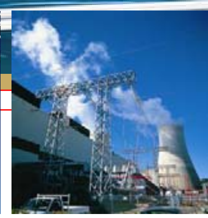
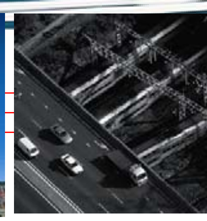
Downner EDi LIMITED

2003 Results and Outlook





26 August 2003

RESULTS PRESENTATION

STEPHEN GILLIES
MANAGING DIRECTOR

GEOFF BRUCE
CHIEF FINANCIAL OFFICER

JOHN DAVENPORT
GENERAL MANAGER GROUP FUNDING

Downner EDi LIMITED

COMPANY SUMMARY

“The diversification of Downer EDI’s business platform has delivered a robust financial performance, during a period of mixed economic activity in the region, and our industry platforms continue to strengthen.”

The diversification of Downer EDI’s business platform has delivered a robust financial performance, during a period of mixed economic activity in the region, and our industry platforms continue to strengthen.

Downer EDI is a highly diversified company focused on infrastructure assets and facilities management. Our business is not reliant upon any single activity or client to deliver a profit year-in, year-out.

The diversity of our business activities and the focus on essential infrastructure combine to deliver a relatively stable, and growing, core earnings stream to underpin our business. In a way, we are continuing to layer in “annuity-type” earnings streams that serve to improve the transparency and predictability of our group earnings.

That we have again demonstrated our resilience over a somewhat mixed regional economic performance lends support to our operating model.

Coupled with our size, market share and increasing engineering skill base, this diversification gives us a strong and growing market presence that allows us to see an increasing number of opportunities in infrastructure and facilities management.

Each of our business platforms is well positioned to meet emerging growth opportunities and we feel this will provide our shareholders with increasing returns over the long term.

2003 – Key Points

- Sales **up** 10% to record $2.7 billion
- NPAT **up** 18% to record $66.6 million ($82.6 million pre-goodwill)
- EPS **up** 18%
- **Record Cashflow** from Operations of $225 million; matched by Cash on Hand of $207 million
- **Interest costs down** year on year (down 15%)
- **First ever** franked dividend – **50% franking** on 2003 final dividend
- **Increased DPS** due to higher EPS – 2.9 cents per share full year
- Dividend **payout ratio** maintained at **50%**

Sales are up but we have been more selective – we are focusing on opportunities that make sense to our longer term success and which entail us assuming those risks which we can control.

NPAT has strengthened representing better control at both operating and financing levels.

Continuing on from our first half effort, cash flow from operations has strengthened further in the second half to deliver a record cash recovery which has helped to bolster the balance sheet.

This is reflected in an improvement in interest cost.

We expected to be in a position to have franking credits available for the first half year dividend for the 2004 financial year. I am delighted to announce that we are ahead of our plans on franking credits and will be in a position to frank the final 2003 dividend to 50%. This will be the first franked dividend paid by Downer EDI since it listed in 1998 and due reward for those shareholders who have stuck by us.

We will be maintaining our dividend payout ratio of 50% and with the uplift in EPS this year this will translate into a DPS for the full year of 2.9 cents per share versus 2.4 cents per share last year – an increase of 21%.

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2003 – Key Points

- Net Debt to Equity at **record low** of 39%
- NPAT/Avg.Shareholders' Funds **rose** to 10.6% pre-goodwill
- Order book **firm** at $5.5 billion and growing to $6.0 billion
- New $200 million 3 year Syndicated Facility established
- Available cash liquidity **strong** >$300 million
- Acquisition of CPG completed
- Downner EDI management now a major shareholder; CPG management also participated
- Investment Grade Credit Rating assigned

With the focus on cash flow we have brought gearing down to a record low of 39%.

The reduction in interest cost has also helped improve our EBIT to NPAT translation (up from 44% to 48%).

The order book remains strong at around $5.5 billion and we expect this to continue growing with the number of preferred projects in the pipeline and new transaction opportunities.

As we advised the market last month, we successfully refinanced our syndicated loan facility and took the opportunity to capitalise on strong bank market demand for our credit by increasing the facility. With cash on hand and committed debt facilities, we have access to over $300 million of readily available liquidity to fund our growth options and provide a prudent liquidity buffer.

The acquisition of CPG was successfully completed well within our timetable and I have been particularly gratified by the ease with which the two cultures have combined and the desire shown by the enlarged Downer EDI group to develop new opportunities together. It is also pleasing to have management of Downer EDI and CPG, over 30 individuals, as shareholders. This is a very strong vote of confidence in the outlook for the Group.

I will now hand over to Geoff to comment on the financial performance of the Group.

Downer EDi LIMITED

FINANCIAL COMMENTARY

Downer EDi LIMITED

2003 Overview

- Revenue grew by over $200 million off stable/declining level of funds employed reflecting emphasis on services and working capital management.
- Strong organic growth in Power, Road and Mining. Telco and Rail maintenance increasing.
- CPG delivered on budget first three months of ownership; strong management
- Result reflects one off charges for downsizing of Walkers to pure rail and restructuring of Century and Capital Works
- Balance sheet is the strongest it has ever been – a product of existing and ongoing focus

Thank you, Steve.

I will present a number of charts and tables which hit the significant points about the Group's performance but firstly I would like to give you a snapshot of the 2003 financial year.

The funds employed in the Group have remained relatively unchanged. With the focus towards growth in our service-oriented businesses we expect to see a further reduction in funds employed and as a result, better utilisation of the asset base. We will continue to focus on working capital management as we can do better. This should underpin a strong cash flow from operations for the 2004 FY.

The core businesses delivered organic growth in 2003 exceeding $350 million which translated to an uplift in EBITA and profitability. However, some of the gains were offset by some one-off charges in non-core areas.

CPG performed to budget for the first three months under our ownership. This performance reflects the high calibre of management we have retained in that business. The strength of our balance sheet has taken time to build but now we have a solid platform for our future plans.

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2003 Overview

(A$ Millions)	2002	2003	Change
Revenue**	2,442	2,697	10%
EBITA	128	140	9%
Net Interest	34	29	-15%
Profit Before Tax	79	95	19%
Net Profit After Tax	56	67	18%
Goodwill Amortisation	14	16	12%
Net Profit (Before Goodwill Amortisation)	71	83	17%
EPS			
- Shares on Issue at 30 June (mill.)	963	976	
- EPS (after Preference Dividend $5.2 mill.)	5.3	6.3	18%
- Weighted Average, fully diluted shares (mill.)	1,036	1,098	
- EPS fully diluted (Cents)	5.5	6.1	10%
DPS - Final (Cents)	1.9	2.4	26%

** Excludes JV Sales

Revenue was up 10% reflecting growth in power, road and mining in particular. This was largely organic growth.

EBITA was up 9%, which was below our expectation, being dragged down by one-off impacts of Walkers (Non-core businesses sold and downsized to pure rail), Century (Business made leaner and meaner; Reorganised operating base to match planned levels of activity) and Capital Works (Significant scale back of non-core, under performing construction activities looking forward).

Net interest was down 15% reflecting better management of the balance sheet including working capital management. This helped deliver a much healthier conversion of EBITA to Net Profit, up from 44% in 2002 to 48%.

Net Profit was up 18% to $67 million and this translated into a significant uplift in EPS of 18%.

On that note, we have used the absolute shares on issue at each year end as we consider that to be more representative of EPS performance. In the 2002 financial year we issued 27.3 million shares (through conversion of options in March 2002) which meant that issue only counted for 3 months under the ASX formula for weighted average, fully diluted shares on issue. This penalises the calculation of W.Avg, fully diluted EPS in the next financial year. On the basis of absolute shares on issue, we recorded an 18% uplift in EPS (this compares with the usual ASX method which shows a 10% uplift) which more closely matches the NPAT performance.

In line with EPS uplift, the DPS for the second half is up 26% on the previous comparative period. The DPS for the full year is up some 20% on the previous year.

2003 Result – Pro Forma CPG

(A$ Millions)	2003 Full Year (incl CPG 3 mths)	2003 Pro Forma CPG Full Year
Gross Revenue	2,697	2,931
EBITA	140	155

We have provided pro forma 2003 data to show what the impact would have been for 12 months of ownership of CPG.

This would have resulted in (pro forma) EBITA of around $155 million, representing an increase of 20% over 2002 EBITA. This compares to actual 2003 EBITA which was up 9% on 2002.

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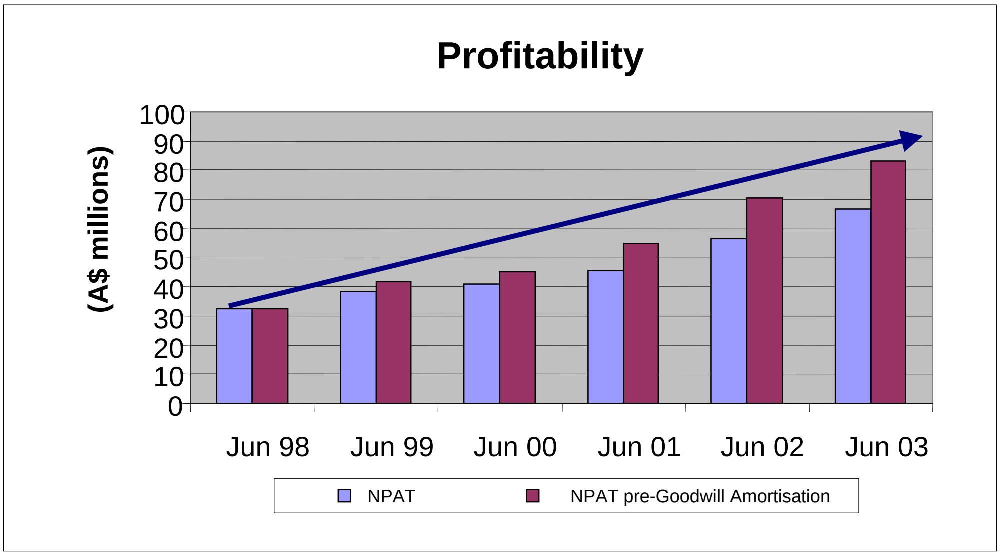
2003 Overview

Balance Sheet as at 30 June (A$ Millions)	2002	2003	Change
Total Assets (Excluding Cash)	1,724	1,826	6%
Net Debt	447	296	-34%
Shareholders' Funds	710	760	7%
Funds Employed	1,157	1,056	-9%

As mentioned previously, the balance sheet is not growing significantly which reflects the decreasing capital intensity of the Group as a whole. Under the existing strategy, we don't see this picture changing greatly in the near future.

Any growth over and above that expected in 2004 can be comfortably funded through internal resources and available debt capacity.

Sixth Consecutive Year of Profit Growth



Downer EDI listed in 1998 and since that time we have recorded growth in profitability year after year. We have strived for consistency in results and by and large, in this endeavour, our diversification model is proven.

This consistent performance has also given us a track record of delivering growth at both the sales and profit lines and an all important "profit history" that markets have wanted to see proven.

The balance sheet footings are in place to continue growing the business and as in the past, we will be striving to better convert this "top-line" growth into profitable "bottom-line" growth

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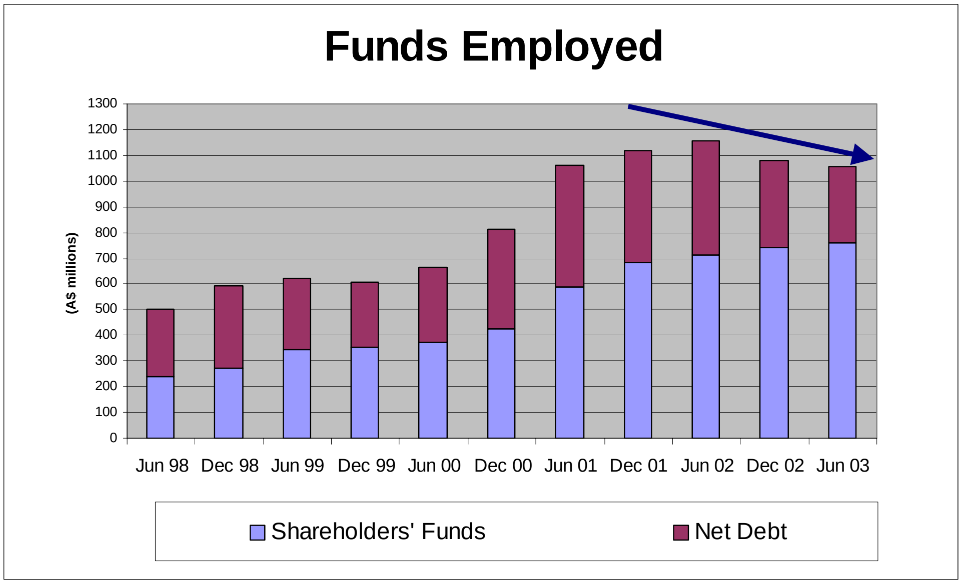
Reducing Funds Employed



As mentioned, funds employed are reducing and this trend is evidenced in the chart. EDI absorbed significant additional working capital which has now been recovered. Divesting non-core assets of EDI has also helped reduce post-acquisition indebtedness.

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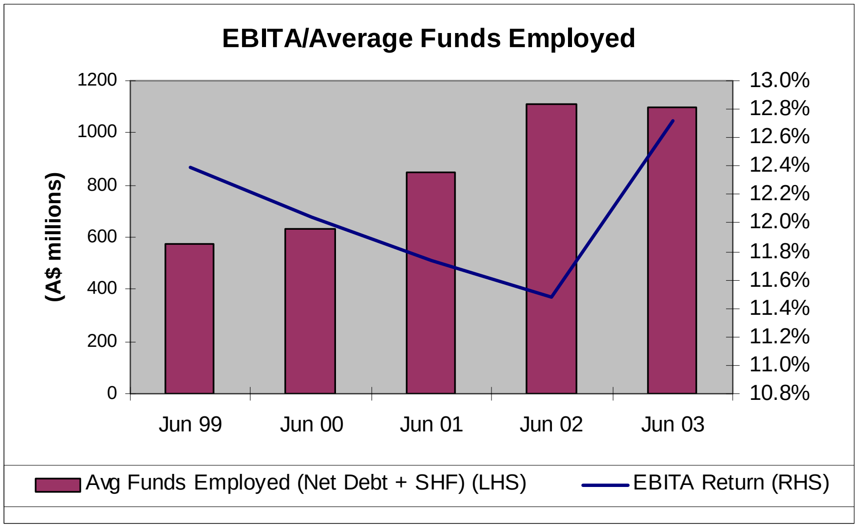
Improving EBITA Return on Funds Employed



With the shedding of non-core and non-performing EDI businesses and better working capital management we have significantly improved the EBITA return on funds employed.

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Margin Stable

For Year Ended June 30	2002	2003
Revenue (A$ Millions)	2,442	2,697
EBITA (A$ Millions)	128	140
Margin %	5.2%	5.2%
Average Peer Margin: 3 years to 2002	4.1%	

(Peer Group: LEI; LLC; SPT; TEM; TSE; UGL)

- Focus on maintaining margin combined with outlook for growing revenue will deliver uplift in headline profit in 2004

The Group's EBITA was stable in our core operating businesses despite the impact of one-offs relating to Walkers / Century / Capital Works.

Interest Cover Strengthening

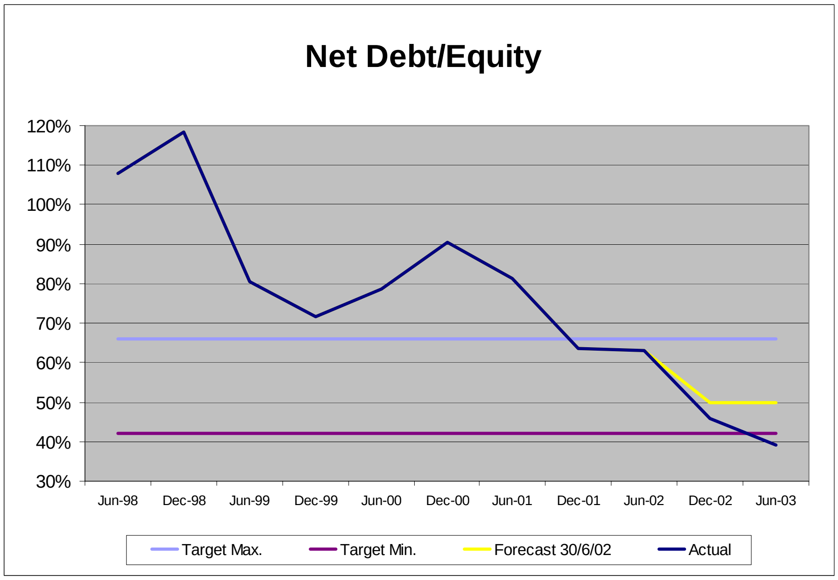
Cover as at 30 June (Times)	2001	2002	2003 Forecast*	2003 Actual	2004 Target
EBIT/Net Interest	3.5	3.3	>4.0	4.3	>4.5
EBITA/Net Interest	3.8	3.7	>4.5	4.8	>5.0
EBITDA/Net Interest	6.6	6.5	>7.0	8.4	>8.7

* As at 2002 full year presentation

At last year's presentation we set ourselves targets for various interest cover measures for 2003 financial year. These ratios are important measures of financial health to both equity and debt markets.

We exceeded all targets for 2003 and will be looking for further improvements in 2004 as reflected in the new targets.

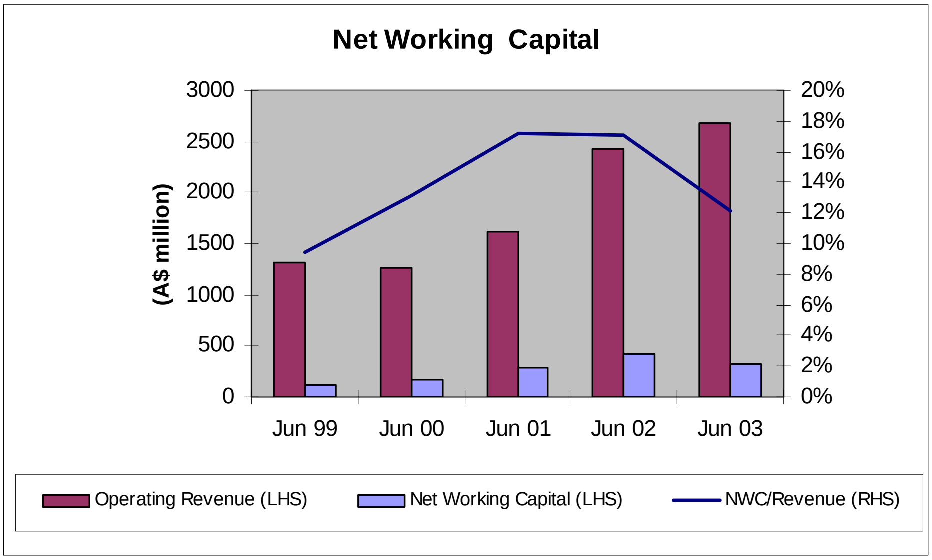
Gearing at Record Low



Our gearing has continued to fall with improved cash flow from operations and is now just below our target minimum of 42%.

This gearing level provides some protection against interest rate adjustments, but more importantly can provide capacity to support any worthwhile investment opportunities that may emerge such as PPP/PFI.

Working Capital Improved



Net Working Capital is defined as:-

Trade Receivables

+ Inventory

+ Other S/T Receivables (excluding investments)

– Trade Payables

NWC has declined reflecting better working capital management.

I will now hand over to John.

Downer EDi LIMITED

2003 Objectives (as per 2002 Results Presentation)

Objectives	Outcomes
Focus on key market sectors and expanding service offering	Sales from key market sectors in total expanded; services component increased by over $350 million
"Trim" the balance sheet	Average Funds Employed and working capital decreased
↑ Non-mining revenues as % total revenue	No change but on current forecast expect decrease to around 30%
↑ EBITA / AFE (>12%)	EBITA/ AFE 12.7%
↓ Gearing (Net Debt/Equity <50%)	Net Debt to Equity 39%
↑ Order Book (>$5 Billion)	Order Book > $5 billion and heading to $6 billion

Thanks Geoff.

As with interest cover, at our June 2002 presentation we set ourselves a number of objectives for 2003.

1. Across our core sectors of power, road, rail (maintenance), telco (maintenance) and mining our sales expanded, primarily in service-based activities. Objective met.

2. The balance sheet was trimmed through reductions in assets, funds employed and working capital. Objective met.

3. Mining historically has been around 35% of sales and we want this to be a maximum of 30% going forward. This was not achieved but with full year CPG contribution and our 2004 outlook across non-mining sectors we expect to realise this objective in 2004.

4. & 5. EBITA return on funds employed of 12.7% and gearing of 39% both exceeded targets. Objectives exceeded.

6. The order book continues to grow as we add long-term contracts for service. The current level of around $5.5 billion does not reflect awards of preferred contractor status which exceeds $500 million. Objective exceeded.

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2004 Financial Year Targets

(A$ Millions)	2004 Full Year	2004 Change on 2003 FY Actual
Gross Revenue	>3100	>15%
EBITA	>160	>15%

For 2004, we are expecting at least a 15% uplift in Revenue and EBITA.

As noted earlier, CPG will deliver an uplift for 2004 which proforma 2003FY should take us to $155 million EBITA.

Therefore, sensible incremental growth in our core business platform should see our targets for Revenue and EBITA being achieved.

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2004 Operating Outlook

MINING	Stable market conditions; selective growth; contain capital employed by pursuing emphasis on “as is business”; seeking value for intellectual property
POWER	Well positioned for increasing demand; strong growth expected; infrastructure assets failing; power shortages driving new production and reticulation upgrade opportunities
RAIL	Rollingstock manufacture steady, delivering long-tailed maintenance; rail track infrastructure failing; government needs to invest but how?

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2004 Operating Outlook

ROAD	Strong growth; increasing expenditure on maintenance enhancement (upgrade); facilitation of greater carrying capacity is taxing governments
TELCO	Increasing demand for our services despite capex spend continuing at an all time low.
INFRASTRUCTURE ASSET DESIGN / F.M.	Increasing opportunities; "one stop shop" potential to deliver internally generated projects

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2004 – Outlook Generally

- No requirement for new share capital
- EPS will continue to increase
- Surplus cash flow able to be reinvested into infrastructure operations - otherwise capital management initiatives will be considered
- Asia beginning to look attractive again

QUESTIONS & ANSWERS

Downer EDi LIMITED