

Downer Group Capital raising presentation

28 February 2011



Important notices

Disclaimer

This Presentation has been prepared by Downer EDI Limited (ABN 97 003 872 848) (**Downer**).

Summary information

This Presentation contains summary information about the current activities of Downer and its subsidiaries. The information in this Presentation does not purport to be complete nor does it contain all the information which would be required in a disclosure statement or prospectus prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with Downer's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au. No member of the Downer Group gives any warranties in relation to the statements and information in this Presentation.

Not financial product advice

This Presentation is for information purposes only and is not a prospectus, disclosure statement, product disclosure statement or other offering document under Australian law or under any other law. This Presentation is not a recommendation to acquire Downer shares (**New Shares**) and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek appropriate advice, including financial, legal and taxation advice appropriate to their jurisdiction. Downer is not licensed to provide financial product advice in respect of Downer shares. Cooling off rights do not apply to the acquisition of Downer shares.

Financial data

All dollar values are in Australian dollars (A\$) and financial data is presented as at 31 December 2010 unless otherwise stated. The pro forma historical financial information included in this Presentation does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities and Exchange Commission.

Future performance

This Presentation contains certain "forward-looking statements". The words "forecast", "estimate", "likely", "anticipate", "believe", "expect", "project", "opinion", "predict", "outlook", "guidance", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements, and include statements in this Presentation regarding the conduct and outcome of the capital raising, the use of proceeds, and Downer's outstanding debt.

You are cautioned not to place undue reliance on forward looking statements. While due care and attention has been used in the preparation of forward-looking statements, forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

There can be no assurance that actual outcomes will not differ materially from forward-looking statements. Downer disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

An investment in Downer shares is subject to investment and other known and unknown risks, including those summarised under "Key Risks" in this Presentation. Downer does not guarantee any particular rate of return or the performance of Downer, nor does it guarantee the repayment of capital from Downer or any particular tax treatment. Persons should have regard to the risks outlined in this Presentation.

Past performance

Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

The historical information in this Presentation is, or is based upon, information that has been released to the market. For further information, please see past announcements released to ASX.

Not an offer

This presentation, including the information contained in this disclaimer, is not a prospectus and does not form part of any offer, invitation or recommendation in respect of securities, or an offer, invitation or recommendation to sell, or a solicitation of an offer to buy, securities in the United States or to any person that is, or is acting for the account or benefit of, a "U.S. person" (as defined in Regulation S under the United States Securities Act of 1933 (**Securities Act**)) (**U.S. Person**), or in any other jurisdiction in which such an offer would be illegal. The securities referred to herein may not be offered or sold in the United States, or to or for the account or benefit of, any U.S. Person, unless the securities have been registered under the Securities Act or an exemption from the registration requirements under the Securities Act is available. The offer or sale of the securities referred to herein have not been and will not be registered under the Securities Act. The distribution of this presentation in other jurisdictions outside Australia may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Downer and the underwriters

The underwriters have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Presentation and does not make or purport to make any statement in this Presentation and there is no statement in this Presentation which is based on any statement by the underwriters.

Downer, the underwriters and their respective affiliates, officers, employees agents and advisors, to the maximum extent permitted by law, expressly disclaim all liabilities, including, without limitation, liability for negligence in respect of, make no representations regarding, and take no responsibility for, any part of this Presentation and make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of information in this Presentation.



**NOT FOR DISTRIBUTION OR RELEASE IN THE
UNITED STATES OR TO US PERSONS**

Capital raising overview

- Downer is undertaking a fully underwritten \$279 million capital raising by way of a 1 for 4 accelerated renounceable entitlement offer
- The decision to pursue a capital raising of this size takes into account a number of factors:

Balance Sheet strength

- Without the raising, Downer would move beyond the top end of its internal target gearing range (25-35%)
- Raising moves Downer to ~20% gearing, providing flexibility in managing the business going forward

Credit rating and covenants

- Downer has been placed on Rating Watch Negative by Fitch
- Raising will support Downer maintaining investment grade credit rating metrics
- Provides additional headroom under financing facility covenants

Funding for growth

- Downer continues to see significant opportunities to invest for growth across its business
- Mining division is seeing particularly strong demand with ability to generate attractive returns on capital
- Current Mining division contracts are funded however attractive expansion and new opportunities have been identified with new and existing clients

Offer detail summary

Offer size and structure

- 1 for 4 accelerated renounceable pro-rata¹ entitlement offer to raise approximately A\$279 million
- Approximately 86 million new Downer ordinary shares to be issued (25% of issued capital)
- The offer is fully underwritten

Offer price

- A\$3.25 per share
- 17.1% discount to Downer's closing price on Friday 25 February 2011
- 14.2% discount to theoretical ex-rights price (TERP)²

Institutional entitlement offer

- Institutional entitlement offer open from 10:00am Monday 28 February 2011 to 11:00am (AEDT) Tuesday 1 March 2011
- Entitlements not taken up will be placed into the institutional shortfall bookbuild to be conducted from 4:30pm (AEDT) Tuesday 1 March to 11:00am (AEDT) Wednesday 2 March 2011

Retail entitlement offer

- Retail entitlement offer open from 9.00am (AEDT) Tuesday 8 March 2011 to 5.00pm (AEDT) Wednesday 23 March 2011
- Entitlements not taken up will be placed into the retail shortfall bookbuild to be conducted on Monday 28 March 2011

Record date

- 7:00pm (AEDT) on Thursday 3 March 2011

Notes:

- 1 There will not be any entitlements trading on ASX
- 2 The theoretical ex-rights price is the theoretical price at which Downer shares should trade immediately after the ex-date for the entitlement offer assuming 100% take-up of the offer. The theoretical ex-rights price is a theoretical calculation only and the actual price at which Downer shares trade immediately after the ex-date for the entitlement offer will depend on many factors and may not be equal to the theoretical ex-rights price
- 3 Dates are indicative only and subject to change. All times and dates refer to Australian Eastern Daylight Saving Time (AEDT) while in effect and otherwise to Australian Eastern Standard Time



Balance sheet impact

Pro-forma Downer balance sheet

| A\$m | 31-Dec-2010 | Adjustments ¹ | Pro-forma post raising |
|-------------------------------|----------------|--------------------------|------------------------|
| Cash and cash equivalents | 322.5 | 269.0 | 591.5 |
| Property, plant and equipment | 971.2 | – | 971.2 |
| Other assets | 2,119.7 | 3.0 | 2,122.7 |
| Total assets | 3,413.4 | 272.0 | 3,685.4 |
| Gross debt (Borrowings) | 878.2 | – | 878.2 |
| Trade and other payables | 1,012.5 | – | 1,012.5 |
| Other liabilities | 427.2 | – | 427.2 |
| Total Liabilities | 2,317.9 | – | 2,317.9 |
| Net assets/Equity | 1,095.5 | 272.0 | 1,367.5 |

Note:

¹ Assumes proceeds from the entitlement offer of approximately \$279 million based on the offer price less assumed transaction costs of \$10 million

Key credit metrics

| | 31-Dec-2010 | Pro forma post raising |
|---|-------------|------------------------|
| Gearing (%) ¹ | 35.7 | 19.9 |
| Adj. Net debt/Adj. EBITDAR (x) ² | 2.7 | 2.3 |
| Interest Service Cover ratio (x) ³ | 3.49 | 3.49 |

¹ Net debt including mark-to-market revaluation adjustments of (\$52.6) million/(net debt + swap adjustments + book equity)

² Adjusted Net Debt includes Net Debt plus 6x operating lease payment in the year. Adjusted EBITDAR equals underlying EBITDAR adjusted for operating lease payments in the year

³ Ratio is historic only (6 months to December 2010) and hence is not impacted by raising until future periods



Offer timetable

| Event | Date |
|--|--|
| Trading halt commences, institutional entitlement offer opens | Monday 28 February |
| Institutional entitlement offer closes | Tuesday 1 March 11:00am |
| Institutional shortfall bookbuild | Tuesday 1 March 4:30pm to Wednesday 2 March 11:00am |
| Trading halt lifted | Thursday 3 March |
| Record date | Thursday 3 March (7:00pm AEDT) |
| Retail entitlement offer opens | Tuesday 8 March |
| Institutional entitlement offer settlement | Tuesday 15 March |
| Allotment of shares under the institutional entitlement offer and institutional shortfall bookbuild ¹ | Wednesday 16 March |
| Retail entitlement offer closes | Wednesday 23 March (5:00pm AEDT) |
| Retail shortfall bookbuild | Monday 28 March |
| Retail entitlement offer and retail shortfall bookbuild settlement | Thursday 31 March |
| Final allotment of shares under the retail offer and shortfall bookbuild | Friday 1 April |

Note:

- 1 Trading of New Shares under the institutional entitlement offer and shortfall bookbuild is also expected to commence on this date
- 2 Dates and times are indicative only and are subject to change. All dates are 2011 and times refer to AEDT

Key Risk Factors

Business Specific Risks

Level of economic activity

Downer's operational and financial performance is linked to both the overall level of activity in the economy and the level of outsourcing in the sectors in which Downer operates. A reduction in economic activity, and particularly a reduction in demand for the commodities produced by many of Downer's larger clients, or a reduction in the level of outsourcing in the sectors in which Downer operates, is likely to negatively impact the level of earnings generated by Downer.

Level of government spending

Public authorities in Australia, New Zealand and Singapore are major clients of Downer. Changes in prioritisation of government spending or restrictions on the level of spending undertaken by governments could impact the level of earnings generated by Downer.

Capital Expenditure

Certain aspects of Downer's operations are reliant on significant capital investment being made in order for Downer to provide services to its customers. Downer's ongoing ability to attract customers in respect of new projects and to comply with its obligations in respect of existing contracts may be dependent on sufficient funds being available to Downer in respect of this capital expenditure. There is no guarantee that Downer will be able to make the necessary capital expenditure in a time and manner necessary to meet customer demands at the relevant time.

Business interruptions

Significant business interruptions as a result of natural disasters (such as fire, earthquake, flood or cyclone), general periods of prolonged rain, unstable service sites or regulatory intervention may have a materially adverse impact on the business activities of Downer and its clients and may lead to a decrease in profitability and earnings.

Wet Weather

Downer's ability to undertake some of its operations, particularly in the Works Australia and Mining divisions, is dependent on weather conditions. For the Mining division, there is a risk that sustained periods of rain may hamper the mines' ability to maintain mining output levels and may impact Downer's ability to access the mine and undertake operations. For the Works Australia division, there is a risk that sustained periods of rain may impact Downer's ability to undertake road construction and maintenance services, leading to reduced activity levels.

Industrial incidents and accidents

While Downer maintains a rigorous focus on Zero Harm for its employees and environment, an industrial incident may occur that results in serious injury or death, damage to property or contamination of the environment. Such incidents and any industrial disputes can adversely impact on project completion. Occupational health and safety metrics are important benchmarks for clients of Downer. There is a risk that should an industrial incident occur within Downer's operations that results in injury or death or significant environmental damage, Downer may suffer reputational damage impacting its ability to secure or retain customer contracts. In addition, if Downer fails to comply with the necessary occupational health and safety legislative requirements across the jurisdictions in which it operates, it could result in fines, penalties and compensation for damages as well as reputational damage for Downer.

Insurance

The availability of insurance at an appropriate term and price is not guaranteed. It is possible that the occurrence of an event may not be fully covered, or covered at all, by insurance.



Key Risk Factors (Cont)

Business Specific Risks (Cont)

Key contracts

A number of contracts that Downer enters into are long term contracts with recurring revenues but are terminable on short notice. There is a risk that key contracts may not be renewed, may be renewed on less favourable terms or may be cancelled, which may lead to a decrease in profitability and earnings. In addition, due to the nature of its business, Downer is from time to time not in compliance with all the terms of its key contracts. Correspondingly, not all parties who deal with Downer are in full compliance with the terms of contracts where they have contractual obligations to Downer. Where this arises, it is usual in the industry for negotiations to occur between contracting parties and, in some cases for this to be followed by mediation, arbitration or litigation. The consequences of a party terminating a key contract or seeking other remedies could have a material adverse impact on Downer. However, the experience of this occurring is unusual in the industry and the Company's business relationships.

Competition and contract retention

The markets in which Downer operates are competitive, with the majority of the services provided by Downer also available from competing companies. Increasing competition could impact on Downer's ability to win new work and the margin it receives on the new work. Downer may lose business to its competitors if it is unable to demonstrate competitive pricing, reliable performance, and technical competence to its customers.

Key supplier risk

Where Downer is reliant on one or a small set of key suppliers to provide goods and services, the performance of these suppliers will impact Downer's ability to complete projects and earn profits. Where suppliers do not fulfil contractual obligations or do not roll over pre-existing contracts, the ability of Downer to complete projects and win new work may be reduced. In addition, there are particular suppliers with whom Downer has a long term relationship which support Downer's business activities. A change in relationship with these suppliers could negatively impact Downer's financial performance.

Downer has exposure to the price of commodities used in its operations. Any adverse change in the pricing of these items could impact unfavourably on the profitability of the business. Downer also has a large capital equipment fleet which is subject to availability of major spare parts such as tyres for mining equipment. New contracts often require the acquisition of new equipment and the timing of purchase is dependent upon availability from suppliers in a world market.

Fixed price contract risk

Some of the contracts that Downer enters into include provisions capping the maximum that Downer can charge the client under the contract. To the extent that the cost of delivering on its contractual obligations exceeds the agreed cap, then Downer is likely to incur losses.

Key personnel and labour shortage

Downer's growth and profitability may be limited by the loss of key operating personnel, the inability to attract new suitably qualified personnel or by increases in compensation costs associated with attracting and retaining personnel. Downer is dependent on the availability of suitably skilled labour to provide its services and therefore, access to labour represent an ongoing risk to the business.

Key Risk Factors (Cont)

Business Specific Risks (Cont)

Environmental risk and regulation

Downer and the industries in which it operates are subject to a broad range of environmental laws, regulations and standards (including certain licensing requirements). This results in significant compliance costs and could expose Downer to legal liabilities or place limitations on the development of its operations. In addition there is a risk that property utilised by Downer from time to time may be contaminated by materials harmful to human health (such as asbestos and other hazardous materials). In these situations Downer may be required to undertake remedial works on contaminated sites and may be exposed to third party compensation claims and other environmental liabilities.

Product and services liability

There is a risk that Downer may fail to fulfil its statutory and contractual obligations in relation to the quality of its services, which could give rise to contractual damages or statutory penalties.

Future dividends and franking capacity

Given that Downer is raising capital from shareholders and has no available franking credits to distribute, the Board has decided not to declare an interim dividend with respect to the half year ended 31 December 2011. Downer's underlying cash flows remain robust and Downer expects to resume paying dividends at the full year, subject to the decision of the Board at that time. Any future dividends and the level of franking will be determined by the Board of Downer having regard to a range of factors including the Group, the availability of cash, capital requirements of the business and obligations under debt instruments. There is no guarantee that any dividend will be paid by Downer or, if paid, that they will be paid at previous levels, or with the same level of franking.

Information technology

Downer's business is dependent on the efficient operation of information technology systems. Failure of such systems could result in business interruption, the loss of customers, damaged reputation and a weakening of its competitive position, particularly where substitute technology systems are not available on acceptable terms. Additionally, the use by competitors of alternative, superior technologies may pose a threat to Downer's profitability and market share.

Design liability and defect rectification

Some entities in the Downer Group are subject to normal design liability in relation to completed design and construction projects where that entity has had design responsibility and in some cases also construction responsibility. The liability may include claims, disputes and/or litigation against Downer Group companies and/or joint venture arrangements in which the Downer Group has an interest. It may also include an obligation on Downer to rectify the design defects at its own cost. The directors are of the opinion that there is adequate insurance to cover these potential liabilities and accordingly, no amounts are recognised in the financial statements.

Partnerships and joint ventures

Controlled entities have entered into various partnerships and joint ventures under which the controlled entity could ultimately be jointly and severally liable for the obligations of the partnership or joint venture.



Key Risk Factors (Cont)

Business Specific Risks (Cont)

Asset impairment

As a consequence of the global financial crisis, the Australian Securities and Investments Commission has specifically identified impairment of assets as an issue for Australian companies. The Downer Board regularly monitors impairment risk. Consistent with accounting standards, Downer is periodically required to assess the carrying values of its assets. Where the value of an asset is to be less than its carrying value, Downer is obliged to recognise an impairment charge in its profit and loss account. Impairment charges can be significant and operate to reduce the level of a company's profits and potentially, its capacity to pay dividends. Impairment charges are a non-cash item.

Guarantees and indemnities

Downer and certain of its controlled entities are called upon to give guarantees and indemnities in respect of the performance by counterparties, including controlled entities and related parties, of their contractual and financial obligations. These guarantees and indemnities are generally indeterminable in amount.

Litigation

Downer is subject to the usual business risk that disputes or litigation may arise from time to time in the course of its business activities. Downer is currently involved in a number of litigation processes, which if decided unfavourably for Downer would have a financial cost for Downer. This level of litigation is not unusual in the context of Downer's business or inconsistent with the past experience of the Downer Group. The Downer Group is currently managing a number of claims/disputes in relation to contracts, the most significant of which are set out below.

- a) A claim of approximately SGD85 million by SP PowerAssets Ltd in relation to the construction of an electrical services tunnel in Singapore. The success of Downer's defence depends upon the determination of complex legal and factual matters. The matter will be closely monitored as further information becomes available as the arbitration proceeds.
- b) A claim by Siemens Ltd in relation to remediation works on the exhaust system of the Laverton Power Station in Victoria. Downer has submitted a claim of \$14.2 million and Siemens have made a counterclaim of \$17.5 million. Downer does not expect that this claim will result in a material liability.
- c) In December 2009, Patrick Stevedore Operations Pty Limited adjoined Emoleum Road Services Pty Limited and Emoleum Roads Group Pty Limited (acquired by Downer on 28 February 2006) as fifth and sixth defendants in a matter related to its Port Botany Terminal in Sydney. Downer does not expect that this claim will result in a material liability.
- d) An unquantified claim by Sembawang Engineers and Constructors Pte Ltd in relation to the design of temporary work on a construction project. An arbitration is scheduled to commence in July 2011.
- e) IMF (Australia) Ltd has announced to the ASX that it proposes to fund claims of certain current and former Downer shareholders against Downer. The claim relates to Downer's \$190 million impairment to its Waratah rollingstock manufacturing contract announced on 1 June 2010. Downer does not currently have sufficient information to make any meaningful assessment of the potential claims. No provision has been made in the financial statements in respect of this.

Key Risk Factors (Cont)

Financial Risks

Continued access to capital markets

Downer's ability to service its existing debt will depend on its future performance and cash flows, which in turn will be affected by various factors, certain of which are outside of its control (such as changes in interest and foreign exchange rates, and general economic conditions). Any inability to service its existing debt may have a material adverse effect on Downer. Further, to the extent that additional equity or debt funding is not available from time to time on acceptable terms, Downer may not be able to take advantage of acquisition and other growth opportunities, develop new business or respond to competitive pressures.

Refinancing requirements

Where existing loans either approach or reach maturity, Downer may seek to re-negotiate with existing and new lenders to extend the maturity date of those loans. Downer's earnings profile, credit rating, state of the economy, and other factors may influence the outcome of those negotiations. Where refinancing occurs at a higher cost, this may impact the ability of Downer to win new work and the profitability of its operations.

Breach of covenants

Downer has various covenants in relation to its banking facilities. Factors such as increases in base rates, increased borrowings and weak operational performance could lead to Downer breaching its debt covenants. In certain circumstances, lenders may require that such banking facilities be repaid immediately. Under such a scenario, there is no guarantee that Downer will be able to secure alternative financing on commercially acceptable terms or at all.

Credit ratings

Changes to Downer's credit rating by Fitch may impact the ability of Downer to win new work as well as the cost of funding. Where the credit rating is reduced, or placed on negative watch, customers and suppliers may be less willing to contract with Downer as Downer may be considered to be higher counterparty risk. Banks and other lending institutions may demand a higher interest rate on funds provided to Downer to reflect the higher risk of lending. In such circumstances, both the revenue and profitability of Downer may be reduced.

Impact of interest rate movements

While Downer takes reasonable steps to protect itself through the use of hedges, rising interest rates may nonetheless adversely impact Downer's interest payments on its floating rate borrowings and inflation in underlying input costs may also adversely impact the anticipated returned from client operations.

Impact of foreign exchange movements

Downer operates internationally and faces foreign exchange rate risks associated with foreign currency denominated debt, input costs and offshore earnings.

Key Risk Factors (Cont)

Waratah Contract Risks

The Waratah Train contract is a Rolling Stock Design and Manufacture contract with Reliance Rail for a total of 78 passenger train sets for use on the New South Wales rail network. The contract is large scale, is complex in specification and involves design and manufacturing in both Australia and China. In order to meet the revised production plan and avoid any material further increases to the forecast costs to completion, a number of improvement processes need to be implemented including recruitment drives and production facility reorganisation. Details of the planned improvement processes are set out in the Waratah Update Presentation lodged with ASX on 28 February 2011. Downer has a parent company guarantee in relation to the Rolling Stock Design and Manufacture contract with Reliance Rail of A\$1.2 billion.

Successful completion of testing

Downer is currently completing testing of the first Waratah Train to be presented to RailCorp for acceptance. Issues identified in completion of this testing could further delay delivery of trains to RailCorp and result in additional cost being incurred by Downer.

RailCorp acceptance

Downer's revised production schedule is subject to RailCorp's acceptance of the trains for practical completion. Any decision by RailCorp not to accept a train or trains presented by Downer for practical completion could result in further delays to the project delivery schedule and result in additional costs being incurred by Downer.

Performance of trains in service

Once trains have been delivered and accepted by RailCorp and entered passenger service, the trains must meet certain performance thresholds. Failure of the trains to meet the required benchmarks is likely to result in additional costs being incurred by Downer.

Production quality

If Downer and its production partner CRC are not able to manufacture trains to the quality standard required, Downer may incur additional costs in undertaking rework on those vehicles that may exceed amounts currently provided for.

Speed of production and acceptance rate

If Downer is not able to manufacture trains at the rate required to meet its revised production schedule or it is not able to agree a delivery timetable with RailCorp in line with its revised production rate, then additional costs may be incurred by Downer above those currently provided for.

Recruitment of key personnel

Downer has identified a need to recruit a number of additional senior personnel to assist with the Waratah Project. If Downer is not able to recruit appropriately experienced personnel within a reasonable timeframe this may impact on Downer's ability to deliver the Waratah Trains in line with its revised production schedule.

Through Life Support (TLS) contract

Downer has a contract with RailCorp for Through Life Support maintenance of the Waratah fleet for a 30 year period to commence from the date of practical completion of the first train. Should the Waratah trains not meet the performance levels required in the contract, Downer will not generate the expected profit on the contract, or in the case of significant underperformance could incur losses.



Key Risk Factors (Cont)

Waratah Contract Indirect Risks

Reliance Rail's funding arrangements are on a non-recourse basis to Downer, and Downer is not obliged to provide further equity to Reliance Rail. Additionally, in the event that Reliance Rail's financing was to fail, the contracting arrangements for the project give RailCorp (or lenders) the option of stepping into the place of Reliance Rail to enable Downer to continue delivery of the train sets under its contract. If this did not occur, however, and Reliance Rail defaulted under the contract, Downer is likely to incur costs relating to existing commitments to suppliers and subcontractors.

The issues that may affect the viability of Reliance Rail include the following.

Potential default by monoline insurers

Reliance Rail currently has a \$357 million bank construction loan facility which is guaranteed by two specialist financial guarantors, FGIC (UK) Ltd and Syncora Guarantee Inc ("monoline insurers"), however this facility may be withdrawn under certain circumstances prior to the scheduled drawdown date commencing in February 2012. The facility contains a termination provision that in the event of the insolvency of both monoline insurers, the banks have a right to terminate any undrawn commitments. Since 2009, the monoline insurers have been adversely affected by the global financial crisis and the financial position of both monoline insurers remain uncertain, although they are still operating. If both the monoline insurers default, the \$357 million undrawn facility could be cancelled by the banking syndicate if three of the four banks resolve to do so.

Current Reliance Rail financing

On the occurrence of a prescribed event of default, it is possible that the lenders providing financing to Reliance Rail may seek to cancel any existing facilities and/or not make available any un-drawn facilities.

Reliance Rail refinancing

Where existing financing arrangements approach or reach maturity, Reliance Rail may seek to engage with existing and new finance providers to refinance these arrangements. Reliance Rail will be subject to the risk of not being able to access credit markets on the same loan terms, including the risk of higher interest rates.

Reliance Rail restructuring

It is possible that a restructure of Reliance Rail's finances will be necessary in the future to support the long term viability of Reliance Rail and support long term viability and refinancing prospects.

Reliance Rail credit rating

A change in Reliance Rail's credit rating can affect Reliance Rail's ability to, and cost of, refinance.

RSM subcontract and ancillary documents

As part of the project's financing structure, Reliance Rail, Downer and its subsidiary Downer EDI Rail Pty Ltd entered into a number of ancillary agreements with a security trustee (acting on behalf of the lenders). This is a typical arrangement for PPP style projects. However, if Reliance Rail, Downer or Downer EDI Rail is in serious breach of any of these agreements, this may amount to an event of default and may entitle the lenders to cancel their facilities to Reliance Rail. Downer does not believe that such breaches presently exist.



Key Risk Factors (Cont)

General Risks

General equity market and investment risk

The price of Downer shares will fluctuate due to various factors including movements in Australian equity markets, recommendations by broker and analysts, interest rates, inflation, Australian and international economic conditions, changes in government, fiscal, monetary and regulatory policies, global and geo-political events and hostilities and acts of terrorism, investor perceptions and other factors that may affect Downer's financial position and earnings.

Government policies and legislation

Downer's business is affected by a range of industry specific and general legal and regulatory controls. Changes in these types of controls can have an adverse effect on Downer's financial performance. Further, any major shift in regulatory policy may impact on the profitability of Downer and its customers. In particular, the Australian Federal Government is in the process of negotiating legislation in relation to the Mining Resource Rent Tax ('MRRT') for certain coal and iron ore projects. The uncertainty relating to government legislation, such as taxes, carbon trading schemes and regulation of resource projects could lead to delays and project abandonment, which would adversely affect the market for services which Downer provides. Infrastructure projects, which are a key source of revenue for Downer, remain subject to significant discretion by government departments and ministers.

Taxation risk

Future changes in Australian and New Zealand taxation law, including changes in interpretation or application of the law by courts or taxation authorities in Australia and New Zealand, may affect taxation treatment of an investment in Downer shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted in the various jurisdictions in which Downer operates may impact the future tax liabilities of Downer.

Changes in accounting policy

Changes to Australian Accounting Standard could affect Downer's reported earnings and its financial position from time to time.

International selling restrictions

United States of America

This presentation, including the information contained in this disclaimer, is not a prospectus and does not form part of any offer, invitation or recommendation in respect of securities, or an offer, invitation or recommendation to sell, or a solicitation of an offer to buy, securities in the United States or to any person that is, or is acting for the account or benefit of, a "U.S. person" (as defined in Regulation S under the United States Securities Act of 1933 (Securities Act)) (U.S. Person), or in any other jurisdiction in which such an offer would be illegal.

The securities referred to herein may not be offered or sold in the United States, or to or for the account or benefit of, any U.S. Person, unless the securities have been registered under the Securities Act or an exemption from the registration requirements under the Securities Act is available. The offer or sale of the securities referred to herein have not been and will not be registered under the Securities Act.

This presentation may not be sent to any investors in the United States or to a U.S. Person (or to any person acting for the account or benefit of a U.S. Person).

By accepting this presentation, you agree to be bound by the foregoing limitations.

New Zealand

The New Shares being offered under this document are being offered to eligible shareholders with registered addresses in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). This document has not been registered with, filed with or approved by any New Zealand regulatory authority or under or in accordance with the Securities Act 1978 (New Zealand).

Under the entitlement offer, no securities may be offered or sold to the public within New Zealand and no member of the public in New Zealand may accept the entitlement offer, other than persons, being existing holders of shares in Downer, to whom it is permissible for the entitlement offer to be made to in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002.

United Kingdom

Notice to residents of the United Kingdom

This document and the entitlement offer are only addressed to and directed at persons in the United Kingdom who are "qualified investors" within the meaning of section 86 of the Financial Services and Markets Act 2000 of the United Kingdom (the FSMA) (Qualified Investors). New Shares may not be offered or sold except in circumstances which have not resulted and will not result in an offer to the public in contravention of section 85 of the FSMA in the United Kingdom.

In addition this document is being distributed in the United Kingdom only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order), and/or (ii) who are high net-worth entities falling within Article 49(2)(a) to (d) of the Order, and other persons to whom it may otherwise lawfully be communicated (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom, by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only in the United Kingdom to relevant persons and will be engaged in only with such persons.



International selling restrictions (Cont)

Hong Kong

The contents of this document have not been reviewed or approved by any regulatory authority in Hong Kong. In particular, this document has not been, and will not be, registered as a “prospectus” in Hong Kong under the Companies Ordinance (Cap 32) (“CO”) nor has it been authorised by the Securities and Futures Commission (“SFC”) in Hong Kong pursuant to the Securities and Futures Ordinance (Cap 571) (“SFO”). Recipients are advised to exercise caution in relation to the entitlement offer. If recipients are in any doubt about any of the contents of this document, they should obtain independent professional advice.

This document does not constitute an offer or invitation to the public in Hong Kong to acquire any New Shares nor an advertisement of New Shares in Hong Kong. This document must not be issued, circulated or distributed in Hong Kong other than:

- (a) to “professional investors” within the meaning of the SFO and any rules made under that ordinance (“Professional Investors”); or
- (b) in other circumstances which do not result in this document being a prospectus as defined in the CO nor constitute an offer to the public which requires authorisation by the SFC pursuant to the SFO.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Shares, which is directed at, or the content of which is likely to be accessed or read by, the public of Hong Kong other than with respect to the New Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors.

Any offer of the New Shares will be personal to the person to whom relevant offer documents are delivered, and a subscription for the New Shares will only be accepted from such person. No person who has received a copy of this document may issue, circulate or distribute this document in Hong Kong or make or give a copy of this document to any other person. No person allotted New Shares may sell, or offer to sell, such New Shares to the public in Hong Kong within six months following the date of issue of such New Shares.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore and may not be circulated or distributed in Singapore nor may any of the New Shares be offered for subscription, directly or indirectly, nor may any invitation to subscribe for any of the New Shares be made, in Singapore except in circumstances in which such offer or sale is made pursuant to, and in accordance with the conditions of, an exemption invoked under Subdivision (4), Division I of Part XIII of the Securities and Futures Act, Chapter 289 of Singapore, and to persons to whom the New Shares may be offered or sold under such exemption.

By accepting this document, the recipient hereof represents and warrants that he is entitled to receive it in accordance with the restrictions set forth above and agrees to be bound by limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

International selling restrictions (Cont)

Japan

The filing of a securities registration statement under Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (as amended, the "FIEL") with respect to the solicitation of an offer to acquire the New Shares have not been, and will not be made, pursuant to an exemption under Article 2, Paragraph 3, Item 2, Sub-Item A of the FIEL. No transfer of the New Shares may be made except for a transfer by an acquirer to a qualified institutional investor (TEKIKAKU-KIKAN-TOSHIKA) as defined in Article 2, Paragraph 3, Item 1 of the FIEL and Article 10 of the Cabinet Office Ordinance on Definitions Provided in Article 2 of the Financial Instruments and Exchange Law. The holders of the New Shares agree not to transfer the New Shares except to another qualified institutional investor. When a holder of the New Shares transfers the New Shares to another qualified institutional investor, it must provide written notice to such qualified institutional investor stating the same herein prior to or simultaneously with such transfer.

China

The subscriptions to New Shares by the PRC investors are in compliance with, and will continue to comply with, all requirements of applicable laws and regulations of the PRC, including without limitation, applicable foreign exchange regulations and all rules, regulations and interpretations of any regulatory authority to which the PRC investors are subject insofar as they are applicable to the activities contemplated by the subscriptions to New Shares.

Canada

Any offer documents in connection with the New Shares constitute an offering of the securities described herein only in those jurisdictions of Canada and to those persons where and to whom they may be lawfully distributed in Canada, and therein only by authorized persons. The offer documents are not, and under no circumstances are to be construed as, an advertisement or a public offering of the securities referred to in this document in Canada. The offer documents must only be distributed in Canada to persons that are "accredited investors" within the meaning of National Instrument 45-106 - Prospectus and Registration Exemptions ("NI 45-106").

No securities commission or similar authority in Canada has reviewed or in any way passed upon the offer documents or the offering of the New Shares in the Offer or the merits of the New Shares described herein and any representation to the contrary is an offence. No prospectus has been or will be filed in Canada with respect to the offering of the New Shares in the entitlement offer or with respect to the resale of such New Shares. As such, any person in Canada lawfully participating in the entitlement offer will not receive the information, legal rights and protections that would be afforded to such persons had a prospectus been filed and receipted by the applicable securities commission or similar authority in Canada. Any resale of the New Shares must be made in accordance with applicable Canadian securities laws.

International selling restrictions (Cont)

Italy

The offering of the New Shares has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") pursuant to Italian securities legislation and, accordingly, no New Shares will be offered, sold or delivered, nor copy of this document or any other offer document relating to the New Shares will be distributed in the Republic of Italy ("Italy") except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of the of Legislative Decree No. 58 of 24 February 1998, as amended (the "Financial Services Act") as amended and Article 34-ter, paragraph 1, letter b), of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("Regulation 11971"); or
- (b) in circumstances which are exempted from compliance with the restrictions on offers to the public, as provided under Article 100 of the Financial Services Act or Article 34-ter of Regulation 11971.

Moreover, and subject to the foregoing, any offer, sale or delivery of the New Shares or distribution of copies of this document or any other document relating to the New Shares in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993, CONSOB Regulation No. 16190 of 29 October 2007, all as amended; and
- (ii) in compliance with any other applicable laws and regulations, including all relevant Italian securities, tax and exchange controls laws and regulations and any limitation or requirement which may be imposed from time to time by CONSOB, the Bank of Italy or any other Italian authority.

Article 100-bis of the Financial Services Act affects the transferability of the New Shares in Italy to the extent that any placing of the New Shares is made solely with qualified investors and such New Shares are then systematically resold to non-qualified investors on the secondary market at any time in the 12 months following such placing. Where this occurs, if a prospectus compliant with the Prospectus Directive has not been published, purchasers of New Shares who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and to claim damages from any authorised person at whose premises the New Shares were purchased, unless an exemption provided for under the Financial Services Act applies."

International selling restrictions (Cont)

Norway

The offering of New Shares falls outside the scope of the public offer rules under the Norwegian Securities Trading Act. Accordingly, the contents of this document have not been approved by nor registered with the Financial Advisory Authority of Norway or any other Norwegian public authority. This document should not in any way be copied or otherwise distributed by the recipient.

Switzerland

The New Shares may not be publicly offered in or from Switzerland and neither this document nor any other offering materials relating to the New Shares may be made available through a public offering in or from Switzerland. Each copy of any of those documents is addressed to a specifically named recipient and may not be passed on to third parties. The New Shares may only be offered and this document may only be distributed to a limited circle of investors (as defined by the Swiss Code of Obligations).

Ireland

This document has not been approved by the Financial Regulator in Ireland for the purposes of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland. If you are in any doubt about the contents of this document or as to the action you should take, you should if resident in Ireland seek independent financial advice from a stockbroker, bank manager, solicitor, accountant or other independent financial adviser who is duly authorised or exempted under the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended).

The Netherlands

The New Shares will not be offered to the public in the Netherlands other than

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts.

For the purpose of this provision the expression of an "offer of New Shares to the public" in the Netherlands means the communication in any form and by any means of sufficient information on the terms of the Offer and the New Shares to be offered so as to enable an investor to decide to purchase or subscribe for the New Shares. This document and any other materials in connection with the Offer may only be sent or otherwise distributed in the Netherlands to investors who meet the criteria set out above.

International selling restrictions (Cont)

Germany

The New Shares are neither registered for public distribution with the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - "BaFin") according to the German Investment Act (Investmentgesetz) nor listed on a German exchange. No sales prospectus pursuant to the German Sales Prospectus Act (Verkaufprospektgesetz) as well as the German Securities Prospectus Act (Wertpapierprospektgesetz) has been filed with BaFin. Consequently, the New Shares may not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this document and any other document relating to the New Shares, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the New Shares to the public in Germany or any other means of public marketing. Any resale of the New Shares in Germany may only be made in accordance with (i) the German Investment Act, (ii) the German Securities Prospectus Act or the German Sales Prospectus Act, and (iii) any other applicable laws in Germany governing the sale and offering of securities. No view on taxation is expressed. Prospective investors in Germany are urged to consult their own tax advisers as to the tax consequences that may arise from an investment in the New Shares." As regards any investor representations and warranties, please note that although it is not required by law, it could be recommendable to ask for a representation or warranty in case the Company intends to rely on a private placement exemption which refers to a specific qualification of the investor, such as the qualification as "Qualified Investor" within the meaning of the WpPG.

UAE

This document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

France

The New Shares may only be offered or sold, directly or indirectly in the Republic of France, to (i) persons providing investment services relating to portfolio management for the account of third parties (personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers) and/or (ii) qualified investors (investisseurs qualifiés) acting for their own account, all as defined in, and in accordance with, articles L. 411-1, L. 411-2, D. 411-1 to D. 411-3, D. 744-1, D. 754-1 and D. 764-1 of the French Code monétaire et financier (Monetary and Financial Code); neither this document, nor any information contained therein or any offering material relating to New Shares, may be distributed or caused to be distributed to the public in France.

This document has not been submitted to the clearance procedure of the Autorité des marchés financiers. In the event that the New Shares, thus purchased or subscribed to by such investors listed above, are offered or resold, directly or indirectly, to the public in France, the conditions relating to public offerings set forth in Articles L. 411-1, L.412-1, L.412-2 and L. 621-8 to L.621-8-3 of the Monetary and Financial Code and applicable regulations thereunder shall be complied with. Switzerland

The New Shares may not be publicly offered in or from Switzerland and neither this document nor any other offering materials relating to the New Shares may be made available through a public offering in or from Switzerland. Each copy of any of those documents is addressed to a specifically named recipient and may not be passed on to third parties. The New Shares may only be offered and this document may only be distributed to a limited circle of investors (as defined by the Swiss Code of Obligations).

International selling restrictions (Cont)

Belgium

The New Shares may not be distributed in Belgium by way of an offer of securities to the public, as defined in Article 3 §1 of the Belgian Law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets (the "Prospectus Law"), save in those circumstances set out in Article 3 §2 of the Prospectus Law. The Offer is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and the Offer Documents or any other offering material relating to the New Shares has not been and will not be approved by, the Belgian Banking, Finance and Insurance Commission ("Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financie- en Assurantiewezen").

Accordingly, the Offer may not be advertised and each of the Managers/Dealers has represented, warranted and agreed that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the New Shares, and that it has not distributed, and will not distribute, any memorandum, information circular, brochure or any similar documents, directly or indirectly, to any individual or legal entity in Belgium other than qualified investors, as defined in Article 10 of the Prospectus Law and in any other circumstances set out in Article 3 §2 of the Prospectus Law.

This document has been issued only for the personal use of the above qualified investors and exclusively for the purpose of the Offer. Accordingly, the information contained herein may not be used for any other purpose nor disclosed to any other person in Belgium.

Sweden

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), Downer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of New Shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the New Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of New Shares to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR43,000,000; and (3) an annual net turnover of more than EUR50,000,000, as shown in its last two annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of New Shares to the public" in relation to any New Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Shares to be offered so as to enable an investor to decide to purchase or subscribe the New Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

International selling restrictions (Cont)

Bahamas

FOR INVESTORS IN THE BAHAMAS

The shares described in this document are being offered only to persons and/or entities who (i) are “accredited investors” (as defined in regulation 90 of the Securities Industry Regulations, 2000 of The Bahamas) and (ii) (a) have obtained the approval of the Central Bank of The Bahamas to purchase and hold such shares, or (b) have been designated as “non resident” under the Exchange Control Regulations or (c) are otherwise deemed to be “non-resident” under the said Regulations. Consequently, this document is exempt from the requirement to be registered with the Securities Commission of The Bahamas in accordance with the provisions of the Securities Industry Act, 2000.