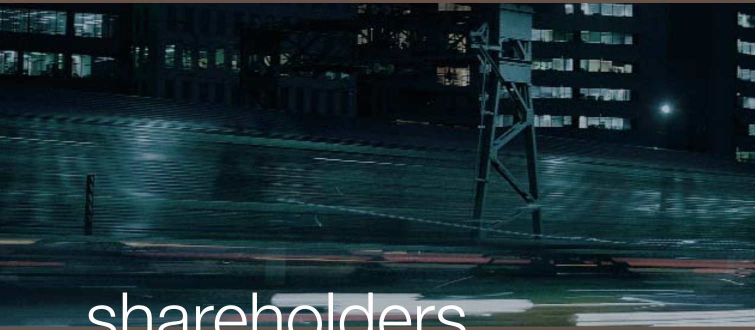


shareholders half year report

for the six months to 31 december 2002

Downner EDi LIMITED

profit and order book increase... positive outlook for 2003

Profit after tax of $21.8 million, an increase of 7.1% for the half year.

Profit after tax 2003 full year guide expected to deliver at least $63.0 million (2002: $56.4 million), equating to at least 6 cents earnings per share (EPS) basic, or 5.8 cents EPS fully diluted (2002: 5.8 cents and 5.5 cents respectively).

Strong cash flows, an increase of 400% for the half year, contributing to a lower interest expense.

Debt level reduced - lowest historic level of gearing.

Company has the capacity to grow without need to raise additional equity capital.

Order book at record high - around $5 billion.

Share buy-back being considered by the Board.

financial performance

Downer EDI Limited (Downer EDI) achieved an interim profit after tax for the six months ending 31 December 2002 of $21.8 million (2001: $20.3 million), representing a 7.1% increase.

The result was achieved on operating turnover of $1.3 billion, and was in line with market expectations for the period. Turnover from pure service activities was $685.1 million, up 17.2% from the prior period.

The forward order book is at a record high, around $5 billion, up from $4.5 billion at 30 June 2002.

Strong cash flow from operations was generated during the half year of $143.9 million (2001: $28.8 million) and was used principally to retire debt. Cash flows in the second half of the year should also reflect increases in comparison to the prior year period.

At 31 December 2002, the company's net gearing (net debt to net debt plus shareholders' funds) stood at 31.4%, its lowest historic level. This also compares favourably to the June 2002 level of 38.6%. In dollar terms, net debt fell from $447 million at 30 June 2002 to $340 million, its lowest level since June 2000. This was well below the debt level for December 2002 projected by the company last August.

Given recent market trading prices of Downer EDI shares, the Directors are considering options with respect to a possible share buy-back. Further details will be released to the market at the appropriate time.

An unfranked interim dividend of 0.5 cents per share, payable on 30 April 2003, was declared by Directors (December 2001: 0.5 cents). Although the company is in a tax paying position in Australia for 2003, the benefit of franking credits will not accrue to shareholders until financial year 2004.

The directors expect that the policy of paying out dividends of approximately 50% of full year profit after tax will be maintained.

We are on track to deliver a 2003 full year after tax profit of at least $63 million, representing a 12.5% growth in net profit after tax.

financial commentary

For the period, operating turnover increased from our core businesses in comparison to the previous year.

Strong underlying performances were recorded by the company's Infrastructure division (Works Infrastructure) with above budget results in both Australia and New Zealand, and our Mining division (Roche Mining) recorded turnover and profit for the six months well ahead of budget.

Engineering division (Downer Engineering) recorded a small lift in turnover, with the Rail division (EDI Rail) trading slightly ahead of budget.

One-off costs associated with the downsizing of some non-rail related works at the Walkers plant in Maryborough, Queensland, have continued, with poor operational results out of Walkers accelerating our need to contain ongoing activity. This has been taken into consideration for the full year outlook.

The underlying business of Downer EDI is strong and operating cash flows of $143.9 million are well ahead of the same period last year (December 2001: $28.8 million). Strong cash flow generation, combined with the retirement of debt, means the company has the capacity to grow the business without the need to raise additional equity capital.

Downer EDI's balance sheet at 31 December was in a strong position, with total assets of $1.78 billion. Total cash at bank and on deposit was $127.5 million. Net borrowings totalled $340.1 million.

new zealand secondary listing

In November 2002, your company established a secondary listing on the New Zealand Stock Exchange (NZSE), with effective quotation date for the trading of Downer EDI shares of 6 November 2002 (NZSE ticker: DOW NZ). No new equity was raised in conjunction with the NZSE listing.

Downer EDI has a major business presence in New Zealand and the listing has increased the company's profile in that market and has allowed New Zealand based shareholders to have greater access to, and trade more freely in, the company's shares.

Responding to shareholder interest, the company introduced in 2001 a direct crediting facility for the payment of dividends into nominated Australian bank, credit union or building society accounts. There has been a large take-up of this facility and if you would like to participate, please contact our Share Registrar:

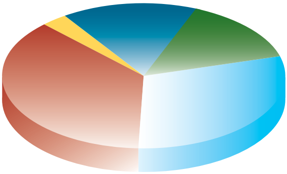
Computershare Registry Services
Level 11/115 Grenfell Street
ADELAIDE SA 5000
Tel: (08) 8236 2300 Fax: (08) 8236 2305

financial summary

For the half year ended 31 December

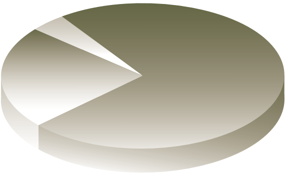
Total turnover
Operating profit before tax & abnormals
Operating profit after tax and before abnormals
Operating earnings per ordinary share (cents)
Total capital & reserves
Total assets
Cash at bank and on deposit
Undrawn facilities
Value of work on hand

Total Turnover by major division



	2002 $M	2001 $M	2000 $M	1999 $M	1998 $M
	1,290.5	1,290.3	611.5	585.0	707.5
	32.8	31.1	19.4	15.8	20.4
	21.8	20.3	14.1	12.0	16.2
	2.0	2.1	2.0	1.8	2.4
	741.4	684.4	426.9	354.7	281.3
	1,781.8	1,711.2	1,117.0	927.1	1,057.6
	127.5	105.3	38.3	32.6	25.7
	266.5	235.3	177.0	128.0	54.0
	5,000.0	4,477.9	2,400.0	1,602.0	1,892.0

Total Turnover by location



operating performance

The company continues to place emphasis on achieving efficiencies, improving margins and maintaining a pragmatic, flexible approach to business opportunities, with an increased focus on developing the cross-selling of services across the organisation.

Our focus is on providing service and developing client relations that lead to long-term quality contracts and repeat business.

Major contracts of $1.1 billion were awarded during the half year, spread evenly across core businesses, and included:

- Mining and resources – in excess of $273 million for periods up to 5 years;
- Telecommunications, power and infrastructure – $309 million for periods up to 5 years;
- Road and rail track maintenance – $227 million over several years; and
- Rail rollingstock supply and maintenance – in excess of $264 million over several years.

Indicative of the range of contracts awarded to Downer EDI during the half year were:

- Stage 2 Millennium train contract to supply 60 carriages – State Rail Authority of NSW ($165 million);
- Cumnock Coal Mine, NSW, 5 year mining contract – Cumnock Coal Limited ($100 million);
- Yallourn Energy Coal Mine, Victoria, long term mining contract through the joint venture RTL (Roche Thiess Linfox) – Yallourn Energy (Roche Mining share $110 million);
- Transmission line contracts with Powerlink Queensland and Western Power Corporation ($90 million); and
- Telecom New Zealand 5 year facilities management services contract (NZ$50 million).

The company continues its strategy of being highly selective and minimising risk with a focus on Australian-New Zealand based income.

Performance by major divisions

Infrastructure Division

Infrastructure maintenance services, including road, rail, water supply, wastewater treatment, parks/reserves and utility services

Turnover for the half year was $240.5 million (an increase of 35.1%). This represented 18.6% of total turnover (last year 13.8%). Principal revenue sources are New Zealand and Australia.

The increase in income reflected growth in the Australian business in rail, road and civil engineering and improved overall performance of the New Zealand business. Works Infrastructure Australia established its head office in Melbourne to better co-ordinate its Victorian and growing national presence.

Engineering Division

Engineering services in telecommunications, power, capital works and process engineering

Turnover for the half year was $363.5 million, a slight increase on the previous year. This represented 28.1% of total turnover (last year 28.2%). Principal revenue was derived from Australia (51.8%), New Zealand and the Pacific (38.6%) and Asia (9.6%).

Focus for the period was on positioning the power services business, and building new business opportunities across the division's operations in power and telecommunications. Contracts awarded during the half, particularly in telecommunications and power, reflected the division's move up the engineering services value chain to better position it for further longer term contracts and repeat business.

Mining Division

Comprehensive turnkey mine services, including operations (open cut, underground, highwall), mine management, minerals processing and minerals technology.

Turnover was $491.6 mllion (an increase of 8.8%) and represented 38.1% of total turnover (last year 37.1%). Principal revenue source was Australia.

The division added over $252 million in new contracts to maintain a high forward order book. Most new contracts came from existing clients. Contracts awarded during the period reflected the continued success of Roche Mining in providing comprehensive mining services to Australia's coal sector, and an increasing presence in the minerals processing and mining services sectors.

Rail Division

Major provider of rollingstock and associated maintenance services.

Turnover for the half was $167.5 million, a small decrease on the previous year. This represented 13.0% of the total turnover (last year 15.1%). Principal revenue source was the Australian market.

The division's focus is on providing comprehensive rollingstock and maintenance capability. It was successful in bringing Sydney's new Millennium train into service and winning the Stage 2 contract for a further 60 carriages and related maintenance services. Major contracts were also won for the provision of locomotives and wagons, and their maintenance, for the Alice Springs to Darwin rail link.

organisational developments

Downer EDI has streamlined its businesses to more efficiently service its clients and position the company for growth in its selected markets.

Roche Mining reorganised to establish a stronger services-based business focus and a national mining business team, reflecting the different markets now serviced in the mining and minerals processing industries.

As part of the realignment of services to the mining sector, the Walkers mill liner foundry in Perth and the minerals exploration and blasthole drilling business of Century Drilling have been transferred to Roche Mining.

A national office for Works Infrastructure in Australia was established in Melbourne to co-ordinate the division's growing road and rail maintenance business.

company prospects

The outlook for Downer EDI is extremely positive. Profit is ahead of this time last year, overall revenue is stable with no margin erosion, and the company's net debt ratio is at an historic low.

The tougher than expected integration and financial issues of the Evans Deakin Industries (EDI) acquisition are now well behind us. We are on track to lift full year 2003 profit after tax in line with market expectations to at least $63 million, representing a 12.5% growth in net profit after tax.

Clearly our assessment of business trading over the next six months affords good visibility with the expectation that a strong second half result will be recorded.

Our focus for the remainder of the year will be on completing the reshaping of our rail business, predominantly Walkers Maryborough, and releasing capital from the Century business. Strong cash generation, value accreting growth options and improving return on capital by delivering steady EPS growth are priorities.

Stephen Gillies
Managing Director

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Downer EDi LIMITED

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Downer ENGINEERING
A DIVISION OF DOWNER EDI LIMITED

Roche MINING
A DIVISION OF DOWNER EDI LIMITED

EDi RAIL
A DIVISION OF DOWNER EDI LIMITED