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DOWNER REPORTS NET PROFIT AFTER TAX OF $72.1 MILLION

Downer EDI Limited (Downer) today announced net profit after tax (NPAT) of $72.1 million for the six months to 31 December 2015, 23.9% lower than the prior corresponding period.

The result reflects the write off of $13 million in pre-tax bid costs and softness in the Group's resources related businesses, particularly Engineering, Construction & Maintenance (EC&M) and Rail.

Total revenue of $3.5 billion was down $42.6 million, or 1.2%. Earnings before interest and tax (EBIT) was down $28.5 million, or 20.1%, to $113.2 million.

Operating cash flow was $178.1 million for the six month period.

At 31 December 2015, Downer's gearing was 8.4% with available liquidity of $1.0 billion.

Downer's work-in-hand was $18.0 billion at 31 December 2015, down from $18.5 billion at 30 June 2015.

The Chief Executive Officer of Downer, Grant Fenn, said competition remained intense and the Mining and Energy markets continue to be very challenging.

"Commodity prices remain very low with a significant flow on effect on business investment and operating expenditure," Mr Fenn said. "Our customers are understandably very focused on costs and we continue to work closely with them.

"Our performance in the first six months of the 2016 financial year is very credible in light of the market conditions and reflects the strength of our market positions and the diversity of our operations."

Performance Summary

Transport Services

Transport Services includes the Group's road, rail infrastructure, bridge, airport and marine port businesses.

Revenue was down 12.3% to $802.9 million and EBIT was down 9.7% to $31.6 million.

The New Zealand, New South Wales (NSW) and Victorian businesses continued to perform well.

The result was impacted by reduced Government expenditure and inclement weather in NSW and Western Australia (WA) and the rail infrastructure contribution was down significantly as projects completed in the prior corresponding period were not replaced.

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Technology and Communications Services

Technology and Communications Services comprises the Group's fibre, copper and radio network infrastructure businesses.

Revenue increased 2.0% to $249.9 million and EBIT increased 54.9% to $14.1million.

The result benefited from continued strong performance on the nbn™ contracts in Australia and favourable performance on contracts in New Zealand. There was lower revenue from the Chorus contract in New Zealand as the rollout of the Ultra-Fast Broadband fibre network completes.

Utilities Services

Utilities Services comprises the Group's power, gas and water network infrastructure and renewable energy businesses.

Revenue increased 83.7% to $376.5 million and EBIT increased 135.1% to $22.8 million due to a strong performance from power and gas projects, ramped up activity at the Ararat wind farm project in Victoria and an additional four months of contribution from Tenix.

Engineering, Construction and Maintenance (EC&M)

EC&M comprises the Group's plant construction and maintenance services, including Electrical and Instrumentation (E&I), Structural, Mechanical and Piping (SMP) and industrial and infrastructure maintenance, as well as the Group's resources based consultancies.

Revenue decreased 4.4% to $927.8 million and EBIT fell 26.4% to $20.6 million as a result of lower activity in Queensland, partially offset by increased activity in WA and New Zealand, and $5.7 million of restructuring costs.

Mining

The Mining division provides a broad range of services through each stage of the mining lifecycle including open cut and underground mining, mine planning and design, blasting, crushing, tyre management and mine rehabilitation.

Revenue declined 5.2% to $781.6 million due to reduced volumes and contract completions.

EBIT, however, increased 13.0% to $67.7 million due to continued strong performance on ongoing contracts and net favourable one off benefits of $15 million.

Rail

The Rail division provides total rail asset solutions including freight and passenger build, operations and maintenance, component overhauls and After Market Services (AMS).

Total revenue decreased by 1.0% to $420.1 million, comprising an $86.1 million or 28.9% reduction in core Rail revenue reflecting the completion of manufacturing contracts, lower freight maintenance expenditure and lower AMS sales, largely offset by an $81.8 million or 64.5% increase in joint venture revenue.

EBIT decreased by $13.0 million to $4.5 million driven by restructuring costs, a $4.0 million provision release in the prior corresponding period relating to the Waratah Train Project and lower relative performance from joint venture operations.

Downer and its partner Changchun Railway Company (CRC) are one of four consortia short-listed by Transport for NSW to supply and maintain a new inter-city fleet of approximately 520 passenger carriages. The contract is expected to be awarded in mid-2016.

Downer and CRC are also one of three consortia short-listed for the Victorian Government's tender for 37 next generation, high capacity trains. This contract is expected to be awarded in late 2016.

Downer's share of pre-tax bid costs is estimated at around $9 million each and will be expensed in the event the relevant bid is unsuccessful.

Zero Harm

A Downer employee died in November 2015 while working at the Alcoa Kwinana Refinery in Western Australia. At Downer, the health and safety of our people is paramount and an investigation into this tragic event is continuing.

Downer's Total Recordable Injury Frequency Rate reduced from 4.17 to 3.67 per million hours worked while the Lost Time Injury Frequency Rate of 0.84 remained below one incident per million hours worked.

Capital Management

Operating cash flow of $178.1 million represents a cash conversion of 64% of earnings before interest, tax, depreciation and amortisation (EBITDA). This performance was lower than recent reporting periods primarily due to $65 million of unresolved claims relating to the terminated contract with Tecnicas Reunidas S.A in relation to a Technical Ammonium Nitrate Plant located on Burrup Peninsula in Western Australia (announced on 16 September, 2015). Adjusting for these claims, cash conversion would have been 91%.

Total capital expenditure was $100.0 million, including replacement of Mining fleet components and the acquisition of an asphalt plant in Rosehill, Sydney.

Downer acquired 1.8 million shares at a cost of $6.4 million during the period under the company's ongoing on-market share buy-back program.

Downer has a strong balance sheet, with gearing of 8.4% at 31 December 2015 (13.8% including off balance sheet debt) and available liquidity of $1.0 billion comprising cash of $489.5 million and undrawn committed facilities of $528.0 million.

Dividend

The Downer Board resolved to pay a fully franked interim dividend of 12.0 cents per share (12.0 cents per share in the prior corresponding period), payable on 17 March 2016 to shareholders on the register at 18 February 2016. The company's Dividend Reinvestment Plan (DRP) remains suspended and will not operate for this dividend.

Outlook

Downer stated at its full year results in August 2015 that it was targeting NPAT of around $190 million for the 2016 financial year.

As announced on 1 February 2016, the ACTivate consortium was not successful in its bid for Capital Metro and, as a result, Downer has written off $13 million in pre-tax bid costs in the 2016 first half result.

Downer is now targeting NPAT of around $180 million for the 2016 financial year.

For further information please contact:

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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 20,000 people, mostly in Australia and New Zealand but also in the Asia-Pacific region, South America and Southern Africa.