2005

Full Year Financial Results

Downer EDi LIMITED

OVERVIEW & HIGHLIGHTS

Stephen Gillies

Managing Director

2005 – Financial Headlines

Sales	↑ 19%	$3,815m	*Record level*
NPAT	↑ 28%	$104m	*Above consensus*
EBITA	↑ 20%	$189m	*Core business up*
EPS cps	↑ 23%	36.3	*Double digit growth*
DPS cps	↑ 15%	18.0	*Final dividend up 24%*
Op Cash Flow	Strong & steady	$186m	*3rd strong year in a row*
Gearing	Steady	38%	*Balance sheet strength maintained*
ROFE	↑	16%	*Up from 14%*

8th Consecutive Year of Record Earnings

- Underscored by $4.5b portfolio of long term O & M contracts
- NPAT of $94m, pre consolidated tax benefit
- Record sales and reliable margins deliver 20% lift in EBITA
- Millennium Train contract successfully transitioned to maintenance
- CDL return to EBITA profit, 1st in 3 years
- 94% free float. Management private holding of 6%
- 96% FY06 revenue secured

Divisional Performance

Mining & Resources

	2005	2004	H2FY05	H2FY04
Sales	1,316	935	731	509
EBITA	72.3	44.0	44.4	29.5

- *Record EBITA*
- *Mining EBITA up 35% to $65m - higher volume & steady margins*
- *Mine engineering services up, contract mining flat*
- *CDL contributed to EBITA, versus a loss of $4m in FY04*

Engineering

	2005	2004	H2FY05	H2FY04
Sales	1,251	1,101	637	489
EBITA	58.4	64.2	35.5	28.7

- *Reported EBITA down, underlying earnings steady*
- *Sales in line with guidance*
- *India emerging as new growth market for CPG. New office set up costs & FX detracted $3m from EBITA*

Divisional Performance

Infrastructure

	2005	2004	H2FY05	H2FY04
Sales	873	676	463	341
EBITA	49.7	42.6	34.9	33.1

- *Record EBITA, up 17% yoy*
- *Strong sales growth in both NZ & Australia*
- *Margins reflect sales mix, not underlying performance*
- *Buoyant conditions to remain*
- *Australia to account for 50% of earnings in 3 years, up from 30%*

Rail

	2005	2004	H2FY05	H2FY04
Sales	361	410	168	219
EBITA	23.3	24.2	12.3	6.6

- *EBITA improved off a lower sales base*
- *Sales reflect end of build contracts and free-ing up of capacity ahead of the PPP & emerging freight opportunities*
- *Transitioned to maintenance & spare parts revenue*
- *Maintenance now 2/3rds of EBITA - sustainable*

FINANCIAL PERFORMANCE

Geoff Bruce

Chief Financial Officer

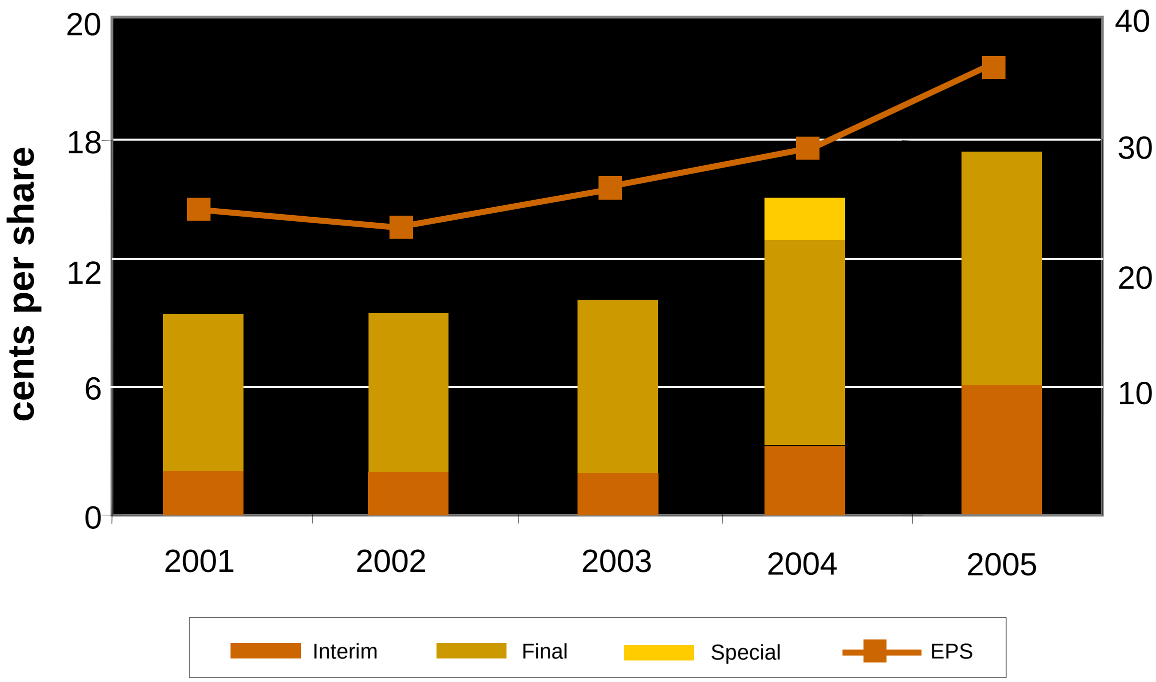
EPS Growth Up 23 %

			(A$ Millions)
Revenue		↑ 19%	3,815
EBITA		↑ 20%	189
Net Interest		↑ 27%	36
NPBT		↑ 21%	132
NPAT		↑ 28%	104
NPAT pre GWA		↑ 23%	125
EPS (basic)	**cps**	↑ 23%	36.3
DPS	**cps**	↑ 15%	18.0
Payout Ratio		Unchanged	50%
Franking		↑	70%

Underlying Earnings Growth Up 18%

(A$ Millions)	FY05	FY04	Change (%)
Reported operating revenue	3,815	3,193	19%
Operating one-offs	15	70	
Underlying operating revenue	3,800	3,123	22%
Reported EBITA	189	157	20%
Net operating one-offs	(5)	(7)	
Underlying EBITA	194	164	18%

Delivering Increasing Returns to Shareholders



- *DPS up 15%*
- *Final dividend of 12 cps, up 24%*
- *Dividend payout – 50%*
- *Franking lifted to 70%*
- *TSR > 72%*

Strong, Sustainable Operating Cash Flow

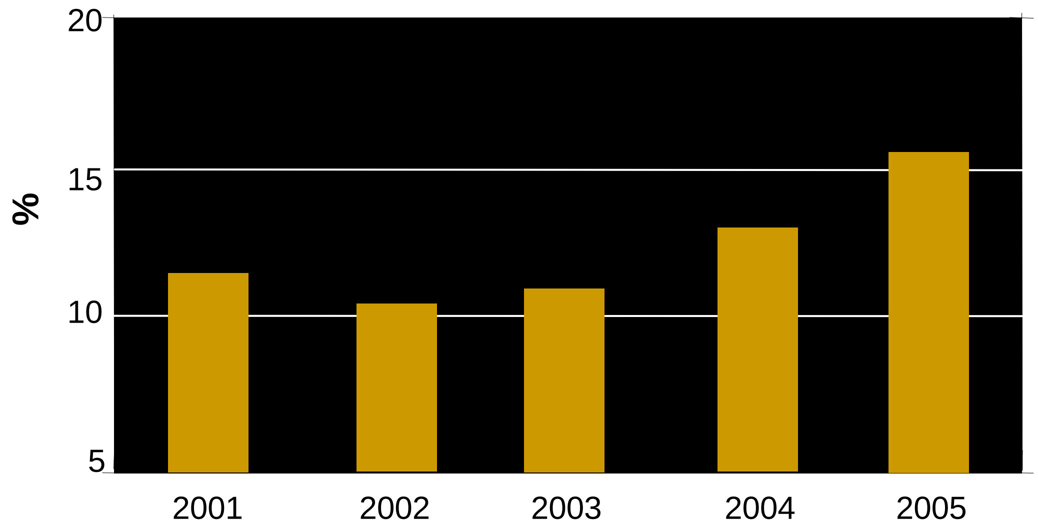
(A$ Millions)	2005	2004
Operating cash flow	186.0	181.5
Adjustments	-	20.0*
Underlying Op Cash	186.0	201.5
Net PPE	(107.3)	(124.7)
Net Acquisitions	(29.6)	(23.0)
Other	(5.4)	2.4
Investing cash flow	(142.3)	(145.3)
Net Cash Flows	43.7	56.2

* Tax Adjustments ($20 in 2004)

... Funding Future Growth in Core Businesses

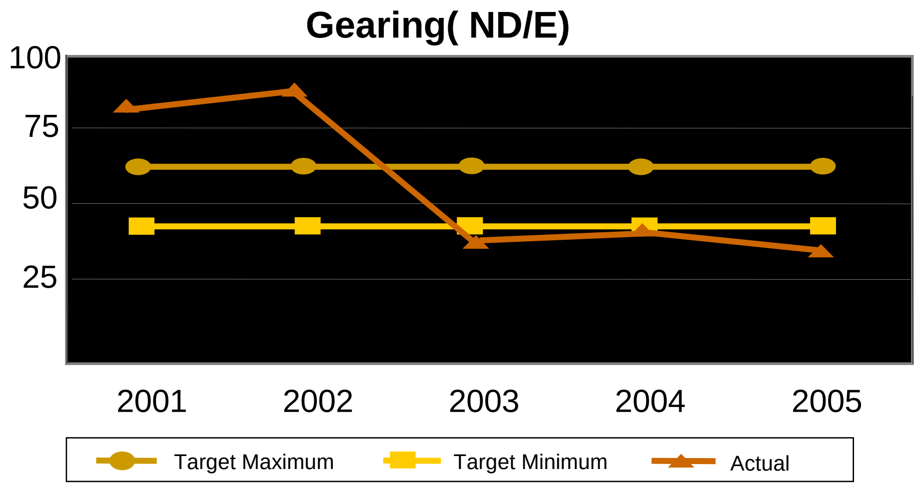
- PPE mainly in Mining & Infrastructure
- Investing in sectors that will drive earnings growth for 2 years +
- Spend reflects PPE modernisation
  - Mining $47.3m net investment
  - Infrastructure $43.3m net investment
- This trend will continue in 2006
- Depreciation to be reinvested into PPE
- Strategy of bolting on FEED businesses continued
  - Design & consulting businesses
  - Infrastructure $19.9m (net investment)
  - Mining ($7.7m) (net divestment)

On Track For 20% ROE Target

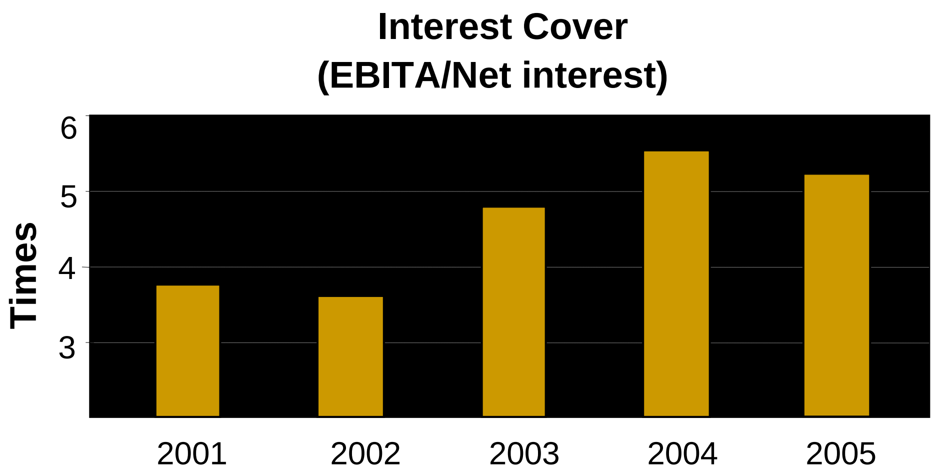


- *15% ROFE target exceeded, an all time high*
- *Reflects improving operational performance of core businesses*
- *Interim ROE target of 18%*
- *Targeting ROE > 20% on sustainable basis.*

Financial Strength – Options for Growth



- *ND/E - all time low of 38%*
- *Flexibility to generate value-added acquisition growth without risk of eps dilution*
- *PPP opportunities beyond NSW Rail: credit rating is critical*
- *Our balance sheet is one of our greatest strengths*



- *Steady at 5.2 times*
- *Impacted by late receipt final Millennium Train payment ($55m)*
- *On track for further improvements*
- *Targeting 5.5 times in FY06.*

Financial Summary

- Reported NPAT growth (pre tax benefit) above minimum guidance and in line with market consensus
- Operating earnings up strongly
- Reflects strong growth in underlying businesses
- 3rd consecutive year of strong operating cash flow
- Recent acquisitions bedded down: the business is hitting it's stride
- EPS uplift signals confidence in financial & operational strength for 2 years +
- Buoyant environment for design, operate and maintaining essential infrastructure assets will reward balance sheet flexibility & strength
- Continued delivery of strong financial metrics AND a build up in latent capacity

Impact of Adopting AIFRS

- Project on schedule, nearing completion
- Immaterial impact on Group’s strategy, cash flows or it’s abilities to borrow or to pay dividends
- Net effect is to reduce total equity by approx $10m or 1%
- Ongoing lift in NPAT due to no goodwill amortisation, $20m
- Good headroom in impairment testing

OUTLOOK & SUMMARY

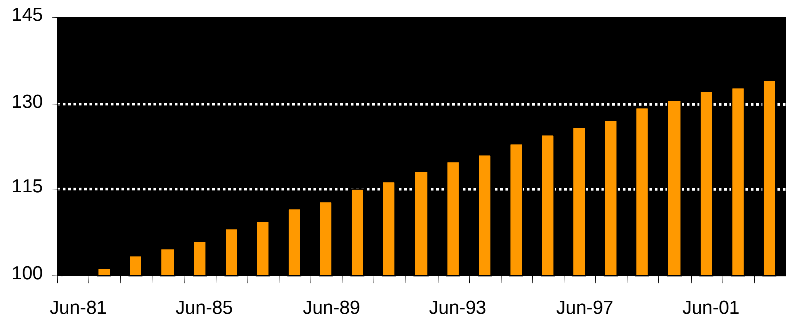
Stephen Gillies

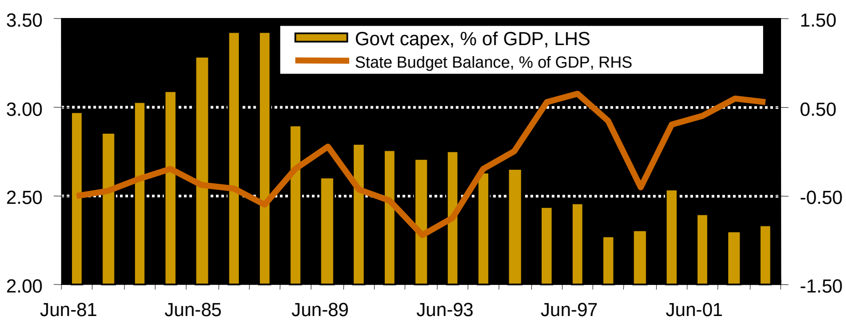
Managing Director

Infrastructure: A Long Period of Under-spend

Public

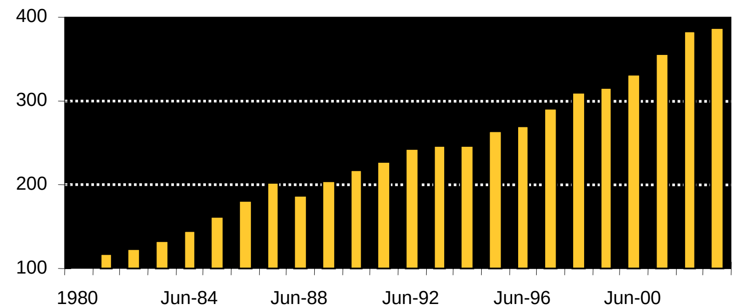
Australian Population, Millions
Base 1980=100

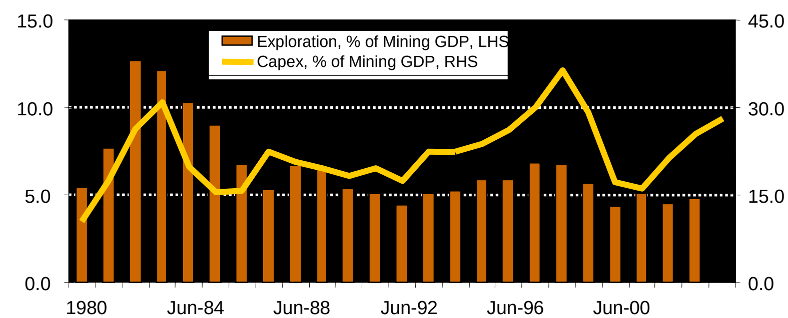




Resource

Coal Production
Base 1980=100





Sources: ABS, ABARE

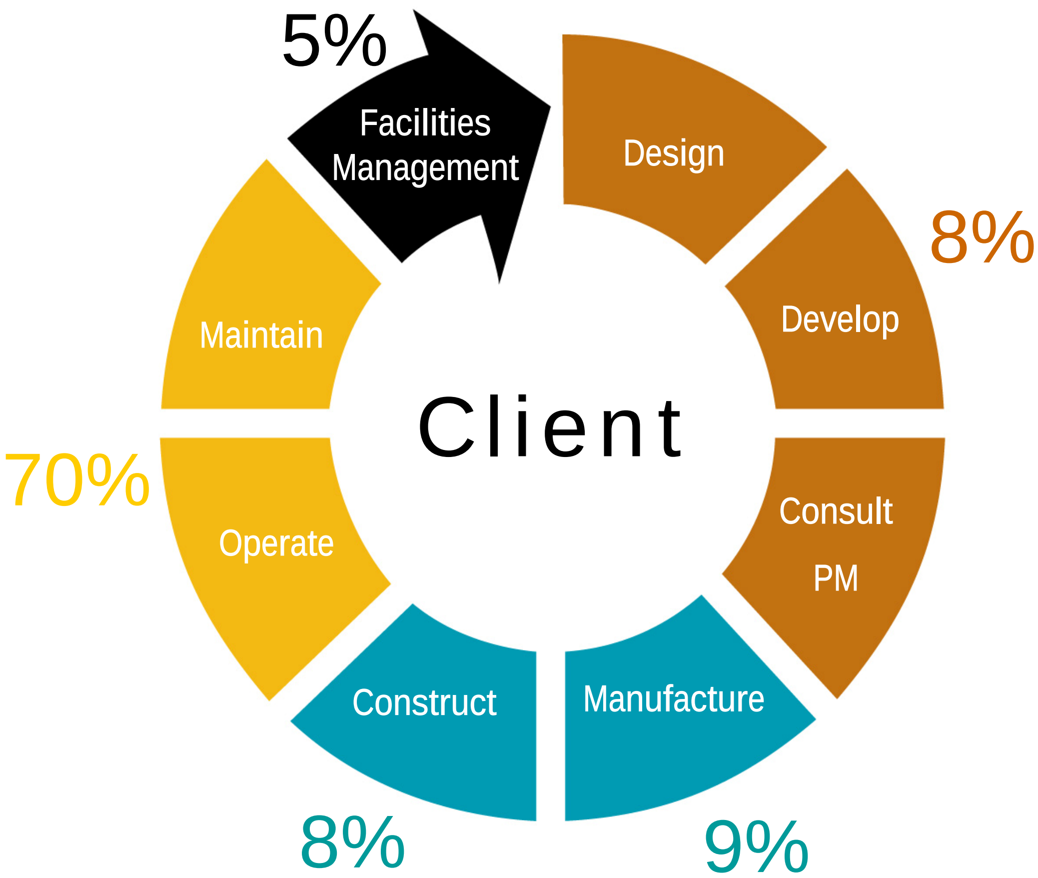
Additional Infrastructure Rehabilitation Spend > $30b in The Next 5 Years *

Road	> $10b	ABS, BIS Shrapnel, Government docs, Company estimates
Rail	> $15b	
Power	> $5b	
Telco	> $5b	
Resources	> $25b	

- Implies baseline organic revenue growth of 10% pa next 5 years
- $90b to be spent over 15 year period

** Business Council of Australia*

Business Model Is Robust



Growing the 'front' & 'back' end will deliver margin lift and improved returns

	Proportion of revenues in long term O & M contracts today
Mining	*60-70%*
Engineering	*50-60%*
Infrastructure	*70-90%*
Rail	*50-70%*

Delivering Sustainable Annuity Style Earnings

	Impact	
Contract duration	HIGH	70% are long term O & M
Contract renewal rate	HIGH	Consistently > 80%
Economic cycle	LOW	Maintenance spend on <u>essential</u> infrastructure assets is non-cyclical
Cost pressures	LOW	90% contracts have “pass through” for key inputs: few fixed price contracts
Client risk	LOW	> 50% of business is government No client > 5% revenue
Interest rate cycle	LOW	1% rate change <$1m NPAT impact
Exchange rate	LOW	5% change SGD, NZD <1% NPAT impact

Group Outlook & Strategies – FY06

Outlook

- 96% of FY06 revenue in hand
- Now focusing on FY07 & beyond
- Moderate/high market growth - transportation, energy & resources
- Trend to outsourcing to continue

Strategies

- Target existing clients in Australia, NZ
- Focus on "core" sectors
- Grow FEED services
- Renewals & extensions
- Grow alliance style contracts
- Capacity

Divisional Outlook – FY06

Mining

Revenue steady, stronger earnings growth and returns for the next 2 years. Mining services will drive earnings. New O & M contracts will all be alliance style.

Engineering

Moderate growth in revenue and margins overall.

Infrastructure

Strong market growth (NZ and Australia) will drive earnings growth. On going productivity gains in NZ and market share growth in Australia will deliver improving margins over a 2 year horizon.

Rail

Core of long term maintenance contracts (our core rail business) will continue to deliver improved earnings off moderate revenue growth in FY06. This excludes potential upside from freight market where DOW has 70% of the market. Freight demand outlook is positive reflecting increasing tonnage requirements of both resource players and freight operators. Beyond that, success in Railcorp PPP has the potential to double the business.

Divisional Guidance - FY06

(All figures: A$M)	FY01	FY02	FY03	FY04	FY05	△	FY06E	△
Engineering	213	362	568	1,170	1,289	10%	1,350	5%
Mining & Resources	624	1,036	1,104	1,083	1,414	31%	1,540	9%
Infrastructure	426	425	577	684	894	31%	980	15%
Rail	240	362	319	410	361	-12%	400	11%
Continuing Businesses	1,503	2,185	2,568	3,347	3,958	12%	4,270	8%
Discontinued & Other	215	401	300	70	14.5		10	
Total Turnover	1,718	2,586	2,868	3,417	3,972	16%	4,280	8%
Group EBITA	99	128	140	157	189	20%		

Group Guidance & Targets – FY06

Guidance

Sales revenue > 8%

NPAT growth > sales revenue growth

Targets

↑ EPS

↑ ROE – 18%

↑ Interest Cover (EBITA/Net interest) – 5.5 times

NWC/Sales <10%

QUESTIONS & ANSWERS

For year ended 30 June	2005 $mil	2004 $mil	2003 $mil	2002 $mil	2001 $mil
Turnover	3,972.3	3,417.5	2,867.9	2,585.6	1,718.1
Revenue	3,814.5	3,193.3	2,697.0	2,442.4	1,632.8
Earnings before interest tax and amortisation of intangibles (EBITA)	188.6	157.3	140.4	128.7	100.5
Net interest expense	36.3	28.5	28.8	34.1	25.9
Income tax	27.6	27.7	28.2	22.9	18.6
Net profit after tax (NPAT)	104.0	81.5	66.6	56.4	45.5
NPAT pre goodwill amortisation	124.7	100.2	82.6	70.7	54.9
Cash flow from operations	186.0	181.5	225.0	47.4	70.5
Basic earnings per share pre amortisation of intangibles (cents)	43.5	36.8	32.0	30.0	30.8
Basic earnings per share (cents) *	36.3	29.6	25.2	23.2	24.4
Diluted earnings per share (cents) *	36.3	29.6	24.4	22.0	22.8
Dividends per ordinary share (cents) *	18.0	15.6	11.6	9.6	8.4
Dividend payout ratio as a percentage of profit after tax	50.0%	53.9%	50.3%	50.3%	47.8%
Total assets	2,343.1	2119.1	2032.7	1829.7	1629.4
Total equity	908.0	823.0	760.2	709.6	586.1
Market value of equity	1,554.8	902.4	739.0	635.4	435.4
Shares on issue (basic as at year end)	291.7	282.0	243.9	240.7	197.9
Closing share price (dollars) *	$5.33	$3.20	$3.08	$2.64	$2.20
ROE	16.0%	13.1%	10.9%	10.2%	11.1%
Net debt to equity	38%	41%	39%	63%	81%
Net debt to capitalisation (debt plus equity)	27%	29%	28%	39%	45%
Interest cover (EBITA/net interest)	5.2	5.5	4.8	3.7	3.8
Trade debtors turnover (rolling 3 month average) - days	46.8	41.4	42.1	43.3	43.0
Net working capital/operating revenue	11%	11%	13%	18%	18%
Order book	6,500	6,400	5,500	4,500	3,700

Downer EDi LIMITED