2009 AGM CHAIRMAN'S REPORT **15 OCTOBER 2009**

Over the past year the directors and the management team have shown great commitment to our company. The interaction between management and directors is professional, positive and at times passionate.

You will already have seen the company's financial results but I would like to take this opportunity to highlight the key numbers which are:-

- Revenue of **$ 5.9 bIllion**
- EBIT of **$ 304.8 million**
- NPAT of **$ 189.4 million** and
- Operating cash flow of **$ 336.5 million**
- A final dividend of 16 cents (making 29 cents unfranked for the year)

The balance sheet has strengthened, and earlier this month we were advised by Fitch that our debt rating had been improved to BBB stable from BBB- stable.

In a time of uncertainty in the global and Australian marketplaces those results represent a real achievement by all downer employees.

I will now deal in some detail with two items both of which are "people related".

The company has employed a "back-to-basics" approach to its operations which encompasses five operating principles. The first of these principles is "**sustaining a Zero Harm environment**".

Safety relates to people so it is obviously of huge importance to us. There has been an overt focus on safety and sustainability across the group at all levels.

Whist we still have some way to go to reach our "Zero Harm" goal, significant achievements have been made in the safety area.

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What may be less obvious is the significant performance benefits that flow from implementing good safety management.

While focussing on safety, all areas of operations have practiced:

- Working as a team
- Leading by example
- Engaging with employees, contractors and customers to achieve a common goal
- Identifying and managing risk; and
- Measuring results and trends

These lessons have been applied across the zero harm spectrums, including environmental and sustainablity issues, and are just as important in managing the operations across the board.

The second "people related" item involves **recruiting and keeping the best people.** The renewal of our company depends on recruiting where necessary - and keeping - the best possible people.

A good company attracts and keeps staff because of the opportunities it offers and the values it holds. Remuneration is an important element but the best retention tool is always a clear and accepted operational vision.

The recruitment of Geoff Knox who started on 1 February 2008 - was widely regarded as a sound move. Geoff's package was made public and accepted at that time as appropriate both as to quantum, based on market peer group) and balance between risk and base reward. Shareholder value was recognised by absolute dollar price hurdles. Retention was encouraged by time vesting after those hurdles were achieved.

Geoff's package also placed significant focus on successfully leading "Zero Harm" initiatives. The plans for his direct reports were cascaded from the same structure as implemented for Geoff.

We operate in very competitive sectors and top people are a scarce resource. Prior to 2008 Downer only had one long term incentive rights grant for our executives. This was in sharp contrast to a number of our competitors whose employees were already the recipients of potentially valuable share vesting rights from several years past.

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The 2008 plan attempted to remedy that deficiency and appeared to be successful - until the global financial crisis occurred.

The share price movement between September last year and February of this year shows the gradual breakdown of the retention element that had until that time been proceeding well with the price dropping from $6.40 to $3.40 during that period .

At that time the hurdles of $10.00 by December 2009 and $12.50 by end 2010 appeared beyond reach for reasons beyond anyone's control. No one knew how long or deep the crisis would be.

We decided to do two things. Firstly, to restore a retention value to the 2008 plan. This was achieved by extending the vesting time for a further year with an increased hurdle of $13.00 by end 2011. We also agreed to pro-rata the rights achievement over the entire period.

Secondly we based the hurdles for 2009 share rights granted on comparative hurdles, so that the executives would only achieve any vesting after performance exceeded the 50% point of benchmark performance. The comparator chosen was the top-100 index.

As a result, we now have a combination of absolute share price (shareholder value) and comparative above median performance as the plan bench marks for the long term incentives.

The short term incentives are based on measurable and important indicators. These include:

- safety performance
- environmental performance
- sustainability performance
- in the case of the CEOs of our divisions, their divisional performances

In other cases:
- executive specific measurable hurdles
- group financial performance, including earnings per share in excess of a benchmark.

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Remuneration has been very topical with shareholders and the media alike in recent months with much of the commentary focused on the payouts to departing and failed executives.

In our case we have a team of successful, well motivated executives, and I believe we are remunerating them appropriately at market levels. This has been validated through professional remuneration advisers and indeed by the market during our recruitment process.

There will be an opportunity for any questions on remuneration later on in proceedings.

You will shortly hear from Geoff that - as we stand today - our company operates in very attractive market segments, is well resourced with an excellent leadership team, and is conservatively geared.

We maintain our previous guidance for 2009 and our order book now stands at over $16 billion.

We are well placed to leverage the opportunities that the carbon reduction emissions scheme presents.

We have entered into successful joint ventures to widen our service offering in our core areas of focus.

We have also made significant progress in our journey of improvement across the business, and aim to achieve continued progress and growth throughout 2010 and beyond.

I now invite the Chief Executive Officer, Geoff Knox to address the meeting.

Ends

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