Downer EDI Limited
ABN 97 003 872 848

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39 Delhi Road
North Ryde NSW 2113

1800 DOWNER
www.downergroup.com

7 February 2019

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 2018;
2. Condensed Consolidated Half-year Financial Report dated 31 December 2018;
3. Market release dated 7 February 2019; and
4. Investor Presentation.

Yours sincerely,
Downer EDI Limited

Robert Regan
Company Secretary

Results for announcement to the market
for the half-year ended 31 December 2018

Appendix 4D

	31 Dec 2018 $'m	31 Dec 2017 $'m	% change
Revenue from ordinary activities	**6,304.6**	5,798.5	
Other income	**19.9**	4.6	
Total revenue and other income from ordinary activities	**6,324.5**	5,803.1	9.0%
Total revenue including joint ventures and other income	**6,623.0**	6,100.5	8.6%
Earnings before interest and tax	**236.6**	52.3	352.4%
Earnings before interest and tax and amortisation of acquired intangible assets (EBITA)	**268.0**	83.0	222.9%
Profit / (loss) from ordinary activities after tax attributable to members of the parent entity	**134.2**	(11.1)	1309.0%
Profit from ordinary activities after tax before amortisation of acquired intangible assets (NPATA)	**163.4**	5.7	2766.7%

	31 Dec 2018 cents	31 Dec 2017 cents	% change
Basic earnings per share	**22.0**	(2.6)	946.2%
Diluted earnings per share[(i)]	**21.7**	(2.6)	934.6%
Net tangible asset backing per ordinary share	**(17.7)**	36.1	(149.0%)

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

Dividend	**31 Dec 2018 Interim**	31 Dec 2017 Interim
Dividend per share (cents)	**14.0**	13.0
Franked amount per share (cents)	**7.0**	6.5
Conduit foreign income (CFI)	**50%**	50%
Dividend record date	**21/02/2019**	7/03/2018
Dividend payable date	**21/03/2019**	4/04/2018

Redeemable Optionally Adjustable Distributing Securities (ROADS)

Dividend per ROADS (in Australian cents)	**2.06**	1.99
New Zealand imputation credit percentage per ROADS	**100%**	100%

ROADS payment date	**Quarter 1**	**Quarter 2**
Instalment date FY2019	**17/09/2018**	**17/12/2018**
Instalment date FY2018	15/09/2017	15/12/2017

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

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

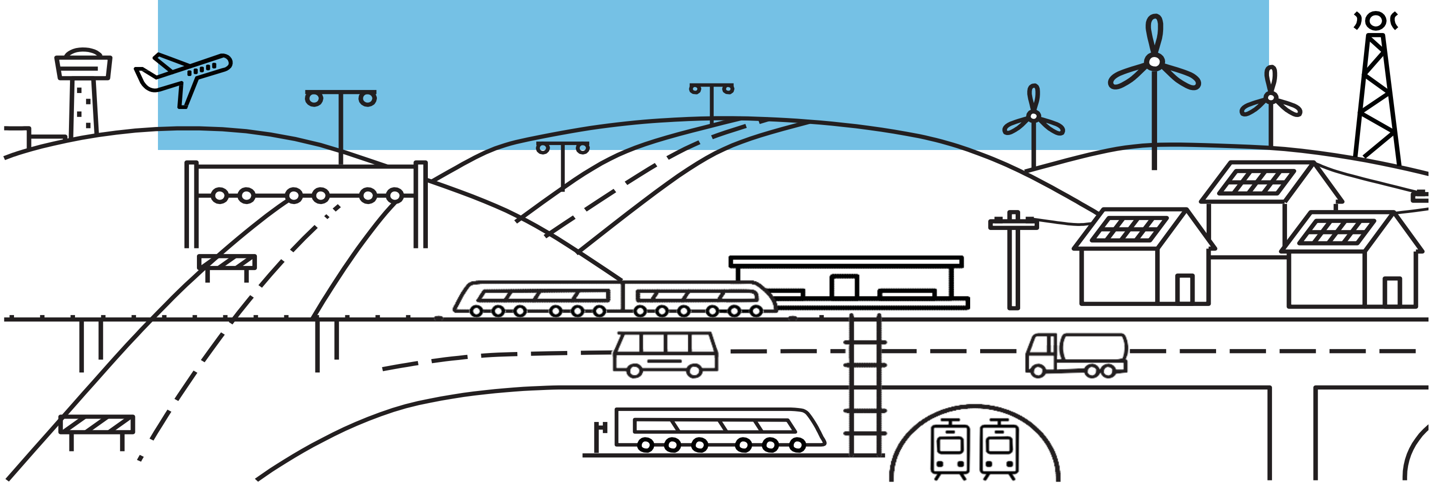
Downer EDI Limited

ABN: 97 003 872 848

Condensed Consolidated Financial Report

for the half-year

ended 31 December 2018



Condensed Consolidated Financial Report
for the half-year ended 31 December 2018

Contents

DIRECTORS' REPORT
For the half-year ended 31 December 2018

The Directors of Downer EDI Limited (Downer) submit the condensed consolidated financial report of the Company for the half-year ended 31 December 2018. 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)

N M Hollows (Independent Non-executive Director)

C G Thorne (Independent Non-executive Director)

REVIEW OF OPERATIONS

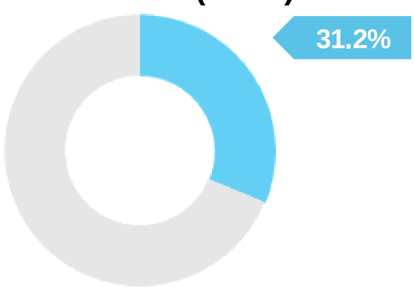
PRINCIPAL ACTIVITIES

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 more than 53,000 people, mostly in Australia and New Zealand but also in the Asia-Pacific region, South America and Southern Africa. Downer reports its results under five service lines and an outline of each service line is set out below.

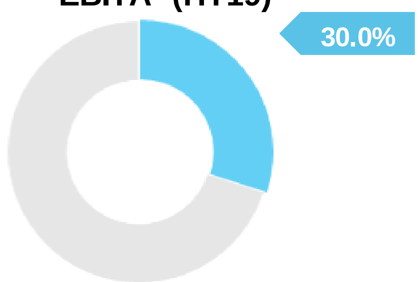
TRANSPORT

Transport comprises Downer's Road Services, Transport Infrastructure, and Rail businesses.

Total revenue[1] (HY19)



EBITA[2] (HY19)



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.

Transport Infrastructure

Transport Infrastructure includes rail construction, light rail construction, rail systems, transport mechanical and electrical construction, car park construction, airport pavements, port construction and associated maintenance services.

Rail

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

Downer's track record spans 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.

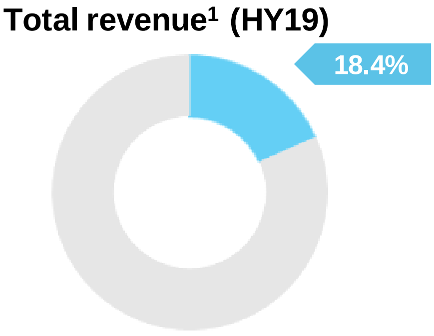
The Keolis Downer joint venture is Australia's largest private provider of multi-modal public transport solutions, with contracts to operate and maintain Yarra Trams in Melbourne, the Gold Coast light rail system in Queensland, and a new integrated public transport system for the city of Newcastle in New South Wales. Keolis Downer is also one of Australia's most significant bus operators with operations in South Australia, Western Australia and Queensland. Keolis Downer provides more than 210 million passenger trips each year.

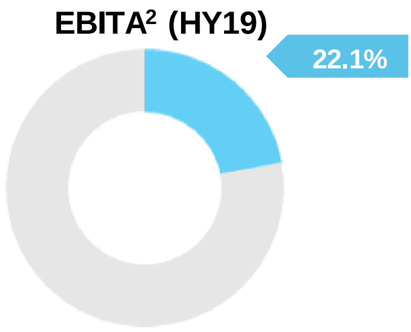
Downer's Rail customers include Sydney Trains, Transport for NSW, Public Transport Authority (WA), Metro Trains Melbourne, Public Transport Victoria, and Queensland Rail.

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.

UTILITIES

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





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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 and connects tens of thousands of new power and gas customers each year for customers across all States of Australia and both islands in New Zealand. Downer also designs and constructs steel lattice transmission towers, designs and builds substations, and maintains large and complex power and gas reticulation networks.

Customers include AusNet, ElectraNet, 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, water re-use, 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.
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 Horowhenua Council (Alliance).

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 and solar farms.

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

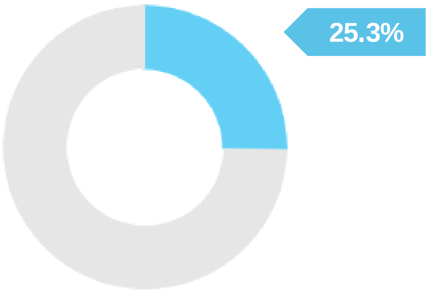
Communications

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, Enable and Vodafone.

FACILITIES

The Facilities service line operates in Australia and New Zealand providing outsourced facility services, hospitality, catering and laundry services, building, technical and engineering services, maintenance and asset management services and refrigeration solutions to various industries.

Total revenue[1] (HY19)



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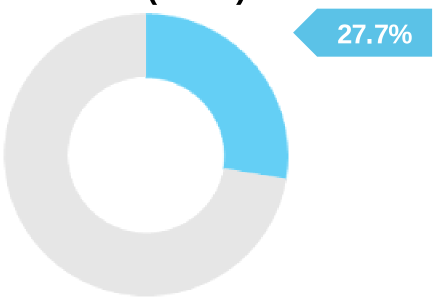

Facilities

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Facilities delivers 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.

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

Its customers include corporations and government departments, agencies and authorities at the Federal, State and Municipal level.

Infrastructure & Construction

M&E (mechanical and electrical) and HVAC (heating, ventilation and air conditioning) services are provided to customers in markets including health, education, commercial & industrial, defence, justice and transport.

AE Smith and Nuvo provide services across the asset lifecycle from design through to commissioning, fine-tuning and maintenance to more than 2,000 commercial facilities in Australia and New Zealand.

Key customers include Probuild, Watpac, Lendlease, John Holland, Crown Casino, Honeywell and University of Melbourne.

Government

Integrated facilities management, business process outsourcing, and operational support services are provided to a range of government customers.

Key customers include NSW Department of Education, Victorian Department of Education, SA Department of Planning, Transport and Infrastructure, SA Health, The Housing Authority of WA and Children's Health Partnership.

Hospitality & Facilities Management

Integrated facilities management services are provided to customers in markets including education, healthcare, airports, business and industry, hospitality, retail, stadia, functions, and special events.

Key customers include Melbourne Cricket Club, Virgin Airlines, Taronga Zoo, Brisbane City Hall and Emirates.

Laundries

Linen and garment services are provided to social infrastructure, industry, accommodation and resources customers in Australia and New Zealand, with 16 laundries processing more than 100,000 tonnes of laundry a year.

Key customers include Ramsay Health, HealthScope, WA Health, SA Health, St John of God, and Inghams.

Defence

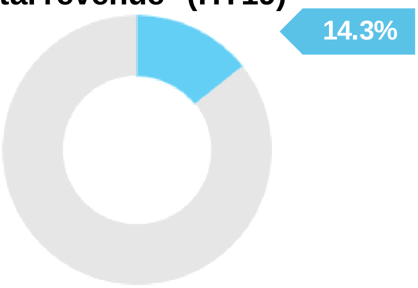
Downer delivers a range of facilities and asset management services for the Australian Government Department of Defence and the New Zealand Defence Force. These services include management services, cleaning and housekeeping, estate upkeep, pest and vermin control and treatment, reprographic services, sport and recreation, training area and range services, and transport and air operations.

Key customers include the Australian Department of Defence and NZ Defence Force.

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.

Total revenue[1] (HY19)



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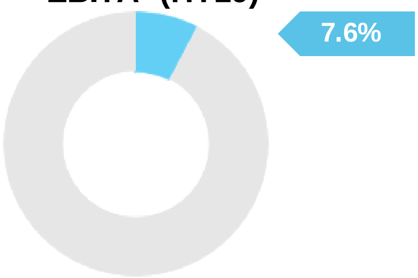

EC&M

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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.

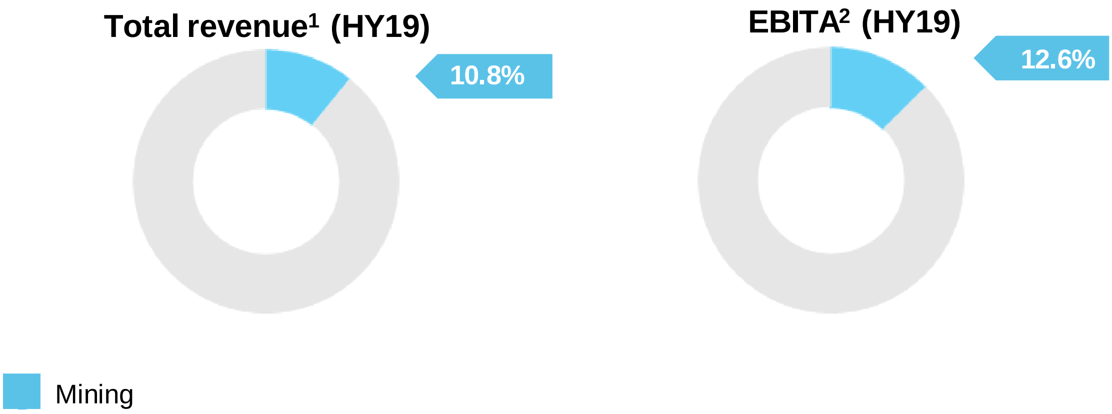
Downer supports customers across all stages of the project lifecycle with services including:

- 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 Chevron, Alcoa, Bechtel, BHP Billiton, Newcrest, Orica, Origin Energy, Powerlink Queensland, Rio Tinto, and Santos.

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, OZ Minerals and Yancoal Australia.

GROUP FINANCIAL PERFORMANCE

For the six months ended 31 December 2018, Downer reported increases in total revenue, in earnings before interest, tax and amortisation of acquired intangibles assets (EBITA) and in net profit after tax (NPAT).

The main features of the result for the six months ended 31 December 2018 were:

- Total revenue of $6.6 billion, up 8.6%;
- EBITA of $268.0 million, up from $83.0 million;
- Earnings before interest and tax (EBIT) of $236.6 million, up from $52.3 million;
- Statutory net profit after tax and before amortisation of acquired intangible assets (NPATA) of $163.4 million, up from $5.7 million and up 23.8% from underlying NPATA of $132.0 million; and
- Statutory net profit after tax (NPAT) of $141.4 million.

REVENUE

Total revenue for the Group increased by $522.5 million, or 8.6%, to $6.6 billion.

Transport revenue increased by 0.8% or $16.2 million to $2.1 billion despite the revenue lost following the divestment of the freight rail business in the prior period. This was mainly driven by continuing strong performance in the Road Services business in both Australia and New Zealand, ongoing investment in transport projects in Australia and strong performance in the Rail business, mainly from the Sydney Growth Trains and High Capacity Metro Trains projects but also from the Waratah maintenance contract.

Utilities revenue increased by 27.5% to $1.2 billion, due to continuing strong contributions from nbn™ contracts in Australia as well as new renewable energy projects.

Facilities revenue decreased 2.8% to $1.7 billion. The major contributors to this result were Government-related contracts, Public Private Partnerships (PPPs), construction projects and lifecycle maintenance contracts in Spotless and contribution from building activities in New Zealand.

EC&M revenue increased by 34.1% to $945.1 million as a result of increased activities on the Ichthys project in the Northern Territory and the six month contribution from MHPS following acquisition. This increase was partially offset by a reduction in activities on the Wheatstone project in Western Australia following completion.

Mining revenue increased by 3.6% to $714.2 million, mainly due to increased activities at Blackwater and Carrapateena and contribution from new contracts, although this was partially offset by the completion of the Boggabri contract in the first half of 2018.

EXPENSES

Total expenses increased by 5.9% compared to the prior corresponding period (pcp) which includes $139.3 million of Individually Significant Items (ISIs). Excluding these ISIs, total expenses increased by 8.5% which is in line with the increase in total revenue and as explained below.

Employee benefits expenses increased by 13.7%, or $272.1 million, to $2.3 billion and represent 37.0% of Downer's cost base. This increase is mainly due to higher activity across the Group and a more labour intensive contract base compared to pcp.

Subcontractor costs increased by 12.1% or $210.4 million to $1.9 billion and represent 31.9% of Downer's cost base. This increase is a result of higher contract activities and the change in the subcontractor mix on some contracts during the period.

Raw materials and consumables costs decreased by 2.3% to $1.1 billion and represent 17.3% of Downer's cost base. The decrease is driven by the net impact of the divestment of Freight Rail, lower material requirements and the completion of contracts in Mining.

Plant and equipment costs decreased by 2.6% to $339.1 million and represent 5.6% of Downer's cost base. The lower increase in plant and equipment costs compared to other types of expenses reflects a less capital-intensive business coupled with more efficient maintenance practices.

Depreciation and amortisation decreased by 4.8% or $8.8 million to $176.4 million and represent 2.9% of Downer's cost base. This decrease is mainly due to project completion in Mining partially offset by an additional $0.7 million in amortisation on acquired intangible assets following several bolt-on acquisitions.

Other expenses, which include communication, travel, occupancy and professional fees costs, decreased $99.0 million due to the once-off pre-tax ISIs in pcp. Excluding ISIs, other expenses would have increased by 12.8% to $328.8 million and represent 5.4% of Downer's cost base. The increase is due to bid costs incurred during the period and the continuous investment in governance and risk management functions.

EARNINGS

Statutory EBITA for the Group increased by 20.6% to $268.0 million compared to underlying EBITA of $222.3 million in pcp. The increase is primarily from Mining, Utilities, Transport and Facilities, partially offset by a lower contribution from EC&M. The six month EBITA result includes a $17.0 million fair value gain on revaluation of existing interest in the Downer Mouchel joint venture. This gain arises from the revaluation of the proportion of the joint venture already owned by Downer.

NPATA for the Group increased by 23.8% to $163.4 million.

Transport EBITA increased by 9.7% to $87.9 million due to continued strong performance in road maintenance in Australia and New Zealand and higher contributions from the Waratah TLS contract and from the SGT and HCMT projects. This was partially offset by the divestment of Freight Rail in 2H18 and lower performance by the New Zealand infrastructure projects business.

Utilities EBITA increased by 19.6% to $64.7 million, driven by a strong performance from Communications and higher contribution from the Water business in Australia and New Zealand partially offset by underperformance in a solar contract.

Facilities EBITA increased by 5.6% to $81.3 million mainly driven by growth in Hospitality & FM related contracts.

EC&M EBITA decreased by 4.7% to $22.4 million due to the completion of contracts (including Gorgon and Wheatstone). This was partially offset by strong performance at Ichthys, contribution from the MHPS acquisition, and improved results from the resources related consultancies (QCC Resources and Mineral Technologies).

Mining EBITA increased by 76.6% to $36.9 million predominantly due to continued strong performance on ongoing and new contracts.

Corporate costs increased by $8.9 million to $42.2 million mainly due to continuous investment in business development, systems, governance and risk management functions.

The effective tax rate is 27.3% which is lower than the statutory rate of 30.0% due to the impact of non-taxable distributions from joint ventures and lower overseas tax rates (e.g. New Zealand).

GROUP 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 $355.3 million, up 15.7% from pcp due to strong contract performance, distributions from equity accounted investment and contribution from acquisitions, representing cash conversion of 90.7% of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA).

INVESTING CASH

Total investing cash flow was $265.7 million, $381.7 million lower than pcp as the prior period included an $391.8 million payment in relation to the additional interest acquired in Spotless. Excluding the Spotless payment, investing cash flow increased by 4.0% or $10.1 million reflecting payments made for acquisitions during the period, offset by lower capital expenditure requirements.

The business, however continued to invest in capital equipment to support the existing contracted operations and future operations, resulting in net capital expenditure of $175.4 million and $16.3m payment for lease assets.

DEBT AND BONDING

The Group's performance bonding facilities totalled $2,269.7 million at 31 December 2018 with $752.8 million undrawn. There is sufficient available capacity to support the ongoing operations of the Group.

As at 31 December 2018, the Group had liquidity of $1.4 billion comprising cash balances of $505.3 million and undrawn committed debt facilities of $855.0 million.

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

BALANCE SHEET

The net assets of Downer decreased by 5.9% to $3.0 billion, predominantly due to the impact of the adoption of AASB 15 *Revenue from Contracts with Customers.* This resulted in an opening retained earnings adjustment of $258.0 million (after-tax). Adjusting for the impact of AASB 15, net assets increased by $70.5 million.

Cash and cash equivalents decreased by $100.9 million, or 16.6%, to $505.3 million reflecting $106.3 million of external borrowing repayments made during the period, $52.9 million consideration paid in relation to business acquisitions and final working capital adjustment on the divestment of Freight Rail in FY18; offset by continued strong operating cash flows.

Net debt of $940.0 million has remained consistent to 30 June 2018 as lower borrowing levels (following Spotless debt and MTNs repayments) were offset by reduced cash balances. Gearing at 31 December 2018 of 23.8% is higher than 30 June 2018 (22.7%) but lower compared to 1H18 (24.6%). This increase is due to a lower equity balance of $258.0 million following adoption of AASB15. Adjusting for the impact of the AASB15 adoption, gearing would have been 22.3%.

Current trade and other receivables decreased by $135.7 million to $1,986.2 million reflecting the impact on adoption of AASB 15 and strong cash collections.

Inventories increased by $38.3 million to $307.1 million reflecting higher activities and higher bitumen levels.

Current tax assets decreased by $68.9 million due to the timing of cash tax payments.

Interest in joint ventures and associates decreased by $0.4 million. This represents, $4.0 million interest reduction in MHPS Plant Services Pty Ltd following the 100% ownership acquired during the period, $10.1 million of distributions received, offset by Downer's share of net profits from joint ventures and associates of $13.5 million.

Property Plant and Equipment increased by $58.2 million as capital expenditure incurred during the period exceeded the depreciation expense.

Intangible assets increased by $70.1 million arising from $97.2 million in additional goodwill and other acquired intangible assets recognised from the acquisitions made during the period; offset by $46.4 million amortisation in the period mainly related to Spotless' acquired intangible assets.

Total trade and other payables increased by $105.5 million or 4.6% primarily due to higher business activity and timing of payments. Trade and other payables represent 51.9% of Downer's total liabilities.

Other financial liabilities of $75.9 million decreased by $1.5 million and represent 1.6% of Downer's total liabilities. The decrease mainly reflects deferred consideration paid for acquisitions made during previous periods.

Deferred tax liability of $110.0 million primarily represents temporary differences arising from work in progress, property plant and equipment and the recognition of acquired intangibles.

Provisions of $578.8 million increased by $88.3 million mainly from the recognition of new Royal Adelaide Hospital contract provision and increase in employee related provisions. Provisions represent 12.5% of Downer's total liabilities. Employee provisions (annual leave and long service leave) made up 66.6% of this balance with the remainder covering surplus lease contracts provisions and return conditions obligations for leased assets and property and warranty obligations.

Shareholder equity decreased by $189.8 million driven by a $258.0 million cumulative opening retained earnings adjustment following adoption of AASB 15 and $87.4 million of dividend payments made during the period. This was offset by the net profit after tax of $141.4 million. Net foreign currency gains on translation of foreign operations, particularly in New Zealand, resulted in a movement in the foreign currency translation reserve of $8.3 million.

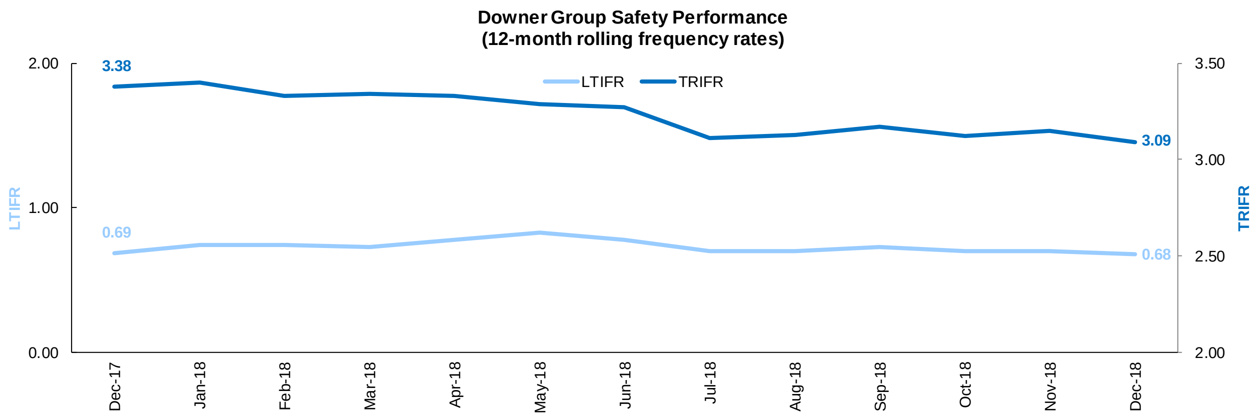
DIVIDENDS

The Downer Board resolved to pay an interim dividend of 14.0 cents per share, 50% franked (13.0 cents per share 50% franked in the prior corresponding period), payable on 21 March 2019 to shareholders on the register at 21 February 2019. 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 2018 has a yield of 6.15% per annum payable quarterly in arrears, with the next payment due on 15 March 2019. As this dividend is fully imputed (the New Zealand equivalent of being fully franked), the actual cash yield paid by Downer will be 4.43% per annum for the next 12 months.

ZERO HARM

Downer's Lost Time Injury Frequency Rate (LTIFR) decreased from 0.69 to 0.68 and Total Recordable Injury Frequency Rate (TRIFR) reduced from 3.38 to 3.09 per million hours worked.



OUTLOOK

Downer has increased its target guidance for FY19 to $352 million consolidated net profit after tax and before amortisation of acquired intangible assets (NPATA) before minority interests.

The increase takes into account the fair value gain of $17 million from acquiring the remaining 50% of the Downer Mouchel JV in late 1H19.

GROUP BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

The Downer Group comprises a diverse collection of businesses. Downer's Purpose is to create and sustain the modern environment by building trusted relationships with customers. Downer's Promise is to work closely with its customers to help them succeed, using world-leading insights and solutions. Downer's business is founded on four Pillars which support our Purpose and Promise: Safety, Delivery, Relationships, Thought Leadership.

Downer's strategy focuses on Zero Harm, driving improvement in existing businesses and operations, investing in targeted growth opportunities, and creating new positions in appropriate markets.

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 as a cornerstone of the Safety pillar	Downer recognises that a sustainable and embedded Zero Harm culture is fundamental to the Company's future success. Zero Harm means working in an environment that supports the health and safety of its people, allows it to deliver its business activities in an environmentally sustainable manner, and advances the communities in which it operates. This requires strong commitment to Downer's Zero Harm objectives from all levels of the business. Downer's Zero Harm culture is built on leading and inspiring, managing risk, rethinking processes, applying lessons learnt, and adopting and adapting practices that aim to achieve zero work-related injuries and minimise environmental harm.	Downer's approach to Zero Harm enables the Company to work safely, sustainably and environmentally responsibly where there are inherent hazardous environments. Downer has implemented a strong Critical Risk program throughout its business. This program has provided Downer with the opportunity to understand the risks in its business that could cause serious injury to people or the environment. That knowledge has enabled Downer to implement a program to eliminate or control those risks, and to monitor the performance of those critical controls. Each Downer Division has in place a Zero Harm management system, certified as a minimum to AS/NZS 4801 or BS OHSAS 18001, and ISO 14001. Each management system is reviewed regularly, undergoing internal and external audit.
Embed asset management and data analytics as a cornerstone of the Delivery pillar	Downer has established an Asset & Data Management Office (ADMO) to coordinate the Group's extensive asset management knowledge and expertise and use it, for example, to improve the efficiency of its customers' operations. As a leader in asset management, Downer aims to adopt and implement world leading insights and solutions. The proliferation of data points and connected devices allows for more data and business intelligence to be captured. This information can be used to drive service improvement and improve asset performance.	The expectations of Downer's customers, and their customers, continue to grow with regards to reliable, intuitive, and cost-effective assets and services. Downer has invested in capability and talent to improve asset management, data analytics and life cycle performance analytics. A number of these investments have Group-wide application in addition to their bespoke customer benefit. Risks to be managed include: not delivering value-added services to customers and so reducing the need for integrated services partners; scope reduction by customers who elect to use pure maintenance / blue collar services; and an inability to deliver obligations in performance frameworks and service outcome contracts.

Strategic Objective	Prospects	Risks and risk management
Improve engagement with customers as a cornerstone of the Relationships pillar	Providing valuable and reliable products and services to customers, and their customers, is at the heart of Downer's culture. It enables Downer's customers to focus more on their core expertise while 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 Downer's customers to succeed. Building on existing expertise across the Group, Downer is developing a more coordinated and structured approach to customer engagement, business development and market participation. This will improve Downer's ability to compete and win in the markets and sectors in which it operates. Risks to be managed include: the threat of new competitors and disruptors in traditional markets; not keeping pace with changing customer expectations; and the threat of commoditisation of core products and services.
Embed operational technology into core service offerings as a cornerstone of our Thought Leadership pillar	Technology is an inherent feature of today's world and there is therefore greater demand for technology in Downer's projects and services. Customer operations are growing in complexity and this creates opportunities for Downer to connect, manage, monitor and report on core services and infrastructure.	Downer is investing in operational technology, "apps", platforms and partnerships to meet customer needs. Downer is focused on selecting the right operational technology investments, for example those that can be leveraged across a number of service lines to maximise value for the greatest number of customers. 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 a need for greater investment in technology and data services.

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 multi-billion dollar market for transport infrastructure and services continues to exhibit good growth in both Australia and New Zealand. Governments in both countries continue to invest in a range of projects to reduce congestion, improve mobility, and provide better linkages between communities. The cost of bidding for major projects is high and project risks can be significant, so Downer is selective about the projects for which it bids. Looking forward, potential outsourcing and franchising opportunities across the transport sector may further expand Downer's portfolio in public transport operations.	Downer is a market leader in road services in both Australia and New Zealand, light rail construction in Australia and heavy rail construction and maintenance in Australia. In recent years, Downer's strategy has focused on journey management, asset stewardship, congestion management, and urban revitalisation. The ability to deal with these issues through infrastructure services and solutions is critical to driving the Downer business forward and to provide increasing value to Downer's customers and their end 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.
Utilities	Growth across power and gas utility markets is multi-faceted with a good pipeline of prospects in both Australia and New Zealand. Activity in telecommunications markets continues to be dynamic, with large capital builds in both Australia and New Zealand coming to a close. Downer's view is that the timing of these large network builds will extend beyond most analysts' predictions. 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 Downer brings to customers.
Facilities	Large-scale and long-term outsourcing contracts continue come to market, however the long-term nature of contracts in this sector means that a lot of work is already under contract. The defence, health, education, corrections, and commercial markets continue to provide a range of opportunities on the short-to-medium term horizon in both Australia and New Zealand.	Through the acquisition of Spotless, 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. There is a focus on leveraging both businesses' scale and routes to market to position the Group's core services offerings in an integrated way.

Service line	Prospects	Downer's response
EC&M	New resources-related infrastructure projects have appeared on the horizon, while Downer expects the next round of LNG opportunities to be smaller, brownfield expansions.	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 has experience working on all of the recent Australian major oil & gas developments. While the first phase of major LNG construction comes to an end, Downer is growing its market share in the maintenance of these facilities. 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. In 2018, Downer merged its Mining and EC&M Divisions. This has enhanced Downer's ability to offer customers a portfolio of complementary services in the resources, energy, power generation and industrial sectors. The Mining, Energy and Industrial Division provides customers with safe, quality, cost efficient and technology-enabled solutions and services.
Mining	The contract mining sector has experienced a recovery over the past 12 months, with volume increases at some existing mines and new contracts also coming to the market. Mine owners are seeking to maximise supply chain benefits, which opens opportunities for contractors to work collaboratively with them to drive productivity improvements and reduce production costs.	Downer is one of Australia's leading diversified mining contractors offering customers open cut mining services, underground mining services, tyre management, drill and blast, and asset management. In 2018, Downer merged its Mining and EC&M Divisions. This has enhanced Downer's ability to offer customers a portfolio of complementary services in the resources, energy, power generation and industrial sectors. The Mining, Energy and Industrial Division provides customers with safe, quality, cost efficient and technology-enabled solutions and services.

Auditor's independence declaration

The auditor's independence declaration, as required under Section 307C of the Corporations Act 2001, is set out on page 18.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

R M Harding
Chairman
Sydney, 7 February 2019

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 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Cameron Slapp
Partner

Sydney
7 February 2019

Independent Auditor's Review Report

To the Shareholders of Downer EDI Limited

Conclusion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Condensed Consolidated Statement of Financial Position as at 31 December 2018
- Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the half-year ended on that date
- Notes A to E comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

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

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Condensed Consolidated Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Condensed Consolidated Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Downer EDI Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

Cameron Slapp
Partner

Sydney
7 February 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2018

	Note	Dec 2018 $'m	Dec 2017 $'m
Revenue from ordinary activities	B2(a)	**6,304.6**	5,798.5
Other income	B2(a)	**19.9**	4.6
Total revenue and other income		**6,324.5**	5,803.1
Employee benefits expense	B2(b)	**(2,254.5)**	(1,982.4)
Subcontractor costs		**(1,945.1)**	(1,734.7)
Raw materials and consumables used		**(1,057.5)**	(1,082.5)
Plant and equipment costs		**(339.1)**	(348.1)
Depreciation and amortisation	D3,D4	**(176.4)**	(185.2)
Other expenses from ordinary activities		**(328.8)**	(427.8)
Total expenses		**(6,101.4)**	(5,760.7)
Share of net profit of joint ventures and associates	D5	**13.5**	9.9
Earnings before interest and tax		**236.6**	52.3
Finance income		**4.1**	3.4
Finance costs		**(46.2)**	(44.4)
Net finance costs		**(42.1)**	(41.0)
Profit before income tax		**194.5**	11.3
Income tax expense		**(53.1)**	(27.2)
Profit / (Loss) after income tax		**141.4**	(15.9)
Profit / (Loss) for the period is attributable to:			
- Non-controlling interest		**7.2**	(4.8)
- Members of the parent entity		**134.2**	(11.1)
Profit / (Loss) for the period		**141.4**	(15.9)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
- Exchange differences arising on translation of foreign operations		**7.8**	(8.1)
- Net gain / (loss) on foreign currency forward contracts taken to equity		**4.2**	(2.5)
- Net gain / (loss) on cross currency and interest rate swaps taken to equity		**1.3**	(0.4)
- Available-for-sale reserve transferred to profit or loss		**-**	(0.6)
- Income tax relating to components of other comprehensive income		**(1.7)**	0.6
Other comprehensive income / (loss) for the period (net of tax)		**11.6**	(11.0)
Other comprehensive income / (loss) for the period is attributable to:			
- Non-controlling interest		**(0.6)**	0.7
- Members of the parent entity		**12.2**	(11.7)
Other comprehensive income / (loss) for the period		**11.6**	(11.0)
Total comprehensive income / (loss) for the period		**153.0**	(26.9)
Earnings per share (cents)			
- Basic earnings per share	B3	**22.0**	(2.6)
- Diluted earnings per share(i)	B3	**21.7**	(2.6)

(i) 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 25 to 50.

Condensed Consolidated Statement of Financial Position

as at 31 December 2018

	Note	Dec 2018 $'m	Jun 2018 $'m
ASSETS			
Current assets			
Cash and cash equivalents		**505.3**	606.2
Trade and other receivables	D1	**1,986.2**	2,121.9
Other financial assets		**45.5**	18.6
Inventories		**307.1**	268.8
Current tax assets		**0.4**	69.3
Prepayments and other assets		**42.4**	48.8
Total current assets		**2,886.9**	3,133.6
Non-current assets			
Trade and other receivables		**72.3**	117.7
Interest in joint ventures and associates	D5	**95.6**	96.0
Property, plant and equipment	D3	**1,338.6**	1,280.4
Intangible assets	D4	**3,120.8**	3,050.7
Other financial assets		**23.3**	15.5
Deferred tax assets		**108.4**	75.5
Prepayments and other assets		**16.2**	18.8
Total non-current assets		**4,775.2**	4,654.6
Total assets		**7,662.1**	7,788.2
LIABILITIES			
Current liabilities			
Trade and other payables	D2	**2,359.8**	2,281.6
Borrowings	C1	**9.9**	153.7
Other financial liabilities		**55.1**	43.2
Employee benefits provision		**347.0**	336.7
Provisions		**72.6**	50.7
Current tax liabilities		**32.5**	15.7
Total current liabilities		**2,876.9**	2,881.6
Non-current liabilities			
Trade and other payables		**53.8**	26.5
Borrowings	C1	**1,426.1**	1,367.5
Other financial liabilities		**20.8**	34.2
Employee benefits provision		**38.3**	38.0
Provisions		**120.9**	65.1
Deferred tax liabilities		**110.0**	170.2
Total non-current liabilities		**1,769.9**	1,701.5
Total liabilities		**4,646.8**	4,583.1
Net assets		**3,015.3**	3,205.1
EQUITY			
Issued capital	C3	**2,425.1**	2,421.9
Reserves	C4	**(15.3)**	(26.9)
Retained earnings		**456.6**	655.1
Parent interests		**2,866.4**	3,050.1
Non-controlling interest	D7	**148.9**	155.0
Total equity		**3,015.3**	3,205.1

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 25 to 50.

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2018

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

[(i)] Refer to Note E1 for details on opening balance adjustments made on application of new accounting standards.

[(ii)] Payment of dividend relates to the 2018 final dividend and $4.1m ROADS dividends paid during the financial period.

Dec 2017 $'m	Issued capital	Reserves	Retained earnings	Total 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.

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 25 to 50.

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2018

	Note	Dec 2018 $'m	Dec 2017 $'m
Cash flows from operating activities			
Receipts from customers		**7,260.7**	6,446.5
Distributions from equity accounted investees	D5	**10.1**	7.3
Payments to suppliers and employees		**(6,911.7)**	(6,121.7)
Interest received		**3.8**	4.1
Interest and other costs of finance paid		**(39.1)**	(38.4)
Income tax received		**31.5**	9.3
Net cash generated by operating activities		**355.3**	**307.1**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**7.7**	13.1
Payments for property, plant and equipment		**(183.1)**	(201.5)
Payments for intangible assets		**(14.5)**	(29.2)
Payments for acquisition of Spotless		**-**	(391.8)
Payments for businesses acquired	D7	**(46.0)**	(37.6)
Divestment of Freight Rail	D7	**(6.9)**	-
Advances to joint ventures		**(8.3)**	(4.9)
Payments for leased assets		**(16.3)**	-
Proceeds from sale of assets		**-**	4.5
Recovery of acquisition of business		**1.7**	-
Net cash used in investing activities		**(265.7)**	(647.4)
Cash flows from financing activities			
Issue of shares (net of costs)		**-**	(0.2)
Proceeds from borrowings		**1,008.3**	498.8
Repayments of borrowings		**(1,114.6)**	(435.1)
Dividends paid		**(87.4)**	(75.3)
Net cash used in financing activities		**(193.7)**	(11.8)
Net decrease in cash and cash equivalents		**(104.1)**	(352.1)
Cash and cash equivalents at the beginning of the period		**606.2**	844.6
Effect of exchange rate changes		**3.2**	(2.1)
Cash and cash equivalents at the end of the period		**505.3**	490.4

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 25 to 50.

A
About this report

Statement of compliance and basis of preparation

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

The Financial Report does not include all the information required for an annual financial report and should be read in conjunction with the 2018 Annual Report.

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The accounting policies and methods of computation applied in the Financial Report are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of the new revenue standard AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* during the six months to 31 December 2018.

The Group has initially adopted these new accounting standards and their impact is disclosed in Note E1. In accordance with elections available under the relevant accounting standards, new accounting policies are only effective from 1 July 2018 and comparative information is not restated and continues to be prepared under policies disclosed in the 30 June 2018 Financial 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 7 February 2019.

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 2018 Annual Report except for the new significant judgements and key sources of estimation uncertainty related to the adoption of the new revenue standard AASB 15 *Revenue from Contracts with Customers* during the six months to 31 December 2018, which are described in Note E1.

The Half Year Financial Report does not include full note disclosures of the type required in an 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.

During the period, the composition of business units within operating segments was realigned to better reflect how the Group's chief operating decision maker assesses performance and allocates Group resources. As a result, the Infrastructure Projects NZ, Building Projects NZ and Defence business units (previously reported as part of the EC&M segment), were reallocated to the Transport, Facilities and Utilities segments respectively; the UASG business unit (previously reported as part of the Facilities segment) has been reallocated to the Utilities segment; and the Rail Services business unit (previously the Rail segment) has been included as part of the Transport segment. The new structure better aligns the segment reporting with Downer's end-markets and management reporting structure.

Accordingly, the Group has restated the previously reported segment information for the half year ended 31 December 2017. The reportable segments identified within the Group are outlined below:

Dec 2018 **$'m**	**Transport**	**Utilities**	**Facilities**	**EC&M**	**Mining**	**Un-allocated**	**Total**
Revenue and other income	**1,792.6**	**1,212.5**	**1,663.0**	**945.1**	**688.1**	**25.3**	**6,326.6**
Inter-segment sales	**-**	**-**	**-**	**-**	**-**	**(2.1)**	**(2.1)**
Total segment revenue and other income	**1,792.6**	**1,212.5**	**1,663.0**	**945.1**	**688.1**	**23.2**	**6,324.5**
Share of sales revenue from joint ventures and associates (i)	**268.4**	**-**	**4.0**	**-**	**26.1**	**-**	**298.5**
Total revenue including joint ventures and other income (i)	**2,061.0**	**1,212.5**	**1,667.0**	**945.1**	**714.2**	**23.2**	**6,623.0**
EBIT before amortisation of acquired intangibles (EBITA)	**87.9**	**64.7**	**81.3**	**22.4**	**36.9**	**(25.2)**	**268.0**
Amortisation of acquired intangibles	**(0.4)**	**(1.6)**	**(5.9)**	**-**	**-**	**(23.5)**	**(31.4)**
Total reported segment results (EBIT)	**87.5**	**63.1**	**75.4**	**22.4**	**36.9**	**(48.7)**	**236.6**

Dec 2017 **$'m**	**Transport**	**Utilities**	**Facilities**	**EC&M**	**Mining**	**Un-allocated**	**Total**
Revenue and other income	1,786.3	950.9	1,711.6	690.5	668.4	22.9	5,830.6
Inter-segment sales	-	-	-	-	-	(27.5)	(27.5)
Total segment revenue and other income	1,786.3	950.9	1,711.6	690.5	668.4	(4.6)	5,803.1
Share of sales revenue from joint ventures and associates (i)	258.5	-	3.5	14.3	21.1	-	297.4
Total revenue including joint ventures and other income (i)	2,044.8	950.9	1,715.1	704.8	689.5	(4.6)	6,100.5
EBIT before amortisation of acquired intangibles (EBITA)	80.1	54.1	77.0	23.5	20.9	(172.6)	83.0
Amortisation of acquired intangibles	(0.1)	(1.0)	(5.5)	-	-	(24.1)	(30.7)
Total reported segment results (EBIT)	80.0	53.1	71.5	23.5	20.9	(196.7)	52.3

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

B1. Segment information - *continued*

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

	Note	Segment results Dec 2018 $'m	Dec 2017 $'m
Segment net operating profit		**285.3**	249.0
Unallocated:			
Mining goodwill impairment		**-**	(76.4)
Divestment of Freight Rail		**-**	(49.3)
Spotless management redundancies and integration costs		**-**	(3.1)
Spotless residual strategy reset costs		**-**	(7.1)
Spotless integration costs		**-**	(3.4)
Amortisation of Spotless and Tenix acquired intangible assets		**(23.5)**	(24.1)
Fair value gain on revaluation of existing interest in Downer Mouchel Joint Venture	D7	**17.0**	-
Corporate costs		**(42.2)**	(33.3)
Total unallocated		**(48.7)**	(196.7)
Earnings before interest and tax		**236.6**	52.3
Net finance costs		**(42.1)**	(41.0)
Profit before income tax		**194.5**	11.3
Income tax expense		**(53.1)**	(27.2)
Profit / (loss) after income tax		**141.4**	(15.9)

B2. Profit from ordinary activities

a) Revenue and other income

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

Dec 2017 $'m	**Transport**	**Utilities**	**Facilities**	**EC&M**	**Mining**	**Un-allocated**	**Total**
Service revenue	1,119.7	613.6	1,289.5	312.6	663.5	(27.1)	3,971.8
Construction contracts	553.6	335.9	379.6	368.6	-	-	1,637.7
Sale of goods	105.0	0.5	42.5	8.5	1.3	-	157.8
Total revenue from contracts with customers	1,778.3	950.0	1,711.6	689.7	664.8	(27.1)	5,767.3
Other revenue	6.9	0.9	-	0.7	0.4	22.3	31.2
Total revenue from ordinary activities	1,785.2	950.9	1,711.6	690.4	665.2	(4.8)	5,798.5
Other income	1.1	-	-	0.1	3.2	0.2	4.6
Total revenue and other income	1,786.3	950.9	1,711.6	690.5	668.4	(4.6)	5,803.1
Share of sales revenue from joint ventures and associates (i)	258.5	-	3.5	14.3	21.1	-	297.4
Total revenue including joint ventures and other income (i)	2,044.8	950.9	1,715.1	704.8	689.5	(4.6)	6,100.5

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

B2. Profit from ordinary activities - *continued*

Revenue by geographical locations:

Dec 2018

$'m	Transport	Utilities	Facilities	EC&M	Mining	Un-allocated	Total
Australia	**1,292.9**	**982.6**	**1,185.8**	**933.6**	**662.0**	**23.0**	**5,079.9**
Pacific and New Zealand	**499.7**	**229.9**	**477.2**	**-**	**-**	**-**	**1,206.8**
Rest of world	**-**	**-**	**-**	**11.5**	**26.1**	**0.2**	**37.8**
Total revenue and other income	**1,792.6**	**1,212.5**	**1,663.0**	**945.1**	**688.1**	**23.2**	**6,324.5**

Dec 2017

$'m	Transport	Utilities	Facilities	EC&M	Mining	Un-allocated	Total
Australia	1,239.5	739.0	1,263.8	679.4	643.8	(5.3)	4,560.2
Pacific and New Zealand	546.8	211.9	447.8	2.1	-	0.7	1,209.3
Rest of world	-	-	-	9.0	24.6	-	33.6
Total revenue and other income	1,786.3	950.9	1,711.6	690.5	668.4	(4.6)	5,803.1

b) Operating expenses

	Dec 2018 $'m	Dec 2017 $'m
Employee benefits expense:		
- Defined contribution plans	**115.0**	109.8
- Share-based employee benefits expense	**1.6**	2.0
- Employee benefits	**2,137.9**	1,870.6
Total employee benefits expense	**2,254.5**	1,982.4
Operating lease expenses relating to land and building	**39.1**	44.1
Operating lease expenses relating to plant and equipment	**58.9**	62.4
Total operating lease expense	**98.0**	106.5

Notes to the condensed consolidated financial report - *continued*
for the half-year ended 31 December 2018

B3. Earnings per share

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

	Dec 2018	Dec 2017
Profit / (Loss) attributable to members of the parent entity ($'m)	**134.2**	(11.1)
Adjustment to reflect ROADS dividends paid ($'m)	**(4.1)**	(4.0)
Profit / (Loss) attributable to members of the parent entity used in calculating EPS ($'m)	**130.1**	(15.1)
Weighted average number of ordinary shares (WANOS) on issue (m's)[(i)]	**591.1**	590.5
Basic earnings / (loss) per share (cents per share)	**22.0**	(2.6)

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

	Dec 2018	Dec 2017
Profit / (Loss) attributable to members of the parent entity ($'m)	**134.2**	(11.1)
Weighted average number of ordinary shares		
- Weighted average number of ordinary shares (WANOS) on issue (m's)[(i)(ii)]	**591.9**	590.5
- WANOS adjustment to reflect potential dilution for ROADS (m's) [(iii)]	**27.2**	27.6
WANOS used in the calculation of diluted EPS (m's)	**619.1**	618.1
Diluted earnings / (loss) per share (cents per share)[(iv)]	**21.7**	(2.6)

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

(ii) For diluted EPS, 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 $190.3 million (December 2017: $182.0 million), divided by the average market price of the Company's ordinary shares for the period 1 July 2018 to 31 December 2018 discounted by 2.5% according to the ROADS contract terms, which was $6.99 (December 2017: $6.59).

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

B4. Subsequent events

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

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 2018 $'m	Jun 2018 $'m
Current		
Secured:		
- Finance lease liabilities	**3.9**	5.1
- Hire purchase liabilities	**-**	0.2
	3.9	5.3
Unsecured:		
- Bank loans	**-**	2.1
- USD private placement notes	**9.9**	-
- Medium term notes	**-**	150.0
- Deferred finance charges	**(3.9)**	(3.7)
	6.0	148.4
Total current borrowings	**9.9**	153.7
Non-current		
Secured:		
- Finance lease liabilities	**10.2**	11.2
	10.2	11.2
Unsecured:		
- Bank loans	**872.7**	817.7
- USD private placement notes	**141.8**	144.7
- AUD private placement notes	**30.0**	30.0
- Medium term notes	**250.0**	250.0
- JPY medium term notes	**128.3**	122.2
- Deferred finance charges	**(6.9)**	(8.3)
	1,415.9	1,356.3
Total non-current borrowings	**1,426.1**	1,367.5
Total borrowings	**1,436.0**	1,521.2
Fair value of total borrowings (i)	**1,484.2**	1,561.8

(i) Excludes finance lease, hire purchase and supplier finance liabilities.

C2. Financing facilities

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

	Dec 2018 $'m	Jun 2018 $'m
Syndicated bank loan facilities	**710.0**	780.0
Bilateral bank loan facilities	**145.0**	145.0
Total unutilised bank loan facilities	**855.0**	925.0
Syndicated and bilateral bank and bilateral insurance bonding facilities	**752.8**	574.3
Total unutilised bonding facilities	**752.8**	574.3

Summary of borrowing arrangements

Bank loan facilities

- Bilateral bank loan facilities:
  A total of $225.0 million in bilateral bank loan facilities are committed and unsecured facilities with maturities in calendar years 2019, 2020 and 2021.

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

  - $200 million revolving tranche maturing April 2021;
  - $280 million revolving tranche maturing May 2021;
  - NZD75 million revolving tranche maturing May 2021;
  - NZD75 million term tranche maturing May 2021;
  - $280 million revolving tranche maturing May 2022;
  - $200 million term tranche maturing May 2022;
  - $200 million revolving tranche maturing May 2022; and
  - $200 million revolving tranche maturing May 2023.

USD private placement 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.

AUD private placement notes

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

Medium Term Notes (MTNs)

The Group has the following unsecured MTNs on issue:
- $250.0 million maturing March 2022; and
- JPY10.0 billion maturing May 2033.

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

C2. Financing facilities - *continued*

Finance lease / Hire purchase facilities
The Group has certain secured facilities of these types which are for an aggregate amount of $14.1 million and which amortise over different periods of up to three years.

Covenants on financing facilities
Downer Group's financing facilities contain undertakings to comply with financial covenants and ensure that Group guarantors of these facilities collectively meet the minimum threshold amounts of Group EBIT and Group Total Tangible Assets.

The main financial covenants which the Group is subject to are Net Worth, Interest Service Coverage (rolling 12-month EBIT to Net Interest Expense) and Leverage (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 2018.

Spotless' financing facilities contain undertakings to comply with financial covenants. The main financial covenants that Spotless is subject to are Net Leverage (Net Debt to EBITDA) and Interest Service Coverage (rolling 12-month EBITDA to Net Total Cash Interest) as well as ensuring that the guarantors under various facilities collectively meet the minimum threshold amounts of Group EBITDA and Group Total Assets.

Financial covenants testing is undertaken and reported to the Spotless Board on a monthly basis. Reporting of financial covenants to financiers occurs on a semi-annual basis. Spotless was in compliance with all its financial covenants as at 31 December 2018.

Bonding
The Group has $2,269.7 million of bank guarantee and insurance bond facilities to support its contracting activities. $1,337.5 million of these facilities are provided to the Group on a committed basis and $932.2 million on an uncommitted basis. Included in these facilities is a syndicated $210.0 million committed revolving bank guarantee facility for the specific purpose of a passenger rail manufacturing contract and of which $153.1 million is utilised and $56.9 million is unutilised.

The Group's bonding facilities are provided by a number of banks and insurance companies on an unsecured and revolving basis. These facilities are supported by Group guarantees representing certain minimum threshold amounts of Group EBIT and Group Total Tangible Assets (for Downer) and Group EBITDA and Group Total Assets (for Spotless). $1,516.9 million (refer to Note D6) of these facilities were utilised as at 31 December 2018 with $752.8 million unutilised. These facilities have varying maturity dates between calendar years 2019 and 2021.

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

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

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

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

C3. Issued capital

	Dec 2018 $'m	Jun 2018 $'m
Ordinary shares		
594,702,512 ordinary shares (Jun 2018: 594,702,512)	**2,263.1**	2,263.1
Unvested executive incentive shares		
3,385,446 ordinary shares (Jun 2018: 4,207,358)	**(16.6)**	(19.8)
200,000,000 Redeemable Optionally Adjustable		
Distributing Securities (ROADS) (Jun 2018: 200,000,000)	**178.6**	178.6
	2,425.1	2,421.9

a) Fully paid ordinary share capital

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

	Dec 2018		Jun 2018	
	m's	**$'m**	m's	$'m
Fully paid ordinary share capital				
Balance at the beginning of the financial period / year	**594.7**	**2,263.1**	594.7	2,263.2
Capital raising costs net of tax	**-**	**-**	-	(0.1)
Balance at the end of the financial period / year	**594.7**	**2,263.1**	594.7	2,263.1

b) Unvested executive incentive shares

	Dec 2018 m's	**Dec 2018 $'m**	Jun 2018 m's	Jun 2018 $'m
Balance at the end of the financial period / year	**4.2**	**(19.8)**	4.3	(20.0)
Vested executive incentive share transactions [(i)]	**(0.8)**	**3.2**	(0.1)	0.2
Balance at the end of the financial period / year	**3.4**	**(16.6)**	4.2	(19.8)

(i) December 2018 figures referable to the 2015 LTI plan, second deferred component of the 2016 STI award and first deferred component of the 2017 STI award totalling 821,912 vested shares for a value of $3,166,042.

June 2018 figures referable to the second deferred component of the 2015 STI award and the first deferred component of the 2016 STI award totalling 50,015 vested shares for a value of $192,660.

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.

c) Redeemable Optionally Adjustable Distributing Securities (ROADS)	**Dec 2018**		Jun 2018	
	m's	**$'m**	m's	$'m
Balance at the beginning and at the end of the financial period / year	**200.0**	**178.6**	200.0	178.6

ROADS are perpetual, redeemable, exchangeable preference shares. In accordance with the terms of the ROADS preference shares, the dividend rate for the one year commencing 15 June 2018 is 6.15% per annum (2017: 6.05% per annum) which is equivalent to the one year swap rate on 15 June 2018 plus the Step-up Margin of 4.05% per annum.

C4. Reserves

Dec 2018 $'m	**Hedge reserve**	**Foreign currency translation reserve**	**Employee benefits reserve**	**Fair value through OCI reserve [(i)]**	**Total attributable to members of the parent**
Balance at 1 July 2018	**(13.0)**	**(26.8)**	**15.5**	**(2.6)**	**(26.9)**
Foreign currency translation difference	**-**	**8.3**	**-**	**-**	**8.3**
Change in fair value of cash flow hedges (net of tax)	**3.9**	**-**	**-**	**-**	**3.9**
Total comprehensive income for the period	**3.9**	**8.3**	**-**	**-**	**12.2**
Vested executive incentive share transactions	**-**	**-**	**(3.2)**	**-**	**(3.2)**
Share-based employee benefits expense	**-**	**-**	**1.6**	**-**	**1.6**
Income tax relating to share-based transactions during the period	**-**	**-**	**1.0**	**-**	**1.0**
Balance at 31 December 2018	**(9.1)**	**(18.5)**	**14.9**	**(2.6)**	**(15.3)**

(i) Before 1 July 2018, these reserves were classified in the available-for-sale revaluation reserve in accordance with AASB 139. From 1 July 2018, these are classified at Fair Value through Other Comprehensive Income (FVOCI) in accordance with AASB 9.

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)

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.

Fair value through OCI reserve
The fair value reserve comprises the cumulative net change in the fair value of equity securities designated at FVOCI (2017: available-for-sale financial assets) and the cumulative net change in fair value of debt securities at FVOCI (2017: available-for-sale financial assets) until the assets are derecognised or reclassified. This amount is reduced by the amount of loss allowance.

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 acquiree 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.

Notes to the condensed consolidated financial report - *continued*
for the half-year ended 31 December 2018

C5. Dividends

a) Ordinary shares

	2019 Interim	**2018 Final**	2018 Interim	2017 Final
Dividend per share (in Australian cents)	**14.0**	**14.0**	13.0	12.0
Franking percentage	**50%**	**50%**	50%	100%
Cost (in $'m)	**83.3**	**83.3**	77.3	71.4
Dividend record date	**21/2/19**	**30/8/18**	7/3/18	12/9/17
Payment date	**21/3/19**	**27/9/18**	4/4/18	10/10/17

The interim 2019 dividend has not been declared as at reporting date and therefore is not reflected in the condensed consolidated financial report.

b) Redeemable Optionally Adjustable Distributing Securities (ROADS)

2019	**Quarter 1**	**Quarter 2**			**Total**
Dividend per ROADS (in Australian cents)	**1.01**	**1.05**			**2.06**
New Zealand imputation credit percentage	**100%**	**100%**			**100%**
Cost (in A$'m)	**2.0**	**2.1**			**4.1**
Payment date	**17/9/18**	**17/12/18**			

2018	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Dividend per ROADS (in Australian cents)	1.00	0.99	1.02	1.00	4.01
New Zealand imputation credit percentage	100%	100%	100%	100%	100%
Cost (in A$'m)	2.0	2.0	2.0	2.0	8.0
Payment date	15/9/17	15/12/17	15/3/18	15/6/18	

D
Other disclosures

D1. Trade and other receivables

Current		**Dec 2018 $'m**	Jun 2018 $'m
Trade receivables		**726.3**	842.0
Allowance for doubtful debts		**(20.4)**	(15.3)
		705.9	826.7
Contract assets	D1(a)	**1,178.1**	1,219.9
Other receivables		**102.2**	75.3
		1,986.2	2,121.9

a) Contract asset / liability balances

Current		**Dec 2018 $'m**	Jun 2018 $'m
Contract assets and capitalised costs to fulfill contracts		**1,159.3**	1,203.4
Retentions		**18.8**	16.5
Total contract assets		**1,178.1**	1,219.9
Total contract assets		**1,178.1**	1,219.9
Total contract liabilities	D2	**(387.0)**	(410.2)
Net amount		**791.1**	809.7

D2. Trade and other payables

		Dec 2018 $'m	Jun 2018 $'m
Current			
Trade payables		**837.2**	674.2
Contract liabilities	D1(a)	**387.0**	410.2
Accruals		**1,017.2**	1,084.4
Other		**118.4**	112.8
		2,359.8	2,281.6

D3. Property, plant and equipment

Dec 2018 $'m	Freehold land and buildings	Plant, equipment and leasehold improve-ments	Equipment under finance lease	Laundries rental stock	Total
Carrying amount as at 1 July 2018	**118.8**	**1,106.3**	**14.1**	**41.2**	**1,280.4**
Additions	**0.3**	**168.8**	**1.8**	**15.7**	**186.6**
Disposals at net book value	**(5.4)**	**(0.5)**	**-**	**-**	**(5.9)**
Acquisition of businesses[(i)]	**0.1**	**6.4**	**-**	**-**	**6.5**
Depreciation expense	**(1.7)**	**(109.0)**	**(3.0)**	**(16.3)**	**(130.0)**
Net foreign currency exchange differences at net book value	**0.4**	**0.4**	**0.1**	**0.1**	**1.0**
Closing net book value as at 31 December 2018	**112.5**	**1,172.4**	**13.0**	**40.7**	**1,338.6**
Cost	**150.6**	**2,623.2**	**36.0**	**87.5**	**2,897.3**
Accumulated depreciation	**(38.1)**	**(1,450.8)**	**(23.0)**	**(46.8)**	**(1,558.7)**
Jun 2018					
Carrying amount as at 1 July 2017 (restated)[(iii)]	129.4	1,061.2	52.3	37.5	1,280.4
Additions	0.5	322.9	7.9	36.2	367.5
Disposals at net book value	(5.6)	(14.9)	(14.4)	-	(34.9)
Acquisition of businesses	-	3.2	7.6	1.5	12.3
Disposal of business at net book value	-	(60.0)	-	-	(60.0)
Depreciation expense	(5.1)	(229.5)	(10.3)	(33.4)	(278.3)
Reclassifications at net book value	-	26.5	(29.1)	2.6	-
Reclassified as intangible assets [(ii)]	-	(0.3)	-	-	(0.3)
Net foreign currency exchange differences at net book value	(0.4)	(2.8)	0.1	(3.2)	(6.3)
Closing net book value as at 30 June 2018	**118.8**	**1,106.3**	**14.1**	**41.2**	**1,280.4**
Cost	155.1	2,488.7	34.1	74.0	2,751.9
Accumulated depreciation	(36.3)	(1,382.4)	(20.0)	(32.8)	(1,471.5)

(i) The values recognised are based on the fair value of assets acquired from the business acquisitions made during the period ended 31 December 2018, for which the accounting on certain transactions remains provisional. Refer to Note D7.

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

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

Notes to the condensed consolidated financial report - *continued*

for the half-year ended 31 December 2018

D4. Intangible assets

Dec 2018 $'m	Goodwill	Customer contracts and relationships	Brand names on acquisition	Intellectual property on acquisition	Software and system develop-ment	Total
Carrying amount as at 1 July 2018	**2,351.5**	**381.1**	**74.7**	**2.2**	**241.2**	**3,050.7**
Additions	**-**	**-**	**-**	**-**	**14.5**	**14.5**
Disposal at net book value	**-**	**-**	**-**	**-**	**(0.4)**	**(0.4)**
Acquisition of businesses[(i)]	**66.5**	**30.2**	**-**	**-**	**0.5**	**97.2**
Amortisation expense	**-**	**(29.4)**	**(1.9)**	**(0.1)**	**(15.0)**	**(46.4)**
Net foreign currency exchange differences at net book value	**4.3**	**-**	**0.4**	**-**	**0.5**	**5.2**
Closing net book value as at 31 December 2018	**2,422.3**	**381.9**	**73.2**	**2.1**	**241.3**	**3,120.8**
Cost	**2,574.7**	**494.1**	**79.3**	**2.4**	**402.5**	**3,553.0**
Accumulated amortisation and impairment	**(152.4)**	**(112.2)**	**(6.1)**	**(0.3)**	**(161.2)**	**(432.2)**
Jun 2018						
Carrying amount as at 1 July 2017 (restated)[(iii)]	2,341.1	409.1	56.9	3.5	220.6	3,031.2
Additions	-	-	-	-	46.4	46.4
Disposal at net book value	-	-	-	-	(0.2)	(0.2)
Acquisition of businesses	105.0	34.5	21.7	(1.1)	-	160.1
Disposal of business at net book value	(14.2)	-	-	-	-	(14.2)
Reclassifications at net book value[(ii)]	-	-	-	-	0.3	0.3
Amortisation expense	-	(62.6)	(3.9)	(0.2)	(25.2)	(91.9)
Impairment of goodwill	(76.4)	-	-	-	-	(76.4)
Net foreign currency exchange differences at net book value	(4.0)	0.1	-	-	(0.7)	(4.6)
Closing net book value as at 30 June 2018	**2,351.5**	**381.1**	**74.7**	**2.2**	**241.2**	**3,050.7**
Cost	2,503.9	463.8	78.7	2.4	394.9	3,443.7
Accumulated amortisation and impairment	(152.4)	(82.7)	(4.0)	(0.2)	(153.7)	(393.0)

(i) The values recognised are based on the fair value of assets acquired from the business acquisitions made during the period ended 31 December 2018, for which the accounting on certain transactions remains provisional. Refer to Note D7.

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

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

D5. Joint arrangements and associate entities

	Dec 2018 $'m	Dec 2017 $'m
Interest in joint ventures at the beginning of the period	**21.2**	19.0
Share of net profit	**7.3**	7.2
Share of distributions	**(10.1)**	(7.3)
Foreign currency exchange differences	**0.2**	(0.2)
Interest in joint ventures at the end of the period	**18.6**	18.7
Interest in associates at the beginning of the period	**74.8**	69.0
Share of net profit	**6.2**	2.7
Ownership acquired	**(4.0)**	-
Interest in associates at the end of the period	**77.0**	71.7
Interest in joint ventures and associates	**95.6**	90.4

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

			Ownership interest	
Name of arrangement	**Principal activity**	**Country of operation**	**Dec 2018 %**	Dec 2017 %
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	Catering for functions at Eden Park	New Zealand	**50**	50
EDI Rail-Bombardier Transportation Pty Ltd	Sale and maintenance of railway rolling stock	Australia	**50**	50
Emulco Limited	Emulsion plant	New Zealand	**50**	50
Isaac Asphalt Limited	Manufacture and supply of asphalt	New Zealand	**50**	50
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
Waanyi Downer JV Pty Ltd	Contract mining services	Australia	**50**	-
ZFS Functions (Pty) Ltd	Catering for functions at Federation Square	Australia	**50**	50
Associates				
MHPS Plant Services Pty Ltd	Refurbishment, construction and maintenance of boilers	Australia	**(i)**	27
Keolis Downer Pty Ltd	Operation and maintenance of Gold Coast light rail, Melbourne tram network and bus operation	Australia	**49**	49

(i) Downer acquired the remaining 73.33% of MHPS Plant Services Pty Ltd on 30 August 2018. Refer to Note D7. The entity name has been subsequently changed to DMH Plant Services Pty Ltd during the half-year ended 31 December 2018.

There are no material commitments held by joint ventures or associates. All joint ventures and associates have a statutory reporting date of 30 June.

D6. Contingent liabilities

	Dec 2018 $'m	Jun 2018 $'m
Bonding		
The Group has bid bonds and performance bonds issued in respect of contract performance in the normal course of business for controlled entities	**1,516.9**	1,341.6

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.

D6. Contingent liabilities - *continued*

Other contingent liabilities

i) The Group is subject to design liability in relation to completed design and construction projects. The Directors are of the opinion that there is adequate insurance to cover this area and accordingly, no amounts are recognised in the financial statements.

ii) The Group is subject to product liability claims. Provision is made for the potential costs of carrying out rectification works based on known claims and previous claims history. However, as the ultimate outcome of these claims cannot be reliably determined at the date of this report, contingent liability may exist for any amounts that ultimately become payable in excess of current provisioning levels.

iii) Controlled entities have entered into various joint arrangements under which the controlled entity is jointly and severally liable for the obligations of the relevant joint arrangements.

iv) The Group carries the normal 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 "leaky building" claims. The leaky building claims where Group entities are co-defendants generally relate to water damage arising from historical design and construction methodologies (and certification) for residential and other buildings in New Zealand during the early-mid 2000s. The Directors are of the opinion that disclosure of any further information relating to the leaky building claims would be prejudicial to the interests of the Group.

vi) On 16 September 2015, the Group announced that it had terminated a contract with Tecnicas Reunidas S.A. ("TR") following TR's failure to remedy a substantial breach of the contract and that the Group is pursuing a claim against TR in the order of $65 million. Downer has since demobilised from the site and has commenced a claim that will be determined via an arbitration process, with a hearing date currently expected to occur in late calendar year 2019 or early 2020. TR has initiated a counter-claim, which is being defended by Downer. The Directors are of the opinion that disclosure of any further information relating to this matter would be prejudicial to the interests of the Group.

vii) In September 2017 Spotless commenced a Facilities Management Subcontract ('Subcontract') at the new Royal Adelaide Hospital ('nRAH'). Spotless' Subcontract is with Celsus, which has a head contract with the South Australian Government under a Public Private Partnership model.

Spotless has previously announced that the Subcontract is a cash negative underperforming contract and that Spotless is working to resolve various commercial and operational issues which include significant preliminary claims and counter claims (including the application of some abatements, which are disputed by Spotless). The Process Suspension Deed signed by the parties in June 2018 has expired however discussions between Spotless, Celsus and the South Australian Government are ongoing. The mediation process that commenced in June 2018 is continuing and the parties are engaging in discussions to address the various commercial and operational issues affecting the delivery of services at the nRAH.

In the event that Spotless is not successful in either reaching agreement as part of the discussions or via the dispute resolution process then Spotless is likely to incur operating losses up until September 2022, being the 5 year anniversary of the Subcontract term, at which point Spotless has the ability to trigger a re-pricing process. In this scenario, Management recorded a provision for the present value of the future losses of $67.1 million as at 31 December 2018, excluding abatements that are disputed by Spotless which the company does not consider to be probable.

viii) On 25 May 2017, Alison Court, as applicant, filed a representative proceeding in the Federal Court of Australia on behalf of shareholders who acquired Spotless shares from 25 August 2015 to 1 December 2015. The applicant under this proceeding alleges that Spotless engaged in misleading or deceptive conduct and/or breached its continuous disclosure obligations in relation to Spotless financial results for the financial year ended 30 June 2015 and in its conduct following the release of those financial results until Spotless issued its trading update of 2 December 2015. The applicant seeks damages, declarations, interest and costs. Spotless is vigorously defending the proceeding.

D7. Acquisition and disposal of businesses

Acquisitions
Dec 2018

Cash outflow on acquisitions
The total net cash outflow as a result of the acquisitions made during the half-year ended 31 December 2018 is as follows:

	Total $'m
Gross purchase consideration	**68.6**
Deferred consideration paid during the period [(i)]	**9.0**
Less: Net cash acquired	**(29.1)**
Less: Contingent consideration	**(2.5)**
Total cash consideration	**46.0**

(i) Represents purchase and deferred consideration paid during the period for Envista, AGIS and RPQ.

MHPS Plant Services
On 30 August 2018, the Group acquired the remaining 73.33% of MHPS Plant Services Pty Ltd ("MHPS") for consideration of $5.6 million.

The acquisition accounting for MHPS remains provisionally accounted for as at 31 December 2018.

Rock N Road
On 3 October 2018, the Group acquired 100% of the shares of Rock N Road Bitumen Pty Ltd ("RNR") for total consideration of $17.9 million. RNR is a road surfacing business based in Mackay and operates in the central and northern regions of Queensland.

The acquisition accounting for RNR remains provisionally accounted for as at 31 December 2018.

KHSA Limited (KHSA)
On 21 December 2018, the Group executed a Share Sale Deed to acquire 100% of the shares in the Downer-Mouchel Roads Joint Venture partner KHSA Limited for consideration of $43.7 million, including cash of $19.5 million.

As KHSA Limited has a 50% interest in the Downer Mouchel Roads Joint Venture (alongside Downer's existing 50% interest), Downer Mouchel Roads Joint Venture is now 100% controlled. On acquisition of the remaining 50% interest, the initial investment was re-measured to fair value in accordance with Australian Accounting Standards and compared to the existing carrying value. As a result, $17.0 million fair value gain on re-measurement has been reported in the profit or loss.

The acquisition accounting for KHSA remains provisionally accounted for as at 31 December 2018.

Boleh Consulting (Boleh)
On 7 December 2018, the Group acquired the net assets of Boleh Consulting ("Boleh") for total consideration of $1.4m. The business provides a range of engineering services to the railway industry that include design of train control and signalling systems, systems engineering, systems assurance and project management.

The acquisition accounting for Boleh remains provisionally accounted for as at 31 December 2018.

Measurement of fair values

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 probable economic outflow of resources when the obligation arises.

D7. Acquisition and disposal of businesses - *continued*

Goodwill
Goodwill arising from the acquisitions has been recognised as follows:

	Note	Total $'m
Cash		**70.1**
Deferred consideration and contingent consideration		**2.5**
		72.6
Fair value gain on revaluation of existing interest in Downer Mouchel Joint Venture		**17.0**
Less: Net identifiable assets acquired		**(23.1)**
Provisional goodwill arising from acquisitions	D4	**66.5**

Dec 2017

UrbanGrid
On 1 July 2017, Downer acquired the net assets of UrbanGrid Australia (UrbanGrid). 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.

The Group has concluded the acquisition accounting process for this acquisition.

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. 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 Group has concluded the acquisition accounting process for this acquisition.

Envista
On 2 March 2018, the Group acquired 100% of Envista Pty Ltd and Smarter Contracting Pty Ltd ("Envista"). Envista provides strategy, architecture and delivery services in complex and sensitive environments. The acquisition enhances Downer's services to customers in the Defence and National Security sectors.

The Group has concluded the acquisition accounting process for this acquisition.

Integrated Services
On 31 January 2018, the Group acquired the net assets of Integrated Services. The business provides traffic infrastructure electrics related works and complements the existing Transport business capabilities.

The Group has concluded the acquisition accounting process for this acquisition.

Disposals
Dec 18
The Group did not dispose any business during the period ended 31 December 2018.

Dec 17
On 21 November 2017, Downer entered an agreement to sell its freight rail business to Progress Rail for $109 million ($122.7 million after adjusting for working capital movements). The sale was completed on 2 January 2018 with the final settlement payment of $6.9 million in relation to working capital adjustments made during the period ended 31 December 2018.

Non-controlling interest (NCI)

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

	Dec 2018			Jun 2018
	Spotless $'m	**Other $'m**	**Total $'m**	Spotless $'m
Current assets	**491.3**	**14.4**	**505.7**	529.1
Non-current assets	**2,252.9**	**1.0**	**2,253.9**	2,272.8
Current liabilities	**(517.8)**	**(5.8)**	**(523.6)**	(521.1)
Non-current liabilities	**(1,025.3)**	**(0.2)**	**(1,025.5)**	(1,009.9)
Net assets	**1,201.1**	**9.4**	**1,210.5**	1,270.9
NCI percentage	**12.198%**	**26.0%**	**12.301%**	12.198%
Net assets attributable to NCI	**146.5**	**2.4**	**148.9**	155.0

E
Other

E1. New accounting standards

E1. New accounting standards

a) New and amended accounting standards adopted by the Group

Changes in significant accounting policies

Except as described below, the accounting policies applied in the half year financial report are the same as those applied in the Group's consolidated Annual Report for the year ended 30 June 2018. The changes in accounting policies will also be reflected in the Group's consolidated Annual Report for the year ending 30 June 2019.

AASB 9: *Financial Instruments*

The Group has adopted AASB 9 *Financial Instruments* from 1 July 2018. Details of the new requirements of AASB 9 as well as their impact on the Group's consolidated financial report are described below.

The Group has designated the unquoted equity investment, previously classified as an available-for-sale investment carried at fair value under AASB 139, as an investment measured at Fair Value through Other Comprehensive Income (FVOCI). Consequently, all fair value gains and losses will be reported in the OCI and no impairment losses nor gains or losses (when the investment is derecognised) will be recognised in the statement of profit or loss. Based on its assessment, the Group does not believe that the new classification requirements will have a material impact.

AASB 15: *Revenue from Contracts with Customers*

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. Details of the new requirements of AASB 15 as well as their impact on the Group's consolidated financial report are described below.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It has replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. The core principle of AASB 15 is that an entity shall recognise revenue to depict the transfer of promised goods and 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.

E1. New accounting standards - *continued*

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

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

Impact on Application

The Group has adopted AASB 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for the period ended 31 December 2017 has not been restated and it is presented, as previously reported, under AASB 118, AASB 111 and related interpretations.

The following table summarises the Group impact (net of tax) of transition to AASB 15 recognised on retained earnings and Non-controlling interest (NCI) on 1 July 2018. The table below only shows the balance sheet items impacted by the adoption of AASB 15.

Impact on the opening balance of the condensed consolidated statement of financial position

	As reported 30 June 2018 $m	AASB 15 Adjustments $m	Opening 1 July 2018 $m
Trade and other receivables	2,121.9	(232.2)	1,889.7
Total current assets	**3,133.6**	**(232.2)**	**2,901.4**
Trade and other receivables	117.7	(49.4)	68.3
Deferred tax assets	75.5	44.7	120.2
Total non-current assets	**4,654.6**	**(4.7)**	**4,649.9**
Total assets	**7,788.2**	**(236.9)**	**7,551.3**
Provisions	(50.7)	(34.8)	(85.5)
Total current liabilities	**(2,881.6)**	**(34.8)**	**(2,916.4)**
Provisions	(65.1)	(50.4)	(115.5)
Deferred tax liabilities	(170.2)	64.1	(106.1)
Total non-current liabilities	**(1,701.5)**	**13.7**	**(1,687.8)**
Total liabilities	**(4,583.1)**	**(21.1)**	**(4,604.2)**
Net assets	**3,205.1**	**(258.0)**	**2,947.1**
Retained earnings	655.1	(245.3)	409.8
Parent interests	**3,050.1**	**(245.3)**	**2,804.8**
Non-controlling interest	155.0	(12.7)	142.3
Total equity	**3,205.1**	**(258.0)**	**2,947.1**

Below is a summary of the impact on transition to AASB 15 on the Group's retained earnings and NCI:

	Impact on transition (net of tax) $'m
Contract claims and variations - now referred to as contract modifications	**204.8**
Contract costs (Tender Costs)	**23.9**
Performance Obligations and contract duration	**26.8**
Measure of Progress	**2.5**
Total	**258.0**

E1. New accounting standards - *continued*

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

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

On adoption, the key impacts on transition were as a result of the following changes:

Contract modifications
Revenue was previously recognised when it was probable that work performed will result in revenue whereas under AASB 15, revenue is recognised when contract modifications are enforceable and to the extent that it is "highly probable" that a significant reversal of revenue will not occur.

In making this assessment, the Group considers a number of factors including nature of the claim, formal or informal acceptance by the customer of the validity of the claim, stage of negotiations, legal opinion on the enforceability of the claim under the contract, or the historical outcome of similar claims to determine whether the enforceable and "highly probable" threshold has been met.

As a result of the change to a higher threshold of approval for claims or variations and the "highly probable" threshold for the estimation of the amount to be recognised as revenue, a $204.8 million after tax impact on transition was recognised in retained earnings as at 1 July 2018.

Contract costs
Under AASB 111 *Construction Contracts* , costs incurred during the tender process were capitalised within contract debtors when it was deemed probable the contract will be won. Under the new standard, costs incurred during the tender / bid process will be expensed, unless they are incremental to obtaining the contract and the Group expects to recover them or they are explicity chargeable to the customer, regardless of whether the contract is obtained. As a result a $23.9 million after tax impact on transition was recognised in retained earnings as at 1 July 2018.

Performance obligations and contract duration
AASB 15 requires a more granular approach to identify the different revenue streams (i.e. performance obligations) in a contract by identifying the different activities that are being undertaken and then aggregating only those where the different activities are significantly integrated or highly interdependent. As a result of the change, additional performance obligations were identified for some contracts which resulted in an adjustment of $26.8 million after tax to retained earnings as at 1 July 2018.

Measure of progress
The Group measures revenue using the measure of progress that best reflects the Group's performance in satisfying the performance obligation within the contracts over time. The different methods of measuring progress include an input method (e.g. costs incurred) or an output method (e.g. milestones reached).

On adoption of AASB 15, it was identified that for Rail maintainance contracts, the input method would better reflect the measure of progress rather than the billing method previously used. As a result, a $2.5 million after tax impact on transition was recognised in retained earnings as at 1 July 2018.

Tax
Adjustments under the new standards are subject to tax effect accounting and therefore the net deferred tax position has been impacted.

E1. New accounting standards - *continued*

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

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

Impact on the condensed interim consolidated statement of profit or loss

The following tables summarise the impact of adoption of AASB 15 on the Group's Condensed Consolidated Statement of Financial Position and Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the current period in comparison to the results that would have been reported if AASB 15 had not been applied.

31 December 2018	**As reported $m**	**Adjustments $m**	**Amounts without adoption of AASB 15 $m**
Trade and other receivables	1,986.2	246.6	2,232.8
Total current assets	**2,886.9**	**246.6**	**3,133.5**
Trade and other receivables	72.3	56.7	129.0
Deferred tax assets	108.4	(44.5)	63.9
Total non-current assets	**4,775.2**	**12.2**	**4,787.4**
Total assets	**7,662.1**	**258.8**	**7,920.9**
Provisions	(72.6)	21.6	(51.0)
Total current liabilities	**(2,876.9)**	**21.6**	**(2,855.3)**
Provisions	(120.9)	45.5	(75.4)
Deferred tax liabilities	(110.0)	(65.6)	(175.6)
Total non-current liabilities	**(1,769.9)**	**(20.1)**	**(1,790.0)**
Total liabilities	**(4,646.8)**	**1.5**	**(4,645.3)**
Net assets	**3,015.3**	**260.3**	**3,275.6**
Retained earnings	456.6	247.7	704.3
Parent interests	**2,866.4**	**247.7**	**3,114.1**
Non-controlling interest	148.9	12.6	161.5
Total equity	**3,015.3**	**260.3**	**3,275.6**

For the six months ended 31 December 2018	**As reported $m**	**Adjustments $m**	**Amounts without adoption of AASB 15 $m**
Earnings before interest and tax	**236.6**	**3.5**	**240.1**
Net finance costs	(42.1)	-	(42.1)
Profit before income tax	**194.5**	**3.5**	**198.0**
Income tax expense	(53.1)	(1.2)	(54.3)
Profit after income tax	**141.4**	**2.3**	**143.7**
Profit for the period that is attributable to:			
Non-controlling interest	7.2	(0.1)	7.1
Members of the parent entity	134.2	2.4	136.6
Profit for the period	**141.4**	**2.3**	**143.7**

There has been no material impact on other comprehensive income and consolidated statement of cash flow on transition to AASB 15.

E1. New accounting standards - *continued*

b) Accounting policies applied from 1 July 2018

AASB 15: *Revenue from Contracts with Customers*

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Rendering of Services
Services revenue is primarily generated from maintenance and other services supplied to infrastructure assets and facilities across different sectors as well as from contract mining services, mining assets maintenance services, tyre management, blasting, catering and laundry services. Typically, under the performance obligations of service contract, the customer consume and receive the benefit of the service as it is provided. As such, service revenue is recognised over time as the services are provided.

The new standard provides a higher threshold for recognition of variations, claims and incentives which only allows revenue from variations and claims to be recognised to the extent they are approved or enforceable under the contract. The amount of revenue is then recognised to the extent it is highly probable that a significant reversal of revenue will not occur.

Construction Revenue
The contractual terms and the way in which the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. Under these performance obligations, customers simultaneously receive and consume the benefits as the Group performs. Therefore contracted revenue is recognised over time based on stage of completion of contract.

As with services revenue the new standard provides higher thresholds for recognition of variations, claims and incentives such that they are only recognised to the extent that they are approved or enforceable under the contract. The amount of revenue is then recognised to the extent that it is highly probable that a significant reversal of revenue will not occur.

Sale of goods
Revenue is recognised when the customer obtains control of goods and services.

Other revenue
Other revenue primarily includes rental income received by the Group.

Contract Modifications
Revenue in relation to modifications, such as a change in the scope of the contract, will only be included in the transaction price, when it is approved by the parties to the contract, the modification is enforceable and the amount becomes highly probable. Modifications will be recognised when client instruction has been received in line with customary business practice for the customer.

Revenue in relation to claims and variations, where the Group has an approved enforceable right to payment, is only included in the transaction price when the amount claimable becomes highly probable.

In making this assessment, the Group considers a number of factors including nature of the claim, formal or informal acceptance by the customer of the validity of the claim, stage of negotiations, or the historical outcome of similar claims to determine whether the enforceable and "highly probable" threshold has been met.

E1. New accounting standards - *continued*

b) Accounting policies applied from 1 July 2018 - *continued*

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

Contract costs (Tender costs)
Costs incurred during the tender / bid process are expensed, unless they are incremental to obtaining the contract and the Group expects to recover those costs or where they are explicitly chargeable to the customer regardless of whether the contract is obtained. The Group applies the practical expedient available under AASB 15 and does not capitalise incremental costs of obtaining contracts if the amortisation period is one year or less.

Performance obligations and contract duration
Revenue is allocated to each performance obligation and recognised as the performance obligation is satisfied which may be at a point in time or over time.

AASB 15 requires a granular approach to identify the different revenue streams (i.e. performance obligations) in a contract by identifying the different activities that are being undertaken and then aggregating only those where the different activities are significantly integrated or highly interdependent. Revenue will continue to be recognised, on certain contracts over time, as a single performance obligation when the services are part of a series of distinct goods and services that are substantially integrated with the same pattern of transfer.

AASB 15 provides guidance in respect of the term over which revenue may be recognised and is limited to the period for which the parties have enforceable rights and obligations. When the customer can terminate a contract for convenience (without a substantive penalty), the contract term and related revenue is limited to the termination period.

The Group has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

Measure of progress
The Group measures revenue using the measure of progress that best reflects the Group's performance in satisfying the performance obligation within the contracts over time. The different methods of measuring progress include an input method (e.g. costs incurred) or an output method (e.g. milestones reached). The same method of measuring progress will be consistently applied to similar performance obligations.

Variable consideration
Variable consideration that is contingent on the Group's performance, including key performance payments, liquidated damages and abatements that offset revenue under the contract, is recognised only when it is highly probable, that a reversal of that revenue will not occur.

In addition, where the identified revenue stream is determined to be a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer (for example maintenance services); variable consideration is recognised in the period/(s) in which the series of distinct goods or services subject to the variable consideration are completed.

Loss-making contracts
Loss-making contracts are now recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as onerous contracts.

E1. New accounting standards - *continued*

b) Accounting policies applied from 1 July 2018 - *continued*

AASB 9: *Financial instruments*

This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement* . AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139.

Classification and measurement – financial assets and liabilities
AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing AASB139 categories of held to maturity, loans and receivables and available for sale, whilst the existing requirements for the classification of financial liabilities in AASB 139 is retained. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial assets.

Impairment
AASB 9 replaces the "incurred loss" model in AASB 139 with a forward looking "expected credit loss" (ECL) model. The Group exercises considerable judgement about how changes in economic factors affect ECL, which is determined on a probability-weighted basis. There is consideration around the probability of default upon initial recognition and subsequent assessment as to whether there has been a significant increase in credit risk at each reporting period.

This impairment model applies to financial assets measured at amortised cost or FVOCI (except for investments in equity instruments).

Under AASB 9, loss allowances are measured on either of the following bases:
- 12-month ECLs: where there are ECLs that result from possible default events within 12 months from the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has applied the simplified approach to recognise lifetime expected credit losses for trade receivables, and finance lease receivables as permitted by AASB 9. The Group notes that the impact on transition from application of the expected credit loss model of AASB 9 is not material.

Hedge accounting
AASB 9 aligns the accounting for hedging instruments more closely with the Group's risk management objectives and strategy and applies a more qualitative and forward-looking approach to assessing hedge effectiveness. The Group has elected to adopt the general hedge accounting model in AASB 9. AASB 9 introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting.

Similar to the Group's prior period hedge accounting policy, management does not intend to exclude the forward element of foreign currency forward contracts from designated hedging relationships. The Group previously elected to adjust non-financial hedged items with gains/losses arising from effective cash flow hedges under AASB 139 which is mandatory under AASB 9.

E1. New accounting standards - *continued*

c) 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 16 - Leases

AASB 16 Leases 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.

As at 31 December 2018, Management has reviewed the current lease related business processes, controls, governance and the future state requirements. Analysis on the existing lease databases (systems or documents) was performed and, with the lease contract data fields, serving as a basis for the design of the lease system implementation. Detailed contract reviews across the divisions are ongoing to conclude whether contracts contain or should be accounted as a lease under AASB 16. Moreover, the lease data enrichment process has commenced while the quantification of the likely impact of AASB 16 for existing or known lease contracts (currently disclosed as operating lease commitments) is ongoing.

As a result, the Group has not yet quantified the impact 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 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 in early years on the lease;
- Depreciation charge will increase as the depreciation of the right of use assets is recognised;
- Management will no longer recognise provisions for operating leases assessed to be onerous and will instead, include the payments due under the lease in its lease liability and assess the right of use of assets for impairment;
- Operating cash flows will be favourable as repayment of the principal portion of all lease liabilities will be classified as financing activities.

AASB 16 must be implemented retrospectively either, with the restatement of comparatives or, under the modified retrospective approach, with the cumulative impact of initial application recognised as an adjustment to opening retained earnings as at 1 July 2019.

Under the modified retrospective approach, on a lease-by-lease basis, the right of use of an asset may be deemed to be equivalent to the lease liability at transition or calculated retrospectively as at inception of the lease.

The Group is in the process of assessing 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;
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions;
- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments; and
- AASB 2017-7 Amendments to Australian Accounting Standards – Long term interest in Associates and JVs.

Directors' Declaration
for the half-year ended 31 December 2018

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

(a) the condensed consolidated half-year Financial Report and notes set out on pages 21 to 50, 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 2018 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, 7 February 2019

Downer EDI Limited
ABN 97 003 872 848

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North Ryde NSW 2113

1800 DOWNER
www.downergroup.com

Media/ASX and NZX Release

7 February 2019

DOWNER REPORTS 24% GROWTH IN EARNINGS

Downer EDI Limited (Downer) today announced its financial results for the six months to 31 December 2018. The highlights are set out below.

- Net profit after tax and before amortisation of acquired intangible assets (NPATA) of $163.4 million, up 23.8% from underlying NPATA of $132.0 million in the prior corresponding period.
- Net profit after tax (NPAT) of $141.4 million, compared with a statutory NPAT loss of $15.9 million in the prior corresponding period.
- FY19 NPATA target guidance increased from $335 million to $352 million, taking into account the fair value gain of $17 million from acquiring the remaining 50% of the Downer Mouchel joint venture.
- Total revenue of $6.6 billion, up 8.6%.
- Operating cash flow of $355.3 million, representing cash conversion of 91% of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA).
- Gearing of 23.8%, down from 24.6% in the prior corresponding period, with liquidity of $1.4 billion.
- Work-in-hand of $43.5 billion, up from $42.0 billion at 30 June 2018.
- Interim dividend 14 cents per share (50% franked), up 7.7% from the prior corresponding period.

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

The Chief Executive Officer of Downer, Grant Fenn, said Downer achieved good revenue growth in the period with a strong increase in earnings.

“An increasing proportion of Downer’s earnings are coming from our Urban Services businesses of Transport, Utilities and Facilities,” Mr Fenn said. “These businesses have market leading positions and are leveraged to the long-term trends of increasing urbanisation, growing population, government outsourcing and technology proliferation.

“Our Urban Services businesses are well positioned for growth, require modest capital expenditure and have a high proportion of long term contracts with a diverse and high-quality customer base. As recently as yesterday we received an order from the New South Wales Government for an additional 17 Waratah Series 2 trains.”

Mr Fenn said Downer’s strategic focus on services had reduced the contribution from construction related activities to just 17% of Group EBITA.

"Construction is an important part of our service capability but our involvement is now limited to projects that help drive long term services contracts with our customers."

Mr Fenn said Downer was continuing to grow its maintenance and asset services business within its Engineering, Construction & Maintenance (EC&M) service line as LNG and CSG markets transition from construction to operations.

"Maintenance and asset services is now a larger and more profitable contributor to EC&M than construction," Mr Fenn said.

Downer's Mining business delivered a significantly improved performance, including a 76.6% jump in EBITA.

"We have won new work and contract extensions at both open cut and underground mines and across coal, iron ore, copper and gold," Mr Fenn said. "The growth in EBITA was driven by these contract wins as well as overhead cost reduction and improved operational productivity."

Downer's cash performance continued to be strong, predictable and reliable with Group cash flow conversion of 91% of adjusted EBITDA. Gearing is 23.8%, down from 24.6% in the prior corresponding period, and the company has liquidity of $1.4 billion.

"Downer has a strong balance sheet to support our strategy of investing in growth, including targeted bolt-on acquisitions," Mr Fenn said.

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

Urban Services

Transport

Total revenue of $2.1 billion, up 0.8%
EBITA of $87.9 million, up 9.7%
Work-in-hand of $17.9 billion

Utilities

Total revenue of $1.2 billion, up 27.5%
EBITA of $64.7 million, up 19.6%
Work-in-hand of $3.3 billion

Facilities

Total revenue of $1.7 billion, down 2.8%
EBITA of $81.3 million, up 5.6%
Work-in-hand of $17.3 billion

Mining, Energy and Industrials

Mining

Total revenue of $714.2 million, up 3.6%
EBITA of $36.9 million, up 76.6%
Work-in-hand of $3.3 billion

Engineering, Construction & Maintenance

Total revenue of $945.1 million, up 34.1%
EBITA of $22.4 million, down 4.7%
Work-in-hand of $1.7 billion

Safety

Downer continues to perform well against key health and safety indicators with a Lost Time Injury Frequency Rate of 0.68 per million hours worked and a Total Recordable Injury Frequency Rate of 3.09 per million hours worked.

Downer
Relationships creating success

Dividend

The Downer Board resolved to pay interim dividend of 14.0 cents per share, 50% franked, (13.0 cents per share 50% franked in the prior corresponding period) payable on 21 March, 2019 to shareholders on the register at 21 February, 2019. 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.

For further information please contact:

Michael Sharp, Group Head of Corporate Affairs and Investor Relations +61 439 470 145

About Downer

Downer is the leading provider of integrated services in Australia and New Zealand and customers are at the heart of everything it does. It exists to create and sustain the modern environment and its promise is to work closely with its customers to help them succeed, using world-leading insights and solutions to design, build and sustain assets, infrastructure and facilities. Downer employs more than 53,000 people across more than 300 sites, primarily in Australia and New Zealand, but also in the Asia-Pacific region, South America and Southern Africa. It also owns 88 per cent of Spotless Group Holdings Limited. For more information visit downergroup.com

Downer Group Investor Presentation

Downer
Relationships creating success

Half Year Results

7 February 2019

Delivering operationally and financially

Our focus areas

Safety

LTIFR of 0.68 and TRIFR of 3.09, improving on HY18

Zero Harm embedded in culture and fundamental to success

Earnings growth

23.8% NPATA[1] growth v HY18[3]

FY19 guidance increased to $352 million NPATA[1]

Cash conversion

Operating cash flow of $355.3m, cash conversion of 90.7%

Continue delivering cash backed earnings with +90% cash conversion to adjusted EBITDA

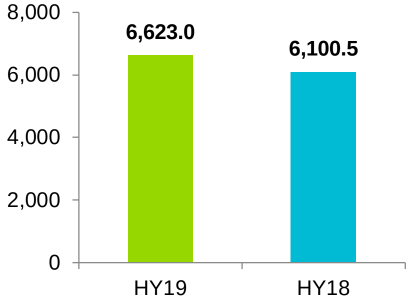
Balance sheet

Gearing of 23.8% v 24.6% in HY18 and $1.4bn of liquidity

Balance sheet flexibility to support growth strategy

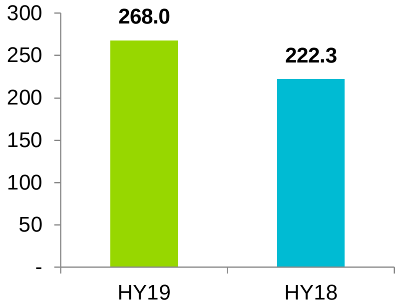
Our financial results

Total revenue[2] $m



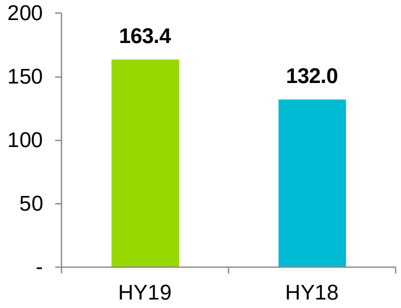
+8.6% v HY18

EBITA[1] $m



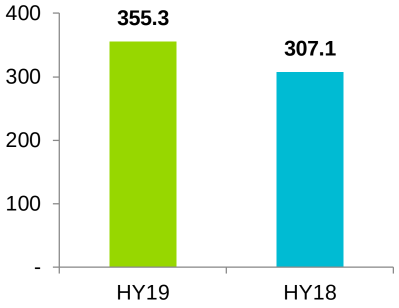
+20.6% v HY18[3]

NPATA[1] $m



+23.8% v HY18[3]

Operating Cash Flow $m



+15.7% v HY18

All figures above and throughout the presentation include 100% contribution from Spotless, before minority interests, unless stated otherwise.

[1] Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY19 $31.4m, $22.0m after-tax (HY18: $30.7m, $21.6m after-tax). FY19 guidance includes the fair value gain from acquiring the remaining 50% of the Downer Mouchel JV in late 1H19.
[2] Total revenue above and throughout the presentation is a non-statutory disclosure and includes revenue from joint ventures and other alliances and other income.
[3] HY18 figures are underlying.

Downer's earnings are heavily weighted to the growing Urban Services markets

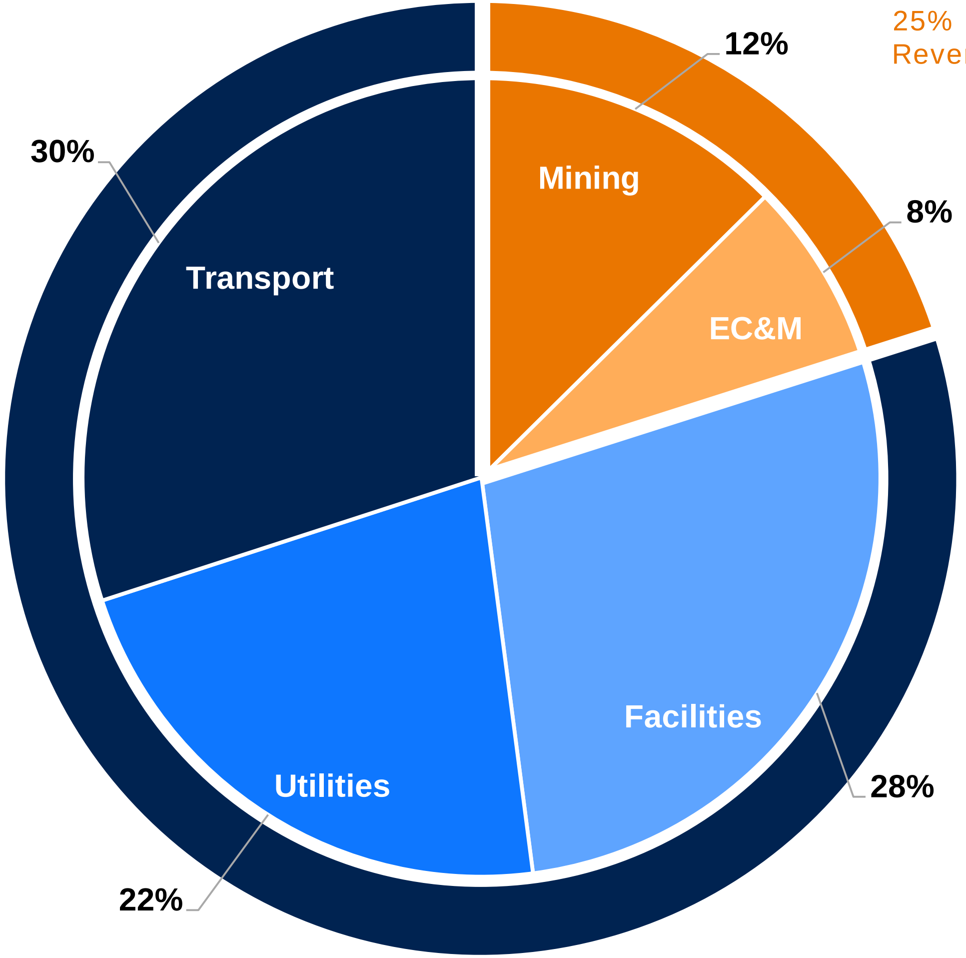
Urban Services

75% Revenue | 80% EBITA[1] | 4.7% EBITA margin

Transport
- Road services
- Bitumen and logistics
- Transport infrastructure projects
- Heavy rail, light rail, buses

Utilities
- Power and gas
- Water
- Renewables
- Communications

Facilities
- Hospitality and FM
- Health, Education, Defence, Justice, Resources, Infrastructure
- Mechanical & Electrical (M&E) and Heating, Ventilation and Air-conditioning (HVAC)
- Laundries
- Hawkins



Mining, Energy and Industrial Services

25% Revenue | 20% EBITA[1] | 3.6% EBITA margin

Mining

Mining
- Open Cut
- Underground
- Blasting and Tyre Management

EC&M

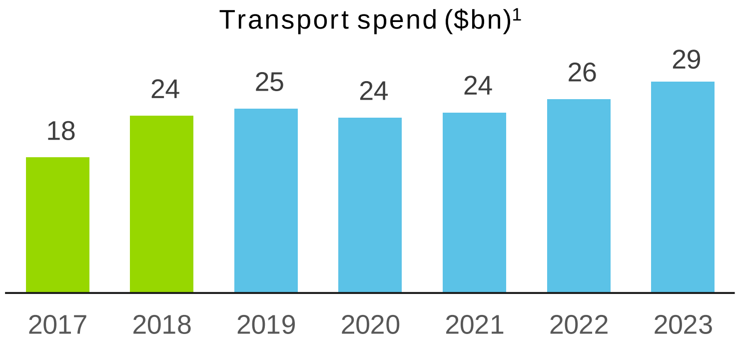
Energy and Resources
- Engineering
- Construction
- Asset management services

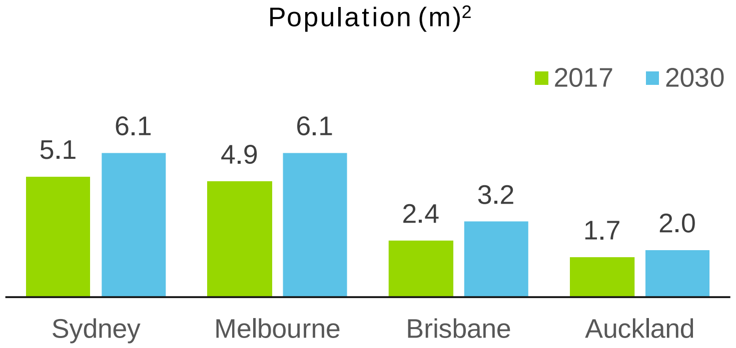
[1] Chart split based on HY19 EBITA (excludes unallocated corporate costs).

Urban Services

Transport, Utilities, Facilities

Leveraged to the long-term trends of increasing urbanisation, growing population, government outsourcing and technology proliferation



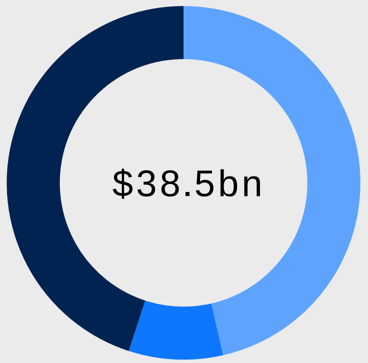


Strategic focus areas

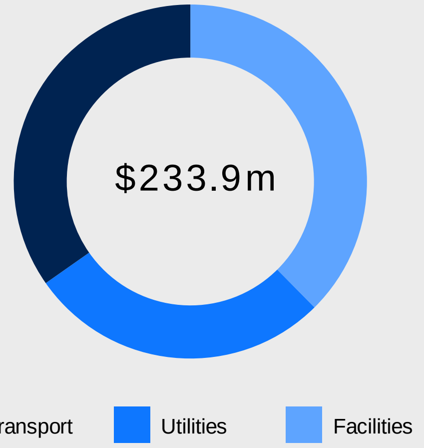
- Leverage leading positions in growing markets
- Strategic investment in existing operations and targeted acquisitions
- Continued innovation

[1] BIS Oxford Economics - Engineering in Australia Study. Public sector road and railways construction spend plus private toll roads.
[2] Australian Bureau of Statistics - Australian Demographic Projections, Auckland City Council - Auckland 2050 Plan.

Work-in-hand



EBITA by service line

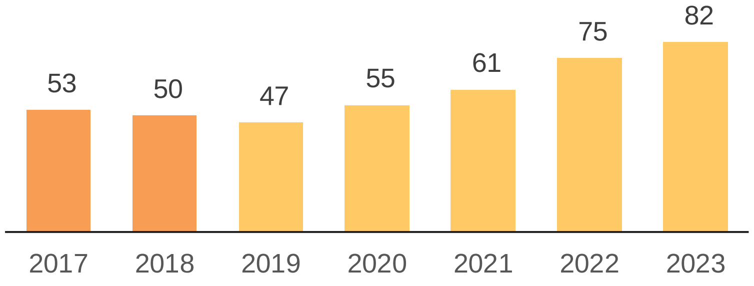


Mining, Energy & Industrial Services

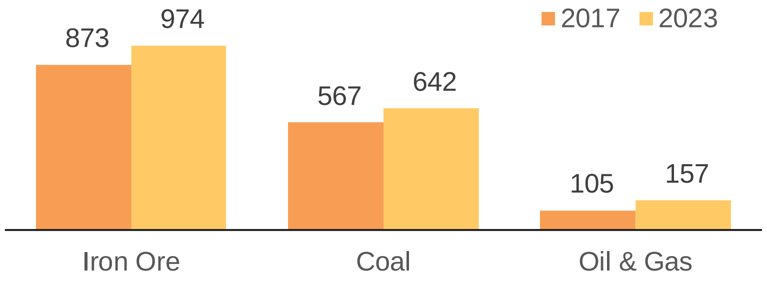
Mining and Engineering, Construction & Maintenance (EC&M)

Leading engineering, construction, operations and contract mining provider experiencing improved conditions due to favourable global resources outlook

Mining capital and maintenance spend ($bn)[1]



Production volumes[2]

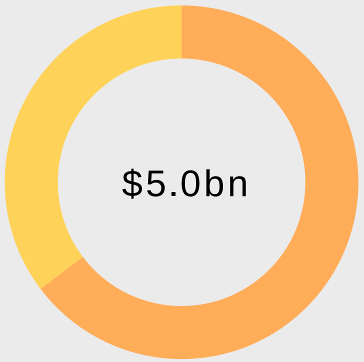


Strategic focus areas

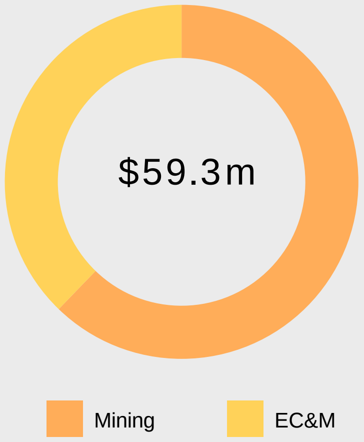
- Continue to grow maintenance and asset services as LNG and CSG markets transition from construction to operations
- Diversification of Mining's service offerings
- Drive further capital efficiency

[1] BIS Oxford Economics - Mining in Australia Study.
[2] BIS Oxford Economics - Mining in Australia Study. Iron Ore (mt), Coal (mt), Oil & Gas (Gm^3)

Work-in-hand

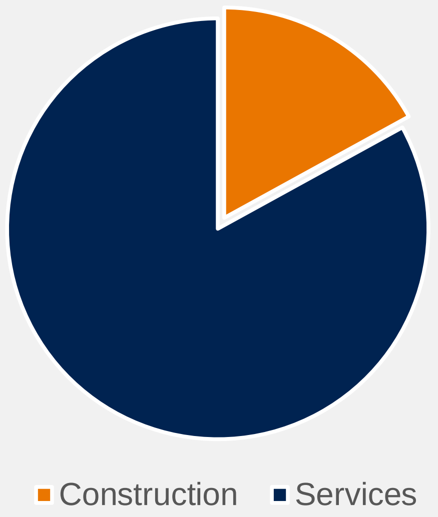


EBITA by Service Line



Downer's strategic focus on services has reduced construction to just 17% of EBITA

EBITA composition[1]



Services:

- Continued transformation to integrated services business
- High proportion of long term services based contracts
- Higher margin and more stable and defensive earnings
- Diverse and high quality customer base

Construction:

- Projects that will help drive long term services contracts
- Reduce exposure to high risk markets
- Improve project performance

[1] Chart split based on HY19 EBITA (excludes unallocated corporate costs).

Downer's shareholder value proposition

Business growth	Aligned to growing markets and serving quality customers	Increased exposure to low capital, service oriented businesses	Strategic acquisitions	23.8% NPATA growth v HY18[1,2]
Efficient use of capital	Continue strong operating cash flow discipline	Strategic capital allocation, cost and capital efficiency	Maintaining a strong balance sheet and credit rating	12.8% ROFE[3]
Shareholder value	Consistently growing EPS and DPS	Increasing EPS and maintaining a 50% - 60% payout ratio	TSR growth through continued delivery	Targeting 19% EPS growth in FY19[4]

[1] Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY19 $31.4m, $22.0m after-tax (HY18: $30.7m, $21.6m after-tax).
[2] HY18 underlying
[3] Throughout the presentation, ROFE = 12 month rolling underlying EBITA divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt + Equity.
[4] EPS is calculated using FY18 underlying NPATA and FY19 NPATA market guidance after taking into account minority interest and ROADS dividends.

Managing for success

Culture and people

- Focus on employee well-being
- Employer of choice for high quality people
- Scale, innovation and opportunity
- Stability, focus and direction
- Sustainable decision making

1

Accountability framework

- CEOs accountable for business performance
- Systems focused on transparency
- Managers accountable to external and internal stakeholders
- Remuneration structures drive consistent Zero Harm, earnings, cash and people focus

2

Risk management

- Inherent risk aversion
- Robust bid approval process
- Focused Project Management Office and Internal Audit
- Construction risk limited
- Centralised Legal and Compliance

3

Business planning and performance

- Robust planning process for short and long term
- Focus on capital allocation, returns and cash conversion
- Monthly business performance reviews
- Common management systems and processes

4

Group results

Financial performance

- Revenue growth of $523 million or 8.6%
- EBITA margin improvement from 3.6% to 4.0%
- Dividend up 7.7% to 14 cps

$m	Group HY19	Group HY18[1]	Change (%)
Total revenue[2]	6,623.0	6,100.5	8.6
EBITDA	413.0	376.8	9.6
EBITA[3]	268.0	222.3	20.6
EBIT	236.6	191.6	23.5
Net interest expense	(42.1)	(41.0)	(2.7)
Tax expense	(53.1)	(40.2)	(32.1)
NPAT	141.4	110.4	28.1
NPATA[3]	163.4	132.0	23.8
EBITA margin	4.0%	3.6%	0.4
Effective tax rate	27.3%	26.7%	0.6
ROFE[4]	12.8%	11.3%	1.5
Dividend declared (cps)	14.0	13.0	7.7
Ordinary Dividend payout ratio[5]	52.3%	60.4%	(8.1)

[1] HY18 figures are underlying.
[2] Total revenue is a non-statutory disclosure and includes revenue from joint ventures and other alliances and other income.
[3] Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY19 $31.4m, $22.0m after-tax (HY18: $30.7m, $21.6m after-tax).
[4] ROFE = 12 month rolling underlying EBITA divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt + Equity
[5] Ordinary dividend payout ratio = Dividends divided by (NPATA – ROADS dividend).

Summary of earnings HY19

$m	EBIT	Net interest expense	Tax expense	NPAT	Add back amortisation of acquired intangibles post-tax	NPATA[1]
Statutory result	**236.6**	**(42.1)**	**(53.1)**	**141.4**	**22.0**	**163.4**
Less: Fair value gain on existing Downer Mouchel JV	(17.0)	-	-	(17.0)	-	(17.0)
Adjusted result	**219.6**	**(42.1)**	**(53.1)**	**124.4**	**22.0**	**146.4**

[1] Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY19 $31.4m, $22.0m after-tax (HY18: $30.7m, $21.6m after-tax).

AASB 15 – impact on Downer

- Opening retained earnings impact substantially as reported at 30 June 2018
- Earnings not materially different when comparing new standard to previous reporting requirement for HY19
- Further details disclosed in Note E1. *New accounting standards*

$m	Disclosure of estimate at 30 Jun 18	Adjustment	As reported 31 Dec 18
Contract modifications (claims and variations)	198.9	5.9	204.8
Contract costs (tender costs)	23.9	-	23.9
Change in performance obligations and measure of progress	29.3	-	29.3
Decrease in opening retained earnings at 1 Jul 18 (after tax)	**252.1**	**5.9**	**258.0**

$m	Group HY19
NPAT as reported	141.4
Impact of AASB 15 adjustments	2.3
NPAT without adoption of AASB 15	**143.7**

Operating cash flow

- Cash flow conversion increased from 88% to 91%
- Downer Group cash remains predictable and reliable
- Spotless conversion 76.7% of EBITDA (91.6% excluding nRAH)

$m	Group HY19	Group HY18	Change (%)
EBIT	236.6	191.6[1]	23.5
Add: depreciation and amortisation	176.4	185.2	(4.8)
Less: Non-cash fair value gain on existing Downer Mouchel JV	(17.0)	-	100
Adjusted EBITDA	**396.0**	**376.8**[1]	5.1
Operating cash flow	**355.3**	**307.1**	15.7
Add: Net interest paid[2]	35.3	34.3	2.9
Less: Tax received	(31.5)	(9.3)	>(100)
Adjusted operating cash flow	**359.1**	**332.1**	8.1
EBITDA conversion	**90.7%**	**88.1%**	2.6

[1] Underlying
[2] Interest and other costs of finance paid minus interest received.

Cash flow

- Continued investment in growth and strategic bolt-on acquisitions
- Continued strong liquidity to fund future growth
- Growth capital in Mining as new projects mobilise
- Capital management through debt repayment and increased returns to shareholders

$m	Group HY19	Group HY18	Change (%)
Total operating	**355.3**	**307.1**	**15.7**
Net capital expenditure	(191.7)	(188.4)	(1.8)
Spotless acquisition[1]	-	(391.8)	100
Other acquisitions	(46.0)	(37.6)	(22.3)
IT Transformation and Other	(14.5)	(29.2)	50.3
Loans to JVs and other	(13.5)	(0.4)	>(100)
Total investing	**(265.7)**	**(647.4)**	**59.0**
Issue of shares (net of costs)	-	(0.2)	100
Net (repayments) / proceeds of borrowings	(106.3)	63.7	>(100)
Dividends paid	(87.4)	(75.3)	(16.1)
Total financing	**(193.7)**	**(11.8)**	**>(100)**
Net decrease in cash	(104.1)	(352.1)	70.4
Cash at 31 December	**505.3**	**490.4**	**3.0**
Total liquidity	**1,360.3**	**1,375.4**	**(1.1)**

[1] Gross consideration paid to achieve 87.8% interest in Spotless.

Balance sheet and capital management

- Balance sheet well positioned for growth
- Gearing remains in target range
- Increase in net PPE primarily in Transport and Mining on secured new contracts
- No movement in net debt
- Reduction in net assets and increase in gearing primarily a result of adoption of AASB15
- Credit metrics have improved and remain well within thresholds

$m	Dec-18	Jun-18
Current assets	**2,886.9**	**3,133.6**
Non-current assets	**4,775.2**	**4,654.6**
- Goodwill	2,422.3	2,351.5
- Acquired intangible assets	457.2	458.0
- PP&E, Software and other	1,895.7	1,845.1
Total liabilities	**(4,646.8)**	**(4,583.1)**
Net Assets	**3,015.3**	**3,205.1**
Net Debt[1]	**(940.0)**	**(940.0)**
Gearing: net debt / net debt plus equity	**23.8%**	**22.7%**
Interest cover	6.8x	6.3x
Net debt / EBITDA	1.1	1.2
Adjusted Net Debt / Adjusted EBITDAR[2]	2.17x	2.23x

[1] Adjusted for the marked-to-market derivatives and deferred finance charges

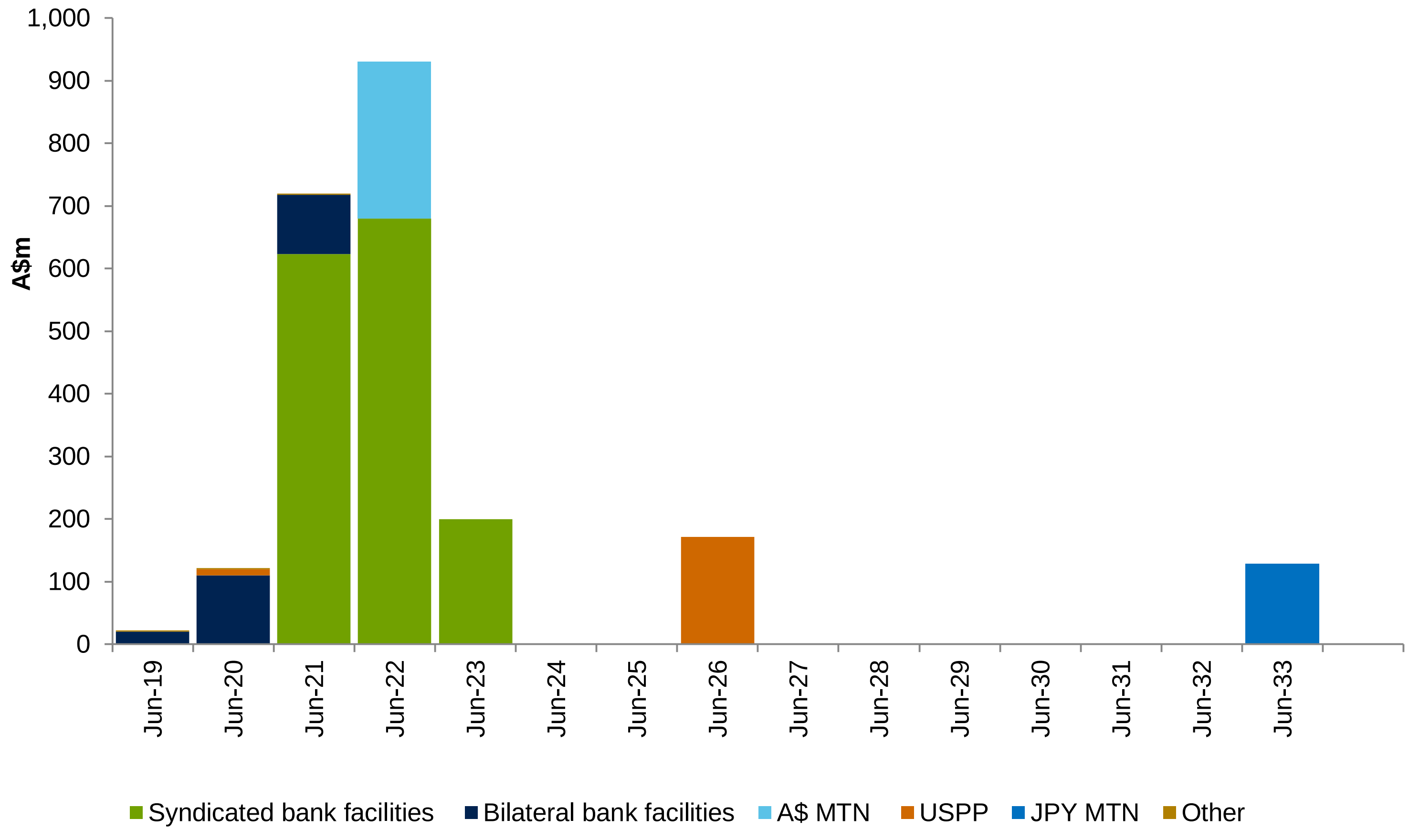
[2] Adjusted Net Debt includes Net Debt plus 6x operating lease expenses in the year. Adjusted EBITDAR equals underlying earnings before interest, tax, depreciation, amortisation and operating lease expense (on a rolling 12 month basis).

Debt maturity profile (Downer and Spotless)

- Weighted average debt duration of 3.8 years[1] (4.0 years at Jun-18)
- Diversified funding sources
- Improvement in both key credit metrics since Jun-18
- Spotless net debt continues to reduce

Metric	Dec-18	Jun-18
Interest cover	6.8x	6.3x
Adjusted Net Debt / Adjusted EBITDAR[2]	2.17x	2.23x

Net debt ($m)	Dec-18	Jun-18
Downer	237.3	198.7
Spotless	702.7	741.3
Group	940.0	940.0



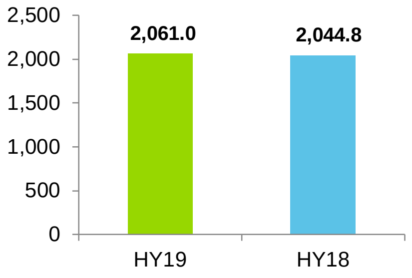
[1] Based on the weighted average life of debt facilities (by A$m limit).
[2] Adjusted Net Debt includes Net Debt plus 6x operating lease expenses in the year. Adjusted EBITDAR equals underlying earnings before interest, tax, depreciation, amortisation and operating lease expense (on a rolling 12 month basis).

Urban Services

Transport

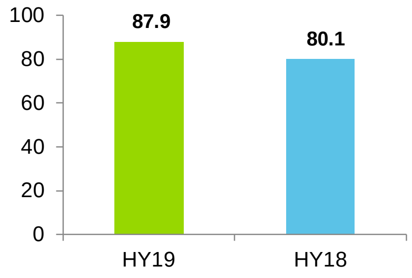
Financial results

Revenue $m



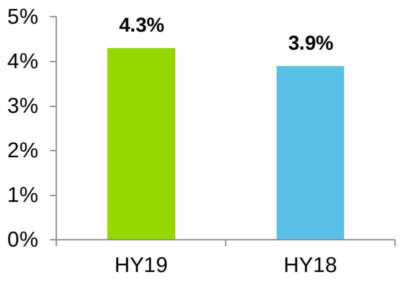
+0.8% v HY18

EBITA $m



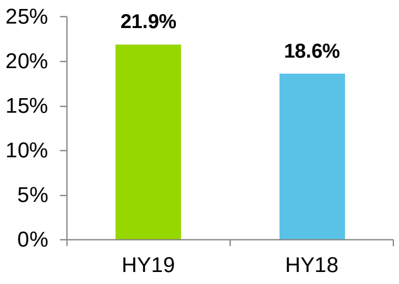
+9.7% v HY18

EBITA margin



+0.4% v HY18

ROFE



+3.3% v HY18

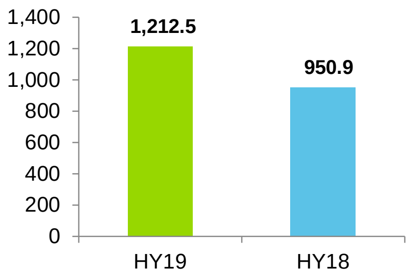
Operational factors

- Revenue growth in 1H19 despite reduction of $83m from Freight Rail divestment in 1H18
- Continued strong performance across road services, bituminous products, rail and light rail
- Major rolling stock projects (HCMT and SGT) are performing well
- A further 17 SGT trains announced by NSW Government on 6 February ($900 million)
- Downer JV awarded contract to build Stage 1 of the Parramatta Light Rail project
- Acquisition of remaining 50% of Downer Mouchel enhances network management capability

Utilities

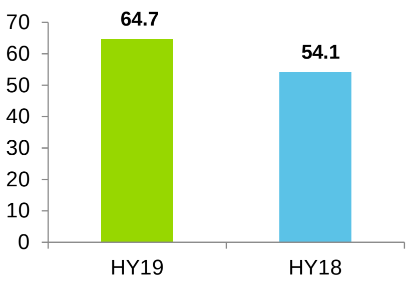
Financial results

Revenue $m



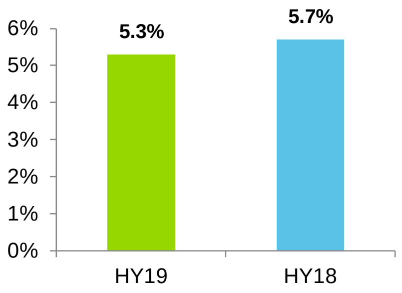
+27.5% v HY18

EBITA $m



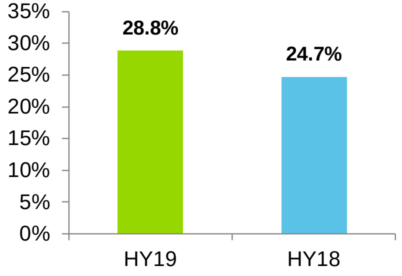
+19.6% v HY18

EBITA margin



(0.4)% v HY18

ROFE



+4.1% v HY18

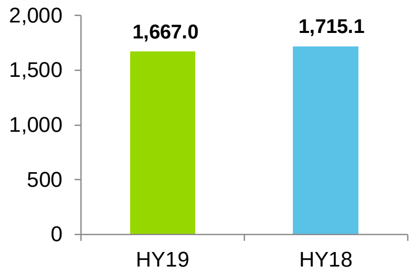
Operational factors

- Continued strong performance from Communications
- Growth through improvement in Water
- Expansion of Power and Gas distribution businesses
- Margin negatively impacted by performance in Renewables
- Remaining solar projects performing to budget
- Significant opportunities from transmission line investment

Facilities[1]

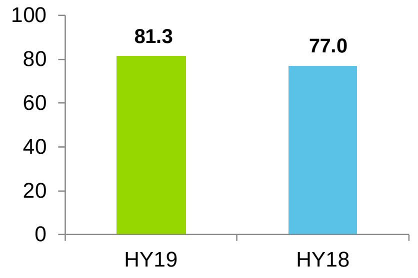
Financial results

Revenue $m



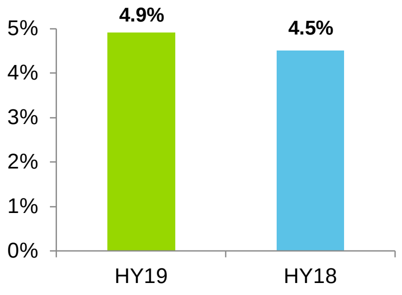
(2.8)% v HY18

EBITA $m



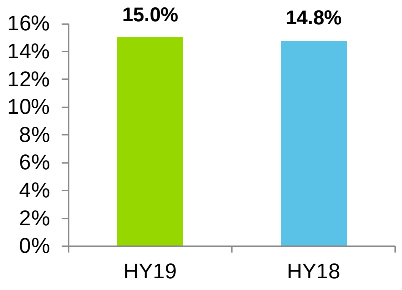
+5.6% v HY18

EBITA margin



+0.4% v HY18

ROFE



+0.2% v HY18

Operational factors

- Improved EBITA and EBITA margin led by Hospitality & FM, Defence, Laundries
- Significant investment in business development, operational excellence, bid/delivery governance
- Integration of Mechanical & Electrical and Heating, Ventilation and Air-conditioning businesses creating new opportunities
- Outsourcing opportunities emerging across Government and Hospitality
- Strong pipeline in growth markets - Justice, Critical Infrastructure, Defence
- nRAH negotiations continuing; improved monthly financial position in line with reduced headcount
- Facilities includes Spotless and Hawkins

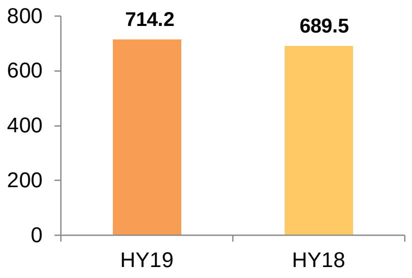
[1] Refer slide 29 for reconciliation from Facilities segment to Spotless statutory results

Mining, Energy & Industrial Services

Mining

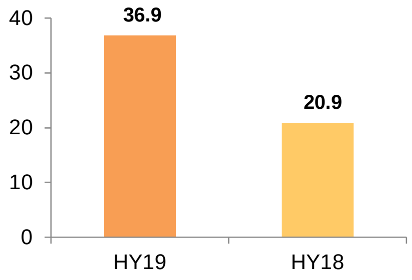
Financial results

Revenue $m



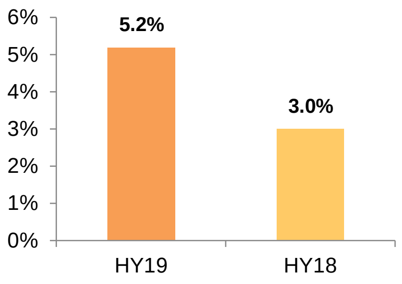
+3.6% v HY18

EBITA $m



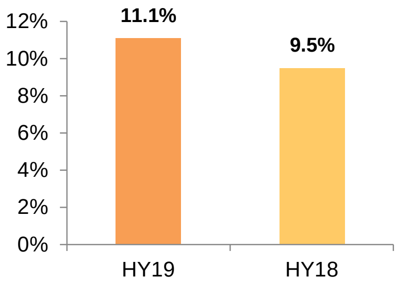
+76.6% v HY18

EBITA margin



+2.2% v HY18

ROFE



+1.6% v HY18

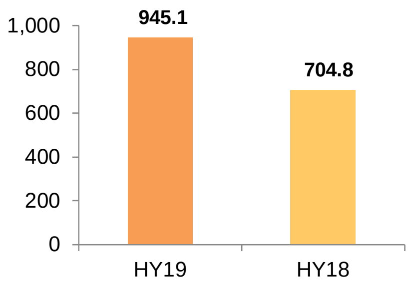
Operational factors

- Underground contract wins in the period include new and renewed contracts at Newcrest and CSA copper mines, and Cosmo gold mine
- Open cut operations secured new wins and contract extensions in Queensland at Commodore and Goonyella; iron ore renewals at Citic Pacific and FMG
- EBITA growth driven by overhead cost reduction, contract wins and improved operational productivity
- Increased diversification through long term copper and gold contracts (Gruyere, Cadia, Carrapateena)

EC&M

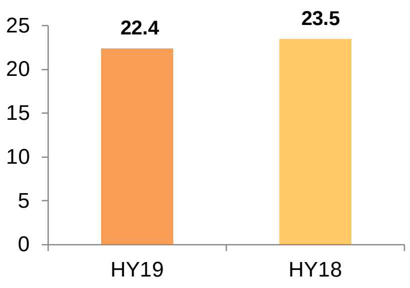
Financial results

Revenue $m



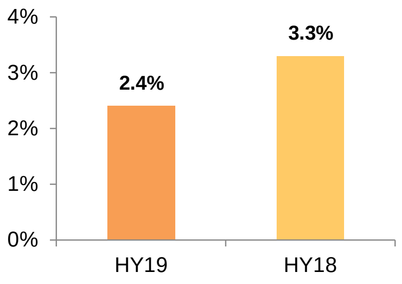
+34.1% v HY18

EBITA $m



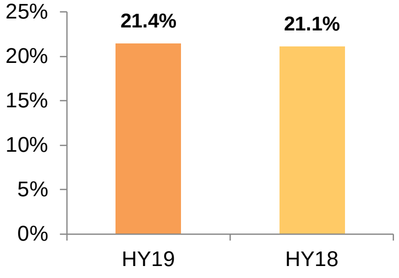
(4.7)% v HY18

EBITA margin



(0.9)% v HY18

ROFE



+0.3% v HY18

Operational factors

- Continued strong construction performance at Ichthys; successful conversions in WA iron ore sector with solid pipeline in FY20 and FY21
- Growth in engineering services to the global mineral sands, base metals and industrial mineral processing sectors
- Long term asset services contract wins with Chevron (5 yrs) and BHP Iron Ore (3 yrs)
- Maintenance and asset services is now a larger and more profitable contributor than construction
- EBITA and EBITA margin negatively affected by two loss-making construction projects

Outlook

FY19 outlook and goals

FY19 Outlook

Downner has increased its target guidance for FY19 to $352 million consolidated net profit after tax and before amortisation of acquired intangible assets (NPATA) before minority interests.

The increase takes into account the fair value gain of $17 million from acquiring the remaining 50% of the Downer Mouchel JV in late 1H19.

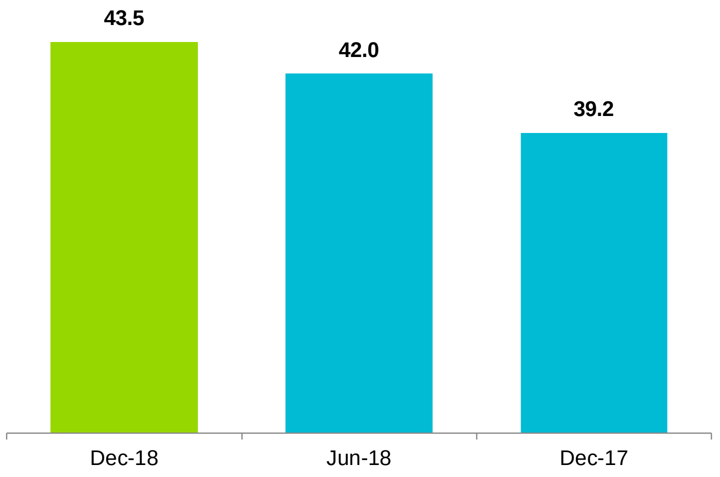
FY19 operational and financial goals

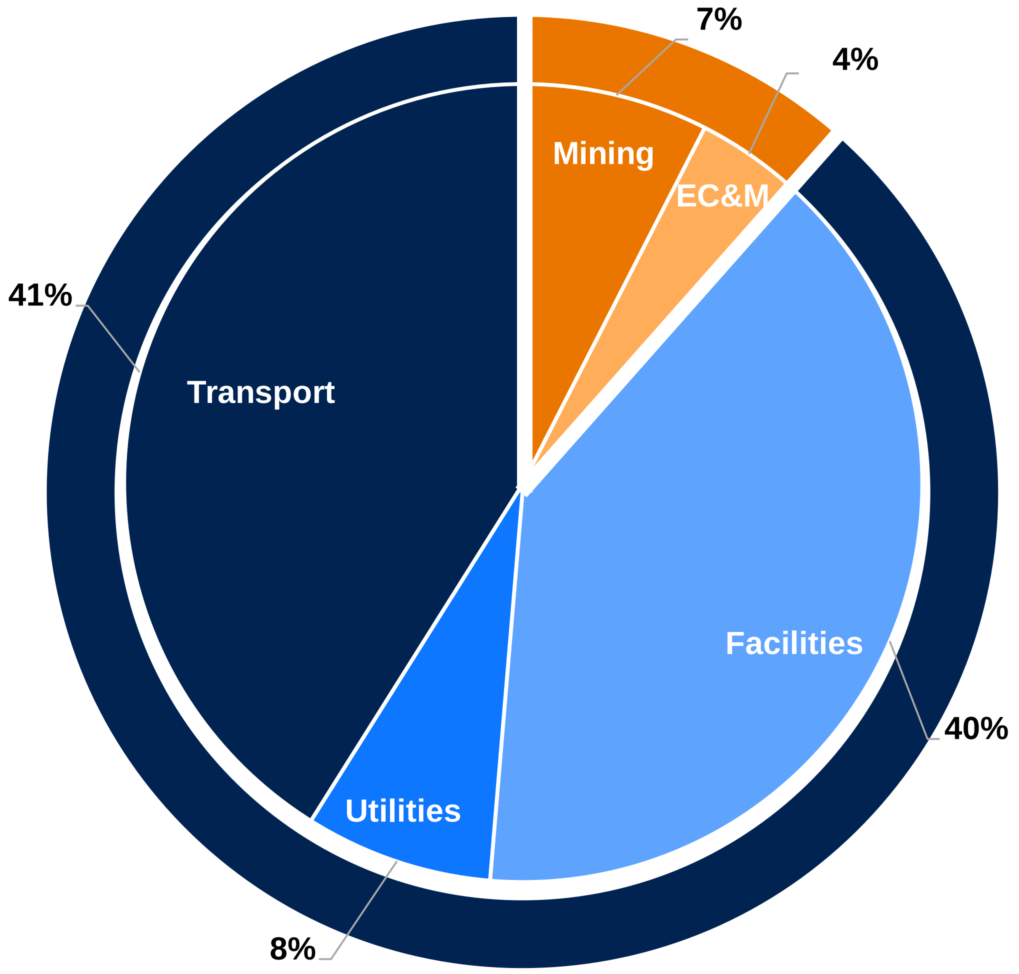
- **Zero Harm:** Ensure a safe environment for employees with improving injury rates and well being
- **Growth:** Deliver EPS growth of 19% in FY19
- **Cash flow:** Maintain strong cash flow conversion consistent with recent periods
- **Returns:** Active capital management and maintain dividend payout ratio within 50 – 60% of NPATA
- **Balance sheet:** Maintain conservative gearing position, providing balance sheet flexibility to support growth

Outlook supported by work-in-hand of $43.5bn

- WIH remains strong
- Contracts secured in the period in excess of revenue

Work-in-hand





Supplementary information

Segment reporting

HY19 $m	Transport	Utilities	Facilities	EC&M	Mining	Unallocated[1]	Total
Revenue and other income	1,792.6	1,212.5	1,663.0	945.1	688.1	23.2	6,324.5
Share of sales from JVs and Associates	268.4	-	4.0	-	26.1	-	298.5
Total revenue	**2,061.0**	**1,212.5**	**1,667.0**	**945.1**	**714.2**	**23.2**	**6,623.0**
EBITDA	112.3	72.2	120.1	27.2	98.6	(17.4)	413.0
EBITA[2]	87.9	64.7	81.3	22.4	36.9	(25.2)	268.0
EBIT	87.5	63.1	75.4	22.4	36.9	(48.7)	236.6
EBITA margin	*4.3%*	*5.3%*	*4.9%*	*2.4%*	*5.2%*		*4.0%*
Net interest expense							(42.1)
Tax expense							(53.1)
Net profit after tax							141.4
NPATA[2]							163.4

1 Unallocated include $17m fair value gain on existing Downer Mouchel JV
[2] Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY19 $31.4m, $22.0m after-tax (HY18: $30.7m, $21.6m after-tax).

Reconciliation of Facilities Segment to Spotless result

HY19 $m	Facilities segment	Less: Hawkins Building	Add: Spotless Utilities	Spotless
Total Revenue[1]	1,667.0	(291.7)	86.0	1,461.3
EBITA[2]	81.3	(3.4)	4.3	82.2
EBIT	75.4	(2.9)	4.3	76.8
Net Interest Expense				(20.3)
Tax Expense				(17.5)
NPAT				39.0
NPATA[2]				42.9

[1] Total revenue is a non-statutory disclosure and includes revenue from joint ventures and other alliances and other income.
[2] Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Spotless HY19 $5.4m, $3.9m after-tax.

HY18 – Reconciliation of underlying to statutory result

$m	EBIT	Net interest expense	Tax expense	NPAT	Add back amortisation of acquired intangibles 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**

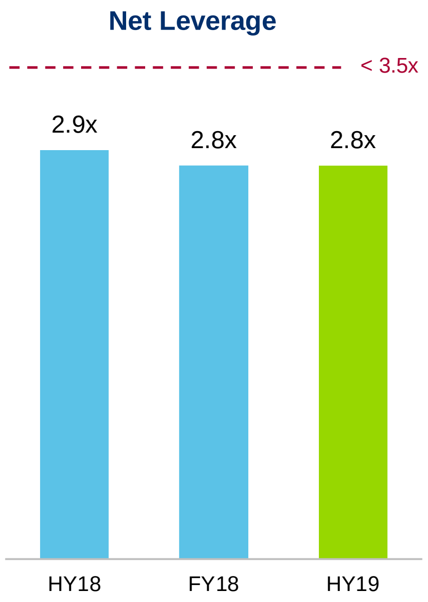
Note:
- Results represent 100% contribution before minority interests.
- Downer's statutory results are reported under International Financial Reporting Standards. Earnings before individually significant items (ISI) is a non-IFRS measure reported to provide a greater understanding of the underlying business performance of the Group. ISI are detailed in Note B2(c) of the 2018 Half Year Financial Report and relate to amounts of expense that are associated with business disposal, impairment of goodwill and Spotless related transactions.

Debt and bonding facilities

Debt facilities $m	DOW	SPO	Group
Total limit	1,233.1	1,067.2	2,300.3
Drawn	(648.1)	(797.2)	(1,445.3)
Available	**585.0**	**270.0**	**855.0**
Cash	410.8	94.5	505.3
Total liquidity	**995.8**	**364.5**	**1,360.3**
Net debt	**237.3**	**702.7**	**940.0**

Bonding facilities $m	DOW	SPO	Group
Total limit	2,059.7	210.0	2,269.7
Drawn	(1,363.4)	(153.5)	(1,516.9)
Available	**696.3**	**56.5**	**752.8**

SPOTLESS DEBT COVENANTS




Thank you