TRANSFIELD SERVICES

TRANSFIELD SERVICES
H1 FY2015 RESULTS

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IMPORTANT NOTE: Throughout this document non-IFRS financial indicators are included to assist with understanding the Group's performance. The primary non-IFRS information is underlying EBITDA, underlying EBIT and underlying NPAT.

Management believes underlying EBITDA, underlying EBIT and underlying NPAT are appropriate indications of the on-going operational earnings of the business and its segments because these measures do not include one-off significant items (both positive and negative) that relate to disposed or discontinued operations, pre-acquisition legal settlement costs, costs incurred to restructure the business in the current period or cost associated with a take-over defence. A reconciliation of non-IFRS to IFRS information is included in the Statutory Reconciliations' section of the Operating and Financial Review on page 20.

All comparisons are to the previous corresponding period of H1 FY2014 – the six months ended 31 December 2013, unless otherwise indicated.

Certain figures provided in this document have been rounded. In some cases, totals and percentages have been calculated from information that has not been rounded, hence some columns in tables may not add exactly.

APPENDIX 4D
Six months ended 31 December 2014

Name of entity

Transfield Services Limited (ABN: 69 000 484 417)

Reporting period

Current reporting period: 1 July 2014 to 31 December 2014

Previous corresponding period: 1 July 2013 to 31 December 2013

Results for announcement to the market

$'m	December 2014	December 2013	Up/(Down)
Revenue	1,895.4	1,810.2	4.7%
Underlying EBITDA*	112.2	74.4	50.8%
EBITDA	98.3	86.6	13.5%
Underlying NPAT*	18.1	2.8	546.4%
Profit from continuing activities after tax attributable to members	8.3	16.4	(49.4%)
Loss from discontinued operations	-	(11.8)	100.0%
NPAT for the period attributable to members	8.3	4.6	80.4%

EBITDA: Earnings Before Interest, Tax, Depreciation and Amortisation

NPAT: Net Profit After Tax

** Numbers defined as "Underlying" exclude restructuring costs, gains and losses on disposal of assets or businesses, earnings from discontinued operations and other one-off non-recurring items. A reconciliation between statutory and underlying financial information is included in the Statutory Reconciliations' section of the Operating and Financial Review of the 31 December 2014 Interim Report.*

cents	Amount per security	Franked amount
Final dividend (proposed)	Nil	Nil
Interim dividend	Nil	Nil

	Date
Record date for determining entitlement to the dividends	Not applicable
Payment date of dividends	Not applicable

$	December 2014	December 2013
Net assets per share	1.49	1.45
Net tangible assets per share	0.40	0.35

This information should be read in conjunction with the 2014 Annual Financial Report of Transfield Services Limited and its controlled entities and any public announcements made in the period by Transfield Services Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Listing Rules.

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2014.

This report is based on the consolidated financial statements for the half-year ended 31 December 2014 of Transfield Servcices Limited and its controlled entities, which have been reviewed by KPMG. The Independent Auditor's Review Report provided by KPMG is included in the consolidated financial report for the half-year ended 31 December 2014.

DIRECTORS' REPORT
Six months ended 31 December 2014

Your Directors present their report on the consolidated entity consisting of Transfield Services Limited ("the Company" or "Parent Entity") and the entities it controlled at the end of, or during, the six month period ended 31 December 2014 (the "Group").

Directors

The Directors of the Company at any time during or since the end of six month period ended 31 December 2014 are:

- Diane Smith-Gander;
- Graeme Hunt;
- Steven Crane (resigned on 26 February 2015);
- Douglas Snedden;
- Roy McKelvie;
- Katherine Hirschfeld;
- Dean Pritchard; and
- Geoffrey Kleemann (appointed on 19 September 2014).

Review of operations and likely developments and expected results of operations

Refer to the Operating and financial Review on page 4 to 20 for detailed commentary regarding the operations during the six month period ended 31 December 2014 as well as likely developments and expected results of operations for future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 35.

Rounding of amounts to nearest hundred thousand dollars

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest hundred thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the Directors.

Diane Smith-Gander

Chairman

Graeme Hunt

Managing Director and Chief Executive Officer

At Sydney

26 February 2015

OPERATING AND FINANCIAL REVIEW

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IMPORTANT NOTE: Throughout this document non-IFRS financial indicators are included to assist with understanding the Company's performance. The primary non-IFRS information is proportionately consolidated financial information, underlying EBITDA, underlying EBIT and underlying NPAT.

Management believes proportionately consolidated financial information is an accurate reflection of operational results due to the materiality of joint venture arrangements in place. Proportionately consolidated results include the Company's share of joint venture revenues and earnings. Management believes underlying EBITDA, underlying EBIT and underlying NPAT are appropriate indications of the on-going operational earnings of the business and its segments because these measures do not include one-off significant items (both positive and negative) that relate to disposed or discontinued operations, pre-acquisition legal settlement costs, costs incurred to restructure the business in the current period or cost associated with a take-over defence. A reconciliation of non-IFRS to IFRS information is included where these metrics are used. This document has not been subject to review or audit by the Company's external auditors.

All comparisons are to the previous corresponding period of H1 FY2014 – the six months ended 31 December 2013, unless otherwise indicated.

Certain figures provided in this document have been rounded. In some cases, totals and percentages have been calculated from information that has not been rounded, hence some columns in tables may not add exactly.

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OVERVIEW OF KEY DRIVERS

Transfield Services' first six months of FY2015 were strong operationally, clearly demonstrating the value of a diversified portfolio. Challenges in the Resources and Industrial Sector due to the ongoing slump in commodities prices, further exacerbated by volatility in global oil and gas prices, were offset by strong growth in the Defence, Social and Property Sector. This half year also saw the Company fully transition to its new operating model, which enhanced our ability to gain additional insights into contracts, markets, clients and cost drivers. Highlights of the Company's recent operating and financial performance are:

- Lost Time Injury Frequency Rate (LTIFR) was steady at 1.2, although the Total Recordable Injury Frequency Rate (TRIFR) increased by 7 percent to 6.3
- Underlying EBITDA of $112 million, a 51 percent increase on the prior comparative period
- EBITDA margins (proportionately consolidated) increased to 5.6 percent from 4.0 percent in the prior comparative period
- Higher percentage of earnings in the first half compared to previous years, materially improving on the previous year's skew towards second half earnings
- Demonstrated value of a diversified portfolio – challenges in the Resources and Industrial Sector due to commodities and global oil and gas prices, fully offset by outperformance in the Defence, Social and Property Sector
- Underlying NPAT increased to $18 million in the current period from $3 million in prior comparative period, and Statutory NPAT up 75 percent to $8 million in the current period from $5 million in the prior comparative period
- Momentum from previous year continues to positively impact key capital metrics as follows:
  - Underlying operating cash conversion for the first half of 81 percent, reflecting a disciplined focus on billing and working capital processes – the full year target remains 100 percent cash conversion
  - Reduction in working capital compared to prior comparative period levels
  - Balance sheet quality continues to improve, with Net Debt reduced by $70 million on the prior comparative period
  - A reduction in the Net Debt to EBITDA ratio to 2.2 times, with the Company's target Net Debt to EBITDA ratio of less than 2.0 times within sight
  - Return on Capital Employed (ROCE) improvement of 150 percent from the prior comparative period
- Approximately 90 percent of H2 FY2015 revenue already contracted
- $17 billion of active contract opportunities in pipeline, with another $38 billion of identified leads

Areas of focus for the second six months of FY2015 continue to be:

- Intensify safety focus on lead indicators to drive down injuries
- Improve margin and cash conversion potential within existing contracts
- Maintain downward pressure on working capital
- Continue focus on cash and reduce Net Debt to EBITDA ratio to below 2.0 times
- Maintain bid governance discipline and transition / execution accountability
- Focus on near and medium term new bids, renewals and leveraged work potential in the Company's core Defence, Social and Oil and Gas sub-sectors
- Convert pipeline of opportunities into contracted revenue to cover FY2016 and beyond – with an emphasis on maintaining and improving portfolio balance, diversity and resilience
- Continue efforts to divest surplus assets and non-core investments
- Continue to focus on positive contribution and dealings within the communities in which we operate – with a particular focus on corporate social responsibility, indigenous development and local sourcing

OPERATING AND FINANCIAL REVIEW
Six months ended 31 December 2014

MANAGEMENT REVIEW OF GROUP PERFORMANCE

	Reported		Propotionately Consolidated	
A$'m	H1 FY2015	H1 FY2014	H1 FY2015	H1 FY2014
Operating Revenue	1,895.4	1,790.1	2,191.1	2,071.9
Underlying EBITDA	112.2	74.4	123.2	81.8
Underlying EBITDA Margin	5.9%	4.2%	5.6%	4.0%
Underlying EBIT	63.5	26.5	n/a	n/a
Underlying NPAT	18.1	2.8	n/a	n/a
Statutory NPAT	8.4	4.8	n/a	n/a
Contracted Revenue			8.8bn	9.8bn

FINANCIAL RESULTS

All numbers in the text below are statutory unless otherwise stated. All numbers defined as 'Underlying' exclude restructuring costs, gains and losses on disposal of assets or businesses, earnings from discontinued operations and other one-off non-operational items.

- H1 FY2015 Operating Revenue was up 6 percent compared to the prior comparative period
- Underlying EBITDA of $112 million, was up 51 percent compared to the prior comparative period, primarily driven by growth in the Defence, Social and Property Sector and the Infrastructure Sector
- EBITDA margins (proportionately consolidated, which includes all joint venture revenue shares) were 5.6 percent compared to 4.0 percent in the prior comparative period
- In H1 FY2015 interest expense and tax expense were higher than the prior comparative period
- Underlying NPAT of $18.1 million was significantly higher than the prior comparative period of $2.8 million.
- Statutory NPAT of $8.4 million increased by 75 percent compared to the prior comparative period
- Non-recurring items of $13.9 million were reported below the EBITDA line and comprised restructuring costs and legacy legal settlements
- Underlying EBITDA cash conversion of 81 percent was up from 72 percent in the prior comparative period. It should be noted that the prior comparative period included $92 million of adjustments for trade creditors. No adjustment for trade creditors was required in the current period
- Net Debt, at $569 million decreased by $70 million compared to the prior comparative period of 31 December 2013. Excluding the impact of the depreciating Australian dollar on the restatement of a portion of US dollar debt utilised for the Company's US operations over the last six months, Net Debt was flat compared to 30 June 2014.
- H1 FY2015 Net Debt to EBITDA ratio fell to 2.2 times compared to 2.4 times at 30 June 2014 and 2.9 times at 31 December 2013. This is a function of both debt containment and reduction initiatives, as well as improving EBITDA
- Debtor days improved to 44 days at 31 December 2014 compared to 49 days at 30 June 2014, and creditor days remained steady in the same period
- No interim dividend has been declared for H1 FY2015

REVENUE AND PIPELINE

The movement in Operating Revenue compared to the prior comparative period comprises:

- $276 million of new contracts during the current period including Department of Immigration and Border Protection (DIBP) regional processing contract on Manus Island and Nauru scope expansions, Defence Estate Maintenance and Operations Services, National Broadband Network (NBN) packages, Amcor site facilities management and various rail projects
- $128 million of growth in revenue from existing contracts, including with NBN, Ultra-Fast Fibre Limited, Enable, New South Wales Housing, Gold Coast University, Defence Land Materiel Maintenance, roads in New Zealand and the Americas, and various operations and maintenance contracts in utilities

Offset by:

- $189 million reduction in revenue from existing contracts, including Santos, QGC, Telstra, water, electrical services, and various operations and maintenance contracts in US oil and gas, mining in the Pilbara and industrial
- $110 million reduction in revenue relating to contracts that ended during the period, including the Transfield Worley joint venture servicing Woodside onshore Liquefied Natural Gas (LNG) processing, Sarina joint venture for construction in the Utilities sub-sector and the Minera Escondida maintenance contract in Chile

OPERATING AND FINANCIAL REVIEW
Six months ended 31 December 2014

In H1 FY2015, the Company's sources of revenue by Sector and Service Line were as per the following table.

H1 FY2015
REVENUE BY SECTOR AND SERVICE

SERVICES	SECTORS: INFRASTRUCTURE	DEFENCE, SOCIAL SERVICES AND PROPERTY	RESOURCES AND ENERGY	AMERICAS	SERVICE LINE TOTAL
LOGISTICS AND FACILITIES MANAGEMENT	12.1m	701.8	5.7m	-	719.6m
CONSULTING	-	44.4m	13.6m	-	58.0m
CONSTRUCTION	230.7m	-	60.5m	-	291.2m
OPERATIONS AND MAINTENANCE	272.2m	33.2m	196.8m	176.9m	679.1m
WELL SERVICING	-	-	143.9m	-	143.9m
SECTOR LINE TOTAL	515.0m	779.4m	420.5m	176.9m	1,891.8m

During the six month period, the number of tender opportunities available in the market was lower than the prior comparative period. The Company was, however, successful in winning circa 45 percent of new contract opportunities based on the number of opportunities. This is above the historical average of 30-40 percent win rate.

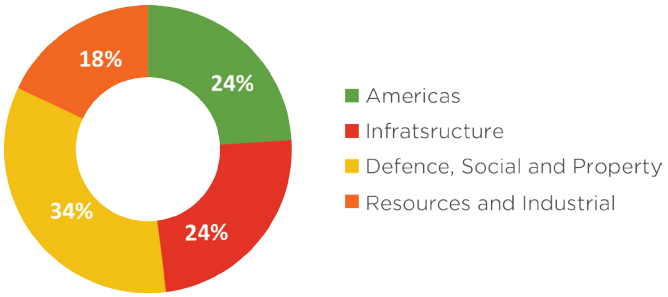
The Company's total contracted revenue (proportionately consolidated) at 31 December 2014 was $8.8 billion. This is $1.0 billion lower than the prior comparative period, which is in large part a reflection of more challenging market conditions. Notwithstanding the reduction in contracted revenue, the Company has focused on expanding revenue via additional, leveraged work within existing contracts.

Of the Company's contracted revenue, $1.8 billion is expected to be generated in the second half of FY2015, and $2.1 billion in FY2016. This represents circa 45 percent of forecast FY2016 proportionately consolidated revenue already in hand well before the start of the next fiscal year. Although this percentage is lower than the prior comparative period because of the preferred status of the immigration contract at H1 FY2014, it is in line with the historical average of 40-50 percent of contracted revenue locked in by the end of the previous year's first six month period.

The proportion of fixed fee contracts to total contracted revenue continues to increase, now at 54 percent, while cost reimbursable contracts account for 18 percent of contracted revenue. The Company is comfortable with this contract mix given its rigorous focus on contract bid governance processes, financial discipline, as well as continuous review of relevant contract performance metrics.

Transfield Services recently refined its pipeline capture and reporting processes. For several years, the Company maintained a phased funnel approach to business development, separating early stage account engagement activity, contract leads, known opportunities, work in the tender process and preferred bidder status. From H1 FY2015, Transfield Services will group these categories into two measures: contract leads and identified work opportunities. At H1 FY2015, contract leads and prospects were $38 billion and identified work opportunities were $17 billion.

The chart below splits the total pipeline (inclusive of project leads and identified opportunities) by Sector.



EBITDA AND MARGINS

The Company's Underlying EBITDA increased by $38 million from the prior comparative period, comprising:

- $104 million of new contract, including the DIBP contracts, as well as contracts in the Rail, Defence, Telecommunications and Health sub-sectors
- $34 million of higher margins and/or volumes on existing contracts, primarily in the Social, Health, Telecommunications and Defence sub-sectors

These gains were offset by:

- $44 million of lower margins or volumes in existing contracts, including the Oil and Gas, Industrial, Electrical Services and Mining sub-sectors
- $8 million of contracts that ended, thereby generating lower or no earnings in the current period compared to the prior comparative period, including the 50 percent interest in the Transfield Worley joint venture in New Zealand which was disposed of in H1 FY2014, the Home Insulation Program which finished during H1 FY2014 and joint ventures in New Caledonia and the Water sub-sector in Australia
- $25 million of provisions for onerous contracts which have been raised based on detailed analysis of cost to complete calculations, taking into account identified operational improvement initiatives expected to be realised over the life of the contracts

- $15 million of other one-off costs including write-offs relating to legacy debtors in the Americas, loss on sale of plant and equipment, consulting costs and movement in Corporate provisions and accruals

It should be noted that none of the provisions noted above relate to recently executed contracts, and that the operational issues causing these provisions have been disclosed in prior periods.

Proportionately consolidated EBITDA margins increased to 5.6 percent in H1 FY2015 from 4.0 percent in the prior comparative period.

The largest increase in margins in H1 FY2015 compared to the prior comparative period was in the Defence, Social and Property Sector. The new contract with the DIBP commenced in March 2014, and the extension and expansion of the Department of Defence contract commenced mobilisation in October 2014, generating incremental earnings in the current period. The key drivers behind the movements in margins are discussed in the Management Review by Sector commentary below.

OPERATING CASH FLOW AND CASH CONVERSION

The Company reported an underlying operating cash flow before interest and tax payments of $91.2 million which represents a cash conversion of Underlying EBITDA of 81 percent. This strong performance has been achieved through continued working capital discipline, focus on timely billing and processing of claims, active reduction in life-of-contract work in progress, inventory management and focused debtor collection.

Transfield Services full year cash conversion target is 100 percent of Underlying EBITDA.

The Company's net working capital fell by $8 million against the prior comparative period. Debtor days remained steady at 44 days, work in progress days reduced to 18 days compared to 21 days and creditor days remained steady compared to the prior comparative period.

CAPITAL EXPENDITURE AND ASSET DISPOSAL

Capital expenditure in H1 FY2015 was $25 million, broadly in line with expectation. Capital expenditure in the prior comparative period was $50 million. The Company forecasts total expenditure for the year of approximately $80 million.

Of the expenditure for the first half, $8 million related to the ERP system upgrade which is scheduled to complete in June 2015. The remaining capital expenditure related to maintenance capital expenditure of $14 million and growth capital expenditure of $3 million.

Not included in the growth expenditure amount above is the incremental investment in the Easternwell rig funding joint venture of $5 million in H1 FY2015, taking the total investment in the joint venture to $20 million.

The Company regularly assesses its portfolio, and as identified in the previous reporting period, its investment in Ratch Australia Corporations Limited ("RACL") and the Easternwell Minerals Exploration business remain non-core. The Company will dispose of these assets when an opportunity permits a transaction that is in the interests of shareholders.

NET DEBT AND LIQUIDITY

The Company's Net Debt at 31 December 2014 was $70 million lower than 31 December 2013, and $35 million higher than 30 June 2014. The reason for the increase in Net Debt in H1 FY2015 is a $34 million foreign exchange restatement of a portion of the Company's debt package (US Private Placement notes), which is held in US dollars for the funding and support of its US business. Excluding this foreign exchange restatement, the Company's Net Debt was flat in the six month period.

The US High Yield bond issued in May 2014 was hedged using cross currency interest rate swaps. The increase in Borrowings representing the foreign exchange restatement of the bond is fully offset by the fair value of the cross currency swaps reported as Financial Instruments. The value of Net Debt, therefore, is not impacted by foreign exchange movements on the High Yield Bond.

Due to the Company's focus on cash and balance sheet discipline, as well as its increasing EBITDA, the Company's Net Debt to EBITDA ratio continued to fall to 2.2 times at 31 December 2014, from 2.4 times at 30 June 2014. The Company is well on the way to achieving its Net Debt to EBITDA ratio target of below 2.0 times by 30 June 2015.

The Company has $417 million of available funding liquidity comprised of $171 million of unused but committed debt facilities and $246 million of cash and cash equivalents. Excluding evergreen debt facilities that are renewed every year (such as bank overdrafts and transactional working capital facilities), the next major debt maturity is $61 million of US Private Placement notes in December 2016 and $357 million of syndicated bank facilities in July 2017.

Return on Capital Employed (ROCE) at H1 FY2015 increased to 10 percent compared to 4 percent in prior comparative period.

DIVIDEND

No interim dividend has been declared for H1 FY2015. This is in line with the Company's previously stated commitment to reduce the Net Debt to EBITDA ratio to target levels of 2.0 times or below before considering a dividend. The Board will monitor progress towards the target during the year.

SAFETY FOCUS

The Company is saddened by the fatality of a sub-contractor employee at the Port Botany site at the end of January 2015, the investigation of which is currently underway. The Company, in conjunction with the sub-contractor and our client is providing support to the family of the deceased and is actively involved in the investigation with the relevant authorities.

Progress has been made on the Company's "return to the fundamentals" (back to basics) approach flagged in the FY2014 annual report. The Company stated that it would focus more actively on leaders being "present and felt" in the workplace through Leader Led Safety Conversations and the confirmation that risk analyses are being conducted and critical processes are being followed. Progress can be seen in the increasing number of Leader Led Safety Conversations being reported, as well as the confirmation of critical processes. Clarification of our operating standards, review of mandatory safety rules and the setting up of a cascading series of safety council meetings through the entire Company are aimed at simplifying our approach and engaging the workforce directly in the culture of present and felt safety leadership.

At this point across the Company, this focus on proactive action and on leading indicators has not translated into a falling injury rate with a 7 percent deterioration of the TRIFR compared to the prior comparative period.

Sections of the business have shown significant improvement, however, with the Operations and Maintenance Service Line achieving a 30 percent improvement in the TRIFR and a 60 percent improvement in the LTIFR compared to the same period last year. Most parts of the business are also showing a reduction in the severity of injuries.

FERROVIAL OFFER

During H1 FY2015, it was disclosed to the market that the Company received an offer from Ferrovial Servicios, SA (Ferrovial) to purchase 100 percent of the shares of the Company at $1.95 per share. This was subsequently increased to $2.00 per share. Both of these offers were rejected because the Board believed they did not reflect the underlying value of the Company's shares. During this process, in return for access to limited due diligence materials, Ferrovial agreed to a standstill agreement which expires in late February 2015. The Board believes that the information provided to Ferrovial is no longer current and that, following the H1 FY2015 results announcement the market will be fully informed.

BOARD COMPOSITION

Independent Director, Steve Crane has resigned from the Company's Board in February 2015 after seven years of service. The Company acknowledges Mr Crane's contribution as a Director and as the Chairman of the Risk, Audit and Compliance Committee (RACC). Geoff Kleemann assumes the role of Chairman of the RACC as previously advised.

STRATEGY UPDATE AND OUTLOOK

The Company's strategic focus remains on delivering high value, integrated and non-discretionary services, aligned with clients' production related activities, in sectors with sustainable, long term growth such as Defence, Immigration and other Social Services, Infrastructure, and Oil and Gas.

To underpin and implement this strategy, the Company has established the following six focus areas:

1. Superior safety – meet or exceed mandated standards
2. Differentiated, non-discretionary service offering – avoiding commoditised services and targeting blue-chip clients
3. Integration into client's operations – positioning the Company as a critical partner
4. Disciplined contract selection – focusing on superior bid governance, as well as profitability and ROCE
5. Refine portfolio with non-core divestments – ensuring the asset / contract base is true to the stated strategy
6. Strong balance sheet and increased liquidity – via reduced leverage, more disciplined focus on working capital and portfolio / asset rationalisation

OPERATING MODEL

The Company's new operating model has now been in place in Australia and New Zealand for the entire first half of FY2015. The Americas still operates as its own reporting segment, headquartered in Houston, Texas and is led by Phil Wratt.

The Australian and New Zealand business is now split into three Sectors:

- Defence, Social and Property led by Ian Maxted
- Infrastructure led by Sandra Dodds
- Resources and Industrial led by Joe Sofra

The Sector leads are responsible for increasing shareholder value contribution from their sectors, through development of business strategy and planning, identification and development of opportunities, acquisition of new work (including contract negotiation, writing proposals and selection of partners), building relationships and client relationship management.

Responsibility for the delivery of contracts is split into two operational Service lines:

- Logistics, Construction and Consulting led by Kate Munnings
- Operations, Maintenance and Well Servicing, led by Stuart Nevison

The Service leads are responsible for the effectiveness and efficiency of service delivery with a focus on the overall financial performance of contracted work. This requires service strategy development and implementation, service line forecasting and planning, transition and mobilisation of contracts, management of client contract relationships, identification and execution of leveraged work, contract performance reviews, and variation and dispute management.

This change will drive revenue and margin growth by facilitating a stronger understanding of key sectors, deeper client knowledge, contract performance optimisation, allowing the Company to proactively shape attractive and commercial propositions.

The third element of the operating model is the provision of Support Services. Support functions include Health, Safety, Environment and Community, Information Technology, Finance, Human Resources, Procurement, Insurance, Legal and Risk. The functional focus will be on governance and to deliver efficient and effective support to the Sector and Service teams. These functions are led by Vincent Nicoletti and Stephen Phillips.

The changes to the operating model have resulted in reclassification of cost categories between direct costs, site overhead and support service allocation. This is primarily due to the centralisation of various functions (including Human Resources and Health, Safety, Environment and Community). Over the last 24 months, total costs across the Company, however, have reduced by 3 percent as a percentage of revenue, of which 2 percent relates to a reduction in labour costs.

With the implementation of the operating model complete, the Company is turning its attention to driving efficiencies and lowering the Group's cost base. In January 2015, the site Finance and Administration function in Australia was restructured, moving towards a regional support structure which enables sharing of finance resources. Furthermore, the Company is exploring opportunities to outsource more administrative tasks such as data processing, billing and parts of the procurement chain.

FY2015 OUTLOOK AND GUIDANCE

The Company re-affirms FY2015 Underlying EBITDA guidance within the range of $260 million to $280 million.

Transfield Services manages a portfolio of businesses, diversified in terms of industries, geographies and services. Inevitably some businesses will be more profitable than others at any point in time. Current challenges include:

- the reduction in oil and gas prices causing producers to curtail expenditure and defer projects
- continuing low minerals prices impacting mining exploration and development
- insourcing of operations and maintenance services by some asset owners
- uncertainty of future ownership of state-owned assets, particularly with the changing government landscape

Offsetting these challenges are short-term growth expectations, including:

- increasing interest in outsourcing of Social Services such as health, education, welfare and justice
- client-driven focus on innovation and increased productivity, leveraging the expertise of contractors such as Transfield Services
- large, long-life installation programs such as the optical fibre rollouts in Australia and New Zealand
- construction on LNG facilities in South Eastern Queensland nearing completion which is expected to lead to an increase in well servicing requirements

In H2 FY2015 there are no significant contracts due to end, and as noted previously, $1.8 billion of proportionately consolidated revenue is already contracted.

MANAGEMENT REVIEW BY SECTOR

INFRASTRUCTURE

(27 PER CENT OF COMPANY OPERATING REVENUE)

	Reported		Propotionately Consolidated	
A$'m	H1 FY2015	H1 FY2014	H1 FY2015	H1 FY2014
Operating Revenue	515.0	548.7	689.3	579.2
Underlying EBITDA excluding contract provisions	26.1	19.9	37.7	19.9
Underlying EBITDA Margin excluding contract provisions	5.1%	3.6%	5.5%	3.4
Underlying EBITDA	11.8	19.9	22.3	19.9
Underlying EBITDA Margin	2.3%	3.6%	3.2%	3.4%

H1 FY2015 OVERVIEW

Following the implementation of the new operating model on 1 July 2014, the Infrastructure Sector incorporates the Telecommunications, Utilities and Transport sub-sectors.

The Infrastructure Sector reported a strong operating result in H1 FY2015 compared to the previous comparative period. Although period on period revenue fell by 6 percent, direct costs decreased by 12 percent.

Underlying EBITDA fell by $8.1 million or 40 percent. Included in this number, however, was provisioning of $14.3 million for onerous contracts relating to New Zealand telecommunications and public transport in South Australia, where full recoverability of costs is not certain. Excluding these non-cash provisions, underlying EBITDA increased by $6.2 million or 31 percent period on period due to higher volumes and stronger margins in the Australian Telecommunications sub-sector and the Roads and Rail businesses, offset by softness in Electrical Services and Water within the Utilities sub-sector.

EBITDA margins in the Infrastructure Sector decreased to 2.3 percent in the current period from 3.6 percent in the prior comparative period. Before provisions for onerous contracts, the EBITDA margin was 5.1 percent.

Key features in the Infrastructure Sector during the period included:

- the appointment of Stuart Nevison as Chief Executive of the Operations & Maintenance and Well Servicing service lines
- the return of volumes in Telecommunications from the NBN contracts in Sydney and Melbourne
- new contract wins in the Road and Rail businesses after several years of weakness

Contracted revenue of $2.8 billion declined $0.8 billion in the period.

SUB-SECTOR ANALYSIS

Telecommunications

The Telecommunications sub-sector contributed 43 percent of Infrastructure's revenue. Services provided in this sub-sector included Construction (93 percent of revenue), Operations and Maintenance (5 percent of revenue) and Logistics and Facilities Management (2 percent of revenue).

Telecommunications revenues were higher than the prior comparative period, primarily as a result of the resumption of the NBN optical fibre rollout in the second half of FY2014.

In H1 FY2015, the key contracts in the telecommunications sub-sector were the NBN Sydney and NBN Victoria contracts (both of which commenced during the period) plus the Ultra-Fast Broadband contracts in New Zealand. EBITDA Margins improved across the portfolio of broadband contracts in Australia and New Zealand due to stable overheads, increased leverage work and productivity improvements.

Utilities

The Utilities sub-sector, comprising water, power and electrical services contracts, contributed 30 percent of Infrastructure's revenue. Services provided in this sub-sector include Operations and Maintenance (93 percent of revenue) and Construction (7 percent of revenue).

Utilities revenues and EBITDA fell compared to the prior comparative period due to the following factors:

- loss of project work in the electrical services industry causing significant volume reduction during the period
- lower volumes in the Distribution National program with Ausnet, particularly higher margin leverage work such as reconductoring and capital projects
- loss of volume and completion of some contracts in the water business including the Allwater and Sarina joint ventures as well as the Victorian construction projects

Offsetting these reductions, EBITDA margins in power generation increased during the period due to higher value project work.

Transport

The Transport sub-sector, comprising Road, Rail and Public Transport contracts, contributed 27 percent of Infrastructure's revenue. Services provided in this sub-sector include Operations and Maintenance (85 percent of revenue), Construction (9 percent of revenue) and Logistics and Facilities Management (6 percent of revenue).

Factors impacting earnings in the Transport sub-sector during the period included:

- profitable track restoration work in the rail business
- new work in the rail projects group, typically at higher margins
- strong performance from the New Zealand roads business with higher volumes in the Auckland based contracts
- closure of the underperforming transport cleaning services contract
- finalisation of labour negotiations in the Harbour City Ferries joint venture, locking in wage rate movements for the next three years

OUTLOOK

The Australian federal budget announced in May 2014 committed to significant government expenditure in the Infrastructure industry. While the quantum and timing of these projects is not certain, Transfield Services believes that the Infrastructure Sector has a strong future and will continue to be a core component of its ongoing business.

The rollouts of the optical fibre cable programs in both Australia and New Zealand are large multi-year projects, and Transfield Services expects to continue to be a key contractor to these programs. Volumes in these contracts, however, are largely dependent on work packages being released by the entities responsible for the roll-out, and there is still some uncertainty on the timing of these packages. In conjunction with a focus on medium sized construction projects, the Company is looking to expand its execution capabilities to other service lines within the Infrastructure Sector, including facilities management, operations and maintenance.

With some State owned assets projected to be privatised or outsourced in the near term, the Infrastructure Sector is viewed as a growth business for Transfield Services. This opportunity is likely to include all the sub-sectors that the Company operates in: Power Generation and Distribution, Water, Roads and Rail. Transfield Services is looking at innovative ways to partner with governments to achieve their investment objectives, including participating in public private partnerships and joint ventures.

For example, in 2014 the New South Wales Government updated its 20 year State Infrastructure Strategy, which included 30 investment recommendations with a total value of $19 billion. These investments included transforming existing rail infrastructure, major motorway projects, upgrading road infrastructure, development of education and health facilities, upgrading sporting infrastructure, improving water supply and water security. Transfield Services provides operations and maintenance, medium construction, sustaining capital works, independent verification and facilities management services, all of which will be required during the life of the assets following construction.

DEFENCE, SOCIAL AND PROPERTY

(41 PER CENT OF COMPANY OPERATING REVENUE)

	Reported		Propotionately Consolidated	
A$'m	H1 FY2015	H1 FY2014	H1 FY2015	H1 FY2014
Operating Revenue	779.4	507.6	779.4	509.6
Underlying EBITDA excluding reversal of contract provisions	121.6	30.7	121.6	30.7
Underlying EBITDA Margin excluding reversal of contract	15.6%	6.0%	15.6%	6.0%
Underlying EBITDA	131.9	30.7	131.9	30.7
Underlying EBITDA Margin	16.9%	6.0%	16.9%	6.0%

H1 FY2015 OVERVIEW

The Defence, Social and Property Sector reported another strong period in the first half in FY2015. Revenues increased by 53 percent and gross margins slightly improved period on period.

Underlying EBITDA increased by $101.2 million on the prior comparative period primarily due to the benefit of a full six months of the expanded immigration contract plus new contract wins during the period. No contract provisions were required in the Defence, Social and Property Sector in the period. Included in this number, however was $10.3 million of prior year contract provisions that were reversed in H1 FY2015 as a result of no longer being deemed required.

EBITDA margins in this Sector increased to 16.9 percent in the current period from 6.0 percent in the prior comparative period. Before the release of the contract provision noted above, the EBITDA margin was 15.6 percent.

Key features in the Defence, Social and Property Sector during the period included:

- successful tender of the expanded nation-wide Defence contracts in July 2014, allowing expansion into the Northern Territory as well as increased presence and services across many Defence facilities across Australia
- contract renewal and extension in the Social sub-sector with Austin Health and New South Wales Land and Housing Corporation

Contracted revenue of $2.6 billion declined $0.8 billion in the first six months of FY2015.

SUB-SECTOR ANALYSIS

Defence

The Defence sub-sector contributed 24 percent of Defence, Social and Property's revenue. Services provided in this sub-sector include Logistics and Facilities Management (82 percent of revenue) and Operations and Maintenance (18 percent of revenue).

Revenues in the Defence sub-sector increased during the period, driven by increased scope with the Department of Defence (for the part of the extended contract that was mobilised in H1 FY2015). Gross margins fell slightly due to new contract mobilisation costs. Underlying EBITDA was up and margins also improved in H1 FY2015.

Transfield Services performs the following contracts with the Department of Defence:

- Estate Maintenance and Operations Services in Victoria, Tasmania, South Australia, Western Australia and the Northern Territory
- Hospitality and Catering in Victoria, Tasmania, South Australia, Western Australia and the Northern Territory
- Aircraft Refueling and Rescue and Fire Fighting in Victoria, Tasmania, South Australia, Western Australia, the Northern Territory, Queensland and Southern NSW
- Retail Stores, petrols, oils and lubricants nationally
- Land Materiel Maintenance nationally
- Corrosion protection services with the Australian Submarine Corporation

Social

The Social sub-sector contributed 70 percent of Defence, Social and Property's revenue. The majority of work provided in this sub-sector was Logistics and Facilities Management.

Revenues in this sub-sector increased during the period due to the performance of the Offshore Processing Centre contract with the Department of Immigration and Border Protection (note that Manus Island and the expanded Nauru scope were not included in the prior comparative period). Furthermore, margins across most of the contracts in the Social sub-sector improved due to focus on operational execution, cost control and identifying and converting leverage work opportunities.

Other factors that contributed to the increase in revenues in the current period were:

- renewal of the Austin Health contracts to provide full preventative and reactive maintenance services to three campuses in Victoria
- extension of the New South Wales Land and Housing Corporation contract to provide comprehensive maintenance services to State properties throughout New South Wales
- higher volumes in facilities management contracts in the Education and Health sub-sectors

Property

The Property sub-sector, delivered through Transfield Services' Facilities Management service line as well our APP and Chesterton subsidiaries, contributed 6 percent of Defence, Social and Property's revenue. All the work provided in this sub-sector related to consulting services.

Revenue in the Property sub-sector fell slightly, margins however, increased due to the focus on increasing efficiency.

The Property sub-sector continues to focus on project management consulting engagements for a diverse portfolio of customers including financial and education institutions, private investors, consumer goods suppliers, land consortiums and Government agencies. New South Wales and Western Australia have experienced a strong 6 months and indications are that this will continue to the end of calendar year 2015. Queensland, the Australian Capital Territory and South Australia property markets are generally more subdued and this reflects the dampened state of those economies. The impact of continued low interest rates combined with ongoing Asian-driven investment has provided opportunities across eastern State capitals. This has positively reflected in APP's and Chesterton's results and has the Company well positioned within Facilities Management to capture future Corporate Real Estate services. The commercial real estate market over the past year has seen solid growth in capital values and minor improvements in leasing. Chesterton has seen a 20 percent increase in sales income as a result of heightened demand from clients within the property fund market. This growth, combined with their current State Government clientele, has increased Chesterton's property management income.

OUTLOOK

The outlook for the Defence, Social and Property Sector remains positive. Transfield Services has built a strong reputation in facilities management and has expanded its service capability to provide welfare services (including case management and administration).

There is still a large amount of work with the Department of Defence that Transfield Services does not contract. This includes construction related activities, operations and maintenance and incremental logistics services. These areas will be targeted as and when they come up for tender. In addition, Transfield Services believes that there is the potential for leveraged work under existing contracts with the Department of Defence, particularly in relation to ancillary Defence activities and military exercises as well as the opportunity to expand outside of Australia.

The contract with the Department of Immigration and Border Protection for management of the Offshore Processing Centres on Nauru and Manus Island expires in October 2015. It is expected that the volumes in this contract have peaked, and the Department is openly tendering for the renewal of this contract. Bids for this tender are in the market and due at the end of March 2015. The Company believes that its strong operational performance and experience positions it well for renewal of this contract.

In addition, outsourcing opportunities in the health, welfare and justice industries are increasing as all levels of government and private enterprise look to run their operations more efficiently and maximise both their physical and human capital. Transfield Services believes it is well credentialed in this area given its broad facilities management and asset maintenance service offering, logistics capability, industrial/human relations and experience acting as head contractor covering multiple services and activities.

RESOURCES AND INDUSTRIAL

(22 PER CENT OF COMPANY OPERATING REVENUE)

	Reported		Propotionately Consolidated	
A$'m	H1 FY2015	H1 FY2014	H1 FY2015	H1 FY2014
Operating Revenue	420.5	501.6	430.5	629.8
Underlying EBITDA excluding provisions	15.2	28.3	16.4	33.1
Underlying EBITDA Margin excluding provisions	3.6%	5.6%	3.8%	5.2%
Underlying EBITDA	11.4	28.3	12.6	33.1
Underlying EBITDA Margin	2.7%	5.6%	2.9%	5.2%

H1 FY2015 OVERVIEW

Following the implementation of the new operating model in late FY2014, the Resources and Industrial Sector incorporates the Oil and Gas, Mining and Industrial sub-sectors.

Resources and Industrial's revenue fell by 16 percent period on period, due to expected contract completion, reduced volumes and further delayed completion of large asset projects, particularly in Oil and Gas.

During the period, direct costs decreased by 20 percent, while site and fixed overheads and allocations remained steady.

Underlying EBITDA fell by $16.9 million or 60 percent. Included in this number, however, was provisioning of $3.8 million for onerous contracts relating to an oil and gas operations and maintenance contract and a legal claim relating to a mining industry construction project. Excluding these non-cash provisions, Underlying EBITDA fell by $13.1 million or 54 percent compared to the prior comparative period.

The reduction in the EBITDA margin to 2.7 percent in the current period from 5.6 percent in the prior comparative period is indicative of the challenges and near term uncertainty in the Oil and Gas and Mining sub-sectors, primarily driven by reduced volumes. Before the provision for onerous contracts, the EBITDA Margin was 3.6 percent. This is discussed in more detail in the Sub-Sector Analysis below.

Key features in the Resources and Industrial Sector during the period included:

- confirmation of the appointments of Joe Sofra as Chief Executive responsible for the Resources and Industrial Sector, and Stuart Nevison as Chief Executive of the Operations & Maintenance and Well Servicing service lines
- significant commodity price deterioration with a 50 percent decline in the oil price and a 25 percent decline in the iron ore price from June 2014 to December 2014
- signing of a master services agreement with Woodside to provide implementation services for its North West Shelf facilities
- continued ramp-up of coal seam gas field services activity as Queensland Curtis Liquefied Natural Gas (QCLNG) transitioned from construction to production of first LNG in December 2014
- reduced well services and camp management activities in both coal seam gas and conventional onshore oil and gas
- deferred construction expenditure in both oil and gas and mining
- exit costs incurred in relation to completed contracts in the Oil and Gas and Industrial sub-sectors
- second rig in the Easternwell Energy rig funding joint venture commenced operations
- tender and qualification for maintenance and implementation services for the 'mega' oil and gas facilities under construction in Western Australia and the Northern Territory

Contracted revenue of $1.1 billion declined $0.1 billion in the first six months of FY2015.

SUB-SECTOR ANALYSIS

Oil & Gas

The Oil and Gas sub-sector contributed 87 percent of Resources and Industrial's revenue (in line with FY2014). Services provided in this sub-sector include Operations and Maintenance (40 percent of revenue), Well Servicing (39 percent of revenue), Construction (17 percent of revenue) and Consulting (4 percent).

Oil and gas revenues in the period were impacted by lower volumes and completed contracts. Examples include:

- conclusion of construction works on the Braemar Pipeline 2, Wandoan Interchange Facility and Mt Larcom connection projects
- reduced volumes on the Santos Consolidated Maintenance Services contract in the Cooper basin
- impact of sale of the unincorporated Transfield Worley joint venture in New Zealand (sold to Worley Parsons in November 2013 therefore no revenue in this period compared to five months of revenue in the prior comparative period)
- closure of the Queensland regional service centre
- lower volumes in the NSW regional service centre compared to the prior comparative period

These decreases were offset by increase in volumes on the QGC Consolidated Services Providers contract for Coal Seam Gas (CSG) maintenance services, the Origin Energy maintenance and shutdown contract and the Woodside offshore maintenance contract and new implementation contract awarded in December 2014

Revenue from Easternwell Energy was relatively flat compared to the prior comparative period.

Mining and industrial

The Mining and Industrial sub-sector contributed 13 percent of Resources and Industrial's revenue. Services provided in this sector include Operations and Maintenance (90 percent of revenue), and Logistics and Facilities Management (10 percent).

Revenues in the Mining and Industrial sub-sector increased slightly, due to higher volumes for mine dewatering activities in the Easternwell minerals production business in Western Australia, as well as gains in a number of operations and maintenance contracts. Offsets to this included lower volumes in services provided to industrial clients including Boral, Sugar Australia and Qenos Altona.

OUTLOOK

The commodity price outlook for oil (and associated indexed LNG price), iron ore and coal is expected to remain subdued for the short to medium term.

The rapid fall in global oil prices and further construction delays of new LNG facilities in Western Australia and the Northern Territory will create short term challenges in our Resources and Industrial portfolio. The decline in the oil price has producers reining in their expenditure and cash outflows to compensate for lower sales revenues. This is expected to further constrain discretionary capital and operating expenditure.

Iron ore and coal producers continue to maintain a strong focus on cost efficiency and productivity improvements to achieve long term sustainability in the sub-sector.

While Resources and Industrial's portfolio of contracts is largely aligned to production related activities and the ongoing maintenance of existing assets, it is expected that the reaction from oil and gas clients to the depressed oil price will negatively impact earnings for the remainder of FY2015 and into early FY2016. We are actively working with these clients to deliver near term cost reduction and sustainable production efficiencies, while ensuring that we maintain the strength of our portfolio over the medium term.

Transfield Services remains committed to the Resources and Industrial Sector and believes that the medium term outlook remains positive. Our strategy of focusing on non-discretionary and production related activity helps ensure that over the medium term we are less dependent on commodity price turnover to deliver growth from the Sector.

AMERICAS

(10 PER CENT OF COMPANY REVENUE)

	Reported		Propotionately Consolidated	
A$'m	H1 FY2015	H1 FY2014	H1 FY2015	H1 FY2014
Operating Revenue	176.9	229.7	288.5	352.1
Underlying EBITDA excluding contract provisions and one-off items	0.9	7.5	(2.5)	10.1
Underlying EBITDA Margin excluding contract provisions and one-off items	0.5%	3.3%	(0.9%)	2.9%
Underlying EBITDA	(16.1)	7.5	(19.0)	10.1
Underlying EBITDA Margin	(9.1%)	3.3%	(6.6%)	2.9%

	Reported		Propotionately Consolidated	
US$'m	H1 FY2015	H1 FY2014	H1 FY2015	H1 FY2014
Operating Revenue	157.6	211.9	257.0	324.8
Underlying EBITDA excluding contract provisions and one-off items	0.8	6.9	(2.2)	9.3
Underlying EBITDA Margin excluding contract provisions and one-off items	0.5%	3.3%	(0.9%)	2.9%
Underlying EBITDA	(14.4)	6.9	(17.0)	9.3
Underlying EBITDA Margin	(9.1%)	3.3%	(6.6%)	2.9%

H1 FY2015 OVERVIEW

Revenue in the Americas decreased by 23 percent compared to the prior comparative period due to lower volumes and the exit from several low margin contracts in the US downstream oil and gas business. The continued weakness in global copper prices also reduced revenue in the Chilean operations as clients postponed discretionary activities.

Underlying EBITDA fell by $23.6 million. Included in this number is provisioning of $8.3 million for onerous roads maintenance contracts in Canada and the US, as well as $8.7 million of non-recurring, non-cash legacy items relating to the write-off of historic receivables in the Flint Transfield Services joint venture in Canada and the downstream oil and gas business on the west coast of the US.

Excluding these provisions and non-recurring items, the Americas Underlying EBITDA result was down $6.6 million compared to the prior comparative period due to weakness in the Flint Transfield Services joint venture and the Chilean operations.

Key features in the Americas Sector during the period included:

- growth in capital works in the upstream oil and gas business compared to the prior comparative period
- renewal of the Anglo American Mantos Blancos contract and new leveraged work coming through from Codelco in Chile
- significant and positive progress in renegotiating the terms of some of our onerous roads contracts

Contracted revenue in the Americas was flat at $2.3 billion in the first six months of FY2015.

SUB-SECTOR ANALYSIS

Oil & Gas

The Oil and Gas sub-sector contributed 46 percent of the Americas revenue, spread across upstream, downstream and specialty services.

The US Oil and Gas business continued to perform to expectations. As flagged in the previous period, Transfield Services exited several US downstream contracts during the prior comparative period due to poor margin performance and little likelihood of improvement. While these exits have impacted revenues when comparing period on period, they have resulted in a more robust business capable of building a strong reputation for performance and productivity.

The downstream business was impacted by lower volumes in its specialty services offering, particularly in the Catalyst handling division, which reduced margins. Based on confirmed orders, the Company expects a return to volumes in the second half of FY2015.

The US upstream business also had a solid first half compared to the prior comparative period, with growth in capital works projects in the Bakken Basin in North Dakota. There is early evidence of a slowdown in activity as a result of recent declines in the oil price. Some clients have confirmed their intention to maintain existing drilling resources until the end of the third quarter in FY2015. In the absence of an increase in the oil price, volume reductions can be expected at that time.

The Flint Transfield Services joint venture in Canada which operates in the oil sands industry, suffered a reduction in both revenue and EBITDA due to the sharp decline in the oil price and the associated curtailment and deferral of client expenditure. As such, distributions to the JV partners have reduced. During the period, the JV partners replaced the CEO of the business, and are overseeing the transition plan and remediation initiatives. The partners remain committed to the JV and are focused on diversification of its customer base, cost reduction and effectiveness of execution.

Mining

The Mining sub-sector contributed 13 percent of the Americas revenue, providing Operations and Maintenance services.

Lower global copper prices negatively impacted revenue and earnings from the Chilean operations as the major copper producers deferred sustaining capital works and discretionary maintenance expenditure in the short term. Transfield Services believes that deferral of these projects is temporary and is already starting to see some return of volumes.

During the period, the Chilean operations won a plant maintenance contract at Anglo American's Mantos Blancos operation and a range of capital projects from Codelco, the State owned copper producer.

In January 2015, Transfield Services assumed 100 percent control of the Chile operations at no incremental cost.

Roads

The Roads sub-sector contributed 41 percent of the Americas revenue, providing Operations and Maintenance services.

Remediation of the legacy Canadian roads contracts continued throughout the first half of FY2015. This centred on commercial re-negotiation with the Ministry of Transport of Ontario (the MTO), with an in-principle agreement being reached in December 2014. Local management and MTO staff are currently in the process of executing a definitive agreement. The renegotiation has resulted in the impairment of a portion of the working capital of this business. This cost was absorbed into the results for the period and management's view is that the business is now sustainable.

The Port of Miami Tunnels project commenced operations during the period and is tracking to forecasts to date. The focus across the rest of the US roads business is on execution discipline, particularly in relation to operating costs, variation approvals and lodging contractual claims where appropriate.

OUTLOOK

The US upstream oil and gas business may be susceptible to reduction in field capital expenditure and project works during the second half of FY2015 as a result of the fall in global oil prices.

The US downstream oil and gas business is less susceptible to the fall in global oil prices. Medium-term profitability for the industry will depend on the rate of increase in consumer demand and a consequential increase in refinery margins.

The outlook for the Canadian oil and gas market is for ongoing weakness in capital and operating expenditure. This is likely to result in deferrals of projects and maintenance expenditure, negatively impacting the Flint Transfield Services joint venture. The JV's response will be to focus on highly effective and lowest possible cost of service delivery.

Following the re-negotiations of the Canadian roads contracts, the Americas roads business is now in a position to consider new contract opportunities that meet the Company's criteria. There continue to be public-private partnership (PPP) opportunities in the US. Any new tenders will go through the bid governance process to identify and assess risk factors and to ensure a suitable return is projected.

The Chilean business's focus in the second half of FY2015 is to secure renewal of two key contracts and to reduce costs so that all contracts are delivering positive earnings. Management will continue to monitor the global copper market and provide assistance to clients where required.

CORPORATE

	Reported		Propotionately Consolidated	
A$'m	H1 FY2015	H1 FY2014	H1 FY2015	H1 FY2014
Operating Revenue	3.6	2.5	3.6	2.7
Underlying EBITDA excluding legacy contract provisions and one-off items	(18.0)	(12.0)	(18.0)	(12.0)
Underlying EBITDA	(26.8)	(12.0)	(26.8)	(12.0)

H1 FY2015 OVERVIEW

The adoption of the new operating model has adjusted the format and composition of the Corporate segment in FY2015. The Corporate component is now split into four distinct sections: Group Corporate costs, Support Services costs, Sector/Service management costs and the investment in Ratch Australia Corporation Limited (RACL).

Group Corporate costs increased by $14.8 million compared to the prior comparative period. The factors impacting this movement include:

- reversal of accruals for FY2013 Short Term Incentive (STI), Long Term Incentive (LTI) and Share Based Payments (SBP) based in the prior comparative period
- movement in provisions, including the reversal of prior year provisions that were released to the profit and loss account in H1 FY2014
- consultancy costs relating to the Ferrovial defence, non-ERP systems improvement projects, operating model changes and operating initiatives, all of which have been absorbed into EBITDA
- Loss on foreign currency translation on offshore Corporate costs

Aside from these one-off adjustments, Corporate costs increased by $6 million due to the Group-wide accrual of FY2015 STI, LTI and SBP. In the prior comparative period, the equivalent accruals for FY2014 were not included in the H1 FY2014 reported results.

STATUTORY RECONCILIATIONS

NON IFRS MEASURES

The primary non-IFRS information is net profit after tax, pre-amortisation and pre-non-recurring items ("underlying NPAT pre-amortisation").

Management deems operating revenue and underlying EBITDA, EBIT and NPAT to be appropriate measures of cash results after adjusting for significant items.

NON IFRS MEASURE RECONCILIATIONS

A$'m	H1 FY2015	H1 FY2014
Revenue reconciliation		
Statutory revenue	**1,895.4**	**1,810.2**
Gain on sale of investments	-	(20.1)
Operating revenue	**1,895.4**	**1,790.1**
EBITDA reconciliation		
Statutory EBITDA	**98.3**	**86.6**
Gain on sale of investments	-	(20.1)
Restructuring costs	4.9	7.9
Settlement of pre-acquisition legal claim	9.0	-
Underlying EBITDA	**112.2**	**74.4**
EBIT reconciliation		
Results from continuing operating activities	**49.6**	**38.7**
Gain on sale of investments	-	(20.1)
Restructuring costs	4.9	7.9
Settlement of pre-acquisition legal claim	9.0	-
Underlying EBIT	**63.5**	**26.5**
NPAT reconciliation		
Profit for the period	**8.4**	**4.8**
Gain on sale of investments	-	(20.1)
Restructuring costs	4.9	7.9
Discontinued Operations	-	11.8
Settlement of pre-acquisition legal claim	9.0	-
Tax on non recurring items	(4.2)	(1.6)
Underlying NPAT	**18.1**	**2.8**

FINANCIAL REPORT

CONTENTS **PAGE**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Transfield Services Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act* 2001.

All comparisons are to the previous corresponding period of H1 FY2014 – the 6 months ended 31 December 2013, unless otherwise indicated.

Press releases, financial reports and other information are available on our website at www.transfieldservices.com.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Six months ended 31 December 2014

$'m	Note	December 2014	December 2013
Revenue		**1,895.4**	1,810.2
Expenses	4	**(1,796.1)**	(1,735.6)
Share of net (loss) / profit from joint ventures		**(1.0)**	12.0
Depreciation		**(42.2)**	(40.8)
Amortisation		**(6.5)**	(7.1)
RESULTS FROM CONTINUING OPERATING ACTIVITIES		**49.6**	38.7
Net finance costs	4	**(39.1)**	(29.2)
PROFIT BEFORE TAX		**10.5**	9.5
Income tax (expense) / benefit	5	**(2.1)**	7.1
PROFIT FROM CONTINUING OPERATIONS		**8.4**	16.6
Loss from discontinued operations		**-**	(11.8)
PROFIT FOR THE PERIOD		**8.4**	4.8
Members of the parent entity		**8.3**	4.6
Non-controlling interest		**0.1**	0.2
PROFIT FOR THE PERIOD		**8.4**	4.8
Attributable to members of the parent entity:			
- Basic and diluted earnings per share – Continuing operations (cents)		**1.6**	3.2
- Basic and diluted loss per share – Discontinued operations (cents)		**-**	(2.3)
BASIC AND DILUTED EARNINGS PER SHARE (CENTS)		**1.6**	0.9

**The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 31 December 2014

$'m	Note	December 2014	December 2013
PROFIT FOR THE PERIOD		**8.4**	4.8
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(16.6)**	12.2
Ineffective portion of net investment hedge reclassified to profit or loss		**-**	0.5
Exchange differences reclassified to profit or loss on disposal of foreign operations		**-**	2.8
Changes in fair value of cash flow hedges		**21.7**	0.9
Income tax expense on items that may be reclassified to profit or loss		**(6.6)**	(0.3)
Other comprehensive (loss) / income for the period		**(1.5)**	16.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**6.9**	20.9
Members of the parent entity		**6.8**	20.7
Non-controlling interest		**0.1**	0.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**6.9**	20.9

**The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

$'m	Note	December 2014	June 2014
Cash and cash equivalents		**246.4**	224.8
Trade and other receivables		**469.2**	500.5
Inventories		**241.9**	209.5
Other assets		**29.3**	9.3
Derivatives	7	**1.8**	1.8
Total current assets		**988.6**	945.9
Intangible assets		**557.0**	552.1
Property, plant and equipment		**467.9**	479.7
Interests in joint ventures	9	**126.3**	129.1
Other financial assets	7	**95.3**	93.6
Deferred tax assets		**103.0**	79.2
Other assets		**46.0**	50.8
Derivatives	7	**61.4**	0.5
Total non-current assets		**1,456.9**	1,385.0
TOTAL ASSETS		**2,445.5**	2,330.9
Trade and other payables		**515.5**	541.1
Employee benefits		**120.1**	123.1
Other provisions		**88.7**	61.9
Borrowings	6	**81.8**	84.7
Current tax liabilities		**45.6**	29.0
Derivatives	7	**0.3**	0.5
Total current liabilities		**852.0**	840.3
Borrowings	6	**782.1**	673.8
Employee benefits		**28.6**	29.0
Other provisions		**7.7**	10.7
Deferred tax liabilities		**4.2**	4.8
Derivatives	7	**6.5**	15.9
Total non-current liabilities		**829.1**	734.2
TOTAL LIABILITIES		**1,681.1**	1,574.5
NET ASSETS		**764.4**	756.4
Contributed equity		**1,130.9**	1,131.4
Reserves		**(90.6)**	(90.7)
Accumulated losses		**(267.1)**	(275.4)
Total equity attributable to members of the parent entity		**773.2**	765.3
Non-controlling interest		**(8.8)**	(8.9)
TOTAL EQUITY		**764.4**	756.4

**The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

CONSOLIDATED STATEMENT OF CASH FLOWS
Six months ended 31 December 2014

$'m	Note	December 2014	December 2013
Receipts from customers (inclusive of goods and services tax)		**2,126.2**	2,027.8
Payments to suppliers, subcontractors and employees (inclusive of goods and services tax)		**(2,049.2)**	(2,084.4)
		77.0	(56.6)
Dividends, distributions and net cash contributions from joint ventures		**4.5**	11.0
Interest received		**0.7**	1.1
Interest paid		**(36.6)**	(27.0)
Income taxes paid		**(18.6)**	(6.2)
Net cash inflow / (outflow) from operating activities		**27.0**	(77.7)
Payments for property, plant and equipment and other intangibles		**(24.7)**	(50.0)
Proceeds from sale of property, plant and equipment		**4.0**	28.1
Receipts from loan notes		**-**	1.2
Investment in and loans to joint ventures		**(4.7)**	(5.6)
Proceeds from the sale of businesses, net of transaction costs		**-**	34.5
Net cash (outflow) / inflow from investing activities		**(25.4)**	8.2
Payment for acquisition of treasury shares		**(0.5)**	-
Proceeds from borrowings, net of financing costs		**198.6**	356.5
Repayment of borrowings		**(185.2)**	(364.3)
Net cash inflow / (outflow) from financing activities		**12.9**	(7.8)
NET INCREASE / (DECREASE) IN CASH HELD		**14.5**	(77.3)
Cash at the beginning of the financial year		**224.8**	196.1
Net foreign exchange differences in opening cash		**7.1**	(1.7)
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD		**246.4**	117.1

**The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 31 December 2014

	Attributable to members of the parent entity					
$'m	Contributed equity	Other reserves	Accumulated losses	Total	Non-controlling interest	Total equity
BALANCE AT 1 JULY 2014	**1,131.4**	**(90.7)**	**(275.4)**	**765.3**	**(8.9)**	**756.4**
Profit for the period	**-**	**-**	**8.3**	**8.3**	**0.1**	**8.4**
Other comprehensive loss	**-**	**(1.5)**	**-**	**(1.5)**	**-**	**(1.5)**
Transactions with owners in their capacity as owners						
Employee share scheme transactions	**-**	**1.6**	**-**	**1.6**	**-**	**1.6**
Other	**(0.5)**	**-**	**-**	**(0.5)**	**-**	**(0.5)**
Total transactions with owners	**(0.5)**	**1.6**	**-**	**1.1**	**-**	**1.1**
BALANCE AT 31 DECEMBER 2014	**1,130.9**	**(90.6)**	**(267.1)**	**773.2**	**(8.8)**	**764.4**
BALANCE AT 1 JULY 2013	1,131.3	(69.8)	(330.4)	731.1	(6.7)	724.4
Profit for the period	-	-	4.6	4.6	0.2	4.8
Other comprehensive income	-	16.1	-	16.1	-	16.1
Transactions with owners in their capacity as owners						
Employee share scheme transactions	-	(2.1)	-	(2.1)	-	(2.1)
Other	-	(0.4)	-	(0.4)	-	(0.4)
Total transactions with owners	-	(2.5)	-	(2.5)	-	(2.5)
BALANCE AT 31 DECEMBER 2013	1,131.3	(56.2)	(325.8)	749.3	(6.5)	742.8

**The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 31 December 2014

1. REPORTING ENTITY

Transfield Services Limited (the "Company") is a company domiciled in Australia. These consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as "Transfield Services" or the "Group"). The Group is primarily involved in the provision of operations and maintenance and asset management services.

2. BASIS OF PREPARATION

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2014.

The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2014.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

3. OPERATING SEGMENTS

Following the comprehensive revision of the Group's operating model in Australia and New Zealand, the operating segments have been restated to reflect the revised reporting to the Chief Operating Decision Maker of the Group.

Effective 1 July 2014, the Group is now structured around three domestic sectors, where management sees sustainable growth potential namely: Infrastructure; Defence, Social and Property; Resources and Industrial and the Americas. This change is in alignment with the Group's strategic focus of delivering services in sustainable growth markets that are essential to its clients' ongoing operations.

The Group's primary segments, which are based on a geographic region and market sector now comprise:

- Australia and New Zealand Infrastructure (Infrastructure);
- Australia and New Zealand Defence, Social and Property (Defence, Social and Property);
- Australia and New Zealand Resources & Industrial (R&I);
- Americas; and
- Corporate, which includes the Group's investment in RATCH Australia Corporation Limited (RAC) and inter-segment eliminations.

The Group's Corporate segment includes transactions relating to the Group's governance, finance, legal and risk management and corporate secretarial functions. Back office functions that are allocated to the Group's operations such as information and technology or payroll are included in the Group's operating segments.

Each segment derives revenue from its principal activities in the following service lines:

- Logistics and facilities management;
- Consulting;
- Construction;
- Operations and maintenance; and
- Well servicing.

The primary measure of performance is segment Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA"). Other measures regularly reviewed by the Chief Operating Decision Maker include:

- Segment revenue;
- EBITDA excluding material non-recurring items of income and expense ("Underlying EBITDA"); and
- Earnings Before Interest and Tax ("EBIT").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 31 December 2014

December 2014 $'m	Infrastructure	Defence, social & property	Resource & Industrial	Americas	Corporate	Group
Segment revenue	515.0	779.4	420.5	176.9	3.6	1,895.4
Share of net (loss) / profit of joint ventures	4.8	-	1.8	(7.6)	-	(1.0)
UNDERLYING EBITDA	11.8	131.9	11.4	(16.1)	(26.8)	112.2
Settlement of pre-acquisition legal claim[1]	-	-	-	(9.0)	-	(9.0)
Restructuring costs	-	-	(0.9)	(2.0)	(2.0)	(4.9)
EBITDA	11.8	131.9	10.5	(27.1)	(28.8)	98.3
Depreciation	(6.9)	(2.5)	(13.9)	(4.9)	(14.0)	(42.2)
Amortisation	-	(0.1)	(3.4)	(1.3)	(1.7)	(6.5)
EBIT	4.9	129.3	(6.8)	(33.3)	(44.5)	49.6
Net finance costs						(39.1)
Income tax expense						(2.1)
PROFIT FROM CONTINUING OPERATIONS						8.4
Loss from discontinued operations						-
PROFIT FOR THE PERIOD						8.4
Interests in joint ventures	42.4	-	76.0	7.9	-	126.3
SEGMENT ASSETS	515.3	182.6	722.6	258.5	417.1	2,096.1
Cash and cash equivalents						246.4
Tax assets						103.0
TOTAL ASSETS						2,445.5
SEGMENT LIABILITIES	239.2	216.3	107.1	66.8	138.0	767.4
Tax liabilities						49.8
Borrowings						863.9
TOTAL LIABILITIES						1,681.1
CAPITAL EXPENDITURE*	1.4	3.0	10.9	3.8	5.5	24.6

**Includes assets acquired through finance leases.*

[1] On 30 October 2014 settlement was reached between TIMEC, a wholly owned subsidiary of the Group, and the Virginia Department of Transport in respect of a legal claim.

December 2013 (Restated) $'m	Infrastructure	Defence, social & property	Resource & Industrial	Americas	Corporate	Group
Segment revenue	548.7	507.6	501.6	229.7	2.5	1,790.1
Share of net profit of joint ventures	5.1	-	5.2	1.7	-	12.0
UNDERLYING EBITDA	19.9	30.7	28.3	7.5	(12.0)	74.4
Gain on sale of investments	-	-	20.1	-	-	20.1
Restructuring costs	(1.8)	-	(1.6)	-	(4.5)	(7.9)
EBITDA	18.1	30.7	46.8	7.5	(16.5)	86.6
Depreciation	(8.9)	(2.0)	(13.8)	(5.4)	(10.7)	(40.8)
Amortisation	-	(0.1)	(3.6)	(1.4)	(2.0)	(7.1)
EBIT	9.2	28.6	29.4	0.7	(29.2)	38.7
Net finance costs						(29.2)
Income tax benefit						7.1
PROFIT FROM CONTINUING OPERATIONS						16.6
Loss from discontinued operations						(11.8)
PROFIT FOR THE PERIOD						4.8
Interests in joint ventures	46.1	-	59.7	19.0	-	124.8
SEGMENT ASSETS	459.8	126.8	735.6	321.0	379.9	2,023.1
Cash and cash equivalents						117.1
Tax assets						66.4
TOTAL ASSETS						2,206.6
SEGMENT LIABILITIES	140.6	202.3	157.7	110.8	85.7	697.1
Tax liabilities						10.2
Borrowings						756.5
TOTAL LIABILITIES						1,463.8
CAPITAL EXPENDITURE*	5.7	1.0	9.6	2.8	30.9	50.0

**Includes assets acquired through finance leases.*

a) Reconciliation of segment revenue to statutory revenue

$'m	December 2014	(Restated) December 2013
Segment revenue	**1,895.4**	1,790.1
Gain on sale of investments	**-**	20.1
STATUTORY REVENUE	**1,895.4**	1,810.2

b) Segment revenue by service line

(Restated) $'m	Infrastructure	Defence, social & property	Resource & Industrial	Americas	Corporate	Group
Operations and maintenance	**272.2**	**33.2**	**196.8**	**176.9**	**-**	**679.1**
Logistics and facilities management	**12.1**	**701.8**	**5.7**	**-**	**-**	**719.6**
Construction	**230.7**	**-**	**60.5**	**-**	**-**	**291.2**
Well servicing	**-**	**-**	**143.9**	**-**	**-**	**143.9**
Consulting	**-**	**44.4**	**13.6**	**-**	**3.6**	**61.6**
DECEMBER 2014 SEGMENT REVENUE	**515.0**	**779.4**	**420.5**	**176.9**	**3.6**	**1,895.4**
Operations and maintenance	317.9	30.2	254.9	229.7	-	832.7
Logistics and facilities management	15.2	430.0	8.0	-	-	453.2
Construction	215.6	-	95.1	-	-	310.7
Well servicing	-	-	125.2	-	-	125.2
Consulting	-	47.4	18.4	-	2.5	68.3
DECEMBER 2013 SEGMENT REVENUE	548.7	507.6	501.6	229.7	2.5	1,790.1

c) Information about major customers

The Group aims to develop long-term relationships with its customers and has no significant concentrations of credit risk within the wholly owned group. The Group's customers are generally large companies or government authorities with established credit histories. The Group conducts checks for credit worthiness on new customers using independent agencies and industry references. The Group also operates through a significant number of joint ventures globally, most of which have either a single or a dominant customer. The credit management policies of Transfield Services and those of the respective joint venture partner are applied to those customers.

4. ITEMS INCLUDED IN THE STATEMENT OF PROFIT OR LOSS

$'m	December 2014	December 2013
Employee benefits expense	**906.8**	904.7
Subcontractors, raw materials and consumables	**771.7**	723.4
Other expenses	**117.6**	107.5
EXPENSES	**1,796.1**	1,735.6
Interest received	**(0.7)**	(1.0)
Interest paid / payable	**36.8**	27.2
Unrealised loss on revaluation of High Yield Bonds	**48.8**	-
Unrealised gain on fair value portion of Cross Currency Interest Rate Swaps	**(48.8)**	-
Amortisation of borrowing costs	**3.0**	3.0
NET FINANCE COSTS	**39.1**	29.2

5. INCOME TAXES

The Group's effective tax rate for the six months ended 31 December 2014 was 20.0% (31 December 2013: -74.7%). Similar to previous periods, the Group's effective tax rate is not in line with the statutory corporate tax rate in Australia due to after tax share of profits from joint ventures, research and development concessions and overseas tax adjustments.

6. BORROWINGS

$'m	December 2014 Current	December 2014 Non-current	December 2014 Total	June 2014 Current	June 2014 Non-current	June 2014 Total
High Yield Bonds[1]	-	397.2	397.2	-	348.0	348.0
Unsecured	-	397.2	397.2	-	348.0	348.0
Cash advances	78.6	193.2	271.8	60.5	153.0	213.5
United States Private Placement	-	183.0	183.0	21.2	159.2	180.4
Lease liabilities	9.4	22.7	32.1	8.5	27.7	36.2
Secured	88.0	398.9	486.9	90.2	339.9	430.1
Less: Unamortised borrowing costs	(6.2)	(14.0)	(20.2)	(5.5)	(14.1)	(19.6)
BORROWINGS	81.8	782.1	863.9	84.7	673.8	758.5

[1] Through the use of cross currency interest rate swaps ("CCIRS") the US$325.0m High Yield Bonds ("HYB") liability has been swapped to floating rate Australian dollar debt of $348.4m. The Group recognises the HYB carrying amount at amortised cost in USD translated at period end exchange rate. The CCIRS are designated in an effective hedge relationship. A $48.8m loss has been recognised in the income statement on the translation of the USD denominated debt at 31 December 2014, offset by a $48.8m gain on the fair value portion of the CCIRS (see note 4). Settlement of the HYB and cross currency swaps will occur at maturity on 15 May 2020 and result in a net cash outflow of $348.4m.

The net debt of the Group inclusive of the fair value portion of the CCIRS is as follows:

$'m	December 2014	June 2014
Borrowings	863.9	758.5
Fair value portion of CCIRS	(48.8)	-
Borrowings net of fair value portion of CCIRS	815.1	758.5
Less: cash & cash equivalents	(246.4)	(224.8)
NET DEBT	568.7	533.7

a) Available facilities

Unrestricted access was available at the reporting date to the following facilities:

$'m	December 2014	June 2014
Used	852.0	741.9
Unused	170.8	215.2
BANK OVERDRAFTS AND BORROWING FACILITIES	1,022.8	957.1

These consist of bank overdraft facilities of $21.0m which are used for the day-to-day working capital requirements of the business and the following combination of syndicated multi-currency debt facility, bilateral facilities, senior notes to institutional investors (United States Private Placement - "USPP") and High Yield Bonds ("HYB"):

Currency millions	Syndicated debt facility				Bilateral facilities		USPP*	HYB**
Maturity date	AUD	USD	NZ	CAD	CLP	NZ	USD	USD
March 2015	-	-	-	25.0	9,000.0	-	-	-
June 2015	-	-	-	-	12,290.0	-	-	-
November 2015	-	-	-	-	-	15.0	-	-
December 2016	-	-	-	-	-	-	50.0	-
July 2017	236.0	50.0	63.0	-	-	-	-	-
December 2019	-	-	-	-	-	-	100.0	-
May 2020	-	-	-	-	-	-	-	325.0
TOTAL	236.0	50.0	63.0	25.0	21,290.0	15.0	150.0	325.0

* The issue of these notes was completed on 29 December 2009 at a weighted average coupon rate of 5.99 per cent.

** Senior unsecured notes which attract a coupon rate of 8.375 per cent.

7. FINANCIAL INSTRUMENTS

a) Financial instruments carried at fair value

	Assets			Liabilities	Net
$'m	Level 3	Level 2	Total	Level 2	Total
Interest rate swaps	-	-	-	3.1	3.1
Cross currency interest rate swaps	-	60.5	60.5	3.4	3.4
Forward exchange contracts	-	2.7	2.7	0.3	0.3
Ratch Australia Corporation Limited ("RAC")	94.9	-	94.9	-	-
Other investments	0.4	-	0.4	-	-
FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE	**95.3**	**63.2**	**158.5**	**6.8**	**6.8**

Level 2 fair values

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Level 3 fair values

The fair value of the investment in RAC was determined by the Board using the discounted cash flow method and assessed against comparable multiples for reasonableness.

The fair value is sensitive to movements in discount rate and long-term estimates of power pricing. The table below sets out the impact on the Group's equity of changes in these assumptions that are deemed reasonably possible at 31 December 2014:

	Discount rate		Power pricing	
$'m	+1.0%	-1.0%	+1.0%	-1.0%
31 December 2014	**(14.6)**	**17.4**	**2.1**	**(2.1)**
30 June 2014	(14.6)	17.4	2.1	(2.1)

b) Fair value of other financial instruments

The group also has a number of financial instruments which are not measured at fair value in the consolidated statement of financial position. These had the following fair values as at 31 December 2014:

	Carrying amount			
$'m	Current	Non-current	Total	Fair value
Cash and cash equivalent	246.4	-	**246.4**	246.4
Trade and other receivables	469.2	-	**469.2**	469.2
FINANCIAL ASSETS NOT CARRIED AT FAIR VALUE	**715.6**	**-**	**715.6**	**715.6**
Trade and other payables	515.5	-	**515.5**	515.5
Cash advances	78.6	193.2	**271.8**	271.8
High Yield Bonds	-	397.2	**397.2**	397.2
United States Private Placement	-	183.0	**183.0**	233.4
Lease liabilities	9.4	22.7	**32.1**	32.1
FINANCIAL LIABILITIES NOT CARRIED AT FAIR VALUE	**603.5**	**796.1**	**1,399.6**	**1,450.0**

8. CONTINGENT LIABILITIES

Details and estimates of maximum amounts of contingent liabilities are as follows:

$'m	December 2014	June 2014
Bank guarantees in respect of contracts of wholly owned companies	**208.0**	242.5
Insurance bonds in respect of contracts of wholly owned companies	**216.7**	194.6
	424.7	437.1
The Group's share of bank guarantees in respect of contracts of joint ventures	**38.3**	31.2
CONTINGENT LIABILITIES	**463.0**	468.3

The Group has entered into an unsecured Multi Option Bilateral Facility agreement under which bank guarantees and letters of credit are provided.

$'m	December 2014	June 2014
Bank guarantees and insurance bonds (excluding joint ventures and non-wholly owned companies)		
Used	**424.7**	437.1
Unused	**250.7**	231.6
TOTAL FACILITY	**675.4**	668.7

The Directors are not aware of any material claims on the consolidated entity.

9. INTEREST IN JOINT VENTURES

Details of the Group's joint ventures are set out below:

			Ownership		Carrying amount	
			December 2014	June 2014	December 2014	June 2014
Name of joint venture	Country of incorporation	Principal activity	%	%	$'m	$'m
Easternwell Drilling Services Holdings Pty Ltd	Australia	Well servicing	**50**	50	**53.8**	53.7
Transfield Worley Power Services Pty Ltd	Australia	Operations and maintenance	**50**	50	**33.9**	33.8
MT Equipment Holdings Pty Ltd	Australia	Well servicing	**75**	75	**19.5**	14.4
Harbour City Ferries Partnership	Australia	Operations	**50**	50	**8.5**	8.1
Flint Transfield Services Ltd	Canada	Operations and maintenance	**50**	50	**4.4**	12.4
Transfield Dexter Gateway Services Ltd	Canada	Operations and maintenance	**50**	50	**3.5**	5.3
Transfield Services WorleyParsons JV (M) Sdn Bhd	Malaysia	Operations and maintenance	**50**	50	**2.7**	1.4
Others	Various	Various	**Various**	Various	**-**	-
INTERESTS IN JOINT VENTURES					**126.3**	129.1

10. SUBSEQUENT EVENTS

No events have occurred since the end of the reporting period that may materially affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION
Six months ended 31 December 2014

In the Directors' opinion the financial statements and notes set out on pages 22 to 33 are in accordance with the *Corporations Act 2001,* including:

- giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the six month period ended on that date.
- complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable at the date of this declaration.

Signed in accordance with a resolution of the directors:

Diane Smith-Gander

Chairman

Graeme Hunt

Managing Director and Chief Executive Officer

At Sydney

26 February 2015

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Transfield Services Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Kevin Leighton
Partner

Sydney

26 February 2015

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KPMG

Independent auditor's review report to the members of Transfield Services Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Transfield Services Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Transfield Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Transfield Services Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Kevin Leighton
Partner

Sydney

26 February 2015

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CORPORATE DIRECTORY

DIRECTORS

Diane Smith-Gander
Chairman

Graeme Hunt
Managing Director and Chief Executive Officer

Douglas Snedden
Roy McKelvie
Katherine Hirschfeld
Dean Pritchard
Geoffrey Kleemann

COMPANY SECRETARY

Angelique Nesbitt

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AUDITORS

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10 Shelley Street
Sydney NSW 2000

SECURITIES EXCHANGE LISTING

Transfield Services Limited shares are listed on the Australian Securities Exchange under the code 'TSE'.

WEBSITE ADDRESS

www.transfieldservices.com