



6 November 2013

Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

RE: Downer EDI Limited 2013 Annual General Meeting

Please find attached a copy of the following documents related to the Annual General Meeting of Downer EDI Limited to be held at 11.00am today:

- Chairman's address to shareholders;
- Chief Executive Officer's report; and
- Annual General Meeting presentation.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Peter Tompkins'.

Peter Tompkins
Company Secretary

**DOWNER GROUP ANNUAL GENERAL MEETING 2013
CHAIRMAN'S ADDRESS AND CHIEF EXECUTIVE OFFICER'S REPORT**

Chairman's Address, Mike Harding

Ladies and Gentlemen

I am very pleased to report that Downer delivered a strong financial and operational performance for the 2013 financial year. In particular, we:

- Delivered on our guidance, given at the start of the year;
- Considerably strengthened our balance sheet; and
- Have now delivered 59 Waratah Train sets to the New South Wales government and they are operating very well. There are 68 sets in the country and the final set is scheduled for delivery in mid-2014.

At last year's Annual General Meeting, I said the Board would like to resume paying dividends as soon as it was appropriate, having regard to the Company's performance, its balance sheet strength and its capacity to distribute franking credits.

I am pleased that these criteria were satisfied and we paid a Half Year and a Full Year dividend.

In what has been a difficult year for companies in our sector, Downer's strong performance and the resumption of dividends is a welcome outcome for you, our shareholders. On behalf of the Board, I would like to thank you for your support.

In addition, I would like to thank your Chief Executive Officer, Grant Fenn, his executive team and importantly all the Downer employees and contractors who worked very hard during the year to deliver the results.

I can assure you we are aware that we must continue the hard work, build on these foundations and deliver consistently in the years ahead.

Your Chief Executive Officer will soon outline the highlights of our financial and operational performance in his report to shareholders.

The health and safety of our people is paramount at Downer. Tragically, as reported at last year's Annual General Meeting, we had a fatality in New Zealand in October 2012. Downer is focusing on its critical risks and we have introduced cardinal rules that provide direction and guidance on these critical risks.

Later in the Meeting you will be asked to vote for the re-election of three Non-executive Directors – Annabelle Chaplain, Dr Grant Thorne and John Humphrey. You will hear briefly from each of them before you vote as part of the formal proceedings. Subject to their re-

election, we now feel the Board has the appropriate balance of skills it needs for the future. Furthermore, as the average tenure of the Non-executive is three years, we need to now have some stability.

Recently, the Downer Board felt it was appropriate to undertake a competitive tender process for the external audit of Downer. This is because Deloitte has been Downer's external auditor since 1998 and Deloitte's lead audit partner, Andrew Griffiths, is completing his 5-year rotation at the end of the 2014 financial year.

Following detailed expressions of interest from the four largest audit firms in the Australian market, including Deloitte, the Board proposes to recommend to shareholders that KPMG be appointed as the new auditor of the Downer Group, effective from the 2015 financial year.

Shareholders will vote on this appointment at the 2014 Annual General Meeting. The Directors of Downer recognise the professionalism, objectivity and independence displayed by Deloitte during their tenure as auditor and, in particular, the contribution made by Andrew Griffiths, the lead audit partner.

The Board believes the capability of Downer's senior management team has strengthened further during the year, and that this is reflected in the Group's improved performance and business culture.

Significant progress has been made on the Waratah Train Project over the past year. As I mentioned earlier, we have now delivered 59 of the 78 train sets, they are performing extremely well and the final train is due to be delivered in mid-2014.

The Board has ensured that management continues to focus on project and risk management, which is the life blood of a company like Downer. Getting the right people, processes and skills on the projects is key to our future success.

As the Company stated at its Full Year results in August, the 2014 financial year will be a challenging one for Downer and its peers, although we expect to deliver a flat net profit after tax result.

I now invite our Chief Executive Officer, Grant Fenn, to provide an update on the Group's operations and the outlook for 2014 before I return to discuss the items outlined in the Notice of Meeting.

Thank you.

Chief Executive Officer's Report, Grant Fenn

Thank you, Mike, and Good Morning everyone.

I am pleased to report that Downer has performed very well, both financially and operationally, since last year's Annual General Meeting and I would like to outline a number of the highlights from the past 12 months.

Our financial performance was strong in challenging circumstances and, significantly, we were one of very few companies in our sector to deliver on the guidance provided to the market for the 2013 financial year.

This achievement, to deliver on our promise despite a difficult operating environment, reflects the quality of our people and the robustness of our business.

Our operating cash flow was very strong once again, due to our continuing and rigorous focus on cash and working capital management. More broadly, Downer's balance sheet has been rebuilt substantially, with gearing levels now at 12%, below our historic target range, and net debt around a third lower than this time last year. Overall, there has been an extraordinary improvement in our balance sheet from a couple of years ago.

We refinanced the Group successfully during the year, achieving a 20% reduction in funding costs and introducing a common terms deed. Our enhanced credit position was a catalyst for Fitch ratings to upgrade Downer from BBB- to BBB, with a stable outlook.

An important consequence of our strengthened financial position is that the Board was able to recommence paying dividends during the year, and that is obviously a good outcome for you, our shareholders.

The progress made on the Waratah Train Project was a real highlight of the past year and I am delighted with what has been achieved. There are now 59 trains available for passenger service on the Sydney Rail Network. The last train will leave China in late December 2013 and the 78th train remains due for delivery in the middle of the 2014 calendar year. That is only seven months away. Importantly, the performance of the trains continues to be very good and passengers are very happy with them.

From an operational perspective, the Infrastructure Division improved markedly during the year in what is a very competitive and challenging market. This was due to better contract performance and greater efficiencies from our ongoing focus on reducing costs.

In Australia, the Infrastructure Division won a number of road and rail maintenance, electrical and instrumentation, telecommunications and renewable energy contracts. In New Zealand, work on the rebuilding of Christchurch ramped up, and we won a NZ\$500 million contract with Chorus to build the country's ultrafast broadband network, as well as several significant road infrastructure contracts in Auckland and Wellington.

In the past week, we have announced two significant new project wins for Downer Infrastructure. The first was a \$400 million contract with Bechtel for two electrical and instrumentation packages on the Wheatstone oil and gas project in Western Australia, one of the largest resources projects in the country. Downer is Australia's leading E&I contractor and the Wheatstone contracts will help us build on our track record in oil and gas.

Earlier this week, Roads and Maritime Services in NSW awarded the DownerMouchel joint venture a Stewardship Maintenance Contract for the Sydney West Zone road network. The contract is valued at approximately \$100 million per year for seven years, with an option to extend it to ten years. Under the contract, we will maintain and improve road and bridge assets on a network of 2,200 lane kilometres. This contract consolidates our position as Australia's leading provider of road infrastructure services.

These two excellent contract wins will contribute to our 2015 performance and we are also tendering on a number of other major opportunities that will have an impact in 2015.

Downer Mining had a year of consolidation after several years of very strong growth. Our customers are responding to lower commodity prices by reviewing their operations and seeking to reduce costs. Importantly, we are rising to the challenge and working with our customers to help them improve productivity. We are also ensuring that we improve our own business and there is a strong focus on operational efficiency and asset utilisation across the Mining Division.

While the Waratah Train Project was a real highlight of the year, our locomotive business has been affected significantly by the drop-off in mining demand. The Rail Division is going through substantial change, with a strong focus on productivity. The transformation of our rail business will take some time, however we believe there is a significant market for the rail services that we provide, particularly as State Governments and private operators look to improve the efficiency of their operations and networks.

I want to stress that the health and safety of our people remains our top priority. Importantly, we are concentrating on the critical risks that can cause serious injury in our workplaces. Our Cardinal Rules program, which focuses on these critical risks, has gained real traction across the Group and this is having a significant impact on our people and the way we do our work.

Ladies and Gentlemen, at our Full Year Results in August we stated that the 2014 financial year will be characterised by a reduction in 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.

Our results in the first three months of the 2014 financial year have been to plan. Therefore, at this point, and despite future market uncertainties, we maintain our guidance for the Full Year result of net profit after tax of \$215 million.

Ladies and Gentlemen thank you very much, and I would now like to hand the Meeting back to the Chairman.