2006

Half Year Financial Results

23 February 2006

Downer EDi LIMITED

OVERVIEW & HIGHLIGHTS

Stephen Gillies

Managing Director

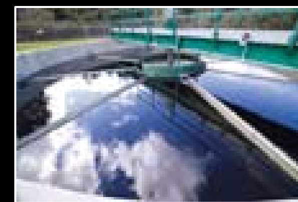
Overview

Demand for outsourcing is strong across all sectors. Our leading market positions, full pipeline of infrastructure and refurbishment projects will sustain current revenue and deliver a positive outlook for the next few years.

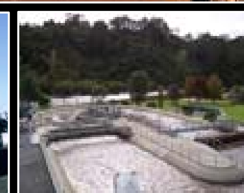
design









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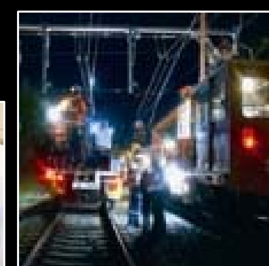

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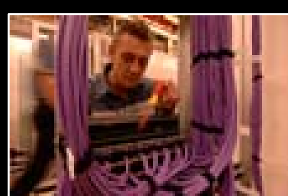
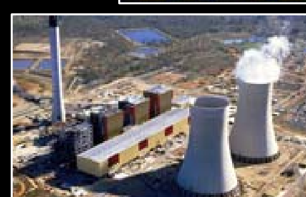
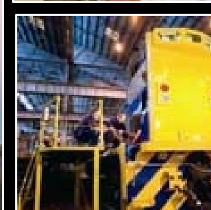






Group Overview

- Turnover $2.28b, up 23% pcp; moving closer to 50/50 split
- EBIT $99m, up 35% pcp, substantially organic growth
- Group EBIT/Turnover margin improved on both pcp (4.0% to 4.4%) and rolling 12 month bases (4.8% to 4.9%)
- PBT at $78.1m, up 40% pcp, and a record for H1
- NPAT of $69.6m, up 50% pcp, also a record for H1, delivering a 45% lift in EPS pcp
- Cash flow conversion continues to improve

Note: All figures for H1'04 used in comparisons have been adjusted for the effects of AIFRS to ensure "like for like" comparison.

Group Overview

- Sales growth more evenly spread of business through the year, owing to growth in consulting & long term maintenance
- Significant wins confirm DOW’s strong market position
  - BHP locomotives – further orders
  - QR – further locomotive orders
  - Australand – infrastructure consulting
  - RIO – Argyle mine term contract
  - ARTC – supply of rail track engineering services in NSW
  - SCT Logistics – new locomotive supply and 10 year maintenance
  - Various power companies - maintenance

Management Highlights

- Wider acceptance of strength & longevity of resource & infrastructure spend and DOW's strong position
- Admission to S&P/ASX100 (Sep 05) and MSCI (Jun 05) resulting in increasing investor interest
- Management team expanded in preparation for future growth
- Improving financial performance recognised by Fitch Ratings with an upgrade from BBB- to BBB (Stable Outlook)
- AIFRS successfully implemented on time and with no material adverse impact on Group results

Management Highlights

- DWK (NZ) and Coomes Consulting (Aust.) bolt-on acquisitions reflect continued focus on consulting & FEED
- Emoleum acquisition consistent with our goal of participating in industry consolidation. Delivers national road maintenance footprint in Australia
- FY07 with full year contribution from Emoleum should be another year of strong growth
- Further bolt-on acquisitions are under active consideration to replicate business model in preferred, low risk operating jurisdictions
- Moreover, outlook for organic growth is overtly positive for all divisions

FINANCIAL PERFORMANCE

Geoff Bruce

Chief Financial Officer

Reported Earnings Up 50%

Half Year Ended 31 December	Dec 05 $m	Dec 04 $m	↑ %
**Revenue ** **	2251.0	1767.9	27
Turnover	2279.5	1851.9	23
EBIT	99.2	73.4	35
Net Interest	21.1	17.7	19
Profit Before Tax (AIFRS)	78.1	55.7	40
Taxation	8.5	9.3	-9
Net Profit After Tax (AIFRS)	69.6	46.4	50
EPS (basic) cps	23.8	16.4	45
DPS cps	12.0	6.0	100

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

Financials – Key Points

- H1'04 restated to add back amortisation of goodwill under AIFRS
- Revenue and Turnover up strongly with Mining, Engineering and Infrastructure being highlights
- Net interest expense up $3.4m on pcp due to higher working capital position associated with increased turnover and the funding of future growth
- EBIT growth translating to NPBT, which was up 40% to $78.1m
- EBIT margin up significantly on pcp reflecting improvements in margin in Mining (+0.7%), Infrastructure (+1.0%) and Rail (+2.9%) flowing from better quality work and improved operating performance
- Tax consolidation completed and final sum of $12.3m reflected in result
- EPS up 45% pcp, from 16.4cps to 23.8cps

Financials – Key Points

- Interim dividend up 100% pcp to 12.0 cps
- Dividend 70% franked and DRP available
- Continued improvement in return to shareholders with Rolling 12 month NPAT/Equity (ie Reported Shareholders' Funds Adjusted for Goodwill since 1998) increasing from 13.2% (June 2005) to 15.1%
- Gearing (Net Debt* to Equity) increased from 38% (June 2005) to 49% - below preferred level of 50% and well below 66% target maximum
- Interest Cover (rolling 12 month) improved from 5.2x (June 2005) to 5.4x

* Net debt includes hedge positions relating to debt

Financials – Key Points

- Ongoing focus on working capital to release surplus funds and internally fund growth/reduce debt
- Turnover becoming less skewed to H2 but expect H2'06 to better H2'05 ($2.1bn)
- Work continuing to quantify value of potential R&D tax benefits.

Financials – Key Points

- AIFRS – an immaterial impact overall
- Key adjustments include:
  - Net Assets under AIFRS at 30 June 2005 are $900.6m, which is $7.4m (<1%) lower than the previous AGAAP net assets of $908.0. Details are noted in Appendix 4D
  - For the 6 months ended 31 Dec 2004 restated AIFRS net profit of $46.4m is $10.8m higher than the previous AGAAP profit of $35.6m mainly due to non-amortisation of goodwill
  - Gross Borrowings reduced by $60m due to revaluation marked to market for AIFRS offset by corresponding liability of $60m in Other Financial Liabilities for revaluation of related currency and interest rate swaps which is treated as debt. Net debt is $461.7m

Financials – Key Points – Cash Flow

Cash flow conversion is ahead of pcp

	6 months to 31-Dec-05 $m	31-Dec-04 $m
Receipts from Customers	2486.6	1903.5
Net Distributions from JVs	5.6	(3.8)
Payments to Suppliers & Employees	(2396.4)	(1827.1)
Net Operating Cash Flow	**95.8**	**72.5**
Conversion EBITDA to NOCF	**0.61**	**0.57**

Financials – Key Points – Cash Flow

	6 months to 31-Dec-05 $m	31-Dec-04 $m	Change
EBITDA	**156.2**	**127.0**	**23%**
Net PP&E	93.6	55.9	67%
Net Acquisitions	26.9	22.1	22%
Net Investments	24.3	7.6	218%
Capex	144.8	85.7	69%
Tax Paid	20.7	14.3	45%
Borrowing Costs Net of Interest Received	19.6	17.8	10%
Dividends Paid (net of DRP)	20.2	12.2	66%
Change NWC (Funded)	49.3	35.9	37%
Major Applications of Cash	**254.6**	**165.8**	**54%**
Net Cash Applied	**98.4**	**38.8**	**153%**

Financials – Key Points – Cash Flow

- Major movements in cash relate to:
  - PP&E: primarily Resource Services refurbishment of rigs going into service and in preparation for tender (>$20m) and accelerated equipment replacement for WI NZ
  - Acquisitions: DWK, Coomes, other small bolt-ons $27m
  - Investments: Suzhou Industrial Park $14m (US$10.5m) and acquisition deposit for Emoleum $10m
  - Tax: completion of tax consolidation to result in lower net taxes
  - Increase in Net Working Capital due to incremental turnover and broadly in line with pcp

Divisional EBIT Overview

Half Year to 31 December ($m)	2005	2004	↑ %
Mining & Resources	41.2	27.6	49
Engineering	24.5	26.1	(6)
Works Infrastructure	21.0	14.8	42
Rail	16.6	11.0	51
Total Divisional EBIT**	103.3	79.5	30
Corporate / Unallocated	(4.1)	(6.1)	
Total Group EBIT	99.2	73.4	35

** * Before allocation of Corporate Management Fees*

Mining – Highlights*

Half Year ended 31 December ($m)	2005	2004	⬆
Turnover	760	590	29%
EBIT	37.7	25.1	50%
Margin	5.0%	4.3%	0.7%

- An excellent result in terms of turnover and margin contribution
- New alliance contracts with RIO on Argyle Diamond mine and Anglogold on Sunrise Dam and commencement of open cut mining at Excel Coal's Millennium Coal mine
- Improved earnings and better terms of contract being written into current and future revenues - focus will be on controlling quality of new work

** Excludes Resources operation – EBIT $3.5m (margin 5.2%) vs $2.5m pcp (margin 4.6%) not included above*

Engineering – Highlights

Half Year ended 31 December ($m)	2005	2004	⬆
Turnover	809	621	30%
EBIT	24.5	26.1	(6)%
Margin	3.0%	4.2%	(1.2)%

- Weak spend by Telstra continued as previously foreshadowed
- Work with Telstra on restructuring & extending contract ongoing & encouraging
- Strong growth in Power services which contributed the bulk of turnover increase but at lower margins. Exciting developments in power system upgrade market augurs well for future term maintenance contracts
- Consulting businesses performed to budget

Infrastructure – Highlights

Half Year ended 31 December ($m)	2005	2004	⬆
Turnover	453	405	12%
EBIT	21.0	14.8	42%
Margin	4.6%	3.6%	1.0%

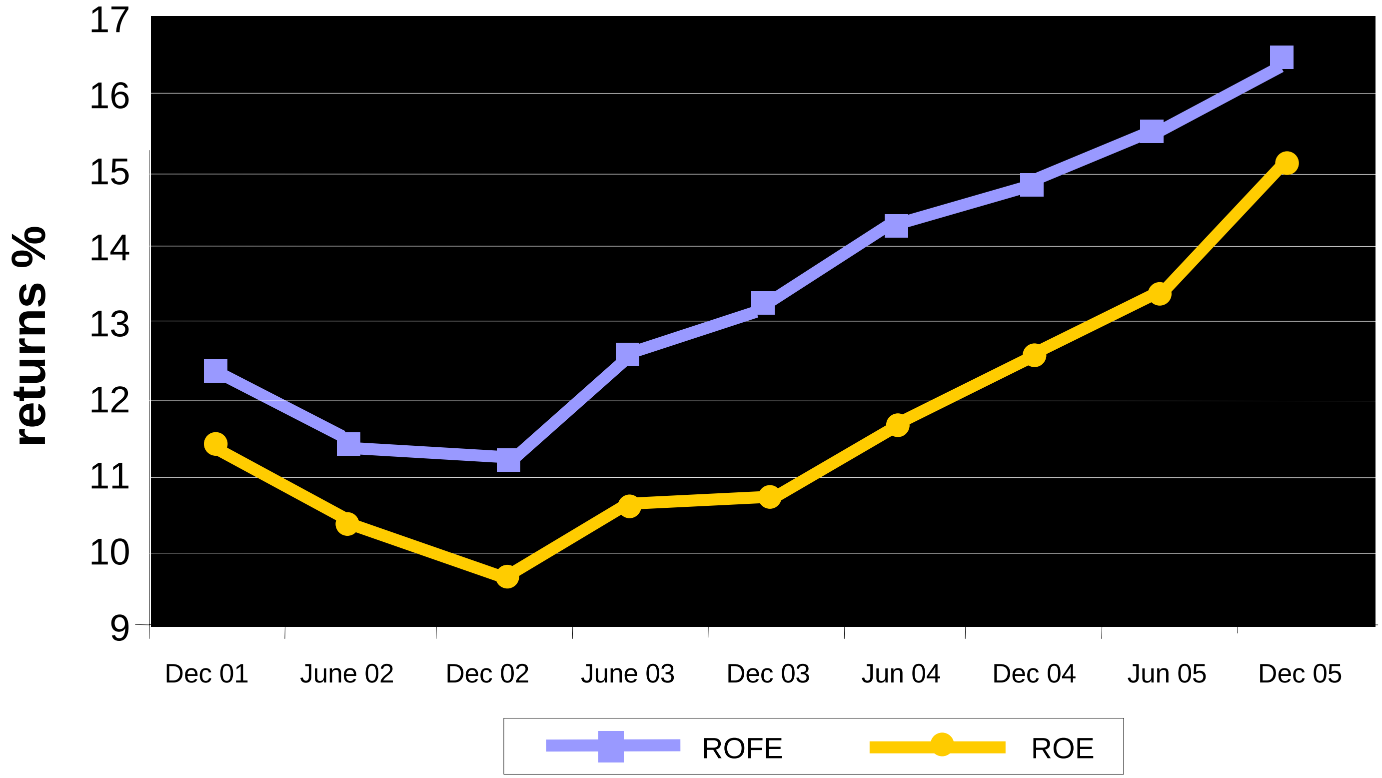
- Excellent result with both NZ and Australia showing benefits of continuous improvement programs and strong end market demand in roading and rail track
- Australian margins improving
- Infrastructure operations a strong growth engine for the group
- Emoleum to contribute, ACCC approval obtained
  - National footprint, 1000 employees
  - Key sites in larger NSW & QLD markets

Rail – Highlights

Half Year ended 31 December ($m)	2005	2004	⬆
Turnover	191	192	0%
EBIT	16.6	11.0	51%
Margin	8.7%	5.8%	2.9%

- Continued focus on maintenance and spares delivering better margins and greater stability in present & future revenue streams
- Good forward orders means our focus is now on 2007 and 2008
- Further orders for locomotives with BHP Billiton, QR; new supply and 'whole of life management' contract with SCT Logistics
- Railcorp Passenger Train PPP decision expected in 2nd quarter

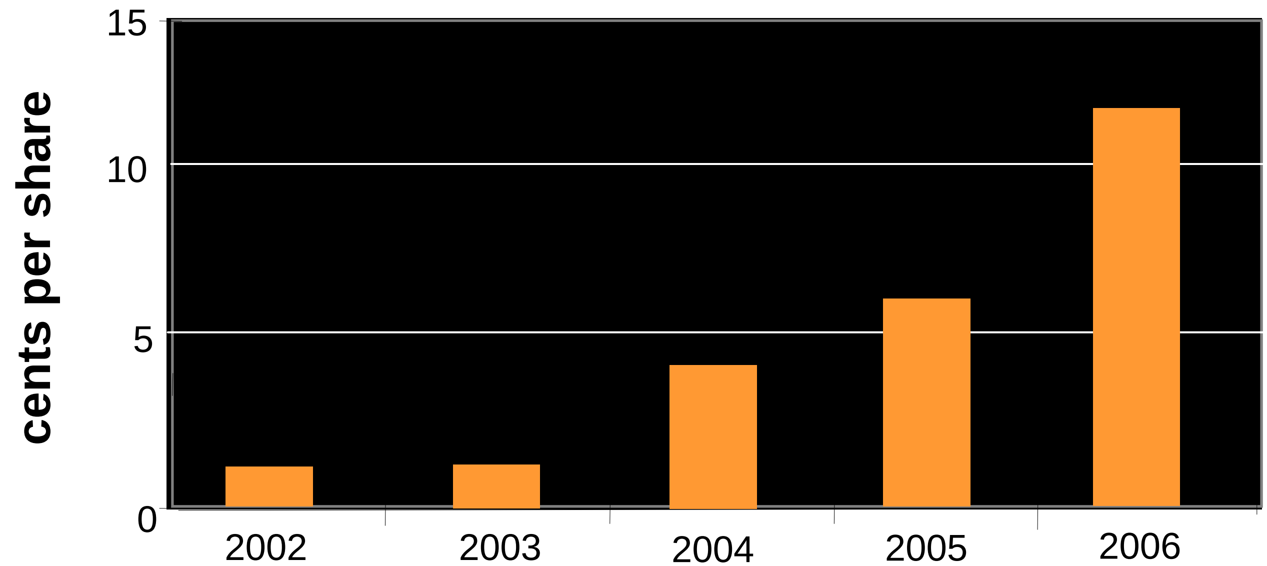
Returns on Equity and Funds Employed



ROE = NPAT Rolling 12mth pre-goodwill/Equity pre-goodwill

ROFE = EBIT/AFE; AFE = Avg Net Debt + Equity last 3 half years

Dividends Per Share – 100 % pcp



OUTLOOK SUMMARY

Stephen Gillies

Managing Director

Summary

- Sales revenue exceeded expectations
- Reflects momentum in underlying businesses: ie not one-off
- Continued focus on bolt-ons in key sectors, several opportunities under review
- Expansion of corporate team reflects focus on integration & positions DOW for future growth
- Continued focus on sustainable revenue, principally in consulting, maintenance and infrastructure
- Business focused on FY2007, initiatives today aligned to deliver ongoing momentum
- Consolidation of clients and competitors to create further opportunities for the Group

Guidance & Assumptions – FY06

Guidance Intact

Sales revenue FY05 8%; FY06 circa 20%

NPAT growth in line with market expectations

↑ EPS, ↑ ROE

No Change to Underlying Assumptions

↑ EBITA / AFE (>15%)

Interest cover > 5.0 times

Gearing (Net Debt/Equity <50%)

QUESTIONS & ANSWERS

Downer EDi LIMITED