



Media/ASX and NZX Release

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DOWNER REPORTS HALF YEAR NET PROFIT AFTER TAX OF \$94.7 MILLION

Downer EDI Limited (Downer) today announced a net profit after tax (NPAT) of \$94.7 million for the six months to 31 December 2014, 4.4% lower than the prior corresponding period (pcp). Earnings before interest and tax (EBIT) was \$141.7 million, down 11.5%, and revenue was 8.8% lower at \$3.6 billion.

Operating cash flow remained strong at \$257.9 million, with cash conversion of 103.5% of earnings before interest, tax, depreciation and amortisation (EBITDA).

At 31 December 2014, Downer's gearing was 11.2% with available liquidity of approximately \$1.0 billion comprising cash of \$378 million and undrawn committed facilities of \$612 million.

The Chief Executive Officer of Downer, Grant Fenn, said Downer delivered a solid result for the half year in a difficult environment and remained on track to meet full year guidance.

"Mining based construction and services markets remain subdued," Mr Fenn said. "Our mining related consultancy businesses were hit particularly hard and experienced financial losses.

"We continue to respond to the tough market conditions by working closely with our customers to drive productivity and reduce costs."

In October 2014 Downer acquired Tenix Holdings Australia (Tenix) for \$300 million on a cash and debt free basis. Tenix is a leading provider of long-term operations and maintenance services to owners of electricity, gas, water, wastewater, industrial and resources assets in Australia and New Zealand.

Downer's work-in-hand was \$18.0 billion at 31 December 2014.

Downer Infrastructure

It was a challenging period for Downer Infrastructure, primarily due to the reduction in mining related capital works.

Total revenue, including two months' contribution from DownerTenix, was up 1.1% on the pcp, however EBIT was down 16.7% due to project completions, fewer opportunities in the

resources sector and pressure on bid margins in a competitive tendering environment. The mining-related consultancy businesses (Snowden, Mineral Technologies and QCC) were hit particularly hard and experienced financial losses during the period. This had a significant impact on Divisional earnings.

Downer Infrastructure's New Zealand business experienced a tightening of margins and a reduction in UFB volumes.

Downer Infrastructure continued to reduce costs and overheads in response to market conditions.

Downer Mining

Australia's mining industry remains under intense pressure due to subdued commodity prices, particularly for coal and iron ore.

Downer Mining's total revenue declined 20.4% versus the pcp reflecting the end of the contract at Daunia, early termination of the Goonyella contract and reduced volumes. There were also fewer opportunities for the blasting business and discounted pricing of Ammonium Nitrate supply, which placed further pressure on earnings.

Downer Mining undertook a number of initiatives during the period to improve productivity and reduce costs.

Downer Rail

Downer Rail's total revenue was down 28.0% to \$424.4 million due primarily to the completion of the Waratah Train Project (WTP) Rolling Stock Manufacture (RSM) contract. This was partially offset by higher revenue from the WTP Through Life Support (TLS) contract and the Keolis Downer and Downer Bombardier joint ventures.

The WTP TLS contract performed strongly during the half year with many of the learnings derived from this project also helping to improve performance on Downer's other rail maintenance contracts.

The Gold Coast Light Rail began operating in July 2014 with Keolis Downer responsible for the operations and maintenance of the network. Keolis Downer continues to successfully operate and maintain Yarra Trams in Melbourne and is pursuing other public transport growth opportunities in Australia and New Zealand.

Downer Rail's EBIT for the half year was up 279.4% to \$17.5 million due to lower restructuring costs incurred in the first half of the 2015 financial year and higher joint venture earnings.

Downer announced yesterday it had signed a 10 year, \$1 billion agreement with Pacific National to provide a full suite of asset management services for over 300 Pacific National locomotives. This agreement is an important development in Downer Rail's transformation to providing total rail asset solutions to its customers.

Corporate costs

Corporate costs reduced by \$4.1 million or 13.8% to \$25.9 million.

Finance costs reduced by \$9.9 million or 41.9% to \$13.8 million reflecting the lower average net debt position.

The effective tax rate of 26.0% is lower than the statutory rate of 30.0% due to non-assessable Research & Development grant income, non-taxable distributions from joint ventures and lower overseas tax rates.

Divisional restructure

To ensure Downer continues to succeed, take advantage of future opportunities and best meet the needs of its customers, a number of changes have been made to the Divisional structure. Downer Group now consists of five Divisions:

- Infrastructure Services (including the Australian road and rail infrastructure, telecommunications and power businesses and DownerTenix);
- Engineering, Construction and Maintenance (including the Australian electrical and instrumentation (E&I), and structural, mechanical and piping (SMP) businesses);
- New Zealand;
- Mining; and
- Rail.

The restructure also involves the establishment of a new Strategy, Growth and Innovation function in Group Head Office.

Downer will report its results for the 2015 financial year under the Divisions of Infrastructure, Mining and Rail.

Zero Harm

Downer's Lost Time Injury Frequency Rate of 0.93 remained below one incident per million hours worked for the year and Total Recordable Injury Frequency Rate reduced from 4.82 to 4.17 per million hours worked.

Dividend

The Downer Board resolved to pay a fully franked interim dividend of 12.0 cents per share (11.0 cents per share pcp), payable on 19 March 2015 to shareholders on the register at 19 February 2015. The company's Dividend Reinvestment Plan (DRP) will remain suspended and will not operate for this dividend.

Outlook

On current trading, Downer is on track to meet its target NPAT of around \$210 million for the 2015 financial year.

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Downer EDI Limited (Downer) provides services to customers in market sectors including Mining, Rail, Transport, Utilities, Telecommunications and Engineering, Construction and Maintenance. Downer employs approximately 20,000 people primarily in Australia and New Zealand but also in the Asia-Pacific region, South America and Southern Africa.