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DOWNER REPORTS UNDERLYING NET PROFIT AFTER TAX OF \$215.4 MILLION

Downer EDI Limited (Downer) today announced that underlying net profit after tax (NPAT) had increased by 10.3% to \$215.4 million for the 2013 financial year. Underlying earnings before interest and tax (EBIT) increased by 6.9% to \$370.3 million.

Statutory NPAT was \$204.0 million¹ after the previously announced \$11.5 million individually significant item referable to the Singapore Tunnel dispute. Statutory EBIT was \$358.9 million. A reconciliation of the underlying result to the statutory result is provided in the Investor Presentation and Annual Report, both lodged with the Australian Securities Exchange and available on the Downer website.

Total revenue rose by 7.1% to \$9.1 billion, including \$0.8 billion of contributions from joint ventures. All businesses recorded revenue growth with Downer Infrastructure up 13.1% to \$5.2 billion, Downer Mining up 3.7% to \$2.6 billion and Downer Rail up 4.0% to \$1.3 billion.

Operating cash flow was again very strong at \$452.4 million, up 24.1% on last year. At 30 June 2013, Downer's gearing was 12.0%, with liquidity of \$1.1 billion.

The Chief Executive Officer of Downer, Grant Fenn, said the results were very pleasing and a further demonstration of the robustness of the Downer business. He said the company had again delivered on its promises despite a difficult market.

"This result is a great outcome in the current environment. We are one of the few companies in the sector to deliver on guidance," Mr Fenn said. "Our operating cash performance was particularly strong with due credit to the rigorous focus on cash and working capital management in the business. Our balance sheet strength has been rebuilt with gearing levels now below our historic target range and net debt around a third lower than this time last year.

"We continue to win work across the different regions and sectors and our work-in-hand remains strong at around \$19.0 billion."

Mr Fenn said the Waratah Train Project was running to schedule. There are now 47 trains available for passenger service and the 78th train remains due for delivery in the middle of the 2014 calendar year.

"The Waratah trains continue to perform well and the Through Life Support maintenance contract is ramping up successfully and as expected," Mr Fenn said.

Further information on the Waratah Train Project is provided in Note 1 to the Financial Statements contained in the Annual Report, lodged with the Australian Securities Exchange and available on the Downer website.

Downer Infrastructure

Downer Infrastructure achieved a 13.1% increase in revenue to \$5.2 billion and a 33.2% increase in EBIT to \$230.3 million. This improved result reflects better project execution and cost control.

"The Infrastructure business performed well in a challenging and competitive market," Mr Fenn said. "Despite pressure on bid margins, EBIT margins continued to improve, reflecting better contract performance and greater efficiencies from the ongoing focus on reducing costs."

"Importantly, the majority of Downer Infrastructure's work comprises contracts that are valued at less than \$30 million and are recurring in nature and this makes the business more resilient through economic cycles."

In Australia, Downer Infrastructure's EBIT rose by 28.9% to \$184.7 million due to strong performances across most businesses, particularly in the East region. A number of new contracts were won in the road and rail, electrical and instrumentation, telecommunications and renewable energy sectors.

In New Zealand, Downer Infrastructure performed strongly with EBIT of \$45.6 million, up 53.9% on last year. The business won work across all sectors, including a NZ\$500 million contract with Chorus to build the Ultra-Fast Broadband network, several road infrastructure contracts in Auckland and Wellington and a number of rebuild packages as part of the Stronger Christchurch Infrastructure Rebuild Team (SCIRT).

"Our New Zealand business has done a lot in recent years to adapt to market conditions and develop a sustainable business offering," Mr Fenn said. "While economic conditions remain challenging, the business achieved significant improvements in both contract performance and the realisation of efficiencies."

Downer Mining

Downer Mining achieved a 3.7% increase in revenue and a 0.4% increase in EBIT after several years of strong growth. Market conditions remain challenging, with customers reviewing their operations and seeking to reduce costs.

"After several years of very strong growth, the 2013 financial year was one of consolidation and contract execution for Downer Mining," Mr Fenn said. "The business ramped up its activities at Karara, Boggabri and Meandu and maintained a strong focus on operational efficiency and asset utilisation.

"Downer Mining also continued to win new work through contract extensions and expansions and through its blasting and tyre management businesses."

Downer Rail

Downer Rail's EBIT dropped by 22.7% to \$59.0 million, largely due to a drop in demand for freight locomotives and Downer's transition out of locomotive manufacturing.

"Downer Rail is undergoing significant transformational change as it transitions from being a manufacturer to a whole-of-life asset manager of rolling stock," Mr Fenn said.

Zero Harm

Despite the intense focus on workplace safety and injury prevention across the Group, there was a tragic workplace fatality in New Zealand in October 2012. Downer has implemented a number of major initiatives to address workplace hazards, including a focus on critical risks and the development of a Cardinal Rules program to provide direction and guidance for our employees and contractors.

Downer's Lost Time Injury Frequency Rate (LTIFR) was 0.70, down from 0.93 and remaining below one incident per million hours worked for the year. Total Recordable Injury Frequency Rate (TRIFR) reduced from 6.21 to 5.42 per million hours worked.

Fit 4 Business

Fit 4 Business was launched at Downer's 2010 Full Year Results as a five year program targeting \$250 million in efficiency and cost savings across the Group. The \$250 million target has been achieved in three years instead of five, with \$55 million delivered in the 2011 financial year, \$85 million in the 2012 financial year and \$110 million in the 2013 financial year. Fit 4 Business has been extended to target an additional \$250 million in gross benefits in the 2014 and 2015 financial years.

Dividend

The Downer Board has declared a partially franked (70%) final dividend of 11 cents per share, payable on 24 September, 2013 to shareholders on the register at 20 August, 2013. The company's Dividend Reinvestment Plan will operate for this dividend with zero discount. This follows a partially franked (70%) interim dividend of 10 cents per share, bringing the total payout to 21 cents per share for the year.

Outlook for the 2014 financial year

It is expected that the 2014 financial year will be characterised by a reduction in new major capital works in the resources sector, a greater emphasis by mining customers on optimising their volumes and cost of production and budgetary pressure on the level of Government expenditure on road and rail maintenance. As a result, there is a higher level of uncertainty in revenue for the 2014 financial year than in the prior year.

The company's short term focus is on securing our revenue base for the 2014 financial year and continuing to drive down costs through improved project execution and our Fit 4 Business program.

For the 2014 financial year, Downer is targeting a flat NPAT of around \$215 million.

¹ Underlying EBIT and NPAT are considered a more appropriate measure of Downer's performance than 'statutory' results, because the statutory results include an Individually Significant Item ("ISI") that is unlikely to be recurrent. The ISI relates to an \$11.5 million provision for the settlement of an arbitration claim made by SPPA in relation to the construction of an electrical services tunnel in Singapore. A reconciliation of the underlying result to the statutory result is provided in the Investor Presentation and Annual Report, both lodged with the Australian Securities Exchange and available on the Downer website.

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Downer EDI Limited (www.downergroup.com) provides comprehensive engineering, construction and asset management services to the public and private Minerals & Metals, Oil & Gas, Power, Transport Infrastructure, Telecommunications, Water and Property sectors. Downer employs approximately 22,000 people, primarily in Australia and New Zealand but also in the Asia Pacific region, Southern America and Southern Africa.