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RELIANCE RAIL FINANCIAL RESTRUCTURING

Downer EDI Limited (Downer) announced today that the New South Wales Government had reached an agreement with Reliance Rail, Downer, other Reliance Rail shareholders, financial guarantors and other parties to restructure the financing of Reliance Rail.

This follows the announcements made earlier today by Reliance Rail and the NSW Treasurer, Mike Baird, that the NSW Government had agreed to invest $175 million in 2018 in Reliance Rail in return for 100 per cent of Reliance Rail equity.

Downer's contribution to the restructure is limited to 100% of its existing equity in Reliance Rail and a contingent commitment to pay Reliance Rail $12.5 million in 2018 should it be required, following the NSW Government's investment, to refinance Reliance Rail senior debt. Reliance Rail must use its best endeavours to refinance the senior debt in 2018 without recourse to Downer's contingent commitment.

The Chief Executive Officer of Downer, Grant Fenn, said the agreement was a very positive step forward for the funding of the Waratah train project.

"This agreement will provide Downer and its joint venture partner Hitachi with greater certainty going forward as we manufacture and maintain the Waratah trains," Mr Fenn said. "The NSW Government has shown its support for this important project and the questions around Reliance Rail funding should now subside. The six trains in service are performing well and we expect the seventh train will commence passenger services shortly."

Mr Fenn said Downer would provide a full update on the Waratah train project when it reports its Half Year Results on 21 February.

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