

Media/ASX and NZX Release

12 August 2020

DOWNER REPORTS UNDERLYING NPATA OF \$215.1 MILLION

Downer EDI Limited (Downer) today announced its financial results for the 12 months to 30 June 2020. The main features of the results are:

- Total revenue of \$13.4 billion, down 0.2% from the prior corresponding period (pcp)
- Underlying EBITA (earnings before interest, tax and amortisation) of \$416.0 million, down 25.8%
- Underlying NPATA (net profit after tax and before amortisation of acquired intangible assets) of \$215.1 million, down 36.8%
- Statutory NPAT (net profit after tax) loss of \$155.7 million
- Improved cash performance in the second half of the financial year, with operating cash conversion at 74% of Underlying EBITDA, taking full year cash conversion to 39.5% of Underlying EBITDA
- Work-in-hand of \$42.2 billion

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

Announcement of 21 July 2020

On 21 July 2020, Downer announced a package of initiatives to reshape the Downer Group in line with its Urban Services strategy and create a stronger platform for long-term, sustainable growth. These initiatives are:

- achieving 100% ownership of Spotless;
- exiting non-core businesses; and
- right-sizing the cost base and operating model to align with the Urban Services strategy.

Downer also announced a \$400 million equity raising on 21 July 2020 to fund the acquisition of the remaining shares in Spotless, provide flexibility for continued investment in Downer's core businesses and strengthen its balance sheet. The raising was supported strongly by institutional investors, who took up 97% of their entitlements.

Downer will make an unconditional offer to acquire the issued share capital of Spotless not already owned by Downer. Downer has entered into a call option deed with Coltrane Master Fund, L.P. (which currently has a relevant interest in approximately 11.8% of the Spotless shares on issue)

under which it has a call option over 2.99% of Spotless shares. On exercise, this will increase Downer's ownership above the 90% threshold to proceed to compulsory acquisition. It is expected the outcome of this offer will be known by the end of the 2020 calendar year.

In relation to non-core businesses, Downer is exploring the potential sale of its Mining portfolio (in parts or as a whole) and reviewing the prospects of its Hospitality business to determine which parts will continue and which will be sold or closed. The process for the sale of the Laundries business has been paused and will resume when investment market conditions improve.

Financial performance in the 2020 financial year

The Chief Executive Officer of Downer, Grant Fenn, said Downer's performance in the 2020 financial year supported its strategy to focus on its core Urban Services businesses. These businesses have:

- demonstrated strength and resilience;
- leading market positions and attractive medium and long-term growth opportunities;
- a high proportion of government and government-related contracts; and
- a capital light, services-based business model generating lower risk, more predictable revenues and cash flows.

"Demand for our services remained strong throughout the year, particularly in the road, rail, power, gas, water, defence, health, education and government sectors," Mr Fenn said.

"Group revenue was down only 0.2% to \$13.4 billion and underlying EBITA for our core Urban Services businesses was only slightly down on the previous year.

"Our New Zealand business was materially affected by the Level 4 restrictions introduced there, but activity has returned almost to normal levels and the business is performing well."

Mr Fenn said Spotless' Hospitality business had been severely affected by COVID-19 restrictions and, as previously announced, the business has been placed in hibernation.

Full details of Downer's financial performance are included in the Investor Presentation and Annual Report lodged with the Australian Securities Exchange and available on Downer's website.

Dividends

As announced previously:

- Downer's deferred unfranked interim dividend of 14 cents per share will be paid on 25 September 2020 to shareholders on the register at 26 February 2020; and
- no final dividend will be paid for the year ended 30 June 2020 due to the current environment and Downer's recent equity raising.

Dividends are expected to resume in the 2021 financial year, depending on business performance.

The unfranked interim 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.

Safety

Downer has complied with all Government regulations and advice in relation to COVID-19, in both Australia and New Zealand, and has robust Business Continuity Plans in place. Downer has implemented a range of control measures across its sites to minimise the risks of COVID-19

transmission and has also put in place strategies to minimise the impact of the virus on its people and the communities in which it operates.

Downer's Lost Time Injury Frequency Rate (LTIFR) increased to 0.67 from 0.57 and its Total Recordable Injury Frequency Rate (TRIFR) increased to 2.88 from 2.70 per million hours worked.

Outlook

In the current environment, Downer is not providing earnings guidance for the 2021 financial year.

The acquisition of the remaining shares in Spotless will allow Downer to get the full benefits of the acquisition. Spotless is an important part of Downer's Urban Services strategy - driving consistent earnings and reliable cash flow from long term customers in critical sectors.

Downer's diversification across critical services in road, rail, power, gas, water, defence, health, education and government has delivered resilience in earnings and cash flows and there continues to be strong demand for these services.

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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. For more information visit www.downergroup.com