

Media/ASX and NZX Release

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DOWNER REPORTS NPATA OF \$115.5 MILLION

Downer EDI Limited (Downer) today announced its financial results for the six months to 31 December 2019. The main features of the results are:

- Total revenue of \$6.8 billion, up 3.3% from the prior corresponding period (pcp).
- EBIT (earnings before interest and tax) of \$180.4 million, down 23.8% from the pcp.
- NPATA (net profit after tax and before amortisation of acquired intangible assets) of \$115.5 million.
- Statutory net profit after tax of \$91.4 million, down 35.4%.
- Work-in-hand of \$46.4 billion, up from \$44.3 billion at 30 June 2019.
- Interim dividend of 14 cents per share (unfranked).

All the figures above include 100% contribution from Spotless, before minority interests.

The Chief Executive Officer of Downer, Grant Fenn, said despite Downer's services businesses performing well, construction losses had driven a disappointing result for the first half of the 2020 financial year. On 23 January Downer revised down its full year profit guidance to NPATA of \$300 million.

"Downer's Transport, Utilities, Facilities and Mining service lines, as well as the Asset Services business within Engineering, Construction and Maintenance, performed well during the period," Mr Fenn said. "We will continue to grow our services businesses which require relatively low levels of capital, deliver more predictable revenue in the long term and are able to improve margins over time.

"The strong pipeline of opportunities in our favoured markets continues to drive Downer's work-in-hand, which has risen to \$46.4 billion at 31 December 2019. Construction work-in-hand is just 12% of total Group work-in-hand and half of it relates to projects valued at less than \$50 million. Downer will continue to reduce its exposure to risky construction work."

Downer reports its financial results under five service lines and the performance of each service line, compared with the prior corresponding period, is summarised below.

Urban Services

Transport

Total revenue of \$2.2 billion, up 5.7%
EBITA of \$112.5 million, up 28.0%
Work-in-hand of \$18.0 billion

Utilities

Total revenue of \$1.4 billion, up 16.8%
EBITA of \$63.0 million, down 2.6%
Work-in-hand of \$7.0 billion

Facilities

Total revenue of \$1.8 billion, up 5.4%
EBITA of \$75.9 million, down 6.6%
Work-in-hand of \$16.5 billion

Mining, Energy and Industrials

Mining

Total revenue of \$777.4 million, up 8.8%
EBITA of \$43.7 million, up 18.4%
Work-in-hand of \$2.8 billion

Engineering, Construction & Maintenance

Total revenue of \$706.4 million, down 25.3%
EBITA loss of \$37.4 million
Work-in-hand of \$2.1 billion

Portfolio review

Downer announced at its 2019 full year results that it was undertaking a review into its Mining and Laundries businesses to be completed in the first half of the 2020 financial year. The review concluded that Downer should exit both the Mining and Laundries businesses, and this would provide an opportunity to increase returns to shareholders and reduce debt.

The exit process for Mining continues with a number of bids being received last week, ranging in price and conditionality. These bids are being assessed along with other exit alternatives including a demerger. The exit process for Laundries also continues with a range of indicative bids being recently received.

Safety

Downer reported a Lost Time Injury Frequency Rate of 0.60 per million hours worked for the six months to 31 December 2019 and a Total Recordable Injury Frequency Rate of 2.82 per million hours worked. Regrettably, in July 2019, an employee of Otraco died as a result of an accident at our facility in Calama, Chile. Otraco is a Downer business that delivers vehicle and off-the-road tyre management services across more than 60 sites in Australia, South America and South Africa.

Dividend

The Downer Board resolved to pay an interim dividend of 14 cents per share, unfranked, payable on 25 March 2020 to shareholders on the register at 26 February 2020. The unfranked dividend will be paid out of Conduit Foreign Income. The company's Dividend Reinvestment Plan (DRP) remains suspended and will not operate for this dividend.

Outlook

Downer is targeting NPATA of around \$300 million before minority interests for the 2020 financial year.

For further information please contact:

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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 more than 53,000 people across more than 300 sites, primarily in Australia and New Zealand, but also in the Asia-Pacific region, South America and Southern Africa. It also owns 88 per cent of Spotless Group Holdings Limited. For more information visit www.downergroup.com