

Media/ASX and NZX Release

29 August 2017

DOWNER REPORTS NET PROFIT AFTER TAX OF \$181.5 MILLION

Downer EDI Limited (Downer) today announced its financial results for the 12 months to 30 June 2017.

The following highlights from these results do not include any contribution from Spotless¹:

- Net profit after tax (NPAT) of \$181.5 million, up from \$180.6 million;
- Total revenue of \$7.8 billion, up 5.7%;
- Earnings before interest and tax (EBIT) of \$277.8 million, up 0.3%;
- Operating cash flow of \$441.6 million, representing cash conversion of 103.1% of earnings before interest, tax, depreciation and amortisation (EBITDA);
- Work-in-hand of \$22.5 billion, up from \$21.1 billion at 31 December 2016; and
- Lost Time Injury Frequency Rate of 0.55 per million hours worked; Total Recordable Injury Frequency Rate of 3.50 per million hours worked.

Gearing, including Spotless, was 14.7% (17.7% including off-balance sheet debt) with available liquidity of \$2.0 billion comprising cash of \$844.6 million and undrawn committed facilities of \$1.2 billion.

The Chief Executive Officer of Downer, Grant Fenn, said it was very pleasing that Downer again exceeded its full year guidance with increases in total revenue, EBIT and NPAT.

“Our Transport service line performed strongly with highlights including the success of our New Zealand operations in securing a high proportion of long term network management contracts and the acquisition of RPQ in Australia, which provides improved geographic and product coverage for our surfacing and asphalt businesses.

“We won several new infrastructure projects during the year including Newcastle Light Rail, the NSW Transport Access Program and the High Capacity Metro Trains depots in Melbourne.

“The outlook for Transport is very positive with increasing demand for product innovation, smart asset management and intelligent infrastructure. The growth in transport infrastructure investment will provide a buoyant market for a number of years in construction and product supply.”

¹ On 21 March 2017, Downer announced an offer, through its wholly owned subsidiary Downer EDI Services Pty Ltd, to acquire all of the issued share capital of Spotless Group Holdings Limited (Spotless) which it did not already own. On 27 June 2017, Downer's ownership interest in Spotless exceeded 50%, requiring the consolidation of Spotless' financial statements from that time. The profit or loss and cash flow impact attributable to Spotless for the three days to 30 June 2017 is not material to the Downer Group and therefore no revenue, EBIT or operating cash flow contribution from Spotless is included in these results.

Mr Fenn said a strong performance on nbn™ contracts was the prime driver of EBIT growth in Utilities, which includes Downer's power, gas, water, communications and renewable energy businesses.

"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," he said.

The freight rail market has been tough in recent years, however State Governments have been investing in new 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," Mr Fenn said, "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.

Mr Fenn said the Gorgon and Wheatstone projects made strong contributions to the Engineering, Construction & Maintenance result and Downer had secured new contracts at Ichthys and Prelude.

"We are now a major provider of services on Ichthys with around 600 people on the project and we are continuing to ramp up," he said.

Mr Fenn said the Hawkins acquisition in New Zealand brought significant technical capability and was a very exciting addition to the Group.

The reduction in Mining revenue and EBIT was predominantly due to the expiry of the Christmas Creek contract in September 2016 and there will be a full year impact attributable to Christmas Creek in 2018.

"Our cash flow performance, with cash conversion of 103.1%, was again outstanding, Mr Fenn said.

"Importantly, we continue to perform well against key health and safety indicators due to our ongoing focus on critical risk management which is a central element of our Zero Harm program.

"Overall, this is a strong result that reflects the success of our strategy to focus on growth in public infrastructure and service delivery."

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

Transport

Total revenue of \$2.2 billion, up 16.4%
EBIT of \$124.6 million, up 20.2%
Work-in-hand of \$6.3 billion

Rail

Total revenue of \$850.2 million, up 2.9%
EBIT of \$30.3 million, up 110.4%
Work-in-hand of \$8.0 billion

Mining

Total revenue of \$1.3 billion, down 18.5%
EBIT of \$83.4 million, down 35.8%
Work-in-hand of \$2.0 billion

Utilities

Total revenue of \$1.5 billion, up 19.1%
EBIT of \$84.1 million, up 17.8%
Work-in-hand of \$3.6 billion

Engineering, Construction & Maintenance

Total revenue of \$2.0 billion, up 6.2%
EBIT of \$52.3 million, up 8.5%
Work-in-hand of \$2.6 billion

Spotless

Downer announced a takeover offer for Spotless on 21 March 2017 and Downer currently owns 87.8% of Spotless.

Spotless announced its financial results for the 12 months to 30 June 2017 on 24 August 2017 and these results were in line with Downer's expectations.

Downer will report the financial results of Spotless as a separate service line from the 2018 financial year onwards.

Dividend

The Downer Board resolved to pay a fully franked final dividend of 12.0 cents per share (12.0 cents per share in the prior corresponding period), payable on 10 October 2017 to shareholders on the register at 12 September 2017. The company's Dividend Reinvestment Plan (DRP) remains suspended and will not operate for this dividend.

Outlook

With the acquisition of Spotless, the Downer Group is now well positioned for expected growth in the transport infrastructure, health, education, corrections, defence, utilities and other government service markets across Australia and New Zealand.

The Group's strong competitive position in all of its major markets, coupled with market growth, is driving significant opportunities across all businesses.

Excluding Spotless earnings and any costs or synergies related to the acquisition, Downer is targeting NPAT of around \$190 million for the 2018 financial year, an increase of 5%.

In its Target's Statement dated 27 April 2017, the Spotless Board provided earnings guidance of between \$85 million and \$100 million NPAT for the 2018 financial year².

Once Downer completes its review of the Spotless business planning, budgeting and target setting process, updated guidance will be provided for the entire Downer Group, including Spotless.

For further information please contact:

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Downer EDI Limited (Downer) is a leading provider of services to customers in markets including: Transport; Utilities; Rail; Engineering, Construction & Maintenance and Mining. We build strong relationships of trust with our customers, truly understanding and predicting their needs and bringing them world leading insights and solutions. Downer employs about 20,000 people across more than 200 sites and projects, mostly in Australia and New Zealand, but also in the Asia-Pacific region, South America and Southern Africa. For more on Downer, visit: www.downergroup.com

² For further information regarding the basis of preparation of this guidance, including key assumptions and other discussion, see section 5.4 and section 7 of Spotless' Target's Statement dated 27 April 2017