3 November 2010

Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

RE: Downer EDI 2010 Annual General Meeting

Please find attached a copy of the Chairman's and Chief Executive Officer's addresses to shareholders at today's Annual General Meeting.

Yours faithfully,

Bruce Crane
Company Secretary

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DOWNER EDI ANNUAL GENERAL MEETING 2010

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S ADDRESS

Chairman's Address, Peter Jollie AM

Ladies and gentlemen, your Board is fully aware the company disappointed shareholders, and indeed all stakeholders, with the announcement of $260 million in pre-tax provisions and asset impairments on 1 June, 2010. This included a $190 million provision relating to the Waratah Train Project – a public private partnership to supply and maintain 78 passenger train sets for Sydney's rail network.

However, Downer's underlying businesses performed well, with underlying earnings before interest and tax up 4.3% and underlying net profit after tax up 4.2%. Your Directors declared an unfranked final dividend of 16 cents per share, taking the total dividend for the year to 29.1 cents per share.

Overall, it was a solid underlying performance in difficult trading conditions.

Your new Chief Executive Officer, Grant Fenn, will provide you with an update on the Waratah Train Project during his address. I can assure you the Board and management team are focused intently on this project.

When we recruited Grant in 2009, we were impressed by the breadth of his financial, strategic, operational and leadership skills and his potential as a future Chief Executive Officer. When Geoff Knox resigned on 30 July this year, the Board was therefore pleased to appoint Grant as his successor. Since taking over the role three months ago, Grant and his team have begun improving the performance of the Group. They are focused on restoring the confidence of all stakeholders – including you, our shareholders.

The changes at Downer since the last Annual General Meeting have not been restricted to the senior executive team. We have also continued the process of Board renewal during the year. Dr Grant Thorne and Grant Fenn were appointed to the Board on 1 July, and Mike Harding was appointed Deputy Chairman at the same time.

Dr Thorne's qualifications are outlined in the Notice of Meeting. His 35 years' experience in mining and resources, which are key growth areas for Downer, make him a very valuable addition to the Board. Having been appointed since the last Annual General Meeting, Dr Thorne is standing for election later this morning. He will say a few words before the resolution for his election is put to the meeting.

As announced in August, and after six and a half years as a Downer director and over two and a half years as Chairman, I have decided not to nominate for re-election. Mike Harding, your Deputy Chairman, will succeed me as Chairman and he will say a few words toward the end of today's meeting. I will provide some information about Mike's background at that time.

I would like to say it has been an honour to serve on the Downer Board and as your Chairman. Directors and I have engaged with the operations through site visits and detailed briefings. This has enabled us to meet staff and customers across our operations and I have enjoyed that interaction. I am particularly proud of the way Downer looks after its people and that occupational health and safety and environment have become defining features of the Downer culture.

We have encouraged training and internal promotions to provide a skilled and motivated workforce. We have had several recognitions of our success in developing our indigenous workforce in Australia and New Zealand. We have recruited and retained a very competent management team across all areas of the company. Downer is now well regarded in all sectors in which we operate and compete. We have moved a long way in our focus on customer and community needs and in producing innovative service offerings.

In short, the heart of our business is our people at every level and I am proud of them.

I would also like to inform shareholders that Chris Renwick, who has been a Non-executive Director for the past six years, has informed the Board he will step down as a Director before the end of December 2010. I would like to thank Chris for his contribution to the company during this time, including his five years as Chairman of the Zero Harm Committee.

On behalf of shareholders, thank you Chris for your efforts and best wishes for the future.

Ladies and gentlemen, we have made a number of improvements to our remuneration structure during the year as we seek to better align remuneration with shareholders' interests in accordance with industry and peer benchmarking. For example, we have recently addressed the fact that the financial and Zero Harm components of executive bonuses operate independently of each other. This has meant that if Zero Harm targets are met, executives can receive significant bonuses even at times when the company's financial performance is poor. Indeed, this is what happened in the 2010 financial year. Appropriate financial hurdles will be put in place so this does not occur again.

I am pleased that CGI Glass Lewis, an independent governance analysis and proxy voting firm, has recommended that shareholders vote in favour of this year's Remuneration Report. Indeed, CGI Glass Lewis has recommended that shareholders vote in favour of all the resolutions being put to this meeting. Another independent corporate governance firm – ISS, formerly known as Riskmetrics – has outlined both the positives and negatives in our Remuneration Report. While recommending a vote against the report, ISS states that shareholders may wish to support Downer's Remuneration Report because of the positive features of our remuneration structure.

Overall, I believe we have made positive progress in this area and your Board recommends that you support the Remuneration Report when it comes time to vote on Resolution five.

Ladies and gentlemen, I believe Downer has a strong portfolio of businesses and the right people and strategy in place to deliver shareholder value well into the future. Thank you once again for the honour of serving as your Chairman. I now invite your Chief Executive Officer, Grant Fenn, to provide an update on the Group's operations.

Chief Executive Officer's Address, Grant Fenn

Thank you, Peter, and good morning everyone. I would like to acknowledge the contribution Peter has made to the company over the past six and a half years and to wish him all the best for the future. Thank you, Peter

Ladies and gentlemen, it has been a difficult year for Downer and its shareholders. The $260 million provision announced on 1 June, including a provision of $190 million for the manufacture of the Waratah trains, was extremely disappointing. The reported net profit after tax for the 2010 financial year of $3 million was clearly unsatisfactory. Excluding the provisions, the company's underlying performance was solid in a very challenging market. The highlights of our underlying full year results included:

- Total revenue increasing by 1.9% to $6.1 billion
- Underlying earnings before interest and tax increasing by 4.3% to $317.8 million
- Underlying net profit after tax increasing by 4.2% to $197.3 million
- Operating cashflow, excluding the Waratah trains, of $377 million, which is 119% of underlying EBIT
- Work in hand increasing to a record $20 billion, and importantly
- A 33% reduction in lost time injury frequency rate to a 13 year low of 0.94 per million hours worked
- A 28% reduction in total recordable injury frequency rate, and
- A 44% reduction in total severity rate.

This safety performance is industry leading and obviously very pleasing for a new CEO. Zero Harm is embedded in Downer's culture and fundamental to the company's future success.

As the new CEO, it is my challenge to restore shareholder and market confidence in Downer. This can only be achieved by consistently delivering on our promises over time. Our customers are very committed, and we are securing substantial new contracts. We are, in many of the sectors in which we operate, the preferred supplier due to our service culture, our demonstrated capability and our industry leading safety record.

It is my view that this business has a very bright future. Given we are generally number one or number two in the major markets in which we operate, this business can and should outperform over time.

In the electrical and instrumentation field, for example, we are by far the largest industrial contractor in Australia. Our Engineering business is very well positioned to benefit from the substantial pipeline of opportunities in the resource and oil and gas sectors and, despite a challenging market in the short term, we see substantial growth opportunities beyond the 2011 financial year. During the 2010 financial year, our Engineering business won contracts across a range of sectors, including:

- Construction of a 180 kilometre power transmission line for the Karara iron ore project in Western Australia
- Providing electrical and instrumentation work for Woodside's Pluto LNG project in Western Australia
- Designing and constructing a 93 kilometre, double circuit transmission line in north Queensland, and
- Designing and constructing 111 wind turbine generators, as well as access roads and civil and electrical balance-of-plant works, at Collgar Wind Farms in Western Australia.

Since the end of the 2010 financial year, Downer Mining has announced $5 billion of contract wins and renewals with BHP Billiton Mitsubishi Alliance and Fortescue Metals Group. Last month, we were awarded preferred tenderer status on a $900 million, five year contract with Idemitsu for the provision of mining services at the Boggabri open cut coal mine in New South Wales. Downer has been the mining contractor at Boggabri since 2006 when the mine commenced production. During that time, Downer has worked over one million man hours without any lost time injuries.

Downer Mining's business is competitive and innovative and our commitment to Zero Harm has contributed to the contract wins and renewals during the year. In the short term, we will focus on extending and expanding our existing mining footprint and growing our blasting and tyre management services. We have committed a substantial amount of capital over the next four years for the Mining business and we are expecting significantly higher profit levels and improved returns.

Downer's Works business is a clear market leader in outsourced road maintenance in Australia and New Zealand, and our rail track maintenance business is continuing to expand. Earlier this week, Downer Works announced over $455 million in contract wins across Australia, with Downer's share of the contract revenue totalling over $280 million. This includes an Integrated Service Arrangement with Main Roads Western Australia to deliver fence-to-fence road network asset management on over 2,500 lane kilometres of road within the Perth metropolitan network. In addition, the DownerMouchel joint venture has been awarded preferred supplier status by Main Roads Western Australia for the mid-west ISA agreement covering the Gascoyne region.

Last month, the rail infrastructure business within Downer Works was contracted by Australian Rail Track Corporation to undertake rail upgrade work as part of the Federal Government's national building rail investment. We were also awarded an 18 month extension of the V1 alliance with ARTC for rail track maintenance and infrastructure work in Victoria and southern New South Wales. In June this year, Downer Works signed a $125 million, five year maintenance alliance agreement with VicRoads to perform road maintenance in Victoria's north east.

In New Zealand, our Works management team has done a very good job in a difficult and challenging market to drive efficiencies and maintain both earnings and their strong market position. Overall, our Australasian Works businesses are well placed to pursue further opportunities in road and rail maintenance as they become available.

Downer's Rail business is benefiting from strong demand for resources, particularly coal and iron ore, which is driving demand for Downer's locomotives. In addition, State Governments are increasing their investment in passenger rail as population and patronage increases. Over the past month, we have announced a further $490 million in rail related contract wins. This includes extensions with Pacific National and a contract to expand and upgrade Queensland rail's fleet of high speed passenger tilt trains that service the Brisbane to Cairns rail corridor.

The outlook for the Rail market remains strong and Downer has a leading position in rail design, technology and maintenance capability. I would now like to provide an update on the Waratah Train Project.

Over the past six months, Downer has reached a number of key milestones:

- We achieved practical completion of the Auburn Maintenance Centre on 18 June, and this is a world class, state of the art facility. We have mobilised our Through-Life-Support team and we are ready to begin management of the fleet.
- On 31 August, we achieved practical completion of the training simulators that RailCorp will use to train its drivers – and that training has begun.
- Testing of the prototype vehicle has been very successful, and so has testing of train set number one and train set number two.

Train set number three will be the first train into service. It has begun static testing and will start dynamic testing on the tracks in November. By mid to late December, the Waratah fleet will have travelled over 35,000 kilometres on the Sydney rail network.

Importantly, I can assure you we are building an exceptional train for the people of New South Wales. In September, Mike Harding and I spent a day with the testing team on the Richmond line. Both Mike and I were impressed – as were the two RailCorp train drivers who described the train as "excellent" and "awesome". The Downer team is fully committed to this project and, based on our current schedule, the first eight car train set will be ready for acceptance by RailCorp before the end of December. The timetable is tight, but it is achievable if testing continues to go well.

This will be the first new train type commissioned by RailCorp since the Rail Safety Act was amended in 2008. This has provided RailCorp, and consequently Downer, with many challenges. Practical completion is subject to RailCorp's approval, and if this is not achieved by the end of December then Downer will incur additional liquidated damages of approximately $250,000 per train per month of delay. We do not expect the possible delay of set one into revenue service to materially impact the schedule for the remaining 77 train sets.

The Chairman mentioned earlier that the executive leadership team is working hard to improve the performance of the Group. This includes the recent launch of a five-year "Fit for Business" program, targeting $250 million in savings. The "Fit for Business" program has a broad focus on all the levers of sustainable margin improvement and, in 2011, will include office and work site consolidations, IT initiatives and better working capital efficiency. We have a skilled and experienced management team in place to drive both our strategy and the "Fit for Business" program. However, we will continue to seek ways of doing things better.

As announced at our Full Year Results in August, I have streamlined the executive team reporting structure and all operating divisions now report directly to me.

At our Full Year Results in August, Downer announced record work in hand of more than $20 billion and a solid foundation for future growth, including a strong balance sheet with gearing of 29.9 per cent and over $800 million in cash and undrawn facilities. We are now four months into the 2011 financial year, and a number of factors are affecting our performance for the first half of the 2011 financial year. These include:

- The impact of extreme wet weather conditions on mining and road maintenance operations around Australia, particularly in Queensland, New South Wales and Victoria

- The ongoing tough economic conditions in New Zealand
- the strength of the Australian dollar – around 20 per cent of our revenues are earned offshore, mostly in New Zealand, and
- Restructuring costs, as we drive to a more efficient business.

As a result, we expect the percentage contribution of the First Half to be slightly lower than it has been historically. Nevertheless, we expect our Full Year Result to be in line with the guidance given with our annual results in August. That is, we expect improvement of around 5% in EBIT for the 2011 financial year and net profit after tax in line with the underlying NPAT result in 2010.

The strong contract wins announced since the end of the 2010 financial year highlight the positive outlook for all our businesses, as we look beyond 2011. In conclusion, ladies and gentlemen, I am looking forward to the challenges ahead and driving value for you, our shareholders.