Downer EDI Limited
ABN 97 003 872 848

Triniti Business Campus
39 Delhi Road
North Ryde NSW 2113

1800 DOWNER
www.downergroup.com

21 February 2018

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 2017;
2. Condensed Consolidated Half-year Financial Report dated 31 December 2017;
3. Market release dated 21 February 2018; and
4. Investor Presentation.

Yours sincerely,
Downer EDI Limited

Peter Tompkins
Company Secretary

Results for announcement to the market
for the half-year ended 31 December 2017

Appendix 4D

	31 Dec 2017 $'m	31 Dec 2016 $'m	change %
Revenue from ordinary activities	**5,798.5**	3,333.6	
Other income	**4.6**	1.0	
Total revenue and other income from ordinary activities	**5,803.1**	3,334.6	74.0%
Total revenue including joint ventures and other income	**6,100.5**	3,603.0	69.3%
Earnings before interest and tax	**52.3**	120.8	(56.7%)
Earnings before interest and tax and amortisation of acquired intangible assets (EBITA)	**83.0**	124.2	(33.2%)
(Loss) / Profit from ordinary activities after tax attributable to members of the parent entity	**(11.1)**	78.2	(114.2%)
Profit from ordinary activities after tax before amortisation of acquired intangible assets (NPATA)	**5.7**	80.6	(92.9%)

	31 Dec 2017 cents	31 Dec 2016 cents	change %
Basic (loss) / earnings per share [(i)]	**(2.6)**	16.6	(115.7%)
Diluted (loss) / earnings per share [(i) (ii)]	**(2.6)**	16.2	(116.0%)
Net tangible asset backing per ordinary share	**36.1**	255.6	(85.9%)

[(i)] Basic and diluted EPS calculation for December 2016 were restated to exclude the bonus element of the 169.9 million shares issued from the capital raising made as part of the Spotless takeover offer announced on 21 March 2017.
[(ii)] At 31 December 2017, the ROADS are deemed anti-dilutive and consequently, diluted EPS remained at (2.6) cents per share.

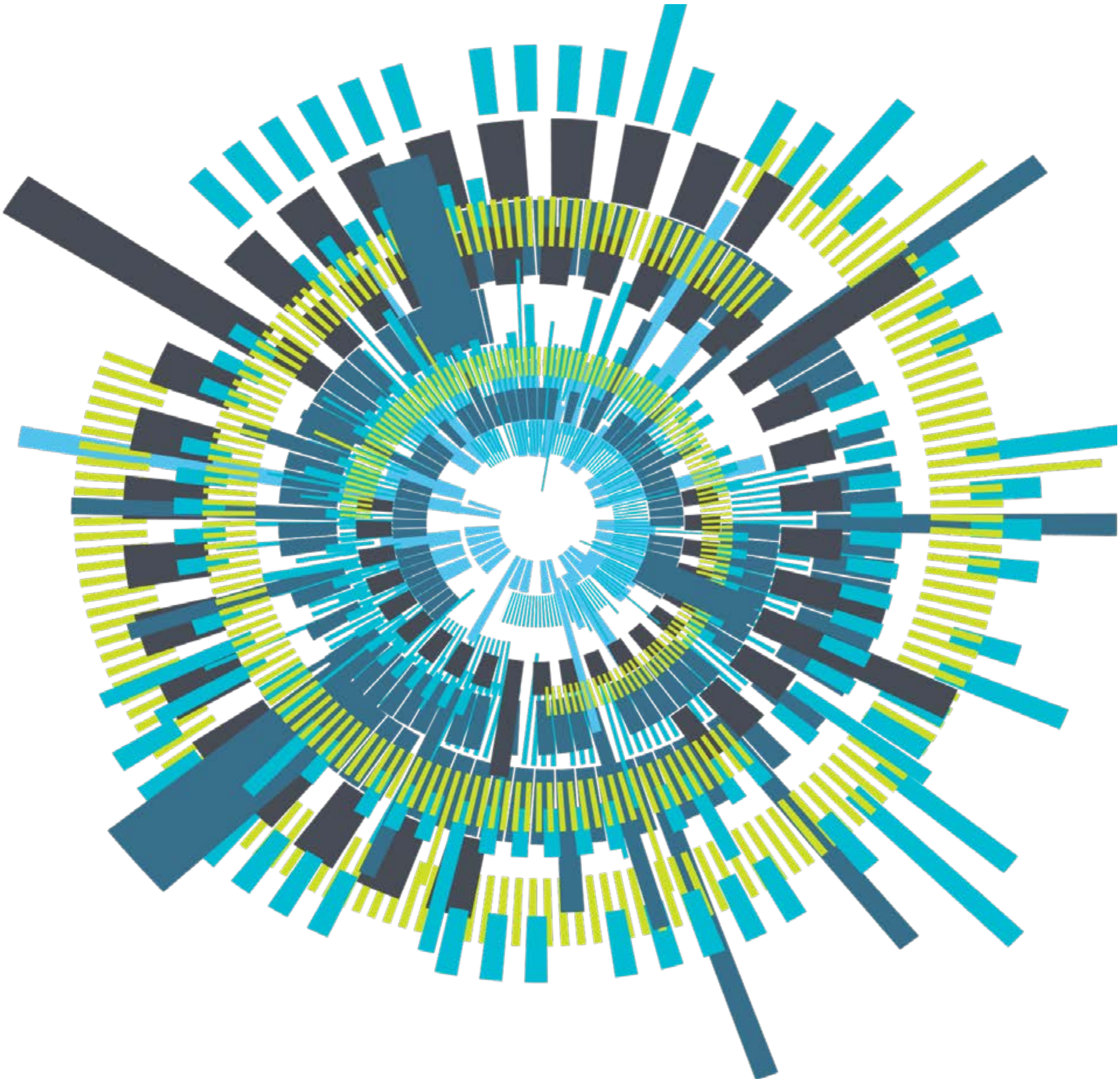
Dividend	**31 Dec 2017 Interim**	31 Dec 2016 Interim
Dividend per share (cents)	**13.0**	12.0
Franked amount per share (cents)	**6.5**	12.0
Conduit foreign income (CFI)	**50%**	-
Dividend record date	**07/03/2018**	16/02/2017
Dividend payable date	**04/04/2018**	16/03/2017

Redeemable Optionally Adjustable Distributing Securities (ROADS)		
Dividend per ROADS (in Australian cents)	**1.99**	2.17
New Zealand imputation credit percentage per ROADS	**100%**	100%

ROADS payment date	**Quarter 1**	**Quarter 2**
Instalment date FY2018	**15/09/2017**	**15/12/2017**
Instalment date FY2017	15/09/2016	15/12/2016

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.



Condensed Consolidated Half-year Financial Report

31 December 2017

Condensed Consolidated Financial Report
for the half-year ended 31 December 2017

Contents

DIRECTORS' REPORT
For the half-year ended 31 December 2017

The Directors of Downer EDI Limited (Downer) submit the condensed consolidated financial report of the Company for the half-year ended 31 December 2017. 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)

P S Garling (Independent Non-executive Director)

T G Handicott (Independent Non-executive Director)

E A Howell (Independent Non-executive Director) – retired on 2 November 2017

C G Thorne (Independent Non-executive Director)

REVIEW OF OPERATIONS

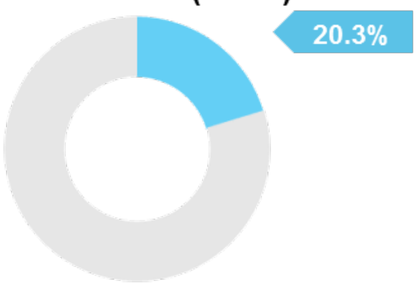
PRINCIPAL ACTIVITIES

Downer EDI Limited (Downer) is a leading provider of integrated services in Australia and New Zealand. Downer 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 about 56,000 people, mostly in Australia and New Zealand but also in the Asia-Pacific region, South America and Southern Africa. Downer reports its results under six service lines and an outline of each service line is set out below.

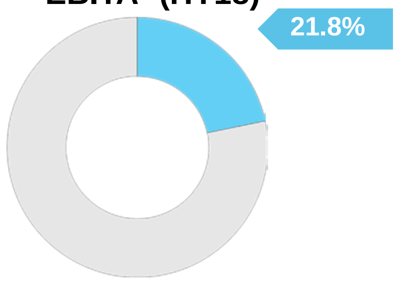
TRANSPORT

Transport comprises Downer's road, transport infrastructure, bridge, airport and port businesses. It features a broad range of transport infrastructure services including earthworks, civil construction, asset management, maintenance, surfacing and stabilisation, supply of bituminous products and logistics, open space and facilities management and rail track signalling and electrification works.

Total revenue[1] (HY18)



EBITA[2] (HY18)



Transport

1 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%.
2 Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense.

Road Services

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 delivers a wide range of tailored pavement treatments and traffic control services and also provides high-level capabilities in strategic and tactical asset management, network planning and intelligent transport systems. The Company continues to invest in state-of-the-art technology to drive innovation and performance, including asphalt plants that use more recycled products and substantially less energy.

Downer is also a leading manufacturer and supplier of bitumen based products and a provider of soil and pavement stabilisation, pressure injection stabilisation, pavement recycling, pavement profiling, spray sealing and asset management.

Downer's Road Services customers include all of Australia's State Road Authorities, the New Zealand Transport Agency and the majority of local government councils and authorities in both countries.

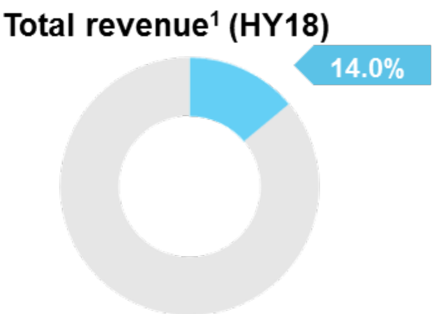
Other transport infrastructure

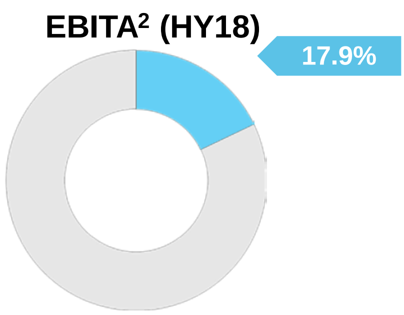
Downer provides a range of transport infrastructure services to its customers including earthworks, civil and rail track construction, design, construction and commissioning of facilities and signalling and electrification works.

Downer also provides integrated services to its airport and port customers including pavement construction, facilities maintenance, communications technologies, open space and asset management and turnkey electrical and communication systems. It also provides whole-of-life asset solutions for associated infrastructure such as roads, rail lines and car parks.

UTILITIES

The Utilities division provides complete lifecycle solutions to customers in the power, gas, water, renewable energy and communications sectors.





Utilities

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Power and Gas

Downer offers customers a wide range of services including planning, designing, constructing, operating, maintaining, managing and decommissioning power and gas network assets.

Downer maintains over 110,000 kilometres of electricity and gas networks across more than 185,000 square kilometres; connects tens of thousands of new power and gas customers each year; designs and constructs steel lattice transmission towers and designs and builds substations.

Customers include Ausgrid, Ergon Energy, Transgrid, Powerco, Wellington Electricity and Powerlink.

Water

Downer provides complete water lifecycle solutions for municipal and industrial water users, with expertise including waste and waste water treatment, pumping and water transfer, desalination and water re-use, and abstraction and dewatering.

Downer supports its customers across the full asset lifecycle from the conceptual development of a project through design, construction, commissioning and optimisation, providing complete water lifecycle solutions for municipal and industrial water users including pipe bursting and civil maintenance. Downer also operates and maintains treatment, storage, pump stations and network assets.

Customers include Auckland Council, Invercargill City Council, Logan City Council, Mackay Regional Council, Melbourne Water, Queensland Urban Utilities, Tauranga City Council, Yarra Valley Water, Wagga Wagga City Council, Watercare and Whangarei City Council.

Renewable energy

Downer is one of Australia's largest and most experienced providers in the renewable energy market, offering design, build and maintenance services for wind farms, wind turbine sites and solar farms.

Downer offers the services required for the entire asset life-cycle including procurement, assembly, construction, commissioning and maintenance.

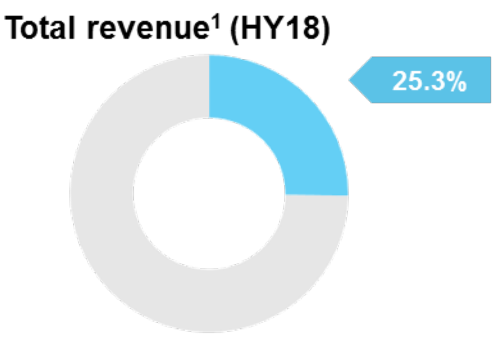
Communications

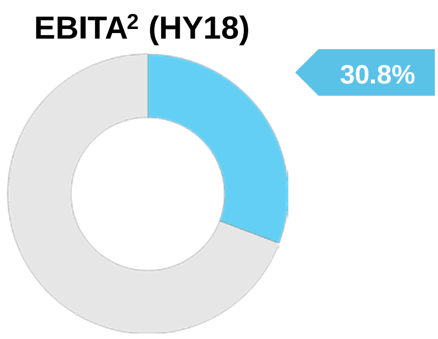
Downer provides an end-to-end infrastructure service offering comprising feasibility, design, civil construction, network construction, commissioning, testing, operations and maintenance across fibre, copper and radio networks in Australia and New Zealand.

Customers include nbn™, Telstra, Chorus, Spark and Vodafone.

SPOTLESS

Spotless operates in Australia and New Zealand and provides outsourced facility services, catering and laundry services, technical and engineering services, maintenance and asset management services and refrigeration solutions to various industries. Its customers include corporations and government departments, agencies and authorities at the Federal, State and Municipal level.





Spotless

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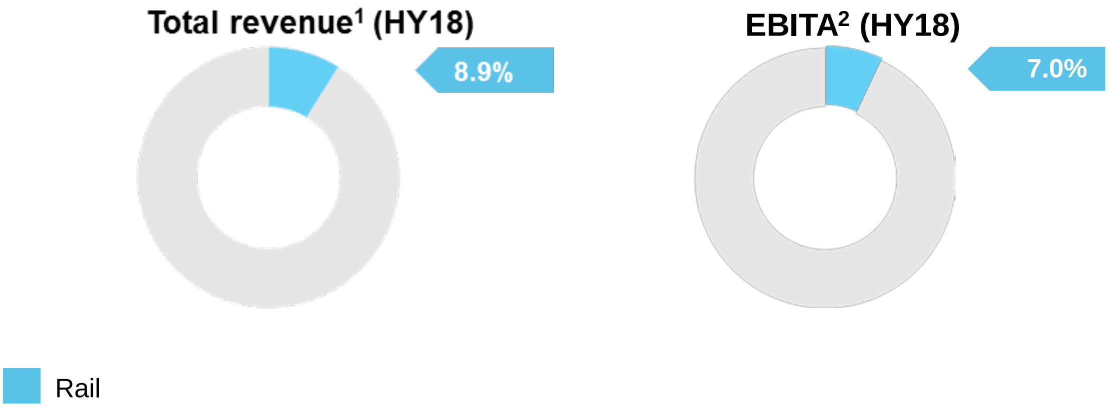
2 Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense.

Spotless employs about 36,000 people who deliver services to customers in 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.

Spotless owns a number of businesses including AE Smith, Alliance, Asset Services, Ensign, EPICURE, Clean Event, Clean Domain, Mustard, Nuvo, Skilltech, Taylors, TGS, UAM and UASG.

RAIL

Downer is Australia's leading provider of passenger rolling stock asset management services, delivering reliable and safe services to the fast-growing and dynamic public transport sector. Downer partners with its customers to deliver solutions across all transport domains including heavy rail, electric and diesel trains, light rail, bus and multi-modal transport solutions.



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Downer's track record spans across project management services, engineering design, systems engineering, supply chain engagement, systems integration, manufacturing, logistics, testing, commissioning, asset management, fleet maintenance, rail infrastructure design and construction, and through-life-support and operations.

In November 2017, Downer entered an agreement to sell its Freight Rail business to Progress Rail. The sale was completed on 2 January 2018.

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 NSW. 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 210 million passenger trips each year.

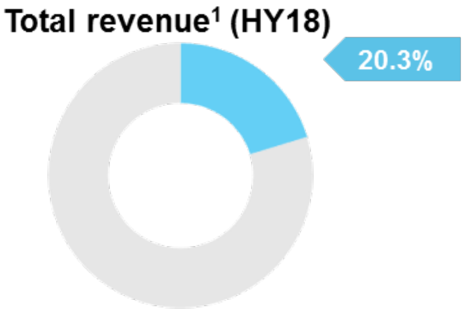
Downer's Rail customers include Sydney Trains, Transport for NSW, Public Transport Authority (WA), Metro Trains Melbourne, Public Transport Victoria, and Queensland Rail.

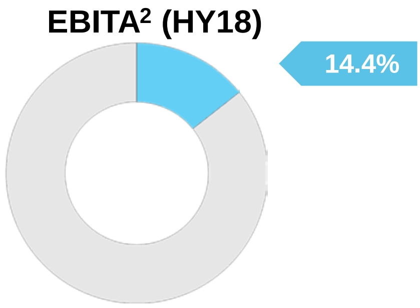
Downer is currently working on the Sydney Growth Trains (SGT) project in New South Wales and the High Capacity Metro Trains (HCMT) project in Victoria.

ENGINEERING, CONSTRUCTION AND MAINTENANCE (EC&M)

Downer works with customers in the public and private sectors delivering services including design, engineering, construction, maintenance and ongoing management of critical assets.

The EC&M service line includes Hawkins, which Downer acquired in March 2017. The principal activities of Hawkins include construction, infrastructure development and project management throughout New Zealand.





EC&M

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Multi-disciplined teams project manage and self-execute a wide range of services for greenfield and brownfield projects across a range of industry sectors including: oil and gas; power generation; commercial / non-residential; iron ore; coal; and industrial materials. These services are delivered on complex resources and industrial sites as well as commercial operations with critical infrastructure requirements such as data centres, airport facilities and hospitals.

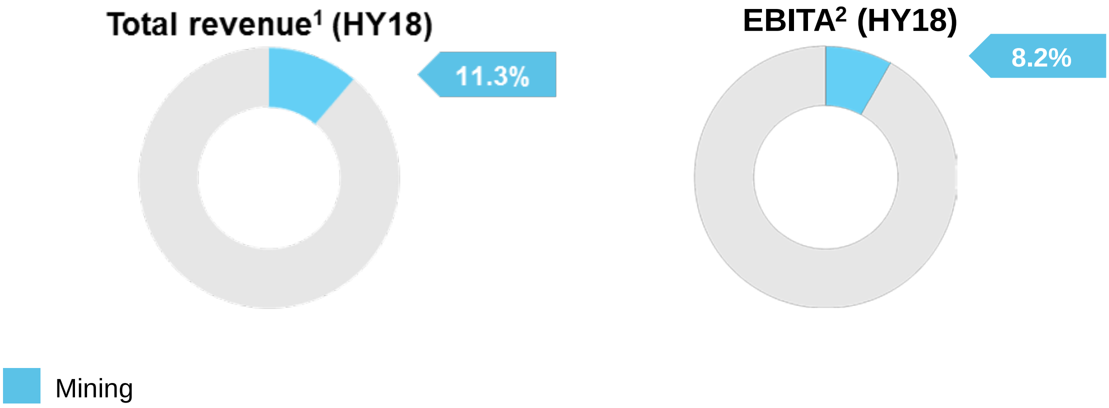
Downer supports customers across all stages of the project lifecycle with services including:

- feasibility studies;
- engineering design;
- civil works;
- structural, mechanical and piping;
- electrical and instrumentation;
- mineral process equipment design and manufacture;
- commissioning;
- maintenance;
- shutdowns, turnarounds and outages;
- strategic asset management; and
- decommissioning.

Customers include Alcoa, Bechtel, BHP Billiton, Chevron, Newcrest, Orica, Origin Energy, POSCO, Powerlink Queensland, Rio Tinto, Santos, Wesfarmers, Woodside Energy, Christchurch and Auckland City Councils, Auckland University, Auckland and Wellington Airports and the Ministry of Education in New Zealand.

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.



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Downer's Mining division generates its revenues primarily from open cut mining and blasting services, with contributions also from tyre management and underground mining. Downer supports its customers at all stages of the mining lifecycle including:

- asset management;
- blasting services, explosives manufacture and supply;
- civil projects (mine site infrastructure);
- crushing;
- exploration drilling;
- mine closure and mine site rehabilitation;
- mobile plant maintenance;
- open cut mining;
- training and development for ATSI employees;
- tyre management (through the subsidiary Otraco International); and
- underground mining.

Customers include BHP Mitsubishi Alliance, Roy Hill Iron Ore, Glencore, Karara Mining, Millmerran Power Partners, Newmarket Gold, Newmont, Rio Tinto, Stanwell Corporation and Yancoal Australia.

GROUP FINANCIAL PERFORMANCE

On 27 June 2017, the Group's ownership interest in Spotless Group Holdings Limited (Spotless) exceeded 50%, requiring the consolidation of Spotless's financial statements from that time. The Group's offer for the remaining shares of Spotless closed on 28 August 2017. As a result of the acquisition, Downer owns 87.8% of Spotless.

The financial performance and cash flow of Spotless are included in the Group's results for the six month period from 1 July 2017 to 31 December 2017.

The main features of the result for the six months to 31 December 2017 were:

- Total revenue of $6.1 billion, up 69.3%;
- Statutory earnings before interest and tax (EBIT) of $52.3 million, down from $120.8 million;
- Statutory earnings before interest, tax and amortisation of acquired intangible assets (EBITA) of $83.0 million, down from $124.2 million;
- Individually Significant Items (pre-tax) recognised in the period of $139.3 million;
- Statutory net loss after tax of $15.9 million;

- Statutory net profit after tax and before amortisation of acquired intangible assets (NPATA) of $5.7 million, down from $80.6 million;
- Underlying EBITA of $222.3 million, up 79.0%; and
- Underlying NPATA of $132.0 million, up 63.8%.

During the period, the Group identified Individually Significant Items (ISI) totalling $126.3 million after tax including:

- Mining goodwill impairment of $76.4 million;
- $40.0 million write-downs from the freight rail divestment; and
- Spotless related management redundancies, transaction costs, and residual Strategy Reset costs of $9.9 million.

Details of the ISI are disclosed in Note B2(c) of the Financial Report.

REVENUE

Total revenue for the Group increased by $2.5 billion, or 69.3%, to $6.1 billion.

Transport revenue increased by 35.9% to $1.2 billion due to continuing strong performance by the Roads business in Australia and New Zealand, and ongoing investment in transport projects in Australia.

Utilities revenue increased by 23.8% to $851.9 million, due to continuing strong contributions from nbn™ contracts in Australia as well as new Renewable projects.

Spotless revenue for the six months was $1.5 billion. The major contributors to this result were Government-related contracts in the defence, health and education sectors, Public Private Partnerships (PPPs), construction projects and lifecycle maintenance contracts.

Rail revenue increased by 36.1% to $543.9 million driven by the Sydney Growth Trains and High Capacity Metro Trains projects as well as continued strong performance on the Waratah and Millennium maintenance contracts. A significant portion of the increase relates to pass-through revenue to the manufacturing construction partner.

EC&M revenue increased by 27.3% to $1.2 billion as a result of increased activities on the Ichthys project in the Northern Territory and a full six months' contribution from Hawkins. This increase was partially offset by a reduction in activities on the Gorgon and Wheatstone projects in Western Australia.

Mining revenue increased by 8.5% to $689.5 million, mainly due to increased activities at Goonyella and Roy Hill although this was partially offset by the completion of the Christmas Creek contract in the prior corresponding period (pcp).

EXPENSES

Total expenses increased by 78.5% which is greater than the 69.3% increase in total revenue due to the $139.3 million of individually significant items which have no corresponding revenue. Excluding these, total expenses increased 74.2%.

Employee benefits expenses increased by 43.8%, or $603.5 million, to $2.0 billion and represents 34.4% of Downer's cost base. This increase is mainly due to Spotless' contribution ($550.2 million), higher activity across the Group and a more labour intensive contract base compared to the pcp.

Subcontractor costs increased by $1.0 billion to $1.7 billion and represents 30.1% of Downer's cost base. This increase is as a result of the Spotless contribution ($508.3 million), higher contract activities and the change in the subcontractor mix on some contracts during the period. The continued use of subcontracting accords with the Group's strategy to retain cost base flexibility.

Raw materials and consumables expense increased by 90.6% to $1.1 billion and represents 18.8% of Downer's cost base. The increase is the net impact of raw material requirements for new projects (particularly in Utilities and Transport) and Spotless' contribution ($245.4 million); partially offset by lower requirements as a result of completion of contracts in Mining.

Plant and equipment costs increased by 37.5% to $348.1 million and represents 6.0% of Downer's cost base. This largely reflects the increased activity on some Mining contracts and new contract wins.

Depreciation and amortisation increased by 76.4% to $185.2 million and represents 3.2% of Downer's cost base. This increase is predominantly due to amortisation on acquired intangible assets from the Spotless acquisition and increased activity in Mining.

Other expenses, which include communication, travel, occupancy, professional fees costs and ISIs, have increased by 121.1% to $427.8 million and represents 7.4% of Downer's cost base. Included in other expenses there is $136.2 million of pre-tax ISI's, comprising of $76.4 million Mining impairment, $49.3 million from the divestment of freight rail, and $10.5 million of transaction costs related to Spotless.

EARNINGS

Underlying EBITA for the Group increased by 79.0% to $222.3 million, consistent with the increase in EBITA achieved by Transport, Utilities, Rail and EC&M, partially offset by Mining. Spotless' EBITA contribution for the six months was $78.6 million.

Underlying Net Profit After Tax (NPAT) for the Group increased by 41.2% to $110.4 million.

Underlying NPATA for the Group increased by 63.8% to $132.0 million.

Statutory Net Loss After Tax for the Group was $15.9 million, including $126.3 million of ISIs. Details of the impact of the ISIs on the Group's EBIT and NPAT are set out below and also disclosed in Note B2(c).

1H18 $m	EBIT	Net interest expense	Tax expense	NPAT	Amortisation of acquired intangibles	NPATA
Underlying result	**191.6**	**(41.0)**	**(40.2)**	**110.4**	**21.6**	**132.0**
Loss on divestment of freight rail	(49.3)	-	9.3	(40.0)	-	(40.0)
Mining goodwill impairment	(76.4)	-	-	(76.4)	-	(76.4)
Spotless integration costs	(3.4)	-	0.8	(2.6)	-	(2.6)
Spotless Management redundancies and integration costs	(3.1)	-	0.9	(2.2)	-	(2.2)
Spotless residual Strategy Reset costs	(7.1)	-	2.0	(5.1)	-	(5.1)
Individually Significant Items	(139.3)	-	13.0	(126.3)	-	(126.3)
Statutory result	**52.3**	**(41.0)**	**(27.2)**	**(15.9)**	**21.6**	**5.7**

Transport EBITA increased by 34.3% to $55.6 million due to continued strong performance and the successful integration of the RPQ acquisition.

Utilities EBITA increased by 7.8% to $45.8 million, driven by the strong performance from nbn™ contracts in Australia, the New Zealand communication business, as well as contributions from the acquisitions of UrbanGrid and ITS.

Spotless' underlying EBITA contribution for the six months was $78.6 million mainly driven by Defence, Government related contracts and PPPs.

Rail EBITA increased by 28.6% to $18.0 million, reflecting profit contributions from the SGT and HCMT projects (which made immaterial contributions in the pcp).

EC&M EBITA increased by 35.4% to $36.7 million due to the acquisitions of Hawkins in New Zealand and AGIS in Australia as well as strong performances on Australian gas projects and by the Operations Maintenance and Services business. The Mineral Technologies business has increased revenue and returned to profitability during the six month period.

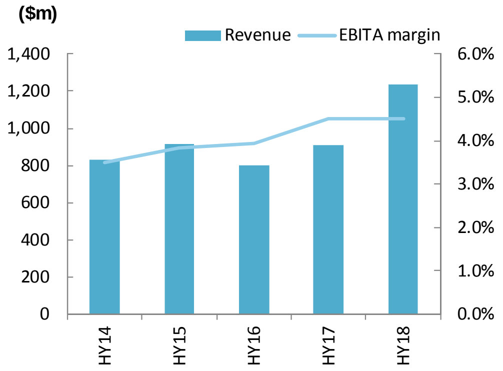
Mining EBITA decreased by $23.5 million to $20.9 million due predominantly to the completion of the contract at Christmas Creek.

Corporate costs increased by $3.1 million, or 10.3%, to $33.3 million mainly due to restructuring costs. Net finance costs increased by $27.3 million to $41.0 million, due primarily to the acquisition of Spotless.

The statutory effective tax rate is higher than the statutory rate of 30.0% due to the impact of non-deductible goodwill impairment associated with Mining and the disposal of the Freight Rail business. The underlying effective tax rate is 26.7%.

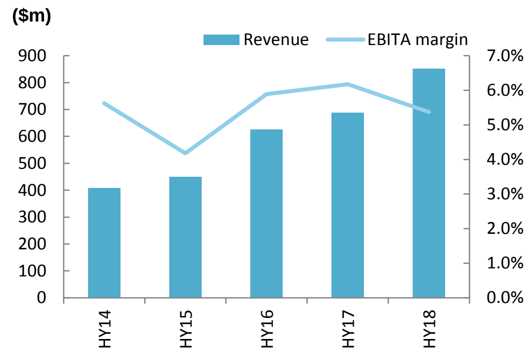
DIVISIONAL FINANCIAL PERFORMANCE

Transport



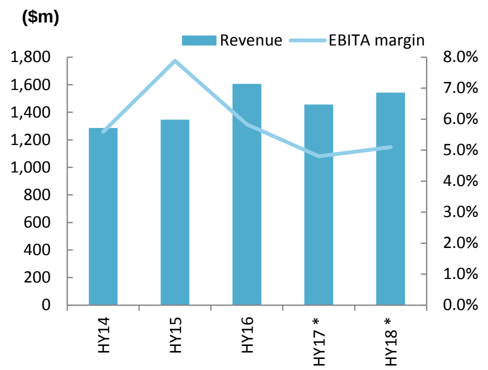
- Total revenue of $1.2 billion, up 35.9%;
- EBITA of $55.6 million, up 34.3%;
- EBITA margin stable at 4.5%;
- ROFE[1] of 24.5%, up from 21.0%; and
- Work-in-hand of $5.7 billion.

Utilities



- Total revenue of $851.9 million, up 23.8%;
- EBITA of $45.8 million, up 7.8%;
- EBITA margin of 5.4%, down 0.8ppts;
- ROFE[1] of 23.6%, up from 19.7%; and
- Work-in-hand of $2.8 billion.

Spotless



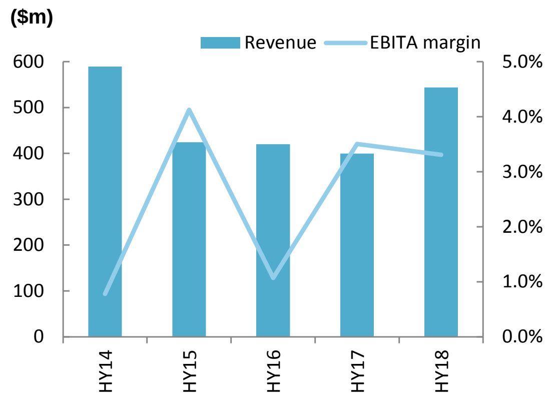
- Total revenue of $1.5 billion, up 6.0%;
- EBITA of $78.6 million, up 12.4%;
- EBITA margin of 5.1%, up 0.3ppts;
- ROFE[1] of 14.7%, up from 14.5%; and
- Work-in-hand of $17.5 billion.

* The HY17 and HY18 EBIT have been based on underlying performance.

Note: Spotless past performance has been shown as a reference only as it has started contributing to the Downer Group from 1 July 2017 (HY18).

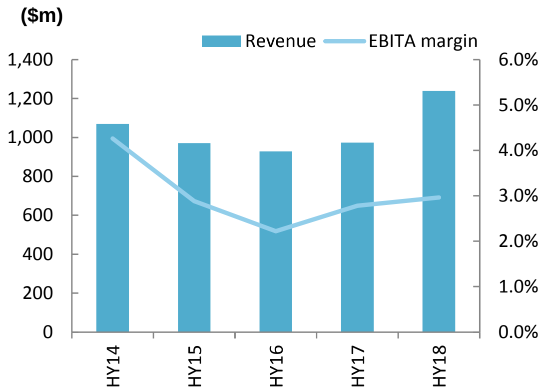
1- ROFE = EBITA divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

Rail



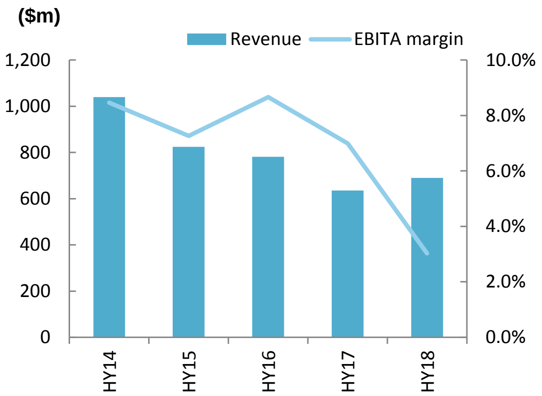
- Total revenue of $543.9 million, up 36.1%;
- EBITA of $18.0 million, up 28.6%;
- EBITA margin of 3.3%, down 0.2 ppts;
- ROFE[1] of 8.4%, up from 5.4%; and
- Work-in-hand of $8.7 billion.

Engineering, Construction and Maintenance (EC&M)



- Total revenue of $1.2 billion, up 27.3%;
- EBITA of $36.7 million, up 35.4%;
- EBITA margin of 3.0%, up 0.2 ppts;
- ROFE[1] of 26.9%, up from 25.1%; and
- Work-in-hand of $2.5 billion.

Mining



- Total revenue of $689.5 million, up 8.5%;
- EBITA of $20.9 million, down from $44.4 million;
- EBITA margin of 3.0%, down 4.0 ppts;
- ROFE[1] of 9.5%, down from 16.3%; and
- Work-in-hand of $2.0 billion.

1- ROFE = EBITA divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

GROUP FINANCIAL POSITION

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 was strong at $307.1 million, up 26.1% on pcp due to strong contract performance, advance payments received and higher distributions from equity accounted investees. Operating cash flow / EBITDA conversion continued to be strong at 88.1%.

INVESTING CASH

Total investing cash flow was $647.4 million, up $524.0 million. This includes $391.8 million payment for the additional 22% ownership in Spotless funded during the period, and $37.6 million in other acquisitions including UrbanGrid Australia and Cabrini Health.

The business continued to invest in capital equipment to support the existing contracted operations and future operations, resulting in net capital expenditure of $188.4 million.

DEBT AND BONDING

The Group's performance bonding facilities totalled $1,901.1 million at 31 December 2017 with $740.0 million undrawn. There is material available capacity to support the ongoing operations of the Group.

As at 31 December 2017, the Group had liquidity of $1.4 billion comprising cash balances of $490.4 million and undrawn committed debt facilities of $885.0 million. $1.1 billion of the total liquidity is available through Downer's facilities and $263.9 million through Spotless' facilities.

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

BALANCE SHEET

The net assets of Downer decreased by 10.6% to $3.2 billion.

Cash and cash equivalents decreased by $354.2 million, or 41.9%, to $490.4 million, due to $391.8 million consideration paid to acquire additional ownership in Spotless, $37.6 million paid for other acquisitions and capital expenditure, offset by continued strong operating cash flows.

Net debt increased from $620.2 million at 30 June 2017 to $1,046.9 million at 31 December 2017. This reflects a reduced cash position and an increase in gross debt arising from the acquisition of Spotless and other investments during the period. The reduced cash and increased net debt position resulted in 24.6% gearing (net debt to net debt plus equity) at 31 December 2017, up from 14.7% at 30 June 2017. The present value of operating lease commitments for plant and equipment reduced from $151.5 million to $139.2 million, representing an off balance sheet gearing of 27.0% at 31 December 2017, up from 17.7% at 30 June 2017.

Subsequent to 31 December 2017, the $60.0 million drawn under the syndicated bank bridge loan facility has been repaid and the facility limit has been cancelled at the election of Downer.

Current trade and other receivables decreased by $29.5 million to $1,692.5 million reflecting continued focus on cash collections and the reclassification of freight rail receivables to be divested to assets classified as held for sale.

Inventories decreased by $25.5 million to $276.2 million reflecting the reclassification of freight rail inventory to assets held for sale coupled with continued tight inventory management.

Current tax assets decreased by $13.8 million to $31.7 million due to the timing of cash tax payments.

Interest in joint ventures and associates increased by $2.4 million, with $7.3 million of distributions received offset by Downer's share of net profits from joint ventures and associates of $9.9 million.

The net value of Property Plant and Equipment increased by $7.6 million due to increased capital expenditure in Mining offset by reclassification of freight rail assets to be divested to assets classified as held for sale.

Intangible assets decreased by $39.5 million due to $76.4 million Mining goodwill impairment, $14.2 million impairment of freight rail goodwill as a result of the divestment, offset by goodwill and other acquired intangible assets recognised following the acquisitions of UrbanGrid, Cabrini and Hawkins.

Trade and other payables decreased by $10.0 million as a result of project completions and timing of payments.

Total drawn borrowings of $1.5 billion represents 37.3% of Downer's total liabilities and has increased by $73.3 million as a result of the drawdown of debt during the period to fund the Spotless acquisition.

Other financial liabilities of $64.7 million increased by $19.2 million and represents 1.6% of Downer's total liabilities. The increase reflects the $12.5 million deferred consideration on acquisitions of Urban Grid and the higher mark to market revaluation on cross-currency and interest rate swaps.

Deferred tax liability of $181.3 million primarily represents temporary differences in work in progress, property plant and equipment, and in customer contracts intangibles recognised.

Provisions of $505.0 million decreased by $21.9 million and represents 12.4% of Downer's total liabilities. Employee provisions (annual leave and long service leave) made up 73.5% of this balance with the remainder covering onerous contracts provisions and return conditions obligations for leased assets and property and warranty obligations.

Shareholder equity decreased by $380.4 million driven by the payment to minority shareholders of Spotless for additional 22% ownership, the impact of minority interest representing the current period of Spotless losses, the parent entity net losses after tax of $11.1 million, and $75.3 million of dividend payments made during the period. Net foreign currency gains on translation of foreign operations, particularly in New Zealand, resulted in a movement in the foreign currency translation reserve by $8.1 million.

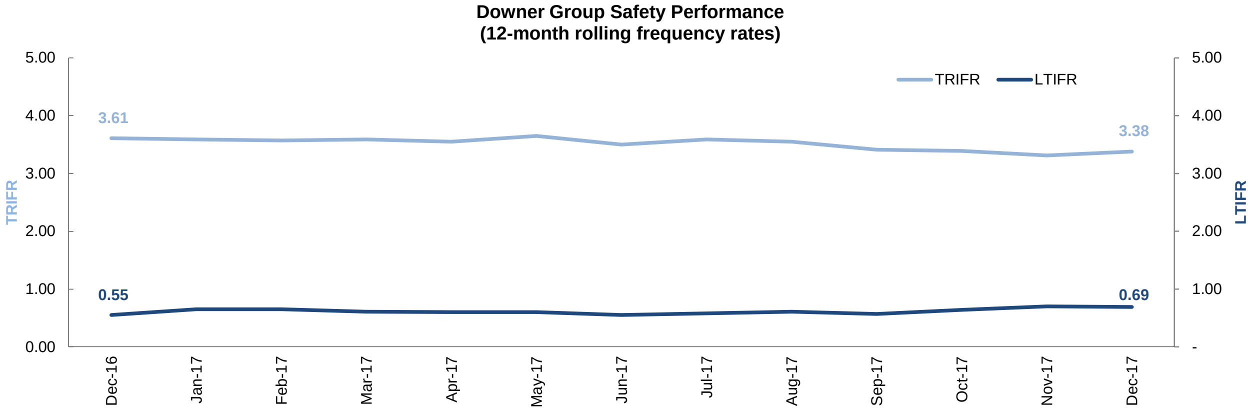
DIVIDENDS

The Downer Board resolved to pay an interim dividend of 13.0 cents per share, 50% franked (12.0 cents per share fully franked in the prior corresponding period), payable on 4 April 2018 to shareholders on the register at 7 March 2018. The unfranked portion of the dividend (50%) 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 2017 has a yield of 6.05% per annum payable quarterly in arrears, with the next payment due on 15 March 2018. As this dividend is fully imputed (the New Zealand equivalent of being fully franked), the actual cash yield paid by Downer will be 4.36% per annum for the next six months.

ZERO HARM

Downer's Total Recordable Injury Frequency Rate (TRIFR) reduced from 3.61 to 3.38 per million hours worked, while Lost Time Injury Frequency Rate (LTIFR) increased from 0.55 to 0.69.



Note: This data excludes Hawkins and Spotless.

OUTLOOK

Downer is targeting consolidated underlying NPATA of $295 million before minority interests for the 2018 financial year. This includes underlying NPATA of $202 million for Downer and $93 million for Spotless.

GROUP BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

Downer's strategy focuses on safety, driving improvement in existing businesses, investing in growth, and creating new positions. Downer's strategic objectives, prospects, and the risks that could adversely affect the achievement of these objectives, are set out in the table below.

Strategic Objective	Prospects	Risks and risk management
Maintain focus on Zero Harm	Zero Harm is embedded in Downer's culture and is fundamental to the Company's future success. It requires constant vigilance and focus at all levels of the Downer business to ensure the Company meets its desired objective of ensuring that all of our staff, suppliers and subcontractors return home each night incident and injury free.	Downer has sought to mitigate risks by assessing, understanding and mitigating the "critical risks" facing Downer and implementing Cardinal Rules which provide direction and guidance on these critical risks.
Improve value and service for customers and their customers	Providing valuable and reliable products and services to Downer's customers, and their customers, is at the very heart of Downer's culture. It enables Downer's customers to focus more on their core expertise whilst Downer delivers non-core operational services. Through ongoing analysis of markets, customers and competitors, Downer is well positioned to improve value and service for its customers and their customers.	*Relationships creating success* continues to be Downer's core operating philosophy that drives delivery of projects and services. It helps to ensure investment, initiatives and activities are focused on helping the Group's customers to succeed. Risks to be managed include: - commoditisation of core products and services, which affects margins; - not keeping pace with changing customer expectations for service improvements; and - lack of focus on customer feedback channels.
Position for greater government outsourcing	Following the acquisition of Spotless, Downer is the largest and most diverse services contractor in the Asia-Pacific region with over $10 billion in annual revenues. This scale and breadth gives Downer greater resilience to withstand economic headwinds when they arise. Downer is well positioned to pursue government outsourcing opportunities in the Australian and New Zealand markets now and into the future.	Government outsourcing provides a high level of opportunity for Downer as government fiscal demands increase and citizens desire more service from less spend. Risks to be managed include: - longer procurement contract durations reducing opportunities to tender for new opportunities; - commoditisation of long-term contracts; and - introduction of foreign and technology based competitors that bring a different value proposition.
Leverage opportunities that will emerge from greater urbanisation in major cities	As cities become larger and more complex, opportunities will emerge for Downer in connecting, managing and monitoring their core infrastructure. This will include transport infrastructure, public transport, utilities, telecommunications, and other technology platforms. Downer is well positioned to work with governments and citizens to understand and shape the infrastructure and networks that will underpin the megacities of the future.	Greater urbanisation is likely to result in a consolidation of competition, opportunities, and capital. Risks to be managed include: - intensification of competition as customers converge into large single market procurement channels; - introduction of foreign and technology based competitors that bring a different value proposition; and - greater investment in technology.

Strategic Objective	**Prospects**	**Risks and risk management**
Create a position in social infrastructure, particularly in the areas of health and aged care	Greater life expectancy will result in greater demand for services to aged people – not just in health and aged care, but also transport, logistics and amenity. This will create a wide range of opportunities for Downer across a range of service lines. Downer is well positioned to participate in these opportunities as this market is willing to outsource non-core services and challenge the status quo to continuously improve the quality of services it provides.	Through the acquisition of Spotless, Downer has an excellent foundation to build its value proposition to customers across Australia and New Zealand. For Downer to be truly successful, it will need to work with customers and co-invest or co-create solutions across healthcare services and patient management solutions that improve the core user experience.
Orient Downer's portfolio to growth markets	Downer continues to enjoy wide reaching access to substantial asset management, projects, and services opportunities in its core geographies of Australia and New Zealand. Whilst these geographies will remain the core focus for the foreseeable future, Downer continues to investigate and pursue identified and evaluated opportunities in Southern Africa, South America, North America, Europe, and Asia.	Downer continues to review the current shape of its service offerings as well as the exportability of a number of established and mature service offerings which have reached leadership in the Group's core markets. Risks to be managed include: - balancing growth objectives against sustainable profit outcomes; and - determining the optimal timing to export core competencies to new growth markets or to further diversify Downer's offering.
Embed operational technology into core service offerings	Downer is focused on increasing the utilisation of operational technology across all its service lines to improve differentiation and competitive advantage. This includes investing in partnerships with global technology experts, co-creating bespoke products and services to meet customer needs, and investigating selective M&A opportunities to improve the quality of the Group's service offering.	Downer has opportunities to invest in new skills to manage the risks that will emerge from technological advancements. These risks include: - market disruption; - cybersecurity and data hacks as more assets and infrastructure networks are managed remotely; and - switching costs associated with technological infrastructure and networks.

The following table provides an overview of the key prospects relevant to each of Downer's service lines and summarises Downer's intended strategic response across each sector to maximise the Company's performance and realise future opportunities.

Service line	Prospects	Downer's response
Transport	The market for transport infrastructure and services continues to exhibit good growth in both Australia and New Zealand, as respective governments invest in a range of projects to reduce congestion, improve mobility, and provide better linkages between communities. The urban nature of this investment allows Downer to leverage core resources into these opportunities and build a strong pipeline of revenue.	As a market leader in Australia and New Zealand, Downer is well positioned to capitalise on future transport opportunities. In particular, focus will be upon the markets for road maintenance services, road surfacing and bitumen supply, and rail infrastructure delivery. Downer continues to innovate across its core service offerings, to ensure it brings to customers global insights and competitively benchmarked solutions. It also continues to selectively acquire scale where this creates value for shareholders.
Utilities	Growth across power and gas utility markets is multi-faceted with a good pipeline of prospects in both Australia and New Zealand. In Australia, growth will be driven by prospects in electricity transmission and distribution, as well as significant new capital projects in the renewable energy market. In New Zealand, increasing demand from a growing population is seeing higher levels of activity across the water and power & gas sectors. Activity in telecommunications markets continues to be dynamic, with large capital builds in both Australia and New Zealand coming to a close. However, increasing demand for data services will see a solid baseload of activity in this sector remains.	Downer has market leading positions in the electricity, water, gas and telecommunications sectors in both Australia and New Zealand. Downer is strongly positioned to take advantage of the growth opportunities available in these sectors, with a demonstrable track record of excellence in service delivery, and a greater focus on introducing operational technology to improve the value we bring to customers. The business is focused on maximising its share of the outsourced 'poles and wires' services market. It is also turning its attention towards participating in the market for the 'Internet of Things', such as through the installation and monitoring of sensors on critical infrastructure.
Rail	The manufacture and associated servicing of rail rolling stock continues to be a strong growth market for Downer. Major procurement activities have been undertaken in Queensland, NSW and Victoria in recent years, with the resulting volume of work continuing to permeate the market. Looking forward, potential outsourcing and franchising opportunities may further expand Downer's portfolio in public transport operations.	Downer's rail asset management model is a clear market leader with a strong focus on 'return on investment' – i.e. increasing fleet availability and reliability for customers' customers. Downer maintains strong strategic partnerships with leading global transport solutions providers and, through this model, is pursuing opportunities in rolling stock manufacture and maintenance, and transport network operations and maintenance. The Keolis Downer joint venture is a leading Australian multi-modal transport operator, through its light rail and bus operations.

Service line	Prospects	Downer's response
EC&M	EC&M comprises resources-related infrastructure, infrastructure projects, and non-residential building. Resources-related infrastructure continues to be impacted by a prolonged downturn and high volatility in commodity prices, with investment focus on sustaining capital projects rather than new production infrastructure. Good growth prospects in the commercial sector are expected as business confidence remains high in both Australia and New Zealand, while investment into social infrastructure continues with particular focus on health and education.	Downer is a market leader in electrical and instrumentation work, particularly in the Oil & Gas sector, and is growing its structural mechanical piping business. Downer is currently working on all of the major Oil & Gas developments in Australia and Papua New Guinea. Outside of Oil & Gas, Downer continues to be a major player in the delivery of resources related engineering, construction and maintenance services with long and enduring relationships with all of Australia's major mining and industrial customers. Downer increased its presence in the growing market for infrastructure and building in New Zealand through the acquisition of Hawkins, the country's second-largest builder.
Mining	Mine owners continue to focus on cost reduction. Some mine owners are currently shifting their operating models to maximise supply chain benefits, which opens opportunities for contractors to work collaboratively to drive productivity improvements and reduce production costs.	Greenfield iron ore and coal opportunities are at their lowest point in a decade, however green shoots of growth have emerged in gold, lithium and precious metals in Australia, Southern Africa and South America. Downer is one of Australia's leading diversified mining contractors offering customers open cut, underground, mining services, tyre management, drill and blast, and engineering and technology services.
Spotless	The facilities management and services market is undergoing consolidation, as operators look to leverage scale across multiple service lines. The proliferation of operational technology to enable real-time performance monitoring is shaping the future of outsourcing, leading to bundling services and the provision of 'anything as a service'. The Defence, Health, Education, Corrections, and Commercial markets continue to grow with a strong pipeline of opportunities in both Australia and New Zealand.	The acquisition of Spotless is now largely complete. Downer is now a major force in both Australia and New Zealand with market leading positions across key sectors including: Defence; Health; Education; Corrections; Commercial; Stadia and Open Space Management; Leisure; and Resources.

Auditor’s independence declaration

The auditor’s independence declaration, as required under Section 307C of the Corporations Act 2001, is set out on page 20.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

R M Harding
Chairman
Sydney, 21 February 2018

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 2017 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,

except as set out below:

As a direct consequence of the takeover of Spotless Group Holdings Limited, the previous CEO of Spotless Group Holdings Limited, who had been a member of KPMG within the preceding two years and a member of KPMG's audit team for the audit of Downer EDI Limited for the year ended 30 June 2015, became on or about 27 June 2017 a deemed officer (for the purposes of the auditor independence provisions of the Corporations Act) of Downer EDI Limited for the period from that date to his resignation on 22 August 2017. As a result, the individual was for a limited period technically in breach of section 324CI of the Corporations Act, which sets out a 'special rule for retiring partners of audit firms'.

KPMG

John Teer
Partner

Sydney
21 February 2018

Independent Auditor's Review Report

To the Shareholders of Downer EDI Limited

Conclusion

We have reviewed the accompanying ***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 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 2017 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 ***Half-year Financial Report*** comprises:

- the condensed consolidated statement of financial position as at 31 December 2017;
- 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.

The ***Half-year period*** is the 6 months ended on 31 December 2017.

Responsibilities of the Directors for the half-year financial report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the 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 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 2017 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 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

John Teer
Partner

Sydney

21 February 2018

Cameron Slapp
Partner

Sydney

21 February 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2017

	Note	31 Dec 2017 $'m	31 Dec 2016 $'m
Revenue from ordinary activities	B2	**5,798.5**	3,333.6
Other income	B2	**4.6**	1.0
Total revenue and other income		**5,803.1**	3,334.6
Employee benefits expense	B2	**(1,982.4)**	(1,378.9)
Subcontractor costs		**(1,734.7)**	(729.2)
Raw materials and consumables used		**(1,082.5)**	(567.9)
Plant and equipment costs		**(348.1)**	(253.2)
Depreciation and amortisation	D1,D2	**(185.2)**	(105.0)
Other expenses from ordinary activities		**(427.8)**	(193.5)
Total expenses		**(5,760.7)**	(3,227.7)
Share of net profit of joint ventures and associates		**9.9**	13.9
Earnings before interest and tax		**52.3**	120.8
Finance income		**3.4**	4.7
Finance costs		**(44.4)**	(18.4)
Net finance costs		**(41.0)**	(13.7)
Profit before income tax		**11.3**	107.1
Income tax expense		**(27.2)**	(28.9)
(Loss) / profit after income tax		**(15.9)**	78.2
(Loss) / profit for the period that is attributable to:			
- Non-controlling interest		**(4.8)**	-
- Members of the parent entity		**(11.1)**	78.2
(Loss) / profit for the period		**(15.9)**	78.2
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
- Exchange differences arising on translation of foreign operations		**(8.1)**	4.1
- Net (loss) / gain on foreign currency forward contracts taken to equity		**(2.5)**	3.8
- Net loss on cross currency interest rate swaps taken to equity		**(0.4)**	(0.3)
- Available for sale revaluation reserve		**(0.6)**	-
- Income tax relating to components of other comprehensive income		**0.6**	(1.1)
Other comprehensive (loss) / income for the period (net of tax)		**(11.0)**	6.5
Other comprehensive (loss) / income for the period is attributable to:			
- Non-controlling interest		**0.7**	-
- Members of the parent entity		**(11.7)**	6.5
Other comprehensive (loss) / income for the period		**(11.0)**	6.5
Total comprehensive (loss) / income for the period		**(26.9)**	84.7
Earnings per share (cents)			Restated[i]
- Basic (loss) / earnings per share	B3	**(2.6)**	16.6
- Diluted (loss) / earnings per share [ii]	B3	**(2.6)**	16.2

[i] 2016 Earnings per share calculation has been restated to allow for the impact of the capital raising announced on 21 March 2017. Refer to Note B3.
[ii] At 31 December 2017, the ROADS are deemed anti-dilutive and consequently, diluted EPS remained at (2.6) 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 27 to 53.

Condensed Consolidated Statement of Financial Position
as at 31 December 2017

	Note	Dec 2017 $'m	Jun 2017 $'m
ASSETS			
Current assets			
Cash and cash equivalents		**490.4**	844.6
Trade and other receivables[i]		**1,692.5**	1,722.0
Other financial assets		**19.9**	12.5
Inventories		**276.2**	301.7
Current tax assets		**31.7**	45.5
Prepayments and other assets		**46.2**	49.5
Assets classified as held for sale	D3	**134.6**	-
Total current assets		**2,691.5**	2,975.8
Non-current assets			
Trade and other receivables[i]		**88.9**	64.6
Interest in joint ventures and associates		**90.4**	88.0
Property, plant and equipment[i]	D1	**1,288.0**	1,280.4
Intangible assets[i]	D2	**2,991.7**	3,031.2
Other financial assets		**16.5**	17.1
Deferred tax assets[i]		**84.4**	95.8
Prepayments and other assets		**23.5**	31.7
Total non-current assets		**4,583.4**	4,608.8
Total assets		**7,274.9**	7,584.6
LIABILITIES			
Current liabilities			
Trade and other payables		**1,745.9**	1,761.0
Borrowings	C1	**170.1**	863.2
Other financial liabilities		**31.8**	23.8
Employee benefits provision		**338.6**	365.4
Provisions[i]		**58.6**	70.1
Current tax liabilities		**6.9**	7.2
Liabilities directly associated with assets held for sale	D3	**10.9**	-
Total current liabilities		**2,362.8**	3,090.7
Non-current liabilities			
Trade and other payables[i]		**35.8**	30.7
Borrowings	C1	**1,348.2**	581.8
Other financial liabilities		**32.9**	21.7
Employee benefits provision		**32.6**	38.2
Provisions[i]		**75.2**	53.2
Deferred tax liabilities[i]		**181.3**	181.8
Total non-current liabilities		**1,706.0**	907.4
Total liabilities		**4,068.8**	3,998.1
Net assets		**3,206.1**	3,586.5
EQUITY			
Issued capital	C3	**2,421.9**	2,421.8
Reserves	C4	**(20.3)**	(10.9)
Retained earnings		**654.0**	740.4
Parent interests		**3,055.6**	3,151.3
Non-controlling interest	D5	**150.5**	435.2
Total equity		**3,206.1**	3,586.5

[i] June 2017 balances were restated to reflect the impact of acquisition accounting adjustments made during the period on opening balances.

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 27 to 53.

Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2017

Dec 2017 $'m	Issued capital	Reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
Balance at 1 July 2017	**2,421.8**	**(10.9)**	**740.4**	**3,151.3**	**435.2**	**3,586.5**
Profit after income tax	**-**	**-**	**(11.1)**	**(11.1)**	**(4.8)**	**(15.9)**
Other comprehensive (loss) / income for the period (net of tax)	**-**	**(11.7)**	**-**	**(11.7)**	**0.7**	**(11.0)**
Total comprehensive (loss) for the period	**-**	**(11.7)**	**(11.1)**	**(22.8)**	**(4.1)**	**(26.9)**
Capital raising costs net of tax	**(0.1)**	**-**	**-**	**(0.1)**	**-**	**(0.1)**
Vested executive incentive shares transactions	**0.2**	**(0.2)**	**-**	**-**	**-**	**-**
Share-based employee benefits expense	**-**	**2.0**	**-**	**2.0**	**-**	**2.0**
Income tax relating to share-based transactions during the period	**-**	**0.5**	**-**	**0.5**	**-**	**0.5**
Payment of dividends[(i)]	**-**	**-**	**(75.3)**	**(75.3)**	**-**	**(75.3)**
Acquisition of non-controlling interest	**-**	**-**	**-**	**-**	**(280.6)**	**(280.6)**
Balance at 31 December 2017	**2,421.9**	**(20.3)**	**654.0**	**3,055.6**	**150.5**	**3,206.1**

[(i)] Payment of dividend relates to the 2017 final dividend and $4.0m ROADS dividends paid during the financial period.

Dec 2016 $'m	Issued capital	Reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
Balance at 1 July 2016	1,427.8	(8.8)	669.5	**2,088.5**	-	**2,088.5**
Profit after income tax	-	-	78.2	**78.2**	-	**78.2**
Other comprehensive income for the period (net of tax)	-	6.5	-	**6.5**	-	**6.5**
Total comprehensive income for the period	-	6.5	78.2	**84.7**	-	**84.7**
Vested executive incentive shares transactions	1.0	(1.0)	-	**-**	-	**-**
Share-based employee benefits expense	-	1.2	-	**1.2**	-	**1.2**
Income tax relating to share-based transactions during the period	-	(0.7)	-	**(0.7)**	-	**(0.7)**
Payment of dividends[(i)]	-	-	(55.3)	**(55.3)**	-	**(55.3)**
Balance at 31 December 2016	1,428.8	(2.8)	692.4	**2,118.4**	-	**2,118.4**

[(i)] Payment of dividend relates to the 2016 final dividend and $4.3m ROADS dividends paid during the financial period.

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 27 to 53.

Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2017

	Note	**31 Dec 2017 $'m**	31 Dec 2016 $'m
Cash flows from operating activities			
Receipts from customers		**6,446.5**	3,821.4
Distributions from equity accounted investees		**7.3**	6.8
Payments to suppliers and employees		**(6,121.7)**	(3,596.5)
Interest received		**4.1**	4.1
Interest and other costs of finance paid		**(38.4)**	(17.3)
Net income tax received		**9.3**	25.1
Net cash inflow from operating activities		**307.1**	243.6
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**13.1**	17.8
Payments for property, plant and equipment		**(201.5)**	(72.2)
Payments for intangible assets		**(29.2)**	(16.4)
Payments for acquisition of Spotless	D5	**(391.8)**	-
Payments for businesses acquired	D5	**(37.6)**	(52.6)
Advances to joint ventures		**(4.9)**	-
Proceeds from sale of assets		**4.5**	-
Net cash used in investing activities		**(647.4)**	(123.4)
Cash flows from financing activities			
Issue of shares (net of costs)		**(0.2)**	-
Proceeds from borrowings		**498.8**	-
Repayments of borrowings		**(435.1)**	(32.8)
Dividends paid		**(75.3)**	(55.3)
Net cash used in financing activities		**(11.8)**	(88.1)
Net (decrease) / increase in cash and cash equivalents		**(352.1)**	32.1
Cash and cash equivalents at the beginning of the period		**844.6**	569.4
Effect of exchange rate changes		**(2.1)**	0.6
Cash and cash equivalents at the end of the period		**490.4**	602.1

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 27 to 53.

A
About this report

Statement of compliance and basis of preparation

The condensed consolidated half-year Financial Report (Financial Report) represent 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 2017 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 adopted and disclosed in the 2017 Annual Report. 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 21 February 2018.

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 2017 Annual Report.

B
Business performance

B1. Segment information
B2. Profit from ordinary activities
B3. Earnings per share
B4. Subsequent events

B1. Segment information

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses. The operating segments have been identified based on the nature of the service provided and the internal reports that are reviewed regularly by the Group CEO in assessing performance and in determining the allocation of resources.

There have been no changes to the composition of the Group's reportable segments since last reported in the 2017 Annual Report. The reportable segments identified within the Group are outlined below:

31 Dec 2017 $'m	**Transport**	**Utilities**	**Spotless**	**Rail**	**EC&M**	**Mining**	**Un-allocated**	**Total**
Revenue	**1,206.4**	**851.9**	**1,539.0**	**317.0**	**1,225.0**	**668.4**	**22.9**	**5,830.6**
Inter-segment sales	**-**	**-**	**-**	**-**	**-**	**-**	**(27.5)**	**(27.5)**
Total segment revenue	**1,206.4**	**851.9**	**1,539.0**	**317.0**	**1,225.0**	**668.4**	**(4.6)**	**5,803.1**
Share of sales revenue from joint ventures and associates	**31.6**	**-**	**3.5**	**226.9**	**14.3**	**21.1**	**-**	**297.4**
Total revenue including joint ventures and other income	**1,238.0**	**851.9**	**1,542.5**	**543.9**	**1,239.3**	**689.5**	**(4.6)**	**6,100.5**
EBIT before amortisation of acquired intangibles (EBITA)	**55.6**	**45.8**	**78.6**	**18.0**	**36.7**	**20.9**	**(172.6)**	**83.0**
Amortisation of acquired intangibles	**(0.1)**	**(0.8)**	**(5.5)**	**-**	**(0.2)**	**-**	**(24.1)**	**(30.7)**
Total reported segment results (EBIT)	**55.5**	**45.0**	**73.1**	**18.0**	**36.5**	**20.9**	**(196.7)**	**52.3**

31 Dec 2016 $'m	**Transport**	**Utilities**	**Spotless**	**Rail**	**EC&M**	**Mining**	**Un-allocated**	**Total**
Revenue	885.5	688.2	-	202.0	951.6	612.2	5.2	3,344.7
Inter-segment sales	-	-	-	-	-	-	(10.1)	(10.1)
Total segment revenue	885.5	688.2	-	202.0	951.6	612.2	(4.9)	3,334.6
Share of sales revenue from joint ventures and associates	25.7	-	-	197.7	21.8	23.2	-	268.4
Total revenue including joint ventures and other income	911.2	688.2	-	399.7	973.4	635.4	(4.9)	3,603.0
EBIT before amortisation of acquired intangibles (EBITA)	41.4	42.5	-	14.0	27.1	44.4	(45.2)	124.2
Amortisation of acquired intangibles	-	-	-	-	-	-	(3.4)	(3.4)
Total reported segment results (EBIT)	41.4	42.5	-	14.0	27.1	44.4	(48.6)	120.8

B1. Segment information - *continued*

Reconciliation of segment net operating (loss) / profit to net (loss) / profit after income tax:

	Note	Segment results 31 Dec 2017 $'m	Segment results 31 Dec 2016 $'m
Segment earnings before interest and tax		**249.0**	169.4
Unallocated:			
Mining goodwill impairment	B2(c)	**(76.4)**	-
Divestment of Freight Rail	B2(c)	**(49.3)**	-
Spotless management redundancies and integration costs	B2(c)	**(3.1)**	-
Spotless residual strategy reset costs	B2(c)	**(7.1)**	-
Spotless integration costs	B2(c)	**(3.4)**	-
Amortisation of Spotless and Tenix acquired intangible assets		**(24.1)**	(3.4)
Bid costs referable to New Intercity Fleet rail project	B2(c)	**-**	(10.0)
Settlement of contractual claims		**-**	(5.0)
Corporate costs		**(33.3)**	(30.2)
Total unallocated		**(196.7)**	(48.6)
Group earnings before interest and tax		**52.3**	120.8
Net finance costs		**(41.0)**	(13.7)
Profit before income tax		**11.3**	107.1
Income tax expense		**(27.2)**	(28.9)
(Loss) / profit after income tax		**(15.9)**	78.2

B2. Profit from ordinary activities

a) Revenue and other income

	31 Dec 2017 $'m	31 Dec 2016 $'m
Sales revenue		
Rendering of services	**4,675.6**	2,735.3
Construction contracts	**933.9**	482.1
Sale of goods	**157.8**	104.8
Other revenue	**31.2**	11.4
Total revenue from ordinary activities	**5,798.5**	3,333.6
Other income	**4.6**	1.0
Total revenue and other income	**5,803.1**	3,334.6
Share of sales revenue from joint ventures and associates(i)	**297.4**	268.4
Total revenue including joint ventures and associates and other income(i)	**6,100.5**	3,603.0

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

b) Operating expenses

	31 Dec 2017 $'m	31 Dec 2016 $'m
Employee benefits expense:		
- Defined contribution plans	**109.8**	73.9
- Share-based employee benefits expense	**2.0**	1.2
- Employee benefits	**1,870.6**	1,303.8
Total employee benefits expense	**1,982.4**	1,378.9
Operating lease expenses relating to land and building	**44.1**	33.6
Operating lease expenses relating to plant and equipment	**62.4**	45.5
Total operating lease expenses	**106.5**	79.1

B2. Profit from ordinary activities- *continued*

c) Individually significant items

The following material items are relevant to an understanding of the Group's pre-tax financial performance:

	Note	**31 Dec 2017 $'m**	31 Dec 2016 $'m
Spotless transaction related		**(13.6)**	-
Mining goodwill impairment	D2	**(76.4)**	-
Divestment of freight rail	D3	**(49.3)**	-
Bid costs written-off		**-**	(10.0)
Loss before interest and tax		**(139.3)**	(10.0)

Spotless transaction related
Spotless related transaction costs of $13.6 million includes $7.1 million of costs incurred in exiting contracts as part of Spotless Strategy Reset; $3.4 million of integration costs incurred during the period and $3.1 million Spotless' management redundancies and other integration costs.

Mining goodwill impairment
Following the identification of possible impairment indicators, the Group undertook an assessment of the carrying value of the Mining business. As a result of this assessment, a goodwill impairment of $76.4 million has been recognised. Refer to Note D2 for further details.

Divestment of freight rail
On 21 November 2017, Downer entered an agreement to sell its Freight Rail business to Progress Rail for $109 million ($123.7 million after adjusting for working capital movements through to 31 December 2017). As a result of the transaction, Downer recognised a non-cash pre-tax write down of assets held for sale of $49.3 million ($40.0 million after tax). Refer to Note D3 for further details.

Bid costs written-off
Downer was a member of the Constellation Rail consortium. On 18 August 2016, the consortium was advised that it had not been successful in its bid to deliver and maintain the New Intercity Fleet (NIF) for Transport for NSW. Accordingly, an amount of $10.0 million, referable to Downer's share of pre-tax bid costs, has been expensed as at 31 December 2016.

The above individually significant items are classified in the statement of profit or loss as follows:

	Spotless transaction related	**Mining Impairment**	**Divestment of Freight Rail**	**31 Dec 2017 $'m**
Employee benefit expense	**(3.1)**	**-**	**-**	**(3.1)**
Other expenses from ordinary activities	**(10.5)**	**(76.4)**	**(49.3)**	**(136.2)**
Loss before interest and tax	**(13.6)**	**(76.4)**	**(49.3)**	**(139.3)**
Net finance income	**-**	**-**	**-**	**-**
Income tax benefit	**3.7**	**-**	**9.3**	**13.0**
Loss after income tax	**(9.9)**	**(76.4)**	**(40.0)**	**(126.3)**

B3. Earnings per share

Basic earnings per share

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

	31 Dec 2017	Restated[iv] 31 Dec 2016
(Loss) / profit attributable to members of the parent entity ($'m)	**(11.1)**	78.2
Adjustment to reflect ROADS dividends paid ($'m)	**(4.0)**	(4.3)
(Loss) / profit attributable to members of the parent entity used in calculating EPS	**(15.1)**	73.9
Weighted average number of ordinary shares (WANOS) on issue (m's)[i]	**590.5**	445.9
Basic (loss) / earnings per share (cents per share)	**(2.6)**	16.6

Diluted earnings per share

The calculation of diluted EPS is based on the (loss) / 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.

	31 Dec 2017	Restated[iv] 31 Dec 2016
(Loss) / profit attributable to members of the parent entity ($'m)	**(11.1)**	78.2
Weighted average number of ordinary shares - diluted		
Weighted average number of ordinary shares (WANOS) on issue (m's)[i][ii]	**590.5**	445.9
WANOS adjustment to reflect potential dilution for ROADS (m's)[iii]	**27.6**	37.7
WANOS used in the calculation of diluted EPS (m's)	**618.1**	483.6
Diluted (loss) / earnings per share (cents per share) [v]	**(2.6)**	16.2

(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 $182.0 million (Dec 2016: $192.4 million), divided by the average market price of the Company's ordinary shares for the period 1 July 2017 to 31 December 2017 discounted by 2.5% according to the ROADS contract terms, which was $6.59 (Dec 2016: $5.10).

(iv) Basic and diluted EPS calculation for December 2016 were restated as a result of 169.9 million shares issued from the capital raising made as part of the Spotless takeover offer announced on 21 March 2017. Under the entitlement offer, two new shares for each five outstanding shares were issued at a discounted price of $5.95 per share. As a result of the new shares issued, the weighted average number of ordinary shares (WANOS) to calculate EPS needs to be adjusted by a theoretical ex-rights price (TERP) factor. The adjustment factor of 0.943 was utilised to restate WANOS for the basic and diluted EPS calculations.

(v) At 31 December 2017, the ROADS are deemed anti-dilutive and consequently, diluted EPS remained at (2.6) cents per share.

B4. Subsequent events

Other than the Mining goodwill CGU impairment and the completion of the divestment of Freight Rail as noted on notes B2(c) and D3, 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:

a) The Group's operations in future financial years;
b) The results of those operations in future financial years; or
c) The Group's state of affairs in future financial years.

C
Capital structure and financing

C1. Borrowings

	Dec 2017 $'m	Jun 2017 $'m
Current		
Secured:		
- Finance lease liabilities	**12.3**	20.4
- Hire purchase liabilities	**0.2**	0.4
	12.5	20.8
Unsecured:		
- Bank loans	**4.8**	836.4
- AUD medium term notes (series 2009-1)	**6.7**	13.3
- AUD medium term notes (series 2013-1)	**150.0**	-
- Deferred finance charges	**(3.9)**	(7.3)
	157.6	842.4
Total current borrowings	**170.1**	863.2
Non-current		
Secured:		
- Finance lease liabilities	**21.5**	14.8
- Hire purchase liabilities	**0.1**	0.2
	21.6	15.0
Unsecured:		
- Bank loans	**914.1**	2.1
- USD notes	**137.2**	139.1
- AUD notes	**30.0**	30.0
- AUD medium term notes (series 2013-1)	**-**	150.0
- AUD medium term notes (series 2015-1)	**250.0**	250.0
- Deferred finance charges	**(4.7)**	(4.4)
	1,326.6	566.8
Total non-current borrowings	**1,348.2**	581.8
Total borrowings	**1,518.3**	1,445.0

C2. Financing facilities

Financing facilities

At 31 December 2017, the Group had the following facilities that were not utilised:

	Dec 2017 $'m	Jun 2017 $'m
Syndicated bank bridge loan facility	**190.0**	500.0
Syndicated bank loan facilities	**455.0**	500.0
Bilateral bank loan facilities	**240.0**	190.0
Total unutilised bank loan facilities	**885.0**	1,190.0
Syndicated and bilateral bank and bilateral insurance bonding facilities	**740.0**	738.3
Total unutilised bonding facilities	**740.0**	738.3

Unutilised bank loans

- Syndicated loan facilities

  The syndicated bank bridge loan facility of $190.0 million is non-revolving, unsecured and matures in March 2019 (subject to Downer exercising its two six month extension options at each of March 2018 and September 2018) and is to be specifically used to acquire shares in Spotless Group Holdings Limited and other related purposes. The unutilised amount of this facility was $500.0 million at June 2017; since then the facility has been drawn to $60.0 million (Nil drawn at June 2017) and effective 15 December 2017, the facility limit was (at the election of Downer) reduced from $500.0 million to $250.0 million.

  Subsequent to 31 December 2017, the $60.0 million drawn under the syndicated bank bridge loan facility has been repaid and the facility limit has been cancelled at the election of Downer.

  The syndicated bank loan facilities, totalling $455.0 million, are revolving, unsecured and are split into the following tranches:
  - $200.0 million maturing in April 2019;
  - $55.0 million maturing in December 2020; and
  - $200.0 million maturing in April 2021.

- Bilateral bank loans facilities

  These facilities are revolving and unsecured and due for renewal in multiple tranches in calendar year 2019.

Utilised bank loans

All Spotless bank loans that were classified as "Current" at June 2017 have been extended and all loans are now "Non-Current" at December 2017. In addition all lenders have waived the "Change of Control Review Event" up to 100% of the issued share capital of Spotless (previously 90%).

Given that Downer's interest in Spotless remains below 90%, Spotless will continue to fund itself on a stand-alone basis. A refinancing of all Spotless bank loan facilities will be undertaken in the normal course.

Utilised USD Notes

USD unsecured private placement notes are on issue for a total amount of US$107.0 million. US$7.0 million notes mature in September 2019 and US$100.0 million in July 2025. The USD denominated principal and interest amounts have been fully hedged against the Australian dollar through cross-currency interest rate swaps.

Utilised AUD Notes

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

Utilised AUD Medium Term Notes (MTNs)

The Group has the following unsecured MTNs on issue:

- Series 2009-1 amortises through even semi-annual instalments, until the final maturity date of April 2018; current balance $6.7 million;
- Series 2013-1 for $150.0 million, which matures in November 2018; and
- Series 2015-1 for $250.0 million, which matures in March 2022.

The above bank loan facilities and Notes issues are subject to certain Group guarantees.

C2. Financing facilities - *continued*

Utilised Finance lease / Hire purchase facilities

The Group has certain secured facilities of these types which are for an aggregate amount of $34.1 million and which amortise over different periods of up to five years.

Covenants on financing facilities

Certain of the Group's financing facilities contain undertakings to comply with financial covenants. This requires the Downer Group to operate within certain financial ratios as well as ensuring that subsidiaries that contribute certain minimum threshold amounts of Group EBIT and Group Total Tangible Assets are guarantors under various facilities.

The main financial covenants which the Group is subject to are Net Worth, Interest Service Coverage (calculated as rolling 12-month EBIT to Net Interest Expense) and Leverage (calculated as Net Debt to Total Capitalisation).

Financial covenants testing is undertaken and reported to the Downer Board on a monthly basis. Reporting of financial covenants to financiers occurs semi-annually for the rolling 12-month periods to 30 June and 31 December. The Downer Group was in compliance with all its financial covenants as at 31 December 2017.

Spotless Group Holdings Limited has financial covenants related to leverage and interest service coverage as well as ensuring that subsidiaries that contribute certain minimum threshold amounts of Group EBITDA and Group Total Assets are guarantors under various facilities. Financial covenants are reviewed by the Spotless Board of Directors and reported to financiers on a semi-annual basis. Spotless was in compliance with all its financial covenants as at 31 December 2017.

Bonding

The Group has $1,901.1 million of bank guarantee and insurance bond facilities to support its contracting activities. $983.5 million of these facilities are provided to the Group on a committed basis and $917.6 million on an uncommitted basis. Included in these facilities is a syndicated $210.0 million committed revolving bank guarantee facility relating to a specific passenger rail contract and of which $65.8 million is utilised and $144.2 million is unutilised.

The Group's facilities are provided by a number of banks and insurance companies on an unsecured basis and are subject to certain Group guarantees. $1,161.1 million (refer to Note D6) of these facilities were utilised as at 31 December 2017 with $740.0 million unutilised. These facilities have varying maturity dates between calendar years 2018 and 2020.

The underlying risk being assumed by the relevant financier under all bonds is Group 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 bank loan facilities) which can at the election of the Group, be utilised for bonding purposes.

Refinancing requirements

Where existing facilities approach maturity, the Group will negotiate with existing and new financiers to extend the maturity date of 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 reduced 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 debt and bonding facilities, to reflect the deteriorating credit risk profile.

C3. Issued capital

	Dec 2017 $'m	Jun 2017 $'m
Ordinary shares		
594,702,512 ordinary shares (Jun 2017: 594,702,512)	**2,263.1**	2,263.2
Unvested executive incentive shares		
4,207,358 ordinary shares (Jun 2017: 4,257,373)	**(19.8)**	(20.0)
Redeemable Optionally Adjustable Distributing Securities (ROADS)		
200,000,000 ROADS (Jun 2017: 200,000,000)	**178.6**	178.6
	2,421.9	2,421.8

Fully paid ordinary share capital

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

	Dec 2017 m's	Dec 2017 $'m	Jun 2017 m's	Jun 2017 $'m
Fully paid ordinary share capital				
Balance at the beginning of the financial period / year	**594.7**	**2,263.2**	424.8	1,270.2
Capital raising [(i)]	**-**	**-**	169.9	1,011.0
Capital raising costs net of tax	**-**	**(0.1)**	-	(18.0)
Balance at the end of the financial period / year	**594.7**	**2,263.1**	594.7	2,263.2
Unvested executive incentive shares				
Balance at the beginning of the financial period / year	**4.3**	**(20.0)**	4.5	(21.0)
Vested executive incentive shares transactions[(ii)]	**(0.1)**	**0.2**	(0.2)	1.0
Balance at the end of the financial period / year	**4.2**	**(19.8)**	4.3	(20.0)

[(i)] Relates to 169.9 million shares issued from capital raising as part of the Spotless takeover offer where two new shares for every five outstanding shares were issued at a discounted price of $5.95 per share.

[(ii)] Represents 50,015 vested shares for a value of $192,660, referable to the second deferred component of the 2015 STI award and first deferred component of the 2016 STI award. June 2017 figures referable to the second deferred component of the 2014 STI award and first deferred component of the 2015 STI award totalling 196,083 vested shares for a value of $955,174.

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. From the 2011 LTI plan onwards, no dividends will be 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.

Redeemable Optionally Adjustable Distributing Securities (ROADS)	Dec 2017 m's	Dec 2017 $'m	Jun 2017 m's	Jun 2017 $'m
Balance at the beginning and at the end of the financial period / year	**200.0**	**178.6**	200.0	178.6

C4. Reserves

Dec 2017 **$'m**	**Hedge reserve**	**Foreign currency translation reserve**	**Employee benefits reserve**	**Available-for-sale revaluation reserve**	**Total attributable to members of the parent**
Balance at 1 July 2017	**(6.2)**	**(18.0)**	**14.1**	**(0.8)**	**(10.9)**
Foreign currency translation difference	**-**	**(8.7)**	**-**	**-**	**(8.7)**
Change in fair value of cash flow hedges (net of tax)	**(2.4)**	**-**	**-**	**-**	**(2.4)**
Change in fair value of available-for-sale assets	**-**	**-**	**-**	**(0.6)**	**(0.6)**
Total comprehensive income for the period	**(2.4)**	**(8.7)**	**-**	**(0.6)**	**(11.7)**
Vested executive incentive share transactions	**-**	**-**	**(0.2)**	**-**	**(0.2)**
Share-based employee benefits expense	**-**	**-**	**2.0**	**-**	**2.0**
Income tax relating to share-based transactions during the period	**-**	**-**	**0.5**	**-**	**0.5**
Balance at 31 December 2017	**(8.6)**	**(26.7)**	**16.4**	**(1.4)**	**(20.3)**

Dec 2016 **$'m**					
Balance at 1 July 2016	(2.6)	(18.4)	12.2	-	(8.8)
Foreign currency translation difference	-	4.1	-	-	4.1
Other comprehensive income for the period (net of tax)	2.4	-	-	-	2.4
Total comprehensive income for the period	2.4	4.1	-	-	6.5
Vested executive incentive share transactions	-	-	(1.0)	-	(1.0)
Share-based employee benefits expense	-	-	1.2	-	1.2
Income tax relating to share-based transactions during the period	-	-	(0.7)	-	(0.7)
Balance at 31 December 2016	(0.2)	(14.3)	11.7	-	(2.8)

Hedge reserve
The hedge reserve comprises the effective portion of the cumulative net change in the fair value 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.

Available-for-sale revaluation reserve
The fair value reserve includes the cumulative net movement above cost of the fair value of available-for-sale investment until the asset is realised or impaired or control of an acquire is obtained at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the profit or loss.

C5. Dividends

a) Ordinary shares

	2018 Interim	2017 Final	2017 Interim
Dividend per share (in Australian cents)	**13.0**	12.0	12.0
Franking percentage	**50%**	100%	100%
Cost (in $'m)	**77.3**	71.4	51.0
Dividend record date	**07/03/2018**	12/09/2017	16/02/2017
Payment date	**04/04/2018**	10/10/2017	16/03/2017

The 2018 interim dividend has not been declared at the reporting date and therefore is not reflected in the financial statements.

b) Redeemable Optionally Adjustable Distributing Securities (ROADS)

2018	**Quarter 1**	**Quarter 2**			**Total**
Dividend per ROADS (in Australian cents)	**1.00**	**0.99**			**1.99**
New Zealand imputation credit percentage	**100%**	**100%**			**100%**
Cost (in A$'m)	**2.0**	**2.0**			**4.0**
Payment date	**15/09/2017**	**15/12/2017**			

2017	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Dividend per ROADS (in Australian cents)	1.08	1.09	1.03	1.08	4.28
New Zealand imputation credit percentage	100%	100%	100%	100%	100%
Cost (in A$'m)	2.1	2.2	2.1	2.2	8.6
Payment date	15/09/2016	15/12/2016	15/03/2017	15/06/2017	

D
Other disclosures

D1. Property, plant and equipment

Dec 2017 $'m	Freehold Land and Buildings	Plant and Equipment	Equipment under Finance Lease	Laundries rental stock	Total
Carrying amount as at 1 July 2017 (restated)(ii)	**129.4**	**1,061.2**	**52.3**	**37.5**	**1,280.4**
Additions	**0.3**	**184.4**	**6.1**	**16.7**	**207.5**
Disposals at net book value	**(1.2)**	**(4.7)**	**(0.7)**	**-**	**(6.6)**
Acquisition of businesses	**-**	**4.1**	**7.6**	**1.6**	**13.3**
Depreciation expense	**(2.5)**	**(115.2)**	**(6.0)**	**(18.4)**	**(142.1)**
Reclassifications at net book value	**-**	**26.5**	**(29.1)**	**2.6**	**-**
Reclassified as intangible assets(i)	**-**	**(0.3)**	**-**	**-**	**(0.3)**
Reclassified as held for sale	**-**	**(57.4)**	**-**	**-**	**(57.4)**
Net foreign currency exchange differences at net book value	**(0.5)**	**(5.3)**	**-**	**(1.0)**	**(6.8)**
Closing net book value as at 31 December 2017	**125.5**	**1,093.3**	**30.2**	**39.0**	**1,288.0**
Cost	**159.2**	**2,434.7**	**47.0**	**56.8**	**2,697.7**
Accumulated depreciation	**(33.7)**	**(1,341.4)**	**(16.8)**	**(17.8)**	**(1,409.7)**
Jun 2017					
Carrying amount as at 1 July 2016	68.5	859.9	59.9	-	988.3
Additions	7.4	212.7	2.2	-	222.3
Disposals at net book value	(0.1)	(17.6)	(0.2)	-	(17.9)
Acquisition of business (restated)(ii)	57.4	180.2	17.5	37.5	292.6
Depreciation expense	(4.7)	(182.3)	(6.2)	-	(193.2)
Reclassifications at net book value	1.0	18.7	(19.7)	-	-
Reclassified as intangible assets(i)	-	(7.2)	-	-	(7.2)
Net foreign currency exchange differences at net book value	(0.1)	(3.2)	(1.2)	-	(4.5)
Closing net book value as at 30 June 2017 (restated)(ii)	**129.4**	**1,061.2**	**52.3**	**37.5**	**1,280.4**
Cost (restated)(ii)	160.9	2,355.4	92.7	37.5	2,646.5
Accumulated depreciation	(31.5)	(1,294.2)	(40.4)	-	(1,366.1)

(i) Refers to the reclassification of software from Capital Work In Progress to Intangible Assets.

(ii) June 2017 balances were restated to reflect the impact of acquisition accounting adjustments made during the period on opening balances. Refer to Note D5 for further information.

D2. Intangible assets

Dec 2017 $'m	Goodwill	Customer contracts and relationships	Brand names on acquisition	Intellectual property on acquisition	Software and system development	Total
Carrying amount as at 1 July 2017 (restated)[(ii)]	**2,341.1**	**409.1**	**56.9**	**3.5**	**220.6**	**3,031.2**
Additions	**-**	**-**	**-**	**-**	**29.0**	**29.0**
Acquisition of businesses	**62.6**	**8.2**	**-**	**-**	**0.3**	**71.1**
Disposals at net book value	**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Reclassifications at net book value[(i)]	**-**	**-**	**-**	**-**	**0.3**	**0.3**
Amortisation expense	**-**	**(29.3)**	**(1.4)**	**-**	**(12.4)**	**(43.1)**
Reclassified as held for sale	**(14.2)**	**-**	**-**	**-**	**-**	**(14.2)**
Impairment of goodwill	**(76.4)**	**-**	**-**	**-**	**-**	**(76.4)**
Net foreign currency exchange differences at net book value	**(5.4)**	**-**	**-**	**-**	**(0.6)**	**(6.0)**
Closing net book value as at 31 December 2017	**2,307.7**	**388.0**	**55.5**	**3.5**	**237.0**	**2,991.7**
Cost	**2,460.1**	**437.5**	**57.1**	**3.5**	**384.2**	**3,342.4**
Accumulated amortisation and impairment	**(152.4)**	**(49.5)**	**(1.6)**	**-**	**(147.2)**	**(350.7)**

Jun 2017						
Carrying amount as at 1 July 2016	805.3	37.1	-	-	127.5	969.9
Additions	-	-	-	-	38.5	38.5
Acquisition of business (restated)[(ii)]	1,533.0	379.2	57.1	3.5	67.7	2,040.5
Disposals at net book value	-	-	-	-	(0.7)	(0.7)
Reclassifications at net book value[(i)]	-	-	-	-	7.2	7.2
Amortisation expense	-	(7.2)	(0.2)	-	(19.6)	(27.0)
Net foreign currency exchange differences at net book value	2.8	-	-	-	-	2.8
Closing net book value as at 30 June 2017 (restated)[(ii)]	**2,341.1**	**409.1**	**56.9**	**3.5**	**220.6**	**3,031.2**
Cost (restated)[(ii)]	2,417.1	429.3	57.1	3.5	359.2	3,266.2
Accumulated amortisation and impairment	(76.0)	(20.2)	(0.2)	-	(138.6)	(235.0)

[(i)] Refers to the reclassification of software from Capital Work In Progress to Intangible Assets.

[(ii)] June 2017 balances were restated to reflect the impact of acquisition accounting adjustments made during the period on opening balances. Refer to Note D5 for further information.

D2. Intangible assets - *continued*

Allocation of goodwill to cash-generating units

Goodwill has been allocated, for impairment testing purposes, to CGUs (group of units) that are significant individually or in aggregate, taking into consideration the nature of service, resource allocation, how operations are monitored and where independent cash inflows are identifiable. Six independent CGUs (by service line) have been identified across the Group against which impairment testing has been undertaken. Goodwill has been allocated to these CGUs as follows:

Carrying value of consolidated goodwill

	Note	**Dec 2017 $'m**	Jun 2017 $'m
Transport (i)		**249.5**	251.0
Utilities (i) (v)		**347.5**	322.9
Rail (ii)		**55.3**	69.5
EC&M (i)		**243.5**	239.2
Mining (iii)	B2(c)	**-**	76.4
Spotless (i) (iv) (v)	D5	**1,411.9**	1,382.1
		2,307.7	2,341.1

(i) Included in this amount is the goodwill for certain acquisitions for which the acquisition accounting remains provisional as at 31 December 2017.

(ii) Rail CGU goodwill reduced following disposal of freight rail business during the period.

(iii) The goodwill of the Mining CGU was fully impaired following an assessment of the carrying value of the CGU.

(iv) The determination of the fair value of individual assets and liabilities acquired from Spotless (including goodwill) remains provisionally accounted for as at 31 December 2017. The measurement period may extend to 12 months from date of acquisition as allowed by AASB 3 Business Combinations. Refer to Note D5.

(v) June 2017 balances were restated to reflect the impact of acquisition accounting adjustments made during the period on opening balances.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Apart from the Mining CGU, it was concluded that there is no indicator of impairment for the other CGUs for the period ended 31 December 2017. An indicator of impairment was identified for the Mining CGU as a result of non-renewal of two material contracts and delays in securing alternative contracts. Consequently, impairment assessment was performed for the Mining CGU at 31 December 2017.

The impairment assessment revealed that the carrying amount of the Mining CGU exceeded its recoverable amount and as a result $76.4 million (referable to the goodwill of the Mining CGU) was impaired at 31 December 2017 and disclosed as an Individually Significant Item (Refer to Note B2 (c)).

D2. Intangible assets - *continued*

Impairment of assets - *continued*

The Group's methodology and approach for impairment testing of the Mining CGU is outlined below:

a) Methodology and testing of recoverable amount

Value in Use
The following key assumptions have been used to determine the recoverable amount of the Mining CGU based on a "value in use" calculation:

(i) Projected cash flow
The Group determines the recoverable amount based on a "value in use" calculation, using three and a half year cash flow projections based on the Management forecast for 2H FY18 and the years ending 30 June 2019, 2020 and 2021. For FY22 onwards, the Group assumes a long-term growth rate to allow for organic growth on the existing asset base.

Cash flow projections are determined utilising the forecasted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) less tax, capital expenditure and working capital changes, adjusted to exclude any uncommitted restructuring costs and future benefits to provide a "free cash flow" estimate. This calculated "free cash flow" is then discounted to its present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The forecast compound annual EBITDA growth rate of 5.4% from FY18 to terminal year is based on expected market and business performance from existing contracts and certain future growth opportunities.

(ii) Long-term growth rate
The future annual growth rate of 2.5% for FY22 onwards to perpetuity is based on the historical nominal GDP rates for the country of operation.

(iii) Discount rates
Post-tax discount rates of 11.0% reflect the Group's estimate of the time value of money and risks specific to the Mining CGU. In determining the appropriate discount rate for the Mining CGU, consideration has been given to the estimated weighted average cost of capital (WACC) for the Group adjusted for country and business risks specific to the Mining CGU, including benchmarking against relevant peer group companies. The post-tax discount rate is applied to post-tax cash flows that include an allowance for tax based on the respective jurisdiction's tax rate. This method is used to approximate the requirement of the accounting standards to apply a pre-tax discount rate to pre-tax cash flows.

(iv) Capital expenditure
Capital expenditure includes significant expenditure in PP&E that will be required to service existing and future new Mining contracts. Terminal year includes capital expenditure to maintain capital used for existing plant and to replace plant as it is retired from service. The resulting expenditure has been compared against the annual depreciation charge to ensure that it is reasonable.

(v) Working capital
Working capital has been maintained at a level required to support the business activities of the Mining CGU, taking into account changes in the business cycle. It has been assumed to be in line with historic trends given the level of utilisation and operating activity.

D3. Disposal group held for sale

On 21 November 2017, Downer entered an agreement to sell its Freight Rail business to Progress Rail for $109 million ($123.7 million after adjusting for working capital movements though to 31 December 2017), with a completion date of 2 January 2018. As a consequence, the assets and liabilities to be divested have been reclassified as current assets and liabilities held for sale at 31 December 2017.

a) Impairment losses relating to the Net assets held for sale

The disposal of the Freight Rail business was measured at the lower of its carrying amount and fair value less costs to sell resulting in a non-cash after tax write down of $40.0 million. The write down reflects the difference between the expected final sale proceeds (less future costs) and the fair value of net assets to be divested as follows:

	Note	Dec 2017 $'m
Proceeds on disposal		123.7
Less carrying value of assets to be disposed		(168.7)
Total fair value write-down		(45.0)
Disposal costs incurred		(4.3)
Loss on disposal pre-tax	B2(c)	**(49.3)**
Income tax benefit		9.3
Total loss on disposal after tax	B2(c)	**(40.0)**

The write-down has been applied to the following assets held for sale: Freight Rail goodwill ($14.2 million), contract WIP ($14.3 million) and Property, plant and equipment ($16.5 million). Fair value adjustments were classified in the statement of profit or loss as "Other expenses from ordinary activities" for the period ended 31 December 2017.

b) Assets and liabilities of disposal group held for sale

At 31 December 2017, the disposal group was stated at fair value less costs to sell and consisted of the following assets and liabilities:

Dec 2017	Assets/ Liabilities held for sale $'m
Trade and other receivables	29.3
Amounts due from customers under contracts	13.0
Inventory	51.2
Other assets	0.1
Intangibles (goodwill)	-
Property, plant and equipment	41.0
Assets classified as held for sale	**134.6**
Trade and other payables	(2.2)
Amounts due to customers under contracts	(2.0)
Employee benefits provisions	(5.8)
Provisions	(0.9)
Liabilities directly associated with assets held for sale	**(10.9)**
Total	**123.7**

D4. Joint arrangements and associate entities

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 31 Dec 2017 %	Ownership interest 31 Dec 2016 %
Joint ventures				
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
Eden Park Catering Limited[(i)]	Catering for functions at Eden Park	New Zealand	**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
RTL Mining and Earthworks Pty Ltd	Contract mining; civil works and plant hire	Australia	**44**	44
VEC Shaw Joint Venture	Road construction	Australia	**50**	50
ZFS Functions (Pty) Ltd[(i)]	Catering for functions at Federation Square	Australia	**50**	-
Associates				
MHPS Plant Services Pty Ltd	Refurbishment, construction and maintenance of boilers	Australia	**27**	27
Keolis Downer Pty Ltd	Operation and maintenance of Gold Coast light rail, Melbourne tram network and bus operation	Australia	**49**	49
Reliance Rail Pty Ltd	Rail manufacturing and maintenance	Australia	**-**	49

(i) Spotless joint ventures acquired as part of the Spotless Group Holdings Limited acquisition. Refer to Note D5.

There are no material commitments held by joint ventures or associates.

All joint ventures and associates have a statutory reporting date of 30 June, with the exception of MHPS Plant Services Pty Ltd which has a statutory reporting date of 31 March.

Notes to the condensed consolidated financial report - *continued*
for the half-year ended 31 December 2017

D5. Acquisition and disposal of businesses

Acquisitions
Dec 2017

Spotless
On 27 June 2017, the Group obtained a controlling interest in Spotless Group Holdings Limited (Spotless). During the half-year ended 31 December 2017, the Group commissioned an independent valuation of the identifiable assets acquired and liabilities assumed in the Spotless acquisition. The valuation determined the net identifiable assets/(liabilities) as being $269.2 million higher than previously reported. As a consequence, the goodwill acquired as part of Spotless acquisition has decreased by this amount resulting in the previously reported Spotless goodwill of $1,651.3 million reducing to $1,382.1 million. The comparative information shown in the financial statements has been restated to include the adjusted fair values. There has been no impact to the comparative profit or loss as a result of these restatements.

Details of the identified adjustments are as follows:

	Provisional amount disclosed at 30 Jun 2017 $'m	Acquisition adjustments $'m	Restated[i] balance at 30 Jun 2017 $'m
Cash and other cash equivalents	66.0	-	**66.0**
Trade and other receivables	412.7	(3.7)	**409.0**
Inventories	32.0	-	**32.0**
Other current assets	11.3	-	**11.3**
Equity accounted investments	1.8	-	**1.8**
Property, plant and equipment	281.2	(14.8)	**266.4**
Intangibles	65.9	422.8	**488.7**
Non-current trade and other receivables	73.4	(41.0)	**32.4**
Net deferred tax asset / (liability)	59.4	(90.5)	**(31.1)**
Other non-current assets	25.8	-	**25.8**
Trade and other payables	(381.6)	-	**(381.6)**
Provisions	(162.7)	(3.5)	**(166.2)**
Borrowings	(848.3)	-	**(848.3)**
Financial liabilities	(2.3)	-	**(2.3)**
Current tax payable	(7.2)	-	**(7.2)**
Non-current trade and other payables	(11.5)	(0.1)	**(11.6)**
Net identifiable (liabilities) / assets acquired	**(384.1)**	**269.2**	**(114.9)**

[i] 30 June 2017 balances were restated to reflect the impact of acquisition accounting adjustments made during the period on opening balances.

<u>Spotless non-controlling interest (NCI)</u>

During the half-year, the Group acquired an additional 22.15% interest in Spotless for $281.0 million. The consideration paid was equal to the carrying amount of the NCI and as a consequence, there was no change in the equity attributable to the owners of the Company from the acquisition of the NCI.

The following table summarises the NCI in relation to the Spotless acquisition:

	Dec 2017 $'m	Restated[i] Jun 2017 $'m
Current assets	**502.0**	518.3
Non-current assets	**2,284.1**	2,292.9
Current liabilities	**(477.1)**	(1,348.2)
Non-current liabilities	**(1,075.6)**	(195.8)
Net assets	**1,233.4**	1,267.2
NCI percentage	**12.198%**	34.343%
Net assets attributable to NCI	**150.5**	435.2

[i] 30 June 2017 balances were restated to reflect the impact of acquisition accounting adjustments made during the period on opening balances.

D5. Acquisition and disposal of businesses - *continued*

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Asset acquired	Valuation technique
Trade and other receivables	Cost technique - considers the expected economic benefits receivable when due.
Property, plant and equipment	Market comparison technique and cost technique - the valuation model considers quoted market prices for similar items when available and depreciated replacement cost when appropriate.
Intangible assets	Multi-period excess earnings method: considers the present value of net cash flows expected to be generated by the customer contracts and relationships, intellectual property and brand names, excluding any cash flows related to contributory assets. For the valuation of certain brand names, discounted cash flow under the relief from royalty valuation methodology has been utilised.
Trade and other payables	Cost technique - considers the expected economic outflow of resources when due.
Borrowings	Cost technique - considers the expected economic outflow of resources when due.
Provisions	Cost technique - considers the expected economic outflow of resources when due.

UrbanGrid

On 1 July 2017, Downer acquired the net assets of UrbanGrid Australia (UrbanGrid) for a total consideration of $28.4 million. UrbanGrid provides a wide range of specialist services to develop, operate and maintain Western Australia's essential water, energy and communications networks as well as civil projects.

Total consideration for this acquisition comprises $15.9 million cash payment and $12.5 million contingent consideration. The contingent consideration is payable based on achievement of financial targets over the periods through to 30 June 2020.

The fair value of the acquired net assets amounts to $4.2 million, including $2.7 million for acquired customer contracts resulting in a provisional goodwill of $24.2 million. The acquisition accounting for UrbanGrid remains provisionally accounted for as at 31 December 2017.

Cabrini

On 1 July 2017, Spotless Facility Services Pty Ltd acquired the customer contracts and associated assets and liabilities of Cabrini Linen Service (referred to as “Cabrini”) from Cabrini Health Limited for a purchase consideration of $20.0 million (cash outflow). The primary purpose of this acquisition is to strengthen Spotless' linen capabilities, enhance customer service offerings and maintain Spotless' market-leading position in the Victorian health sector.

The fair value of the acquired net liabilities amounts to $9.4 million, including $5.5 million of acquired customer contracts, resulting in a provisional goodwill of $29.4 million. The acquisition accounting for Cabrini remains provisionally accounted for as at 31 December 2017.

D5. Acquisition and disposal of businesses - *continued*

ITS PipeTech
On 31 March 2017, the Group acquired 100% of ITS PipeTech Pty Ltd (ITS), for a total consideration of $45.0 million. The principal activities of ITS include pipe bursting, civil maintenance and robotics. ITS complements, grows and broadens existing pipeline capabilities in the Utilities business.

Since 30 June 2017, as part of the acquisition accounting process, the purchase price was reduced by $1.8 million to $43.2 million while the contingent consideration has increased by $0.3 million to $3.6 million. Fair value adjustments recognised during the period reduced the value of identifiable net assets by $5.7 million to $8.6 million predominately due to revised values of acquired intangibles; resulting in $3.9 million additional goodwill being recognised. The acquisition accounting for ITS remains provisionally accounted for as at 31 December 2017.

Hawkins
On 31 March 2017, the Group acquired the business of Hawkins, for a total consideration of $55.4 million. The principal activities of Hawkins include construction, infrastructure development and project management throughout New Zealand. The Hawkins acquisition will complement existing engineering, construction and maintenance capabilities in New Zealand.

The Group continues with the acquisition accounting process for the Hawkins acquisition. Since 30 June 2017, fair value adjustments identified resulted in $7.9 million of additional goodwill being recognised with a $0.6 million completion adjustment payment made during the period. The acquisition accounting for Hawkins remains provisionally accounted for as at 31 December 2017.

Cash outflow on acquisitions

The net cash outflow as a result of acquiring a further non-controlling interest in Spotless and from other business acquisitions made during the period ended 31 December 2017 is as follows:

	Spotless $'m	Other (ii) $'m	Total $'m
Further NCI acquired during the period (i)	281.0	-	**281.0**
Consideration payable at 30 June 2017	110.8	-	**110.8**
Gross purchase consideration	-	49.3	**49.3**
Deferred consideration paid during the period (iii)	-	1.1	**1.1**
Less: Net cash acquired	-	-	**-**
Less: Contingent consideration	-	(12.8)	**(12.8)**
Total cash consideration	**391.8**	**37.6**	**429.4**

(i) Represents the cash consideration paid during the period for 22.15% additional interest obtained in Spotless and $0.4 million of additional NCI obtained and paid during the period.

(ii) Other relates to the acquisition of UrbanGrid, ITS PipeTech, Hawkins, AGIS and Cabrini.

(iii) Relates to AGIS deferred consideration paid during the period.

D5. Acquisition and disposal of businesses - *continued*

Dec 2016

RPQ Group

On 30 September 2016, the Group acquired 100% of RPQ Group (RPQ) for a total consideration of $51.1 million. The principal activities of RPQ include the supply of asphalt, bitumen spray sealing, road milling and profiling, road maintenance, foam bitumen stabilisation, mobile asphalt production, mobile crushing and equipment hire.

The final accounting for the acquisition of RPQ was determined with an additional $0.3 million of identifiable assets being recognised, reducing the goodwill on acquisition to $35.0 million.

AGIS

On 1 July 2016, the Group acquired 100% of AGIS Group Pty Limited (AGIS) for a total consideration of $16.7 million. AGIS provides project management, systems engineering and integration, and capability development advice to a range of government agencies including the Department of Defence, Australian Defence Forces and the Department of Foreign Affairs and Trade. The AGIS acquisition expands the Group's footprint in the Defence sector.

At the date of acquisition, the net asset value of AGIS was $6.5 million resulting in $10.2 million of goodwill being recognised.

Disposals

Dec 2017

During the period ended 31 December 2017, the Group entered into an agreement to sell its Freight Rail business to Progress Rail for $109 million adjusted for working capital movements. As the transaction was completed on 2 January 2018, the assets and liabilities divested have been reclassified as current assets and liabilities held for sale at 31 December 2017. Refer to Note D3.

Dec 2016

The Group did not dispose any business during the period ended 31 December 2016.

D6. Contingent liabilities

	Dec 2017 $'m	Jun 2017 $'m
Bonding		
The Group has bid bonds and performance bonds issued in respect of contract performance in the normal course of business for wholly-owned controlled entities	**1,161.1**	1,185.5

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 becomes 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 contractor's and consultant's 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 five "leaky building" claims. The leaky building claims where Group entities are co-defendants generally relate to water damage arising from design and construction methodologies (and certification) for residential and other buildings that were common 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) Ground subsidence at some locations at the Waratah Train Maintenance Centre located on Manchester Road, Auburn ('AMC') has been identified. The design and construction of the AMC formed part of the Waratah Train Project, with Reliance Rail contracting Downer to design and build the AMC. In turn, Downer subcontracted this work to John Holland Pty Ltd. The design and construction of the areas in which subsidence has been observed formed part of the subcontractor's design and construct obligations. A New South Wales Supreme Court hearing concluded in December 2017 in relation to Downer's claim against John Holland (and its consultants and supplier). The decision is pending. If the Court finds in favour of Downer that the AMC was not constructed in accordance with the relevant subcontract obligations then the areas where subsidence is present will be rectified. In the event that the Court finds against Downer, then Downer will be liable for the legal costs of the defendants.

D6. Contingent liabilities - *continued*

vii) 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 would be 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 now scheduled to commence in February 2019. 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.

viii) Spotless has a 30 year Facilities Management Subcontract ("Subcontract") at the new Royal Adelaide Hospital ("nRAH") and commenced service delivery in September 2017. Spotless' Subcontract is with Celsus, which is a special purpose vehicle that is delivering the hospital to the South Australian Government under a Public Private Partnership model.
On 27 November 2017, Spotless announced that the Subcontract is an underperforming contract. The Subcontract is cash negative and Spotless is working to resolve a number of commercial and operational issues, which include significant preliminary claims and counter claims.

ix) 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. No provision has been recognised in respect of the representative 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 2017, as follows:
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112);*
- AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107; and*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle.*

Adoption of these standards has not resulted in any material changes to the Group's financial statements.

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.

AASB 9 - *Financial Instruments*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets. The standard is not applicable until 1 July 2018.

The Group expects existing hedge relationships would appear to qualify as continuing hedge relationships upon adoption of the new standard and does not expect the standard to have a significant impact on the recognition or measurement of the Group's financial instruments.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses. Whilst the Group has yet to finalise its detailed assessment of the impact of AASB 9 and its interaction with AASB 15 it may result in earlier recognition of credit loss provisions.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosure about its financial instruments particularly in the year of adoption of the new standard.

AASB 15 - *Revenue from Contracts with Customers*

AASB 15 changes the way revenue is recognised and provides for a significant increase in the disclosure requirements for the business. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred rather than on transfer of risks and rewards.

The standard is only expected to impact those contracts that are ongoing at the date of adoption. The Group is in the process of assessing the full impact of the application of AASB 15, which involves carrying out a review of all existing major contracts to ensure the impact and effect of the new standard is fully understood in advance of the effective date. As at 31 December 2017, a high level impact assessment across the Group has been completed with detailed contract reviews on a sample of key contracts across the divisions ongoing. The Group has also performed project assessments across new long-term service contracts.

E1. New accounting standards - *continued*

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

AASB 15 - *Revenue from Contracts with Customers* - *continued*

AASB 15 will become mandatory for reporting periods beginning on or after 1 July 2018. The Group does not intend to early adopt this standard before its mandatory effective date and therefore AASB 15 will be applied for the first time in the 2019 half-year Financial Report.

While a detailed assessment is yet to be concluded, the Group expects the following impacts:

- AASB 15 has a higher threshold of probability and therefore revenue is to be recognised only when it is highly probable that a significant reversal will not occur. It is expected this will impact the timing / quantum of project variances, variable and incentive based payments, and claims recognised as part of “amounts due from customers under contract and rendering of services”.
- AASB 15 requires only incremental costs of obtaining a contract to be capitalised and then expensed over the contract period.
- Implementation may require some development of current reporting systems and processes.
- Public Private Partnership accounting may be impacted.

The new standard also introduces expanded disclosure requirements and changes in presentation, particularly in relation to key judgements and future revenue expected to be generated. These are expected to change the nature and extent of the Group’s disclosure about its revenue from contracts with customers and associated assets, particularly in the year of adoption of the new standard.

AASB 15 needs to be implemented either fully retrospectively, which would require restatement of comparatives, or using the cumulative effect method, which would not require a restatement of comparatives, upon the effective date of 1 July 2018. AASB 15 presents two transition approaches (fully retrospective and modified retrospective approach) each of them containing a number of practical expedients. Although the detailed assessment is not finalised yet, the modified retrospective approach was elected under the transition rules, with the cumulative effect of initially applying the new standard to be recognised at the date of initial application (1 July 2018) in opening retained earnings.

AASB 16 - *Leases*

AASB 16 will replace the current leasing standard AASB 117, and contains significant changes to the accounting treatment of leases around how to recognise, measure and disclose leases. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, with the exception of short-term (less than 12 months) and low value leases. AASB 16 applies to annual reporting periods beginning on or after 1 July 2019.

The Group manages its owned and leased assets to ensure there is an appropriate level of equipment to meet its current obligations and to tender for new work. The decision as to whether to lease or purchase an asset is dependent on the finance available at the time and the residual risk of ownership following the anticipated completion of the project.

E1. New accounting standards - *continued*

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

AASB 16 - *Leases* - *continued*

To date, management has focused on the identification of the provisions of the standard which will most impact the Group and is in the process of determining whether any additional arrangements in excess of the current portfolio will be considered as a lease, together with a review of the lease contracts and financial reporting systems in place. As such, the Group has not quantified yet the effect of the new standard however; the following impacts are expected on implementation date:

- Total assets and total liabilities will increase, due to the recognition of a "Right of Use Asset" and a "Lease Liability" grossing up the assets and liabilities in the Consolidated Statement of Financial Position;
- Interest expense will increase due to the effective interest rate implicit in the lease, where the interest expense component is higher on early years on the lease;
- Depreciation charge will increase as the right of use asset is recognised;
- Lease rental expenses will decrease due to the recognition of interest and depreciation noted above; and
- Operating cash flows will be higher as repayment of the principle portion of all lease liabilities will be classified as financing activities.

AASB 16 needs to be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 July 2019 under the modified retrospective approach. The Group is in the process of assessing the available options for transition.

Other
The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:
- AASB 2014-10 *Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;*
- IFRIC 22 *Foreign currency transactions and Advance consideration;*
- IFRIC 23 *Uncertainty over Income Tax Treatments; and*
- *AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments.*

Directors' Declaration
for the half-year ended 31 December 2017

In the opinion of the Directors' of Downer EDI Limited:

(a) the condensed consolidated half-year Financial Report and notes set out on pages 23 to 53, are in accordance with the *Corporations Act 2001* (Cth), including:
   - (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the six month period ended on that date; and
   - (ii) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001* ; and

(b) there are reasonable grounds to believe that the Company 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

R M Harding
Chairman

Sydney, 21 February 2018

Downer EDI Limited
ABN 97 003 872 848

Triniti Business Campus
39 Delhi Road
North Ryde NSW 2113

1800 DOWNER
www.downergroup.com

Media/ASX and NZX Release

21 February 2018

DOWNER DELIVERS STRONG RESULT MAINTAINS FULL YEAR GUIDANCE

Downer EDI Limited (Downer) today announced its financial results for the six months to 31 December 2017.

- Total revenue of $6.1 billion, up 69.3% (up 20.6% on a pro forma basis);
- Underlying earnings before interest, tax and amortisation of acquired intangible assets (EBITA) of $222.3 million, up 79.0% (up 14.5% on a pro forma basis);
- Underlying earnings before interest and tax (EBIT) of $191.6 million, up 58.6% (up 3.2% on a pro forma basis);
- Underlying net profit after tax and before amortisation of acquired intangible assets (NPATA) of $132.0 million, up 63.8% (up 12.7% on a pro forma basis);
- Statutory NPATA of $5.7 million after $126.3 million of individually significant items;
- Statutory net loss after tax of $15.9 million after deducting post-tax amortisation of acquired intangible assets of $21.6 million;
- Operating cash flow of $307.1 million, representing cash conversion of 88% of earnings before interest, tax, depreciation and amortisation (EBITDA);
- Gearing (including Spotless) of 24.6% (27.0% including off-balance sheet debt);
- Available liquidity of $1.4 billion;
- Work-in-hand of $39.2 billion; and
- Lost Time Injury Frequency Rate of 0.69 per million hours worked; Total Recordable Injury Frequency Rate of 3.38 per million hours worked.

The references to “a pro forma basis” above mean that Spotless’ contribution for the period 1 July 2016 to 31 December 2016 has been included to allow comparison of the combined Downer and Spotless results as if the acquisition of Spotless had occurred on 1 July 2016.

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

A full reconciliation from the underlying result to the statutory result is provided on slide 13 of the Investor Presentation.

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

Transport
Total revenue of $1.2 billion, up 35.9%
EBITA of $55.6 million, up 34.3%
Work-in-hand of $5.7 billion

Rail
Total revenue of $543.9 million, up 36.1%
EBITA of $18.0 million, up 28.6%
Work-in-hand of $8.7 billion

Mining
Total revenue of $689.5 million, up 8.5%
EBITA of $20.9 million, down 52.9%
Work-in-hand of $2.0 billion

Utilities
Total revenue of $851.9 million, up 23.8%
EBITA of $45.8 million, up 7.8%
Work-in-hand of $2.8 billion

Engineering, Construction & Maintenance
Total revenue of $1.2 billion, up 27.3%
EBITA of $36.7 million, up 35.4%
Work-in-hand of $2.5 billion

Spotless
Total revenue of $1.5 billion, up 6.0%
EBITA of $78.6 million, up 12.4%
Work-in-hand of $17.5 billion

The Chief Executive Officer of Downer, Grant Fenn, said he was very pleased that Downer had maintained its target of delivering consolidated underlying NPATA of $295 million before minority interests for the full financial year, despite the sale of the freight rail business and a significantly softer result from the Mining service line.

"Our Transport service line performed strongly once again, growing both revenue and EBIT," Mr Fenn said. "This growth was driven by the Roads business in both Australia and New Zealand and ongoing government investment in transport infrastructure projects. We expect this investment to continue and the outlook for Transport remains positive."

Growth in the Utilities service line continues to be driven by increased nbn™ volumes, while the performance of the New Zealand Communications and Water businesses has improved. The environment for Renewables remains competitive and this has impacted margins.

The growth achieved by the Rail service line was driven by two major projects, High Capacity Metro Trains in Victoria and Sydney Growth Trains in New South Wales, while the long term Waratah and Millennium maintenance contracts also continued to perform well.

Downer announced on 21 November 2017 that it had entered into an agreement to sell its freight rail business to Progress Rail, a Caterpillar company and the world's leading manufacturer of diesel-electric locomotives, for $109 million. The sale was completed on 2 January 2018.

"It is very pleasing that the loss of earnings from the sale of our freight rail business will be offset in the second half of the year by contributions from the major Rail projects, our passenger rolling stock business and Keolis Downer," Mr Fenn said.

"Downer is Australia's leading provider of passenger rolling stock asset management services and we are very well placed to drive reliable and safe services to the fast growing and dynamic public transport sector."

The Gorgon and Wheatstone gas projects continued to make a strong contribution to the performance of Engineering, Construction & Maintenance (EC&M), while Downer also ramped up its activities at the Ichthys gas project. The Mineral Technologies consultancy, which has been challenged in recent years, delivered a significantly improved performance.

EC&M’s result included a full six month contribution from Hawkins, which has been performing well since its acquisition in March 2017. On 11 December 2017, a Downer-Ausenco joint venture was awarded a contract by OZ Minerals Carrapateena Pty Ltd for work at the Carrapateena copper gold mine project in South Australia.

On 5 February 2018, Downer announced a $77 million impairment of Mining goodwill. This charge is a non-cash item and has been disclosed as an individually significant non-recurring item. It has no impact on cash flow or the company’s existing operations.

The significant fall in EBITA for the Mining service line is predominantly due to the conclusion of the Christmas Creek contract in the prior corresponding period. Pleasingly, on 20 December 2017 Downer was awarded a five year contract valued at approximately $400 million to provide mining services at the Gruyere Gold Project in Western Australia.

“The earnings for Spotless in the six month period are in line with Downer’s business case, cost synergies are expected to exceed our original estimates and integration continues to progress very well,” Mr Fenn said.

Spotless and Downer continue to focus on the Royal Adelaide Hospital contract which, as reported in November, is an underperforming contract that is currently cash negative. Spotless and Downer are working hard to address the various issues and turn the contract performance around. Commercial discussions are continuing with the customer.

Safety

Downer continues to perform well against key health and safety indicators with a Lost Time Injury Frequency Rate of 0.69 per million hours worked and a Total Recordable Injury Frequency Rate of 3.38 per million hours worked.

Dividend

The Downer Board resolved to pay an interim dividend of 13.0 cents per share, 50% franked, (12.0 cents per share fully franked in the prior corresponding period) payable on 4 April 2018 to shareholders on the register at 7 March 2018. The unfranked portion of the dividend (50%) 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 consolidated underlying NPATA of $295 million before minority interests for the 2018 financial year. This includes underlying NPATA of $202 million for Downer and $93 million for Spotless.

For further information please contact:

Michael Sharp, Group Head of Corporate Affairs and Investor Relations +61 439 470145

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 approximately 56,000 people across more than 300 sites, primarily in Australia and New Zealand, but also in the Asia-Pacific region, South America and Southern Africa. It also owns 88 per cent of Spotless Group Holdings Limited. For more information visit downergroup.com

Downer
Relationships creating success

Downer Half Year Results | 21 February 2018

INVESTOR PRESENTATION

OVERVIEW

- Total revenue[1] $6.1 billion, up 69.3% (up 20.6% on a pro forma basis)
- Underlying Earnings Before Interest, Tax and Amortisation of acquired intangible assets (EBITA) $222.3 million, up 79.0% (up 14.5% on a pro forma basis)
- Underlying Earnings Before Interest and Tax (EBIT) $191.6 million, up 58.6% (up 3.2% on a pro forma basis)
- Statutory Net Profit After Tax before Amortisation of acquired intangible assets (NPATA) of $5.7 million, after $126.3 million of individually significant items
- Underlying NPATA of $132.0 million, up 63.8% (up 12.7% on a pro forma basis)
- Statutory Net Loss After Tax of $15.9 million after deducting post-tax amortisation of acquired intangible assets of $21.6 million

The references to ‘a pro forma’ basis above mean that Spotless’ contribution for the period 1 July 2016 to 31 December 2016 has been included to allow comparison of the combined Downer and Spotless results as if the acquisition had occurred on 1 July 2016.

All figures above include 100% contribution from Spotless, before minority interest. A full reconciliation from underlying to statutory results is provided on slide 13.

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

OVERVIEW (continued)

- Operating cash flow $307.1 million, EBITDA conversion 88%
- Net debt[1] $1,046.9 million (including $806.6 million from Spotless)
- Liquidity of $1,375.4 million (Downer $1,111.5 million; Spotless $263.9 million)
- Gearing (including Spotless) 24.6%[2], 27.0% including off balance sheet debt
- Work in hand[3] $39.2 billion (Downer $21.7 billion, Spotless $17.5 billion)
- Interim dividend declared: 13.0 cps, 50% franked; no Dividend Reinvestment Plan
- LTIFR[4] of 0.69, up from 0.55 at 31 December 2016; TRIFR[5] of 3.38, down from 3.61 at 31 December 2016

1 Adjusted for the mark-to-market of derivatives and deferred finance charges.

2 Gearing = Net debt / net debt + equity.

Gearing of 22.6% post-Freight Rail divestment.

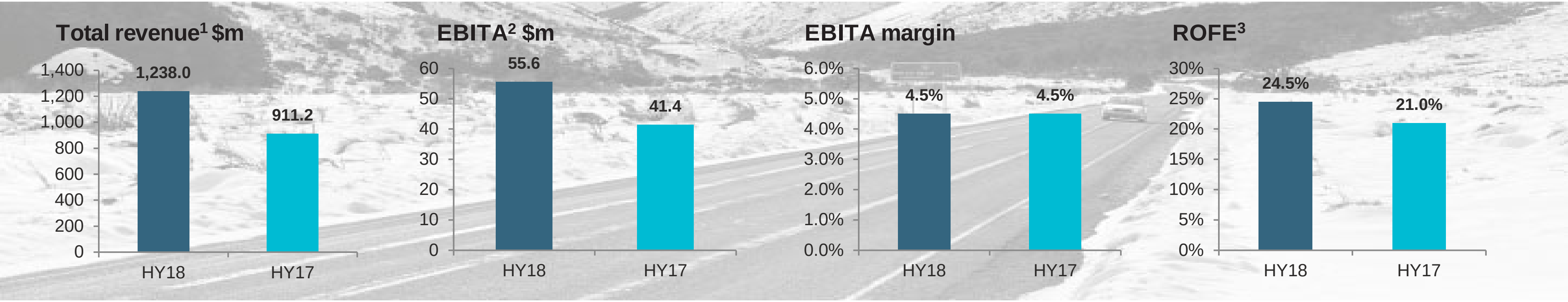
Gearing including off-balance sheet debt based on present value of plant and equipment operating leases discounted at 10% pa: $139.2m (June 2017: $151.5m).

3 Work-in-hand numbers are unaudited.

4 Lost Time Injury Frequency Rate - the number of lost time injuries (LTIs) per million hours worked.

5 Total Recordable Injury Frequency Rate – the number of LTIs and medically treated injuries per million hours worked.

TRANSPORT



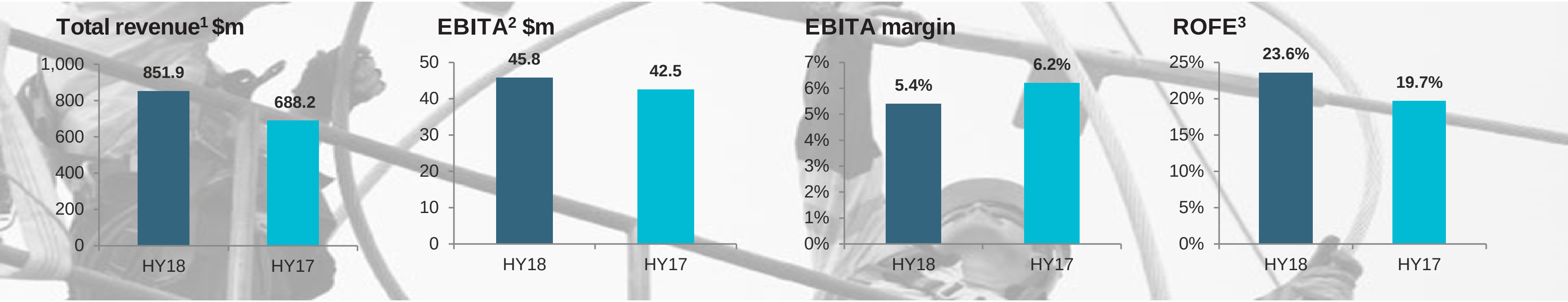
- Growth driven by:
  - strong performance by the Roads business in Australia and New Zealand
  - ongoing Government investment in transport infrastructure projects in Australia
- Continuing good performance in New Zealand, including Kaikoura earthquake recovery works

1 Total revenue includes joint ventures and other income.

2 Downer calculates EBITA adjusting EBIT to add back acquired intangible assets amortisation expenses. HY18: $0.1m (HY17: $nil).

3 ROFE = EBITA divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

UTILITIES



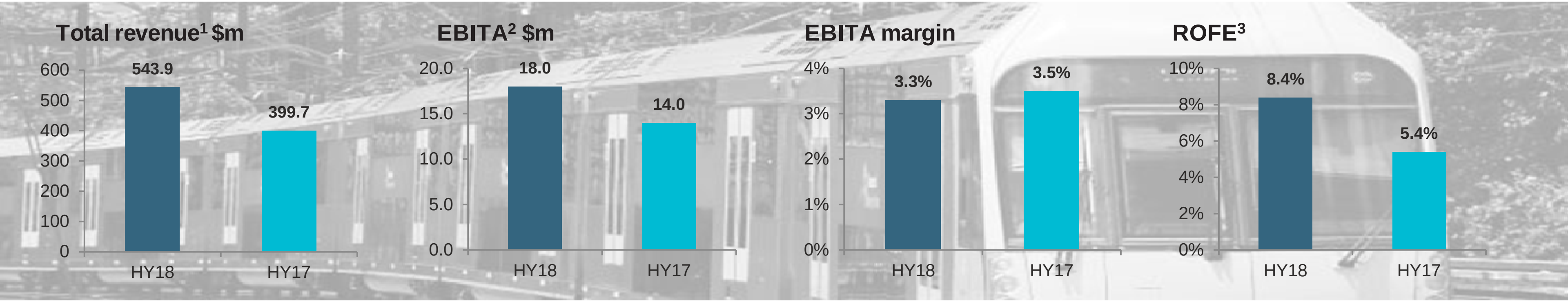
- Growth driven by increased nbn™ volumes
- Environment for Renewables remains very competitive, impacting margins
- Improved performance from Communications and Water businesses in New Zealand
- Increased opportunities for Power business in Australia

1 Total revenue includes joint ventures and other income.

2 Downer calculates EBITA adjusting EBIT to add back acquired intangible assets amortisation expenses. HY18: $0.8m (HY17: $nil).

3 ROFE = EBITA divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

RAIL



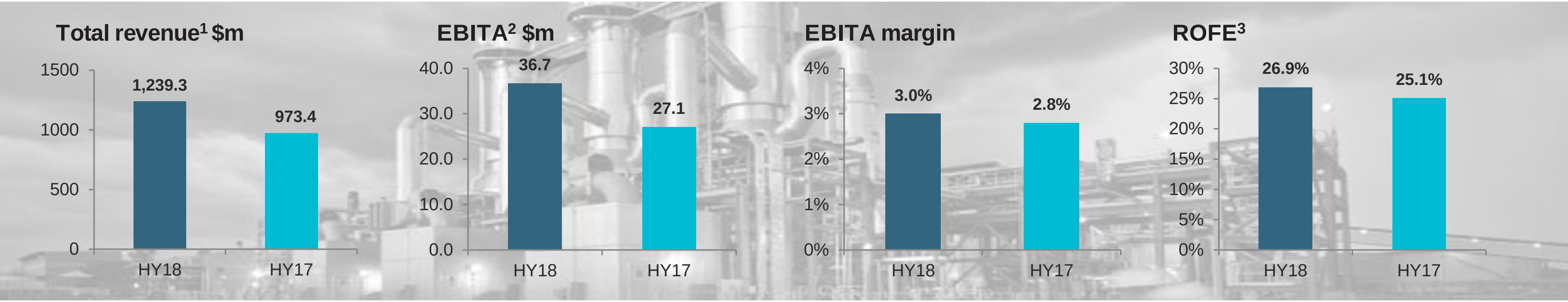
- Major projects (Sydney Growth Trains, High Capacity Metro Trains) performing well – first Sydney Growth Train has left Dalian port
- Continuing strong performance on maintenance contracts (Waratah TLS, Millennium)
- Keolis Downer awarded seven year extension to operate Yarra Trams franchise
- Loss of earnings from sale of freight rail (completed 2 January 2018) will be offset in the second half of the year by contributions from major projects, passenger rail business and Keolis Downer

1 Total revenue includes joint ventures and other income.

2 Downer calculates EBITA adjusting EBIT to add back acquired intangible assets amortisation expenses. HY18: $nil (HY17: $nil).

3 ROFE = EBITA divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

ENGINEERING, CONSTRUCTION & MAINTENANCE



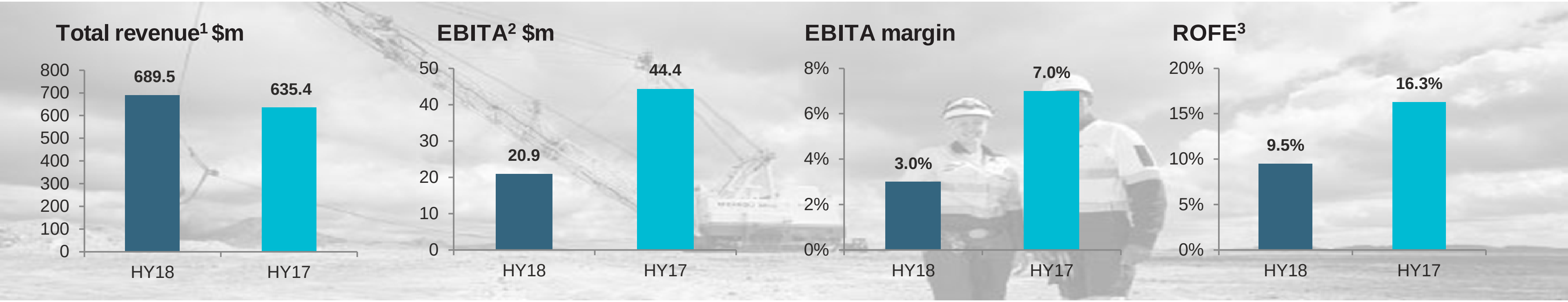
- Strong contributions from LNG construction contract extensions at Gorgon, Wheatstone and Ichthys
- Full six month contribution from Hawkins (acquired March 2017)
- Strong growth of Maintenance business – diverse portfolio of long term service contracts in oil & gas, resources, and power generation sectors
- New construction wins – BHP Iron Ore and Oz Minerals' Carrapateena project (gold and copper)
- Continued growth in Defence Engineering (AGIS) and Minerals Technology consultancies

1 Total revenue includes joint ventures and other income.

2 Downer calculates EBITA adjusting EBIT to add back acquired intangible assets amortisation expenses. HY18: $0.2m (HY17: $nil).

3 ROFE = EBITA divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

MINING



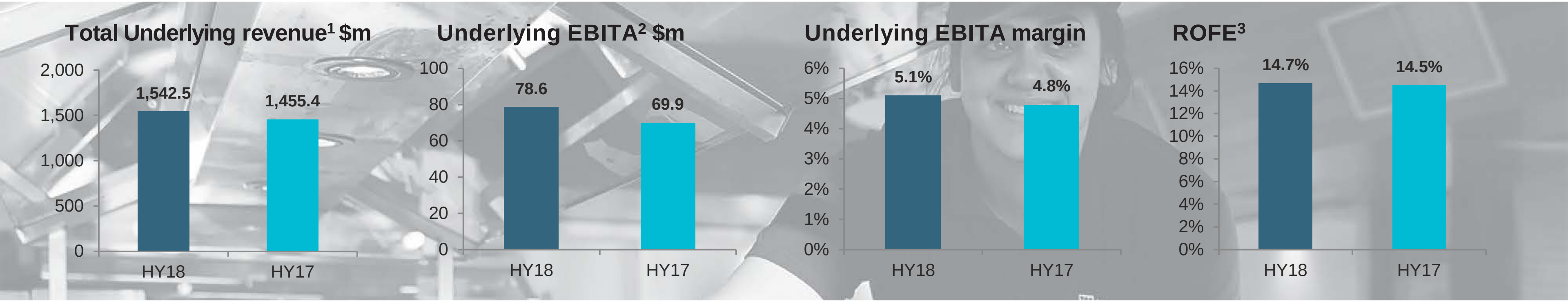
- $77 million non-cash charge for impairment of Mining goodwill (announced 5 February)
- Significant EBITA reduction primarily due to conclusion of Christmas Creek contract (September 2016)
- Volume increases at Roy Hill and Goonyella
- Gruyere Gold Project commences in early 2018 (approximately $400 million over five years)

1 Total revenue includes joint ventures and other income.

2 Downer calculates EBITA adjusting EBIT to add back acquired intangible assets amortisation expenses. HY18: $nil (HY17: $nil).

3 ROFE = EBITA divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

SPOTLESS



- Earnings for the six month period in line with Downer's business case
- Cost synergies expected to exceed original estimates and revenue opportunities are significant
- Integration continues to progress well and quickly
- Key process and management changes

1 Total revenue includes joint ventures and other income.

2 Downer calculates EBITA adjusting EBIT to add back acquired intangible assets amortisation expenses. HY18: $5.5m (HY17: $5.1m).

3 ROFE = EBITA divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

ROYAL ADELAIDE HOSPITAL

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- Key Challenge
  - Higher number of FTEs to meet additional scope
  - Currently cash negative
- Commercial discussions ongoing
- Spotless improvement plan in action

GROUP FINANCIALS

Relationships creating success

UNDERLYING FINANCIAL PERFORMANCE

Downer
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$m	Downer	Spotless[1]	Acquisition Adjustment	Combined Group HY18	Pro forma HY17[2]	Change (%)
Total revenue[3]	4,558.0	1,542.5	-	6,100.5	5,058.4	20.6
EBITDA	253.8	123.0	-	376.8	346.9	8.6
EBITA[4]	143.7	78.6	-	222.3	194.1	14.5
EBIT	139.2	73.1	(20.7)	191.6	185.6	3.2
Net interest expense	(16.6)	(20.4)	(4.0)	(41.0)	(33.9)	(20.9)
Tax expense	(32.0)	(15.6)	7.4	(40.2)	(40.5)	0.7
Net profit after tax	**90.6**	**37.1**	**(17.3)**	**110.4**	**111.2**	**(0.7)**
NPATA[4]	93.8	41.0	(2.8)	132.0	117.1	12.7
EBITA margin	3.2%	5.1%		3.6%	3.8%	(0.2)
Effective tax rate	26.1%	29.6%	30.0%	26.7%	26.7%	-
ROFE[5]				11.3%		
Dividend declared (cps)				13.0	12.0	8.3
Ordinary Dividend payout ratio[6]				60.4%		

1. Represents 100% contribution before minority interests.
2. Includes statutory HY17 for Downer and underlying HY17 for Spotless.
3. Total revenue includes joint ventures and other income.
4. Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expenses. HY18: $30.7m , $21.6m after-tax (HY17: $8.5m, $5.9m after-tax).
5. ROFE = EBITA divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt + Equity. HY18 ROFE based on ‘a pro forma’ 12 month rolling underlying EBITA of $480.6m for the Combined group (Downer $300.1m plus Spotless underlying EBITA of $180.5m) divided by the closing funds employed as at 31 December 2017.
6. Ordinary dividend payout ratio = Dividends divided by (NPATA – ROADS dividend).

RECONCILIATION OF UNDERLYING TO STATUTORY RESULT

Downer
Relationships creating success

1H18 $m	EBIT	Net interest expense	Tax expense	NPAT	Add back: Amortisation Post-Tax	NPATA
Underlying result	**191.6**	**(41.0)**	**(40.2)**	**110.4**	**21.6**	**132.0**
Loss on divestment of freight rail	(49.3)	-	9.3	(40.0)	-	(40.0)
Mining goodwill impairment	(76.4)	-	-	(76.4)	-	(76.4)
Spotless integration costs	(3.4)	-	0.8	(2.6)	-	(2.6)
Spotless Management redundancies and integration costs	(3.1)	-	0.9	(2.2)	-	(2.2)
Spotless residual Strategy Reset costs	(7.1)	-	2.0	(5.1)	-	(5.1)
Individually Significant Items	(139.3)	-	13.0	(126.3)	-	(126.3)
Statutory result	**52.3**	**(41.0)**	**(27.2)**	**(15.9)**	**21.6**	**5.7**

Note:

- Results represent 100% contribution before minority interests.
- Downer's statutory results are reported under International Financial Reporting Standards. Earnings before individually significant items (ISI) is a non-IFRS measure reported to provide a greater understanding of the underlying business performance of the Group. ISI are detailed in Note B2(c) of the Half Year Financial Report and relate to amounts of expense that are associated with business disposal, impairment of goodwill and Spotless related transactions.

OPERATING CASH FLOW

$m	Downer	Spotless	Combined Group HY18	Pro forma HY17
EBIT [1]	118.5	73.1	191.6	185.6
Add: depreciation & amortisation	135.3	49.9	185.2	161.3
EBITDA[1]	253.8	123.0	376.8	**346.9**
Operating cash flow	**266.6**	**40.5**	**307.1**	**317.2**
Add: Net interest paid[2]	18.1	16.2	34.3	30.8
Tax paid / (received)	(15.1)	5.8	(9.3)	(20.0)
Adjusted operating cash flow	**269.6**	**62.5**	**332.1**	**328.0**
EBITDA conversion	**106.2%**	**50.8%**	**88.1%**	**94.6%**
Add back: Spotless transaction costs	10.0	13.1	23.1	-
Underlying operating cash flow	**279.6**	**75.6**	**355.2**	**328.0**
Normalised EBITDA conversion	**110.2%**	**61.5%**	**94.3%**	**94.6%**

1 Underlying.

2 Interest and other costs of finance paid minus interest received.

CASH FLOW

$m	Downer	Spotless	Combined Group HY18	Pro forma HY17
Total operating	**266.6**	**40.5**	**307.1**	**317.2**
Net capital expenditure	(151.1)	(37.3)	(188.4)	(95.4)
Spotless acquisition [1]	(391.8)	-	(391.8)	-
Other acquisitions	(17.6)	(20.0)	(37.6)	(75.7)
IT Transformation and Other	(34.1)	4.5	(29.6)	(17.3)
Total investing	**(594.6)**	**(52.8)**	**(647.4)**	**(188.4)**
Issue of shares (net of costs)	(0.2)	-	(0.2)	-
Net proceeds / (repayment) of borrowings	38.2	25.5	63.7	14.2
Dividends paid	(75.3)	-	(75.3)	(110.2)
Total financing	**(37.3)**	**25.5**	**(11.8)**	**(96.0)**
Net (decrease) / increase in cash held	(365.3)	13.2	(352.1)	32.8
Cash at 31 December	**411.5**	**78.9**	**490.4**	**656.0**
Total liquidity[2]	**1,111.5**	**263.9**	**1,375.4**	**1,311.0**

1 The amount represents gross consideration paid during the period to achieve 87.8% interest in Spotless.

2 Refer to slide 23 for details.

DEBT MATURITY PROFILE - DOWNER ONLY
(by limit as at 31 December 2017)

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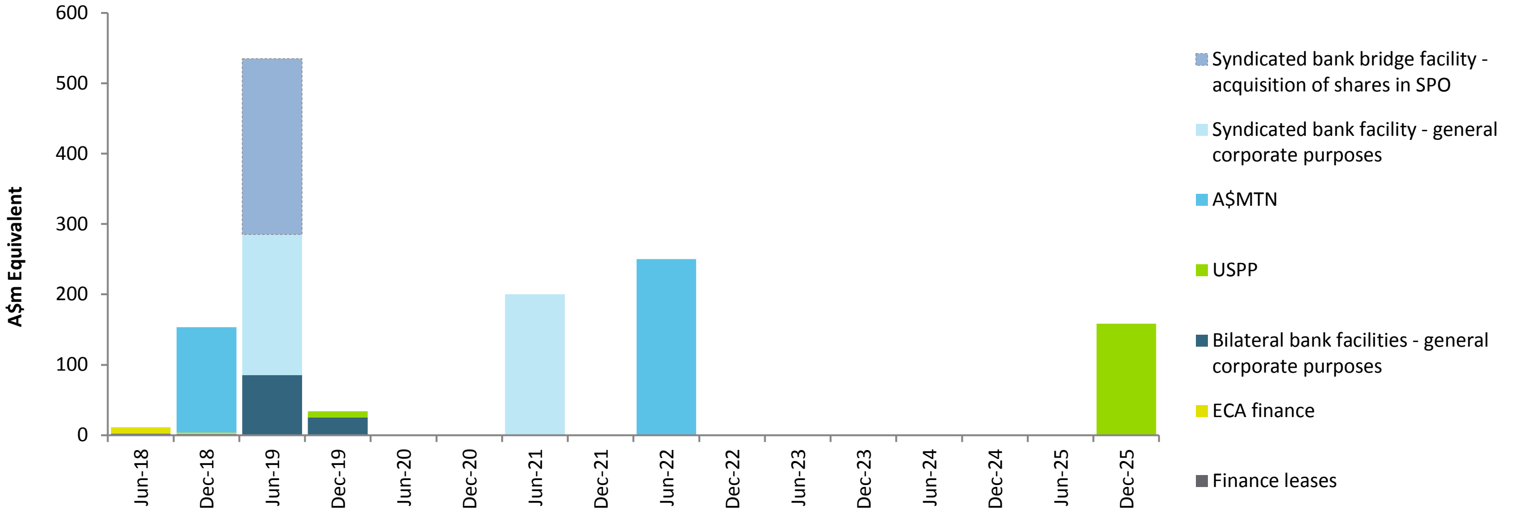
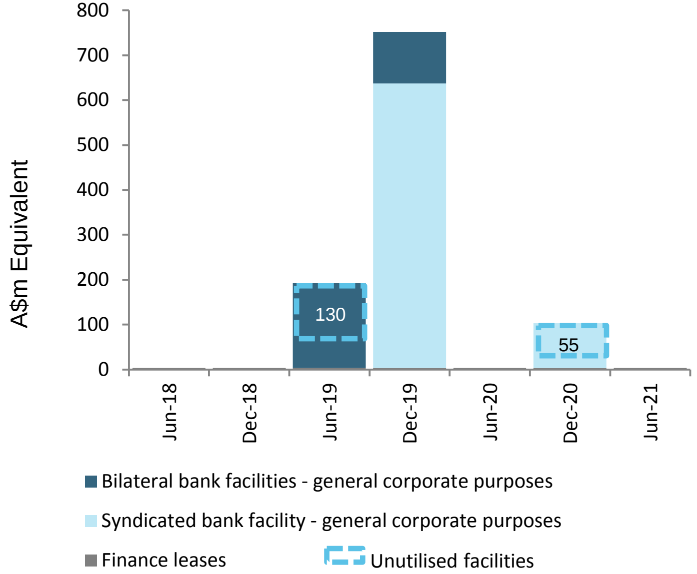
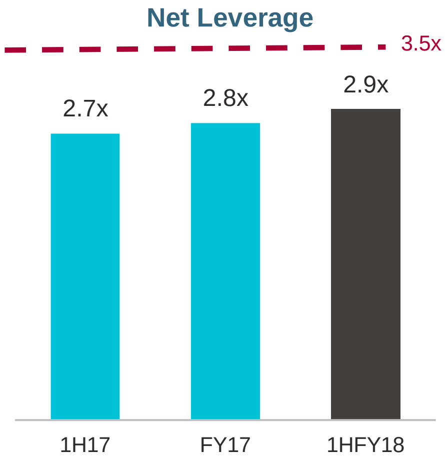


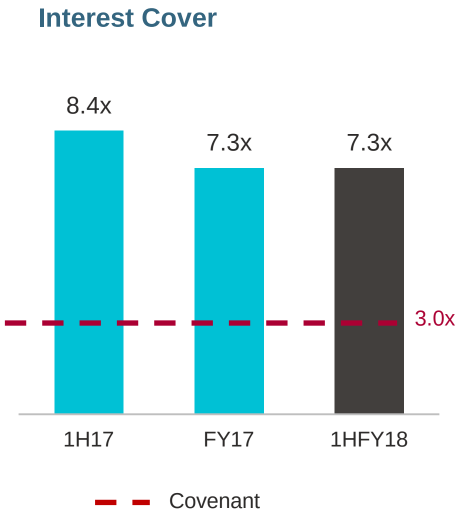
1. The maturity profile is based on contractual facility maturity dates.
2. The maturity profile above excludes debt that has been assumed pursuant to the consolidation of Spotless.
3. Weighted average debt duration = 3.17 years (June 2017 = 3.60 years) and including $250.0m facility for acquisition of Spotless shares = 2.81 years (June 2017 = 3.02 years).
4. Undrawn $700m (including $190m syndicated bank bridge facility for acquisition of Spotless shares).
5. Syndicated bank bridge facility for acquisition of Spotless shares: maturity date of March 2019 is subject to Downer exercising its two six month extension options at March 2018 and September 2018.
6. The syndicated bank bridge facility was cancelled subsequent to 31 December 2017 at the discretion of Downer.

DEBT MATURITY PROFILE – SPOTLESS ONLY
(by limit as at 31 December 2017)



DEBT COVENANTS





1. The maturity profile is based on contractual facility maturity dates.
2. Weighted average debt duration = 1.67 years (June 2017 = 1.85 years).
3. Leverage ratio includes allowance adjustments to EBITDA for the purposes of debt covenant metrics.

BALANCE SHEET AND CAPITAL MANAGEMENT

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$m	Dec 17	June 17 [4]
Current assets	2,691.5	2,975.8
Non-Current assets	4,583.4	4,608.8
Goodwill	2,307.7	2,341.1
Acquired intangible assets	447.0	469.5
PP&E, software and other	1,828.7	1,798.2
Total liabilities	(4,068.8)	(3,998.1)
Net Assets	3,206.1	3,586.5
Net debt[1]	1,046.9	620.2
Gearing: net debt to net debt plus equity	24.6%	14.7%
Gearing (including off balance sheet debt)[2]	27.0%	17.7%
Interest cover	6.2x	10.0x
Net debt / EBITDA	1.3	1.2
Adjusted Net Debt / adjusted EBITDAR[3]	2.3 x	2.4 x

1 Adjusted for the mark-to-market of derivatives and deferred finance charges.

2 Gearing including off-balance sheet debt based on present value of plant and equipment operating leases discounted at 10% pa: $139.2m (June 2017: $151.5m).

3 Adjusted Net Debt includes Net Debt plus 6x operating lease expenses in the year. Adjusted EBITDAR equals underlying earnings before interest, tax, depreciation, amortisation and operating lease expense (on a pro forma rolling 12 month basis).

4 June 2017 opening balances were restated to reflect the impact of acquisition accounting adjustments made during the period.

OUTLOOK

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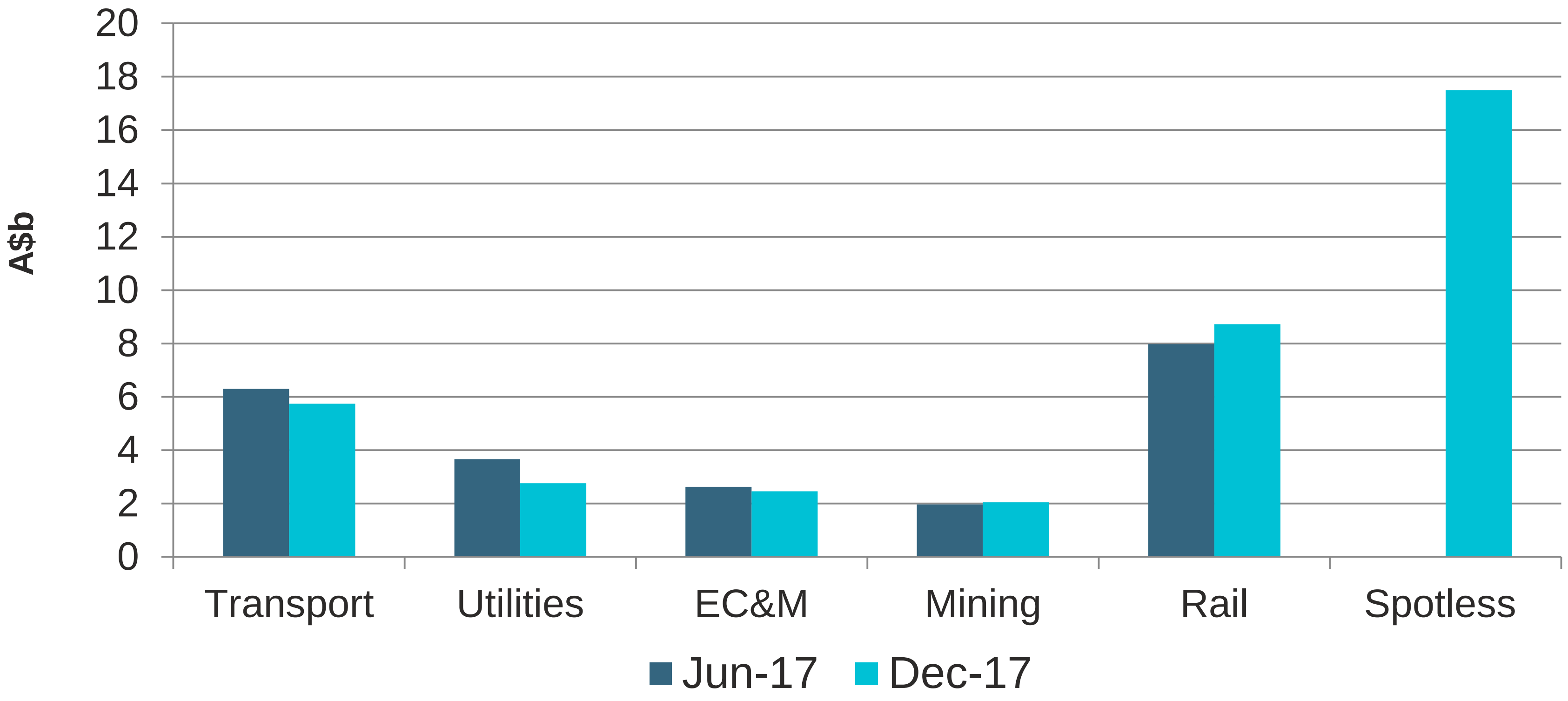
WORK-IN-HAND $39.2 BILLION



OUTLOOK

Downer is targeting consolidated underlying net profit after tax and before amortisation of acquired intangible assets (NPATA) of $295 million before minority interests.

This includes:

- underlying NPATA of $202 million for Downer; and
- underlying NPATA of $93 million for Spotless.

SUPPLEMENTARY INFORMATION

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DEBT AND BONDING FACILITIES

Debt facilities $m	DOW	SPO	Group
Total limit	1,351.8[1]	1,070.5	2,422.3
Drawn	(651.8)	(885.5)	(1,537.3)
Available	**700.0** [1]	**185.0**	**885.0**
Cash	411.5	78.9	490.4
Total liquidity	**1,111.5**	**263.9**	**1,375.4**

Bonding facilities $m	DOW	SPO	Group
Total limit	1,720.1	181.0	1,901.1
Drawn	(1,009.8)	(151.3)	(1,161.1)
Available facilities	**710.3**	**29.7**	**740.0**

Group debt facilities by type	%
Syndicated bank facilities :	
- General corporate purposes	47
- SPO acquisition [1]	10
A$MTN	17
Bilateral bank facilities	17
USPP	7
Other	2
	100

Group debt facilities by geography	%
Australia / NZ	87
North America	8
Asia [2]	4
Europe [2]	1
	100

1. Includes $250.0m syndicated bank bridge loan facility for acquisition of Spotless shares; $60.0m drawn as at 31 December 2017. Subsequent to 31 December 2017, the $60.0m amount drawn under this facility has been repaid and the facility limit has been cancelled at the election of Downer.

2 Includes A$ Medium Term Notes sold to Asian and European domiciled investors measured at financial close of the transaction.

SEGMENT REPORTING

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HY18								
$m	**Transport**	**Utilities**	**Spotless**	**Rail**	**EC&M**	**Mining**	**Unallocated**	**Total**
Segment revenue	1,206.4	851.9	1,539.0	317.0	1,225.0	668.4	(4.6)[1]	5,803.1
Share of sales from JVs and Associates[2]	31.6	-	3.5	226.9	14.3	21.1	-	297.4
Total revenue[2]	1,238.0	851.9	1,542.5	543.9	1,239.3	689.5	(4.6)	6,100.5
EBITDA	73.9	51.7	123.0	24.3	43.3	88.0	(27.4)	376.8
EBITA[3]	55.6	45.8	78.6	18.0	36.7	20.9	(33.3)	222.3
EBIT	55.5	45.0	73.1	18.0	36.5	20.9	(57.4)	191.6
Individually Significant Items	-	-	-	-	-	-	(139.3)	(139.3)
Statutory EBIT	55.5	45.0	73.1	18.0	36.5	20.9	(196.7)	52.3
EBITA margin	*4.5%*	*5.4%*	*5.1%*	*3.3%*	*3.0%*	*3.0%*		*3.6%*
Net interest expense								(41.0)
Tax expense								(27.2)
Net profit after tax								(15.9)
Underlying NPAT[4]								110.4
Underlying NPATA[3]								132.0

1. Includes intra eliminations and other income
2. This is a non-statutory disclosure as it relates to/includes Downer's share of revenue from equity accounted joint ventures and associates.
3. Downer calculates EBITA and NPATA by adjusting EBIT and NPAT by adding back acquired intangible assets amortisation expenses. HY18: $30.7m , $21.6m after-tax (HY17: $8.5m, $5.9m after-tax).
4. Downer calculates Underlying NPAT by adjusting NPAT by post-tax individually significant items of $126.3m.