

2 November 2017

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

Dear Sir/Madam

**RE: Downer EDI Limited 2017 Annual General Meeting**

Please find attached a copy of the Chief Executive Officer's report to be delivered at the Annual General Meeting of Downer EDI Limited to be held at 11.00am today.

Yours faithfully



**Peter Tompkins**  
Company Secretary

## DOWNER GROUP ANNUAL GENERAL MEETING 2017 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.

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.

Ladies and gentlemen, 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.

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.

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.

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.

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.

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.

Ladies and gentlemen, 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.

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.

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.

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.