

12 February 2020

Company Announcements Office  
ASX Limited  
Exchange Centre  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

Please find attached the following documents:

1. Appendix 4D – results for announcement to the market for the half-year ended 31 December 2019;
2. Condensed Consolidated Half-year Financial Report dated 31 December 2019;
3. Market release dated 12 February 2020; and
4. Investor Presentation.

Yours sincerely,  
**Downer EDI Limited**



Robert Regan  
Company Secretary

**Results for announcement to the market  
for the half-year ended 31 December 2019**

**Appendix 4D**

	<b>31 Dec 2019</b>	31 Dec 2018	%
	<b>\$'m</b>	<b>\$'m</b>	<b>change</b>
Revenue from ordinary activities	<b>6,506.6</b>	6,304.6	
Other income	<b>2.3</b>	19.9	
<b>Total revenue and other income from ordinary activities</b>	<b>6,508.9</b>	6,324.5	2.9%
<b>Total revenue including joint ventures and other income</b>	<b>6,838.5</b>	6,623.0	3.3%
<b>Earnings before interest and tax</b>	<b>180.4</b>	236.6	(23.8%)
<b>Earnings before interest and tax and amortisation of acquired intangible assets (EBITA)</b>	<b>214.8</b>	268.0	(19.9%)
<b>Profit from ordinary activities after tax attributable to members of the parent entity</b>	<b>86.3</b>	134.2	(35.7%)
<b>Profit from ordinary activities after tax and before amortisation of acquired intangible assets (NPATA)</b>	<b>115.5</b>	163.4	(29.3%)

	<b>31 Dec 2019</b>	31 Dec 2018	%
	<b>cents</b>	<b>cents</b>	<b>change</b>
<b>Basic earnings per share</b>	<b>13.9</b>	22.0	(36.8%)
<b>Diluted earnings per share <sup>(i)</sup></b>	<b>13.9</b>	21.7	(35.9%)
<b>Net tangible asset backing per ordinary share</b>	<b>(20.3)</b>	(17.7)	(14.7%)

<sup>(i)</sup> At 31 December 2019, the ROADS are deemed anti-dilutive and consequently, diluted EPS remained at 13.9 cents per share.

<b>Dividend</b>	<b>31 Dec 2019</b>	31 Dec 2018	
	<b>Interim</b>	<b>Interim</b>	
Dividend per share (cents)	<b>14.0</b>	14.0	
Franked amount per share (cents)	<b>0.0</b>	7.0	
Conduit foreign income (CFI)	<b>100%</b>	50%	
Dividend record date	<b>26/02/2020</b>	<b>21/02/2019</b>	
Dividend payable date	<b>25/03/2020</b>	<b>21/03/2019</b>	
<b>Redeemable Optionally Adjustable Distributing Securities (ROADS)</b>			
Dividend per ROADS (in Australian cents)	<b>1.87</b>	2.06	
New Zealand imputation credit percentage per ROADS	<b>100%</b>	100%	
<b>ROADS payment date</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	
Instalment date FY2020	16/09/2019	16/12/2019	
Instalment date FY2019	17/09/2018	17/12/2018	

Downer EDI's Dividend Reinvestment Plan (DRP) has been suspended.

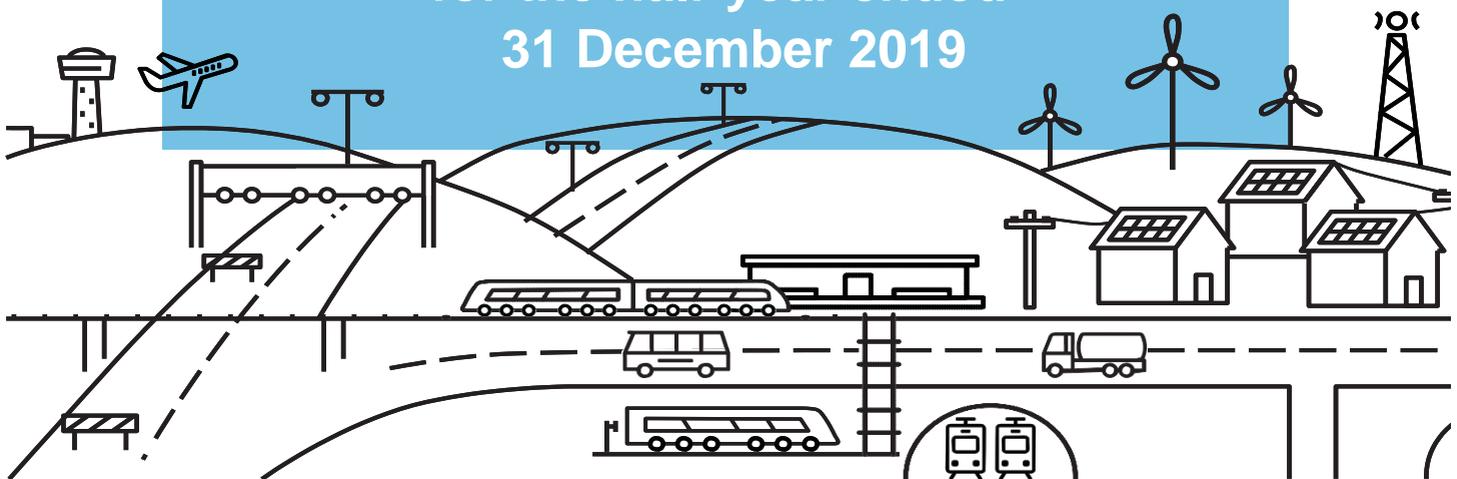
For commentary on the results for the period and review of operations, please refer to the Directors' Report and separate media release attached.

# Downer EDI Limited

ABN: 97 003 872 848

## Condensed Consolidated Financial Report

for the half-year ended  
31 December 2019



**Condensed Consolidated Financial Report**  
for the half-year ended 31 December 2019

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## **DIRECTORS' REPORT**

### **For the half-year ended 31 December 2019**

The Directors of Downer EDI Limited (Downer) submit the condensed consolidated financial report of the Company for the half-year ended 31 December 2019. In accordance with the provisions of the *Corporations Act 2001 (Cth)*, the Directors' Report is set out below:

#### **Directors**

The names of the Directors of the Company during, or since the end of the half-year are:

R M Harding (Chairman, Independent Non-executive Director)

G A Fenn (Managing Director and Chief Executive Officer)

S A Chaplain (Independent Non-executive Director) (retired 7 November 2019)

P S Garling (Independent Non-executive Director)

T G Handicott (Independent Non-executive Director)

N M Hollows (Independent Non-executive Director)

C G Thorne (Independent Non-executive Director)

P L Watson (Independent Non-executive Director)

#### **REVIEW OF OPERATIONS**

##### **PRINCIPAL ACTIVITIES**

Downer EDI Limited (Downer) is a leading provider of integrated services in Australia and New Zealand. Downer employs more than 53,000 people, mostly in Australia and New Zealand but also in the Asia-Pacific region, South America and Southern Africa.

Our **Purpose** is to create and sustain the modern environment by building trusted relationships with our customers.

Our **Promise** is to work closely with our customers to help them succeed, using world leading insights and solutions.

Our business is founded on **four Pillars**:

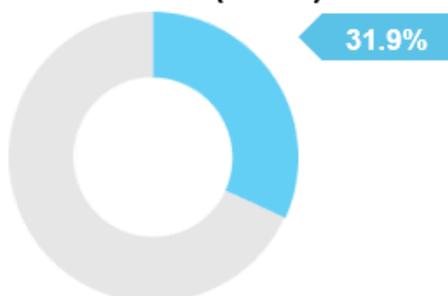
- **Safety:** Zero Harm is embedded in Downer's culture and is fundamental to the company's future success;
- **Delivery:** we build trust by delivering on our promises with excellence while focusing on safety, value for money and efficiency;
- **Relationships:** we collaborate to build and sustain enduring relationships based on trust and integrity;
- **Thought leadership:** we remain at the forefront of our industry by employing the best people and having the courage to challenge the status quo.

Downer reports its results under five service lines (Transport, Utilities, Facilities, Mining and Engineering, Construction & Maintenance) and an outline of each service line is set out below.

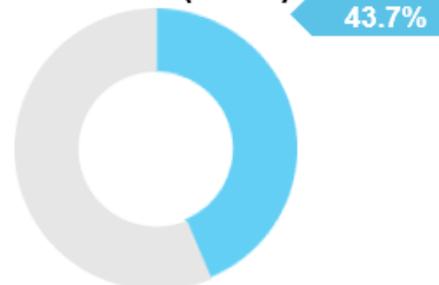
## TRANSPORT

Transport comprises Downer's Road Services, Transport Projects, and Rollingstock Services businesses.

### Total revenue<sup>1</sup> (HY20)



### EBITA<sup>2</sup> (HY20)



■ Transport

<sup>1</sup> Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated. Due to rounding, divisional percentages do not add up precisely to 100%.

<sup>2</sup> Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense.

## Road Services

Downer manages and maintains road networks across Australia and New Zealand and manufactures and supplies products and services to create safe, efficient and reliable journeys. Downer offers one of the largest non-government owned road infrastructure services businesses in Australia and New Zealand, maintaining more than 33,000 kilometres of road in Australia and more than 25,000 kilometres in New Zealand.

Downer creates and delivers solutions to our customers' challenges through strategic asset management and a leading portfolio of products and services. Downer is a leading manufacturer and supplier of bitumen-based products and an innovator in the sustainable asphalt industry and circular economy, using recycled products and environmentally sustainable methods to produce asphalt.

Downer's road network solutions are underpinned by industry-leading research, development and innovation, unique asset management tools and a commitment to safety, environment and sustainability through industry awarded Zero Harm programs.

Downer has formed a number of strategic partnerships to meet the changing needs of our customers and markets. Downer has long term asset stewardship and road management contracts through DM Roads in Australia, and a number of alliances in New Zealand such as the Infrastructure Alliance in Hamilton, Whanganui Alliance, Tararua Alliance, Waikato District Alliance and the Milford Road Alliance.

Downer works for all of Australia's State road authorities, the New Zealand Transport Agency and a large number of local government councils and authorities in both countries. Customers also include road owners and businesses operating in industries including waste collection and management, mining, construction, airports and motor racing tracks.

## Transport Projects

Downer delivers multi-disciplined infrastructure solutions to customers within the transport sector. The services provided by Downer include the design and construction of light rail, heavy rail, signalling and systems, rail infrastructure maintenance, track and station works, rail safety technology, bridges and roads.

Downer has a long history of delivering transport infrastructure projects under a variety of contracting models.

## Rollingstock Services

Downer has over 100 years' rail experience providing end-to-end, innovative transport solutions.

Downer is a leading provider of rollingstock asset management services in Australia, with expertise in delivering whole of life asset management support to our customers. Downer's capability spans all sectors, from rollingstock to infrastructure, and every project phase, from design and manufacture to through-life-support, fleet maintenance, operations and comprehensive overhaul of assets.

Downer sets industry best practice with forward-looking technology solutions like the TrainDNA data analytics platform to deliver safe, efficient and reliable services for the public transport sector.

Downer has formed strategic joint ventures and relationships with leading technology and knowledge providers including Keolis, CRRC, Hitachi and Bombardier.

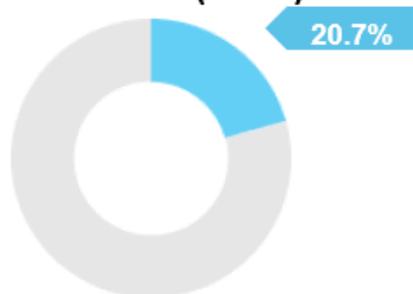
The Keolis Downer joint venture is Australia's largest private provider of multi-modal public transport solutions, with contracts to operate and maintain Yarra Trams in Melbourne, the Gold Coast light rail system in Queensland, and a new integrated public transport system for the city of Newcastle in New South Wales. Keolis Downer is also one of Australia's most significant bus operators with operations in South Australia, Western Australia and Queensland. Keolis Downer provides more than 250 million passenger trips each year.

Downer's rollingstock customers include Sydney Trains, Transport for NSW, Public Transport Authority (WA), Metro Trains Melbourne, Public Transport Victoria, and Queensland Rail.

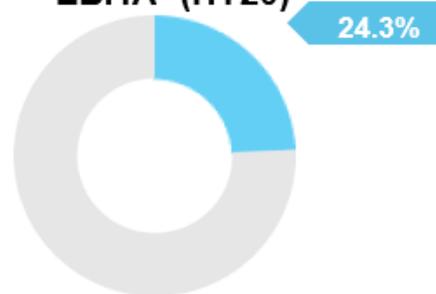
## UTILITIES

Downer offers a range of services to customers across the Power and Gas, Water, Renewable Energy and Communications sectors.

**Total revenue<sup>1</sup> (HY20)**



**EBITA<sup>2</sup> (HY20)**



### Utilities

<sup>1</sup> Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated. Due to rounding, divisional percentages do not add up precisely to 100%.

<sup>2</sup> Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense.

## Power and Gas

Downer's services include planning, designing, constructing, operating, maintaining, managing and decommissioning power and gas network assets. A collaborative approach has made Downer a benchmark end-to-end service provider to owners of utility assets.

Downer designs and constructs steel lattice transmission towers, designs and builds substations, constructs and maintains electricity and gas networks, provides asset inspection and monitoring services, connects tens of thousands of new power and gas customers each year and provides meter, energy and water efficiency services for governments, utilities and corporations.

Our performance on the network is benchmarked at activity unit level, repeatedly demonstrable and assessed against continually improving key performance indicators.

## **Water**

Downer is dedicated to delivering complete water lifecycle solutions for municipal and industrial water users. Downer's expertise includes water treatment, wastewater treatment, water and wastewater network construction and rehabilitation, desalination and biosolids treatment.

As a leading provider of asset management services, Downer supports its customers across the full asset lifecycle from conceptual development through to design, construction, commissioning and into operations and maintenance.

Downer collaborates with customers to manage their assets, so they create community benefits that are sustainable, innovative, cost-effective and provide value to all stakeholders.

## **Renewable energy**

Downer is one of Australia's largest and most experienced providers in the renewable energy market, delivering services to customers requiring both utility and commercial scale sustainable energy solutions.

Downer offers trusted services and integrated solutions required for the entire asset lifecycle including procurement, assembly, design, construction, commissioning and maintenance for a range of renewable assets specifically in the wind, solar and power systems storage sectors including transmission and substations.

Downer offers flexible services like innovative energy systems that include self-generation and storage, grid services such as frequency control ancillary services (FCAS), fast frequency response (FFR), grid stability and transmission terminal congestion solutions.

## **Communications**

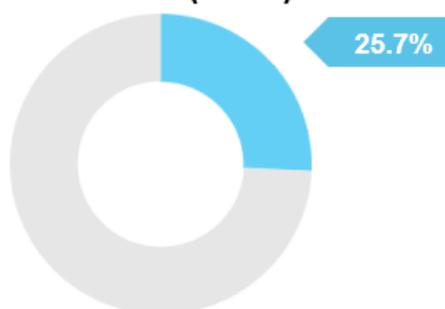
Downer is a leading provider of end-to-end technology and communications service solutions, offering integrated civil construction, electrical, fibre, copper and radio network deployment capability throughout Australia and New Zealand. Key capabilities include:

- Design, engineering and network construction of fixed and wireless networks;
- Mobile deployment: site acquisition, environmental and design services;
- Network operations and help desk outsourcing;
- Network maintenance;
- Warehousing and logistics;
- Smart metering;
- Smart home power and technology solutions;
- Fleet management;
- Network security;
- Remedial works and proactive maintenance; and
- Customer connections, in-premise installations and service activations.

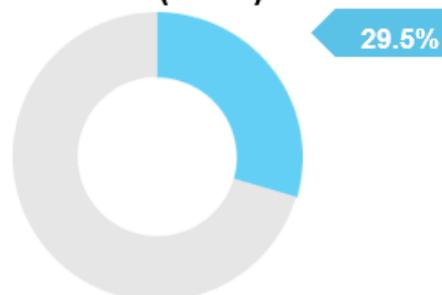
## FACILITIES

The Facilities service line operates in Australia and New Zealand delivering facilities services to customers across a diverse range of industry sectors including: defence; education; government; healthcare; senior living; sports and venues; resources; leisure and hospitality; airports; industrial; commercial; property; utilities and public private partnerships.

**Total revenue<sup>1</sup> (HY20)**



**EBITA<sup>2</sup> (HY20)**



### Facilities

<sup>1</sup> Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated. Due to rounding, divisional percentages do not add up precisely to 100%.

<sup>2</sup> Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense.

Facilities businesses includes Spotless, AE Smith, Alliance, Ensign, EPICURE, Hawkins, Mustard, Nuvo, Skilltech, Taylors, UAM and Envar.

Spotless is the largest integrated facilities management services provider in Australia and New Zealand. It delivers more than 100 integrated facilities services including providing critical security for patients and clinical staff at hospitals, preparing nutritious meals at schools, delivering the optimum air-conditioned climate at an airport, maintaining public housing that accommodates tens of thousands of people, laundering uniforms for factory workers, and ensuring the elderly have clean rooms in an aged care residence.

Spotless' key capabilities include:

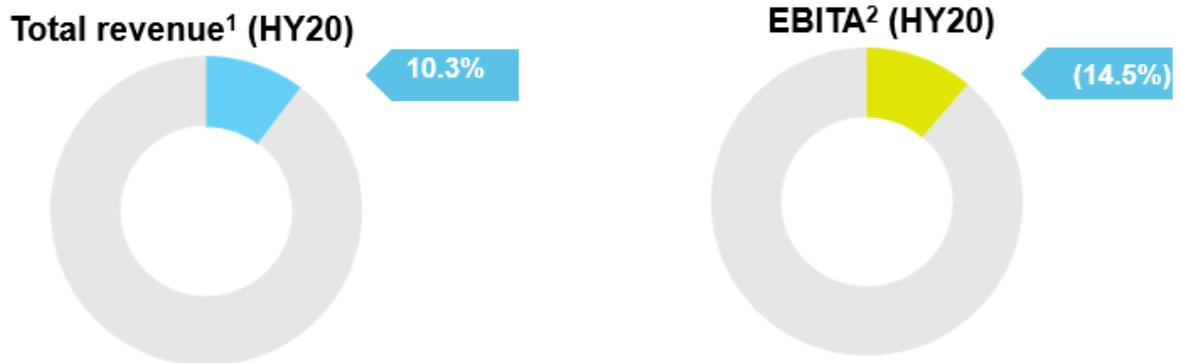
- Air-conditioning, mechanical and electrical
- Asset maintenance and management
- Catering and hospitality
- Cleaning
- Facilities management
- Laundry management
- Security and electronic solutions
- Utility support.

The Facilities services line also includes Hawkins, New Zealand's leading construction business. Hawkins delivers unique transformational projects across a variety of sectors including education, health, airports, commercial office buildings and heritage restorations. It leads the industry in civic projects including art galleries, event centres, stadiums and community facilities.

Hawkins and Downer's combined technical and construction management expertise provides proven, whole-of-life solutions for customers' assets using innovative technology to sustainably deliver outcomes.

## ENGINEERING, CONSTRUCTION AND MAINTENANCE (EC&M)

Downer's EC&M service line includes its Asset Services and Engineering & Construction businesses and works with customers in the public and private sectors delivering services including design, engineering, construction, maintenance and ongoing management of critical assets.



### EC&M

<sup>1</sup> Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated. Due to rounding, divisional percentages do not add up precisely to 100%.  
<sup>2</sup> Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense.

In the Oil and Gas sector, Downer's capabilities cover the full range of construction, maintenance, shutdown/turnaround/outage delivery, sustaining capital program delivery and commissioning services. Key capabilities include:

- Asset management;
- Shutdown management and services;
- Electrical instrumentation and controls;
- Structural and mechanical piping;
- Lagging and cladding;
- Insulation and coatings including painting and blasting services;
- Scaffold management and erection;
- Facilities maintenance;
- Project management, scheduling and resourcing;
- Technical writing and workpack development;
- Heavy lift studies;
- Specialist sub contract management;
- Procurement; and
- Integrated engineering.

Downer is also the leading provider of original equipment manufacturer (OEM) maintenance and shutdown services essential in running Australia's power stations, servicing customers that supply 80 per cent of the National Electricity Market.

Downer operates across industries including petrochemical and refining, bulk materials handling and processing, coal, iron ore, minerals and metals and power generation. Services include scoping, planning, integration and support with engineering; and electrical and instrumentation, insulation and scaffold erection, commissioning and decommissioning.

Downer is also an OEM specialist in the design, supply, construction, maintenance and overhaul of boilers, turbines and generating plants.

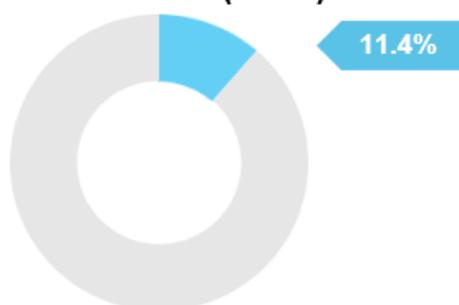
Downer's Mineral Technologies business is the world leader in mineral separation and mineral processing solutions, as well as spiral technology. Mineral Technologies delivers innovative, cost effective process solutions for iron ore, mineral sands, silica sands, coal, chromite, gold, tin, tungsten, tantalum and a wide range of other fine materials.

Downer's QCC business delivers solutions for customers across all stages of the project lifecycle from initial concept, prefeasibility and feasibility studies, to Coal Handling and Preparation Plant (CHPP) design and Engineering, Procurement and Construction (EPC) management delivery. QCC provides strategic consulting services, working with customers to optimise financial returns and maintain efficient operations for their projects.

## MINING

Downer is one of Australia's leading diversified mining contractors serving its customers across more than 50 sites in Australia, Papua New Guinea, South America and Southern Africa.

**Total revenue<sup>1</sup> (HY20)**



**EBITA<sup>2</sup> (HY20)**



### ■ Mining

<sup>1</sup> Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated. Due to rounding, divisional percentages do not add up precisely to 100%.

<sup>2</sup> Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense.

Downer services coal and metalliferous mining customers at all stages of the mining lifecycle, specialising in both surface and underground mining. Key capabilities include:

- Resource definition, exploration drilling and mine feasibility studies;
- Open cut mining services to Australian coal, iron ore and gold;
- Underground mining services to Australian, Papua New Guinea and South African copper and gold;
- Drilling, explosives manufacture and supply, blasting and crushing;
- Tyre management (through the subsidiary Otraco International); and
- Mine closure and rehabilitation.

In New South Wales, Downer provides mining services at Cobar Management Pty Ltd's CSA underground copper mine located in Cobar, Central Western NSW.

In Queensland, Downer has provided mining services at Stanwell Corporation's Meandu mine in the South Burnett region since 2013. Downer has also been working closely with the BHP Billiton Mitsubishi Alliance (BMA) for many years, providing mining services at several mine sites in the Bowen Basin in Central Queensland including Goonyella Riverside, Daunia, Peak Downs, Saraji, Blackwater, Caval Ridge and Poitrel Mine.

In Western Australia, Downer has been providing mining services to Karara Mining Ltd at its Karara mine since the magnetite operation commenced production in February 2012. Downer also provides mining services at the Gruyere gold project in Laverton for joint venture partners Gold Road Resources Ltd and Gold Fields Ltd.

## GROUP FINANCIAL PERFORMANCE

For the six months ended 31 December 2019, Downer reported an increase in total revenue while earnings before interest, tax and amortisation of acquired intangibles assets (EBITA) and statutory net profit after tax (NPAT) were both lower.

The main features of the result for the six months ended 31 December 2019 were:

- Total revenue of \$6.8 billion, up 3.3%;
- EBITA of \$214.8 million, down 19.9%;
- Earnings before interest and tax (EBIT) of \$180.4 million, down 23.8%;
- Statutory net profit after tax and before amortisation of acquired intangible assets (NPATA) of \$115.5 million, down 29.3%; and
- Statutory net profit after tax (NPAT) of \$91.4 million, down 35.4%.

## REVENUE

Total revenue for the Group increased by \$215.5 million, or 3.3%, to \$6.8 billion.

Transport revenue increased by 5.7%, or \$117.0 million, to \$2.2 billion. This growth has been driven by continuing strong performance in the Road Services business in both Australia and New Zealand, increased contributions from Transport Projects, particularly in New Zealand, and steady performance in the Rollingstock Services business.

Utilities revenue increased by 16.8%, or \$203.6 million, to \$1.4 billion, due to new Renewables projects commencing in the period, and strong growth in the Water and Defence businesses. This growth was partially offset by reduced contribution from nbn<sup>TM</sup> contracts as the project winds down.

Facilities revenue increased by 5.4%, or \$90.4 million, to \$1.8 billion. Australian operations benefitted from increased revenue from Government related contracts and contribution from the Envar acquisition made in prior periods. New Zealand's operations were softer than the prior period as a result of building projects completions during the period.

EC&M revenue decreased by 25.3%, or \$238.7 million. Revenue from new contracts and strong activities in the Asset Services business were offset by the impact of project completions, particularly the Ichthys contract.

Mining revenue increased by 8.8%, or \$63.2 million, to \$0.8 billion largely driven by higher activities at Carrapateena, Cadia and Queens. These contracts offset the revenue impact from completed contracts such as Roy Hill and Cloudbreak.

## EXPENSES

Total expenses increased by 3.9%, which is materially consistent with the increase in revenue noted above.

Employee benefits expenses decreased by 5.3%, or \$119.6 million, to \$2.1 billion and represent 33.7% of Downer's cost base. This decrease is mainly due to a shift in the mix of labour, where subcontractors' costs as a percentage of revenue has increased as well as from the benefit of integration and restructuring activities carried across the Group.

Subcontractor costs increased by 16.7% or \$324.9 million to \$2.3 billion and represent 35.8% of Downer's cost base. This increase is a result of higher contract activities and the change in the subcontractor mix on some contracts during the period.

Raw materials and consumables costs increased by 1.5% to \$1.1 billion and represent 16.9% of Downer's cost base. The increase is slightly lower than the increase in revenue, which is attributed to improvements in the procurement and lower material requirements following completion of contracts.

Plant and equipment costs decreased by 1.5% to \$334.1 million and represent 5.3% of Downer's cost base. This reduction is attributed to a less capital-intensive business, as well initiatives to drive efficient usage and maintenance of plant and equipment.

Following the adoption of AASB 16 *Leases* from 1 July 2019, the depreciation charges in relation to the Right-of-use assets is now recognised and disclosed separately. The depreciation charge against the Right-of-use assets of \$67.4 million represents 1.1% of Downer's cost base.

Other depreciation and amortisation increased by 2.9% or \$5.1 million to \$181.5 million and represent 2.9% of Downer's cost base. This increase is driven by ongoing investment in business-critical equipment over recent years.

Other expenses, which include communication, travel, occupancy and professional fees costs, decreased 14.9% or \$48.9 million. This decrease is primarily as a result of the application of AASB 16 *Leases*, which has resulted in the majority of the Group's leases being brought on balance sheet, and therefore incurring depreciation and interest charges rather than operating lease rental charges that had previously been disclosed as part of Other expenses.

## EARNINGS

The results of the Group have been adversely impacted by contract losses in the EC&M service line.

EBITA fell 19.9% to \$214.8 million mainly driven by the \$59.8 million lower contribution from EC&M. This flowed on to Statutory EBIT of \$180.4 million which was \$56.2 million lower than the prior corresponding period (pcp), and to NPAT which fell 35.4% to \$91.4 million.

Transport EBITA increased by 28% to \$112.5 million driven by continued strong performance in Transport Projects in Australia as well as Road Services activities in Australia and New Zealand.

Utilities EBITA decreased by 2.6% to \$63.0 million, as a result of project completions in New Zealand not being fully replaced. The segment's operations in Australia were higher than pcp, driven by increased activities in the Renewables sector.

Facilities EBITA decreased by 6.6% to \$75.9 million due to the completion of low margin legacy construction contracts and decreased events in the various hospitality contracts, partially offset by strong results in the Government and PPP portfolios, albeit on lower margin activity.

EC&M reported an EBITA loss of \$37.4 million for the period, a \$59.8 million decrease compared to the pcp. This was primarily due to a small number of loss-making construction contracts as well as from the completion of contracts in the pcp. The Asset Services business within EC&M continues to grow and increased its contribution during the period.

Mining EBITA increased 18.4% to \$43.7 million. This was driven by improved performance from existing contracts, as well as from the contribution of new contracts during the period.

Corporate costs of \$42.9 million is in line with the pcp.

Net finance costs, excluding \$12.6 million of interest on lease liabilities arising from the changes in lease accounting under AASB 16 *Leases*, decreased \$1.2 million or 2.9% to \$40.9 million as a result of downward movement in interest rates.

The effective tax rate is 28.0% which is lower than the statutory rate of 30.0% due to the impact of non-taxable distributions from joint ventures and lower overseas tax rates (e.g. New Zealand).

## **GROUP CASHFLOW AND FINANCING**

Funding, liquidity and capital are managed at Group level, with Divisions focused on working capital and operating cash flow management.

### **OPERATING CASH FLOW**

Operating cash flow for the period was an outflow of \$4.5 million mainly driven by lower operating cashflows in EC&M as a result of losses incurred on a small number of constructions contracts, the impact of project completions in Utilities including Murra Warra; and in Transport, driven by Waratah bogie overhaul activities.

### **INVESTING CASH**

Total investing cash flow was \$222.0 million, \$43.7 million lower than pcp as a result of lower payments for property, plant and equipment made in the period, reflecting a less capital intensive business while cash outflows for acquisitions decreased \$26.7 million compared to the pcp as a result of no new business acquisitions made in the period.

### **DEBT AND BONDING**

The Group's performance bonding facilities totalled \$2,063.1 million at 31 December 2019 with \$700.7 million undrawn. There is sufficient available capacity to support the ongoing operations of the Group.

As at 31 December 2019, the Group had liquidity of \$1,651.9 million comprising cash balances of \$514.9 million and undrawn committed debt facilities of \$1,137.0 million.

The Group continues to be rated BBB (Stable) by Fitch Ratings.

## **GROUP FINANCIAL POSITION**

The net assets of Downer decreased \$62.5 million or 2% to \$2,987.7 million mainly due to the impact of the adoption of AASB 16 *Leases* from 1 July 2019 which resulted in an adjustment to opening retained earnings of \$66.0 million. Adjusting for the impact of AASB 16, net assets increased by \$3.5 million, reflecting the profit and dividends paid during the period.

Net debt is calculated as borrowings (excluding lease liabilities) less the cash and cash equivalents. Net debt has increased \$375.6 million to \$1,388.2 million as a result of \$195.8 million lower cash and cash equivalent balances and a lower operating cashflow during the period due to project completion activities as explained above. Gearing at 31 December 2019 was 31.3% (calculated on a pre-AASB 16 basis) and is 6.4 percentage points higher than 30 June 2019, primarily driven by the additional working capital requirements.

Total trade receivables and contract assets have increased 12.9% or \$266.7 million to \$2,332.6 million as a result of higher contracts assets balances in EC&M, in Transport as a result of project commencements and bogie overhaul activities and from the nbn contract in Utilities.

Inventories have increased 5.3% or \$16.1 million to \$320.7 million driven by bogie overhaul activities in Transport and higher stock levels in Utilities as a result of new contracts.

Current tax assets decreased \$5.1 million to \$52.6 million due to the timing of tax payments.

Interest in joint ventures and associates increased by \$3.1 million to \$111.9 million. This represents Downer's share of net profit from joint ventures of \$12.6 million, offset by \$9.5 million distributions being received in the period.

Property, Plant and Equipment decreased by \$4.0 million with \$150.1 million of additions being offset by depreciation and net disposals.

Right-of-use assets at 31 December 2019 were \$589.0 million. This balance primarily arose as a result of the adoption of AASB 16 *Leases* as at 1 July 2019 recognising an initial balance of \$570.6 million. The movement to 31 December 2019 relates to new leases entered since 1 July 2019.

Intangible assets decreased by \$22.1 million reflecting \$49.4 million amortisation in the period, mainly related to Spotless acquired intangibles assets, offset by an additional \$31.7 million investment in software.

Total trade payables and contract liabilities decreased by \$124.0 million or 5.0% due to timing of payments and conversion of contract liabilities as project work is delivered. Trade payables and contract liabilities represents 41.2% of Downer's total liabilities.

Other financial liabilities of \$53.3 million decreased by \$14.1 million and represents 0.9% of Downer's total liabilities. The decrease mainly reflects deferred consideration paid for acquisitions made in the prior year.

Lease liabilities at 31 December 2019 were \$748.3 million, of which \$727.8 million was recognised on adoption of AASB 16 *Leases* as at 1 July 2019. The movement to 31 December 2019 relates to new leases entered and principal payments made during the period and represents 13.2 % of Downer's total liabilities.

The net deferred tax liability (net of deferred tax asset) increased \$22.2 million to \$66.3 million. This increase is primarily as a result of changes in Contract assets and Contract liabilities. The resulting increase was partially offset by the impact of AASB 16 *Leases* which on initial adoption resulted in a decrease of \$28.9 million of the net deferred tax balance.

Provisions of \$484.2 million decreased by \$92.9 million mainly driven by provision utilisation during the period, particularly for Murra Warra and new Royal Adelaide Hospital, while the adoption of AASB 16 *Leases* resulted in \$37.1 million of onerous provisions related to leases being recognised against the Right-of-use assets. Provisions represent 8.5% of Downer's total liabilities. Employee related provisions (annual leave and long service leave) made up 80.8% of this balance with the remainder covering contract provisions and return conditions obligations for leased assets and property and warranty obligations.

Total equity decreased by \$62.5 million, of which \$66.0 million was due to the adoption of AASB 16 *Leases*. Dividends of \$87.0 million were paid during the period, which was offset by the NPAT of \$91.4 million.

The Non-controlling interest share of the Total Equity increased \$2.0 million to \$157.9 million. The share of results attributed to the non-controlling interest holders in Spotless and Otraco South Africa was \$5.1 million, which was offset by the \$3.2 million post-tax impact arising from the adoption of AASB 16 *Leases*.

## **DIVIDENDS**

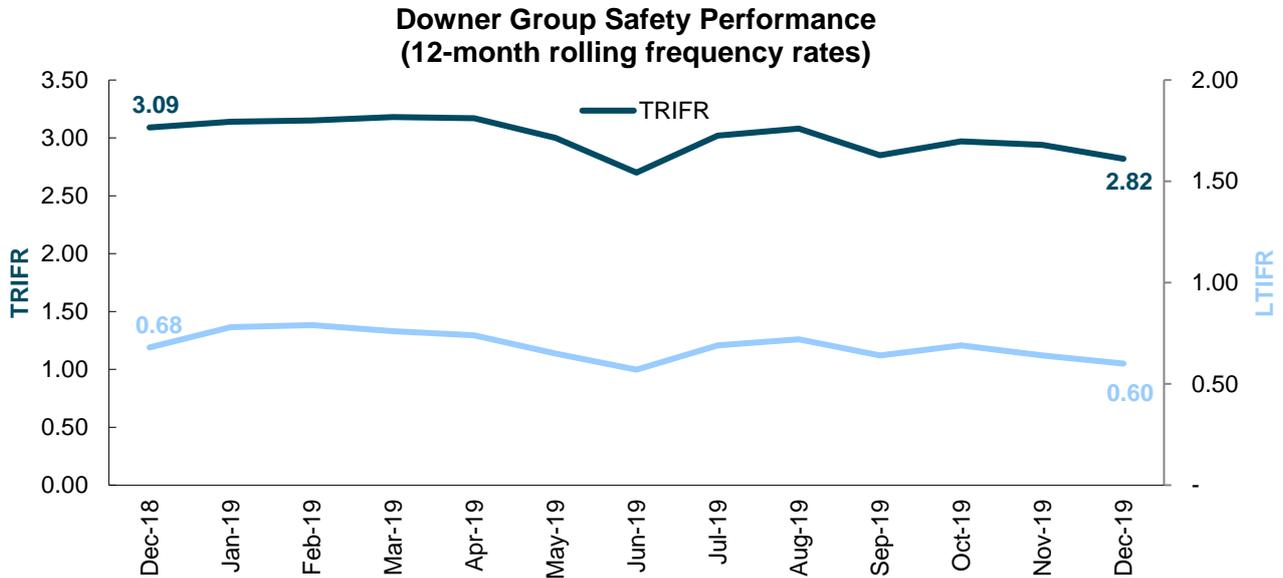
The Downer Board resolved to pay an interim dividend of 14.0 cents per share, unfranked (14.0 cents per share 50% franked in the prior corresponding period), payable on 25 March 2020 to shareholders on the register at 26 February 2020. The unfranked dividend will be paid out of Conduit Foreign Income (CFI).

The Board also determined to continue to pay a fully imputed dividend on the ROADS security, which having been reset on 15 June 2019 has a yield of 5.49% per annum payable quarterly in arrears, with the next payment due on 16 March 2020. As this dividend is fully imputed (the New Zealand equivalent of being fully franked), the actual cash yield paid by Downer will be 3.95% per annum until the next reset date.

Consistent with prior year, the Company's Dividend Reinvestment Plan remains suspended.

## ZERO HARM

Downer's Lost Time Injury Frequency Rate (LTIFR) decreased from 0.68 to 0.60 and Total Recordable Injury Frequency Rate (TRIFR) reduced from 3.09 to 2.82 per million hours worked.



1. Safety data excludes Hawkins and Spotless
2. Lost time injuries (LTIs) are defined as injuries that cause the injured person (employee or contractor) to be unfit to perform any work duties for one whole day or shift, or more, after the shift on which the injury occurred, and any injury that results, directly or indirectly, in the death of the person. The Lost Time Injury Frequency Rate (LTIFR) is the number of LTIs per million hours worked. Total Recordable Injuries (TRIs) are the number of LTIs + medically treated injuries (MTIs) for employees and contractors. Total Recordable Injury Frequency Rate (TRIFR) is the number of TRIs 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.

## OUTLOOK

Downer issued revised guidance on 23 January 2020 and is targeting NPATA of around \$300 million before minority interests for the 2020 financial year.

### Auditor's independence declaration

The auditor's independence declaration, as required under Section 307C of the Corporations Act 2001, is set out on page 14.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

R M Harding  
Chairman  
Sydney, 12 February 2020



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Downer EDI Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Downer EDI Limited for the half-year ended 31 December 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Cameron Slapp  
*Partner*

Sydney

12 February 2020



# Independent Auditor's Review Report

To the Shareholders of Downer EDI Limited

## Conclusion

We have reviewed the accompanying **Condensed Consolidated Half-year Financial Report** of Downer EDI Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Consolidated Half-year Financial Report of Downer EDI Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Consolidated Half-year Financial Report** comprises:

- Condensed Consolidated Statement of Financial Position as at 31 December 2019
- Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the half-year ended on that date
- Notes A to E comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Downer EDI Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

## Responsibilities of the Directors for the Condensed Consolidated Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Condensed Consolidated Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Consolidated Half-year Financial Report that is free from material misstatement, whether due to fraud or error.



## Auditor's responsibility for the review of the Condensed Consolidated Half-year Financial Report

Our responsibility is to express a conclusion on the Condensed Consolidated Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Condensed Consolidated Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Downer EDI Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Condensed Consolidated Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Cameron Slapp  
Partner

Sydney

12 February 2020

Stephen Isaac  
Partner

Sydney

12 February 2020

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2019

	Note	Dec 2019 \$'m	Dec 2018 \$'m
Revenue	B2(a)	6,506.6	6,304.6
Other income	B2(a)	2.3	19.9
<b>Total revenue and other income</b>		<b>6,508.9</b>	<b>6,324.5</b>
Employee benefits expense	B2(b)	(2,134.9)	(2,254.5)
Subcontractor costs		(2,270.0)	(1,945.1)
Raw materials and consumables used		(1,073.3)	(1,057.5)
Plant and equipment costs		(334.1)	(339.1)
Depreciation on leased assets	D4	(67.4)	-
Other depreciation and amortisation	D3, D5	(181.5)	(176.4)
Other expenses from ordinary activities		(279.9)	(328.8)
<b>Total expenses</b>		<b>(6,341.1)</b>	<b>(6,101.4)</b>
Share of net profit of joint ventures and associates	D7	12.6	13.5
<b>Earnings before interest and tax</b>		<b>180.4</b>	<b>236.6</b>
Finance income		3.9	4.1
Lease finance costs		(12.6)	-
Other finance costs		(44.8)	(46.2)
<b>Net finance costs</b>		<b>(53.5)</b>	<b>(42.1)</b>
<b>Profit before income tax</b>		<b>126.9</b>	<b>194.5</b>
Income tax expense		(35.5)	(53.1)
<b>Profit after income tax</b>		<b>91.4</b>	<b>141.4</b>
<b>Profit for the period is attributable to:</b>			
- Non-controlling interest		5.1	7.2
- Members of the parent entity		86.3	134.2
<b>Profit for the period</b>		<b>91.4</b>	<b>141.4</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
- Exchange differences arising on translation of foreign operations		1.2	7.8
- Net (loss) / gain on foreign currency forward contracts taken to equity		(5.0)	4.2
- Net (loss) / gain on cross currency and interest rate swaps taken to equity		(1.3)	1.3
- Income tax relating to components of other comprehensive income		2.2	(1.7)
<b>Other comprehensive (loss) / income for the period (net of tax)</b>		<b>(2.9)</b>	<b>11.6</b>
<b>Other comprehensive (loss) / income for the period is attributable to:</b>			
- Non-controlling interest		0.1	(0.6)
- Members of the parent entity		(3.0)	12.2
<b>Other comprehensive (loss) / income for the period</b>		<b>(2.9)</b>	<b>11.6</b>
<b>Total comprehensive income for the period</b>		<b>88.5</b>	<b>153.0</b>
<b>Earnings per share (cents)</b>			
- Basic earnings per share	B3	13.9	22.0
- Diluted earnings per share <sup>(i)</sup>	B3	13.9	21.7

<sup>(i)</sup> At 31 December 2019, the ROADS are deemed anti-dilutive and consequently, diluted EPS remained at 13.9 cents per share.

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 21 to 42.

## Condensed Consolidated Statement of Financial Position

as at 31 December 2019

	Note	Dec 2019 \$'m	Jun 2019 \$'m
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		514.9	710.7
Trade receivables and contract assets	D1	2,232.6	1,991.5
Other financial assets		16.4	35.0
Inventories		320.7	304.6
Finance lease receivables		15.0	12.4
Current tax assets		52.6	57.7
Prepayments and other assets		48.4	52.8
<b>Total current assets</b>		<b>3,200.6</b>	<b>3,164.7</b>
<b>Non-current assets</b>			
Trade receivables and contract assets	D1	100.0	74.4
Interest in joint ventures and associates	D7	111.9	108.8
Property, plant and equipment	D3	1,369.3	1,373.3
Right-of-use assets	D4	589.0	-
Intangible assets	D5	3,108.6	3,130.7
Other financial assets		15.8	5.2
Finance lease receivables		53.9	38.7
Deferred tax assets		94.4	93.5
Prepayments and other assets		12.3	18.7
<b>Total non-current assets</b>		<b>5,455.2</b>	<b>4,843.3</b>
<b>Total assets</b>		<b>8,655.8</b>	<b>8,008.0</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and contract liabilities	D2	2,289.6	2,405.5
Borrowings	C1	-	14.6
Lease liabilities	C3	143.7	-
Other financial liabilities		43.8	47.4
Employee benefits provision		344.0	340.5
Other provisions	D6	52.0	107.0
Current tax liabilities		8.0	15.4
<b>Total current liabilities</b>		<b>2,881.1</b>	<b>2,930.4</b>
<b>Non-current liabilities</b>			
Trade payables and contract liabilities	D2	43.2	51.3
Borrowings	C1	1,880.8	1,688.9
Lease liabilities	C3	604.6	-
Other financial liabilities		9.5	20.0
Employee benefits provision		47.3	45.1
Other provisions	D6	40.9	84.5
Deferred tax liabilities		160.7	137.6
<b>Total non-current liabilities</b>		<b>2,787.0</b>	<b>2,027.4</b>
<b>Total liabilities</b>		<b>5,668.1</b>	<b>4,957.8</b>
<b>Net assets</b>		<b>2,987.7</b>	<b>3,050.2</b>
<b>EQUITY</b>			
Issued capital	C4	2,429.7	2,425.1
Reserves	C6	(33.1)	(27.5)
Retained earnings		433.2	496.7
<b>Parent interests</b>		<b>2,829.8</b>	<b>2,894.3</b>
Non-controlling interest	C5	157.9	155.9
<b>Total equity</b>		<b>2,987.7</b>	<b>3,050.2</b>

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 21 to 42.

## Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2019

Dec 2019 \$'m	Issued capital	Reserves	Retained earnings	Total attributable to owners of the parent	Non- controlling interest	Total
Balance at 30 June 2019	2,425.1	(27.5)	496.7	2,894.3	155.9	3,050.2
Opening balance adjustment on application of AASB 16 <sup>(i)</sup> (net of tax)	-	-	(62.8)	(62.8)	(3.2)	(66.0)
Balance at 1 July 2019	2,425.1	(27.5)	433.9	2,831.5	152.7	2,984.2
Profit after income tax	-	-	86.3	86.3	5.1	91.4
Other comprehensive loss for the period (net of tax)	-	(3.0)	-	(3.0)	0.1	(2.9)
<b>Total comprehensive income for the period</b>	-	(3.0)	86.3	83.3	5.2	88.5
Vested executive incentive share transactions	4.6	(4.6)	-	-	-	-
Share-based employee benefits expense	-	1.0	-	1.0	-	1.0
Income tax relating to share-based transactions during the period	-	1.0	-	1.0	-	1.0
Payment of dividends <sup>(ii)</sup>	-	-	(87.0)	(87.0)	-	(87.0)
<b>Balance at 31 December 2019</b>	<b>2,429.7</b>	<b>(33.1)</b>	<b>433.2</b>	<b>2,829.8</b>	<b>157.9</b>	<b>2,987.7</b>

<sup>(i)</sup> Refer to Note E1 for details on opening balance adjustments made on application of AASB 16 *Leases*.

<sup>(ii)</sup> Payment of dividend relates to the 2019 final dividend of \$83.3 million and \$3.7 million ROADS dividends paid during the financial period.

Dec 2018 \$'m	Issued capital	Reserves	Retained earnings	Total attributable to owners of the parent	Non- controlling interest	Total
Balance at 30 June 2018	2,421.9	(26.9)	655.1	3,050.1	155.0	3,205.1
Opening balance adjustment on application of AASB 15 (net of tax) <sup>(ii)</sup>	-	-	(245.3)	(245.3)	(12.7)	(258.0)
Balance at 1 July 2018	2,421.9	(26.9)	409.8	2,804.8	142.3	2,947.1
Profit after income tax	-	-	134.2	134.2	7.2	141.4
Other comprehensive income / (loss) for the period (net of tax)	-	12.2	-	12.2	(0.6)	11.6
<b>Total comprehensive income for the period</b>	-	12.2	134.2	146.4	6.6	153.0
Vested executive incentive share transactions	3.2	(3.2)	-	-	-	-
Share-based employee benefits expense	-	1.6	-	1.6	-	1.6
Income tax relating to share-based transactions during the period	-	1.0	-	1.0	-	1.0
Payment of dividends <sup>(i)</sup>	-	-	(87.4)	(87.4)	-	(87.4)
<b>Balance at 31 December 2018</b>	<b>2,425.1</b>	<b>(15.3)</b>	<b>456.6</b>	<b>2,866.4</b>	<b>148.9</b>	<b>3,015.3</b>

<sup>(i)</sup> Payment of dividend relates to the 2018 final dividend and \$4.1 million ROADS dividends paid during the financial period.

<sup>(ii)</sup> Refer to Annual Report as at 30 June 2019 for details on opening balance adjustments made on application of new accounting standards.

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 21 to 42.

## Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2019

	Note	Dec 2019 \$'m	Dec 2018 \$'m
<b>Cash flows from operating activities</b>			
Receipts from customers		6,991.2	7,260.7
Payments to suppliers and employees		(6,981.2)	(6,911.7)
Distributions from equity accounted investees	D7	9.5	10.1
<b>Operating cash flow before interest and tax</b>		<b>19.5</b>	<b>359.1</b>
Interest received		2.7	3.8
Interest paid on lease liabilities <sup>(i)</sup>		(12.6)	-
Interest and other costs of finance paid		(41.1)	(39.1)
Income tax received		27.0	31.5
<b>Net cash (used in) / generated by operating activities</b>		<b>(4.5)</b>	<b>355.3</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		11.0	7.7
Payments for property, plant and equipment		(150.1)	(183.1)
Payments for intangible assets		(31.7)	(14.5)
Payments for acquisition of businesses, net of cash acquired	D8	(19.3)	(46.0)
Divestment of Freight Rail		-	(6.9)
Advances to joint ventures		(6.3)	(8.3)
Payments for leased assets		(25.6)	(16.3)
Recovery on acquisition of business		-	1.7
<b>Net cash used in investing activities</b>		<b>(222.0)</b>	<b>(265.7)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		3,772.3	1,008.3
Repayments of borrowings		(3,586.6)	(1,114.6)
Payment of lease liabilities principal <sup>(i)</sup>		(67.1)	-
Dividends paid		(87.0)	(87.4)
<b>Net cash generated by / (used in) financing activities</b>		<b>31.6</b>	<b>(193.7)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(194.9)</b>	<b>(104.1)</b>
Cash and cash equivalents at the beginning of the period		710.7	606.2
Effect of exchange rate changes		(0.9)	3.2
<b>Cash and cash equivalents at the end of the period</b>		<b>514.9</b>	<b>505.3</b>

<sup>(i)</sup> The Group has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion of lease payments as operating activities consistent with the presentation of other interest payments; and
- short-term lease payments and payments for leases of low-value assets as operating activities.

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 21 to 42.

## Notes to the condensed consolidated financial report

for the half-year ended 31 December 2019

### A. About this report

#### Statement of compliance and basis of preparation

The condensed consolidated half-year Financial Report (Financial Report) represents the consolidated results of Downer EDI Limited (ABN 97 003 872 848). The Financial Report is a general purpose financial statement which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001 (Cth)*, and with IAS 34 *Interim Financial Reporting*.

The Financial Report does not include all the information required for an annual financial report and should be read in conjunction with the 2019 Annual Report.

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The accounting policies and methods of computation applied in the Financial Report are consistent with those of the previous financial year and corresponding interim period except for the adoption of the new lease standard AASB 16 *Leases* during the six months to 31 December 2019.

The Group has adopted this accounting standard effective from 1 July 2019 and its impact is disclosed in Note E1. In accordance with elections available under the accounting standard comparative information is not restated and continues to be prepared under policies disclosed in the 30 June 2019 Financial Report. Opening retained earnings have been restated to reflect the impact of the new standard, as at 1 July 2019.

Amounts in the Financial Report are presented in Australian dollars unless otherwise noted and has been prepared on a historical cost basis, except for revaluation of certain financial instruments.

The Financial Report was authorised for issue by the Directors on 12 February 2020.

#### Rounding of amounts

Downer is a company of the kind referred to in *ASIC Corporations (Rounding in Financial / Directors' reports) Instrument 2016/191*, relating to the "rounding off" of amounts in the Directors' Report and consolidated financial statements. Unless otherwise expressly stated, amounts have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars in accordance with that Instrument. Amounts shown as \$- represent amounts less than \$50,000 which have been rounded down.

#### Accounting estimates and judgements

Significant judgement, estimates and assumptions about future events are made by management when applying accounting policies and preparing the Financial Report which are consistent with those described in the 2019 Annual Report except for the new significant judgements and key sources of estimation uncertainty related to the adoption of the new lease standard AASB 16 *Leases* during the six months to 31 December 2019, which is described in Note E1.

## Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2019

### B. Business performance

#### B1. Segment information

#### B2. Profit from ordinary activities

#### B3. Earnings per share

#### B4. Subsequent events

#### B1. Segment information

##### Identification of reportable segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker in order to effectively allocate Group resources and assess performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Group CEO in assessing performance and in determining the allocation of resources. The operating segments are identified by the Group based on the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the Group CEO on a recurring basis.

There have been no changes to the composition of the Group's reportable segments since last reported in the 2019 Annual Report. The reportable segments identified within the Group are outlined below:

#### Dec 2019

\$'m	Transport	Utilities	Facilities	EC&M	Mining	Un-allocated	Total
<b>Segment revenue and other income</b>	<b>1,876.6</b>	<b>1,416.1</b>	<b>1,752.8</b>	<b>706.4</b>	<b>753.8</b>	<b>3.2</b>	<b>6,508.9</b>
Share of sales revenue from joint ventures and associates	301.4	-	4.6	-	23.6	-	329.6
<b>Total revenue including joint ventures and other income <sup>(i)</sup></b>	<b>2,178.0</b>	<b>1,416.1</b>	<b>1,757.4</b>	<b>706.4</b>	<b>777.4</b>	<b>3.2</b>	<b>6,838.5</b>
<b>EBIT before amortisation of acquired intangibles (EBITA)</b>	<b>112.5</b>	<b>63.0</b>	<b>75.9</b>	<b>(37.4)</b>	<b>43.7</b>	<b>(42.9)</b>	<b>214.8</b>
Amortisation of acquired intangibles	(4.5)	(1.1)	(4.9)	-	-	(23.9)	(34.4)
<b>Total reported segment results (EBIT)</b>	<b>108.0</b>	<b>61.9</b>	<b>71.0</b>	<b>(37.4)</b>	<b>43.7</b>	<b>(66.8)</b>	<b>180.4</b>
<b>Segment assets <sup>(ii)</sup></b>	<b>2,325.7</b>	<b>1,240.3</b>	<b>2,863.1</b>	<b>629.6</b>	<b>864.2</b>	<b>732.9</b>	<b>8,655.8</b>
<b>Segment liabilities <sup>(ii)</sup></b>	<b>1,091.7</b>	<b>481.5</b>	<b>1,642.4</b>	<b>438.2</b>	<b>298.1</b>	<b>1,716.2</b>	<b>5,668.1</b>

#### Dec 2018

\$'m	Transport	Utilities	Facilities	EC&M	Mining	Un-allocated	Total
<b>Segment revenue and other income</b>	<b>1,792.6</b>	<b>1,212.5</b>	<b>1,663.0</b>	<b>945.1</b>	<b>688.1</b>	<b>23.2</b>	<b>6,324.5</b>
Share of sales revenue from joint ventures and associates	268.4	-	4.0	-	26.1	-	298.5
<b>Total revenue including joint ventures and other income <sup>(i)</sup></b>	<b>2,061.0</b>	<b>1,212.5</b>	<b>1,667.0</b>	<b>945.1</b>	<b>714.2</b>	<b>23.2</b>	<b>6,623.0</b>
<b>EBIT before amortisation of acquired intangibles (EBITA)</b>	<b>87.9</b>	<b>64.7</b>	<b>81.3</b>	<b>22.4</b>	<b>36.9</b>	<b>(25.2)</b>	<b>268.0</b>
Amortisation of acquired intangibles	(0.4)	(1.6)	(5.9)	-	-	(23.5)	(31.4)
<b>Total reported segment results (EBIT)</b>	<b>87.5</b>	<b>63.1</b>	<b>75.4</b>	<b>22.4</b>	<b>36.9</b>	<b>(48.7)</b>	<b>236.6</b>

<sup>(i)</sup> This is a non-statutory disclosure as it relates to Downer's share of revenue from equity accounted joint ventures and associates.

<sup>(ii)</sup> Segment assets and liabilities are disclosed to present the impact that the recognition of Right-of-use assets and lease liabilities have on each segment following adoption of AASB16 Leases. Refer to 30 June 2019 Annual Report for comparatives.

**Notes to the condensed consolidated financial report - continued**

for the half-year ended 31 December 2019

**B1. Segment information - continued**

Reconciliation of segment EBIT to Profit after income tax:

	Segment results	
	Dec 2019 \$'m	Dec 2018 \$'m
<b>Segment EBIT</b>	<b>247.2</b>	285.3
<b>Unallocated:</b>		
Amortisation of Spotless and Tenix acquired intangible assets	(23.9)	(23.5)
Fair value gain on revaluation of existing interest in Downer Mouchel Joint Venture	-	17.0
Corporate costs	(42.9)	(42.2)
<b>Total unallocated</b>	<b>(66.8)</b>	(48.7)
<b>Earnings before interest and tax</b>	<b>180.4</b>	236.6
Net finance costs	(53.5)	(42.1)
<b>Profit before income tax</b>	<b>126.9</b>	194.5
Income tax expense	(35.5)	(53.1)
<b>Profit after income tax</b>	<b>91.4</b>	141.4

**Notes to the condensed consolidated financial report - continued**

for the half-year ended 31 December 2019

**B2. Profit from ordinary activities**

**a) Revenue and other income**

<b>Dec 2019</b> <b>\$'m</b>	<b>Transport</b>	<b>Utilities</b>	<b>Facilities</b>	<b>EC&amp;M</b>	<b>Mining</b>	<b>Un-allocated</b>	<b>Total</b>
Service revenue	1,269.4	828.2	1,229.0	505.1	720.9	-	4,552.6
Construction contracts	507.2	587.9	430.8	192.4	-	-	1,718.3
Sale of goods	97.2	-	93.4	8.2	30.8	-	229.6
<b>Total revenue from contracts with customers</b>	<b>1,873.8</b>	<b>1,416.1</b>	<b>1,753.2</b>	<b>705.7</b>	<b>751.7</b>	<b>-</b>	<b>6,500.5</b>
Other revenue	1.5	-	-	0.5	0.9	3.2	6.1
<b>Total revenue from ordinary activities</b>	<b>1,875.3</b>	<b>1,416.1</b>	<b>1,753.2</b>	<b>706.2</b>	<b>752.6</b>	<b>3.2</b>	<b>6,506.6</b>
Other income / (loss)	1.3	-	(0.4)	0.2	1.2	-	2.3
<b>Total revenue and other income</b>	<b>1,876.6</b>	<b>1,416.1</b>	<b>1,752.8</b>	<b>706.4</b>	<b>753.8</b>	<b>3.2</b>	<b>6,508.9</b>
Share of sales revenue from joint ventures and associates <sup>(i)</sup>	301.4	-	4.6	-	23.6	-	329.6
<b>Total revenue including joint ventures and other income <sup>(i)</sup></b>	<b>2,178.0</b>	<b>1,416.1</b>	<b>1,757.4</b>	<b>706.4</b>	<b>777.4</b>	<b>3.2</b>	<b>6,838.5</b>

<b>Dec 2018</b> <b>\$'m</b>	<b>Transport</b>	<b>Utilities</b>	<b>Facilities</b>	<b>EC&amp;M</b>	<b>Mining</b>	<b>Un-allocated</b>	<b>Total</b>
Service revenue	1,251.9	683.4	1,150.4	457.0	684.5	(2.2)	4,225.0
Construction contracts	435.9	528.5	416.5	475.8	-	-	1,856.7
Sale of goods	100.6	0.5	96.1	7.2	2.2	-	206.6
<b>Total revenue from contracts with customers</b>	<b>1,788.4</b>	<b>1,212.4</b>	<b>1,663.0</b>	<b>940.0</b>	<b>686.7</b>	<b>(2.2)</b>	<b>6,288.3</b>
Other revenue	3.8	-	-	4.7	0.2	7.6	16.3
<b>Total revenue from ordinary activities</b>	<b>1,792.2</b>	<b>1,212.4</b>	<b>1,663.0</b>	<b>944.7</b>	<b>686.9</b>	<b>5.4</b>	<b>6,304.6</b>
Other income	0.4	0.1	-	0.4	1.2	17.8	19.9
<b>Total revenue and other income</b>	<b>1,792.6</b>	<b>1,212.5</b>	<b>1,663.0</b>	<b>945.1</b>	<b>688.1</b>	<b>23.2</b>	<b>6,324.5</b>
Share of sales revenue from joint ventures and associates <sup>(i)</sup>	268.4	-	4.0	-	26.1	-	298.5
<b>Total revenue including joint ventures and other income <sup>(i)</sup></b>	<b>2,061.0</b>	<b>1,212.5</b>	<b>1,667.0</b>	<b>945.1</b>	<b>714.2</b>	<b>23.2</b>	<b>6,623.0</b>

<sup>(i)</sup> This is a non-statutory disclosure as it relates to Downer's share of revenue from equity accounted joint ventures and associates.

**Notes to the condensed consolidated financial report - continued**

for the half-year ended 31 December 2019

**B2. Profit from ordinary activities - continued**

**Revenue from contracts with customers by geographical location:**

<b>Dec 2019</b> <b>\$'m</b>	<b>Transport</b>	<b>Utilities</b>	<b>Facilities</b>	<b>EC&amp;M</b>	<b>Mining</b>	<b>Un-allocated</b>	<b>Total</b>
<b>Geographic location <sup>(i)</sup></b>							
Australia	1,315.1	1,120.8	1,330.5	680.6	719.1	-	5,166.1
New Zealand and Pacific	558.6	295.3	422.7	-	-	-	1,276.6
Rest of the world	0.1	-	-	25.1	32.6	-	57.8
<b>Total revenue from contracts with customers</b>	<b>1,873.8</b>	<b>1,416.1</b>	<b>1,753.2</b>	<b>705.7</b>	<b>751.7</b>	<b>-</b>	<b>6,500.5</b>
<b>Dec 2018</b> <b>\$'m</b>	<b>Transport</b>	<b>Utilities</b>	<b>Facilities</b>	<b>EC&amp;M</b>	<b>Mining</b>	<b>Un-allocated</b>	<b>Total</b>
<b>Geographic location <sup>(i)</sup></b>							
Australia	1,288.8	982.5	1,185.8	928.5	660.5	(2.2)	5,043.9
New Zealand and Pacific	499.6	229.9	477.2	-	-	-	1,206.7
Rest of the world	-	-	-	11.5	26.2	-	37.7
<b>Total revenue from contracts with customers</b>	<b>1,788.4</b>	<b>1,212.4</b>	<b>1,663.0</b>	<b>940.0</b>	<b>686.7</b>	<b>(2.2)</b>	<b>6,288.3</b>

<sup>(i)</sup> Revenue is allocated based on the geographical location of the legal entity.

**b) Operating expenses**

	<b>Dec 2019</b> <b>\$'m</b>	<b>Dec 2018</b> <b>\$'m</b>
Employee benefits expense:		
- Defined contribution plans	129.6	115.0
- Share-based employee benefits	1.0	1.6
- Other employee benefits	2,004.3	2,137.9
<b>Total employee benefits expense</b>	<b>2,134.9</b>	<b>2,254.5</b>
Included within other expenses is:		
Operating lease expenses relating to land and building	0.9	39.1
Operating lease expenses relating to plant and equipment	28.3	58.9
<b>Total operating lease expense <sup>(i)</sup></b>	<b>29.2</b>	<b>98.0</b>

<sup>(i)</sup> The operating leases as at 31 December 2019 represent leases that met the short term and low value exemptions available under AASB 16 Leases.

## Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2019

### B3. Earnings per share

#### Basic earnings per share

The calculation of basic earnings per share (EPS) is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

	Dec 2019	Dec 2018
Profit attributable to members of the parent entity (\$'m)	86.3	134.2
Adjustment to reflect ROADS dividends paid (\$'m)	(3.7)	(4.1)
Profit attributable to members of the parent entity used in calculating EPS (\$'m)	82.6	130.1
Weighted average number of ordinary shares (WANOS) on issue (m's) <sup>(i)</sup>	592.2	591.1
<b>Basic earnings per share (cents per share)</b>	<b>13.9</b>	22.0

#### Diluted earnings per share

The calculation of diluted EPS is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares.

	Dec 2019	Dec 2018
Profit attributable to members of the parent entity used in calculating basic EPS (\$'m)	86.3	134.2
Weighted average number of ordinary shares:		
- Weighted average number of ordinary shares (WANOS) on issue (m's) <sup>(i) (ii)</sup>	592.8	591.9
- WANOS adjustment to reflect potential dilution for ROADS (m's) <sup>(iii)</sup>	25.4	27.2
WANOS used in the calculation of diluted EPS (m's)	618.2	619.1
<b>Diluted earnings per share (cents per share)<sup>(iv)</sup></b>	<b>13.9</b>	21.7

(i) The WANOS on issue has been adjusted by the weighted average effect of the unvested executive incentive shares.

(ii) For diluted earnings per share, the WANOS has been further adjusted by the potential vesting of executive incentive shares.

(iii) The WANOS adjustment is the value of ROADS that could potentially be converted into ordinary shares at the reporting date. It is calculated based on the issued value of ROADS in New Zealand dollars converted to Australian dollars at the spot rate prevailing at the reporting date, which was \$192.1 million (December 2018: \$190.3 million), divided by the average market price of the Company's ordinary shares for the period 1 July 2019 to 31 December 2019 discounted by 2.5% according to the ROADS contract terms, which was \$7.58 (December 2018: \$6.99).

(iv) At 31 December 2019, the ROADS are deemed anti-dilutive and consequently, diluted EPS remained at 13.9 cents per share.

### B4. Subsequent events

At the date of this report there is no matter or circumstance that has arisen since the end of the period that has significantly affected, or may significantly affect:

- The Group's operations in future financial periods;
- The results of those operations in future financial periods; or
- The Group's state of affairs in future financial periods.

**Notes to the condensed consolidated financial report - continued**  
for the half-year ended 31 December 2019

**C. Capital structure and financing**

<b>C1. Borrowings</b>	<b>C4. Issued capital</b>
<b>C2. Financing facilities</b>	<b>C5. Non-controlling interest (NCI)</b>
<b>C3. Lease liabilities</b>	<b>C6. Reserves</b>
	<b>C7. Dividends</b>

**C1. Borrowings**

	Dec 2019 \$'m	Jun 2019 \$'m
<b>Current</b>		
Secured:		
- Lease liabilities <sup>(i)</sup>	-	2.8
Unsecured:		
- Bank loans	-	6.1
- USD private placement notes	-	10.0
- Deferred finance charges	-	(4.3)
	-	11.8
<b>Total current borrowings</b>	<b>-</b>	<b>14.6</b>
<b>Non-current</b>		
Secured:		
- Lease liabilities <sup>(i)</sup>	-	7.4
Unsecured:		
- Bank loans	<b>824.1</b>	833.4
- USD private placement notes	<b>142.7</b>	142.6
- AUD private placement notes	<b>30.0</b>	30.0
- AUD medium term notes	<b>763.8</b>	550.0
- JPY medium term notes	<b>131.3</b>	132.4
- Deferred finance charges	<b>(11.1)</b>	(6.9)
	<b>1,880.8</b>	1,681.5
<b>Total non-current borrowings</b>	<b>1,880.8</b>	<b>1,688.9</b>
<b>Total borrowings</b>	<b>1,880.8</b>	<b>1,703.5</b>
<b>Fair value of total borrowings <sup>(ii)</sup></b>	<b>2,050.6</b>	<b>1,798.4</b>

<sup>(i)</sup> Upon adoption of AASB 16 *Leases*, the 30 June 2019 lease liabilities that were disclosed as part of borrowings in the comparative figures above, have now been presented as part of the lease liability balances in Note C3.

<sup>(ii)</sup> Excludes finance lease and hire purchase liabilities.

## Notes to the condensed consolidated financial report - *continued*

for the half-year ended 31 December 2019

### C2. Financing facilities

At reporting date, the Group had the following facilities that were unutilised:

	Dec 2019 \$'m	Jun 2019 \$'m
Syndicated loan facilities	710.0	770.0
Bilateral loan facilities	427.0	297.0
<b>Total unutilised loan facilities</b>	<b>1,137.0</b>	<b>1,067.0</b>
Syndicated bank guarantee facilities	197.2	314.9
Bilateral bank guarantees and insurance bonding facilities	503.5	505.0
<b>Total unutilised bonding facilities</b>	<b>700.7</b>	<b>819.9</b>

### Summary of borrowing arrangements

#### Bank loan facilities

Bilateral loan facilities:

A total of \$477.0 million in bilateral loan facilities are committed unsecured facilities with maturities in calendar years 2020, 2021 and 2022.

Syndicated loan facilities:

The syndicated loan facilities are unsecured, committed facilities and comprised of Australian Dollar and New Zealand Dollar tranches as follows:

- \$200 million revolving tranche maturing in April 2021;
- \$200 million revolving tranche maturing in May 2022;
- \$280 million and NZ\$75 million revolving tranches maturing in July 2022;
- NZ\$75 million term tranche maturing in July 2022;
- \$280 million revolving tranche maturing in July 2023;
- \$180 million term tranche maturing in July 2023; and
- \$200 million revolving tranche maturing in May 2023.

#### USD private placement notes

USD unsecured private placement notes are on issue for a total amount of US\$100.0 million with a maturity date of July 2025. The USD denominated principal and interest amounts have been fully hedged against the Australian dollar through cross-currency interest rate swaps.

#### AUD private placement notes

AUD unsecured private placement notes are on issue for a total amount of \$30.0 million with a maturity date of July 2025.

#### Medium Term Notes (MTNs)

The Group has the following unsecured MTNs on issue:

- \$250.0 million maturing March 2022;
- \$500.0 million maturing April 2026; and
- JPY10.0 billion maturing May 2033.

The carrying value of the AUD MTN maturing April 2026 includes a premium of \$13.8 million over the \$200 million face value owing to the differential between the coupon rate for that instrument and the prevailing market interest rate at the date of issue.

The JPY denominated principal and interest amounts have been fully hedged against the Australian dollar through a cross-currency interest rate swap.

The above loan facilities and note issuances are supported by certain Group guarantees.

## Notes to the condensed consolidated financial report - *continued*

for the half-year ended 31 December 2019

### C2. Financing facilities - *continued*

#### Covenants on financing facilities

Downer Group's financing facilities contain undertakings to comply with financial covenants and ensure that Group guarantors of these facilities collectively meet certain minimum threshold amounts of Group EBIT and Group Total Tangible Assets (for Downer) and Group EBITDA and Group Total Assets (for Spotless).

The main financial covenants which the Group is subject to are Net Worth, Interest Service Coverage and Leverage.

Financial covenants testing is undertaken and reported to the Downer and Spotless Boards monthly. Reporting of financial covenants to financiers occurs semi-annually for the rolling 12-month periods to 30 June and 31 December. Both Downer Group and Spotless were in compliance with all their financial covenants as at 31 December 2019.

#### Bank guarantees and insurance bonds

The Group has \$2,063.1 million of bank guarantee and insurance bond facilities to support its contracting activities. \$1,125.5 million of these facilities are provided to the Group on a committed basis and \$937.6 million on an uncommitted basis.

The Group's facilities are provided by a number of banks and insurance companies on an unsecured and revolving basis. \$1,362.4 million (refer to Note D9) of these facilities were utilised as at 31 December 2019 with \$700.7 million unutilised. These facilities have varying maturity dates between calendar years 2020 and 2022.

The underlying risk being assumed by the relevant financier under all bank guarantees and insurance bonds is corporate credit risk rather than project specific risk.

The Group has the flexibility in respect of certain committed facility amounts (shown as part of the unutilised bilateral loan facilities) which can at the election of the Group be utilised to provide additional bank guarantees capacity.

#### Refinancing requirements

Where existing facilities approach maturity, the Group will negotiate with existing and, where required, with new financiers to extend the maturity date or refinance these facilities. The Group's financial metrics and credit rating as well as conditions in financial markets and other factors may influence the outcome of these negotiations.

#### Credit ratings

The Group has an Investment Grade credit rating of BBB (Outlook Stable) from Fitch Ratings. Where the credit rating is lowered or placed on negative watch, customers and suppliers may be less willing to contract with the Group. Furthermore, banks and other lending institutions may demand more stringent terms (including increased pricing, reduced tenors and lower facility limits) on all financing facilities, to reflect the weaker credit risk profile.

### C3. Lease liabilities

	Dec 2019 \$'m
<b>Contractual undiscounted cash flows</b>	
Less than one year	158.8
One to five years	378.0
More than five years	358.4
<b>Total undiscounted lease liabilities</b>	<b>895.2</b>
Current	143.7
Non-current	604.6
<b>Total lease liabilities</b>	<b>748.3</b>

Included in the lease liabilities as at 31 December 2019 is \$2.8 million of current and \$7.4 million of non-current lease liabilities that have previously been disclosed as part of Secured Borrowings (Refer to Note C1).

For the basis of recognition, and other disclosures in relation to Lease liabilities resulting from the adoption of AASB 16 Leases, refer to Note E1.

## Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2019

### C4. Issued capital

	Dec 2019		Jun 2019	
	No.	\$'m	No.	\$'m
Ordinary shares	594,702,512	2,263.1	594,702,512	2,263.1
Unvested executive incentive shares	2,231,632	(12.0)	3,385,446	(16.6)
Distributing Securities (ROADS)	200,000,000	178.6	200,000,000	178.6
		2,429.7		2,425.1

#### a) Fully paid ordinary share capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Dec 2019		Jun 2019	
	m's	\$'m	m's	\$'m
<b>Fully paid ordinary share capital</b>				
Balance at the beginning of the financial year / period	594.7	2,263.1	594.7	2,263.1
Capital raising costs net of tax	-	-	-	-
<b>Balance at the end of the financial year / period</b>	<b>594.7</b>	<b>2,263.1</b>	<b>594.7</b>	<b>2,263.1</b>
<b>b) Unvested executive incentive shares</b>				
Balance at the beginning of the financial year / period	3.4	(16.6)	4.2	(19.8)
Vested executive incentive share transactions <sup>(i)</sup>	(1.2)	4.6	(0.8)	3.2
<b>Balance at the end of the financial year / period</b>	<b>2.2</b>	<b>(12.0)</b>	<b>3.4</b>	<b>(16.6)</b>

(i) December 2019 figures are referable to the 2016 LTI plan, second deferred component of the 2017 STI award and first deferred component of the 2018 STI award totalling 1,153,814 vested shares for a value of \$4,608,778.

June 2019 figures are referable to the 2015 LTI plan, second deferred component of the 2016 STI award and first deferred component of the 2017 STI award totalling 821,912 vested shares for a value of \$3,166,042.

Unvested executive incentive shares are stock market purchases and are held by the Executive Employee Share Plan Trust under the Long Term Incentive (LTI) plan. No dividends are distributed on shares held in trust during the performance measurement and service periods. Accumulated dividends will be paid out to executives after all vesting conditions have been met. Otherwise, excess net dividends are retained in the trust to be used by the Company to acquire additional shares on the market for employee equity plans.

#### c) Redeemable Optionally Adjustable Distributing Securities (ROADS)

	Dec 2019		Jun 2019	
	m's	\$'m	m's	\$'m
<b>Balance at the beginning and at the end of the period</b>	<b>200.0</b>	<b>178.6</b>	<b>200.0</b>	<b>178.6</b>

ROADS are perpetual, redeemable, exchangeable preference shares. In accordance with the terms of the ROADS preference shares, the dividend rate for the one year commencing 15 June 2019 is 5.49% per annum (2018: 6.15% per annum) which is equivalent to the one year swap rate on 17 June 2019 of 1.44% per annum plus the Step-up Margin of 4.05% per annum.

## Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2019

### C5. Non-controlling interest (NCI)

The following table summarises the NCI in relation to the Group's subsidiaries:

	Dec 2019			Jun 2019		
	Spotless \$'m	Other \$'m	Total \$'m	Spotless \$'m	Other \$'m	Total \$'m
Current assets	515.4	23.0	538.4	566.6	22.3	588.9
Non-current assets	2,405.1	3.5	2,408.6	2,283.3	1.2	2,284.5
Current liabilities	(562.0)	(7.4)	(569.4)	(602.5)	(7.0)	(609.5)
Non-current liabilities	(1,104.6)	(0.1)	(1,104.7)	(1,004.5)	(0.1)	(1,004.6)
<b>Net assets</b>	<b>1,253.9</b>	<b>19.0</b>	<b>1,272.9</b>	<b>1,242.9</b>	<b>16.4</b>	<b>1,259.3</b>
NCI percentage	12.198%	26.000%		12.198%	26.000%	
<b>Net assets attributable to NCI</b>	<b>153.0</b>	<b>4.9</b>	<b>157.9</b>	<b>151.6</b>	<b>4.3</b>	<b>155.9</b>

### C6. Reserves

\$'m	Hedge reserve	Foreign currency translation reserve	Employee benefits reserve	Fair value through OCI reserve	Total attributable to the members of the Parent
<b>2019</b>					
Balance at 1 July 2019	(24.0)	(16.7)	15.8	(2.6)	(27.5)
Foreign currency translation difference	-	1.2	-	-	1.2
Change in fair value of cash flow hedges (net of tax)	(4.2)	-	-	-	(4.2)
<b>Total comprehensive income for the period</b>	<b>(4.2)</b>	<b>1.2</b>	<b>-</b>	<b>-</b>	<b>(3.0)</b>
Vested executive incentive share transactions	-	-	(4.6)	-	(4.6)
Share-based employee benefits expense	-	-	1.0	-	1.0
Income tax relating to share-based transactions during the period	-	-	1.0	-	1.0
<b>Balance at 31 December 2019</b>	<b>(28.2)</b>	<b>(15.5)</b>	<b>13.2</b>	<b>(2.6)</b>	<b>(33.1)</b>
<b>2018</b>					
Balance at 1 July 2018	(13.0)	(26.8)	15.5	(2.6)	(26.9)
Foreign currency translation difference	-	8.3	-	-	8.3
Change in fair value of cash flow hedges (net of tax)	3.9	-	-	-	3.9
<b>Total comprehensive income for the period</b>	<b>3.9</b>	<b>8.3</b>	<b>-</b>	<b>-</b>	<b>12.2</b>
Vested executive incentive share transactions	-	-	(3.2)	-	(3.2)
Share-based employee benefits expense	-	-	1.6	-	1.6
Income tax relating to share-based transactions during the period	-	-	1.0	-	1.0
<b>Balance at 31 December 2018</b>	<b>(9.1)</b>	<b>(18.5)</b>	<b>14.9</b>	<b>(2.6)</b>	<b>(15.3)</b>

#### Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to future transactions.

#### Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of operations where their functional currency is different to the presentation currency of the Group.

#### Employee benefit reserve

The employee benefit reserve is used to recognise the fair value of share-based payments issued to employees over the vesting period, and to recognise the value attributable to the share-based payments during the reporting period.

#### Fair value through OCI reserve

The fair value through OCI reserve comprises the cumulative net change in the fair value of equity investments designated as FVOCI. Until the assets are derecognised or reclassified, this amount is reduced by the amount of loss allowance.

**Notes to the condensed consolidated financial report - continued**

for the half-year ended 31 December 2019

**C7. Dividends**

**a) Ordinary shares**

	<b>2020</b>	<b>2019</b>	2019	2018
	<b>Interim</b>	<b>Final</b>	Interim	Final
Dividend per share (in Australian cents)	<b>14.0</b>	<b>14.0</b>	14.0	14.0
Franking percentage	<b>0%</b>	<b>50%</b>	50%	50%
Cost (in \$'m)	<b>83.3</b>	<b>83.3</b>	83.3	83.3
Dividend record date	<b>26/2/20</b>	<b>4/9/19</b>	21/2/19	30/8/18
Payment date	<b>25/3/20</b>	<b>2/10/19</b>	21/3/19	27/9/18

The interim 2020 dividend has not been declared as at reporting date and therefore is not reflected in the condensed consolidated financial report.

**b) Redeemable Optionally Adjustable Distributing Securities (ROADS)**

<b>2020</b>	<b>Quarter 1</b>	<b>Quarter 2</b>			<b>Total</b>
Dividend per ROADS (in Australian cents)	<b>0.92</b>	<b>0.95</b>			<b>1.87</b>
New Zealand imputation credit percentage	<b>100%</b>	<b>100%</b>			<b>100%</b>
Cost (in A\$m)	<b>1.8</b>	<b>1.9</b>			<b>3.7</b>
Payment date	<b>16/9/19</b>	<b>16/12/19</b>			
<b>2019</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Total</b>
Dividend per ROADS (in Australian cents)	1.01	1.05	1.06	1.06	4.18
New Zealand imputation credit percentage	100%	100%	100%	100%	100%
Cost (in A\$m)	2.0	2.1	2.1	2.1	8.3
Payment date	17/9/18	17/12/18	15/3/19	17/6/19	

**Notes to the condensed consolidated financial report - continued**

for the half-year ended 31 December 2019

**D. Other disclosures**

**D1. Trade receivables and contract assets**  
**D2. Trade payables and contract liabilities**  
**D3. Property, plant and equipment**  
**D4. Right-of-use assets**

**D5. Intangible assets**  
**D6. Other provisions**  
**D7. Joint arrangements and associate entities**  
**D8. Acquisition of businesses**  
**D9. Contingent liabilities**

**D1. Trade receivables and contract assets**

	Dec 2019 \$'m	Jun 2019 \$'m
Trade receivables	781.3	888.0
Loss allowance	(17.1)	(17.5)
	<b>764.2</b>	<b>870.5</b>
Contract assets	1,503.9	1,084.4
Other receivables	64.5	111.0
<b>Total trade receivables and contract assets</b>	<b>2,332.6</b>	<b>2,065.9</b>
<b>Included in the financial statements as:</b>		
Current	2,232.6	1,991.5
Non-current	100.0	74.4
<b>Contract asset balances</b>		
Contract assets	1,466.1	1,050.3
Retentions	37.8	34.1
<b>Total contract assets</b>	<b>1,503.9</b>	<b>1,084.4</b>

**D2. Trade payables and contract liabilities**

	Dec 2019 \$'m	Jun 2019 \$'m
Trade payables	814.9	810.6
Contract liabilities	465.1	501.5
Accruals	937.6	1,007.2
Other	115.2	137.5
	<b>2,332.8</b>	<b>2,456.8</b>
<b>Included in the financial statements as:</b>		
Current	2,289.6	2,405.5
Non-current	43.2	51.3

## Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2019

### D3. Property, plant and equipment

Dec 2019 \$'m	Freehold land and buildings	Plant, equipment and leasehold improve- ments	Equipment under finance lease <sup>(ii)</sup>	Laundries rental stock	Total
Balance at 30 June 2019	124.0	1,196.2	9.0	44.1	1,373.3
Opening balance adjustment on application of AASB 16	-	-	(9.0)	-	(9.0)
<b>Balance at 1 July 2019</b>	<b>124.0</b>	<b>1,196.2</b>	<b>-</b>	<b>44.1</b>	<b>1,364.3</b>
Additions	3.4	129.6	-	17.1	150.1
Disposals at net book value	-	(13.6)	-	-	(13.6)
Depreciation expense	(2.7)	(111.8)	-	(17.6)	(132.1)
Reclassifications at net book value	20.4	(20.4)	-	-	-
Net foreign currency exchange differences at net book value	-	0.6	-	-	0.6
<b>Net book value as at 31 December 2019</b>	<b>145.1</b>	<b>1,180.6</b>	<b>-</b>	<b>43.6</b>	<b>1,369.3</b>
Cost	176.0	2,709.3	-	123.1	3,008.4
Accumulated depreciation	(30.9)	(1,528.7)	-	(79.5)	(1,639.1)
<b>Jun 2019</b>					
Carrying amount as at 1 July 2018	118.8	1,106.3	14.1	41.2	1,280.4
Additions	10.5	305.3	2.3	35.2	353.3
Disposals at net book value	(3.0)	(8.5)	(2.3)	-	(13.8)
Acquisition of businesses	0.1	12.0	-	-	12.1
Depreciation expense	(2.9)	(219.8)	(4.8)	(32.5)	(260.0)
Reclassifications at net book value	-	0.4	(0.4)	-	-
Reclassified as intangible assets <sup>(i)</sup>	-	(0.8)	-	-	(0.8)
Net foreign currency exchange differences at net book value	0.5	1.3	0.1	0.2	2.1
<b>Net book value as at 30 June 2019</b>	<b>124.0</b>	<b>1,196.2</b>	<b>9.0</b>	<b>44.1</b>	<b>1,373.3</b>
Cost	152.8	2,722.1	24.5	105.9	3,005.3
Accumulated depreciation	(28.8)	(1,525.9)	(15.5)	(61.8)	(1,632.0)

(i) Refers to the reclassification of software from Capital work in progress to Intangible assets.

(ii) These assets, previously disclosed as Property, plant and equipment have been derecognised on application of AASB 16 and now presented separately within Right-of-use assets (Refer to Note D4).

The expected useful life and depreciation methods used are listed below:

Item	Useful life	Depreciation method
Freehold land	n/a	No depreciation
Buildings	20-50 years	Straight-line
Leasehold improvements	Life of lease	Straight-line
Plant and equipment - mining, power and gas	Working hours	Based on hours of use
Plant and equipment - other	3-25 years	Straight-line
Laundries rental stock	18 months-5 years	Straight-line

## Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2019

### D4. Right-of-use assets

The Group leases many assets including property, motor vehicles and plant and equipment. Information about leased assets for which the Group is a lessee is presented below:

Dec 2019 \$'m	Leasehold Property	Motor Vehicles	Plant and Equipment	Total
Balance recognised on adoption of AASB 16	385.5	101.7	83.4	570.6
Additions	48.9	26.9	9.6	85.4
Remeasure	1.3	0.7	0.5	2.5
Depreciation charge for the period	(29.4)	(25.1)	(12.9)	(67.4)
Disposals at net book value	(0.2)	(0.4)	(1.0)	(1.6)
Net foreign currency exchange differences at net book value	(0.2)	(0.2)	(0.1)	(0.5)
<b>Net book value as at 31 December 2019</b>	<b>405.9</b>	<b>103.6</b>	<b>79.5</b>	<b>589.0</b>
Cost	435.3	128.7	92.4	656.4
Accumulated depreciation	(29.4)	(25.1)	(12.9)	(67.4)

The Right-of-use assets above serve as security against the lease liabilities presented in Note C3.

### D5. Intangible assets

Dec 2019 \$'m	Goodwill	Customer contracts and relation- ships	Brand names on acquisition	Other intellectual property on acquisition	Software and system develop- ment	Total
Carrying amount as at 1 July 2019	2,454.5	345.0	71.3	2.0	257.9	3,130.7
Additions	-	-	-	-	31.7	31.7
Business acquisition adjustments	(5.5)	-	-	-	-	(5.5)
Amortisation expense	-	(32.3)	(2.1)	-	(15.0)	(49.4)
Net foreign currency exchange differences at net book value	0.9	-	0.1	-	0.1	1.1
<b>Net book value as at 31 December 2019</b>	<b>2,449.9</b>	<b>312.7</b>	<b>69.3</b>	<b>2.0</b>	<b>274.7</b>	<b>3,108.6</b>
Cost	2,602.3	494.2	79.4	2.4	451.2	3,629.5
Accumulated amortisation and impairment	(152.4)	(181.5)	(10.1)	(0.4)	(176.5)	(520.9)
<b>Jun 2019</b>						
Carrying amount as at 1 July 2018	2,351.5	381.1	74.7	2.2	241.2	3,050.7
Additions	-	-	-	-	45.3	45.3
Disposals at net book value	-	-	-	-	(0.3)	(0.3)
Acquisition of businesses	98.2	30.2	-	-	-	128.4
Reclassifications at net book value <sup>(i)</sup>	-	-	-	-	0.8	0.8
Amortisation expense	-	(66.3)	(3.9)	(0.2)	(29.6)	(100.0)
Net foreign currency exchange differences at net book value	4.8	-	0.5	-	0.5	5.8
<b>Net book value as at 30 June 2019</b>	<b>2,454.5</b>	<b>345.0</b>	<b>71.3</b>	<b>2.0</b>	<b>257.9</b>	<b>3,130.7</b>
Cost	2,606.9	494.1	79.4	2.4	419.3	3,602.1
Accumulated amortisation and impairment	(152.4)	(149.1)	(8.1)	(0.4)	(161.4)	(471.4)

<sup>(i)</sup> Refers to the reclassification of software from Capital work in progress to Intangible assets.

**Notes to the condensed consolidated financial report - continued**

for the half-year ended 31 December 2019

**D6. Other provisions**

\$'m	Note	Decomm- issioning and restoration	Warranties and contract claims	Onerous contracts and other	Total
<b>Balance at 30 June 2019</b>		28.1	23.7	139.7	191.5
Opening balance adjustment on application of AASB 16	E1	-	-	(37.1)	(37.1)
<b>Balance at 1 July 2019</b>		28.1	23.7	102.6	154.4
Additional provisions recognised		0.6	(4.2)	3.8	0.2
Unused provisions reversed		-	(0.6)	(9.9)	(10.5)
Utilisation of provisions		(0.6)	(4.9)	(47.2)	(52.7)
Business acquisition adjustments		0.5	-	1.0	1.5
<b>Balance at 31 December 2019</b>		28.6	14.0	50.3	92.9
Current		5.2	13.3	33.5	52.0
Non-current		23.4	0.7	16.8	40.9

**D7. Joint arrangements and associate entities**

	Dec 2019 \$'m	Jun 2019 \$'m
<b>Interest in joint ventures and associates</b>		
Interest in joint ventures at the beginning of the period	31.5	21.2
Share of net profit	8.2	17.1
Share of distributions	(9.5)	(15.6)
Interest in Joint Ventures acquired	-	8.5
Net foreign currency exchange differences	-	0.3
<b>Interest in joint ventures at the end of the period</b>	30.2	31.5
Interest in associates at the beginning of the financial year	77.3	74.8
Share of net profit	4.4	13.3
Share of distributions	-	(6.8)
Acquisition of MHPS Plant Services Pty Ltd	-	(4.0)
<b>Interest in associates at the end of the period</b>	81.7	77.3
<b>Interest in joint ventures and associates</b>	111.9	108.8

## Notes to the condensed consolidated financial report - *continued*

for the half-year ended 31 December 2019

### D7. Joint arrangements and associate entities - *continued*

The Group has interests in the following joint ventures and associates which are equity accounted:

Name of arrangement	Principal activity	Country of operation	Ownership interest	
			Dec 2019 %	Jun 2019 %
<b>Joint ventures</b>				
Allied Asphalt Limited	Asphalt plant	New Zealand	50	50
Bitumen Importers Australia Joint Venture	Construction of bitumen storage facility	Australia	50	50
Bitumen Importers Australia Pty Ltd	Bitumen importer	Australia	50	50
Bama Civil Pty Ltd & Downer EDI Works Pty Ltd <sup>(i)</sup>	Civil Infrastructure design and/or construction activities	Australia	50	-
Eden Park Catering Limited	Catering for functions at Eden Park	New Zealand	50	50
EDI Rail-Bombardier Transportation Pty Ltd	Sale and maintenance of railway rolling stock	Australia	50	50
Emulco Limited	Emulsion plant	New Zealand	50	50
Isaac Asphalt Limited	Manufacture and supply of asphalt	New Zealand	50	50
Downer EDI Works Pty Ltd & CPB Contractors Pty Limited <sup>(ii)</sup>	Construction activities as part of Perth's METRONET program	Australia	50	-
Repurpose It Holdings Pty Ltd <sup>(i)</sup>	Waste recycling	Australia	50	50
RTL Mining and Earthworks Pty Ltd	Contract mining; civil works and plant hire	Australia	44	44
Waanyi Downer JV Pty Ltd	Contract mining services	Australia	50	50
ZFS Functions (Pty) Ltd	Catering for functions at Federation Square	Australia	50	50
<b>Associates</b>				
Keolis Downer Pty Ltd	Operation and maintenance of Gold Coast light rail, Melbourne tram network and bus operation	Australia	49	49

<sup>(i)</sup> JV acquired during the financial year ended 30 June 2019.

<sup>(ii)</sup> JV entered into during the financial half-year ended 31 December 2019.

### D8. Acquisition of businesses

#### December 2019

There have been no acquisitions during the half-year period ended 31 December 2019.

#### Update on previous acquisitions

The provisional accounting for MHPS Plant Services; Rock N Road; KHS Limited and Boleh Consulting acquisitions have now been finalised, with minor adjustments to the initial fair value assigned to the identifiable net assets. The impact on the Goodwill is presented in Note D5.

Deferred consideration of \$19.3 million was paid during the period, with no resulting impact on the acquisition accounting. Acquisitions related consideration paid for the period ended 31 December 2018 was \$46.0 million.

## Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2019

### D9. Contingent liabilities

	Dec 2019 \$'m	Jun 2019 \$'m
<b>Bonding</b>		
The Group has bid bonds and performance bonds issued in respect of contract performance in the normal course of business for controlled entities	1,362.4	1,323.2

#### Guarantees

The Group is called upon to give guarantees and indemnities to counterparties, relating to the performance of contractual and financial obligations (including for controlled entities and related parties). Other than as noted above, these guarantees and indemnities are indeterminable in amount.

#### Other contingent liabilities

- i) The Group is subject to design liability in relation to completed design and construction projects. The Directors are of the opinion that there is adequate insurance to cover this area and accordingly, no amounts are recognised in the financial statements.
- ii) The Group is subject to product liability claims. Provision is made for the potential costs of carrying out rectification works based on known claims and previous claims history. However, as the ultimate outcome of these claims cannot be reliably determined at the date of this report, contingent liability may exist for any amounts that ultimately become payable in excess of current provisioning levels.
- iii) Controlled entities have entered into various joint arrangements under which the controlled entity is jointly and severally liable for the obligations of the relevant joint arrangements.
- iv) The Group carries the normal contractors and consultants liability in relation to services, supply and construction contracts (for example, liability relating to professional advice, design, completion, workmanship, and damage), as well as liability for personal injury / property damage during the course of a project. Potential liability may arise from claims, disputes and / or litigation / arbitration by or against Group companies and / or joint venture arrangements in which the Group has an interest. The Group is currently managing a number of claims, arbitration and litigation processes in relation to services, supply and construction contracts as well as in relation to personal injury and property damage claims arising from project delivery.
- v) Several New Zealand entities in the Group have been named as co-defendants in "leaky building" claims. The leaky building claims where Group entities are co-defendants generally relate to water damage arising from historical design and construction methodologies (and certification) for residential and other buildings in New Zealand during the early-mid 2000s. The Directors are of the opinion that disclosure of any further information relating to the leaky building claims would be prejudicial to the interests of the Group.
- vi) On 16 September 2015, the Group announced that it had terminated a contract with Tecnicas Reunidas S.A. ("TR") following TR's failure to remedy a substantial breach of the contract and that the Group is pursuing a claim against TR in the order of \$65 million. Downer has since demobilised from the site and has commenced a claim that will be determined via an arbitration process, with a hearing date currently expected to occur in April 2020. TR has initiated a counter-claim, which is being defended by Downer. The Directors are of the opinion that disclosure of any further information relating to this matter would be prejudicial to the interests of the Group.
- vii) Spotless engages around 30,000 employees under a variety of Enterprise Agreements (EAs) and Modern Awards. During the half year, Spotless commenced a review of the applicable EAs and Modern Awards, together with the assumptions regarding their interpretation and application in its payroll systems in order to validate the correct application of pay rates to employees as well as any instances of historical underpayments or overpayments. This process is ongoing.

As identified in the review so far, five matters that give rise to an obligation to make good any shortfall in payment and quantified, have been expensed in full in the period. As the review is only part complete, it is not possible to reliably determine what other instances or quantum of any other underpayments may exist. No further provision has been recognised at 31 December 2019 as no other instances have been identified at this stage of the review.
- viii) On 25 May 2017, Alison Court, as applicant, filed a representative proceeding in the Federal Court of Australia on behalf of shareholders who acquired Spotless shares from 25 August 2015 to 1 December 2015. The applicant under this proceeding alleges that Spotless engaged in misleading or deceptive conduct and/or breached its continuous disclosure obligations in relation to Spotless' financial results for the financial year ended 30 June 2015 and in its conduct following the release of those financial results until Spotless issued its trading update of 2 December 2015. The applicant seeks damages, declarations, interest and costs. Spotless is vigorously defending the proceeding.

**E Other**

**E1. New accounting standards**

**E1. New accounting standards**

**a) New and amended accounting standards adopted by the Group**

In the current period, the Group has applied a number of new and revised accounting standards issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2019, as follows:

- AASB 16 *Leases*
- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long Term Interest in Associates and Joint Ventures*
- AASB 2018-1 *Annual Improvements 2015-2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*
- Interpretation 23 *Uncertainty Over Income Tax Treatments*

**Changes in significant accounting policies**

The impact of the adoption of AASB 16 *Leases* (AASB16) which resulted in a change in accounting policies is discussed in detail below. The other amendments listed above did not have an impact on the amounts recognised in prior periods and are not expected to significantly impact current or future periods.

**AASB 16 - Leases**

The Group has adopted AASB 16 using the 'modified retrospective approach' from 1 July 2019 and therefore the comparative information has not been restated as permitted under the specific transition provisions in the standard.

Upon transition to AASB 16, the Group recognised Right-of-use assets of \$570.6 million and Lease liabilities of \$727.8 million as at 1 July 2019. The subsequent movements in the Right-of-use assets as reflected in Note D4 has resulted in \$67.4 million depreciation charges for the period. The resulting finance lease liabilities (Note C3) gave rise to finance costs of \$12.6 million for the period.

For the impact of AASB16 on segment assets and segment liabilities refer to Note B1.

The table below presents the impact of the adoption on the balance sheet as at 1 July 2019:

\$'m	As reported 30 June 2019	AASB 16 Transition adjustments	Opening balance 1 July 2019
Property, plant and equipment	1,373.3	(9.0)	1,364.3
Right-of-use assets	-	570.6	570.6
Borrowings	(1,703.5)	10.2	(1,693.3)
Lease liabilities (current and non-current)	-	(727.8)	(727.8)
Other provisions	(191.5)	37.1	(154.4)
Trade payables and contract liabilities	(2,456.8)	24.0	(2,432.8)
Deferred tax balances	(44.1)	28.9	(15.2)
Non-controlling interest	(155.9)	3.2	(152.7)
Retained earnings	(496.7)	62.8	(433.9)

## Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2019

### E1. New accounting standards - continued

#### Changes in significant accounting policies - continued

The total adjustment to equity upon transition to AASB16 was \$66.0 million after including non-controlling interests.

AASB 16 replaces existing lease accounting guidance and contains significant changes to the accounting treatment applied to leases. It requires a single accounting model to be applied to all types of leases, with the primary change being a requirement for lessees to recognise assets and liabilities for all leases, with the exception of short-term leases (with a duration of less than twelve months) and leases of low-value assets.

At transition, for leases classified as operating leases under the superseded standard (AASB 117), lease liabilities were measured and recognised at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The reconciliation between the operating lease commitments presented in the 30 June 2019 financial statements and the lease liability recognised as at 1 July 2019 is as follows:

\$'m	1 July 2019
Disclosed operating lease commitments at 30 June 2019	795.6
Lease commitments for which lease liability arises after 1 July 2019	(42.1)
Recognition exemption for:	
Short-term leases	(11.1)
Low value leases	(5.5)
Recognition of leases embedded in customer contracts	0.7
Extension options reasonably certain to be exercised	119.0
Discounting using the incremental borrowing rate at 1 July 2019	(139.0)
Lease liabilities already recognised at 30 June 2019	10.2
<b>Lease liabilities recognised at 1 July 2019</b>	<b>727.8</b>

On adoption of AASB 16, the Group:

- Recognised Lease liabilities measured at the present value of future minimum lease payments, discounted using the incremental borrowing rate. The weighted average rate was 3.5%.
- Recognised the associated Right-of-use asset at its carrying amount as if AASB 16 had always been applied, discounted using the incremental borrowing rates at the date of initial application.
- Payments made before the commencement date and incentives received from the lessor are included in the carrying amount of the of the Right-of-use asset.
- Recognised depreciation on Right-of-use assets and interest on lease liabilities in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
- Recognised the principal portion of the lease payment as a financing cash flow and the interest portion of the lease payment as an operating cash flow in the Consolidated Statement of Cash Flows.

#### Impact of new definition of a lease

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application of AASB16. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying AASB117 and Interpretation 4 *Determining whether an arrangement contains Lease*.

**E1. New accounting standards - continued**

**Significant accounting policies**

**Where the Group is a lessee:**

The Group has applied AASB 16 as of 1 July 2019. As a result, the Group has changed its accounting policy for leases as detailed below.

**Right-of-use assets**

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives and any initial direct costs incurred by the lessee, and
- an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset.

Subsequently the right of use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the costs of the right of use asset reflects that the Group will exercise a purchase option, the asset will be depreciated from the commencement date to the end of the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

**Lease liabilities**

The lease liability is initially measured at the present value of future lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if this rate cannot be readily determined the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- the amount expected to be payable under a residual value guarantee;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments not included in the initial measurement of the lease liability are recognised directly in profit or loss.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in the amount expected to be payable under a residual value guarantee;
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

**Where the Group as a lessor:**

The accounting policies applicable to the Group as a lessor are not different from those under AASB 117, and as such the Group is not required to make any adjustments on transition to AASB 16 for leases in which it acts as lessor. However the Group has applied AASB 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component. Revenue from lease components has been classified within Other Revenue (refer to Note B2).

**E1. New accounting standards - continued**

**Key estimates and judgements made:**

**(i) Extension option**

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

**(ii) Incremental borrowing rate**

In determining the present value of the future lease payments, the Group discounts the lease payments using an incremental borrowing rate (IBR). The IBR reflects the financing characteristics and duration of the underlying lease. Once a discount rate has been set for a leased asset (or portfolio of assets with similar characteristics), this rate will remain unchanged for the term of that lease. When a lease modification occurs, and it is not accounted for as a separate lease, a new IBR will be assigned to reflect the new characteristics of the lease.

**(iii) Residual value guarantees**

The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Group does not expect to pay anything under the guarantees.

At the end of each reporting period, the expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices.

**b) New accounting standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group in this Financial Report.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *Definition of Business (Amendments to IFRS 3).*
- *Definition of Material (Amendments to IAS 1 and IAS 8).*

**Directors' Declaration  
for the half-year ended 31 December 2019**

In the opinion of the Directors of Downer EDI Limited:

- (a) The condensed consolidated half-year financial statements and notes set out on pages 17 to 42 are in accordance with the Australian *Corporations Act 2001* (Cth), including:
- (i) Complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - (ii) The financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the six-month period ended on that date; and
- (b) There are reasonable grounds to believe that Downer EDI Limited will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the Directors:

On behalf of the Directors

A handwritten signature in black ink that reads "R. M. Harding". The signature is written in a cursive style with a long, sweeping underline.

R M Harding  
Chairman

Sydney, 12 February 2020

## Media/ASX and NZX Release

12 February 2020

### 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:

Michael Sharp, Group Head of Corporate Affairs and Investor Relations

+61 439 470 145

## 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](http://www.downergroup.com)

# Downer Group Investor Presentation

## Half Year Results

12 February 2020



# Construction losses drive disappointing HY20 result

## Earnings

Total revenue<sup>3</sup> of \$6.8bn, up \$215.5m

NPATA<sup>1</sup> of \$115.5m down from \$146.4m in HY19

## Cash flow

HY cash conversion 4.5%

Significantly impacted by Murra Warra and timing of cash flows from large projects

Interim dividend of 14cps

## Margin

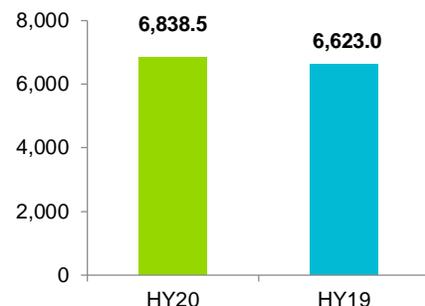
Group EBITA<sup>1</sup> margin of 3.1%, down 0.7pp v HY19<sup>2</sup>

ROFE<sup>4</sup> of 12.6% up from 12.4% in pcp

## Outlook

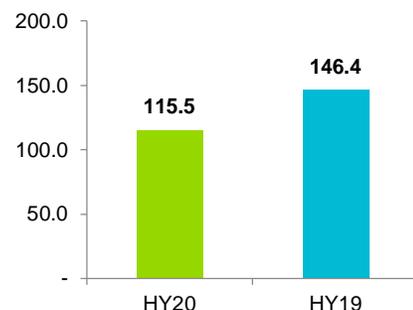
\$300 million NPATA<sup>1</sup> for 2020 financial year

### Total revenue<sup>3</sup> \$m



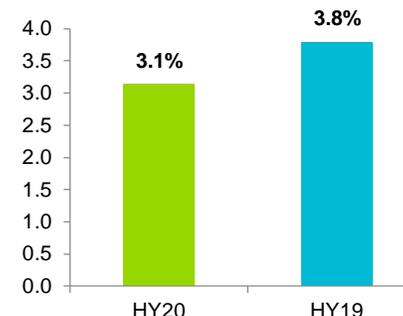
3.3% v HY19

### NPATA<sup>1</sup> \$m



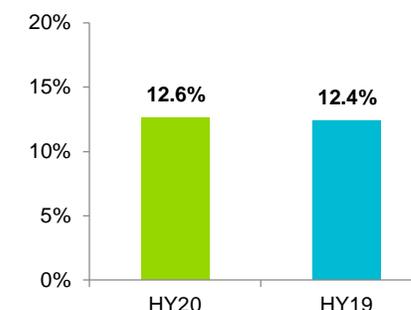
(21.1%) v HY19<sup>2</sup>

### EBITA<sup>1</sup> margin



(0.7pp) v HY19<sup>2</sup>

### ROFE %



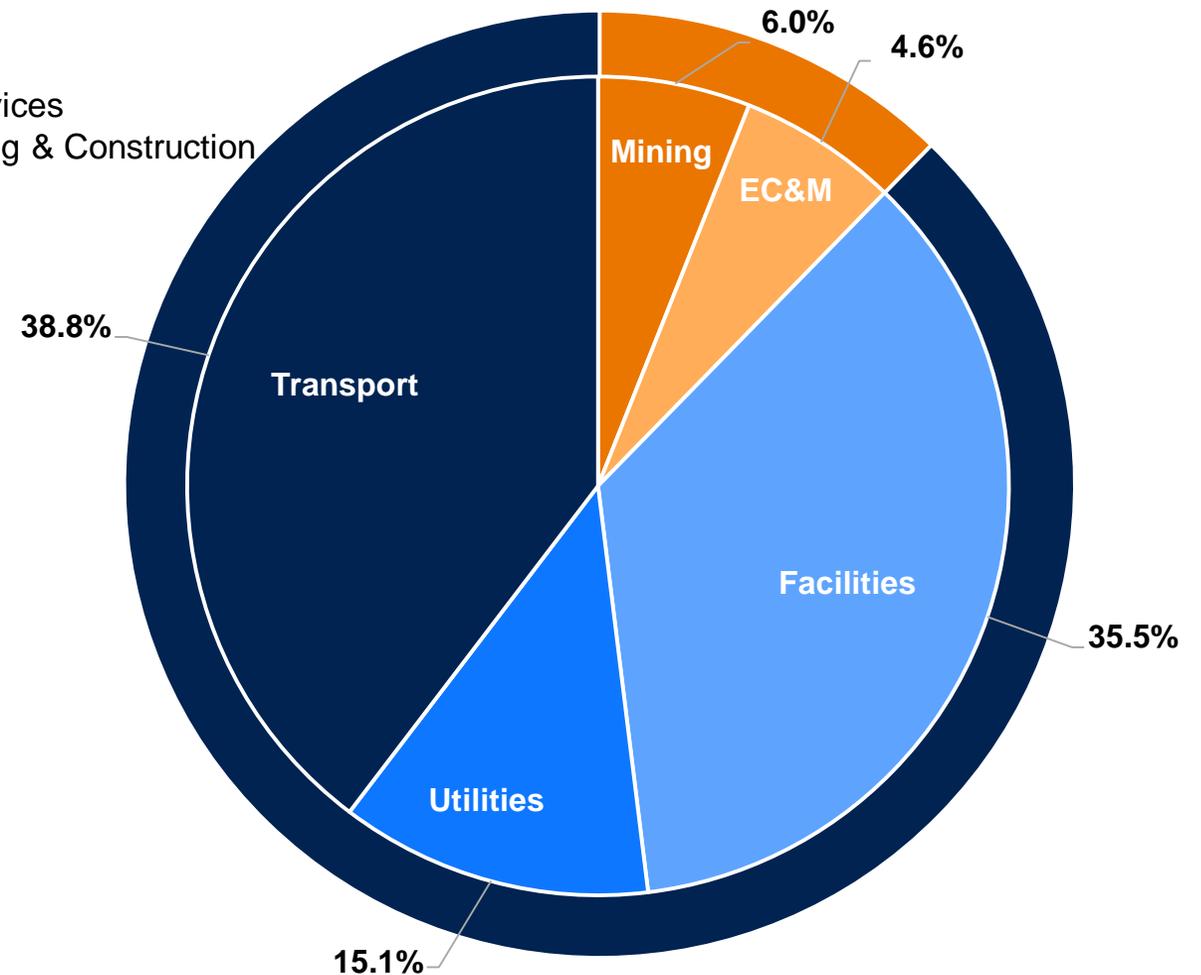
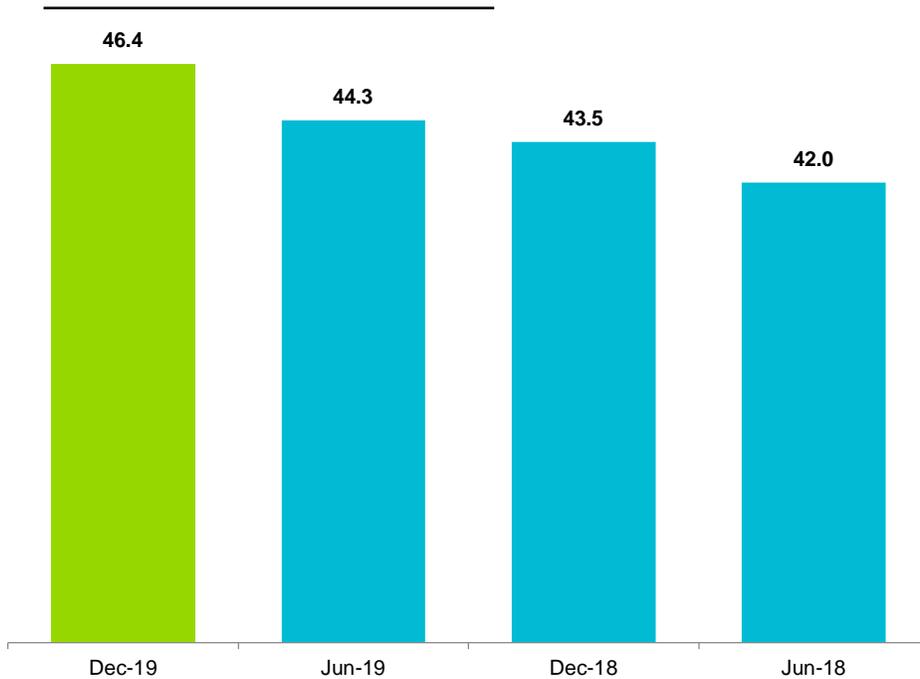
0.2pp v HY19<sup>2</sup>

1. Downer's statutory results are reported under International Financial Reporting Standards (IFRS). NPATA and EBITA are non-IFRS. Downer's amortisation of acquired intangibles has a material impact on reported earnings. Amortisation is a non-cash charge and management believe that the exclusion of the amortisation of acquired intangibles from NPAT and EBIT better reflects the underlying performance of Downer. Group HY20: \$34.4m, \$24.1m after-tax. (HY19: \$31.4m, \$22.0m after-tax).
2. Results for the period ended 31 December 2018 exclude the fair value gain on revaluation of the existing interest in the Downer Mouchel JV (\$17m after tax).
3. Total revenue is a non-statutory disclosure and includes Downer's share of revenue from joint ventures, other alliances and other income.
4. ROFE = 12 month rolling underlying EBITA divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt (excludes lease liabilities) + Equity

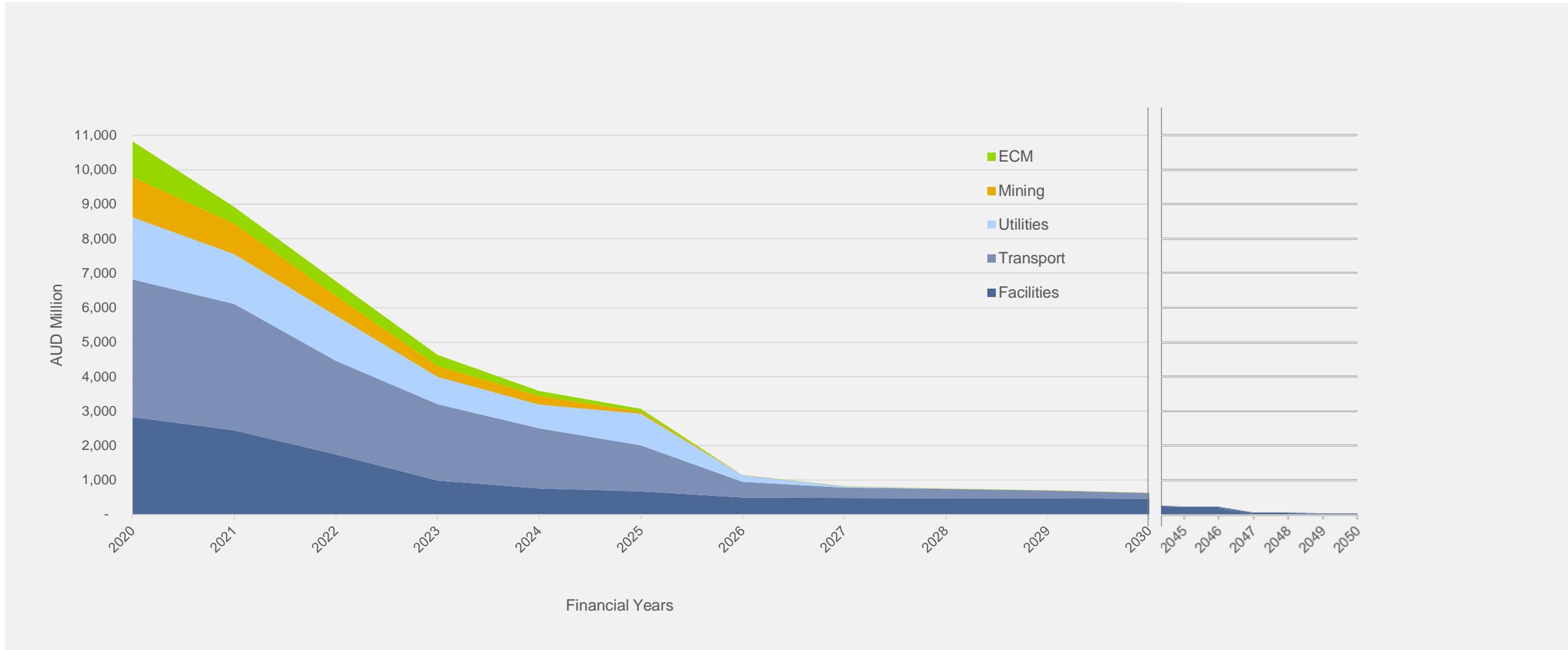
# Work-in-hand (WIH) increased to \$46.4 billion

- 89% Urban Services
- 11% Mining, Energy & Industrials {
  - 6% Mining
  - 4% Asset Services
  - 1% Engineering & Construction

Work-in-hand \$bn



# Group work-in-hand (\$46.4bn) by Service Line



# Construction WIH \$5.7bn, 12% of Group WIH (\$46.4bn)

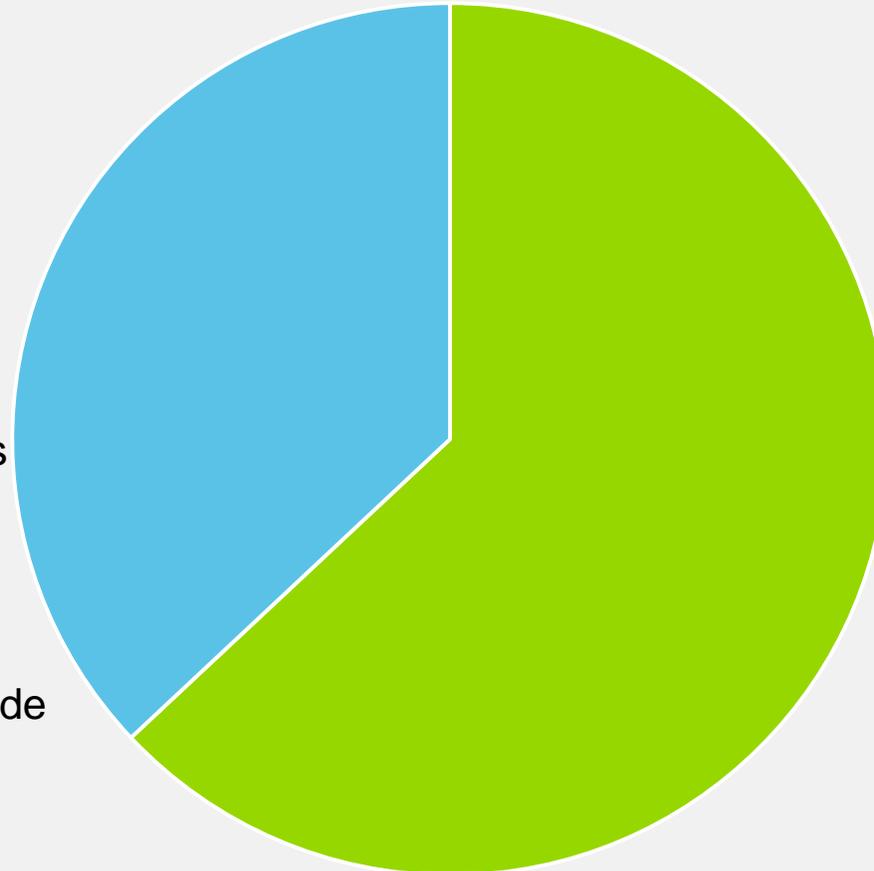
**\$2.1 billion (37%)**

- Schedule of Rates
- Design and Construct
- EPC

- \$580m of <\$15m projects
- \$1bn of <\$50m projects

Two projects >\$200m

- Parramatta Light Rail
- Warrnambool Line Upgrade



**\$3.6 billion (63%)**

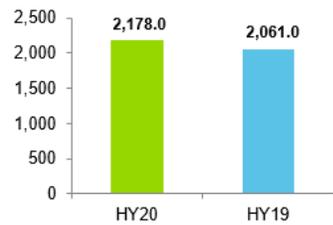
- Alliances
- Cost Reimbursable
- Fee Based
- Long Term Panels

# Services businesses continue to perform well

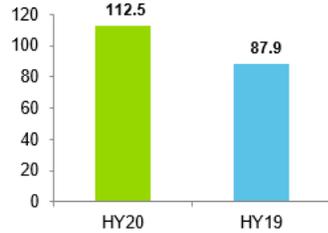
## Urban Services

### Transport

#### Revenue \$m

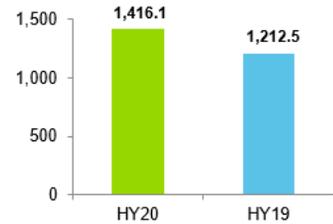


#### EBITA \$m

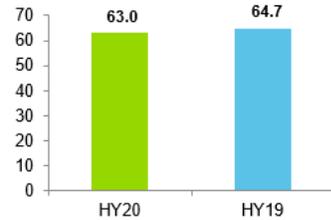


### Utilities

#### Revenue \$m

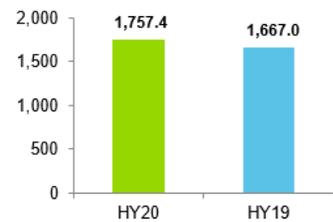


#### EBITA \$m

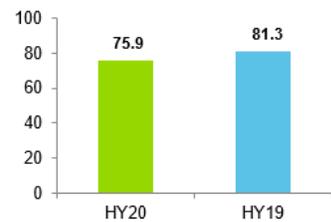


### Facilities

#### Revenue \$m



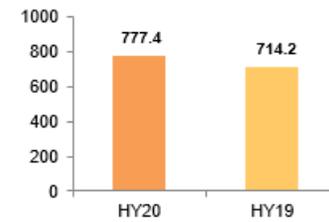
#### EBITA \$m



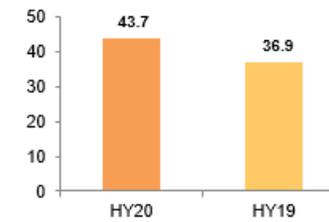
## Mining, Energy and Industrial Services

### Mining

#### Revenue \$m

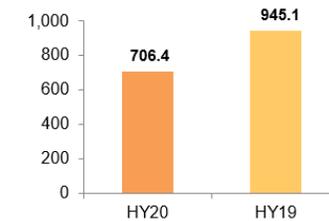


#### EBITA \$m

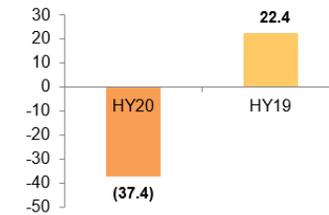


### EC&M

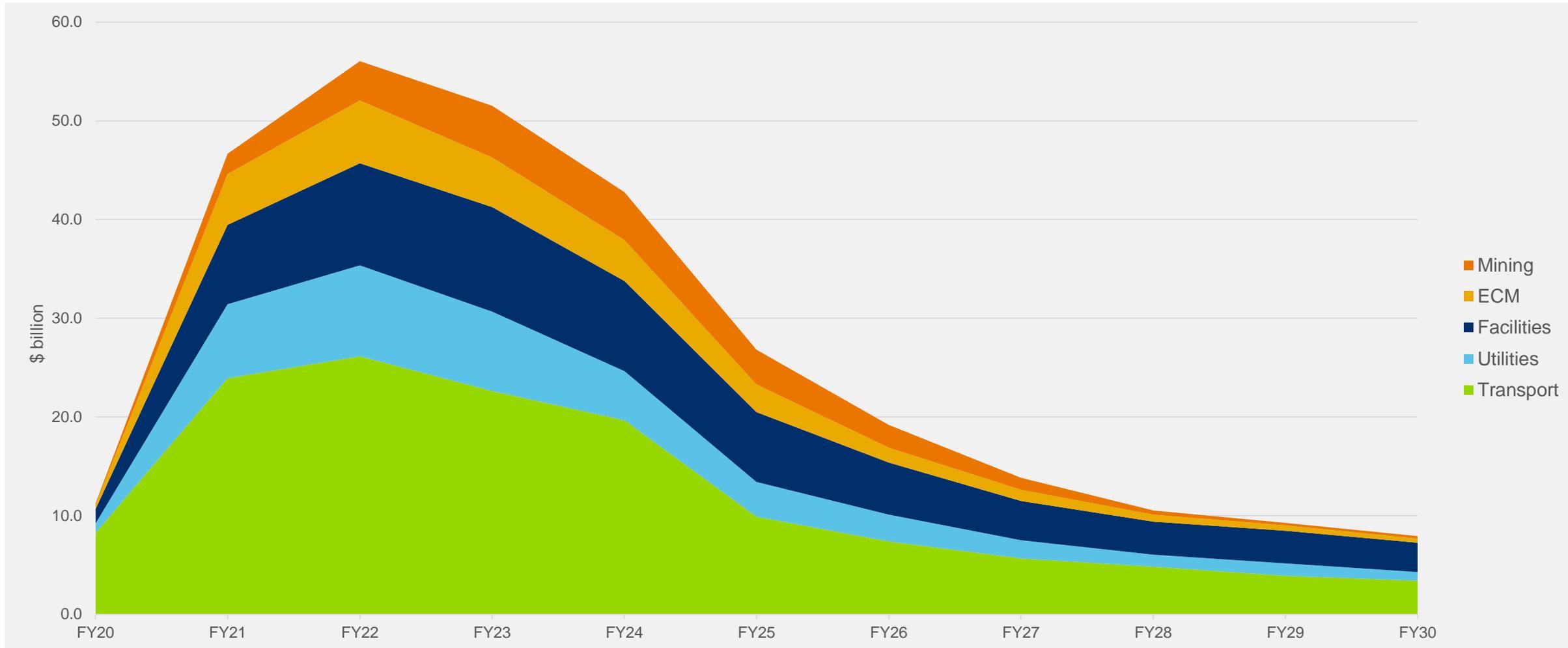
#### Revenue \$m



#### EBITA \$m



# Opportunity pipeline: >\$200bn over next decade



# Group financials

# Financial performance

- HY20 includes adoption of AASB16 – no material impact on NPATA
- Revenue up 3.3% to \$6.8bn driven by Transport and Utilities
- Group EBITA margin 3.1%, down 0.7pp:
  - loss making construction contracts in EC&M
  - completion of Murra Warra and Renewables contracts
- Interim dividend of 14cps (unfranked)

\$m	HY20 reported	AASB 16 impact	Pro forma Pre AASB16	HY19 <sup>2</sup>	Change (%)
Total revenue	6,838.5	-	6,838.5	6,623.0	3.3
EBITDA	429.3	(77.9)	351.4	396.0	(11.3)
Depreciation and amortisation	(214.5)	67.4	(147.1)	(145.0)	(1.4)
EBITA <sup>1</sup>	214.8	(10.5)	204.3	251.0	(18.6)
Amortisation of acquired intangibles	(34.4)	-	(34.4)	(31.4)	(9.6)
EBIT	180.4	(10.5)	169.9	219.6	(22.6)
Net interest expense	(53.5)	12.6	(40.9)	(42.1)	2.9
Profit before tax	126.9	2.1	129.0	177.5	(27.3)
Tax expense	(35.5)	(0.6)	(36.1)	(53.1)	32.0
Net profit after tax	91.4	1.5	92.9	124.4	(25.3)
<b>NPATA<sup>1</sup></b>	<b>115.5</b>	<b>1.5</b>	<b>117.0</b>	<b>146.4</b>	<b>(20.1)</b>
EBITA margin	3.1%			3.8%	(0.7pp)
Effective tax rate	28.0%			29.9%	(1.9pp)
ROFE <sup>3</sup>	12.6%			12.4%	0.2pp
Dividend declared (cps)	14.0			14.0	-

<sup>1</sup> Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY20: \$34.4m, \$24.1m after-tax. (HY19: \$31.4m, \$22.0m after-tax)

<sup>2</sup> Results for the period ended 31 December 2018 exclude the fair value gain on revaluation of the existing interest in the Downer Mouchel JV (\$17m after tax).

<sup>3</sup> ROFE = 12 month rolling underlying EBITA divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt (excludes lease liability) + Equity

# Summary of earnings

\$m	Transport	Utilities	Facilities	EC&M	Mining	Unallocated	Total
<b>EBITA<sup>1</sup></b>	<b>112.5</b>	<b>63.0</b>	<b>75.9</b>	<b>(37.4)</b>	<b>43.7</b>	<b>(42.9)</b>	<b>214.8</b>
Spotless legacy issues	-	-	(10.9)	-	-	-	(10.9)
Restructuring costs	-	-	2.7	-	-	-	2.7
Portfolio review costs	-	-	2.7	-	-	3.2	5.9
	-	-	<b>(5.5)</b>	-	-	<b>3.2</b>	<b>(2.3)</b>
<b>Adjusted EBITA</b>	<b>112.5</b>	<b>63.0</b>	<b>70.4</b>	<b>(37.4)</b>	<b>43.7</b>	<b>(39.7)</b>	<b>212.5</b>

1. Downer calculates EBITA by adjusting EBIT to add back acquired intangible assets amortisation expense. Group HY20 \$34.4m (HY19: \$31.4m)

# Unallocated Costs (Corporate Costs)

\$m	HY20	HY19
Corporate costs	(42.9)	(42.2)
Amortisation of acquired intangible assets	(23.9)	(23.5)
FV gain on revaluation of existing interests in Downer Mouchel JV	-	17.0
<b>Total unallocated</b>	<b>(66.8)</b>	<b>(48.7)</b>

# Operating cash flow

- A number of significant items affected operating cash flow performance in HY20:
  - Murra Warra wind farm: \$71.7m
  - prior period losses and outstanding claims: \$36.7m
  - Renewables losses recognised in FY19: \$28.9m
  - timing of cash payments for Waratah bogie overhaul: \$30.2m
  - timing of cash flow from Major Rail Projects: \$57.1m
  - timing of cash flows from nbn winding down: \$99.0m
- HY20 includes benefit of \$67.1m arising from lease payment reclassification
- Cash flow conversion for Downer's Services businesses remained strong
- Factoring at 31 December 2019 was \$113.7m (c. \$90m at 30 June 2019)
- No reverse factoring of payables

\$m	HY20 <sup>1</sup>	HY19	Change (%)
EBIT	180.4	219.6	(17.9)
Add: depreciation and amortisation <sup>2</sup>	248.9	176.4	41.1
<b>EBITDA</b>	<b>429.3</b>	<b>396.0</b>	8.4
<b>Operating cash flow</b>	<b>(4.5)</b>	<b>355.3</b>	(101.3)
Add: Net interest paid <sup>3</sup>	51.0	35.3	44.5
Less: Tax received	(27.0)	(31.5)	(14.3)
<b>Adjusted operating cash flow</b>	<b>19.5</b>	<b>359.1</b>	(94.6)
<b>EBITDA conversion</b>	<b>4.5%</b>	<b>90.7%</b>	(86.2pp)
<b>Adjusted EBITDA Conversion</b>	<b>79.9%</b>	<b>90.7%</b>	(10.8pp)

1. Cash conversion for HY20 has been calculated following the adoption of AASB16 from 1 July 2019 (comparatives have not been restated)
2. Includes \$67.4m depreciation of Right-of-use (ROU) assets following the adoption of AASB 16.
3. Interest, including AASB 16 finance leases of \$12.6m and other costs of finance paid less interest received.

# Cash flow

- Net capital expenditure reduction of 14.1%
- Mining and Laundries represent 59.3% of total capital expenditure
- Other acquisitions represent deferred purchase consideration
- Continued technology investment in data centres and network infrastructure

\$m	HY20	HY19	Change (%)
<b>Total operating</b>	<b>(4.5)</b>	<b>355.3</b>	(101.3)
Net capital expenditure <sup>1</sup>	(164.7)	(191.7)	14.1
Other acquisitions	(19.3)	(46.0)	58.0
IT systems upgrade	(31.7)	(14.5)	(118.6)
Loans to JVs and other	(6.3)	(13.5)	53.3
<b>Total investing</b>	<b>(222.0)</b>	<b>(265.7)</b>	16.4
Net proceeds / (repayment) of borrowings	185.7	(106.3)	274.7
Dividends paid	(87.0)	(87.4)	0.5
Lease liabilities payments	(67.1)	-	(100.0)
<b>Total financing</b>	<b>31.6</b>	<b>(193.7)</b>	116.3
Net decrease in cash	(194.9)	(104.1)	(87.2)
<b>Cash at 31 December</b>	<b>514.9</b>	<b>505.3</b>	1.9
<b>Total liquidity</b>	<b>1,651.9</b>	<b>1,360.3</b>	21.4

1. Includes payments for leased assets \$25.6m (1H19: \$16.3m)

# Balance sheet and capital management

- Gearing increase due to lower operating cash flow
- Reduction in net assets a result of adoption of AASB 16 *Leases*
- Focus on debt reduction and reduced gearing

\$m	Dec-19	Jun-19
<b>Current assets</b>	<b>3,200.6</b>	<b>3,164.7</b>
<b>Non-current assets</b>	<b>5,455.2</b>	<b>4,843.3</b>
- Goodwill	2,449.9	2,454.5
- Acquired intangible assets	384.0	418.3
- PP&E, Software and other	2,032.3	1,970.5
- Right-of-use assets	589.0	-
<b>Liabilities</b>	<b>(5,668.1)</b>	<b>(4,957.8)</b>
- Lease liabilities	(748.3)	-
- Other liabilities	(4,919.8)	(4,957.8)
<b>Net Assets</b>	<b>2,987.7</b>	<b>3,050.2</b>
<b>Net Debt<sup>1</sup></b>	<b>(1,388.2)</b>	<b>(1,012.6)</b>
Gearing: net debt / net debt plus equity <sup>2</sup>	31.3%	24.9%
Net debt / 12 month rolling EBITDA	1.7	1.2

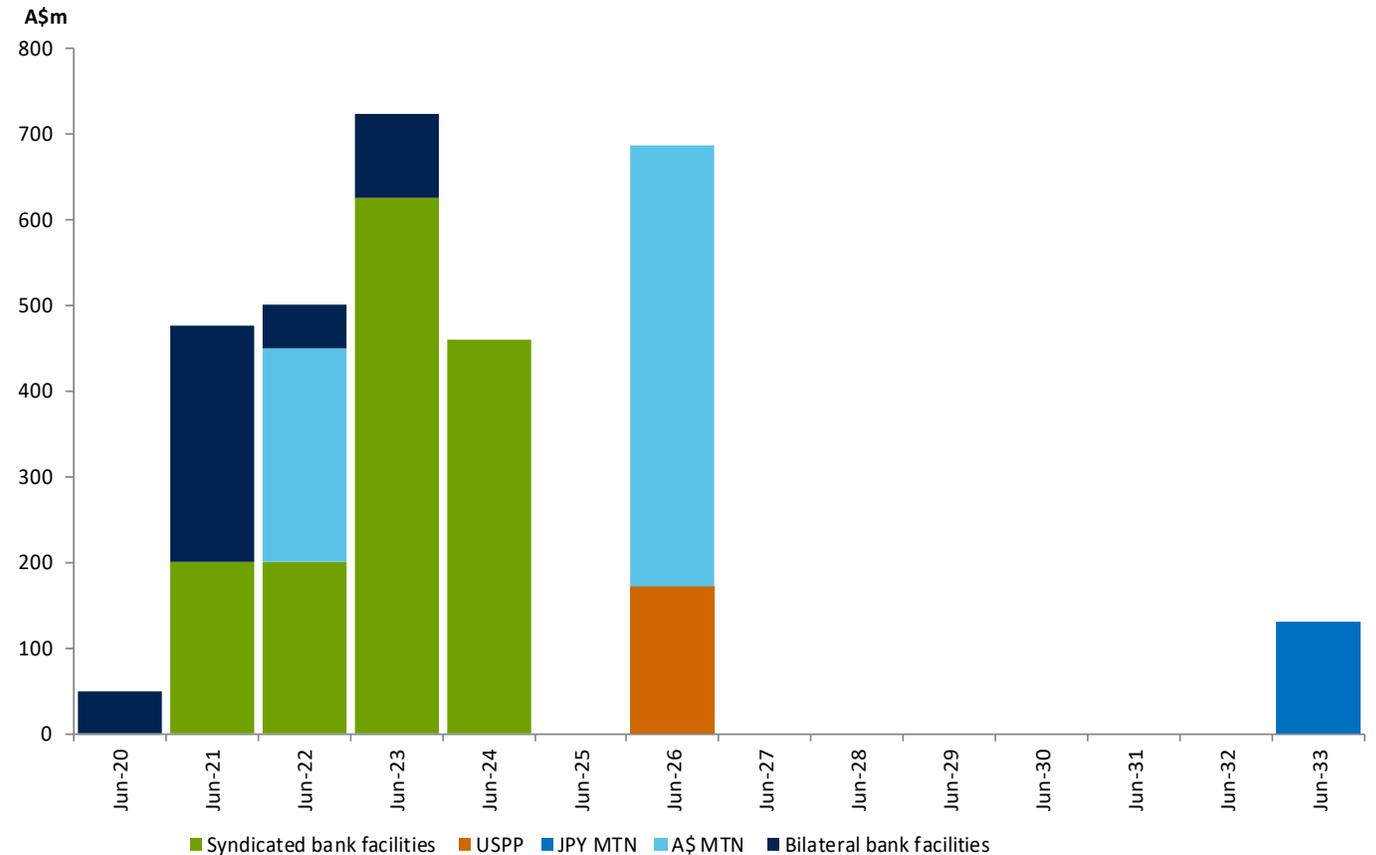
<sup>1</sup> Adjusted for the marked-to-market derivatives and deferred finance charges and excludes the lease liabilities of \$748.3m at 31 December 2019

<sup>2</sup> Equity adjusted to exclude the impact of AASB 16 of \$66.0m

# Group debt profile

- Weighted average debt duration of 3.7 years<sup>1</sup> (3.6 years at 30 June 19)
- Maturity profile and diversification enhanced by refinance of Spotless Syndicated Facilities and Downer MTN issuance

Debt facilities \$m	DOW	SPO	Group
Total limit <sup>2</sup>	2,002.5	1,037.6	3,040.1
Drawn <sup>2</sup>	(1,125.5)	(777.6)	(1,903.1)
<b>Available</b>	<b>877.0</b>	<b>260.0</b>	<b>1,137.0</b>
Cash	423.0	91.9	514.9
<b>Total liquidity</b>	<b>1,300.0</b>	<b>351.9</b>	<b>1,651.9</b>
Net debt <sup>2</sup>	702.5	685.7	1,388.2



<sup>1</sup> Based on the weighted average life of debt facilities (by A\$m limit).

<sup>2</sup> Exclude lease liabilities

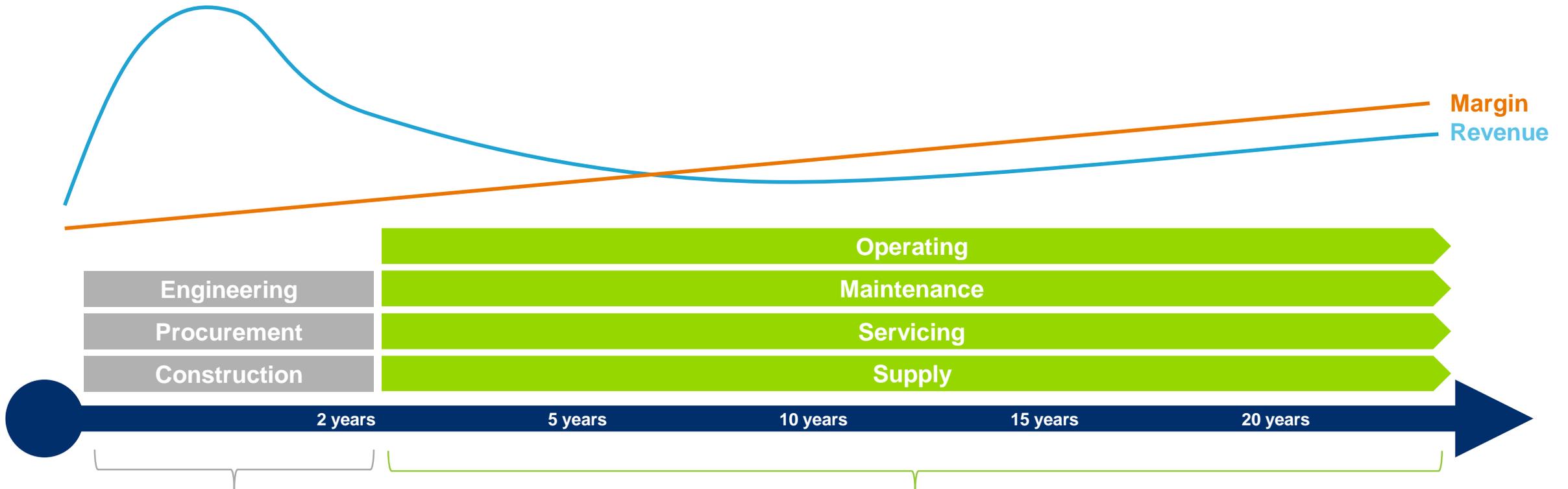
# Grant Fenn

# Portfolio review

- Portfolio review announced in August 2019.
- Review concluded Downer should exit both Mining and Laundries to increase returns to shareholders and reduce debt.
- A number of bids for Mining received last week, ranging in price and conditionality. These bids will be assessed along with a demerger.
- A range of indicative bids for Laundries have been received and are being progressed.
- Downer will update the market as appropriate.

# Focus on lifecycle asset services

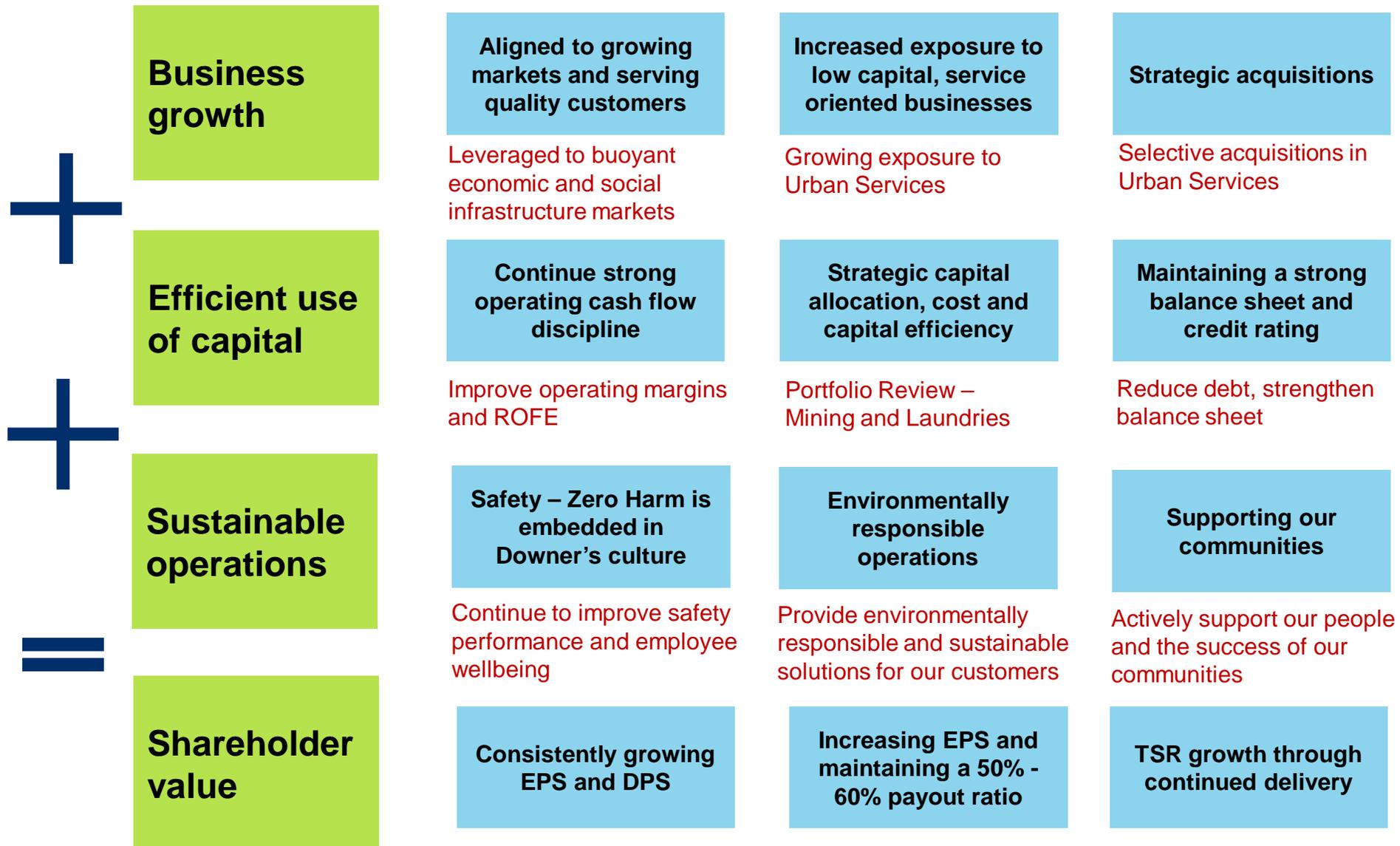
Downer is focused on winning and delivering secure, long term contractual service revenue and leveraging its expertise to drive margin expansion over time



- ✓ Selective participation
- ✓ Focus on O&M markets

- ✓ Long term, predictable revenue with opportunities for top-line growth
- ✓ Ability to improve margin through operational efficiencies and innovation over time
- ✓ Lower risk to margin compared to construction

# Driving value for shareholders

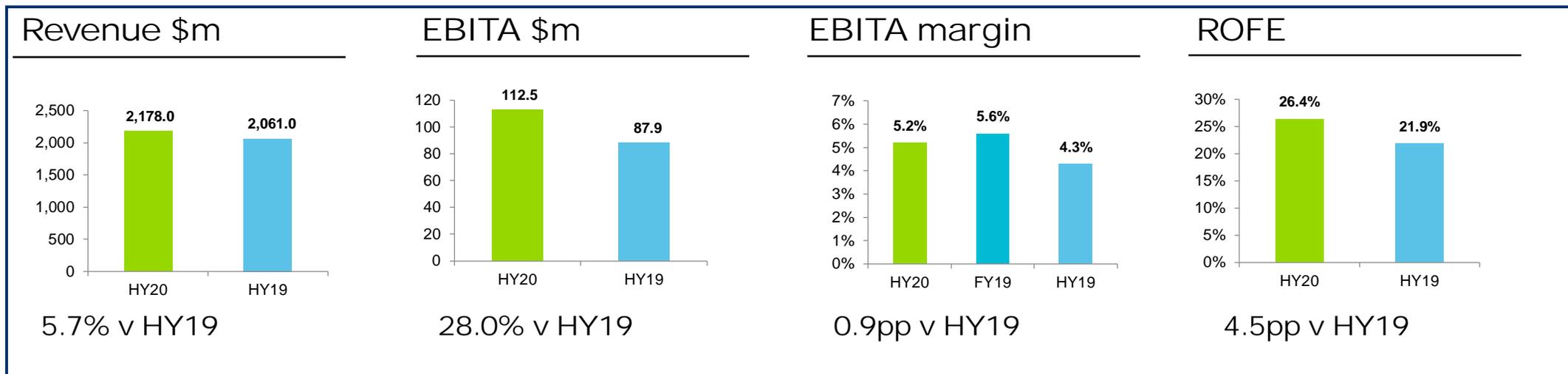


# Outlook

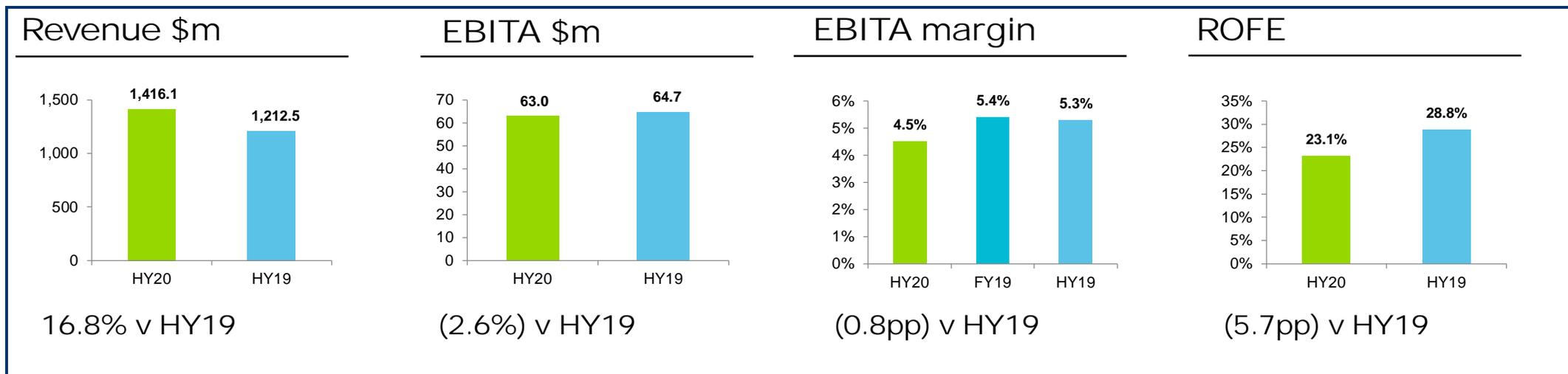
Downer issued revised guidance on 23 January 2020 and is targeting NPATA of around \$300 million before minority interests for the 2020 financial year.

# Supplementary information

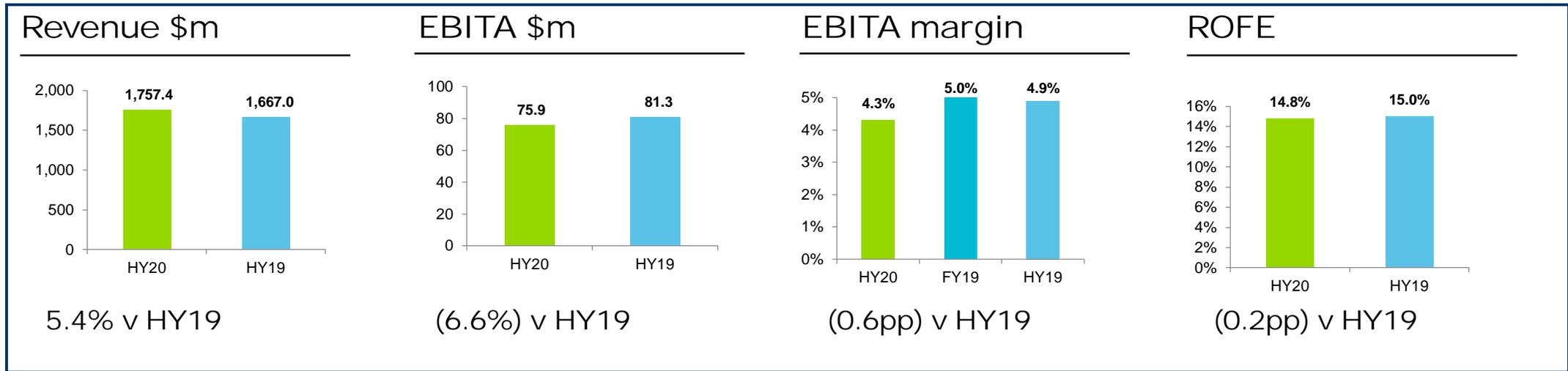
# Transport



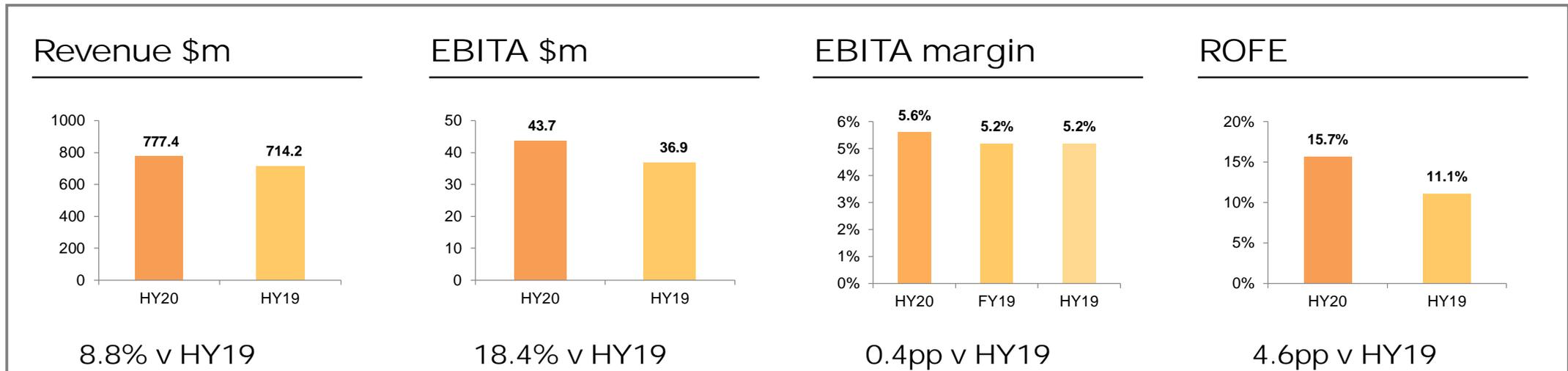
# Utilities



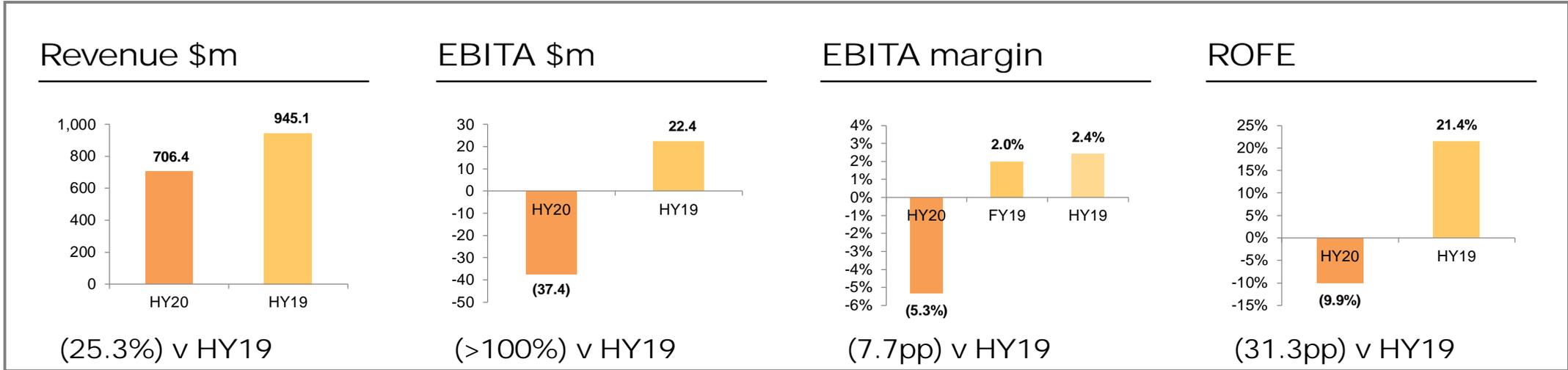
# Facilities



# Mining



# EC&M



# Segment reporting

HY20 \$m	Transport	Utilities	Facilities	EC&M	Mining	Unallocated	Total
Segment revenue	1,876.6	1,416.1	1,752.8	706.4	753.8	3.2	6,508.9
Share of sales from JVs and Associates	301.4	-	4.6	-	23.6	-	329.6
<b>Total revenue<sup>1</sup></b>	<b>2,178.0</b>	<b>1,416.1</b>	<b>1,757.4</b>	<b>706.4</b>	<b>777.4</b>	<b>3.2</b>	<b>6,838.5</b>
EBITDA	175.3	78.6	126.0	(29.3)	100.6	(21.9)	429.3
EBITA <sup>2</sup>	112.5	63.0	75.9	(37.4)	43.7	(42.9)	214.8
<b>Statutory EBIT</b>	<b>108.0</b>	<b>61.9</b>	<b>71.0</b>	<b>(37.4)</b>	<b>43.7</b>	<b>(66.8)</b>	<b>180.4</b>
<i>EBITA margin</i>	5.2%	4.5%	4.3%	(5.3%)	5.6%		3.1%
Net interest expense							(53.5)
Tax expense							(35.5)
<b>Statutory Net profit after tax</b>							<b>91.4</b>
NPATA <sup>2</sup>							115.5

1. Total revenue is a non-statutory disclosure and includes revenue from joint ventures, other alliances and other income.

2. Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY20 \$34.4m, \$24.1m after-tax. (HY19: \$31.4m, \$22.0m after-tax)

# Reconciliation of Facilities to Spotless result

HY20 \$m	Facilities segment	Less: Hawkins Building	Add: Spotless Utilities	Spotless <sup>3</sup>	HY19 Spotless
Total Revenue <sup>1</sup>	1,757.4	(247.6)	81.4	1,591.2	1,461.3
EBITA <sup>2</sup>	75.9	(6.3)	6.3	75.9	82.2
EBIT	71.0	(5.7)	6.3	71.6	76.8
Net Interest Expense				(19.6)	(20.3)
Tax Expense				(15.6)	(17.5)
NPAT				36.4	39.0
NPATA <sup>2</sup>				39.4	42.9

1. Total revenue is a non-statutory disclosure and includes revenue from joint ventures and other alliances and other income.

2. Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Spotless HY20 \$4.3m, \$3.0m after-tax (HY19: \$5.4m, \$3.9m after-tax).

3. Spotless delisted on 30 August 2019. The Spotless Group Holdings Half Year Financial Statements are available on the Spotless website.

# AASB 16 – Leases

- Adopted from 1 July 2019
- Significant impact on balance sheet with \$589.0m ROU asset and \$748.3m lease liability at 31 December 2019
- Opening retained earnings decreased by \$66.0m
- EBITDA improved as a result of \$77.9m lease rentals replaced by depreciation and interest charges
- Impact on NPATA is not material

Balance sheet \$m		Adoption at 1 Jul 19	As at 31 Dec19
Right-of-use asset		570.6	589.0
Lease liabilities		(727.8)	(748.3)
Other balances <sup>1</sup>		91.2	
Equity		(66.0)	

Profit and loss \$m	Pro forma pre AASB 16	AASB 16 impact	Reported results
EBITDA	351.4	77.9 <sup>2</sup>	429.3
Depreciation and amortisation	(147.1)	(67.4)	(214.5)
EBITA	204.3	10.5	214.8
Amortisation of acquired intangibles	(34.4)	-	(34.4)
Net interest expense	(40.9)	(12.6)	(53.5)
Profit before tax	129.0	(2.1)	126.9
Profit after tax	92.9	(1.5)	91.4
NPATA	117.0	(1.5)	115.5

1. Includes onerous lease provisions, lease incentives, and deferred tax impacts

2. Operating lease expense that would have been recognised



City East  
Eastern  
Suburbs

NO STOPPING  
EXCEPT TO LOAD  
OR UNLOAD PASSENGERS  
OR TO SERVE THE  
PUBLIC

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PENALTY EXCEEDS \$2000  
AND LOSS OF REGISTRATION

 SPEED CAMERA  
IN USE 24 HOURS  
IN TUNNEL

BUS  
LANE