

Media/ASX and NZX Release

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DOWNER TERMINATES CONTRACT

Downer EDI Limited (Downer) today announced it has terminated a contract with Tecnicas Reunidas S.A.

Tecnicas Reunidas S.A. (TR) is the head contractor with responsibility for the engineering, procurement and construction of a Technical Ammonium Nitrate plant located on the Burrup Peninsula, near Karratha in Western Australia.

Downer's contract, awarded in March 2014, was for structural, mechanical, electrical and instrumentation works, which involved the installation of pre-fabricated modules supplied by TR. The original contract value was \$72 million.

Downer's decision to terminate the contract followed a failure by TR to remedy a substantial breach of the contract. Downer has not taken this decision lightly but considers it has no alternative given TR's conduct.

Downer is in the process of demobilising from the site and will work with TR to ensure the safe and orderly hand-over of the work as required by the contract. To date, Downer has been paid approximately \$89m by TR, which is inclusive of scope work performed under the contract and in accordance with a separate settlement agreement.

Downer also intends to refer claims totalling more than \$60m to arbitration for resolution. The claims include costs for the growth in the contract quantities and re-work required as a result of non-conforming free-issue modules as well as costs incurred as a result of extensive delays and disruption. It is expected this process will take approximately 18 months to conclude.

Downer does not believe that there will be any impact to its guidance of around \$190 million net profit after tax for the year ending 30 June 2016 resulting from the above events.

About Downer

Downer EDI Limited (Downer) is a leading provider of services to customers in markets including: Transport Services; Technology and Communications Services; Utilities Services; Engineering, Construction and Maintenance (EC&M); Mining; and Rail. Downer employs about 19,000 people, mostly in Australia and New Zealand but also in the Asia-Pacific region, South America and Southern Africa.

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