



Downer EDI Limited 2004 Results and Outlook

23 August 2004

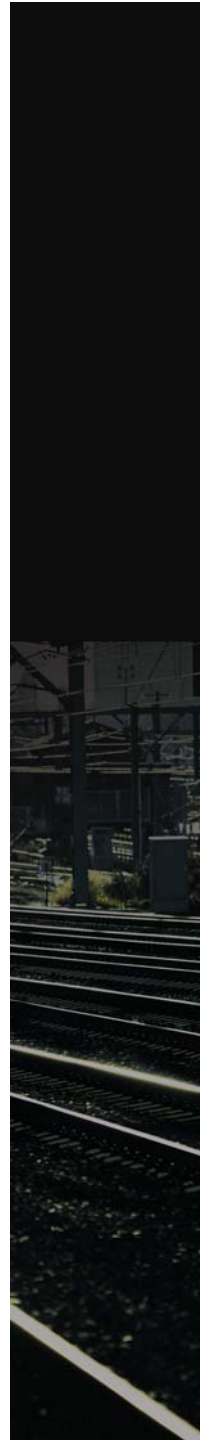
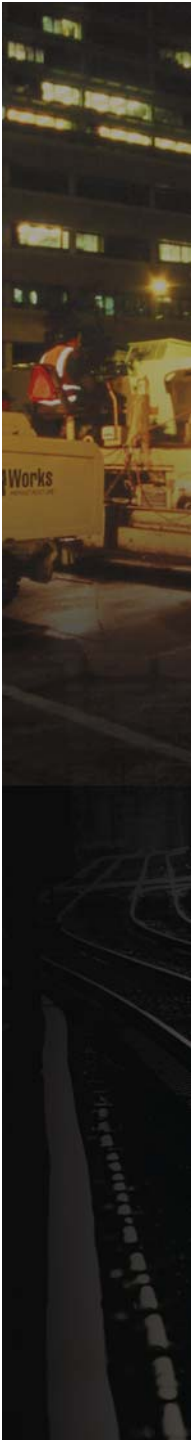
STEPHEN GILLIES - MANAGING DIRECTOR
GEOFF BRUCE - CHIEF FINANCIAL OFFICER



Downer
EDI
LIMITED

OVERVIEW & HIGHLIGHTS

Stephen Gillies

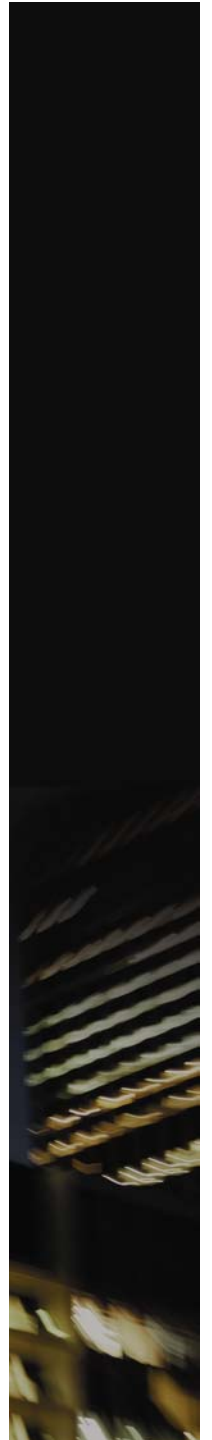




Overview

FY04 delivered our 7th consecutive year of earnings growth, in line with market guidance.

Importantly, this reflects a doubling of sustainable profits over the last 4 years.

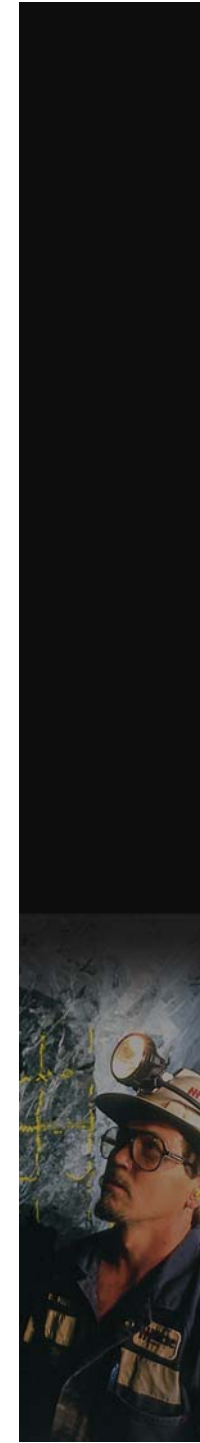




Overview

Improving Business Metrics

- Cash generation
- Return on capital employed
- EPS
- Balance sheet strength
- Growing sales inflows, as measured by order book position
- Team management
 - Recruitment
 - Training
 - Retention
- LTIFR – best ever result



2004 – Financial Highlights

Sales		+18%
NPAT \$81.6m (NPAT pre GW amortisation, \$100.2m)		+22%
EBITA		+12%
Normalised operating cash flows		+28%
Net working capital ratio to sales much improved		11%
Gearing remains at historic lows & below target range		41%
EPS (basic)	29.6 cps	+17%
DPS	15.6 cps	+34%
NPAT pre GWA / Shareholder equity pre GWA		12%

2004 Scorecard

Objective		Outcome
Focus on key markets and expanding service offering	✓	Sales from services up \$650m
Increase non-mining revenues as a % of total revenue	✓	Now 68% - up from 62%
Increase EBITA/AFE >12%	✓	Record 14.1%
Order book > \$5b	✓	Order book at \$6.4b
Decrease funds employed	✓	AFE flat, although sales up +18%,
Gearing (ND/E) < 50%	✓	Maintained at historical lows, ie 41% and < 50% target
Maintain margins	✓ ✓	Margins from core business held despite H1 one-offs and remained above peer group average



2004 - Clearing the Decks

- Mining performance ✓ QLD mines producing to plan
- CPG acquisition ✓ Outlook strengthened post moratorium
- Resources division ✓ Sales process underway
- Free float improved ✓ 75%, up from 51% in 2003
- Board movements ✓ Independent appointment.
Total Directors reduced from 11 to 6 this year
- Clean capital structure ✓ No options - ordinary shares only
- Management team ✓ Rail team bolstered by new appointments to meet growth



Targeted Diversification

Lowering earnings risk, positioning for long term growth

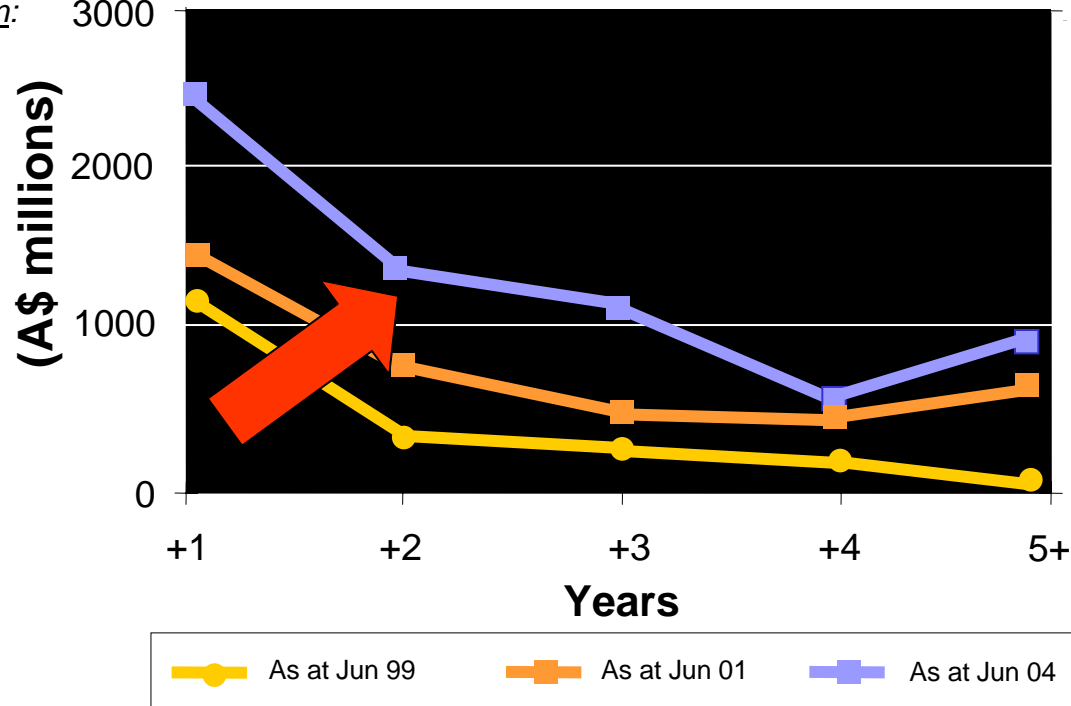
Order Book \$6.4b at Jun 04

Targeted diversification: 3000

A **diversified** portfolio **targeting** growth sectors: transportation; energy; communication

This explains the shifting order book profile

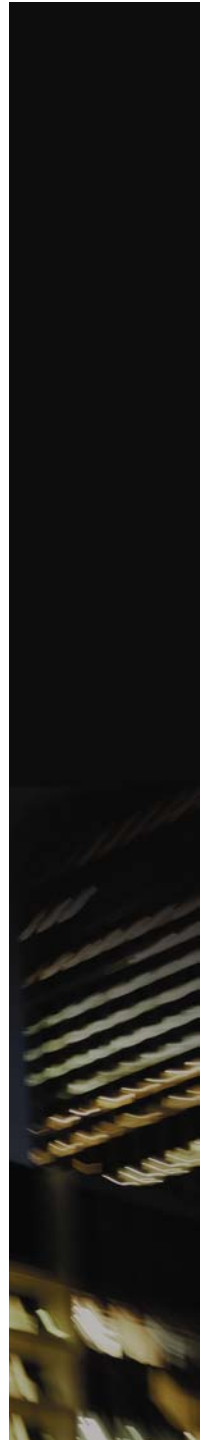
"Construction" <10%





FINANCIAL PERFORMANCE

Geoff Bruce

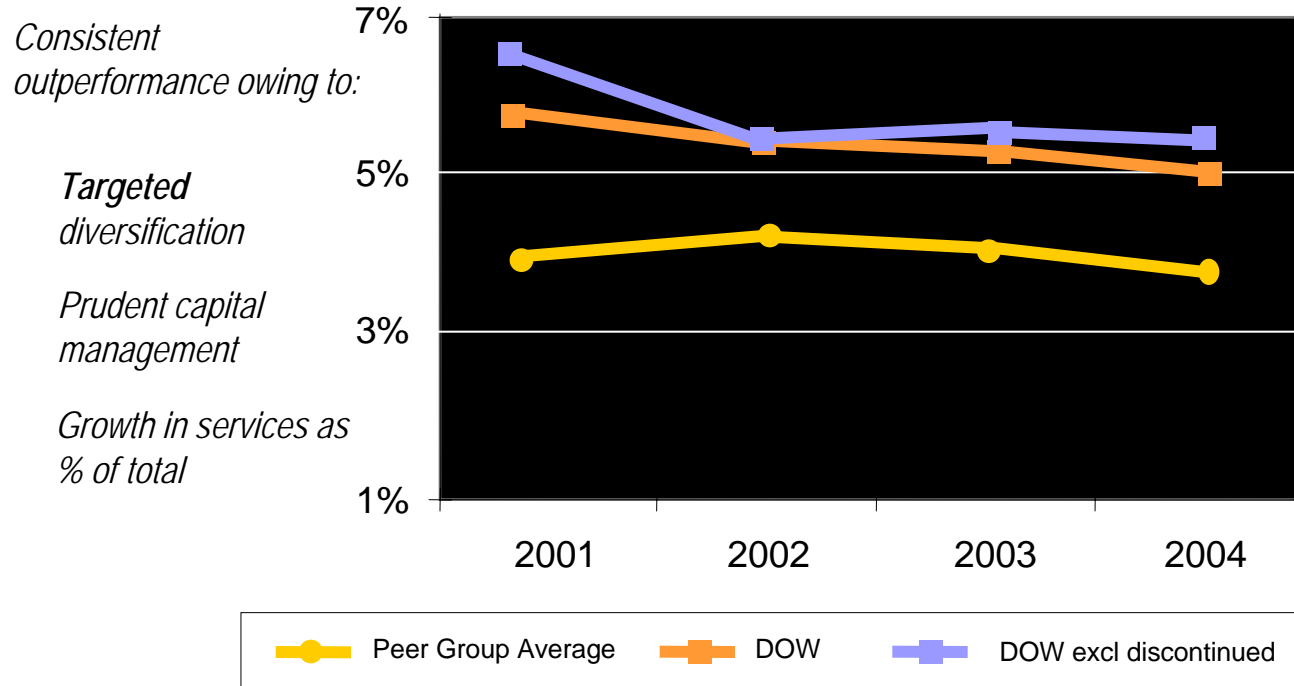


Reported Earnings up 22%

<u>(A\$ Millions)</u>	<u>2004</u>	<u>2003</u>	<u>Change</u>
Revenue**	3,173	2,680	18%
Turnover	3,417	2,868	19%
EBITA	157	140	12%
Net Interest	28	29	-1%
Profit Before Tax	109	95	15%
Net Profit After Tax	82	67	22%
Goodwill Amortisation	19	16	19%
Net Profit (pre goodwill amortisation)	101	83	21%
EPS (basic) cps	29.6	25.2	17%
DPS cps	15.6	11.6	34%

*** Reported operating revenue, ie excluding JV sales and share of JV profits*

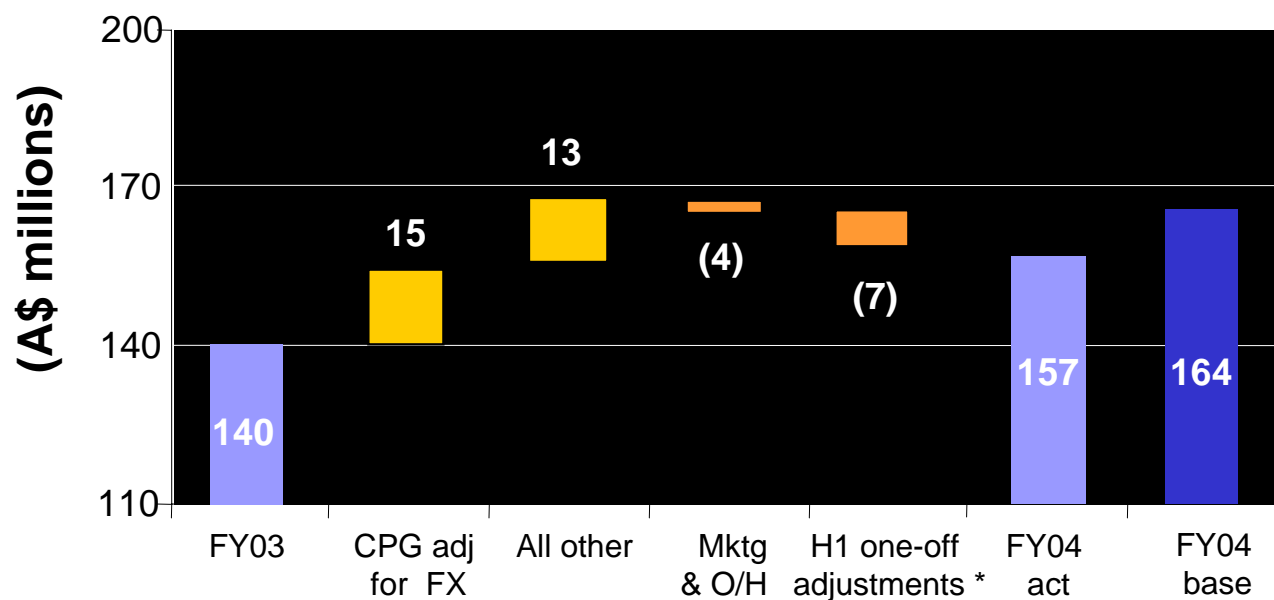
Margin Stable & Outperforming Peer Group



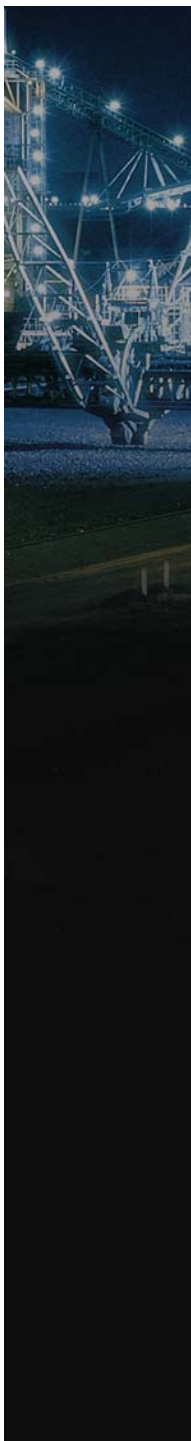
- Focus on maintaining margin combined with outlook for growing revenue will deliver uplift in headline profit in 2005

Core Business Growing Strongly

Reconciling EBITA growth



* H1 bad debt provisioning, miscellaneous mining items





Interest Cover Strengthening

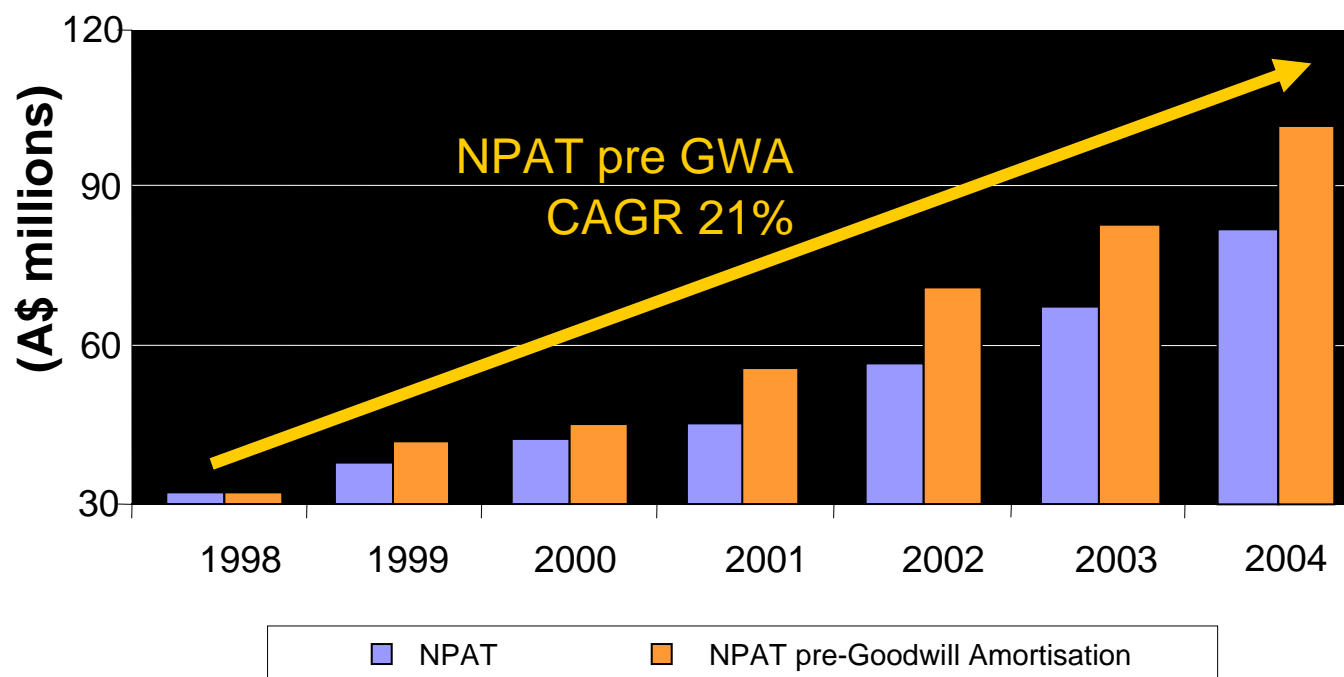
Interest Cover (X) As at 30 June	2002	2003	2004 Forecast*	2004 Actual	2005 Target
EBIT / Net Interest	3.3	4.3	> 4.5	4.8	> 5.0
EBITA / Net Interest	3.7	4.9	> 5.0	5.5	> 5.7

* As at 2003 full year presentation



7th Consecutive Year of Earnings Growth

Profitability



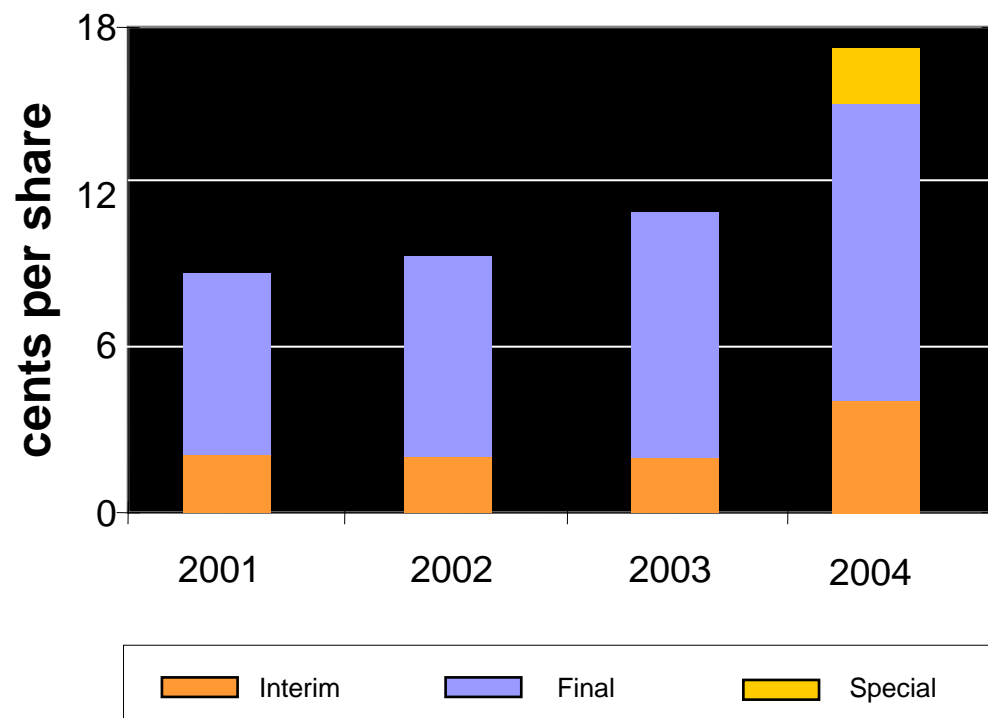
Dividends Per Share

Up 34% with special dividend

*Full translation
EPS to DPS
growth*

H2FY04 = FY03

*A disciplined response
to emerging growth
opportunities*



Strong Underlying Operating Cash Flows

*Normalised
operating cash
flow ↑ 28%*

*Used to fund PPE
modernisation:
Mining (\$71m);
Asphalt plant NZ
(\$6.2m).*

(A\$ Millions)	2004	2003
Operating cash flow	181.5	225.0
Less 4GT: – one off recovery		(60.0)
Adjusting for Tax	20.0	(20.0)
Normalised Op Cash Flow	201.5	145.0
Net PPE	(124.7)	(10.7)
Acquisitions	(26.5)	(19.0)
Other	5.9	(4.2)
Investing cash flow	(145.3)	(33.9)
Net Cash Flows	(59.9)	106.6

Working Capital:Sales Ratio Improved

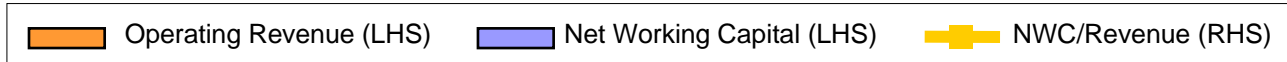
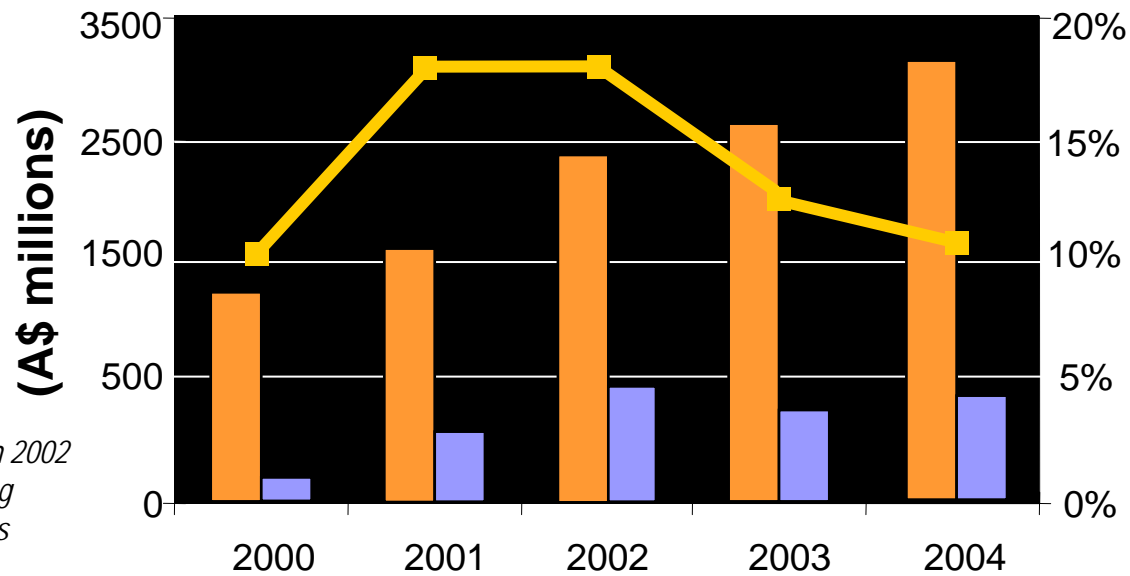
Ratio near 5 yr low
owing to:

Strong sales

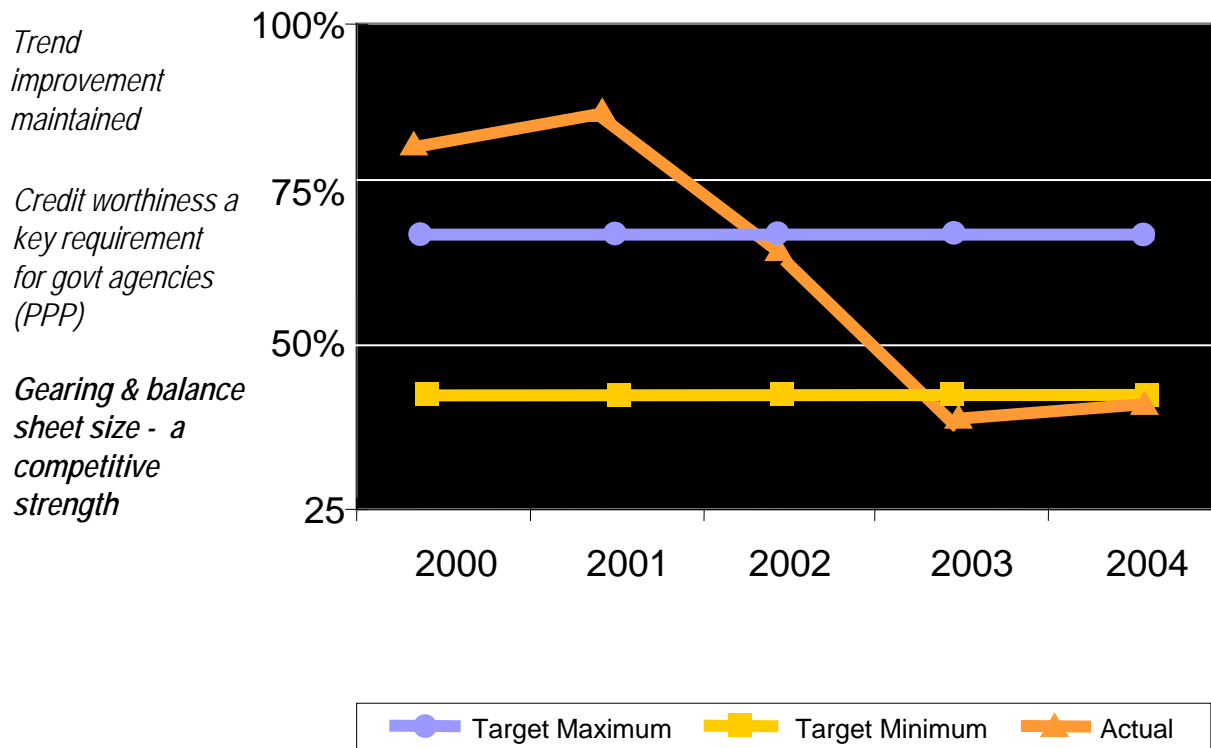
Better
management of
working capital



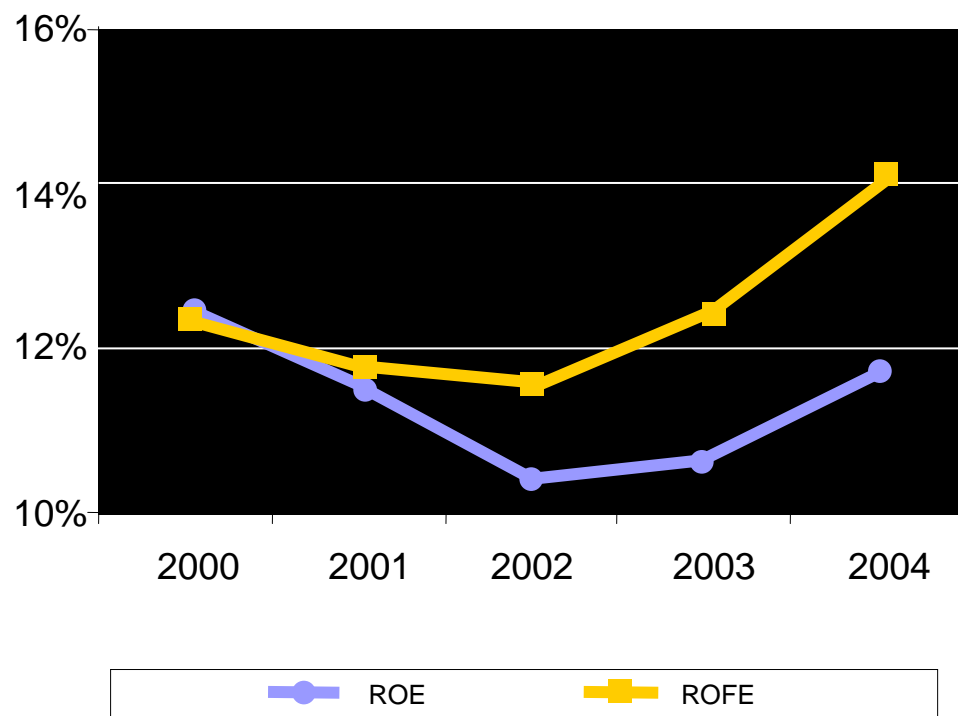
NWC down 15% on 2002
levels yet supporting
31% growth in sales



Gearing Maintained at Historical Lows



Improving Returns On Equity & Funds Employed



And Growth Has Been Broadly Based

(All figures: A\$M)	FY01	FY02	FY03	FY04E	FY04A	△	FY05E	△
Engineering	213	362	568	1,080	1,170	106%	1,200	3%
Mining & Resources	624	1,036	1,104	1,040	1,083	-2%	1,150	6%
Infrastructure	426	425	577	630	684	19%	800	17%
Rail	240	362	319	370	410	29%	400	-2%
Continuing Businesses	1,503	2,185	2,568	3,120	3,347	30%	3,550	6%
Discontinued & Other	215	401	300	180	70		50	
Total Turnover	1,718	2,586	2,868	3,300	3,417	19%	3,600	5%
Divisional EBIT	79	101	120		138			
EBIT margin (4yr average)					4.2%			

OUTLOOK & SUMMARY

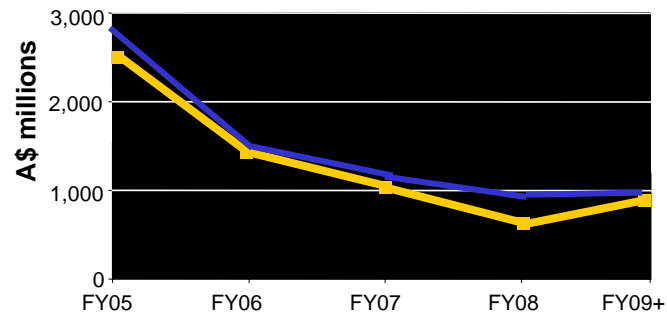
Stephen Gillies

Order Book: Strong Platform for Growth

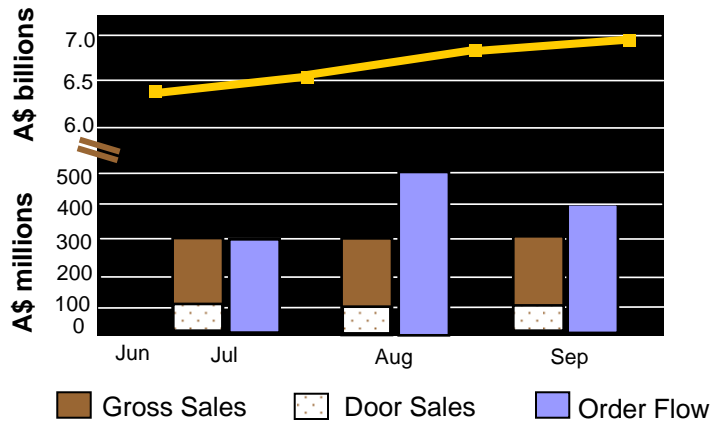
90% of FY05 sales in hand

Order book up from \$6.4b to \$6.8b since end June

Order Book - Jun & Aug 04



Order Book & Order Flows



Net order inflow rather than order book size or changes are a better indication of revenue

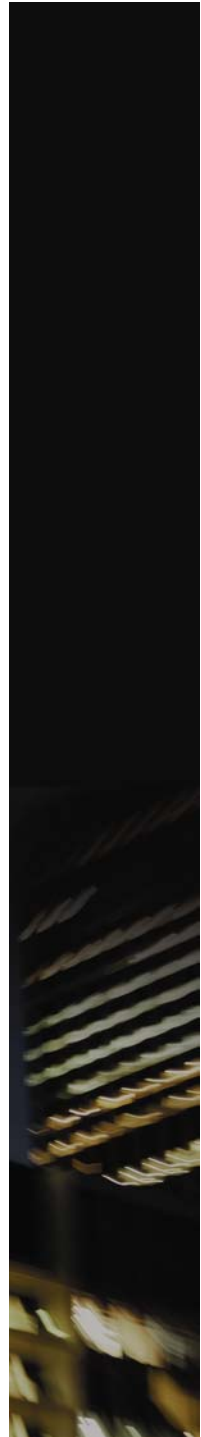


A World of Opportunities

- **Australia / NZ**
 - Public infrastructure upgrade spending ↑, eg PPP NSW
 - Replicate Downer EDI business model in full across Australia & NZ
 - Compete for increased track maintenance spend

- **South East Asia**
 - Starting to look very attractive
 - Further privatisation of government entities
 - Late comer to outsourcing trend

- **North Asia**
 - Still overcoming economic setbacks
 - Following SE Asia's lead
 - Outsourcing, privatisation, capital investment agendas becoming more prevalent





A Targeted Diversified Portfolio

Of Opportunities

TRANSPORTATION SECTOR

Rail

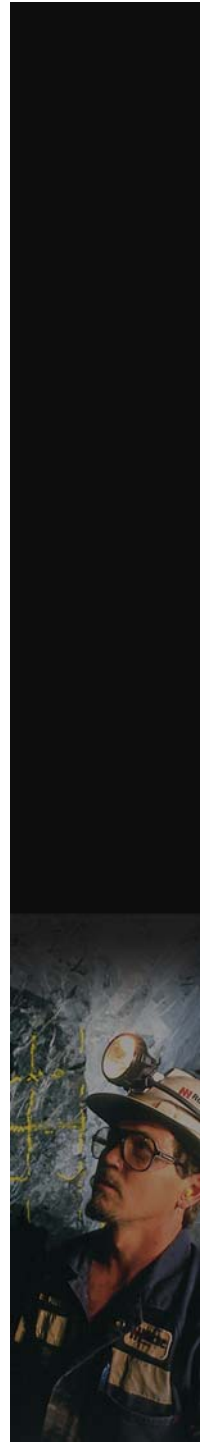
- Sectorisation (NSW); interstate track modernisation
- Replacement of aging freight & passenger fleets
- External assistance with operations and maintenance
- PPPs

Road

- Public infrastructure spend
- Regional road network upgrades
- Road PPP, eg Cardinia council
- Auckland road spend \$1b over 3 years

Airports upgrades

- Wuhan; Changi; Guangzhou; Sydney





A Targeted Diversified Portfolio

Of Opportunities

ENERGY SECTOR

Power

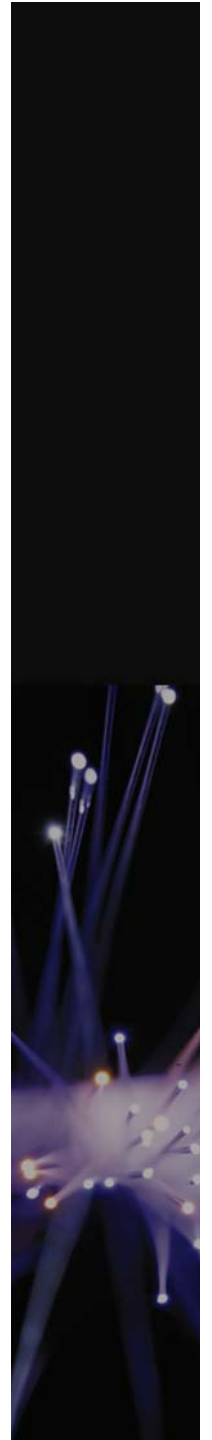
- Aging reticulation, eg QLD & NSW
- Maintenance linked to capex, eg Transpower \$1.5b reticulation build, upgrade

Mining

- Fundamentals signal positive 3-5 yr outlook
- Growth outside Australia facilitated by selective Australian clients

COMMUNICATION SECTOR

- 3G & fibre roll-out programmes





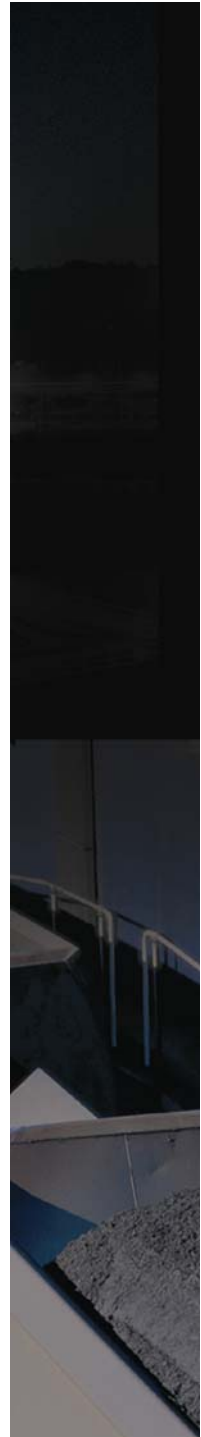
Goals & Strategies – FY05

Goal

To consolidate our footprint in the Asia-Pacific region as a pre-eminent provider of outsourced engineering services

Strategies

- *Growth beyond core*, ie value chain migration
 - Ticketing system Vic, \$300m+
 - Singapore Water Treatment, \$150m+
 - PPP NSW, \$2b+
- Improve brand visibility
- Grow CPG penetration – NZ, Australia, China, India
- Gain recognition as “employer of choice”
 - employee share plan (Tarrow model)
 - “recruit from within” policy
- Target Asian trend to privatisation and outsourcing





Guidance & Assumptions – FY05

Guidance

- ↑ Sales revenue > 10%
- ↑ NPAT growth in line with sales
- ↑ EPS

Assumptions

No requirement for new share capital

- ↑ EBITA / AFE (>14%)
- ↑ Non-mining revenues as % total revenue
- ↑ Order Book (around \$7b)

Hold margins relative to peer group (3 yr average)

Interest cover > 5.0%

Gearing (Net Debt/Equity <50%)



Summary

- 7th consecutive year of earnings growth, NPAT CAGR 21%
- Strong cash flows funded expanded PPE for 2005 sales
- Downer EDI on track for 8th year of earnings growth

2004 Project Awards

**EDI Rail
Cairns
Tilt Train**



**CPG Corp
Guangzhou
Airport**



Works NZ Britomart Railway Station



**CPG Corp
Batavia
Perkasa
Development**

2004 Project Awards



Roche Mining Safety Award

Roche Mining Indigenous Award



Investing For The Future

**Roche Mining
Softload Technology
Truck**



Transportation – Road Asphalt Plant



Transportation - Rail Tamping Machine



QUESTIONS & ANSWERS



Five Year Record

For year ended 30 June

	2004	2003	2002	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover	3,417,491	2,867,858	2,585,636	1,718,128	1,351,854
Revenue	3,193,308	2,697,023	2,442,449	1,632,824	1,274,753
Earnings before interest tax and amortisation of intangibles (EBITA)	157,303	140,445	128,734	100,513	76,347
Interest expense (net)	28,546	28,826	34,113	25,913	21,542
Income tax	27,689	28,171	22,870	18,583	9,633
Profit after tax	81,546	66,572	56,431	45,516	41,025
Total equity	823,029	760,191	709,565	586,114	372,229
Net debt to equity	41%	39%	63%	81%	80%
Net debt to capitalisation (debt plus equity)	29%	28%	39%	45%	44%
Trade debtors turnover (rolling 3 month average) - days	41.4	42.1	43.3	43	38.3
Cash flow from operations	181,480	225,003	47,353	70,510	80,330
Basic earnings per share pre amortisation of intangibles (cents)	36.8	32	30	30.8	30.4
Basic earnings per share (cents) *	29.6	25.2	23.2	24.4	27.6
Diluted earnings per share (cents) *	29.6	24.4	22	22.8	24.4
Closing share price (dollars) *	\$3.20	\$3.08	\$2.64	\$2.20	\$2.96
Dividends per ordinary share (cents) *	15.6	11.6	9.6	8.4	11.2
Dividend payout ratio as a percentage of profit after tax	53.90%	50.30%	50.30%	47.80%	48.40%
Order book (millions)	6,400	5,500	4,500	3,700	2,000

* Comparative information has been restated to reflect the effects of the November 2003 1 for 4 share consolidation.



W Works Downner
EDi LIMITED

