27 August 2015

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Dear Sirs

Transfield Services Limited – Transcript of Full Year 2015 Results Conference Call

Today Transfield Services Limited announced its full year results for the financial year ended 30 June 2015. Enclosed are the following documents from the Company's analyst briefing conducted today:

1. A transcript of speeches by the Managing Director, Graeme Hunt and the Chief Financial Officer, Vincent Nicoletti; and
2. A transcript of the questions and answers from the call.

A webcast of the results announcement is available on our website.

Yours sincerely

Angelique Nesbitt
EGM Communications, Compliance
& Group Company Secretary
Transfield Services Limited

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SPEECH NOTES	FULL YEAR 2015 RESULTS – ANALYST PRESENTATION
Prepared for:	Graeme Hunt, Managing Director and CEO, Transfield Services Vincent Nicoletti, Group CFO Transfield Services
Event:	Full Year Results 2015 – Analyst Call 10am Thursday 27 August 2015 Level 19, 111 Pacific Highway, North Sydney NSW 2060

[SLIDE 1 – COVER]

Good morning everyone. Welcome to the Transfield Services 2015 full year results call.

You will have seen the ASX Announcement, Appendix 4E, Operating and Financial Review and the Presentation posted to the ASX this morning.

With me, I have our Chief Financial Officer Vince Nicoletti and our Executive General Manager of Strategy, Markets and Investments, Chris Jeffrey.

This is a call for our financial analysts and investors only.

If any Banks on "listen only" have any questions, please get in touch with Chris Jeffrey. If any Media organisations on "listen only" have any questions, please contact our EGM of Communications, Compliance & Group Company Secretary, Angelique Nesbitt or our Corporate Affairs Manager, David Loch.

[SLIDE 2]

Before we start, I'd like to draw your attention to the disclaimer on slide 2 of the presentation pack.

[SLIDE 3]

Given most of you know the Company well, I won't dwell on this introductory slide except to emphasise that we see ourselves as a provider of essential services across a range of sectors and for a varied mix of clients. Our strategy focuses on non-discretionary client expenditure and becoming an integral and critical part of our clients' delivery model. This strategy has served us well in the last 3 years, which have been characterised by economic slowdown and curtailment of discretionary spending.

[SLIDE 4]

I am pleased to announce Transfield Services has delivered on its upgraded guidance to the market, despite the backdrop of challenging macroeconomic conditions and a sharp slowdown in some key sectors.

Over the past two years, Management's focus has been on repairing our balance sheet, stabilising the business by focussing on operating discipline, confirming and embedding our strategy of positioning our portfolio of

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contracts within Sectors that are weighted towards non-discretionary spending in essential services.

Our turnaround journey is progressing well and we continue to see positive trends in revenue, underlying EBITDA, operating cash flow and return on capital employed.

The Company's balance sheet continues to improve, providing a stronger base on which to grow and resilience to help us deal with challenging conditions and market uncertainties.

Our new Operating Model has been in place for just over a year and is now fully embedded. It provides us with a simpler, more efficient and more effective way of running our business by providing structural, functional and individual role clarity.

Our path to future growth is also clear. Our work to grow our portfolio of contracts in line with our strategy positions us well, given the longer-term growth trends and market opportunities that we see ahead of us. We are excited about the potential for this business and I'll discuss a number of future opportunities with you later in more detail.

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[SLIDE 5]

Turning to the business highlights, operating revenue increased 2 per cent to $3.8 billion, reflecting increased customer activity and our focus on non-discretionary, value added services within stable and growing sectors.

Underlying EBITDA, which we regard as the best reflection of the true performance of the Company's business units, was up 22 per cent to $265 million and in line with both our upgraded guidance in November 2014 and market consensus estimates.

You'll find a reconciliation to Statutory numbers in the Appendix at the back of the presentation pack and Vince will speak to the financials in more detail shortly.

Operating cash flow was a very pleasing performance, with cash conversion of 113 per cent achieved. This allowed us to lower our leverage ratio significantly and show improvement in all components of working capital.

We remain committed to ongoing portfolio optimisation and staying true to our strategy. Importantly, we now do better than half of our business with government clients. This reflects a lower level of revenue and EBITDA at risk than many of our competitors.

[SLIDE 6]

While many of our safety KPIs are consistent with our peers, safety performance was generally flat over the period. Our performance in this area will continue to be a major focus into the next year, as it is critical to our ability to secure and retain business with our clients.

As you can see, our Total Recordable Injury Frequency Rate was broadly in line with last year at a rate of 5.5 per million hours worked. We were deeply saddened by two deaths on Company worksites during the year, a clear indication that we have much more to do. We are firmly committed to the concept of Zero Harm throughout our operations. As such, we will continue to increase our focus on visible, "felt" leadership through behavioural-based safety discipline, rigorous 'root cause' analyses and investigation of all 'near miss' events.

[SLIDE 7]

Turning now to slide 7, this year's good results continued to build upon what has now been a three year turnaround process. This process continues unabated and our intention is to maintain this positive operating and financial momentum into the next year and beyond.

This is perhaps best characterised by our continued and strong growth in underlying EBITDA, which increased to $265 million.

Disciplined billing, cash collection and working capital management has continued to underpin good operating cash flow delivery and improvements in margins and returns.

This in turn has helped to drive the improvement in our balance sheet. Our priority remains debt reduction and given the macroeconomic challenges, market uncertainty and sharp downturns in a number of key sectors, our approach to gearing will be conservative and remain so.

As you'll note, despite the challenges, we have improved our leverage ratio to 1.8 times, with gearing now at 37 per cent.

The restoration of balance sheet health provides us with increased degrees of freedom in terms of growth options for the business, and the potential for enhanced future returns to shareholders.

Our ROCE is reflective of these changes and is now much healthier at 13.7 per cent, which is close to our target of 15 per cent.

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[SLIDE 8]

One of the most pleasing aspects of our results was the increase in EBITDA margin by 120 basis points, to 7 per cent.

This was driven primarily by growth, operating discipline and cost improvements in our largest business unit - the Defence, Social and Property Sector. Volumes also returned in the Telecommunications sector, reflecting the importance of the NBN program to our company.

Although there were a number of provisions and one-off items in the first half of the year to deal with some long-standing legacy items.

[SLIDE 9]

Together with the well-known and understood macroeconomic challenges, we have also seen our stock heavily impacted by recent reports in the media on our immigration contract. Many of you will have followed the current, highly politicised debate and our response.

Our response over an extended period – more than a year now – has been to engage with all stakeholders in a clear, open and transparent manner and this approach will continue.

We have also taken steps to publicly correct the record recently, due to the unacceptable level of speculative and factually incorrect media commentary.

Transfield Services has a very strong governance framework in place and is committed to the highest standards of probity and transparency in our operations globally.

We take our responsibilities to all of our stakeholders including our clients, our investors, the communities in which we operate and the Australian public very seriously. In terms of our work in the Immigration centers, we see the asylum seekers as stakeholders too. Many of our best people work in these contracts and they do a fantastic job in challenging circumstances.

Across our global business we are proud of the work we do in communities to develop local capability, employment and to increase local content.

A key highlight for the year was the great contribution that we made to Indigenous Reconciliation. Our third Reconciliation Action Plan is one of only twelve plans out of hundreds across the country to achieve elevate status. This is a great honour and recognises our long-term commitment to increasing the participation of indigenous people and their communities in our business.

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Our focus on local content, including local employment and procurement sourcing is another way of building positive relationships and contributing something positive and tangible to the communities in which we operate.

Following Vince's address, I will provide some further comments on the year ahead. I'll now hand over to Vince and he'll talk about some Group metrics, detailed Sector performance and the balance sheet.

[SLIDE 10]

Thanks Graeme.

In financial terms, this is the best set of results since the company's listing. We show two successive years of very positive trends after the painful adjustment that the Company underwent in 2013. Guidance was delivered despite addressing some remaining legacy issues – and it was upgraded guidance in the face of a tough market. We look and feel different to our competition for some pretty basic and important reasons. Our book has been growing while most of our competition has shown a contraction. Our margins have expanded while others have shrunk. Our cash conversion is solid and our balance sheet has turned around.

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Some would contend that this is due to one key contract, but the facts are that we have a well-diversified portfolio that is generally capital light. The strength of our portfolio is amply demonstrated. Despite a very tough environment with a lot of uncertainty, spending and investment restraint and competitive tension in bidding, Transfield Services has still hit its upgraded targets.

Indeed, out of the 19 key financial metrics that we track internally, 17 have improved from the previous year, 1 was flat and only 1 showed a decline. That's a pretty remarkable result.

[SLIDE 11]

Turning to slide 11, key points of emphasis are:

- FY15 is a record year for revenue billed, EBITDA and Operating Cash Flow.
- EBITDA of $265m is in line with consensus of $267m, showing less than 1 per cent variance – this is despite dealing with some long-dated legacy issues for the second year running.
- I'll come to some of the Sectoral details later, but in terms of a high level view of our revenue and EBITDA performance by segment, I'd observe:

- After a challenging start due to legacy provisions in the first half, Infrastructure earnings improved in the second half with higher volumes in Telecommunications, as well as improving performance in Public Transport and Roads.
- While many commentators have asserted that our Defence, Social and Property business is predominantly about Immigration, the facts are that we saw revenue and earnings growth in the Defence and Social subsectors as well, not just Immigration.
- Resources and Industrial, on the other hand, showed reductions in revenue and earnings. The softness in Mining and Industrial activity and spending that we saw in FY14 continues, with the added pressure of curtailed spending in the Energy sub-sector due to the sharp and sustained falls in oil and gas prices.
- In the Americas, after more than two years of focussed intervention and restructuring, the business is now stabilised and is positioned for a return to profitability and growth. While the primary reason for the reduction in EBITDA relates to legacy WIP and debtor write downs, I'd note that the US Resources and Energy business is showing healthy signs of returning to growth.

Excluding the impact of the legacy issues restores EBITDA performance to $8m positive.

[SLIDE 12]

Turning to slide 12, I mentioned earlier that Senior Management and the Board track 19 key metrics each month and almost all of these show improvement. This slide outlines the ones that seem to be of greatest interest to our investors and the analysts that cover our stock.

Key observations:

- We focus equally on Net Debt and Working Capital Management.
- Here are 10 of the 19 KPIs that we track in our internal performance reports. We feel these are the most important ones and they all show a material improvement. We're very proud of this.

[SLIDE 13 and 14]

Turning to the next two slides – namely 13 and 14 – which I'll now cover together:

- As I think I've mentioned at our previous results announcements, the Defence, Social and Property business has rapidly become the "earnings-engine" of our Group. It provides the most stable revenue and EBITDA

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base, is predictable and most closely fits our aspiration for business with Tier-1 clients in sectors that are not subject to spending and therefore earnings volatility. We want to integrate with our clients and become essential to their service delivery. As we observed recently, we have grown our contracts with the Department of Defence in the last year and we've now had our first full year of operations under the expanded Immigration contract on Nauru and Manus Island. At the same time we are growing what is essentially the same product offering into Health and Education. We see new opportunities in Aged Care and Justice. This is a priority sector for the Company and we see the potential for ongoing growth.

- Infrastructure has been challenged in the last two years with subdued spending on both maintenance and investments. We're pleased with the return of volumes in Telecommunications, driven by a new, expanded agreement with the NBN Company, as well as additional work in NZ. While there has been softness in Utilities, we've seen encouraging recent signs of increased activity in the Water and Rail sub sectors. We believe there will be much more activity in Utilities going forward, as the trend towards Privatisation & Outsourcing increases in

order to lower the cost of delivery and provide funds for additional investment.

- In Resources and Industrial, the sharp decline in global commodity prices, particularly in bulk commodities, continues unabated. Delays in the commissioning of large plants and associated facilities by our clients, combined with pressure in the Mining, Industrial, Oil and Gas subsectors, has heavily impacted returns in this business unit. Given the severe impact on our clients, the Company has agreed to reduced scope and lower margins on some contracts. This has enabled us to continue to work with clients, whereas some of our competitors have been "shown the door". We expect that this will build goodwill with our clients and position the Company well for the eventual recovery of the sector. Again, the strength and diversity of our portfolio has allowed us to take this action.
- In the Americas, market conditions are now quite favourable for refiners and our downstream clients are operating at high availability and utilisation rates. Due to the time and effort taken to rebuild capability in our downstream maintenance business, we are now seeing evidence of growth and improving results. In addition, the Company successfully

renegotiated its onerous roads contracts and we now expect that they will make a contribution going forward. Pressures are expected to remain and potentially intensify in the upstream oil and gas business in the North Dakota shale fields and the Flint Transfield JV in the oil sands sub sector in Canada. Given the high cost position of clients in shale and oil sands, we do not see a return to growth in the short to medium term.

[SLIDE 15]

Slide 15 elaborates on our view of the Energy market and my previous comments. Some of the comments I'll make have been made before, but I feel they need to be emphasised:

- Firstly, it is clear that conditions in the extractive industries as a whole are very challenging and will remain so for some time.
- Secondly, due to the supply / demand situation, declining prices have placed pressure on client balance sheets, operations and growth plans.
- At the risk of oversimplifying, the story is a "tale of two halves" though. While upstream oil and gas – effectively extraction / production – is heavily impacted, the downstream / refining sector is booming, with

good refining margins and high availability and utilisation levels. As such, we are now focussed on healthy growth in the downstream sector.

- Despite the challenges in the upstream sector, however, we have to take a long-view of the cycle. If we don't take steps to rationalise our business, provide more competitive rates to our clients and preserve capability, we will be very poorly positioned when the upstream sector recovers.
- As such, we have taken steps to competitively price so that we retain work volumes. We've also rationalised some of our operations, including downsizing the camp management business.
- At the same time, with the commissioning of LNG plants – which we expect to occur in 2016 – the Company believes it is well positioned to return to growth in a very important sector. I'd note that we are currently awaiting decisions on $3.6bn of submitted work proposals. Of this, we have been conferred "Preferred" status on approximately $1.3bn of work. More than $700m of the $3.6bn relates to energy contracts.

[SLIDE 16]

I mentioned at the start of my outline to you that we have become much more disciplined in working capital management over the last two years. At the end of each year it is sometimes easy to prioritise Net Debt numbers at the expense of Creditors, for example. This only hurts relationships with key suppliers and sub-contractors for very little real gain.

We focus on the dollars of course – everyone does – but Senior Management and the Board also look at the position on a working capital "days" basis and this is done for each component of working capital, rather than the total. This means that there is no-where to hide. Your cash has either been collected or it has not. Your bills have been paid on time, or they have not. Your total funding has either improved, or it has not. The metrics on slide 16 speak for themselves. They are all improving and they all compare very well to our peers. I'd highlight that less than 5 per cent of our Debtors are overdue by 60 days or more.

[SLIDE 17]

Similarly, after a period of high gearing and balance sheet stress, we've done most of the hard work on our leverage and your Company now has a much

healthier capital structure and is living within its means. We have proven that we can live sustainably within a "capital light" business model.

You'll note that our leverage ratio is now 1.8 times – which is quite respectable. In part, this has been achieved by strong growth in EBITDA, although absolute gearing levels have also fallen from a peak of 46 per cent in December 2013 to 37 per cent in June 2015. The decrease in Net Debt of $63m also understates the real reduction achieved. A $39m Forex impact relating to restatement of the Company's USPP debt in the USA, as required under the accounting standards, offset our total debt reduction for the year, which was actually $102m. This restatement is a non-cash and non P&L item – being posted to reserves. In fact, circa $200m of free cash has been utilised to pay down debt over the last 18 months.

In summary, I'll finish by saying that the Company has had a good year and delivered good results. The proof points are:

- Better than 100 per cent cash conversion;
- A laser-like focus on capital restraint;
- Living within our means;
- Increasing ROCE; and
- Reducing leverage.

I'll now hand the baton back to Graeme.

[SLIDE 18]

Thanks Vince.

[SLIDE 19]

As I outlined earlier, our turnaround journey, although ongoing, is now well progressed and the Company's focus in FY16 will be to deliver safely and with discipline for our clients, lower the Group's cost base and grow our business. At the same time, we accept that it is not only about numbers. We also place great importance on transparency and demonstrating good Governance, and Environmental and Social performance.

Our commitment is to communicate openly and regularly and ensure that policies, processes and procedures across the Group demonstrate high standards of internal control.

Our disciplined approach also extends to business development and we have continued to refine and enforce adherence to our Gate Review process. This process has ensured that no new contracts have required an intervention since the introduction of the Gate Reviews two years ago.

The new SAP platform is also now complete, with the last deployment having occurred in August 2015. We are now on a single instance of SAP globally and can now leverage the standardised framework and reporting tools to improve our business further.

[SLIDE 20]

As previously mentioned, during the year the Company's portfolio of contracts delivered a predictable and solid result, despite challenging macro-economic conditions and a slowdown in a number of key sectors.

This slide illustrates our portfolio and shows you that over time the importance and materiality of any given Sector within our portfolio will change.

As you can see, our FY15 result has been underpinned by strong performance in the Defence, Social and Property sector. Looking ahead, while we expect Defence, Social and Property to continue to perform well, we see a strong pipeline of opportunities in our Americas and ANZ Resources and Industrial businesses.

Looking ahead, the Company's strong weighting towards non-discretionary client expenditure in essential services continues to position us well for both growth and stable, predictable earnings and we do not expect this to change.

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[SLIDE 21]

Turning to slide 21, there are two key themes – firstly that we are well positioned from a revenue perspective as we enter FY16. Secondly, our sources of revenue are relatively predictable and diversified, with the majority of our revenue contracted with Tier-1 government clients.

We already have approximately 60 per cent of forecast revenue locked in for this year. Over the next 5 years, we have $9.8 billion of contracted revenue, plus a further $3.6 billion in opportunities that have either been "shortlisted" or are at a "Preferred" status. Approximately $650 million of this relates to FY16. This gives us a very healthy level of revenue visibility.

The remainder of the planned revenue for this year will be sourced through a combination of leveraged work on existing contracts, contract renewals and new contract wins. In any typical financial year:

- 40 to 60 per cent of revenue is sourced from work in hand;
- Leveraged work and renewals are up to 30 per cent of revenue; and
- New growth is 10 to 30 per cent of revenue.

[SLIDE 22]

Turning now to the entire pipeline as at 30 June 2015 – if we take a look at it by Sector, we have a good balance of work in hand, submitted bids, identified opportunities and leads.

This strong pipeline reflects the positive outlook for the Telecommunications and Utilities sub-sectors, returning opportunities in the Resources and Industrial sector and a continuing solid outlook for the Defence, Social and Property sector.

[SLIDE 23]

Over the last year, we won approximately 46 per cent of opportunities by number and 49 per cent by revenue. This is a pleasing result in a competitive market environment and reflects the strength of our business development capability and operating performance. Highlights during the period included:

- Expanded Defence contracts, with revenue of $1.6 billion over 6 years;
- Award of another key NBN contract with a 5 year term and revenue of up to $140 million in the first year, with an ability to expand;
- A new five year $88 million contract to provide facilities management and property services to the University of Newcastle – confirmation that

we can diversify beyond Immigration and Defence, into Education. It is also confirmation that our desire to expand into Health and Justice is also achievable;

- A new US roads asset maintenance contract with Chipley County in Florida and the extension of another two roads contracts worth a total of US$62 million;
- Extensions and growth with key US downstream oil and gas clients including Chevron, ConocoPhillips and Valero;
- A further 5 month extension to the existing NSW Housing contract, including a 20 per cent increase in expected volumes;
- Renewal and expansion of the Austin Health contract to provide full preventative and reactive maintenance services to three campuses in Victoria and the Olivia Newton-John Cancer and Wellness Centre;
- Extension and expansion of the Gold Coast University Hospital contract to provide asset and building maintenance, cleaning, security and grounds maintenance; and
- Execution of revised contracts with Santos to provide Facilities Management and Construction services in the Cooper and Eromanga Basins in central Australia.

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Looking ahead, we have also been announced as the Preferred bidder on three major contracts worth over $1.3 billion and four additional contracts worth $2.3 billion are Shortlisted and are awaiting decision.

[SLIDE 24]

Turning to slide 24, our continuous improvement program includes a range of approaches to increasing operational effectiveness and efficiency. They will focus on two main source of value - namely contract margin improvement and procurement benefits.

We are still at the early stages of this journey and the more we look, the more we find. We expect to be well progressed by the end of the 2016 financial year and are targeting up to $100m in benefits over the next two years.

[SLIDE 25]

Going into FY16, our key focus areas include:

- Intensifying our safety focus through “felt” leadership, with an emphasis on behavioural based safety, increasing the frequency of safety interventions, “felt” leadership and disciplined investigation of all near-miss events;

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- Increased community engagement and outreach initiatives, with a particular focus on capacity development, Indigenous participation and local sourcing;
- Continued rationalisation of the portfolio and divestment of non-core investments;
- Streamlined execution of new bids, renewals and leveraged work;
- Growth of work in hand through:
  - Targeting an increased "share of wallet" from existing customers;
  - Pursuing identified growth nodes as outlined in the Appendices to deliver medium term growth;
  - Converting pipeline opportunities into contracted revenue in FY16 and beyond – with an emphasis on maintaining and improving portfolio balance, diversity and resilience; and

• Developing a new company brand that retains our core values and vision. The Company is focussed on running a cost effective and efficient rebranding process and will announce its new brand as part of the FY15 Notice of Annual General Meeting. As also advised, there will be no change to our core values – Integrity, Collaboration, Challenge and Ingenuity.

Now turning to our Outlook.

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[SLIDE 26]

The Company's strategic positioning allows us to capitalise on longer term growth trends and market opportunities across all sectors.

Based on current levels of Work in Hand, the Company enters the 2016 financial year with a healthy level of revenue visibility.

We have contracted revenue of almost $10 billion, with a further $3.6 billion of opportunities in the Shortlisted or Preferred status stages.

The positive momentum of the previous two financial years positions the company well. Notwithstanding the continued challenging macroeconomic environment, the Company expects broadly to maintain earnings. Given the current external environment, we will continue to prioritise cash towards debt reduction to further strengthen our balance sheet and improve our competitive position.

Thank you for your interest and I'll now take your questions.

ENDS

Company: Transfield Services
Title: FY2015 Full Year Results Investor Presentation Q and A session
Date: 27 August 2015

Start of Transcript

Operator: Our first question comes from Christopher Hagedorn. He asks: how much of the $350* million of cash do you require to run your business on a day-to-day basis, how do you think about the various options for the excess cash, i.e. share repurchases, debt repayments or investment options?

Vince Nicoletti: It's Vince speaking, thanks for that question Christopher. So by the $350* million of cash, I'm assuming you mean the circa $350* million of cash that we held in the bank at the end of the period. So let me back up and firstly re-emphasise the strong cash generation capacity of the business and re-emphasise a couple of important points. If you take roughly $270 million of EBITDA which is a close proxy for cash and you end up with 100% cash conversion as a minimum, then it relates to - it translates to $270 million in your bank account.

Then if you assume $80 million, maybe a bit more, for Capex, you're left with $190 million. If you take our current debt load and our current interest bill of about $70 million, that drops to about $120 million. You then end up with some tax and we'd expect in the next year that to be $20 million to $30 million. So what that means is about $100 million per annum of cash available for either debt reduction, investment or other growth activities, return to shareholders, dividends and so on.

At the moment we've elected, given the uncertainties in the market and the fact that a couple of key contracts are still to be awarded, to preserve fire power and pay down debt. That will of course be reviewed at the half year.

Graeme, do you have anything to add?

Graeme Hunt: No, I think that's fine.

Operator: If you wish to ask a question via the audio conference, please press zero followed by one on your telephone. Your first question comes from the line of Craig Wong-Pan from Deutsche Bank. Please go ahead.

Craig Wong-Pan: (Deutsche Bank, Analyst) Hi guys, first question, just around the net debt figure, so that does include an FX restatement and also there's $71 million of interest rates swaps. Just wondering, does your debt covenant include the impact of those interest rate swaps?

Vince Nicoletti: So the figures as you see them, Craig, for the USPP restatement that's gone to the reserves, our debt numbers include that and our covenant calculations include that. The swap is treated as net though, so the high yield bond, which was borrowed for Australian financing purposes, is swapped back to Aussie. So what we see is, technically an increase in the debt number, offset by an in the money derivative with a net effect of zero. Our covenants take the net because it's fully offset, it's an effective hedge.

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* Ed: the correct figure is $300 million

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Craig Wong-Pan: (Deutsche Bank, Analyst) So for the leverage ratio and the covenants, is that on the $541 million of net debt or the $471 million of net debt?

Vince Nicoletti: The $471 million of net debt.

Craig Wong-Pan: (Deutsche Bank, Analyst) Okay, great.

Vince Nicoletti: So Craig, for the avoidance of doubt and absolute clarity, the FX impact on the USPP has an impact on the net debt, the FX impact that is dealt with by the derivative on the high yield bond is not included in the $471 million because it nets out and our covenants allow for that.

Craig Wong-Pan: (Deutsche Bank, Analyst) Okay. Then just wondering on your guidance, you've got $2.5 billion of forward revenue, you'll be continuing to have work come through. This time last year it was at $3.4 billion, should we be thinking of your revenues coming down by a similar type of decline?

Graeme Hunt: No. I think what we've tried to show here is that relative to where we were last year, we've actually got a stronger near term pipeline position with a significant amount of work in the preferred status and a large amount of work at shortlisted status, which we believe a significant proportion of will convert to contract wins within this first half.

Craig Wong-Pan: (Deutsche Bank, Analyst) So could revenues decrease…

Vince Nicoletti: Craig one of the big differences - sorry Craig, one of the big differences last year was that the Defence contract was at preferred status and was in the three-point-something number that you quote. At this stage we have some that are shortlisted that we expect to convert and so we actually have a very healthy level of revenue visibility and we're more comfortable than we were a year ago. It's just about the timing of where the conversion from shortlist to preferred is actually going to occur.

Craig Wong-Pan: (Deutsche Bank, Analyst) So overall, revenues could be stable, is that the general view?

Graeme Hunt: What we've said in our outlook statement is we feel quite comfortable about our ability to maintain our earnings at the current level and that's a combination of where we see the revenue line to be and the impact of the combination of the various contracts existing in the book and those that will be renewed and our assumptions about what we will win during the year.

Operator: Your next question comes from the line of Nathan Reilly from Goldman Sachs. Please go ahead.

Nathan Reilly: (Goldman Sachs, Analyst) Morning gents, just got a quick question about those cost outs which you flagged in the range of $75 million to $100 million over the next two years. How much of that cost out is factored into the guidance for the year ahead please?

Graeme Hunt: Look, we've factored an element of that in. I'm not going to go into the detail here. I think that what we've - you know, our view about our ability to maintain our earnings is built on a series of assumptions that we feel very comfortable with. Some of that is improved margins out of our existing contract book. Some of the initiatives that we have underway are in the cost area. Obviously we will not get a full year's benefit for this year, as we roll out and implement those changes during the year.

But we have a very structured process and clearly we're targeting at a level which gives us a degree of comfort to be able to say what we've said here. We feel comfortable about being able to maintain our earnings level, in a market where most others are not doing that.

Nathan Reilly: (Goldman Sachs, Analyst) Okay Graeme. Just finally from me, correct me if I'm wrong here, but I was under the impression that, as part of your tenure as the CEO, having stepped into the executive role, cost outs were a key focus of your early strategy. Can you just give me an idea of how that $75 million to $100 million, in terms of cost outs to be taken over the next two years, compares with the previous three year turn around phase?

Graeme Hunt: A lot of the benefit that we're able to bank previously was focussed on the overhead area. So we've dramatically restructured the business in terms of taking out multiple layers in the business, consolidating under the new operating model away from a model where we had a lot of self-contained entities and, therefore, multiple layers of overhead across the business. The new operating model has addressed that, as well as activities like outsourcing our back office, have taken significant costs out of the business.

Why do I feel like there's much more opportunity going forward? That's because the focus here is broadly on two areas. One is our broad procurement, both at a strategic corporate level and an operational level, and we have a very structured process focussed on that area, where we know, based on the work we've already done, we can take a significant amount of our costs out. Both in terms of smarter procurement - the price of goods and services that we buy - but also the management of the consumption of those goods and services across the business. So that's one bucket.

The other bucket is really around on the ground contract optimisation. The reality is, over the last three years now most of our focus, in terms of contract optimisation, has been on those contracts that have been in trouble. So we've taken those from an albatross around our neck, to remediating those contracts such that they're now back in a position where they will make a positive contribution to the bottom line, as opposed to a negative one.

The rest of the portfolio hadn't had the degree of focus that we are now giving it. Also, under the new operating model, we have greater visibility, supported by the rollout of the single SAP platform into the actual performance and key cost drivers and efficiency across the whole of the business. So we're running a very structured process, we're using principles like six sigma and lean. But we also have got a top down process where we are identifying opportunities, transferring best practice across the Company and, hence, that's where we believe a large part of it will come from.

So I understand that some may feel that the well is dry. It is far from dry, we've just drilled a well in a different place and it's productive.

Vince Nicoletti: Okay so we have a question from Peter Steyne, please comment on the Board's decision not to declare a dividend; at what level of gearing would you consider doing so?

Thanks Peter, and it kind of follows on from Christopher's earlier question. The Board did consider this very carefully and decided not to. Senior management and the Board united in the view that it's the right decision.

The first thing I'd say though is that we're in the zone where we could consider a dividend, quite clearly. You've seen the markets though, you've seen the energy and the construction slow down, you've seen the China turmoil, you've seen the Greece turmoil.

We have two major contracts at the moment that are at the shortlisted stage and have still not converted. So your Board and senior management have discussed that and decided that the best thing to do right now was wait until that clarifies. Clearly, when it does, the Board will reconsider at the half year. Graeme?

Graeme Hunt: No, I think that's fine. I think it's not a case of lacking any confidence in our ability to deliver. We have the view that, at this point in time, the right thing to do was to continue to prioritise cash to debt reduction, but the Board looks very closely at the circumstances. We'll look very closely at this at the half year and make an appropriate decision based on the circumstances at that time.

Operator: As a reminder, to ask a question via audio conference, please press zero followed by one on your telephone and wait for your name to be announced. There are no questions coming through from the audio conference at this time.

Graeme Hunt: Alright, well thanks very much everybody. As I said earlier, if there are any subsequent questions, obviously we will catch up with many of you on the roadshow over the next few weeks. Anyone that has any questions that weren't addressed today, you know where to channel them through to. Thanks very much for your time.

Operator: Ladies and gentlemen, that does conclude our conference for today, we thank you for participating, you may now all disconnect.

End of Transcript