

Media/ASX and NZX Release

10 February 2022

DOWNER REPORTS UNDERLYING NPATA OF \$97.6 MILLION

Downer EDI Limited (Downer) today announced its financial results for the six months to 31 December 2021.

The core Urban Services businesses – Transport, Utilities and Facilities – performed well, despite the impact of COVID-19, growing both revenue and earnings.

The main features of the results are:

- Total revenue of \$6.0 billion, down 2.3% from the prior corresponding period (pcp).
- Statutory EBIT (earnings before interest and tax) of \$172.0 million and statutory NPAT (net profit after tax) of \$89.0 million.
- Core Urban Services revenue of \$5.6 billion, up 13.3% on the pcp.
- Core Urban Services EBITA (earnings before interest, tax and amortisation of acquired intangible assets) of \$238.0 million, up 4.4% on the pcp.
- Underlying EBITA of \$181.6 million, down 17.8% from the pcp; statutory EBITA of \$186.2 million.
- Underlying NPATA (net profit after tax and before amortisation of acquired intangible assets) of \$97.6 million, down 18.1% from the pcp; statutory NPATA of \$99.0 million.
- Underlying cash conversion of 91.2%; statutory cash conversion of 85.1%.
- Net Debt to EBITDA of 1.5x and Gearing of 16.5% (19.0% at 30 June 2021).
- Interim dividend of 12 cents per share (unfranked).

The Chief Executive Officer of Downer, Grant Fenn, said: “With the arrival of Omicron it has been a tough six months to navigate. Despite the challenges, our core business has delivered solid earnings and strong cash conversion for the first half of 2022.

“Our market positions and diversity give us strength that others do not have and confidence through to the other side of COVID-19. Our brand and our relationships are very strong.”

Mr Fenn said “Downer had now completed its divestment program, with consideration totalling \$778 million in relation to the Mining and Laundries divestments.

The divestments of non-core Mining and Laundries businesses has allowed us to reduce our gearing to 16.5% and focus on growth in our Urban Services portfolio. Our liquidity and balance sheet are strong, with Net Debt to EBITDA of 1.5x comfortably below the Group’s target range of 2-2.5x.”

Mr Fenn said Downer’s Urban Services portfolio was leveraged to the long term macro-economic trends of expanding population, urbanisation, government outsourcing and decarbonisation.

“The level of investment required for our customers to meet Net Zero targets will provide many opportunities for Downer,” Mr Fenn said. “The demand for decarbonisation solutions is huge, we have extensive expertise in this area, our brand and relationships are strong, and we look forward to working closely with our customers on their decarbonisation needs.”

Dividend

The Downer Board has declared an interim dividend of 12 cents per share, unfranked, payable on 24 March 2022 to shareholders on the register at 24 February 2022. The portion of the unfranked dividend amount that will be paid out of Conduit Foreign Income (CFI) is 29%. The company’s Dividend Reinvestment Plan (DRP) remains suspended and will not operate for this dividend.

Safety

Downer reported a Lost Time Injury Frequency Rate of 0.97 per million hours worked at 31 December 2021, compared to 0.95 in the prior period, and a Total Recordable Injury Frequency Rate of 2.57 per million hours worked, down from 2.68 per million hours worked.

Outlook

In August 2021 we predicted that our core Urban Services revenue and earnings would grow in FY22. In the first half our core revenue was up 13.3% and earnings were up 4.4%.

The impact of Omicron on the supply chain, work volumes and revenue mix is difficult to predict and presents risk for the second half.

We will do our best to manage that risk with our customers and we will provide an update at our Investor Day in April.

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About Downer

Downer is the leading provider of integrated services in Australia and New Zealand and customers are at the heart of everything it does. It exists to create and sustain the modern environment and its promise is to work closely with its customers to help them succeed, using world-leading insights and solutions to design, build and sustain assets, infrastructure and facilities. Downer employs approximately 41,000 people, primarily in Australia and New Zealand. For more information visit www.downergroup.com