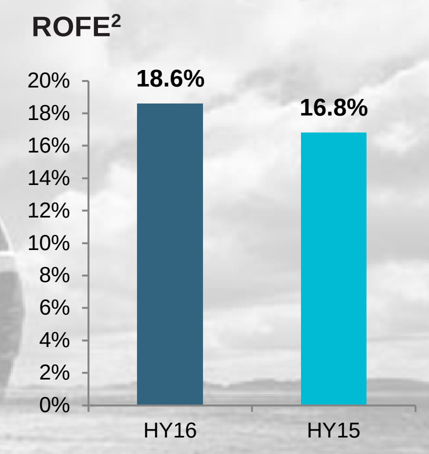
2 ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

MINING







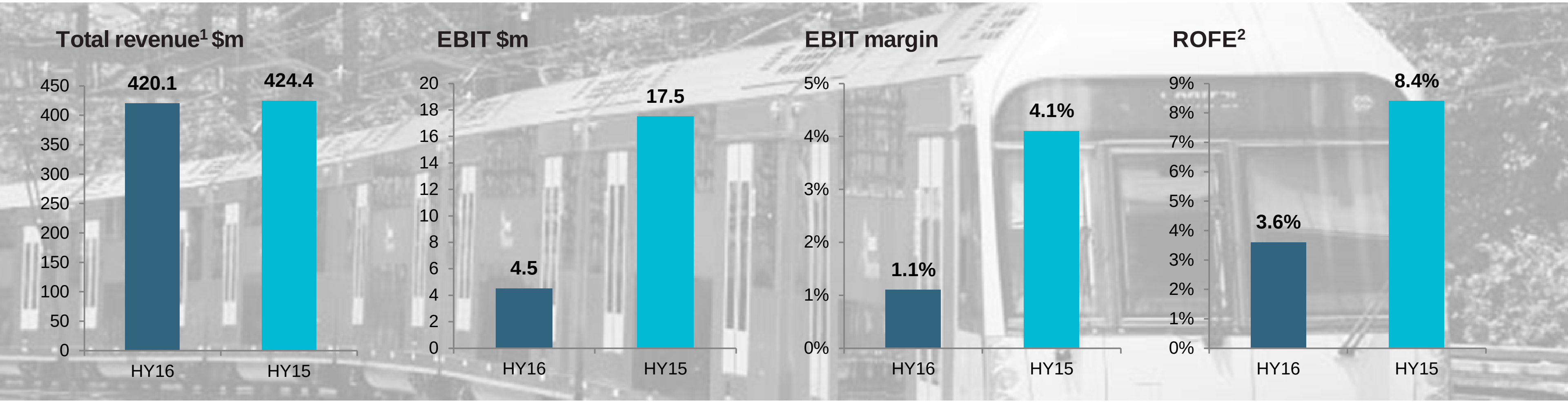


- Strong performance despite extremely difficult environment with further falls in commodity prices and reduced operational expenditure
- Lower revenue due to reduced volumes and contract completions
- EBIT performance benefited from continued strong performance on ongoing contracts and favourable one-off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

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 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 pcp 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.


Relationships creating success
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.

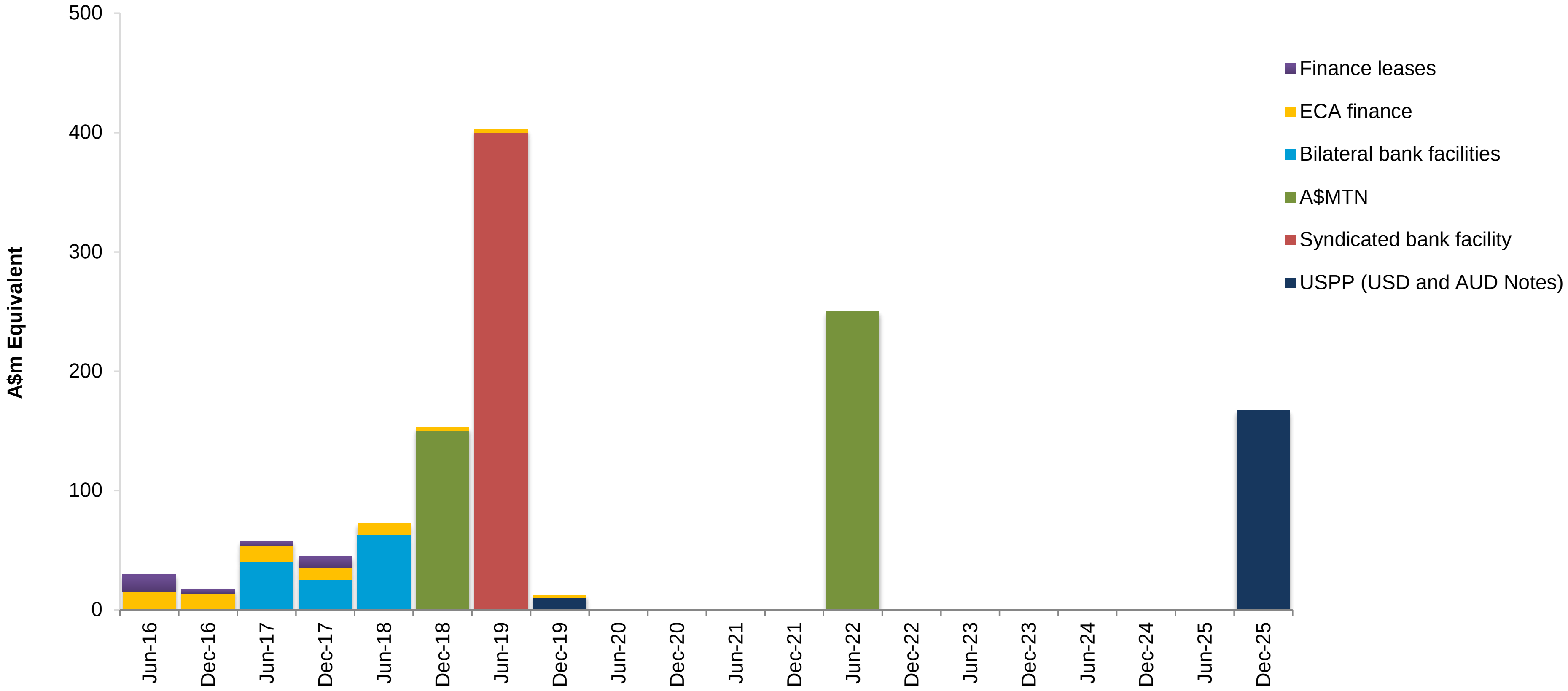
CASH FLOW

$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 liquidity[2]	**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).

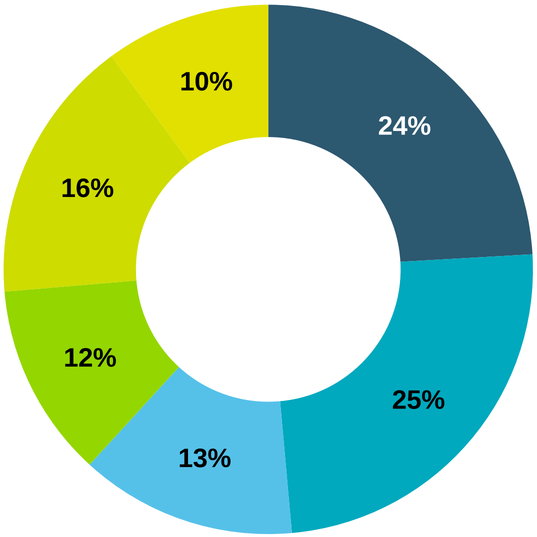
3 Adjusted Net Debt includes Net Debt plus 6x operating lease expenses in the year. Adjusted EBITDAR equals underlying earnings before interest, tax, depreciation, amortisation and operating lease expense (on a rolling 12 month basis).

Relationships creating success

OUTLOOK

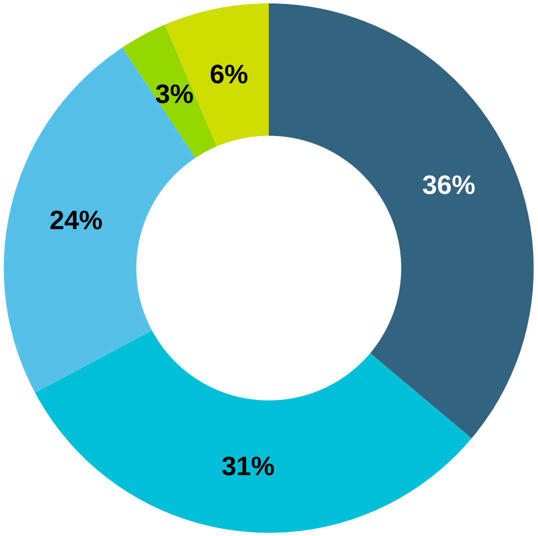
WORK-IN-HAND: $18 BILLION

By Service Line – December 2015



Rail	$4.4b
Transport Services	$4.5b
Mining	$2.4b
EC&M Services	$2.0b
Utilities Services	$2.9b
Techology 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

Downer

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.

Downer

Relationships creating success

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**

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

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

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)**

DISCLAIMER

RELIANCE ON THIRD PARTY INFORMATION

This Presentation may contain information that has been derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. No responsibility, warranty or liability is accepted by the Company, its officers, employees, agents or contractors for any errors, misstatements in or omissions from this Presentation

PRESENTATION IS A SUMMARY ONLY

This Presentation is information in a summary form only and does not purport to be complete. It should be read in conjunction with the condensed consolidated Financial Report for the half year ended 31 December 2015. Any information or opinions expressed in this Presentation are subject to change without notice and the Company is not under any obligation to update or keep current the information contained within this Presentation.

NOT INVESTMENT ADVICE

This Presentation is not intended and should not be considered to be the giving of investment advice by the Company or any of its shareholders, Directors, officers, agents, employees or advisers. The information provided in this Presentation has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs. Each party to whom this Presentation is made available must make its own independent assessment of the Company after making such investigations and taking such advice as may be deemed necessary.

NO OFFER OF SECURITIES

Nothing in this Presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell Company securities in any jurisdiction.

FORWARD LOOKING STATEMENTS

This Presentation may include forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, these statements are not guarantees or predictions of future performance, and involve both known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control. As a result, actual results or developments may differ materially from those expressed in the statements contained in this Presentation. Investors are cautioned that statements contained in this Presentation are not guarantees or projections of future performance and actual results or developments may differ materially from those projected in forward-looking statements.

NO LIABILITY

To the maximum extent permitted by law, neither the Company nor its related bodies corporate, Directors, employees or agents, nor any other person, accepts any liability, including without limitation any liability arising from fault or negligence, for any direct, indirect or consequential loss arising from the use of this Presentation or its contents or otherwise arising in connection with it.

DISCLOSEURE OF NON-IFRS FINANCIAL INFORMATION

Throughout this presentation, there are occasions where financial information is presented not in accordance with accounting standards. There are a number of reasons why the Company has chosen to do this including: to maintain a consistency of disclosure across reporting periods; to demonstrate key financial indicators in a comparable way to how the market assesses the performance of the Company; to demonstrate the impact that significant one-off items have had on Company performance.

Where Company earnings have been distorted by significant items, Management have used their discretion in highlighting these. These items are short-term in nature and considered to be outside the normal course of business. Unaudited numbers used throughout are labelled accordingly.

ROUNDING

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

Downer
Relationships creating success

Downer Group
2016 Half Year Results

INVESTOR PRESENTATION

4 February 2016