

Downer Group – Analyst & Investor Site Visit

Waratah Train Project
Cardiff, New South Wales
12 September 2012

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Project Director



Agenda

- Production Outline
- Program Delivery
- Project Achievements
- Current Train Performance
- Forward Look

Production Outline

- China quality issues resolved from train 24 (ahead of plan at 26)
- All trains delivered now have rework within budget for Cardiff flowlines
- Increase in staffing levels in China has occurred
- 3 trains delivered during each of June, July and August
- 3 trains expected to be delivered in September
- 3 trains per month now delivered to end of build (2 in “holiday” months), placing CRC ahead of schedule from early 2013

Production Outline continued

- Cardiff flowlines operating at 4 day TAKT time since end of May 2012 (TAKT = pulse time)
- This means a train is produced every 8 working days
- One train to be delivered to RailCorp every 8 business days, from late September onwards, with occasional additional
- Practical Completion processes are well rehearsed with RailCorp
- Good cooperation between project teams

Production Outline continued

- Australian rail industry does not have the capacity for delivery of high output assembly rail vehicles; prior to the Waratah Train Project it did not have the experience either
 - Millennium Train Project was 4 cars every 16 days
- Methods of working in China are difficult for western companies to adjust to; European and North American companies have not yet achieved this
- Downer could be seen as an "early adopter"

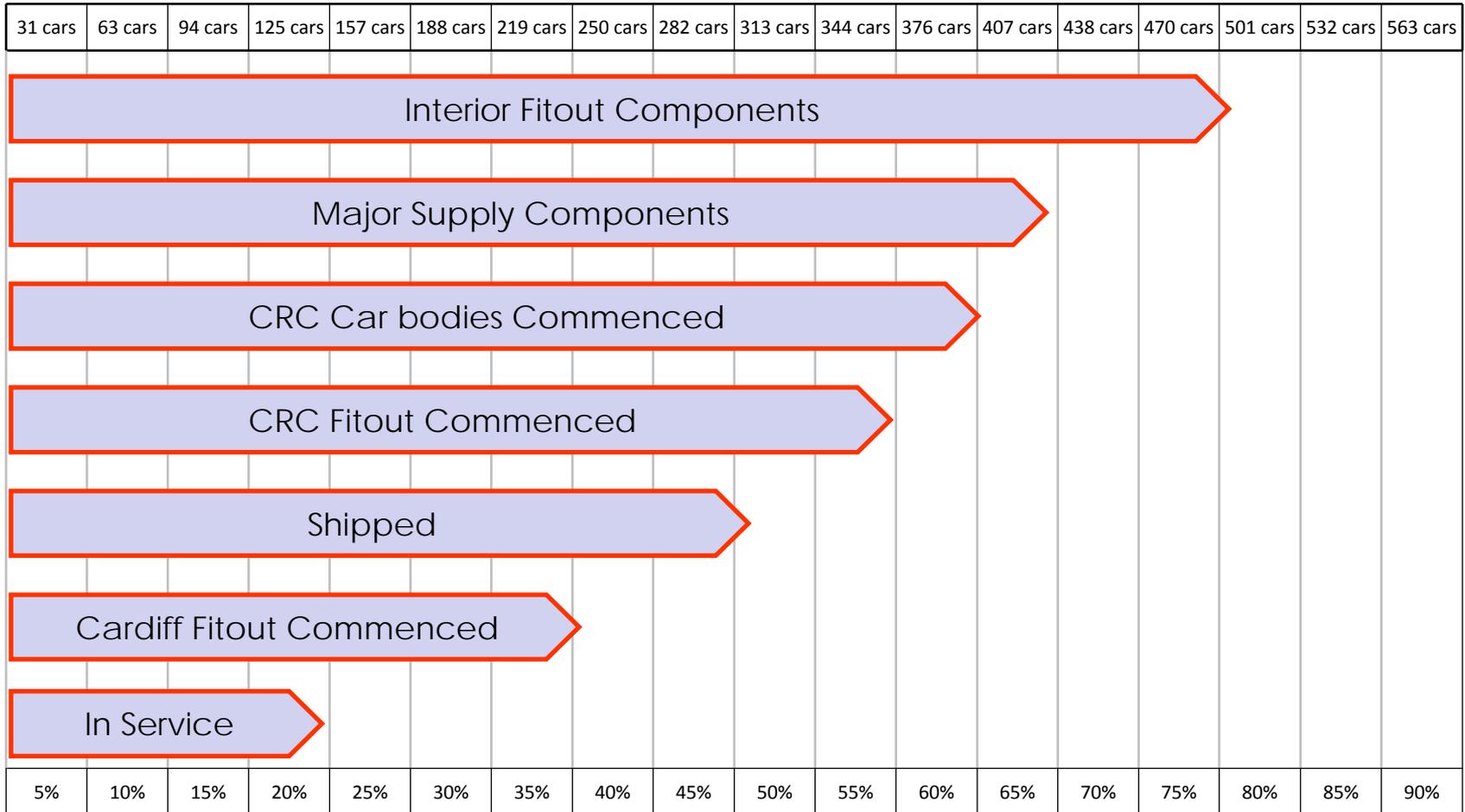
Program Delivery

- Project is on target to the revised program outlined at Downer Group's full year results on 13 August 2012
 - This program targets highest certainty at lowest cost
- Recovery on initial delays to the original contract program scheduled to be 6+ months by mid-2014

Program Delivery continued

Status	Train Set No.	Status	Train Set No.
Passenger service	3,4,5,6,7,8,9,10, 11,15,16,17,18,19	At Dalian Port	34,35
Being prepared for presentation for PC	21	At CRC ready for dispatch to Port	36
Auburn under test	20	In CRC Fitout Shop	37,38,39,40,41
Cardiff under test	22,23,24,25	In CRC awaiting fitout	42,43
Cardiff in production / post-production	14,26,27,28	In CRC Bodyshell Production	44,45
Cardiff waiting production	12,13,29,30	In CRC for retrofit	1
In transit from China	31,32,33	Awaiting dispatch to CRC for retrofit	2

Program Delivery continued



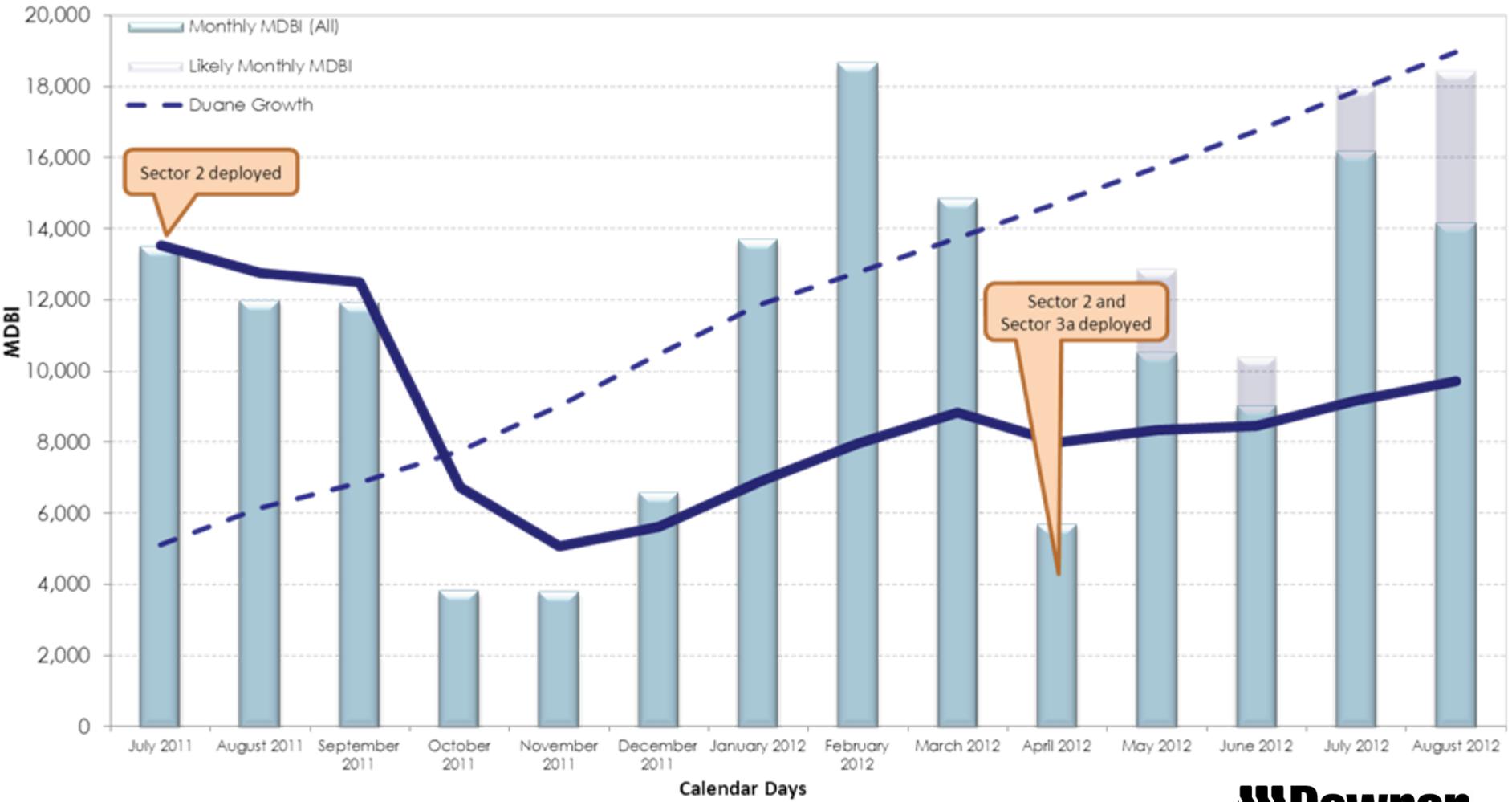
Project Achievement

- Set 1 presented for PC to RailCorp on schedule (as developed in January 2011)
- Set 7 reliability milestone successfully negotiated
- Delivery output now at 3 trains per month out of China and targeted delivery rate achieved out of Cardiff
- Quality issues in China resolved
- RailCorp now willing to accept trains faster than the contractual 10 day offset
- Opportunity to improve contractual regime

Current Train Performance

- Reliability currently ahead of predictions
- Major systems are not failing; unusual for a new train design
- Independent reviews of the project by UK rail experts have suggested the performance is exemplary for this stage of a new train build
- Availability targets have been greater than 99% since passenger service launch
- Signs are that the train will be exceptionally reliable: 8 sets have achieved the Final Completion reliability milestone

Current Train Performance continued

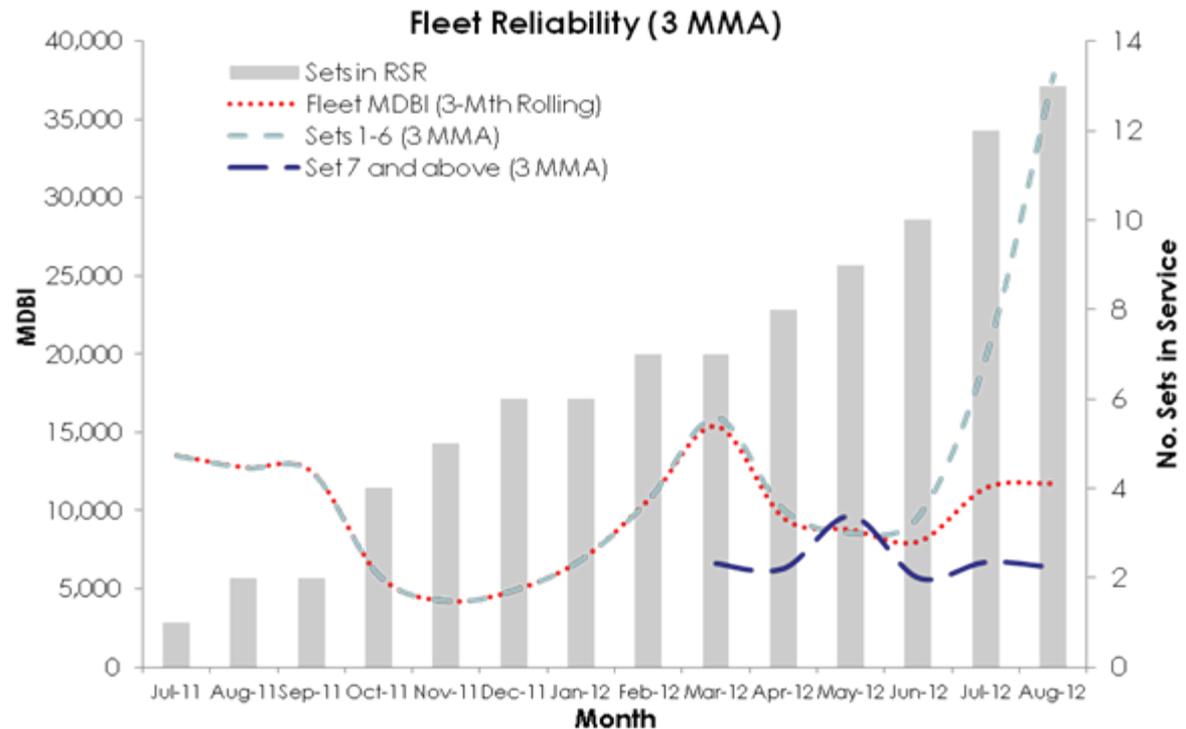


Current Train Performance continued

As the introduction of the Fleet progresses, reliability of Sets 1-6 can be seen to increase sharply over the last 3 months

Sets 7-13, which have been introduced recently, are predominately at a lower but improving reliability

The rapid increase in reliability can be attributed to the implementation of reliability modifications as a result of learning from earlier operations



Forward Look

- TLS contract is in early stages of delivery and is expected to be profitable
- Focus in the next 12 months is on life cycle costs and maximising use of the on-train diagnostic systems
- The ability to remotely diagnose defects across this fleet is a distinct competitive advantage
- Diagnostic capabilities will continue to be developed further
- TLS contract is a major opportunity for Downer

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