

2006

Full Year Financial Results



Stephen Gillies
Managing Director

Australia's leading provider of engineering
services for essential infrastructure





Underlying Earnings up 33%

Full Year to 30 June (\$m)	June 06	June 05	%
Revenue *	4,656	3,751	24.1%
EBIT**	230	189	21.8%
Interest & Taxation	(92)	(64)	43.8%
Net Profit After Tax pre adjustment	138	104	32.7%
Non-recurring Items	(163)		
Net Profit/(Loss) After Tax	(25)	104	
DPS	20.0	18.0	

* Reported operating revenue, ie excluding JV sales and share of JV profits

** June 2005 EBITA used for AIFRS comparison



Non-recurring Items

	Amount
Mining – mineral processing	\$228m
Engineering services	\$57m
Total pre tax construction contract provision	\$285m
Total construction contract provision net of tax	\$199m
PPP Costs	\$6m
Tax (consolidated tax uplift)	(\$42m)
Total non-recurring items net of tax	\$163m



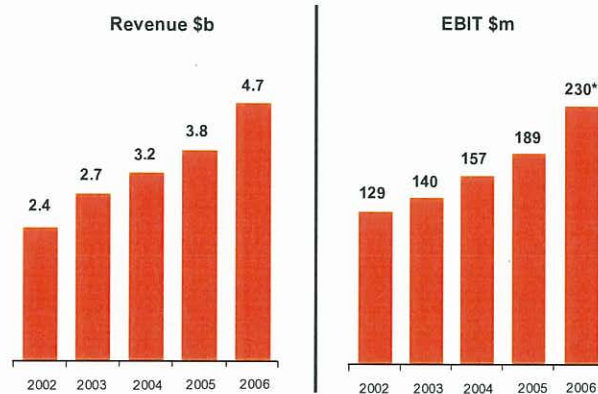
Divisional EBIT Performance

Full Year to 30 June (\$m)	2006*	2005	%
Mining & Resources	83.6	72.3	15.6
Engineering	69.1	58.4	18.3
Infrastructure	61.6	49.7	23.9
Rail	32.4	23.3	39.1
Total Divisional EBIT	246.7	203.7	21.1
Corporate / Unallocated	(16.9)	(15.1)	(11.9)
Total Underlying Group EBIT	229.8	188.6	21.8

* Excluding non-recurring items



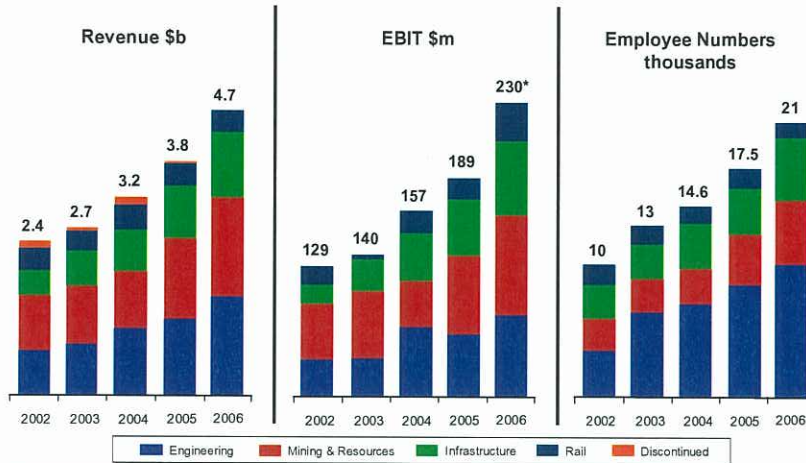
Revenue and EBIT Performance



* Excluding non-recurring items



Strong Divisional Performance



Recent Announcements

- Five year alliance style power contracts with Powerlink for high voltage transmission work and substation upgrades in Queensland
- Alliance mining contract at Leonard Shelf with Teck Cominco and Falconbridge Limited for 4 years in the Kimberly
- Long term alliance contract with FMG in the Pilbara – work includes mine planning, engineering, site establishment and mining production
- Provision of paving and drainage for Auckland Manuka Motorway project
- Short listed for the NSW rail PPP and bid submitted early August
 - Awaiting outcome, a significant opportunity for FY2007/08



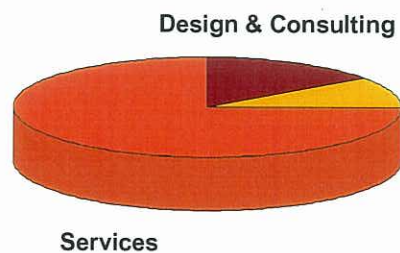
Structural Update

- The company continues to focus on building the level of services skills in its business
- Engineering – streamlined to focus on core capabilities
 - Telco – one head across Australian and New Zealand operations
 - Energy – combine electrical and energy businesses
- Mining & Resources – management team changes complete
 - New team ensures risk management compliance
 - Management team has a strong background in mining, engineering and maintenance
- New team will continue to develop Downer EDI business model, primarily focused on engineering and maintenance



Controlled Exposure to Construction Activities

FY07 Sales



Construction

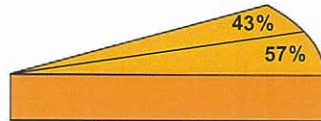
– not more than 10% of revenues

- Construction revenues exists in our Mining and Engineering businesses
- The company will always have an element of construction in its business mix
- The key is managing the risk on these contracts effectively



Construction Breakdown

FY07 Construction



Mining accounts for 43% of construction revenues

- Mining construction contracts exist in the process engineering business - 16% of process engineering revenues are fixed price contracts
- In the future mineral processing contracts are unlikely to be done on a fixed price basis

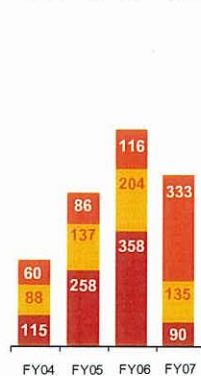
Engineering accounts for 57% of construction revenues

- Engineering construction contracts exist throughout the business - 17% of engineering revenues are fixed price construction contracts
- These contracts in the future will be in the area of electrical contracting

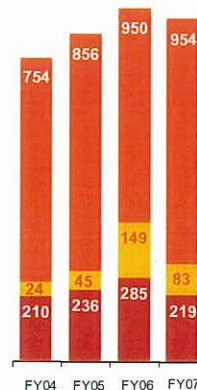


Construction Contract Mix

Mining – Process Engineering \$m



Engineering \$m



■ Fixed Price Construction
 ■ Reimbursed Construction
 ■ Services & Maintenance



Report Card – How Did we Do?

Operations	Revenue	EBIT	Cash Flow
EDi <small>RAIL</small> <small>A DIVISION OF DOWNER EDI LIMITED</small>	✓	✓ ✓	✓ ✓
Works <small>INFRASTRUCTURE</small> <small>A DIVISION OF DOWNER EDI LIMITED</small>	✓ ✓	✓ ✓	✓ ✓
Roche <small>MINING</small> <small>A DIVISION OF DOWNER EDI LIMITED</small>	✓ ✓	x	✓
Downer <small>ENGINEERING</small> <small>A DIVISION OF DOWNER EDI LIMITED</small>	✓ ✓	x	x

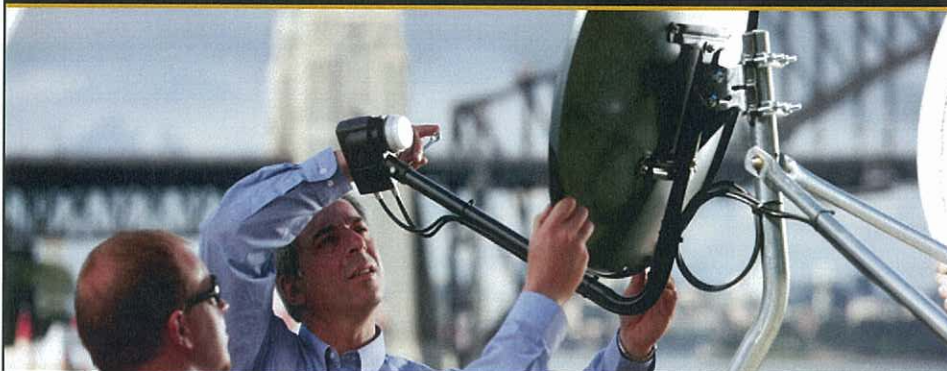


Report Card Excluding Non Recurring Items

Operations	Revenue	EBIT	Cash Flow
EDi <small>RAIL</small> <small>A DIVISION OF DOWNER EDI LIMITED</small>	✓	✓ ✓	✓ ✓
Works <small>INFRASTRUCTURE</small> <small>A DIVISION OF DOWNER EDI LIMITED</small>	✓ ✓	✓ ✓	✓ ✓
Roche <small>MINING</small> <small>A DIVISION OF DOWNER EDI LIMITED</small>	✓ ✓	✓ ✓	✓ ✓
Downer <small>ENGINEERING</small> <small>A DIVISION OF DOWNER EDI LIMITED</small>	✓ ✓	✓ ✓	✓

Geoff Bruce
Financial Director

Financial Performance



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15



**Downer
EDI**

FY06 Final Results

Full Year Ended 30 June (\$m)	2006*	2005	%
Revenue *	4,656	3,751	24.1%
EBIT**	230	189	21.8%
Profit Before Tax	183	132	38.6%
Taxation	(45)	(28)	
Net Profit After Tax pre adjustment	138	104	32.7%
Non-recurring Items	(163)		
Net Profit/(Loss) After Tax	(25)	104	
DPS (cents)	20.0	18.0	

* Reported operating revenue, ie excluding JV sales and share of JV profits

** June 2005 EBITA used for AIFRS comparison

Downer EDI Limited 2006 Full Year Financial Results

16



EBITDA to Cash Flow

Full Year Ended 30 June (\$m)	30 June 06	30 June 05	Change
EBITDA*	330.1	288.9	14.3%
Net PP&E	149.3	107.3	39.2%
Net Acquisitions	219.2	27.6	693%
Net Investments	19.2	(6.3)	(404)%
Capex	387.7	128.6	202%
Tax Paid	24.7	35.7	(31.0)%
Borrowing Costs Net of Interest Received	44.4	39.4	12.8%
Dividends Paid (net of DRP)	36.9	20.9	76.3%
Change NWC (Funded)	163.0	53.0	208%
Major Applications of Cash	656.7	277.6	136%
Net Cash Applied	(326.6)	11.3	

* Excludes significant items

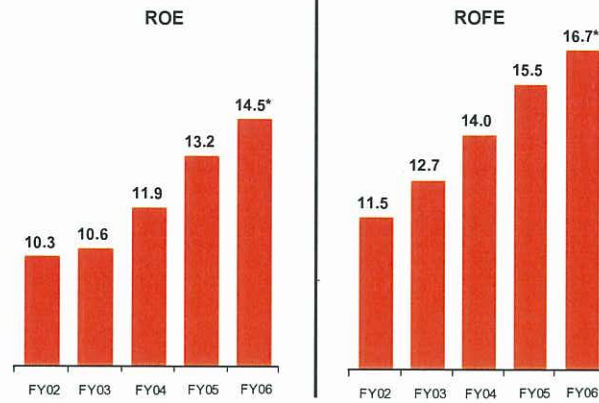


Balance Sheet

- Gearing – 30 June '06 gearing at 56% - within target range
- June 30 net borrowings of \$472m
- All financing covenants met – borrowing capacity maintained
- Operating cash flow \$90m
- FY06 PPE \$149m greater than depreciation of \$107m
 - H2 PPE (\$56m) and depreciation (\$51m) moving back into alignment
- Final dividend for 2006 of 8.0 cps unfranked
- Total 2006 dividend payout of 20.0 cps – up 11% on FY05



Returns on Equity and Funds Employed

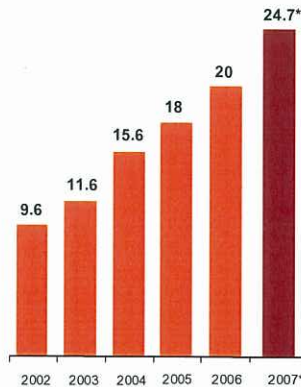


* Underlying basis

ROE = NPAT Rolling 12mth pre-goodwill/Equity pre-goodwill
ROFE = EBIT/AFE; AFE = Avg Net Debt + Avg Equity last 3 half years



Dividends Per Share – up 11%



* Estimate based on FY07 NPAT of \$155m, shares on issue of 314.2m and assumed payout ratio of 50%

Stephen Gillies
Managing Director

Outlook & Summary



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21



Downer EDI

Well Positioned for Growth in Core Businesses

Scale Operations

Roche Mining
\$1.4bn

Works Infrastructure
Road and rail
\$1.1bn

Downer Engineering
Energy, communications
and consulting
\$1.6bn

EDI Rail
Freight and passenger
\$350m

Strong Capabilities

Market leading position

- #1 or 2 player in each market
- strong geographical reach

Intellectual Property

- design
- software applications
- R & D

Long term relationships

- annuity type revenues
- alliance contracts
- average contract length 3-4 years¹

Integrated Engineering Solutions

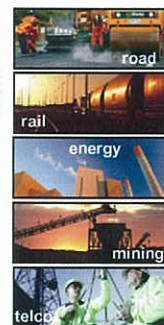
- asset management focus

Strong Balance Sheet

- investment grade credit
- financial discipline – gearing 56%

Focus

**Essential public
and private
infrastructure**



¹ Excludes options to extend

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22

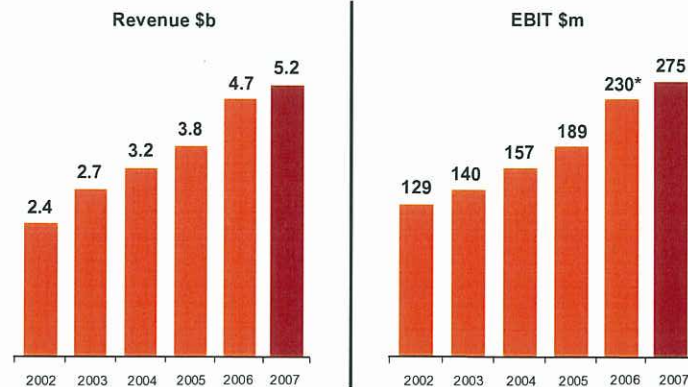


Forecast Update for FY07

- Revenue : \$5.2bn
- Majority of FY07 forecast revenue secured
- EBIT : \$275m
- NPAT : \$155m
 - assumes higher interest rate forecast and tax rate of 30%
- Cash flow: at least in line with EBIT
- Substantial investment in PPE and Emoleum purchase will be a positive factor in achieving FY07 targets



Growth trend continues in FY07



* Excluding non-recurring items

Questions & Answers



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25

Additional Slides



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26



Risk Management - Control

- Construction now less than 10% of group revenues
- Management has evolved business to a services platform from a legacy of construction but needs to realign exposure and management to the risks of one-off project delivery model
- More reviews of contracts – less delegated authority at divisional level
- Active promotion of alliance style contracts across the businesses
- Head office recruited and established a commercial compliance team in the beginning of 2006 to tighten risk management - including contract reviews i.e. recognition that underlying culture and management is not structured to deal with large contract disputes



Risk Management – Management & Shareholders Aligned

- Senior executives continue to have sizeable ownership in Downer EDI
- Senior management annual reward has fixed and variable components – variable reward taken as 1/3 shares (effective FY06)
- Long-term incentive plan linked to TSR and EPS targets. The plan is divided into 2 portions with different hurdles being applied to each. The incentive is received in the form of equity
 - The first portion will vest base on the company's TSR as measured against an ASX 100 comparator group
 - The second portion will vest based on meeting growth in the company's EPS
- Discount employee share plan



Mining & Resources

Full Year to 30 June (\$m)	2006*	2005	%
Turnover	1,388	1,316	5.5%
EBIT	83.6	72.3	15.6%
Margin	6.0%	5.5%	



- All projects with disputes finish by the end of FY07
- Division improved margins outside of construction activities

* Excluding non-recurring items



Engineering

Full Year to 30 June (\$m)	2006*	2005	%
Turnover	1,564	1,251	25.0%
EBIT	69.1	58.4	18.3%
Margin	4.4%	4.7%	



- Majority of projects with disputes finish by the end of FY07

* Excluding non-recurring items



Infrastructure

Full Year to 30 June (\$m)	2006*	2005	%
Turnover	1,078	873	23.5%
EBIT	61.6	49.7	23.9%
Margin	5.7%	5.7%	



- No construction style disputes in Works Infrastructure
- Australia now 42% of divisional turnover
- Australian margins are improving but still below margins in New Zealand – in second half Australian margins were above 6%

* Excluding non-recurring items



Rail

Full Year to 30 June (\$m)	2006*	2005	%
Turnover	349	361	(3.3%)
EBIT	32.4	23.3	39.1%
Margin	9.3%	6.5%	



- No construction style disputes in EDI Rail
- Division improved margins YOY – exceeded half year levels

* Excluding non-recurring items

