



# **Annual General Meeting 2017**





GOOD MORNING, LADIES AND GENTLEMEN. MY NAME IS MIKE HARDING AND I AM THE CHAIRMAN OF DOWNER EDI LIMITED.

I WOULD LIKE TO BEGIN BY ACKNOWLEDGING THE TRADITIONAL OWNERS OF THE LAND ON WHICH WE MEET TODAY – THE GADIGAL PEOPLE OF THE EORA NATION – AND PAY MY RESPECTS TO THEIR ELDERS PAST AND PRESENT.

I WOULD NOW LIKE TO OFFICIALLY OPEN OUR ANNUAL GENERAL MEETING FOR 2017.

BASED ON THE NUMBER OF VOTING MEMBERS IN ATTENDANCE, I DECLARE A QUORUM FOR THIS MEETING.

BEFORE I COMMENCE TODAY'S PROCEEDINGS, I WOULD LIKE TO DRAW YOUR ATTENTION TO THE SAFETY PROCEDURES FOR THIS VENUE.

# SAFETY PROCEDURES

WHEN NOTIFIED OF AN EMERGENCY, WHICH WILL BE A VOICE WE HEAR THROUGH THE SPEAKERS IN THIS AUDITORIUM, PLEASE EVACUATE THE BUILDING IMMEDIATELY VIA THE NEAREST EXIT.

## DO NOT USE THE LIFTS.

PROCEED TO THE DESIGNATED EXTERNAL ASSEMBLY AREA, WHICH IS ACROSS THE ROAD NEXT TO THE MULTI-STOREY CAR PARK, AS SHOWN ON THE DIAGRAM ON THE SCREEN.

DO NOT RE-ENTER THE BUILDING UNTIL AUTHORISED.





I WOULD NOW LIKE TO INTRODUCE MY FELLOW DIRECTORS.

ON MY FAR LEFT IS GRANT THORNE, THEN EVE HOWELL, PHIL GARLING, ANNABELLE CHAPLAIN AND TERESA HANDICOTT. NEXT IS OUR COMPANY SECRETARY, PETER LYONS, AND ON MY IMMEDIATE LEFT IS YOUR CHIEF EXECUTIVE OFFICER, GRANT FENN.

I WOULD ALSO LIKE TO INTRODUCE OUR CHIEF FINANCIAL OFFICER, MICHAEL FERGUSON WHO IS IN ATTENDANCE TODAY.

I NOTE THAT JOHN TEER AND CAMERON SLAPP, REPRESENTING OUR AUDITORS, KPMG, ARE HERE TODAY AND WILL BE AVAILABLE TO ANSWER QUESTIONS ON THE AUDITOR'S REPORT LATER IN THE MEETING.

BEFORE BEGINNING THE FORMAL BUSINESS OF THE MEETING, I WOULD LIKE TO OUTLINE TODAY'S PROCEDURES AND PROTOCOLS.



ALL RESOLUTIONS WILL BE DECIDED BY A POLL AT THE END OF THE MEETING.

THE MEETING WILL CONSIDER THE ITEMS OF BUSINESS OUTLINED IN THE NOTICE OF MEETING SENT TO ALL SHAREHOLDERS ON 28 SEPTEMBER 2017.

THERE WILL BE OPPORTUNITIES FOR SHAREHOLDERS TO ASK QUESTIONS ON THE RESOLUTIONS, AND QUESTIONS WILL BE CONFINED TO THE FORMAL BUSINESS OF THE MEETING.

GENERAL QUESTIONS WILL BE TAKEN AT THE END OF THE MEETING.

ALL QUESTIONS RELATING TO DOWNER'S POTENTIAL INVOLVEMENT AT THE CARMICHAEL COAL MINE WILL BE ADDRESSED WHEN WE COME TO ITEM 5.

ONLY THOSE PERSONS HOLDING A BLUE OR YELLOW CARD ARE ELIGIBLE TO ASK QUESTIONS.



ANY UNDIRECTED PROXIES IN MY FAVOUR AS CHAIRMAN WILL BE VOTED IN FAVOUR OF THE RELEVANT RESOLUTION, OTHER THAN FOR ITEM 5 WHERE THEY WILL BE VOTED AGAINST THE RESOLUTION.

PRIOR TO THE FORMAL BUSINESS OF THE MEETING, MR FENN WILL GIVE YOU AN UPDATE ON THE GROUP'S OPERATIONS.

WE WILL NOW PROCEED WITH TODAY'S FORMAL BUSINESS.

GIVEN THAT THE NOTICE OF MEETING HAS BEEN SENT TO ALL REGISTERED MEMBERS, I MOVE THAT THE NOTICE OF MEETING BE TAKEN AS READ.

THE MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HAVE BEEN APPROVED AND SIGNED IN ACCORDANCE WITH THE CORPORATIONS ACT. A COPY IS AVAILABLE FOR INSPECTION SHOULD ANY MEMBER WISH TO DO SO.

WE WILL NOW MOVE TO THE BUSINESS OF THE MEETING, WHICH INCLUDES THE RESOLUTIONS TO BE PUT TO THE MEETING.



PRIOR TO EACH RESOLUTION BEING DISCUSSED, THE PROXIES THAT HAVE BEEN RECEIVED ON THAT ITEM WILL BE DISPLAYED ON THE SCREEN. AS I MENTIONED EARLIER, ALL RESOLUTIONS WILL BE DECIDED BY A POLL AT THE END OF THE MEETING.

ITEM NUMBER ONE IS TO CONSIDER AND RECEIVE THE FINANCIAL REPORT, THE DIRECTORS' REPORT AND THE INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 30 JUNE 2017.

THE ANNUAL REPORT HAS BEEN MADE AVAILABLE TO SHAREHOLDERS AND, WITH IT, THE NOTICE OF MEETING WHICH HAS BEEN HELD BY MEMBERS IN EXCESS OF THE MINIMUM PERIOD. THE ANNUAL REPORT IS AVAILABLE ON THE COMPANY'S WEBSITE AND ADDITIONAL COPIES ARE AVAILABLE FOR THOSE PRESENT TODAY.

BEFORE OPENING ITEM NUMBER ONE FOR DISCUSSION, I INVITE YOUR CHIEF EXECUTIVE OFFICER, GRANT FENN, TO PROVIDE AN UPDATE ON THE GROUP'S OPERATIONS.



# CHIEF EXECUTIVE OFFICER'S REPORT

LADIES AND GENTLEMEN I AM VERY PLEASED TO REPORT THAT DOWNER HAS DELIVERED ANOTHER STRONG FINANCIAL AND OPERATIONAL PERFORMANCE FOR THE 2017 FINANCIAL YEAR.

THE HIGHLIGHTS OF OUR FINANCIAL PERFORMANCE INCLUDE:

- NET PROFIT AFTER TAX OF \$181.5 MILLION, UP FROM \$180.6 MILLION;
- EARNINGS BEFORE INTEREST AND TAX OF \$277.8 MILLION, UP FROM \$276.9 MILLION;
- OPERATING CASH FLOW OF \$441.6 MILLION, REPRESENTING CASH CONVERSION OF 103.1% OF EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION;
- WORK-IN-HAND OF \$22.5 BILLION, UP FROM \$21.1 BILLION AT 31 DECEMBER 2016; AND
- A FULLY FRANKED DIVIDEND OF 24 CENTS PER SHARE.





# CHIEF EXECUTIVE OFFICER'S REPORT



I NOTE THAT NONE OF THESE RESULTS INCLUDE ANY CONTRIBUTION FROM SPOTLESS. I WILL DISCUSS OUR ACQUISITION OF SPOTLESS LATER IN MY REPORT.

IT IS VERY PLEASING THAT DOWNER AGAIN DELIVERED ON THE GUIDANCE THAT WE GAVE AT THE START OF THE FINANCIAL YEAR – AND THIS IS THE SEVENTH SUCCESSIVE YEAR WE HAVE ACHIEVED THIS.

THE HEALTH AND SAFETY OF OUR PEOPLE IS PARAMOUNT AT DOWNER AND I AM PLEASED TO INFORM YOU THAT WE CONTINUE TO PERFORM WELL AGAINST KEY HEALTH AND SAFETY INDICATORS – THE LOST TIME INJURY FREQUENCY RATE AND THE TOTAL RECORDABLE INJURY FREQUENCY RATE.

I ASSURE YOU, HOWEVER, WE ARE NOT COMPLACENT AND THAT WE WILL MAINTAIN OUR FOCUS ON THE MANAGEMENT OF CRITICAL RISKS ACROSS THE GROUP.



# CHIEF EXECUTIVE OFFICER'S REPORT

OUR STRONG PERFORMANCE AND DIVIDEND ARE AGAIN A WELCOME OUTCOME FOR YOU, OUR SHAREHOLDERS, AND ON BEHALF OF THE BOARD I WOULD LIKE TO THANK YOU FOR YOUR CONTINUED SUPPORT. I WOULD ALSO LIKE TO THANK DOWNER EMPLOYEES AND CONTRACTORS FOR THEIR HARD WORK AND IMPORTANT CONTRIBUTION. I WOULD NOW LIKE TO PROVIDE A BRIEF OVERVIEW OF THE PERFORMANCE OF EACH OF OUR SERVICE LINES.

**TRANSPORT** INCLUDES THE GROUP'S ROAD, TRANSPORT INFRASTRUCTURE, BRIDGE, AIRPORT AND PORT CAPABILITIES.

TRANSPORT PERFORMED WELL IN BOTH AUSTRALIA AND NEW ZEALAND, WITH STRONG INCREASES IN BOTH REVENUE AND EBIT. WE WON SEVERAL NEW INFRASTRUCTURE PROJECTS AND ALSO MADE SOME BOLT-ON ACQUISITIONS. WE BELIEVE THE OUTLOOK FOR TRANSPORT IS VERY POSITIVE WITH INCREASING DEMAND FOR INNOVATION, SMART ASSET MANAGEMENT AND INTELLIGENT INFRASTRUCTURE.



# CHIEF EXECUTIVE OFFICER'S REPORT

OUR **UTILITIES** SERVICE LINE INCLUDES OUR POWER, GAS, WATER, COMMUNICATIONS AND RENEWABLES BUSINESSES.

THE PRIME DRIVER OF EBIT GROWTH FOR UTILITIES WAS OUR STRONG PERFORMANCE ON NBN CONTRACTS. PRIVATISATION, CONTESTABILITY AND BUSINESS IMPROVEMENT WILL BE A CONSISTENT THEME ACROSS ALL DISTRIBUTION NETWORKS IN AUSTRALIA AND NEW ZEALAND, AND DOWNER HAS AN UNMATCHED POSITION.

FOR OUR **RAIL** SERVICE LINE, THE FREIGHT MARKET HAS BEEN TOUGH IN RECENT YEARS. HOWEVER, STATE GOVERNMENTS HAVE BEEN INVESTING IN NEW PASSENGER ROLLING STOCK AND DURING THE YEAR DOWNER WAS SUCCESSFUL IN SECURING THE HIGH CAPACITY METRO TRAINS PROJECT IN VICTORIA AND THE SYDNEY GROWTH TRAINS PROJECT IN NEW SOUTH WALES.



# CHIEF EXECUTIVE OFFICER'S REPORT

THESE MAJOR RAIL PROJECTS ARE PROGRESSING WELL AND WE ALSO CONTINUE TO PERFORM WELL ON THE WARATAH AND MILLENNIUM MAINTENANCE CONTRACTS.

KEOLIS DOWNER'S MELBOURNE AND GOLD COAST LIGHT RAIL OPERATIONS ALSO PERFORMED WELL AND DURING THE YEAR THE JOINT VENTURE WAS AWARDED THE CONTRACT TO OPERATE AN INTEGRATED PUBLIC TRANSPORT SYSTEM FOR THE CITY OF NEWCASTLE.

I WILL NOW MOVE TO OUR **ENGINEERING, CONSTRUCTION AND MAINTENANCE** BUSINESS WHICH COMPRISES THE GROUP'S INDUSTRIAL CONSTRUCTION AND MAINTENANCE SERVICES, OUR NEW ZEALAND PROJECTS BUSINESS AND OUR RESOURCES BASED CONSULTANCIES.



# CHIEF EXECUTIVE OFFICER'S REPORT

THE GORGON AND WHEATSTONE GAS PROJECTS MADE STRONG CONTRIBUTIONS TO OUR EC&M PERFORMANCE DURING THE YEAR AND ALSO PAVED THE WAY FOR US TO SECURE NEW CONTRACTS ON THE PRELUDE AND ICHTHYS PROJECTS.

IMPORTANTLY, WE HAVE ALSO SIGNIFICANTLY BUILT UP OUR LONG TERM MAINTENANCE CONTRACTS WITH CUSTOMERS SUCH AS CHEVRON, CONOCOPHILLIPS, SANTOS AND ORIGIN.

DURING THE YEAR, WE ACQUIRED THE HAWKINS NON-RESIDENTIAL CONSTRUCTION BUSINESS IN NEW ZEALAND AND ITS PERFORMANCE IS NOW INCLUDED IN THE EC&M RESULTS. HAWKINS BRINGS SIGNIFICANT TECHNICAL CAPABILITY AND I BELIEVE IT IS A VERY EXCITING ADDITION TO THE DOWNER GROUP.



# CHIEF EXECUTIVE OFFICER'S REPORT

THE **MINING** SERVICE LINE REPORTED LOWER REVENUE AND EBIT, PREDOMINANTLY DUE TO THE EXPIRY OF THE CHRISTMAS CREEK CONTRACT IN SEPTEMBER 2016. THERE WILL BE A FURTHER REDUCTION IN MINING'S REVENUE AND EBIT THIS YEAR DUE TO THE FULL YEAR IMPACT OF CHRISTMAS CREEK AND ALSO THE CONCLUSION OF OUR CONTRACT AT BOGGABRI AT THE END OF NOVEMBER 2017.

OVERALL, OUR 2017 FINANCIAL RESULTS WERE STRONG AND THEY REFLECTED OUR STRATEGY TO FOCUS ON GROWTH IN PUBLIC INFRASTRUCTURE AND SERVICE DELIVERY.



# CHIEF EXECUTIVE OFFICER'S REPORT

IN MARCH THIS YEAR DOWNER ANNOUNCED AN OFFER FOR ALL THE SHARES IN SPOTLESS GROUP HOLDINGS LIMITED WHICH IT DID NOT ALREADY OWN. THE OFFER CONCLUDED AT THE END OF AUGUST AND DOWNER OWNS 88% OF SPOTLESS.

SPOTLESS EMPLOYS ABOUT 36,000 PEOPLE IN AUSTRALIA AND NEW ZEALAND AND PROVIDES ITS CUSTOMERS WITH OUTSOURCED FACILITY SERVICES, CATERING AND LAUNDRY SERVICES, TECHNICAL AND ENGINEERING SERVICES AND REFRIGERATION SOLUTIONS.



# CHIEF EXECUTIVE OFFICER'S REPORT

THE ACQUISITION OF SPOTLESS DELIVERS ON DOWNER'S STRATEGIC OBJECTIVES BECAUSE IT:

- CONTINUES THE GROUP'S TRANSFORMATION TOWARDS A MORE SERVICES-FOCUSED BUSINESS WITH RESILIENT EARNINGS;
- ENHANCES THE GROUP'S CONTRACT PORTFOLIO WITH LONG-TERM CONTRACTS THAT PROVIDE HIGH CERTAINTY OVER REVENUES;
- CONTRIBUTES A COMPLEMENTARY, HIGH QUALITY CUSTOMER BASE; AND
- CREATES AN INTEGRATED SERVICES PROVIDER WITH A COMPREHENSIVE RANGE OF CAPABILITIES.





# CHIEF EXECUTIVE OFFICER'S REPORT

THE COMBINATION OF DOWNER AND SPOTLESS MEANS WE ARE STRONGER TODAY AND HAVE EVEN MORE EXCITING PROSPECTS FOR THE FUTURE:

- WE ARE AN ASX 100 COMPANY WITH A MARKET CAPITALISATION OF OVER \$4 BILLION;
- WE EMPLOY OVER 56,000 PEOPLE WORKING ACROSS HUNDREDS OF SITES;
- WE HAVE A WIDE RANGE OF EXCELLENT CUSTOMERS AND STRONG LONG TERM RELATIONSHIPS;
- WE HAVE AN EXTRAORDINARY RANGE OF SKILLS AND CAPABILITIES AND CAN OFFER NEW OPPORTUNITIES AND SERVICES TO BOTH EXISTING AND POTENTIAL NEW CUSTOMERS;
- WE ARE WELL POSITIONED TO BENEFIT FROM THE CONTINUING TREND TOWARDS OUTSOURCING; AND
- WE HAVE THE FINANCIAL STRENGTH TO CONTINUE INVESTING IN OUR EXISTING BUSINESSES AS WELL AS FUTURE GROWTH OPPORTUNITIES.



# CHIEF EXECUTIVE OFFICER'S REPORT



THE GROUP'S STRONG COMPETITIVE POSITION IN ALL OF ITS MARKETS, COUPLED WITH MARKET GROWTH, IS DRIVING SIGNIFICANT OPPORTUNITIES ACROSS ALL BUSINESSES.

DOWNER IS CURRENTLY CONDUCTING A REVIEW OF SPOTLESS' BUSINESS PLANNING, BUDGETING AND TARGET SETTING PROCESS. WE EXPECT TO COMPLETE THIS REVIEW AT THE END OF NOVEMBER AND WE WILL THEN PROVIDE UPDATED GUIDANCE FOR THE ENTIRE DOWNER GROUP, INCLUDING SPOTLESS.

THANK YOU, LADIES AND GENTLEMEN, AND I NOW HAND THE MEETING BACK TO OUR CHAIRMAN TO DISCUSS THE ITEMS OUTLINED IN THE NOTICE OF MEETING.



# **ITEM 1: FINANCIAL REPORT, DIRECTORS' REPORT, INDEPENDENT AUDITORS' REPORT**

THE FINANCIAL REPORT, DIRECTORS' REPORT AND THE INDEPENDENT AUDITOR'S REPORT ARE NOW OPEN FOR DISCUSSION.

THERE IS NO REQUIREMENT FOR SHAREHOLDERS TO APPROVE THESE REPORTS. ACCORDINGLY, ITEM NUMBER ONE IS FOR DISCUSSION ONLY AND THERE WILL NOT BE A VOTE ON THIS ITEM.

I REMIND YOU THAT ONLY SHAREHOLDERS OF THE COMPANY OR THEIR DULY APPOINTED REPRESENTATIVES OR PROXIES ARE PERMITTED TO ASK QUESTIONS.

IF YOU DO HAVE A QUESTION, PLEASE RAISE YOUR HAND AND WE WILL BRING A MICROPHONE TO YOU.



## ITEM 2: RE-ELECTION OF R M HARDING

MIKE HARDING IS RETIRING BY ROTATION IN ACCORDANCE WITH THE CONSTITUTION OF THE COMPANY. BEING ELIGIBLE, HE IS STANDING FOR RE-ELECTION. PROXIES RECEIVED IN RELATION TO THIS MOTION ARE DISPLAYED ON THE SCREEN.

	Voted	%	% of all shares
For	468,535,037	96.51	78.78
Against	16,078,142	3.31	2.70
Abstain	103,312	n/a	0.02
Open – Useable	858,139	0.18	0.14

THE OTHER DIRECTORS, INCLUDING ME, UNANIMOUSLY RECOMMEND THAT SHAREHOLDERS VOTE IN FAVOUR OF THIS RESOLUTION. THERE IS NOW AN OPPORTUNITY FOR DISCUSSION OF THIS RESOLUTION.



## ITEM 3: REMUNERATION REPORT

THE MEETING NOW NEEDS TO CONSIDER ITEM THREE, ADOPTION OF THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2017. PROXIES PROXIES RECEIVED IN RELATION TO THIS ITEM ARE DISPLAYED ON THE SCREEN.

	<b>Voted</b>	<b>%</b>	<b>% of all shares</b>
For	450,446,454	93.03	75.74
Against	32,989,558	6.81	5.55
Abstain	1,075,559	n/a	0.18
Open – Useable	809,419	0.16	0.14

THE REMUNERATION REPORT IS NOW OPEN FOR DISCUSSION.



## ITEM 4: MANAGING DIRECTOR'S LTI

THE MEETING NOW NEEDS TO CONSIDER ITEM FOUR: APPROVAL OF THE MANAGING DIRECTOR'S LONG TERM INCENTIVE. THE DETAILS OF THE LONG TERM INCENTIVE PLAN ARE SET OUT IN DETAIL IN THE NOTICE OF MEETING. PROXIES RECEIVED IN RELATION TO THIS MOTION ARE DISPLAYED ON THE SCREEN.

	Voted	%	% of all shares
For	471,813,144	97.52	79.34
Against	11,230,810	2.32	1.89
Abstain	1,476,335	n/a	0.25
Open – Useable	800,681	0.16	0.13

THERE IS NOW AN OPPORTUNITY FOR DISCUSSION OF THIS RESOLUTION.



## ITEM 5: REQUISITIONED RESOLUTION

THE MEETING NOW NEEDS TO CONSIDER ITEM FIVE. PROXIES RECEIVED IN RELATION TO THIS ITEM ARE DISPLAYED ON THE SCREEN.

	Voted	%	% of all shares
For	15,429,759	3.27	2.59
Against	456,170,298	96.57	76.71
Abstain	13,220,474	n/a	2.22
Open – Useable	754,099	0.16	0.13

THIS ITEM IS NOW OPEN FOR DISCUSSION.



## GENERAL QUESTIONS



I WOULD NOW LIKE TO ASK IF THERE ARE ANY GENERAL QUESTIONS.



# EVE HOWELL



BEFORE WE CONDUCT THE POLLS, I INFORM THE MEETING THAT EVE HOWELL HAS DECIDED TO STEP DOWN FROM THE BOARD AT THE CONCLUSION OF THIS MEETING.

EVE HAS BEEN A DIRECTOR OF DOWNER SINCE JANUARY 2012 AND WE HAVE BENEFITED TREMENDOUSLY FROM THE KNOWLEDGE SHE HAS ACQUIRED THROUGH SPENDING OVER 40 YEARS IN THE OIL AND GAS INDUSTRY.

EVE HAS MADE A VALUABLE CONTRIBUTION TO DOWNER OVER ALMOST SIX YEARS ON THE BOARD AND I WOULD LIKE TO THANK HER FOR HER EFFORTS AND WISH HER ALL THE BEST FOR THE FUTURE.



# POLL PROCEDURE

MARTINE LEFEBVRE OF COMPUTERSHARE INVESTOR SERVICES HAS BEEN APPOINTED RETURNING OFFICER FOR THIS MEETING, AND I AM SATISFIED AS TO COMPUTERSHARE'S INDEPENDENCE.

IF THERE IS ANY PERSON AT THIS MEETING WHO BELIEVES THEY ARE ENTITLED TO VOTE BUT HAVE NOT YET REGISTERED, WOULD YOU PLEASE RAISE YOUR HAND FOR ASSISTANCE.

EVERY MEMBER PRESENT IN PERSON OR BY REPRESENTATIVE, ATTORNEY OR PROXY WHO HOLDS A BLUE ADMISSION CARD IS ENTITLED TO ONE VOTE FOR EACH SHARE HELD.

THE RESOLUTIONS ON WHICH YOU ARE REQUIRED TO VOTE BY POLL ARE ITEMS 2, 3, 4 AND 5 AS SET OUT IN THE NOTICE OF MEETING.



# POLLS

WOULD YOU PLEASE INDICATE BY RAISING YOUR HAND IF YOU REQUIRE MORE TIME TO COMPLETE AND LODGE YOUR VOTING CARD?

WOULD ANY PERSON WHO HAS NOT VOTED HOLD UP YOUR VOTING CARD?

AS ALL PAPERS HAVE BEEN COLLECTED, I WILL DECLARE THE POLL CLOSED.

THE COUNTING OF THE RESULTS WILL TAKE A LITTLE WHILE, SO I PROPOSE TO CLOSE THE MEETING AND ANNOUNCE THE RESULTS OF THE POLL TO THE ASX THIS AFTERNOON.

IS THERE ANY OTHER BUSINESS THAT CAN LAWFULLY BE BROUGHT FORWARD?

THERE BEING NO FURTHER BUSINESS THE MEETING IS NOW CONCLUDED.

THANK YOU VERY MUCH FOR YOUR ATTENDANCE. I NOW INVITE YOU TO JOIN US FOR LIGHT REFRESHMENTS.



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