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DOWNER TO SELL ITS FREIGHT RAIL BUSINESS TO PROGRESS RAIL

Downer EDI Limited (Downer) announced today it had entered an agreement to sell its freight rail business to Progress Rail, a Caterpillar company and the world's leading manufacturer of diesel-electric locomotives, for \$109 million.

The sale includes:

- customer contracts;
- facilities located at Malaga, Port Augusta and Clyde as well as other licensed facilities; and
- associated assets and liabilities.

Around 360 people currently employed by Downer are expected to transfer to Progress Rail as part of the transaction.

Downer and Progress Rail have worked together for almost seven decades supplying and maintaining locomotives in Australia and the two companies will maintain an ongoing relationship in Australia.

The sale of the freight rail business to Progress Rail is subject to the satisfaction of Conditions Precedent and is scheduled to be completed in January 2018. As a result of the transaction, Downer will book a non-cash write down of \$40 million relating to Freight Rail goodwill and legacy assets.

Downer's Rail division will have more than \$8 billion of work-in-hand after the divestment of the freight rail business and the division remains on track to achieve its underlying full year earnings target despite no contribution from freight in the second half of the financial year.

The Chief Executive Officer of Downer, Grant Fenn, said Downer's Rail business is very well placed to drive reliable and safe services to the fast growing, dynamic public transport sector. New opportunities include Parramatta Light Rail and a new regional fleet in New South Wales to replace the ageing XPT, XPLOER and Endeavour trains.

"Downer is Australia's leading provider of passenger rolling stock asset management services," Mr Fenn said.

"The Waratah trains have established themselves as the best performing trains in Australia and we have formed a valuable strategic relationship with our Chinese partner, CRRC Changchun Railway Vehicles. We are currently working with CRRC to deliver more high quality passenger trains in Sydney, through the Sydney Growth Trains project, and Melbourne, through the High Capacity Metro Trains project.

“Our investment and focus on innovation through digital and data solutions will be the platform for improved performance for our customers.”

Downer’s passenger rail business comprises:

- long term Through Life Support (TLS) maintenance contracts;
- project management services;
- digital and data solutions; and
- public transport operations.

The TLS contracts include maintenance of the Millennium trains for another ten years, the Waratah trains for another 26 years, the Sydney Growth Trains fleet for 25 years, and the High Capacity Metro Trains for 30 years. In addition, the Downer Bombardier joint venture will maintain the Western Australian Public Transport Authority's "A" and "B" fleets until 2026.

Downer’s public transport operations include the Keolis Downer joint venture, which is Australia’s largest private provider of multi-modal public transport. Keolis Downer is the largest light rail operator in Australia, operating the Yarra Trams franchise in Melbourne and G:Link on the Gold Coast. Keolis Downer also operates Newcastle’s integrated transport system and is one of Australia’s most significant bus operators with operations in Western Australia, New South Wales, South Australia and Queensland. Overall, Keolis Downer provides more than 210 million passenger trips each year.

The President and CEO of Progress Rail, and Senior Vice President of Caterpillar Inc., Billy Ainsworth said: “This acquisition allows Progress Rail to directly serve rail customers in Australia with best-in-class products and services. It also reinforces Progress Rail’s commitment to the rail industry.”

Downer has advised previously that it is conducting a review of Spotless’ business planning, budgeting and target setting process. Downer will provide the market with an update on guidance for the entire Downer Group, including Spotless, on 27 November.

About Downer

Downer EDI Limited (Downer) is listed on the Australian Securities Exchange and the New Zealand Stock Exchange. Downer also owns 88% of Spotless Group Holdings Limited. Downer employs over 56,000 people across more than 300 sites, primarily in Australia and New Zealand but also in the Asia-Pacific region, South America and Southern Africa. We build strong relationships of trust with our customers, truly understanding and predicting their needs and bringing them world leading insights and solutions. For more on Downer, visit: www.downergroup.com.

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