

Media/ ASX and NZX Release

6 August 2015

DOWNER REPORTS NET PROFIT AFTER TAX OF \$210.2 MILLION

- Net profit after tax (NPAT) of \$210.2 million, 2.7% lower than the prior period;
- Earnings before interest and tax (EBIT) of \$309.7 million, down 9.2%;
- Operating cash flow of \$486.5 million, with cash conversion of 88.5%;
- Gearing of 8.1% and net finance costs reduced by 30.5% to \$29.9 million;
- Strong performances from Transport Services and Technology and Communications Services;
- Utilities Services performed well despite limited High Voltage and Renewables construction. Significant opportunities created from the Tenix acquisition;
- Mining continues to deliver strong results despite reduced volumes and an extremely difficult market;
- Engineering, Construction and Maintenance had a challenging year due primarily to losses in the resources based consultancies and project underperformance in Western Australia;
- Improved performance from Rail with a number of major bids in the pipeline;
- Divisions restructured to improve customer focus and delivery;
- Successful relaunch of the Downer brand with “Relationships Creating Success”;
- Safety indicators continue to improve with TRIFR down 21.7% to 3.78;
- Fully franked final dividend of 12.0 cents per share; and
- Strong balance sheet available for growth opportunities.

Downer EDI Limited (Downer) today announced a net profit after tax (NPAT) of \$210.2 million for the 12 months to 30 June 2015, down 2.7% on the prior corresponding period. Earnings before interest and tax (EBIT) was \$309.7 million, down 9.2%.

Operating cash flow was once again strong at \$486.5 million, which represents a cash conversion of 88.5% of earnings before interest, tax, depreciation and amortisation (EBITDA).

At 30 June 2015, Downer’s gearing was 8.1% with available liquidity of \$982.2 million comprising cash of \$372.2 million and undrawn committed facilities of \$610.0 million.

Downer's strong focus on cash and capital management has resulted in net finance costs reducing by 30.5% to \$29.9 million.

Downer's work-in-hand was \$18.5 billion at 30 June 2015, an increase of \$0.5 billion from 31 December 2014.

The Chief Executive Officer of Downer, Grant Fenn, said the 2015 financial year had been very tough to navigate.

"It has taken considerable effort, energy and focus from our people to deliver on our NPAT guidance of \$210.2 million," Mr Fenn said.

"This is a credible and very pleasing result achieved in a difficult environment. The flow-on impact of low commodity prices on business investment and operating expenditure has required us to work even more closely with our customers. We are becoming more efficient, better at what we do and we have continued to build our customer base."

During the year, Downer successfully relaunched its brand.

"Our Relationships Creating Success program has been received very positively by our customers and our people," Mr Fenn said. "Being customer-centric and helping our customers succeed has never been more important to our business."

In October 2014, Downer acquired Tenix Holdings Australia Pty Ltd (Tenix) for \$300 million on a cash and debt free basis. This business made an eight month contribution to this result, including \$387.4 million in revenue and \$16.6 million in EBIT (\$23.2 million when excluding amortisation).

Downer announced a restructure of its business in January 2015. For ease of analysis, Downer has reported its segment results in the Annual Report under both the former operating structure (Infrastructure, Mining, Rail) and the new service line structure (Transport Services; Technology and Communications Services; Utilities Services; Engineering, Construction and Maintenance; Mining; and Rail). The following commentary reflects the new service line structure with comparatives to unaudited 2014 results.

Performance Summary

Transport Services

Transport Services, which includes the Group's road, rail, airport and port infrastructure businesses, performed well during the period with revenue up 7.9% to \$2.0 billion and EBIT up 5.4% to \$96.2 million.

In Australia, strong performances by the New South Wales and Victorian road maintenance and surfacing businesses were offset by tougher conditions in Queensland, with significantly reduced volumes from the prior year, and rail infrastructure where project outcomes were below expectations.

In New Zealand, the business continued to improve as it adapted to a more competitive environment. Downer was successful in maintaining a strong market share with the New Zealand Transport Agency, as it tendered its network outcomes contracts (NOCs), and also winning targeted opportunities with local authorities.

Downer has been a market leader in road services in both Australia and New Zealand for a long time and is now building capability in light rail design and construction which is a new niche growth opportunity. The Keolis Downer joint venture is bidding for light rail opportunities across Australia and New Zealand.

Downer's consortium, ACTivate, has been short-listed to build, operate and maintain Canberra's new light rail system. The announcement of the preferred bidder is expected before the end of 2015. Downer is participating in the consortium as operator and maintainer through Keolis Downer and as the designer and constructor of the light rail system, including the depot. Light rail design and construction is an exciting new focus for the Group as cities in Australia and New Zealand increasingly look to light rail to solve their public transport needs. Downer's share of the bid costs is estimated at between \$10 million and \$15 million. These costs are being capitalised in accordance with Australian Accounting Standards and will be expensed in the event Downer is unsuccessful.

The capability of Transport Services was further enhanced during the year with the acquisition of VEC Civil Engineering, a specialist in construction and management of bridges and structures.

"We are excited about the opportunities for this business as we extend its service offering to State and Local Governments across Australia," Mr Fenn said.

Technology and Communications Services

Technology and Communications Services, comprising the Group's fibre, copper and radio network infrastructure businesses, also had an improved year. Revenue increased 7.8% to \$495.5 million and EBIT increased 43.6% to \$25.7 million.

In June 2015, Downer was awarded a new five year contract by nbn™ under the new Multi-technology Mix model. Work commenced in July 2015 and is valued at approximately \$100 million in the first year.

In New Zealand, Downer is the major supplier of technology and communications services to Chorus, Vodafone and Spark. During the year, Downer signed an additional agreement with Chorus to deliver Ultra-Fast Broadband fibre network connections for around 300,000 homes.

Utilities Services

Utilities Services, comprising the Group's power, gas and water network infrastructure and renewable energy businesses, grew substantially during the year. Including eight months' contribution from Tenix, revenue increased 62.6% to \$583.5 million and EBIT increased 21.4% to \$34.0 million.

"The privatisation of the NSW power distributors is a significant opportunity," Mr Fenn said. "We have played a leading role in driving efficiency from the electricity and gas networks in Victoria and South Australia and we are well placed to do the same in the other States. Regulators across the country are requiring the distributors to significantly improve the efficiency of their networks.

"Downer is actively seeking opportunities to participate in the upcoming privatisation as a key service provider. We are seen by the market as the leader in this field."

In April 2015, Logan City Council awarded a new program alliance to Downer for the delivery of up to \$180 million of water and wastewater infrastructure services for three years from 1 July 2015, with two one year extension options. One month later, United Energy awarded Downer a three

year contract valued at \$180 million to provide 24/7 network operations and maintenance and augmentation services covering 300,000 consumers.

“Water is a significant opportunity for the Group with water and wastewater treatment upgrades required in communities across the nation,” Mr Fenn said.

Downer is also a market leader in construction of renewable energy generation. In June 2015, Downer was awarded a contract for work on the Ararat Wind Farm Project in Victoria. Downer’s scope of works is valued at approximately \$130 million.

Engineering, Construction and Maintenance (EC&M)

EC&M, comprising the Group’s industrial and commercial construction and maintenance businesses, had a challenging year due primarily to losses in the resources based consultancy businesses (QCC and Mineral Technologies) and project underperformance in Western Australia.

Revenue was 7.4% lower at \$1.89 billion due to fewer opportunities and lower bid margins and EBIT reduced by 28.1% to \$51.5 million. QCC and Mineral Technologies experienced financial losses totalling \$11.4 million during the year.

The EC&M business has been restructured to operate nationally rather than by geographic region.

“This change means the EC&M business will be better able to manage along customer segments and it will reduce management layers and functional overheads,” Mr Fenn said.

In September 2014, Downer secured a contract for miscellaneous works on the Chevron-operated Gorgon Project in Western Australia. Downer is also mobilising for two electrical and instrumentation packages for the downstream portion of the Chevron-operated Wheatstone Project in Western Australia.

Mining

Mining’s total revenue declined 19.8% to \$1.59 billion and EBIT was 22.6% lower at \$132.6 million reflecting a number of contract completions and volume reductions. There were also fewer opportunities for the blasting business and pricing pressure on Ammonium Nitrate supply, which placed further pressure on earnings.

During the year, the Mining division was awarded the following contracts:

- a two-year contract extension with BHP Billiton Mitsubishi Alliance, valued at \$100 million, for the provision of mining services at the Blackwater coal mine in Queensland;
- a two-year contract with Cobar Management, valued at \$70 million, for underground mining services at the Cobar copper mine in NSW; and
- an expanded contract with Fortescue Metals Group, valued at \$500 million per annum, for mining services at the Christmas Creek iron ore mine in WA.

The Mining business continues to work very closely with its customers and remains Australia’s contract miner of choice. The Snowden consultancy now forms part of Downer’s mining services offering, helping to expand its front end solutions capability. Downer is now also providing asset management services at a number of sites as customers look to improve their fleet utilisation.

Rail

Total Rail EBIT was up 24.4% despite total revenue declining 12.9% to \$873.5 million. Productivity improvements and lower restructuring costs as well as a strong contribution from Keolis Downer were the main contributors.

Rail's revenue declined due to the completion of a number of passenger manufacturing contracts, including the Waratah Train Project (WTP). This was partially offset by higher revenue from the WTP Through Life Support (TLS) contract and the Keolis Downer and Downer Bombardier joint ventures.

In February 2015, Downer announced a new 10 year Locomotive Maintenance Agreement with Pacific National valued at approximately \$1 billion. Under the agreement, Downer provides a full suite of asset management services for over 300 Pacific National locomotives. The Pacific National fleet is monitored by a new Fleet Control Centre which was launched during the year and provides customers with a 24 hour, one-stop-shop for technical support, fleet planning and asset management services.

Downer is one of four parties short-listed by Transport for NSW to supply and maintain a new inter-city fleet of approximately 520 passenger carriages. Downer will join with Changchun Railway Company (CRC) to develop the proposal and deliver the program should it be successful. This project represents a significant opportunity for the Group to capitalise on the expertise and IP created from the Waratah Train Project. Downer's share of the bid costs is estimated at between \$10 million and \$15 million. The contract is expected to be awarded in 2016. These costs are being capitalised in accordance with Australian Accounting Standards and will be expensed in the event the bid is unsuccessful.

Downer is also preparing an Expression Of Interest (EOI) for 37 next generation, high capacity trains for the Victorian Government. Downer will again join with CRC to develop the proposal and deliver the program should it be successful. This project will utilise proven CRC designs currently in operation in Hong Kong. Downer's share of the bid costs is estimated at between \$10 million and \$15 million. The contract is expected to be awarded in late 2016. These costs are being capitalised in accordance with Australian Accounting Standards and will be expensed in the event Downer is unsuccessful.

The Keolis Downer joint venture is now Australia's largest privately owned provider of multi-modal public transport solutions, with contracts to operate and maintain Yarra Trams in Melbourne and the Gold Coast Light Rail in Queensland. In April 2015, Keolis Downer acquired Australian Transit Enterprises (ATE), one of Australia's largest route, school and charter bus businesses with a fleet of over 900 buses in South Australia, Western Australia and Queensland. Keolis Downer is focused on growth in light rail, heavy rail and bus operations. It is a member of ACTivate, one of two consortia short-listed to deliver Canberra's new light rail system, and is partnering with KiwiRail in a bid to operate and maintain Wellington's regional passenger rail services from 2016.

Zero Harm

Downer's Total Recordable Injury Frequency Rate reduced 21.7% from 4.83 to 3.78 per million hours worked. The Lost Time Injury Frequency Rate of 0.86 remained below one incident per million hours worked.

Dividend

The Downer Board resolved to pay a fully franked final dividend of 12.0 cents per share (12.0 cents per share in the prior corresponding period), payable on 17 September 2015 to shareholders on the register at 20 August 2015. The company's Dividend Reinvestment Plan (DRP) remains suspended and will not operate for this dividend.

Outlook

Downer's business mix has provided a sound base to navigate the current decline in our mining based markets. We are number one or two in virtually all of the markets in which we operate and we have a high proportion of Government related work in both Australia and New Zealand spanning Transport Services, Technology and Communications Services, Utilities Services, Rail and Mining.

However, providing guidance for the 2016 financial year has proven more difficult than in the past five years. There is weakness and a high degree of uncertainty in a number of our end markets, particularly resources based construction and mining.

We expect the current low levels of mining related capital expenditure to continue through 2016 and customers across the board to focus on costs and efficiency as the broader economy feels the impact of low commodity prices. In this environment, it is difficult to predict the flow of uncontracted revenue which is slightly higher than at this time last year.

Downer will continue to build and grow. We will invest in our existing businesses, including the major rolling stock and light rail opportunities, and look to expand through well targeted acquisitions or joint ventures.

The bid costs for the two rolling stock projects and the light rail project have not been expensed in the forecast 2016 guidance below. The costs of any unsuccessful bids will be written off in the period of notification of award. This may impact the 2016 result.

For the 2016 financial year, Downer is targeting NPAT of around \$190 million.

For further information please contact:

Michael Sharp, Group Head of Corporate Affairs and Investor Relations	+61 439 470145
Luke Thrum, Manager Investor Relations	+61 459 828720

Downer EDI Limited (Downer) is a leading provider of services to customers in markets including: Transport Services; Technology and Communications Services; Utilities Services; Engineering, Construction and Maintenance (EC&M); Mining; and Rail. Downer employs about 19,000 people, mostly in Australia and New Zealand but also in the Asia-Pacific region, South America and Southern Africa.