Downer Group 2011 Full Year Results

24 August 2011

Downer

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A year of rebuilding and transformation

Waratah	• New project management team appointed • Revised production and delivery schedule introduced • Improved manufacturing processes in China and Cardiff • Set 1 in passenger service since 1 July 2011 and performing well • Set 2 presented to RailCorp on 28 July for Practical Completion
Overhaul of risk management	• Standardise approach across Group • Focus on bidding, contract limits, execution and review • Strategic risk management and contract formation • Manage and deliver existing major projects • Group Chief Risk Officer commenced August 2011
Customers and markets	• Emphasis on business development; drive growth in core markets with key customers • Establishment of Downer Australia to drive opportunities • Leverage Downer's unmatched scope and capability • Increased resources and focus on Western Australia

A year of rebuilding and transformation

Building management capability	• Talent identification and succession in tight market • Training and development • Performance management
Cost efficiency	• Fit 4 Business program • Margin improvement • Shared services
Return on capital	• Focus the business on capital efficiency and returns
Portfolio	• Establishment of Downer Australia • Announced review of CPG consulting businesses • Ongoing assessment
Financial strength	• Balance sheet to support growth • Improve working capital management

Key contract wins

Downner Mining

- Fortescue Metals Group, Christmas Creek (WA): $3.0b
- BHP Mitsubishi Alliance, Goonyella Riverside and Norwich Park (Qld): $2.0b
- Idemitsu Australia Resources Pty Ltd, Boggabri (NSW): $900m

Downer Rail

- Locomotive contracts including 29 standard gauge, 59 narrow gauge and 17 for the Pilbara: >$500m
- WA PTA maintenance and build contracts for Downer-Bombardier JV: value to DOW $220m
- Queensland Rail Tilt Train build: $190m

Downer Engineering

- Xstrata coal handling & preparation plant, Ravensworth North (NSW): $400m
- Foxtel installation & maintenance: $200m
- Power transmission line for Karara Iron Ore (WA): $120m
- Earthworks/civil work on Rio Tinto Iron Ore's Warramboo project (WA): $50m
- OneSteel iron ore plant (SA): $60m

Downer Works

- Downer-Mouchel ISAs with Main Roads WA: $575m
- Christchurch Earthquake Recovery alliance: >NZ$2.0b for five alliance members over five years
- Queensland disaster recovery panel

Financial overview

Revenue	• Total revenue[1] up 15.2% to $7.0 billion • Growth in Mining, Rail and Engineering businesses, decline in Works NZ
Earnings and cash flow	• Underlying[2] EBIT[3] $292.2 million, down 8.1% • Underlying net cash flow[4] $324.9 million (111% of underlying EBIT)
Work-in-hand	• Work-in-hand remains strong at $20 billion • Mining $7.5 billion, Rail $5.2 billion, Downer Australia $4.8 billion, Downer New Zealand $2.6 billion
Capital management	• Successful financing of $660m in debt/bonding facilities • $279 million raised through renounceable rights issue • Total available liquidity of $916m • On-balance sheet gearing of 25.5% • No final dividend

1 Total revenue including joint ventures and associates

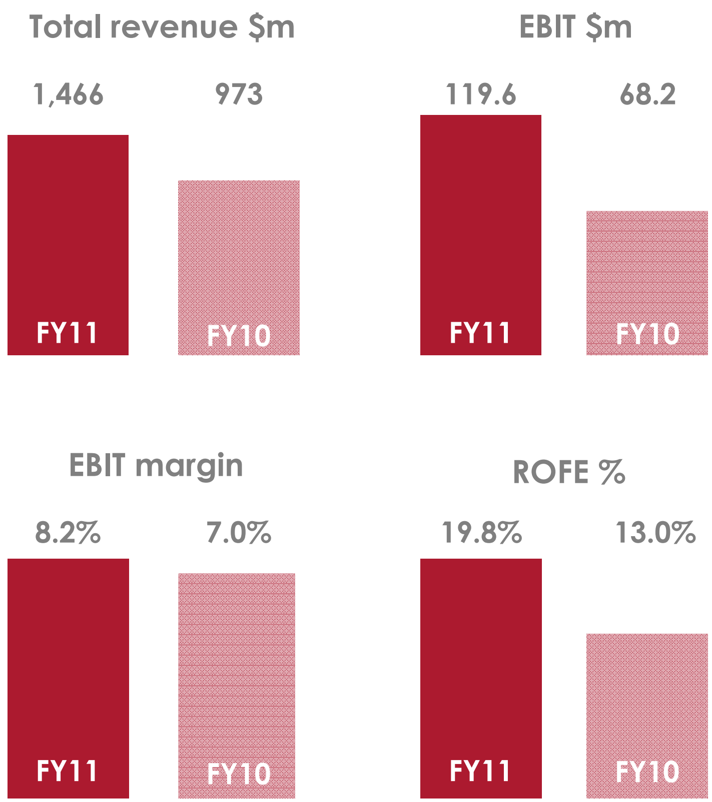
2 'Underlying' excludes individually significant items

3 EBIT: Derived by adding back net interest expense & tax expense to NPAT

4 Net cash flows from operating activities before $139.3m cash outflows relating to Waratah project.

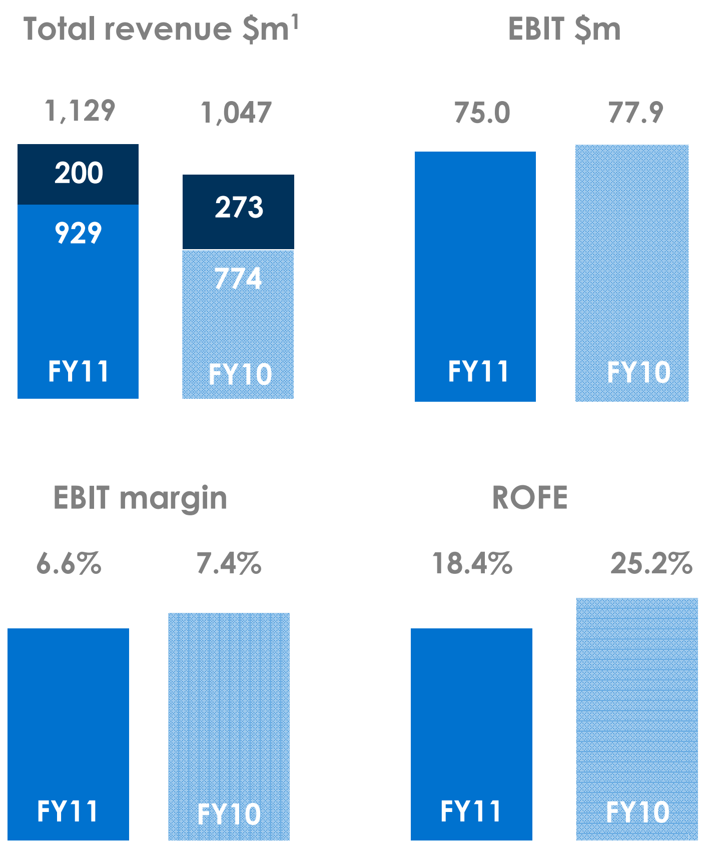
Downer

Mining



- Strong result, driven by successful ramp-ups at Christmas Creek, Goonyella and Norwich Park
- Revenue up 51%; EBIT up 75%
- Result achieved despite wet weather impact in NSW, QLD and WA
- Focus on consolidating position and successful execution of contracted work – growth secured for next two years

Rail

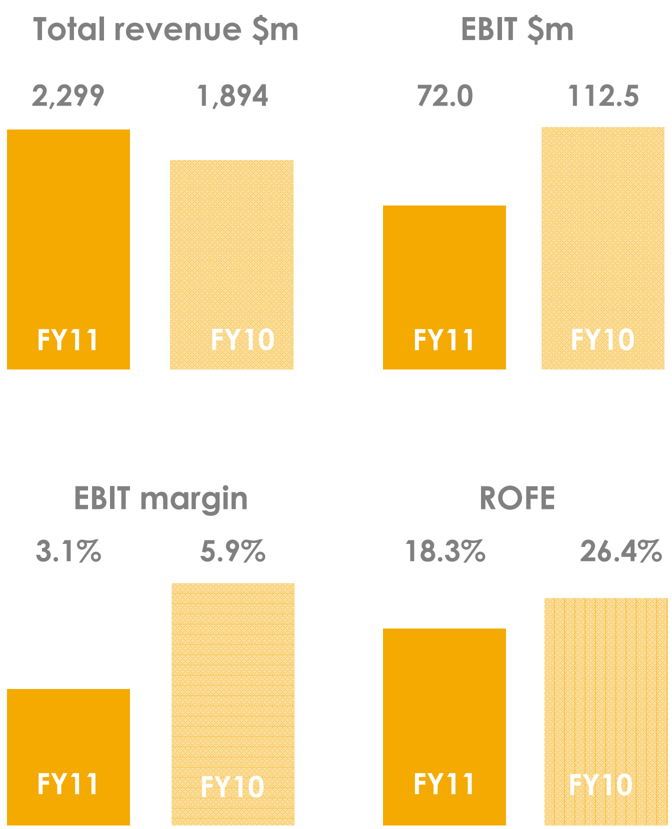


- Strong demand for locomotives driven by coal and iron ore expansion projects. Contracts secured with QR, Pacific National and BHP.
- Full capacity in both passenger and freight during the year
- Positive project close-outs during the year
- Asbestos impact: ($13.8m) EBIT
- Expansion of maintenance capability
- Continued focus on lean manufacturing/cost reduction and whole-of-life asset management

1 Total revenue shows the combination of revenue related to the underlying business (FY2011: $929m) and the Waratah contracts (FY2011: $200m)

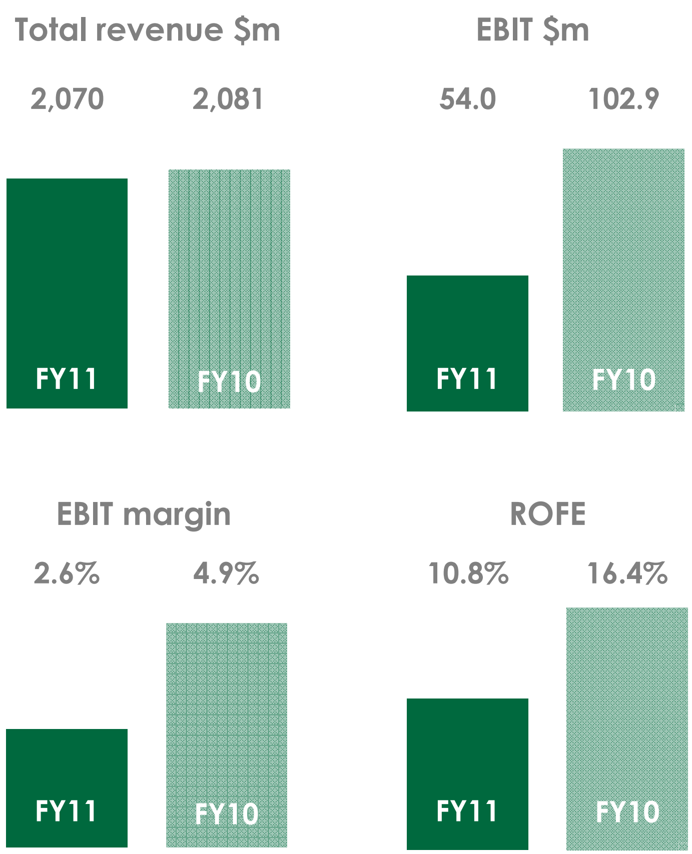
Downner

Engineering



- Good revenue growth across the business
- Lower EBIT due to:
  - Underperforming contracts, particularly Curragh CHPP
  - Costs of project delays and maintaining capacity for substantial pending demand
- Downer Australia integration continues with focus on business development, business structure efficiencies and project delivery
- Significant pipeline of opportunities

Works



Australia

- Extreme wet weather in 1H delayed project starts and increased operating costs
- Stronger performance in 2H, returning to more traditional margins
- Awarded three Integrated Service Arrangements (ISA) in WA; value ~$575m
- Flood remediation opportunities in QLD, northern NSW and VIC

New Zealand

- Ongoing tough economic conditions, compounded by Christchurch earthquake
- Highly competitive market; tight margins
- Alliance member of Christchurch Earthquake Recovery Authority
- Ongoing business restructure

Downner

Zero Harm

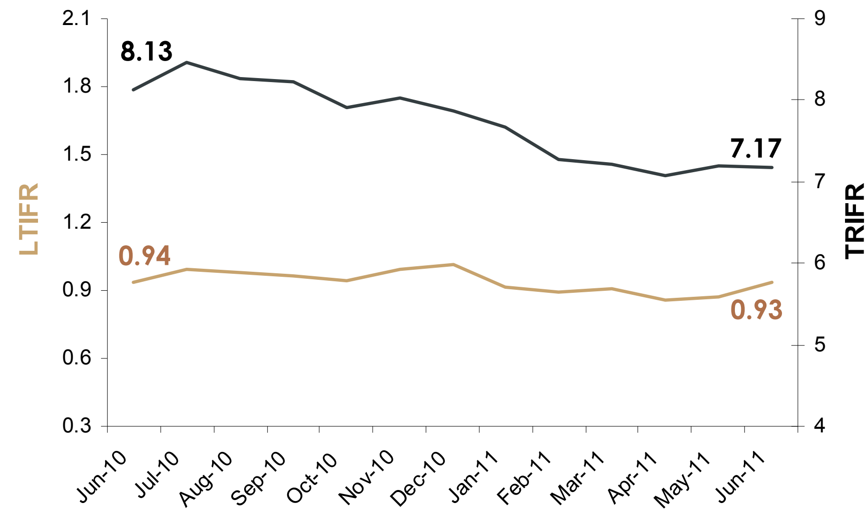
Environment

- Included in Carbon Disclosure Leaders Index (Aust/NZ) two years running
- Minimal direct exposure to Government's carbon price
- Assisting customers to develop sustainable solutions and reduce carbon emissions

People

- Strong focus on Zero Harm
- Recruitment and retention programs established; with focus on positioning for capacity constrained market

Downer safety performance (12-month rolling frequency rates)



LTIFR: Lost Time Injury Frequency Rate

TRIFR: Total Recordable Injury Frequency

Group Financials

Underlying financial performance

$m	FY11	FY10	Change (%)
Total revenue	6,975.1	6,055.9	15.2
EBITDA[1]	502.7	478.0	5.2
EBIT[1]	292.2	317.8	(8.1)
Net interest expense	(64.3)	(54.2)[2]	(18.6)
Tax expense[1]	(61.5)	(66.3)	7.2
Net profit after tax[1]	**166.4**	**197.3**	**(15.7)**
Effective tax rate[1]	27.0%	25.2%	
ROFE[3]	15.8%	17.5%	

1 'Underlying' excludes individually significant items
2 Represents reported net interest adjusted for interest provision release related to disposal of MB Century
3 ROFE = underlying EBIT divided by average funds employed (AFE) (AFE = Average Opening and Closing Net Debt + Equity)
All financials contained in this presentation reflect the numbers in the Appendix 4E and therefore there may be minor rounding differences within these slides

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Reconciliation to statutory result

$m	FY11 EBIT	FY11 NPAT
Underlying result	**292.2**	**166.4**
Individually Significant Items		
• Waratah train provision	(250.0)	(175.0)
• Works UK impairment	(8.8)	(11.3)
• CPG NZ impairment	(7.8)	(7.8)
Sub-total	(266.6)	(194.1)
Statutory result	**25.7**	**(27.7)**

Downner

Summary of earnings

$m	Total	Engineering	Works AU	Works NZ	Mining	Rail	Corporate
Underlying EBIT	**292.2**	**72.0**	**43.0**	**11.0**	**119.6**	**75.0**	**(28.4)**
Add back unfavourable items:							
• Wet weather	24.3	6.8	7.6	2.4	7.3	0.2	
• Curragh CHPP contract	41.1	41.1					
• NZ State Highway 20-1 contract	9.5			9.5			
• Christchurch earthquakes/NZ economy	10.0			10.0			
• Asbestos remediation/claim	4.1					13.8	(9.7)
• Restructuring costs	16.3	4.8	0.9	2.8		0.9	6.9
Less favourable items:							
• Profit adjustments on extended/expanded contracts	(20.0)				(20.0)		
• Positive project close-outs	(44.6)	(16.3)				(22.1)	(6.2)
• Property sales	(4.1)						(4.1)
• Equity accounted profit on CBH	(6.2)	(6.2)					
• Settlement/provision for customer contracts	(13.2)						(13.2)
Adjusted underlying EBIT (approx)	**309.4**	**102.2**	**51.5**	**35.7**	**106.9**	**67.8**	**(54.7)**

Downer

Operating cash flow

$m	FY11	FY10
EBITDA[1]	502.7	478.0
Net interest paid[2]	(59.1)	(50.9)
Tax paid	(18.4)	(24.8)
Movement in working capital[3]	(241.3)	(145.3)
Other	1.7	(52.7)
Operating cash flow	**185.6**	**204.3**
Add: Waratah train project net cash outflow	139.3	172.8
Underlying operating cash flow	**324.9**	**377.1**
Underlying EBIT conversion	**111%**	**119%**

1 'Underlying' excludes individually significant items

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

3 Movement in trade and other receivables, inventory and trade and other payables. FY11 impacted by WIP build-up on Waratah and Curragh

Downner

Cash flow

$m	FY11	FY10
Total operating	185.6	204.3
Total investing	(319.6)	(144.4)
Total financing	50.4	25.3
Net (decrease)/increase in cash held	(83.6)	85.1
Cash at 30 June[1]	**288.6**	**385.1**

1 Cash excludes bank overdrafts of $6.3 million (2010: $6.7 million) which are included in borrowings

Downner

Balance sheet and capital management

$m	Jun 11	Jun 10
Total assets	3,710.7	3,456.0
Total shareholders' equity	1,442.4	1,242.9
Net debt[1]	492.5	530.7
Gearing: net debt to net debt plus equity	25.5%	29.9%
Gearing (including off balance sheet debt)[2]	33.7%	36.4%
Adjusted net debt / adjusted EBITDAR[3]	2.71	2.59
Interest cover[4]	2.94	4.05

1 Adjusted for the mark-to-market of interest rate and cross currency swaps and deferred finance charges
2 Includes the present value of plant and equipment operating leases discounted at 10% pa: $241.3m (2010: $179.6m)
3 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
4 Interest cover equals EBIT adjusted for Significant Items + 1/3 of FY11 (on a rolling 12 month basis) plant and equipment operating lease rentals divided by Net interest expense + 1/3 of 12 month rolling plant and equipment operating lease rentals

Downner

Capital outlook

$m	FY12
Mining	
Committed capital expenditure:	
• Boggabri	62
• Christmas Creek	73
Maintenance and other growth	175
Sub-total (Mining)	310
Other Divisions	
• Maintenance and other growth	90
Total	**400**

Downner

Debt and bonding facilities

Debt facilities	$m
Total facilities	1,408
Drawn[1]	781
Available facilities	**627**
Cash	289
Total liquidity	**916**

Bonding	$m
Total facilities	1,107
Drawn	849
Available facilities	**258**

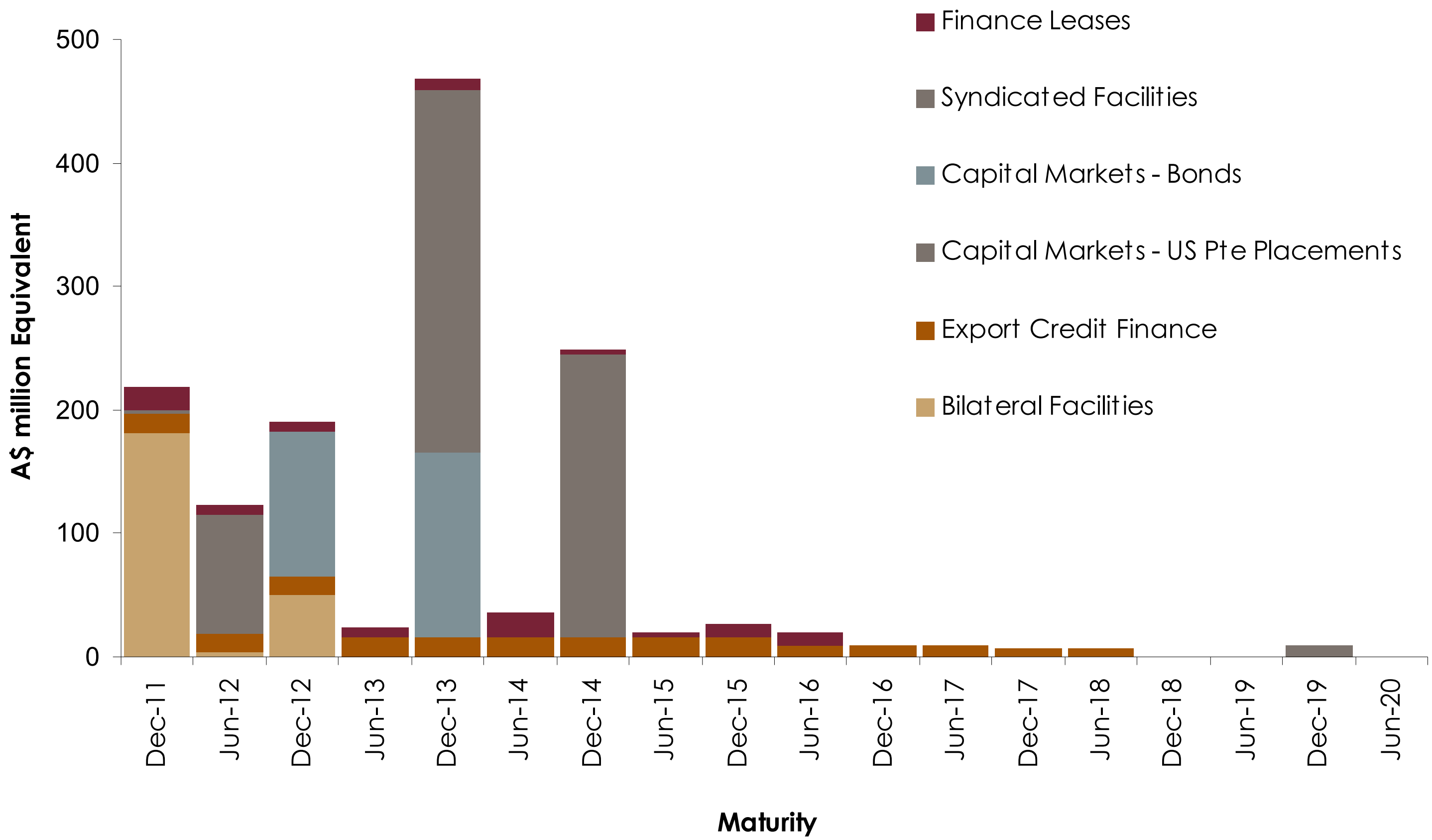
Debt facilities by type	%
Syndicated bank facilities	36
Bilateral bank facilities	17
Capital markets: bonds	19
Capital markets: USPP	8
Export credit finance	13
Finance leases	7
	100

Debt facilities by geography	%
Australia/NZ	63
Asia	15
Europe	3
North America	19
	100

1 Adjusted for the mark-to-market of interest rate and cross currency swaps and deferred finance charges

Debt maturity profile

Weighted average debt duration of 2.4 years (FY10: 2.1 years)



Downer

Fit 4 Business program - FY11

Over $55 million in cost savings achieved in FY11 (one-off and sustainable)

Downner Mining

- Overhead economies of scale
- Plant utilisation and productivity
- Energy efficiency

Downer Rail

- Locomotive cost down project
- Overhead rationalisation

Downer Engineering

- Property rationalisation
- Supply chain
- Overhead rationalisation
- Consulting restructure

Downer Works

- 'RAP' usage
- Plant utilisation
- Labour utilisation and productivity
- NZ overhead restructure

Downer Australia re-organisation synergies

Downer Group

- IT initiatives
- Travel and accommodation
- Protective clothing and equipment procurement
- Recruitment

Fit 4 Business program - FY12

Over $60 million in gross benefits budgeted to maintain/improve competitiveness

Downner Mining

- Energy efficiency
- Asset management
- Overhead economies of scale

Downer Rail

- Loco cost reduction
- Maintenance process & productivity
- Supply chain transformation
- Overhead review

Downer Australia

- Re-organisation synergies
- Labour productivity
- 'Cost control'
- 'RAP' usage
- Plant utilisation

Downer NZ

- Labour productivity
- Plant utilisation
- Major divisional/branch restructure

Downer Group

- IT infrastructure
- Training entitlements
- Insurance costs
- Property rationalisation
- Supplier consolidation
- Contingent labour sourcing
- Freight/logistics costs
- Credit card/expense management

WTP: Forecast cost at completion (FCAC)

$m	Feb 11	Change	Current FCAC
Materials & Sub-Contracted Components	1,019	15	1,034
Labour	324	(24)	300
Engineering Services	131	17	148
Transport, Logistics & Procurement	175	(3)	172
Project Management	143	(17)	126
Insurance, Bonding & Finance	95	(3)	92
Forecast Liquidated Damages	155	(5)	150
Manufacturing Delay Account interest receivable	(111)	(6)	(117)
Other Costs	78	9	87
General Contingency	73	17	90
Total FCAC	**2,082**	**-**	**2,082**
Total Revenue	1,653	-	1,653

WTP: Impact of termination of WTP

- Current view of Downer that Reliance Rail will continue as the operating entity of the WTP

$m	P&L impact	Cash impact
Write-off of WIP on Downer B/S 30 June 2011	328	-
Write-back of B/S provision at 30 June 2011	(255)	-
Estimated cash payments on cancelled orders	~230	~230
Mark-to-market losses on hedge instruments	75	75
Write back of B/S provision against mark-to-market losses on hedge instruments	(75)	-
Write off of Reliance Rail hedge reserve	74	-
TLS WIP, FMFS and Inventory	45	10
Sale of Waratah assets owned by Downer (subject to PPSA)	Reduce loss	Cash inflow
Approximate pre-tax net impact (pre mitigation)[1]	**400-450**	**300-350**

1 Assumes that all staff in Cardiff and China can be redeployed and that legal costs are expensed as incurred in the ordinary state of business

Waratah Train Project

Project update

Sets 1 and 2	• Set 1 in passenger service 1 July 2011 and performing well • Set 2 presented to RailCorp for Practical Completion on 28 July • Set 1 has achieved 20,000km in passenger service with 1 delay incident
Manufacturing	• Value Engineering processes delivering improved bodyshell conformance • Flow line being implemented in CRC now with Train 16 • Flow line will be implemented in Cardiff from Train 11 (currently in transit) • Value Engineering interior changes implemented in full from Train 26 • Revised production plan now in four stages
Reliability Growth Running	• Passenger service kilometres currently ahead of plan • Reliability growth kilometres currently behind plan • Additional reliability growth running for Set 3 prior to PC • Set 7 milestone will now be achieved in mid January 2012

Production plan – Stage 1

Stage 1: Trains 1 to 10

Objective

- Ensure the trains are completed to design and quality standards

Approach

- **Rework in Cardiff**: Sets being reworked and brought up to the correct configuration in Cardiff; all within FCAC budget
  - Design of trains made early manufacture difficult, requiring rework
- **Reliability:** 'Reliability Growth Running' is taking place to ensure that sufficient kilometres are achieved out of passenger service to reduce potential technical problems during passenger service

Production plan – Stage 2

Stage 2: Trains 11 to 15

Objective

- Identify whether the scope transfer from CRC to Cardiff needs to take place

Approach

- **Bodyshell:** Non-conformances on all bodyshells rectified by CRC prior to the vehicles entering the interior fit-out process
- **Value Engineering**: New production processes implemented for the interior fit-out process including mentoring and support from Cardiff staff
- **Delay:** 2-8 week delay has been incurred during fit-out of trains 11 and 12
- **Supplier support:** Project team in China for Glass Reinforced Plastic (GRP) and other areas of tier 3 supply
- **Cardiff flow line:** implemented from train 11
- **Scope transfer:** work on Sets 11 and 12 has demonstrated that this is now unnecessary
- **Reduction in re-work:** much reduced rework required in Cardiff delivering a saving in budget as quality from CRC has improved

Production plan – Stage 3

Stage 3: Trains 16 to 25

Objective

- Stabilise output quality and rate of manufacture

Approach

- **Value Engineering**: Improved bodyshell processes implemented from train 19 onwards; eases workload in the fit-out shop
- **Production processes:** Build processes re-designed and simplified – support of Cardiff staff retained to mentor and support installation
- **CRC flow line implementation**: first 4 vehicles loaded to the 4 flow lines stations 1 on 8 August 2011; station fully set up by 10 August (see pictures)
- **CRC cadence:** 6 stations in total with a TAKT (cycle) time of 6 days plus Sunday as recovery delivers first step of 1 train every 2 weeks
- **Suppliers:** Discussions progressing well on meeting demand for materials at 1 train every 2 weeks
- **Design changes:** Any elements of the new configuration of interior that can be trialled ahead of train 26 will be done from train 20 onwards

CRC Flow Line Station 1

Before **11 August 2011**

Production plan – Stage 4

Stage 4: Trains 26 to 78

Objective

- Increase rate of manufacture

Approach

- **Configuration Freeze 2**: Production baseline with improved manufacturability in progress for Set 26 onwards
- **Production processes:** Value Engineering will continue to drive improved processes and efficiencies into the flow line process
- **Cardiff:** flow line processes fully implemented and learning curve allows these timescales to be shortened through LEAN events
- **Cadence**: output needs to increase from train 38; discussions are currently taking place with CRC about the equipment, layout and staffing needed to achieve this
- **Supplier support:** output needs to increase from train 38; discussions are currently taking place with suppliers

Through life support (TLS)

- TLS team successfully maintained the test trains for over 12 months
- Train set 1 in passenger service and being maintained at Auburn as part of TLS contract
- Initial performance and reliability of sets 1-2 has exceeded expectations
- Expectation of ability to meet required performance benchmarks based on
  - Extensive prototype tests including reliability testing
  - Millennium train experience
  - High reliability of test trains
  - Extensive 'Reliability Growth Running'
- Continue to expect low double digit EBIT margins

Summary

- Set 1 in passenger service 1 July 2011 and performing well
- Set 2 presented to RailCorp for Practical Completion on 28 July
- Set 3 Practical Completion delayed by 4 weeks to allow for more Reliability Growth Running to support achievement of the Set 7 reliability benchmark
- Sets 3 to 6 are scheduled for passenger service this calendar year (within the FCAC)
- Production rate and quality remain the key issues and main driver of financial outcome
- Multi-faceted program to address production issues; focus on flow line implementation in CRC and Cardiff
- Risks remain to near term delivery and overall production; Downer is focused on mitigating these risks
- Forecast cost to complete remains appropriate
  - General contingency has increased from $73m to $90m, resulting from reduction in scope transfer to Cardiff
  - No specific contingency for liquidated damages in the event of further slippage in program

Outlook

Divisional update

Downer Australia

Divisional priorities

- Integrate Works and Engineering
- Invest in people and systems
- Build capability in WA
- Strengthen east coast business platform
- Build mechanical capabilities
- Complete Curragh and other projects

Outlook

- WA expected to drive growth in short-medium term
- Focus on performance improvement in East
- Significant industry investment in Australian minerals & metals and oil & gas sectors:
    - $173b forecast capex[1]
    - Expected to drive Downer Australia performance in short-medium term
- Work-in-hand of $4.8 billion
- Opportunity pipeline ~ $9 billion

1 Source: ABARE, Minerals & Energy Major Development Projects April 2011 Listing, May 2011.

Divisional update

Downer New Zealand

Divisional priorities

- Operating within continued tough market environment
- Christchurch City earthquake – participation in infrastructure rebuild Alliance
- Optimise management structure, cost base and overheads
- Building civil projects capability

Outlook

- Flat economic performance expected
- Competitive marketplace; margin pressure
- Business restructure will continue
- Christchurch Earthquake Recovery alliance
- Pursuing more civil construction work
- Work-in-hand of $2.6 billion
- Opportunity pipeline ~ NZ$700 million

Divisional update

Downer Mining

Divisional priorities

- Continued strong focus on Zero Harm
- Safely deliver current projects on time, on budget
- Manage start-up / ramp-up of new projects and project expansions
- Expand mining services
- Return on investment
- Contract formation to manage risks
- Project execution and risk management are critical

Outlook

- Focus on consolidation and successful execution of current contracts
- Will consider expansion projects, with existing customers, and strategic opportunities
- Continue growing the services businesses
- Work-in-hand of $7.5 billion
- Opportunity pipeline ~ $20 billion

Divisional update

Downer Rail

Divisional priorities

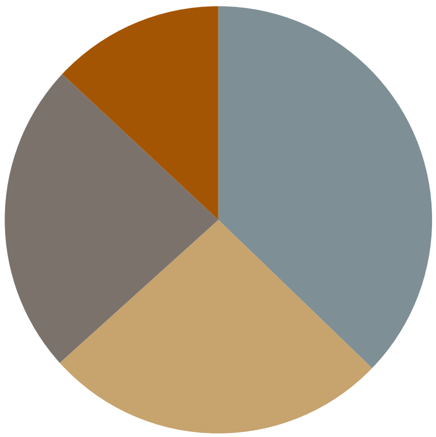
- Supporting passenger customer growth demands
- Expanding passenger and freight maintenance capability
- Delivering Tilt Train and locomotive orders
- Cost reduction program

Outlook

- Locomotive demand returning to more sustainable levels
- Increasing competition; margin pressure
- Lean manufacturing
- Growth of maintenance business
- Work-in-hand of $5.2 billion
- Opportunity pipeline ~ $2 billion

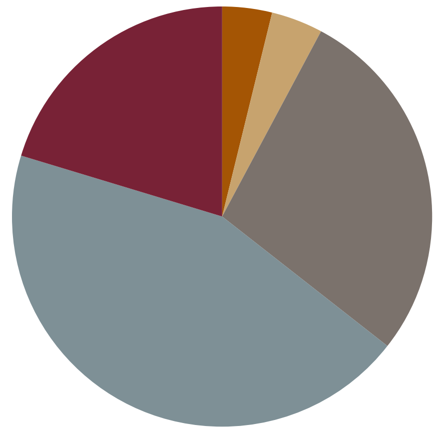
Work-in-hand: $20 billion

Work-in-hand by division[1]



	Mining	$7.5 billion	37%
	Rail	$5.2 billion	26%
	Downer Aus	$4.8 billion	24%
	Downer NZ	$2.6 billion	13%
	TOTAL	**$20 billion**	

Work-in-hand by type[1]

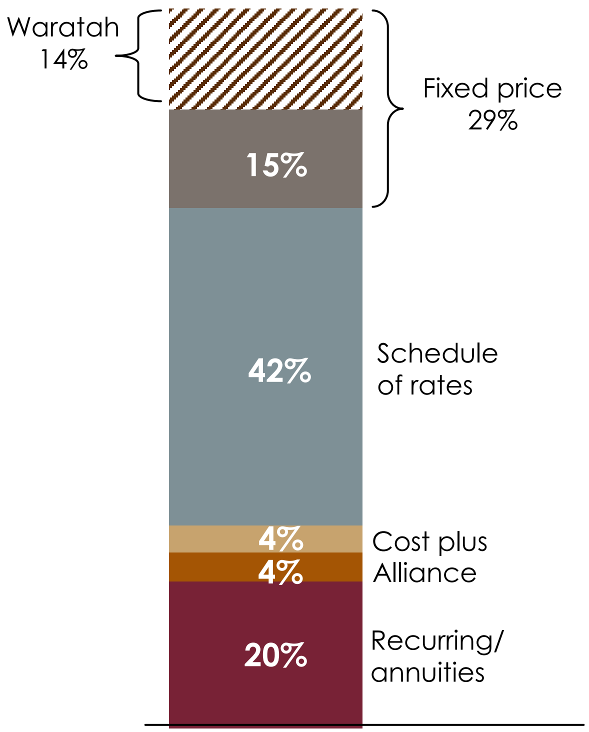


	Alliance	$0.8 billion	4%
	Cost plus	$0.8 billion	4%
	Fixed price	$5.9 billion	29%
	Schedule of rates	$8.5 billion	42%
	Recurring/annuities	$4.1 billion	20%
	TOTAL	**$20 billion**	

1 Work-in-hand value rounded to one decimal point. Percentage splits rounded to nearest whole percent

Work-in-hand

Work-in-hand by type[1]



Fixed price projects	Total value (approx)	% complete[2]	Profitable
Waratah – TLS	$1,970 million	<2%	✓
Waratah – RSM	$1,650 million	48%	X
KDR – Yarra Trams	$1,400 million	19%	✓
Locomotive orders (x6)	$580 million	62%	✓
PSMC – RTA North Sydney	$340 million	35%	✓
Millennium Train maintenance	$245 million	58%	✓
QR Tilt Train	$190 million	6%	✓
Curragh CHPP expansion	$180 million	86%	X
Mornington Peninsula	$130 million	39%	✓
Karara Iron ore – transmission	$125 million	59%	✓
Hamilton City Council / NZTA	$56 million	15%	✓

1 Work-in-hand split by type rounded to nearest whole percent
2 Fixed price project completion rounded to nearest whole percent

Group outlook

- Downer has work-in-hand of around $20 billion, is strongly aligned to the resources and energy sectors and is well placed to capitalise on the pipeline of opportunities driven by those markets. Tendering activity has been very high over the past six months particularly in Downer Australia and Rail.

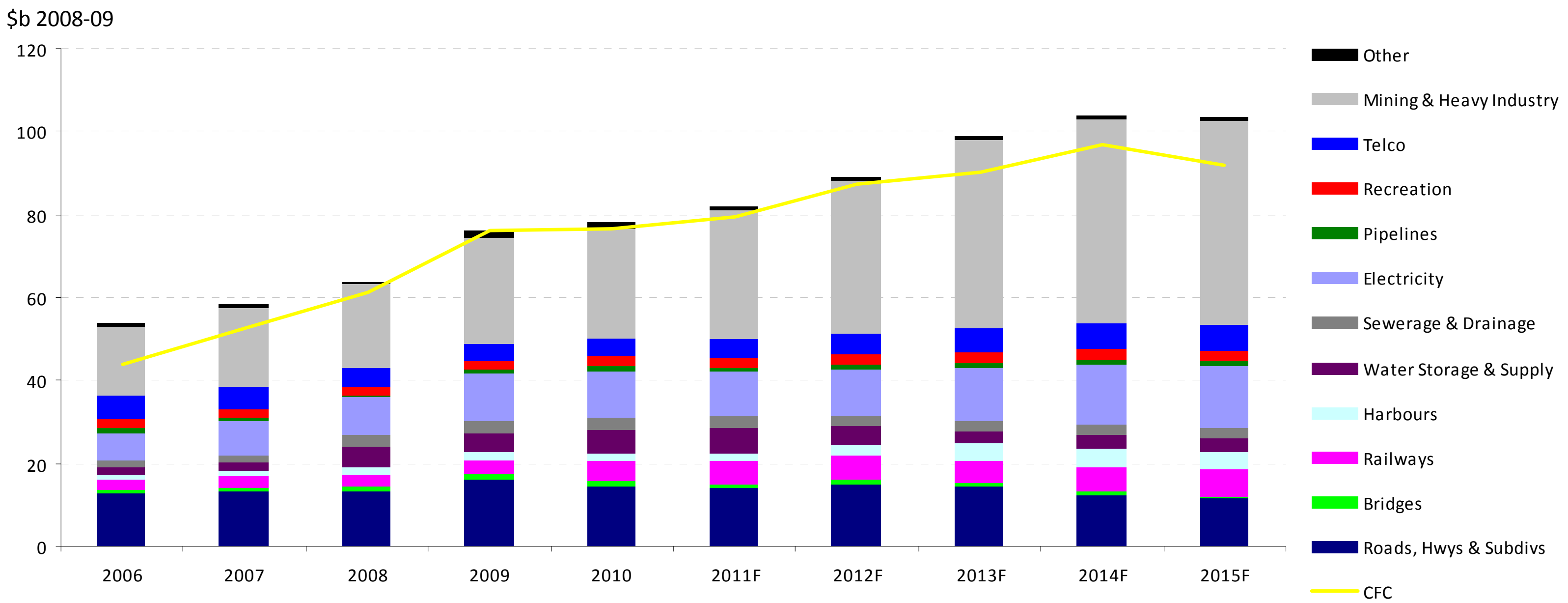
- There is short term risk relating to the timing of projects. It is also unclear at this point whether the broader financial market volatility will have a negative impact on the project pipeline.

- Subject to the risks highlighted and general market conditions, Downer expects to deliver EBIT of around $340 million for the 2012 financial year and NPAT of around $180 million.

Supplementary information

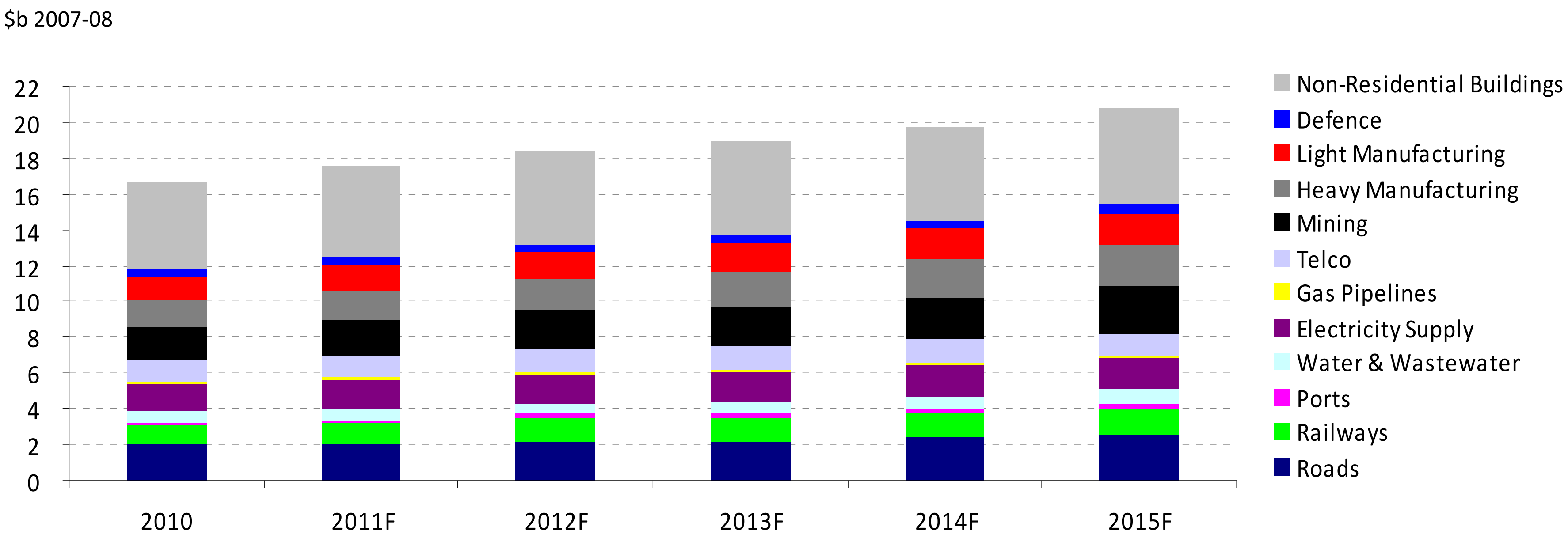
Market outlook – engineering construction

- Record committed capex in resources and oil & gas
- Mining-related work positive on back of strong investment, high commodity prices / company profits



Source:: BIS Shrapnel, Engineering Construction in Australia 2010/11-2024/25, March 2011; Constructing Forecasting Council, March 2011.

Market outlook – maintenance



Source: BIS Shrapnel, Maintenance in Australia 2010-2025, August 2010.

Summary income statement

$m	FY11	FY10	Change	%
Revenue from ordinary activities	6,633.2	5,796.6	836.6	14.4
Interest revenue	14.2	18.1	(3.9)	(21.5)
Other revenue	8.7	30.1	(21.4)	(71.1)
Total revenue	6,656.0	5,844.8	811.2	13.9
Employee benefits expense	(2,218.5)	(1,944.3)	(274.3)	(14.1)
Raw materials and consumables used	(1,430.5)	(1,451.1)	20.6	1.4
Subcontractor costs	(1,344.4)	(1,080.6)	(263.8)	(24.4)
Plant and equipment costs	(763.2)	(543.4)	(219.9)	(40.5)
Other operating expenses[1]	(408.8)	(351.7)	(57.1)	(16.2)
Depreciation and amortisation	(210.5)	(160.2)	(50.3)	(31.4)
Finance costs	(78.5)	(69.4)	(9.1)	(13.1)
Share of net profit of JV	26.4	18.0	8.4	46.7
Individually significant items	(266.6)	(260.0)	(6.6)	(2.5)
(Loss)/profit before income tax (PBT)	(38.6)	2.1	(40.7)	
Income tax benefit	10.9	0.9	10.0	
Net (loss)/profit after tax	(27.7)	3.0	(30.7)	

1 'Other operating expenses' includes communication expenses, occupancy costs, professional fees, travel and accommodation expenses and other expenses from ordinary activities.

Downner

Summary balance sheet – assets

$m	Jun 11	Jun 10	Change	%
Current assets				
Cash and cash equivalents	288.6	385.1	(96.5)	(25.1)
Inventories	192.6	193.1	(0.5)	(0.3)
Trade and other receivables	1,313.0	1,183.9	129.1	10.9
Other current assets[1]	61.4	55.3	6.1	11.0
Total current assets	1,855.5	1,817.4	38.1	2.1
Non-current assets				
Property, plant and equipment	1,055.0	862.1	192.9	22.4
Intangible assets (including goodwill)	589.2	589.4	(0.2)	0.0
Deferred tax assets	137.9	123.3	14.7	11.9
Other non-current assets[2]	73.0	63.8	9.2	14.4
Total non-current assets	1,855.2	1,638.6	216.6	13.2
Total assets	**3,710.7**	**3,456.0**	**254.7**	**7.4**

1 'Other current assets' includes other financial assets, current tax assets and other assets

2 'Other non-current assets' includes equity-accounted investments, other financial assets and other assets

Downer

Summary balance sheet – liabilities

$m	Jun 11	Jun 10	Change	%
Current liabilities				
Trade and other payables	1,117.7	987.3	130.4	13.2
Borrowings	165.1	272.2	(107.1)	(39.3)
Provisions	239.7	199.4	40.2	20.2
Other current liabilities[1]	78.5	46.5	32.0	68.8
Total current liabilities	1,601.0	1,505.4	95.6	6.4
Non-current liabilities				
Borrowings	567.7	617.0	(49.3)	(8.0)
Deferred tax liabilities	6.3	23.3	(17.0)	(73.0)
Other non-current liabilities[2]	93.3	67.5	25.8	38.2
Total non-current liabilities	667.3	707.8	(40.5)	(5.7)
Total liabilities	**2,268.3**	**2,213.1**	**55.1**	**2.5**

1 'Other current liabilities' includes other financial liabilities and current tax liabilities.

2 'Other non-current liabilities' includes trade and other payables, other financial liabilities and provisions.

Summary balance sheet

$m	Jun 11	Jun 10	Change	%
Total assets	3,710.7	3,456.0	254.7	7.4
Total liabilities	(2,268.3)	(2,213.1)	(55.1)	(2.5)
Net assets	**1,442.4**	**1,242.9**	**199.5**	**16.1**
Issued capital	1,423.9	1,118.7	305.2	27.3
Reserves	(121.6)	(107.9)	(13.7)	(12.7)
Retained earnings	140.0	232.0	(92.0)	(39.7)
Non-controlling interest	0.1	0.1	-	-
Shareholders' equity	**1,442.4**	**1,242.9**	**199.5**	**16.1**

Waratah train project

Maintenance facility	• Design, build and commission Auburn Maintenance Centre • Total revenue $220 million (fixed price lump sum) • Practical completion achieved in June 2010
Train build	• Design, build and commission 78 eight-car sets (626 carriages) • Joint venture with Hitachi Australia • Total Downer revenue $1.65 billion (fixed price lump sum) • Original delivery period: 2010-2013
Through-life-support contract	• Provide TLS for all 78 eight-car sets • 72 sets in service • Deductions/bonuses based on performance

Reliance Rail

Reliance Rail (RR)	• Special purpose vehicle (SPV) established to fund Waratah Train project • $1.9 billion bonds outstanding • $357 million committed bank debt to be drawn • Funding arrangements non-recourse to Downer
Bank funding	• $357 million bank debt to be drawn down from February 2012 • Prior to draw-down, RR Directors to form a view that debt being drawn will be capable of being refinanced as and when it falls due • Banks can terminate undrawn commitments on insolvency of both monoline insurers
SPV structure	• Project funding established in 2006; substantial value remains within SPV • Low-cost funding in place to 2018 • Stakeholders have significant interest in maintaining the structure

Risk management framework

Tender → **Execution & Monitoring** → **Post Completion**

Tender

- Approval to prepare bid
- Approval to submit bid
  - >A$250m – TCC and Board approval
  - <A$250m – TCC endorsement and CEO approval
  - <A$30m – Divisional CEO approval

Execution & Monitoring

- Approval of contract formation
- Mobilisation and commercial set-up
- Project valuations
- Project reviews
- Internal audit reviews

Post Completion

- Project reviews
- Key learnings
- Update risk processes

New Divisional structure
Historical financial summaries

Downer Australia[1]

$m	1H09	2H09	FY09	1H10	2H10	FY10	1H11	2H11	FY11
Total revenue	1,348.5	1,368.1	2,716.6	1,297.1	1,466.2	2,763.3	1,572.5	1,664.0	3,236.4
EBIT	72.7	90.3	163.0	71.2	78.9	150.2	60.4	48.7	109.1
EBIT margin[2]	5.4%	6.6%	6.0%	5.5%	5.4%	5.4%	3.8%	2.9%	3.4%
ROFE[3]	25.1%	26.4%	26.4%	26.7%	22.0%	22.0%	20.8%	15.5%	15.5%

Note: All numbers rounded to one decimal point
1. Includes Engineering, Works Australia and resource-based consultancies (QCC, MT and Snowden). Excludes CPG Asia, CPG Australia, CPG NZ
2. EBIT Margin = EBIT divided by total revenue
3. ROFE = underlying EBIT divided by average funds employed (AFE) (AFE= Average Opening and Closing Net Debt + Equity)

Downner New Zealand[1]

$m	1H09	2H09	FY09	1H10	2H10	FY10	1H11	2H11	FY11
Total revenue	435.1	475.0	910.1	414.4	473.3	887.6	414.7	437.7	852.4
EBIT	28.0	40.7	68.6	24.6	36.5	61.1	8.9	5.3	14.3
EBIT margin[2]	6.4%	8.6%	7.5%	5.9%	7.7%	6.9%	2.1%	1.2%	1.7%
ROFE[3]	32.6%	40.3%	40.3%	38.0%	35.1%	35.1%	28.9%	15.8%	15.8%

Note: All numbers rounded to one decimal point
1. Excludes Works UK
2. EBIT Margin = EBIT divided by total revenue
3. ROFE = underlying EBIT divided by average funds employed (AFE) (AFE= Average Opening and Closing Net Debt + Equity)

Downer Mining

$m	1H09	2H09	FY09	1H10	2H10	FY10	1H11	2H11	FY11
Total revenue	501.6	526.4	1,028.0	483.5	490.0	973.5	634.2	831.7	1,465.9
EBIT	21.3	25.2	46.5	37.0	31.2	68.2	50.8	68.7	119.6
EBIT margin[1]	4.3%	4.8%	4.5%	7.7%	6.4%	7.0%	8.0%	8.3%	8.2%
ROFE[2]	10.8%	10.4%	10.4%	12.2%	13.0%	13.0%	15.4%	19.8%	19.8%

Note: All numbers rounded to one decimal point
1. EBIT Margin = EBIT divided by total revenue
2. ROFE = underlying EBIT divided by average funds employed (AFE) (AFE= Average Opening and Closing Net Debt + Equity)

Downer Rail

$m	1H09	2H09	FY09	1H10	2H10	FY10	1H11	2H11	FY11
Revenue – Rail (ex Waratah PPP)	324.2	301.6	625.9	320.8	453.5	774.3	480.2	448.4	928.6
Revenue – Waratah PPP	116.1	146.9	263.1	137.2	135.2	272.5	187.4	13.1	200.5
Total revenue	440.4	448.6	888.9	458.0	588.7	1,046.8	667.5	461.5	1,129.0
EBIT	28.2	32.6	60.8	29.1	48.8	77.9	47.7	27.4	75.0
EBIT margin[1]	6.4%	7.3%	6.8%	6.4%	8.3%	7.4%	7.1%	5.9%	6.6%
ROFE[2]	27.3%	32.8%	32.8%	21.5%	25.2%	25.2%	25.1%	18.4%	18.4%

Note: All numbers rounded to one decimal point
1. EBIT Margin = EBIT divided by total revenue
2. ROFE = underlying EBIT divided by average funds employed (AFE) (AFE= Average Opening and Closing Net Debt + Equity)