

# 2008 Half Year Results

21 FEBRUARY 2008



## Agenda

- Zero harm
- Half year performance snapshot
- CEO's observations
- Financials
- Summary

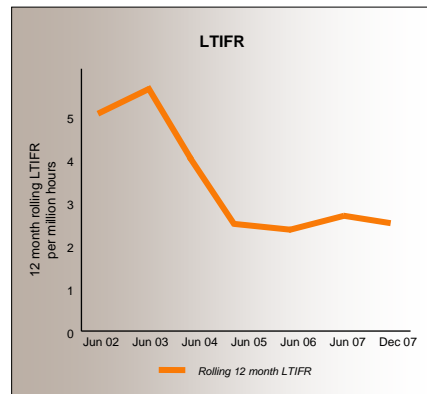


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## Zero harm

- Zero harm is our goal
- Ramping up existing initiatives
- Next step in safety journey



## Half year performance snapshot

Half Year to 31 December (\$m)	2007	2006	%
Revenue	2,766.6	2,628.8	5.2%
EBIT	130.5	123.7	5.5%
Net Profit After Tax	82.2	80.6	2.0%
DPS (cents)	13.0	13.0	

## Revenue and EBIT growth



## CEO's observations

- Strong markets
- Strong differentiated assets
- Great people
- Back to basics
- Going forward

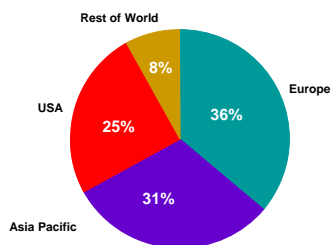


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## Strong markets

**Global infrastructure spend USD 3.2 trillion**



**Global Market Investment\***

(\*Factiva Database)










- Global infrastructure spend is in excess of USD 3 trillion
- Asia Pacific alone represents spend of USD 980 billion
- Over the next 10 years Australia is forecast to spend over A\$500 billion on engineering and construction
- The growth rate of spend on infrastructure globally is several times that of mining and energy



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## Strong differentiated assets

 Downer EDI Rail	 Downer EDI Works	 Downer EDI Engineering	 Downer EDI Mining	Consulting Services
<ul style="list-style-type: none"> <li>World class build capability</li> <li>World class maintenance</li> <li>Knowledge of regional markets</li> <li>Strong client relationships</li> </ul>	<ul style="list-style-type: none"> <li>Managing large dispersed workforce</li> <li>Long-term client relationships</li> <li>Ability to acquire and integrate businesses</li> </ul>	<ul style="list-style-type: none"> <li>Project management</li> <li>Ticket of work ability</li> <li>6000 employees in Australasia</li> </ul>	<ul style="list-style-type: none"> <li>Drill, blast and haul</li> <li>Dragline operation and maintenance</li> <li>Manufacture of explosives</li> <li>Plant maintenance services</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable communities</li> <li>Mining and Geology engineering</li> <li>Large government infrastructure</li> <li>Environmental services</li> </ul>
				
<b>CEO</b> Guy Wannop	<b>CEO</b> David Cattell	<b>CEO</b> Wayne Nolan	<b>CEO</b> Damien O'Reilly	<b>CEO</b> Peter Reidy



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## Great people

- Over 23,000 staff
- Divisional leadership strong and focused
- High performance teaming processes
- Strong retention rates



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## Back to basics approach



**Our Values  
& Beliefs**



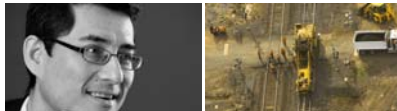
## Going forward

- Strategic development program
  - Ramp up work started with 2<sup>nd</sup> Road
  - UBS inputs received
- Spending time in the divisions working with the leadership teams and our people
- Engaging with our clients
- Engaging with our shareholders
- Market update in June



## Market update

- We have delivered on our commitments to 31 December 2007
- We see no material change to current guidance for the next period
- Forecasting less seasonality in H1 & H2 mix as we return to more traditional weather patterns
- Capex – expect to be higher than depreciation at the full year as we selectively invest to strengthen our operations
- Operating cash flow – expected to remain strong

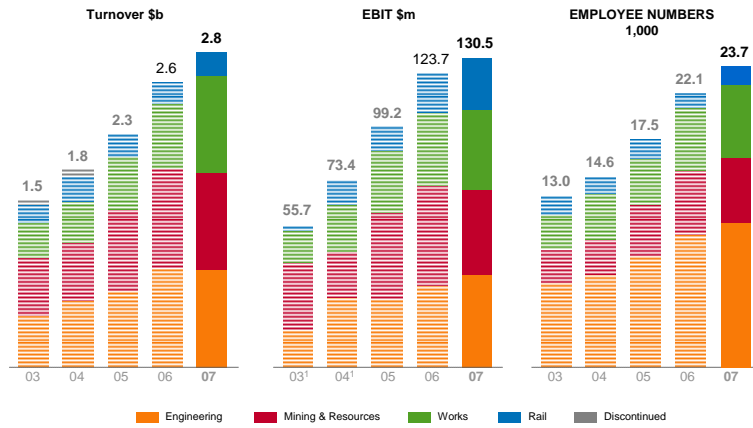


## Revenue and EBIT growth

Half Year to 31 December (\$m)	2007	2006	%
Revenue	2,766.6	2,628.8	5.2%
EBIT	130.5	123.7	5.5%
Net Interest	(26.4)	(27.5)	(4.0%)
Profit Before Tax	104.0	96.2	8.1%
Tax	(21.8)	(15.6)	39.8%
Net Profit After Tax	82.2	80.6	2.0%
EPS (cents) reported	23.7	25.6	(7.4%)
DPS (cents)	13.0	13.0	



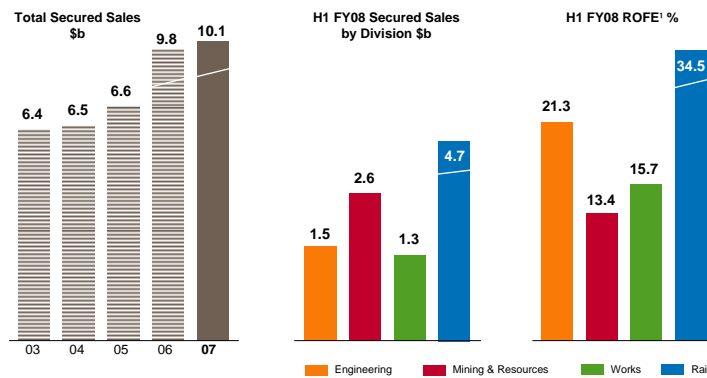
## Business momentum continues



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## Secured sales maintained – currently bidding on \$4.5bn



ROFE = EBIT/AFE; AFE = Avg Net Debt + Avg Equity last 3 half years  
<sup>1</sup> Underlying

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## First half cash flow strong

\$million	December 2007	December 2006
Net Profit after tax	82.2	80.6
Depreciation & amortisation	74.2	67.2
Working capital movement	22.4	(191.1)
Other	(56.8)	26.7
<b>Operating cash flow</b>	<b>122.0</b>	<b>(16.6)</b>
Investments	38.4	(117.0)
Capital expenditure (net)	(103.6)	(42.0)
Dividends paid	(16.2)	(15.4)
Capital raising	-	0.3
Other	-	(11.0)
<b>Increase (decrease) in borrowings</b>	<b>(40.6)</b>	<b>201.7</b>
Net debt	479 <sup>1</sup>	734
Net debt to equity (%)	39%	71%



<sup>1</sup> includes \$73m mark to market revaluation adjustment

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## Healthy balance sheet

- December 31 net borrowings of \$479m
- Gearing 39% – at lower end of range
- Term borrowing facilities mature in June (\$178m) and December (\$68m) – represents 21% of total borrowing capacity
- Operating cash flow \$122m – 93% of EBIT
- Net capex \$104m – increases in Works and Mining

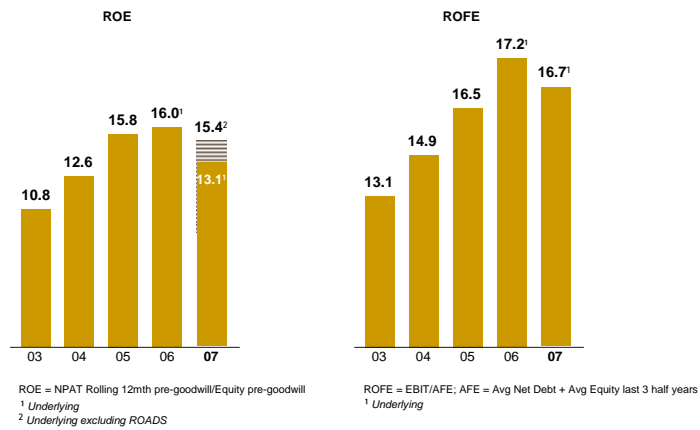


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## Returns maintained at mid teens levels



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## We are back on track

Isaac Plains  
Process Engineering

Agreed deed of settlement

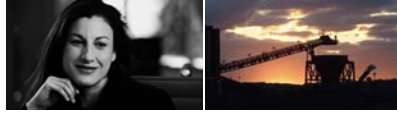
- Over 1m tonnes of product processed
- Agreed deed of settlement

Condong & Broadwater  
Energy Systems

- Condong – hot commissioning
- Broadwater 94% complete
- Forecast completion May 2008



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## Divisional EBIT

Half Year to 31 December (\$m)	2007	2006	%
Mining and resources	40.9	60.6 <sup>1</sup>	(32.5)%
Engineering	45.6	31.3	45.7%
Works	39.0	31.4	24.2%
Rail	20.7	18.4	12.5%
Divisional EBIT	146.2	141.7 <sup>1</sup>	3.2%
Corporate / Unallocated	(15.7)	(5.2)	
<b>Total Group EBIT</b>	<b>130.5</b>	<b>136.5<sup>1</sup></b>	

<sup>1</sup> Underlying



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## MINING

### Performance in line with recovery expectations

Half Year to 31 December (\$m)	2007	2006	%
Revenue	752.1	954.4	(21.2)%
EBIT	40.9	60.6 <sup>1</sup>	(32.5)%
EBIT / Sales	5.4%	6.3% <sup>1</sup>	
ROFE	13.4%	18.6%	
Secured Sales	2.6bn	2.2bn	

<sup>1</sup> Underlying



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## ENGINEERING

### Strong divisional performance

Half Year to 31 December (\$m)	2007	2006	%
Revenue	930.1	743.8	25.0%
EBIT	45.6	31.3	45.7%
EBIT / Sales	4.9%	4.2%	
ROFE	21.3%	18.3%	
Secured Sales	1.5bn	1.3bn	



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## WORKS

### Benefits of aligned structure

Half Year to 31 December (\$m)	2007	2006	%
Revenue	815.1	722.8	12.8%
EBIT	39.0	31.4	24.2%
EBIT / Sales	4.8%	4.3%	
ROFE	15.7%	18.5%	
Secured Sales	1.3bn	1.2bn	



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## RAIL

### Continued strong performance

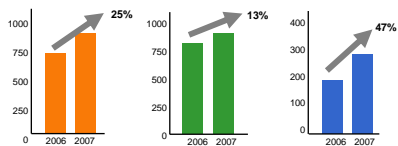
Half Year to 31 December (\$m)	2007	2006	%
Revenue	278.8	189.6	47.0%
EBIT	20.7	18.4	12.5%
EBIT / Sales	7.4%	9.7%	
ROFE	34.5%	28.0%	
Secured Sales	4.7bn	5.1bn	



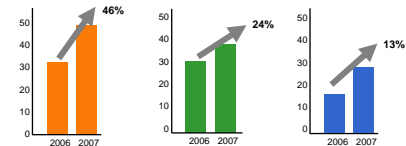
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## Revenue and EBIT growth positive

REVENUE \$M



EBIT \$M



Engineering Works Rail

### ENGINEERING HIGHLIGHTS

- Maintaining leading market position in power and electrical
- Developing opportunities for technical services
- Expect continued margin improvement as undertake business improvement
- Consulting starting to leverage combined structure and knowledge

### WORKS HIGHLIGHTS

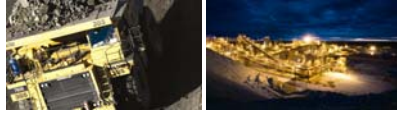
- Revenue growth expected to continue
- Margin improvement
- UK operations turning around

### RAIL HIGHLIGHTS

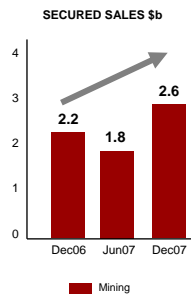
- Strong business performance
- PPP progress meeting expectations
- Renewed passenger orders from WA and QLD
- Strong locomotive and passenger outlook



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## Order book growing - now \$2.6bn



### MINING HIGHLIGHTS

- \$1.5bn worth of contracts announced in the last 5 months
- Bid success rate returning to historic levels
- Identified \$5.4bn worth of work to bid on



## Back to basics approach



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