



Downer Half Year Results | 21 February 2018
INVESTOR PRESENTATION




OVERVIEW

- Total revenue¹ \$6.1 billion, up 69.3% (up 20.6% on a pro forma basis)
- Underlying Earnings Before Interest, Tax and Amortisation of acquired intangible assets (EBITA) \$222.3 million, up 79.0% (up 14.5% on a pro forma basis)
- Underlying Earnings Before Interest and Tax (EBIT) \$191.6 million, up 58.6% (up 3.2% on a pro forma basis)
- Statutory Net Profit After Tax before Amortisation of acquired intangible assets (NPATA) of \$5.7 million, after \$126.3 million of individually significant items
- Underlying NPATA of \$132.0 million, up 63.8% (up 12.7% on a pro forma basis)
- Statutory Net Loss After Tax of \$15.9 million after deducting post-tax amortisation of acquired intangible assets of \$21.6 million








The references to 'a pro forma' basis above mean that Spotless' contribution for the period 1 July 2016 to 31 December 2016 has been included to allow comparison of the combined Downer and Spotless results as if the acquisition had occurred on 1 July 2016.

All figures above include 100% contribution from Spotless, before minority interest. A full reconciliation from underlying to statutory results is provided on slide 13.

¹ Total revenue is a non-statutory disclosure and includes revenue from joint ventures and other alliances and other income.



OVERVIEW (continued)

-  Operating cash flow \$307.1 million, EBITDA conversion 88%
-  Net debt¹ \$1,046.9 million (including \$806.6 million from Spotless)
-  Liquidity of \$1,375.4 million (Downer \$1,111.5 million; Spotless \$263.9 million)
-  Gearing (including Spotless) 24.6%², 27.0% including off balance sheet debt
-  Work in hand³ \$39.2 billion (Downer \$21.7 billion, Spotless \$17.5 billion)
-  Interim dividend declared: 13.0 cps, 50% franked; no Dividend Reinvestment Plan
-  LTIFR⁴ of 0.69, up from 0.55 at 31 December 2016; TRIFR⁵ of 3.38, down from 3.61 at 31 December 2016

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

2 Gearing = Net debt / net debt + equity.

Gearing of 22.6% post-Freight Rail divestment.

Gearing including off-balance sheet debt based on present value of plant and equipment operating leases discounted at 10% pa: \$139.2m (June 2017: \$151.5m).

3 Work-in-hand numbers are unaudited.

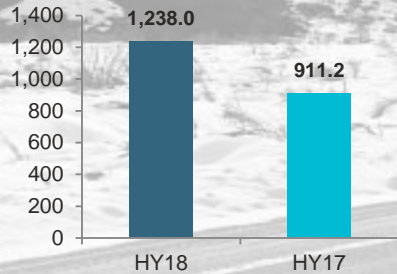
4 Lost Time Injury Frequency Rate - the number of lost time injuries (LTIs) per million hours worked.

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

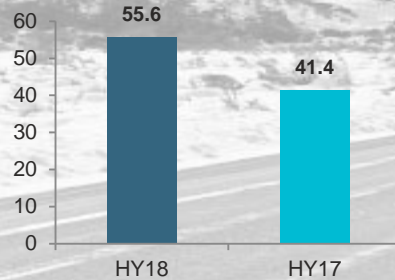
TRANSPORT



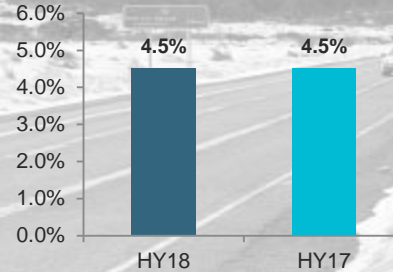
Total revenue¹ \$m



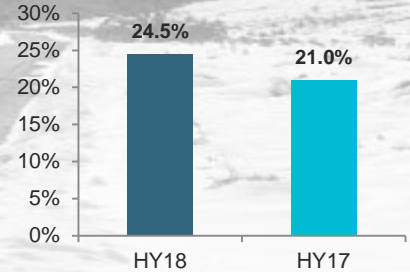
EBITA² \$m



EBITA margin



ROFE³



- Growth driven by:
 - strong performance by the Roads business in Australia and New Zealand
 - ongoing Government investment in transport infrastructure projects in Australia
- Continuing good performance in New Zealand, including Kaikoura earthquake recovery works

1 Total revenue includes joint ventures and other income.

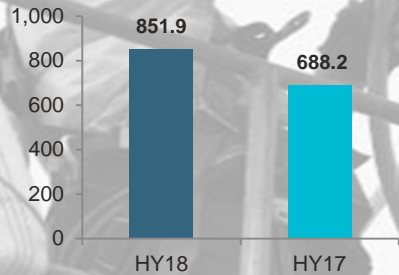
2 Downer calculates EBITA adjusting EBIT to add back acquired intangible assets amortisation expenses. HY18: \$0.1m (HY17: \$nil).

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

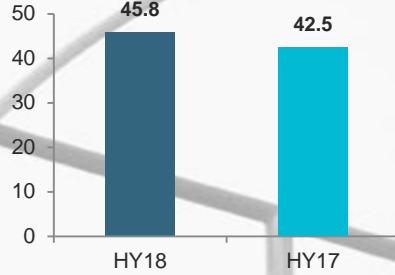
UTILITIES



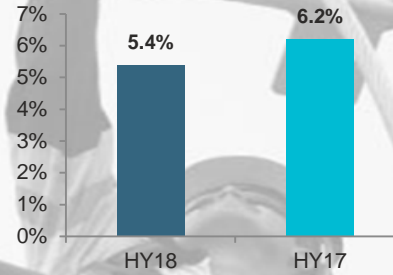
Total revenue¹ \$m



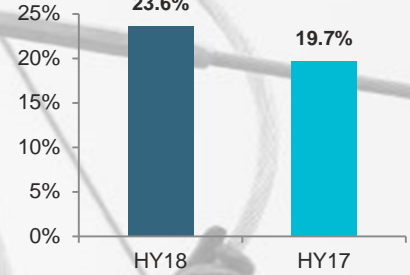
EBITA² \$m



EBITA margin



ROFE³



- Growth driven by increased nbnTM volumes
- Environment for Renewables remains very competitive, impacting margins
- Improved performance from Communications and Water businesses in New Zealand
- Increased opportunities for Power business in Australia

1 Total revenue includes joint ventures and other income.

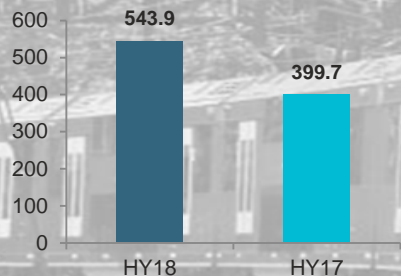
2 Downer calculates EBITA adjusting EBIT to add back acquired intangible assets amortisation expenses. HY18: \$0.8m (HY17: \$nil).

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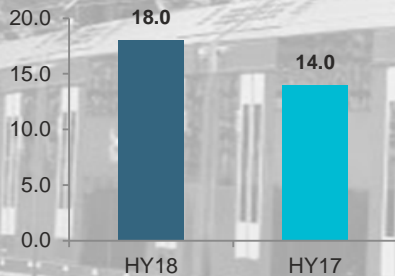
RAIL



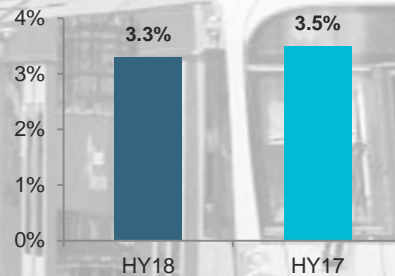
Total revenue¹ \$m



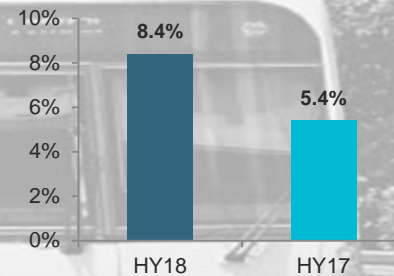
EBITA² \$m



EBITA margin



ROFE³



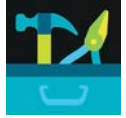
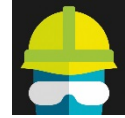
- Major projects (Sydney Growth Trains, High Capacity Metro Trains) performing well – first Sydney Growth Train has left Dalian port
- Continuing strong performance on maintenance contracts (Waratah TLS, Millennium)
- Keolis Downer awarded seven year extension to operate Yarra Trams franchise
- Loss of earnings from sale of freight rail (completed 2 January 2018) will be offset in the second half of the year by contributions from major projects, passenger rail business and Keolis Downer

1 Total revenue includes joint ventures and other income.

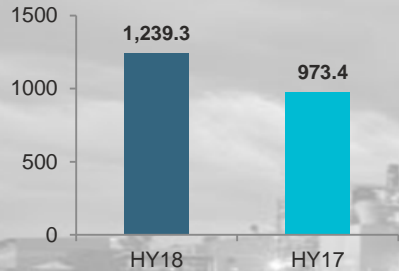
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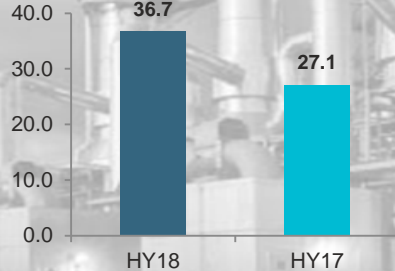
ENGINEERING, CONSTRUCTION & MAINTENANCE



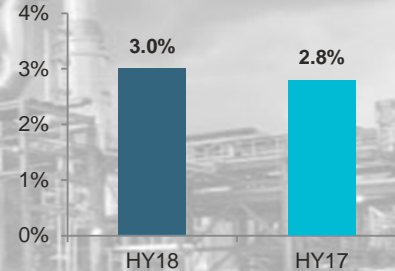
Total revenue¹ \$m



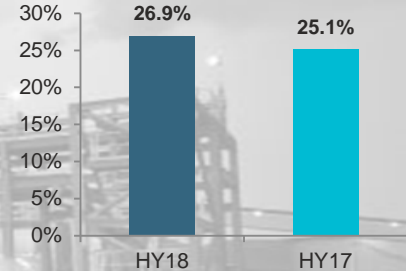
EBITA² \$m



EBITA margin



ROFE³



- Strong contributions from LNG construction contract extensions at Gorgon, Wheatstone and Ichthys
- Full six month contribution from Hawkins (acquired March 2017)
- Strong growth of Maintenance business – diverse portfolio of long term service contracts in oil & gas, resources, and power generation sectors
- New construction wins – BHP Iron Ore and Oz Minerals' Carrapateena project (gold and copper)
- Continued growth in Defence Engineering (AGIS) and Minerals Technology consultancies

1 Total revenue includes joint ventures and other income.

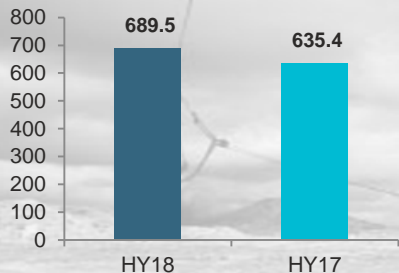
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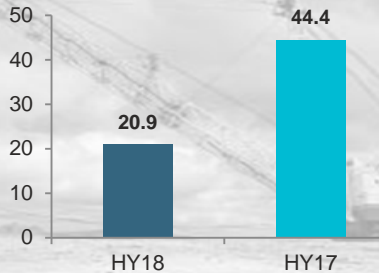
MINING



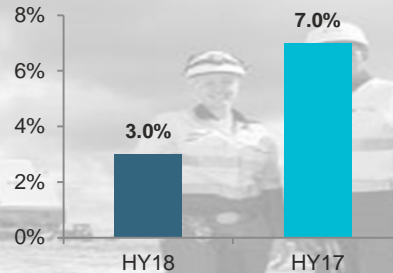
Total revenue¹ \$m



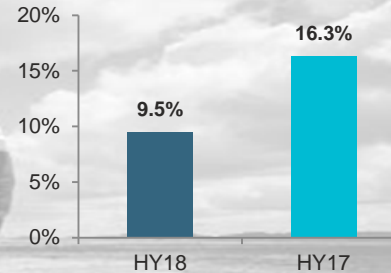
EBITA² \$m



EBITA margin



ROFE³



- \$77 million non-cash charge for impairment of Mining goodwill (announced 5 February)
- Significant EBITA reduction primarily due to conclusion of Christmas Creek contract (September 2016)
- Volume increases at Roy Hill and Goonyella
- Gruyere Gold Project commences in early 2018 (approximately \$400 million over five years)

1 Total revenue includes joint ventures and other income.

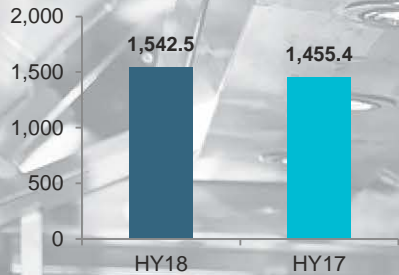
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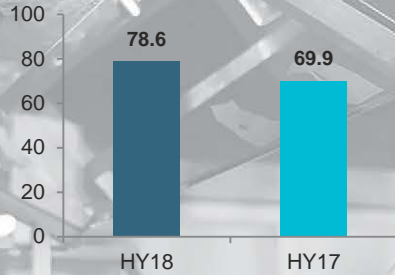
SPOTLESS



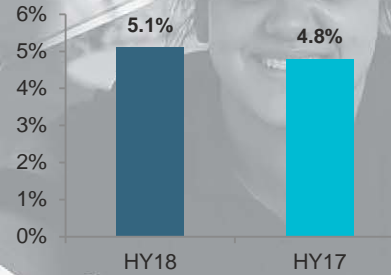
Total Underlying revenue¹ \$m



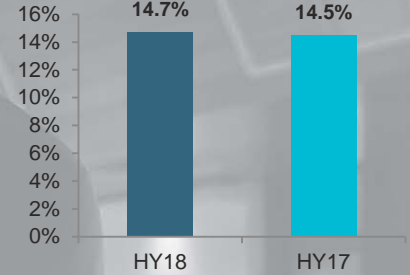
Underlying EBITA² \$m



Underlying EBITA margin



ROFE³



- Earnings for the six month period in line with Downer's business case
- Cost synergies expected to exceed original estimates and revenue opportunities are significant
- Integration continues to progress well and quickly
- Key process and management changes

1 Total revenue includes joint ventures and other income.

2 Downer calculates EBITA adjusting EBIT to add back acquired intangible assets amortisation expenses. HY18: \$5.5m (HY17: \$5.1m).

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



ROYAL ADELAIDE HOSPITAL

- Key Challenge
 - Higher number of FTEs to meet additional scope
 - Currently cash negative

- Commercial discussions ongoing

- Spotless improvement plan in action



GROUP FINANCIALS

UNDERLYING FINANCIAL PERFORMANCE

\$m	Downer	Spotless ¹	Acquisition Adjustment	Combined Group HY18	Pro forma HY17 ²	Change (%)
Total revenue ³	4,558.0	1,542.5	-	6,100.5	5,058.4	20.6
EBITDA	253.8	123.0	-	376.8	346.9	8.6
EBITA ⁴	143.7	78.6	-	222.3	194.1	14.5
EBIT	139.2	73.1	(20.7)	191.6	185.6	3.2
Net interest expense	(16.6)	(20.4)	(4.0)	(41.0)	(33.9)	(20.9)
Tax expense	(32.0)	(15.6)	7.4	(40.2)	(40.5)	0.7
Net profit after tax	90.6	37.1	(17.3)	110.4	111.2	(0.7)
NPATA ⁴	93.8	41.0	(2.8)	132.0	117.1	12.7
EBITA margin	3.2%	5.1%		3.6%	3.8%	(0.2)
Effective tax rate	26.1%	29.6%	30.0%	26.7%	26.7%	-
ROFE ⁵				11.3%		
Dividend declared (cps)				13.0	12.0	8.3
Ordinary Dividend payout ratio ⁶				60.4%		

1. Represents 100% contribution before minority interests.

2. Includes statutory HY17 for Downer and underlying HY17 for Spotless.

3. Total revenue includes joint ventures and other income.

4. Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expenses. HY18: \$30.7m , \$21.6m after-tax (HY17: \$8.5m, \$5.9m after-tax).

5. ROFE = EBITA divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt + Equity. HY18 ROFE based on 'a pro forma' 12 month rolling underlying EBITA of \$480.6m for the Combined group (Downer \$300.1m plus Spotless underlying EBITA of \$180.5m) divided by the closing funds employed as at 31 December 2017.

6. Ordinary dividend payout ratio = Dividends divided by (NPATA – ROADS dividend).

RECONCILIATION OF UNDERLYING TO STATUTORY RESULT

1H18 \$m	EBIT	Net interest expense	Tax expense	NPAT	Add back: Amortisation Post-Tax	NPATA
Underlying result	191.6	(41.0)	(40.2)	110.4	21.6	132.0
Loss on divestment of freight rail	(49.3)	-	9.3	(40.0)	-	(40.0)
Mining goodwill impairment	(76.4)	-	-	(76.4)	-	(76.4)
Spotless integration costs	(3.4)	-	0.8	(2.6)	-	(2.6)
Spotless Management redundancies and integration costs	(3.1)	-	0.9	(2.2)	-	(2.2)
Spotless residual Strategy Reset costs	(7.1)	-	2.0	(5.1)	-	(5.1)
Individually Significant Items	(139.3)	-	13.0	(126.3)	-	(126.3)
Statutory result	52.3	(41.0)	(27.2)	(15.9)	21.6	5.7

Note:

- Results represent 100% contribution before minority interests.
- Downer's statutory results are reported under International Financial Reporting Standards. Earnings before individually significant items (ISI) is a non-IFRS measure reported to provide a greater understanding of the underlying business performance of the Group. ISI are detailed in Note B2(c) of the Half Year Financial Report and relate to amounts of expense that are associated with business disposal, impairment of goodwill and Spotless related transactions.

OPERATING CASH FLOW

\$m	Downer	Spotless	Combined Group HY18	Pro forma HY17
EBIT ¹	118.5	73.1	191.6	185.6
Add: depreciation & amortisation	135.3	49.9	185.2	161.3
EBITDA¹	253.8	123.0	376.8	346.9
Operating cash flow	266.6	40.5	307.1	317.2
Add: Net interest paid ²	18.1	16.2	34.3	30.8
Tax paid / (received)	(15.1)	5.8	(9.3)	(20.0)
Adjusted operating cash flow	269.6	62.5	332.1	328.0
EBITDA conversion	106.2%	50.8%	88.1%	94.6%
Add back: Spotless transaction costs	10.0	13.1	23.1	-
Underlying operating cash flow	279.6	75.6	355.2	328.0
Normalised EBITDA conversion	110.2%	61.5%	94.3%	94.6%

1 Underlying.

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

CASH FLOW

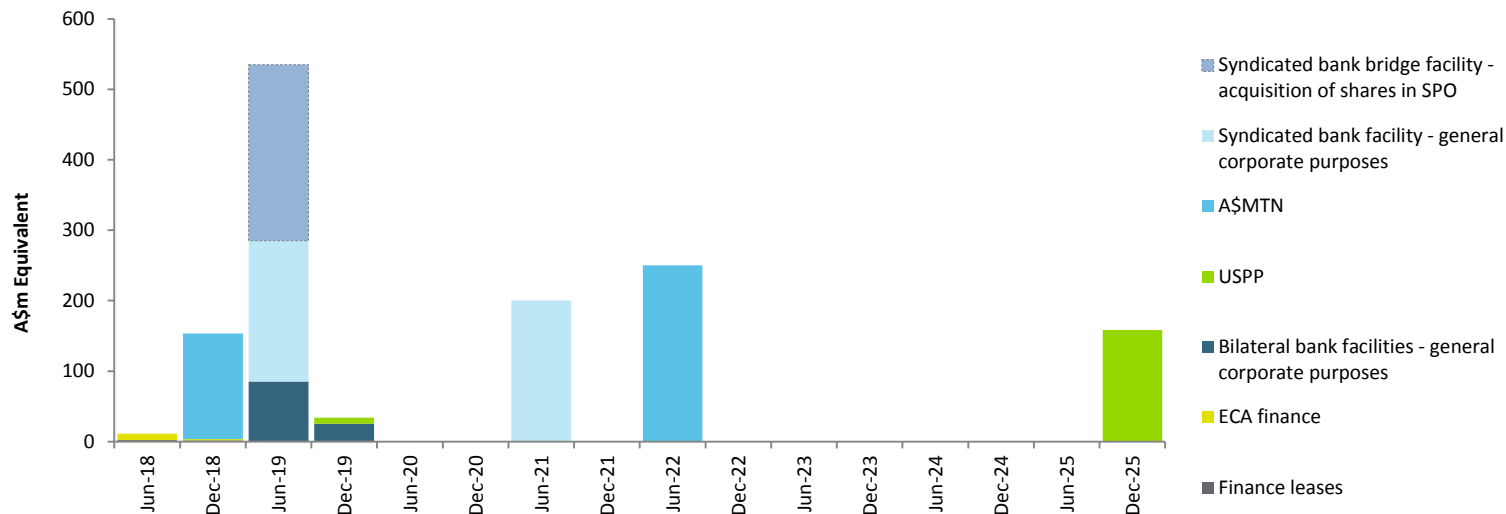
\$m	Downer	Spotless	Combined Group HY18	Pro forma HY17
Total operating	266.6	40.5	307.1	317.2
Net capital expenditure	(151.1)	(37.3)	(188.4)	(95.4)
Spotless acquisition ¹	(391.8)	-	(391.8)	-
Other acquisitions	(17.6)	(20.0)	(37.6)	(75.7)
IT Transformation and Other	(34.1)	4.5	(29.6)	(17.3)
Total investing	(594.6)	(52.8)	(647.4)	(188.4)
Issue of shares (net of costs)	(0.2)	-	(0.2)	-
Net proceeds / (repayment) of borrowings	38.2	25.5	63.7	14.2
Dividends paid	(75.3)	-	(75.3)	(110.2)
Total financing	(37.3)	25.5	(11.8)	(96.0)
Net (decrease) / increase in cash held	(365.3)	13.2	(352.1)	32.8
Cash at 31 December	411.5	78.9	490.4	656.0
Total liquidity²	1,111.5	263.9	1,375.4	1,311.0

¹ The amount represents gross consideration paid during the period to achieve 87.8% interest in Spotless.

² Refer to slide 23 for details.

DEBT MATURITY PROFILE - DOWNER ONLY

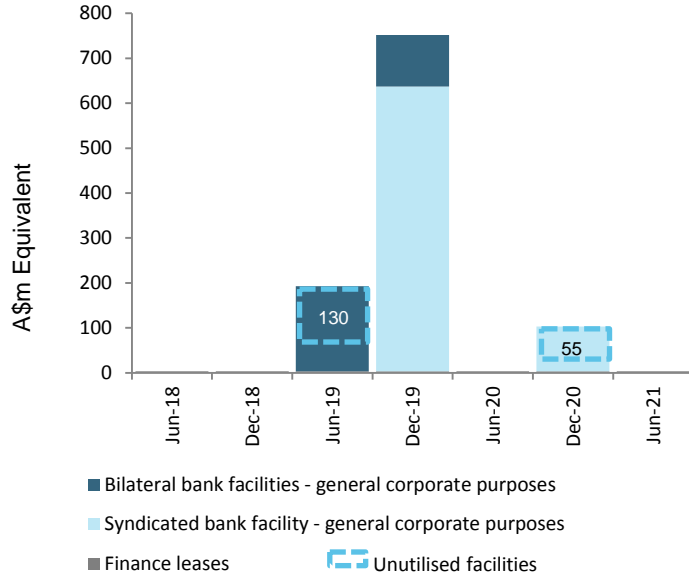
(by limit as at 31 December 2017)



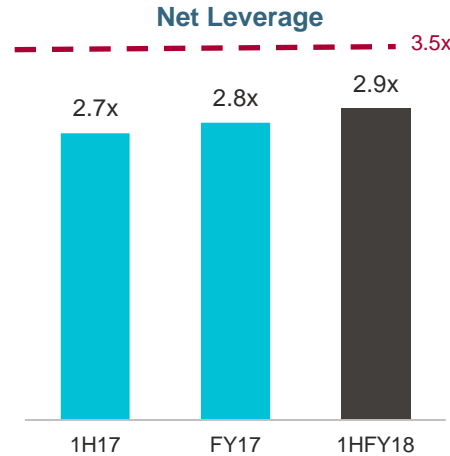
1. The maturity profile is based on contractual facility maturity dates.
2. The maturity profile above excludes debt that has been assumed pursuant to the consolidation of Spotless.
3. Weighted average debt duration = 3.17 years (June 2017 = 3.60 years) and including \$250.0m facility for acquisition of Spotless shares = 2.81 years (June 2017 = 3.02 years).
4. Undrawn \$700m (including \$190m syndicated bank bridge facility for acquisition of Spotless shares).
5. Syndicated bank bridge facility for acquisition of Spotless shares: maturity date of March 2019 is subject to Downer exercising its two six month extension options at March 2018 and September 2018.
6. The syndicated bank bridge facility was cancelled subsequent to 31 December 2017 at the discretion of Downer.

DEBT MATURITY PROFILE – SPOTLESS ONLY

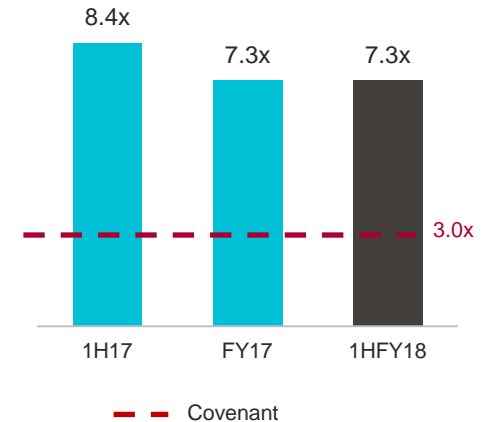
(by limit as at 31 December 2017)



DEBT COVENANTS



Interest Cover



1. The maturity profile is based on contractual facility maturity dates.
2. Weighted average debt duration = 1.67 years (June 2017 = 1.85 years).
3. Leverage ratio includes allowance adjustments to EBITDA for the purposes of debt covenant metrics.

BALANCE SHEET AND CAPITAL MANAGEMENT

\$m	Dec 17	June 17 ⁴
Current assets	2,691.5	2,975.8
Non-Current assets	4,583.4	4,608.8
Goodwill	2,307.7	2,341.1
Acquired intangible assets	447.0	469.5
PP&E, software and other	1,828.7	1,798.2
Total liabilities	(4,068.8)	(3,998.1)
Net Assets	3,206.1	3,586.5
Net debt ¹	1,046.9	620.2
Gearing: net debt to net debt plus equity	24.6%	14.7%
Gearing (including off balance sheet debt) ²	27.0%	17.7%
Interest cover	6.2x	10.0x
Net debt / EBITDA	1.3	1.2
Adjusted Net Debt / adjusted EBITDAR ³	2.3 x	2.4 x

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

2 Gearing including off-balance sheet debt based on present value of plant and equipment operating leases discounted at 10% pa: \$139.2m (June 2017: \$151.5m).

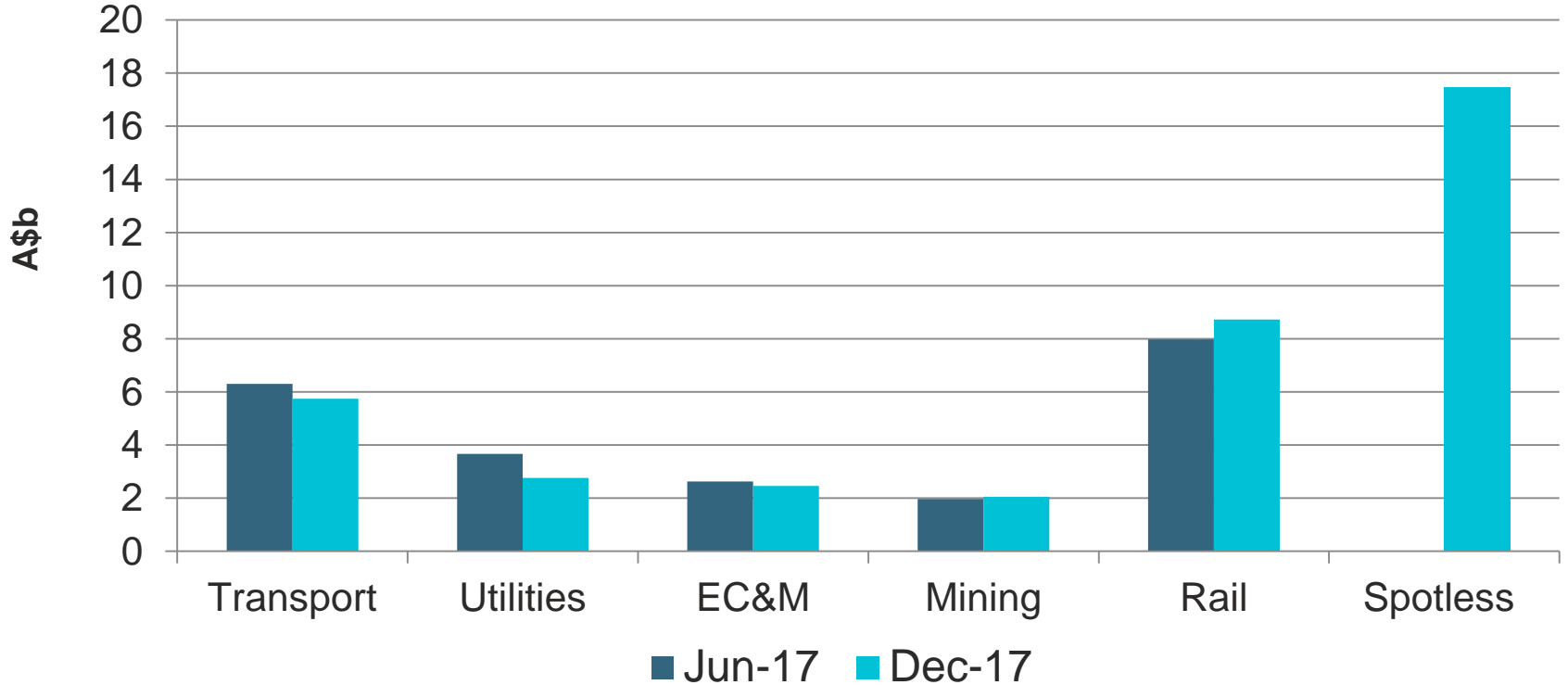
3 Adjusted Net Debt includes Net Debt plus 6x operating lease expenses in the year. Adjusted EBITDAR equals underlying earnings before interest, tax, depreciation, amortisation and operating lease expense (on a pro forma rolling 12 month basis).

4 June 2017 opening balances were restated to reflect the impact of acquisition accounting adjustments made during the period.



OUTLOOK

WORK-IN-HAND \$39.2 BILLION





OUTLOOK

Downer is targeting consolidated underlying net profit after tax and before amortisation of acquired intangible assets (NPATA) of \$295 million before minority interests.

This includes:

- underlying NPATA of \$202 million for Downer; and
- underlying NPATA of \$93 million for Spotless.



SUPPLEMENTARY INFORMATION

DEBT AND BONDING FACILITIES

Debt facilities \$m	DOW	SPO	Group
Total limit	1,351.8 ¹	1,070.5	2,422.3
Drawn	(651.8)	(885.5)	(1,537.3)
Available	700.0¹	185.0	885.0
Cash	411.5	78.9	490.4
Total liquidity	1,111.5	263.9	1,375.4

Bonding facilities \$m	DOW	SPO	Group
Total limit	1,720.1	181.0	1,901.1
Drawn	(1,009.8)	(151.3)	(1,161.1)
Available facilities	710.3	29.7	740.0

Group debt facilities by type	%
Syndicated bank facilities :	
- General corporate purposes	47
- SPO acquisition ¹	10
A\$MTN	17
Bilateral bank facilities	17
USPP	7
Other	2
	100

Group debt facilities by geography	%
Australia / NZ	87
North America	8
Asia ²	4
Europe ²	1
	100

1. Includes \$250.0m syndicated bank bridge loan facility for acquisition of Spotless shares; \$60.0m drawn as at 31 December 2017. Subsequent to 31 December 2017, the \$60.0m amount drawn under this facility has been repaid and the facility limit has been cancelled at the election of Downer.

2. Includes A\$ Medium Term Notes sold to Asian and European domiciled investors measured at financial close of the transaction.

SEGMENT REPORTING

HY18								
\$m	Transport	Utilities	Spotless	Rail	EC&M	Mining	Unallocated	Total
Segment revenue	1,206.4	851.9	1,539.0	317.0	1,225.0	668.4	(4.6) ¹	5,803.1
Share of sales from JVs and Associates ²	31.6	-	3.5	226.9	14.3	21.1	-	297.4
Total revenue ²	1,238.0	851.9	1,542.5	543.9	1,239.3	689.5	(4.6)	6,100.5
EBITDA	73.9	51.7	123.0	24.3	43.3	88.0	(27.4)	376.8
EBITA ³	55.6	45.8	78.6	18.0	36.7	20.9	(33.3)	222.3
EBIT	55.5	45.0	73.1	18.0	36.5	20.9	(57.4)	191.6
Individually Significant Items	-	-	-	-	-	-	(139.3)	(139.3)
Statutory EBIT	55.5	45.0	73.1	18.0	36.5	20.9	(196.7)	52.3
<i>EBITA margin</i>	<i>4.5%</i>	<i>5.4%</i>	<i>5.1%</i>	<i>3.3%</i>	<i>3.0%</i>	<i>3.0%</i>		<i>3.6%</i>
Net interest expense								(41.0)
Tax expense								(27.2)
Net profit after tax								(15.9)
Underlying NPAT ⁴								110.4
Underlying NPATA ³								132.0

1. Includes intra eliminations and other income

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

3. Downer calculates EBITA and NPATA by adjusting EBIT and NPAT by adding back acquired intangible assets amortisation expenses. HY18: \$30.7m , \$21.6m after-tax (HY17: \$8.5m, \$5.9m after-tax).

4. Downer calculates Underlying NPAT by adjusting NPAT by post-tax individually significant items of \$126.3m.