

Media/ASX and NZX Release

DOWNER DESPATCHES RETAIL INFORMATION BOOKLET

28 July 2020

Downer EDI Limited (ASX:DOW) ("**Downer**") will today despatch the retail information booklet ("**Information Booklet**") and personalised entitlement and acceptance form to eligible retail shareholders in connection with its fully underwritten 1 for 5.58 pro rata accelerated non-renounceable entitlement offer ("**Entitlement Offer**"), as announced to the Australian Securities Exchange ("**ASX**") on 21 July 2020.

A letter to ineligible retail shareholders notifying them of the Entitlement Offer and their ineligibility to participate will also be despatched today.

A copy of the Information Booklet is attached.

Eligible retail shareholders in Australia and New Zealand can obtain a copy of this Information Booklet during the period of the Entitlement Offer by accessing the ASX website or accessing the Downer offer website at www.downerentitlementoffer.com.

Retail Entitlement Offer

The retail component of the Entitlement Offer ("**Retail Entitlement Offer**") will open on Tuesday, 28 July 2020 and close at 5.00pm (Sydney, Australia time) on Friday, 14 August 2020.

Eligible retail shareholders on the record date (7.00pm, Sydney Time on Thursday, 23 July 2020) will have the opportunity to invest in new shares at the offer price of A\$3.75 per new share^[1]. The terms and conditions under which eligible retail shareholders may apply are outlined in the Information Booklet.

Shareholders with a registered address outside Australia and New Zealand will be ineligible to participate in the Retail Entitlement Offer.

Further Information

If you have any questions, you should seek advice from your stockbroker, accountant or other independent professional adviser or the Downer Entitlement Offer Information Line on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia) at any time between 8:30 am to 5:00 pm (Sydney time) on Monday to Friday, up to the closing date of the Retail Entitlement Offer at 5:00 pm (Sydney time) on Friday, 14 August 2020.

^[1] Eligible retail shareholders may also subscribe in NZD. The NZD equivalent of the AUD offer price is specified in the Information Booklet.

Authorised for release by Downer's Company Secretary, Robert Regan.

For further information please contact:

Michael Sharp, Group Head of Corporate Affairs and Investor Relations

+61 439 470 145

IMPORTANT INFORMATION

Not for distribution or release in the United States

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which, or to any person to whom, such an offer would be illegal. Neither the entitlements nor the new shares of Downer issued under the Entitlement Offer have been, nor will be, registered under the U.S. Securities Act of 1933, as amended ("**U.S. Securities Act**") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements and such securities may not be taken up by, or offered or sold to, directly or indirectly, any person in the United States, or to any person acting for the account or benefit of any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction of the United States.

About Downer

Downer is the leading provider of integrated services in Australia and New Zealand and customers are at the heart of everything it does. It exists to create and sustain the modern environment and its promise is to work closely with its customers to help them succeed, using world-leading insights and solutions to design, build and sustain assets, infrastructure and facilities. For more information visit downergroup.com.

Retail Entitlement Offer Information Booklet

Downer EDI Limited
ACN 003 872 848

**1 for 5.58 pro-rata accelerated
non-renounceable entitlement
offer of ordinary shares in
Downer EDI Limited (New
Shares) at an Offer Price of \$3.75
(or NZ\$4.02) per New Share**

Offer closes at 5:00pm
(Sydney time) on
Friday, 14 August 2020

**Not for distribution or release in
the United States**

This is an important document which is accompanied by a personalised Entitlement and Acceptance Form and both should be read in their entirety. This document is not a prospectus under the Corporations Act and has not been lodged with the Australian Securities and Investments Commission (**ASIC**).

If you have any questions, you should seek advice from your stockbroker, accountant or other independent professional adviser or call the Entitlement Offer Information Line on 1300 556 161 or +61 3 9415 4000 (outside Australia) at any time between 8:30am to 5:00pm (Sydney time) on Monday to Friday during the Retail Entitlement Offer period.

This Information Booklet should be read in its entirety (including the accompanying Entitlement and Acceptance Form) before you decide to participate in the Retail Entitlement Offer. In particular, the Investor Presentation in section 4 of this Information Booklet details important factors and risks that could affect the financial and operating performance of Downer EDI Limited ACN 003 872 848 (**DOW**). Please refer to the 'Key Risks' sections of the Investor Presentation for details. When making an investment decision in connection with the Retail Entitlement Offer, it is essential that you consider these risk factors carefully in light of your individual personal circumstances, including financial and taxation issues (some of which have been outlined in section 3 of this Information Booklet).

NO OVERSEAS OFFERING

This Information Booklet and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. In particular, this Information Booklet does not constitute an offer to Ineligible Retail Shareholders.

This Information Booklet is not to be distributed in, and no offer of New Shares under the Retail Entitlement Offer is to be made, in countries other than Australia and New Zealand.

No action has been taken to register or qualify the Retail Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of this Information Booklet (including an electronic copy) outside Australia and New Zealand, is restricted by law. If you come into possession of the information in this Information Booklet, you should observe such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

Foreign exchange control restrictions or restrictions on remitting funds from your country to Australia may apply. Your Application for New Shares is subject to all requisite authorities and clearances being obtained for DOW to lawfully receive your Application Monies.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

None of the information in this Information Booklet or the accompanying Entitlement and Acceptance Form constitutes an offer to sell, or the solicitation of an offer to buy, any securities in the United States, or in any jurisdiction in which, or to any person to whom, such an offer would be illegal. Neither this Information Booklet (or any part of it), the accompanying Australian Securities Exchange ("ASX") Announcements nor the accompanying Entitlement and Acceptance Form may be released or distributed directly or indirectly, to persons in the United States.

The Entitlements and the New Shares (the **Offer Securities**) have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be taken up or exercised by, and the New Shares may not be offered or sold to, directly or indirectly, any person, in the United States or persons who are acting for the account or benefit of a person in the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction of the United States. The Offer Securities to be offered and sold in the Retail Entitlement Offer may only be offered and sold outside the United States in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act.

PAST PERFORMANCE

Investors should note that DOW's past performance, including past share price performance, cannot be relied upon as an indicator of (and provides no guarantee or guidance as to) DOW's future performance including DOW's future financial position or share price performance.

FUTURE PERFORMANCE

This Information Booklet contains certain forward looking statements and comments about future events, including DOW's expectations about the performance of its businesses and the effect of the funds raised under the Entitlement Offer on those businesses. Forward looking statements can generally be identified by the use of forward looking words such as: "anticipate", "believe", "expect", "estimate", "should", "will", "plan", "could", "may", "intends", "guidance", "project", "forecast", "target", "likely" and other similar expressions, and include, but are not limited to, statements regarding outcome and effects of the Retail Entitlement Offer. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements and include statements in this Information Booklet regarding the conduct and outcome of the Entitlement Offer, the use of proceeds, and DOW's outstanding debt.

You are cautioned not to place undue reliance on any forward looking statement. While due care and attention has been used in the preparation of forward looking statements, forward looking statements, opinions and estimates provided in this Information Booklet are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve known and unknown risks, uncertainties and other factors, many of which are outside the control of DOW, its directors and management. A number of important factors could cause DOW's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements, including the risk factors described in the "Key Risks" section of this Information Booklet. Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which statements are based. Subject to any continuing obligations under applicable law or any relevant ASX listing rules, DOW disclaims any intent, or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

DEFINITIONS AND TIME

Defined terms used in this Information Booklet are contained in section 6. All references to time are to Sydney, Australia time, unless otherwise indicated.

CURRENCY

A reference to dollars (\$) or cents (c) in this Information Booklet is a reference to Australian currency unless otherwise identified as New Zealand currency (NZ\$). The Offer Price of \$3.75 has been converted into New Zealand dollars at an exchange rate of \$1 to NZ\$1.0733 resulting in an equivalent offer price of NZ\$4.02 (rounded to two decimal places).

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Chairman's Letter

28 July 2020

Downer EDI Limited
ABN 97 003 872 848

Triniti Business Campus
39 Delhi Road
North Ryde NSW 2113

1800 DOWNER
www.downergroup.com

Dear Shareholder,

On behalf of the Directors of Downer EDI Limited (**Downer**), I am pleased to invite you to participate in a 1 for 5.58 fully underwritten accelerated non-renounceable pro-rata entitlement offer (**Entitlement Offer**).

The Entitlement Offer is to strengthen Downer's balance sheet, support the acquisition of the remaining shares in Spotless Group Holdings Limited and provide flexibility for continued investment in Downer's core Urban Services business.

Details of the Entitlement Offer

The Entitlement Offer comprises an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**). The Institutional Entitlement Offer was completed on Wednesday, 22 July 2020 and raised gross proceeds of approximately \$339 million, and was strongly supported by institutional shareholders with take-up of approximately 97% by eligible institutional shareholders.

This information booklet (**Information Booklet**) relates to the Retail Entitlement Offer.

Under the Retail Entitlement Offer, eligible retail shareholders are entitled to subscribe for 1 New Shares for every 5.58 existing fully paid ordinary shares in Downer (**Shares**) (**Entitlement**) held at 7:00pm (Sydney time) on Thursday, 23 July 2020 (**Record Date**), at a fixed price of \$3.75 per share (or NZ\$4.02 per share).

This is the same price which was offered to institutional investors who participated in the Institutional Entitlement Offer.

The Entitlement Offer will result in approximately 107 million new shares being issued, representing approximately 17.9% of Downer's existing shares on issue.

New Shares issued under the Entitlement Offer will rank equally with existing shares and will not be eligible for the 2020 interim dividend of 14 cents per share to be paid on 25 September 2020 as this dividend had an ex-dividend date of 25 February 2020 and a record date of 26 February 2020.

Your Entitlement cannot be traded on ASX. If you do not take up some or all of your Entitlement, your Entitlement will lapse.

Information Booklet

This Information Booklet is important and requires your immediate attention. It contains your personalised Entitlement and Acceptance Form as well as important information including:

- Key Dates for the Entitlement Offer;
- Instructions on how to apply, setting out how to accept all or part of your Entitlement in the Retail Entitlement Offer if you choose to do so; and
- the ASX Investor Presentation of 21 July 2020.

Your personalised Entitlement and Acceptance Form contains details of your Entitlement and instructions on how to apply for New Shares.

The Retail Entitlement Offer closes at 5:00pm (Sydney time) on Friday, 14 August 2020. To participate, you need to ensure that you have completed your application by:

- paying Application Monies via BPAY® pursuant to the instructions that are set out on the Entitlement and Acceptance Form so that your payment via BPAY® has been received by the Downer Share Registry by 5:00pm (Sydney time) on Friday, 14 August, 2020;

OR

- lodging your Entitlement and Acceptance Form, together with payment of Application Monies, by direct credit (in New Zealand dollars only) or cheque, bank draft or money order so that it is received by the Downer Share Registry by 5:00pm (Sydney time) on Friday, 14 August 2020.

Spotless Offer and Downer's Urban Services Strategy

On 21 July 2020, Downer announced an intention to make an unconditional takeover offer to acquire all of the issued share capital of Spotless Group Holdings Limited not already owned by Downer. Downer currently owns approximately 88% of the Spotless shares (**Spotless Offer**).

Achieving full ownership of Spotless, one of Australia's largest integrated service providers, is a key enabler for Downer's Urban Services strategy which is aimed at driving consistent earnings and reliable cash flow from servicing long term customers in critical government and industry sectors.

Further information about the Spotless Offer and Downer's Urban Services strategy is in Downer's market announcement and the Investor Presentation of 21 July 2020 included in this Information Booklet.

Additional information

Further information on the Entitlement Offer is detailed in this Information Booklet. You should read the entirety of this Information Booklet carefully (including the "Key Risks" section of the Investor Presentation released to ASX on Tuesday, 21 July, 2020) before deciding whether to participate in the Entitlement Offer.

Downer expects to release its full year 30 June 2020 financial results on 12 August 2020. The Investor Presentation of 21 July 2020 contains certain preliminary unaudited financial information for that financial period. When those 2020 financial results are released you will be able to obtain copies of them by referring to the ASX announcements platform at www.asx.com.au or by contacting the Entitlement Offer Information Line.

If you have any further questions about the Entitlement Offer, you should seek advice from your stockbroker, accountant or other independent professional adviser, or you can call the Entitlement Offer Information Line on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia) at any time between 8:30am and 5:00pm (Sydney time) on Monday to Friday during the Retail Entitlement Offer period.

The Board of Directors of Downer looks forward to your participation in the Entitlement Offer.

Yours sincerely,



Michael Harding

Chairman,
Downer EDI Limited

Key Dates for the Entitlement Offer

EVENT	DATE
Entitlement Offer announced and Institutional Entitlement Offer opens	Tuesday, 21 July 2020
Announcement of results of Institutional Entitlement Offer	Wednesday, 22 July 2020
Record Date to determine eligibility to participate in the Entitlement Offer	7:00pm (Sydney time) on Thursday, 23 July 2020
Retail Entitlement Offer opens and Information Booklet despatched	Tuesday, 28 July 2020
Issue of New Shares under the Institutional Entitlement Offer	Friday, 31 July 2020
Announcement of Downer FY20 results Expected lodgement of Bidder's Statement for the Spotless Offer	Wednesday, 12 August 2020
Retail Entitlement Offer Closes	5:00pm (Sydney time) on Friday, 14 August 2020
Issue of New Shares under the Retail Entitlement Offer	Friday, 21 August 2020
Trading of New Shares issued under the Retail Entitlement Offer expected to commence on ASX	Monday, 24 August 2020
Holding Statements sent to Retail Shareholders	Tuesday, 25 August 2020

Note: The timetable above is indicative only and subject to change. Downer reserves the right to amend any or all of these events, dates and times subject to the Corporations Act, ASX Listing Rules and other applicable laws.

In particular, Downer reserves the right to extend the closing date of the Entitlement Offer, to accept late applications either generally or in particular cases or to withdraw the Retail Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the allotment date of New Shares. The commencement of quotation of New Shares is subject to confirmation from ASX. All references to time in this Information Booklet are to Sydney, Australia time.

Enquiries

If you have any questions, you should seek advice from your stockbroker, accountant or other independent professional adviser, or call the Entitlement Offer Information Line on 1300 556 161 or +61 3 9415 4000 (outside Australia) at any time between 8:30am and 5:00pm (Sydney time) on Monday to Friday during the Retail Entitlement Offer period.

1. Overview of the Entitlement Offer

1.1 Entitlement Offer

The Entitlement Offer is an offer of approximately 107 million New Shares at the Offer Price of \$3.75 (or NZ\$4.02) per New Share. All Eligible Institutional Shareholders and all Eligible Retail Shareholders are entitled to subscribe for 1 New Share for every 5.58 Shares held at 7:00pm (Sydney time) on the Record Date.

The Entitlement Offer is comprised of two parts:

- the **Institutional Entitlement Offer** – Eligible Institutional Shareholders were invited to take up their Entitlements. New Shares equivalent to the number not taken up by Eligible Institutional Shareholders under the Institutional Entitlement Offer, as well as Entitlements of certain Ineligible Institutional Shareholders were offered to Eligible Institutional Shareholders who applied for New Shares in excess of their Entitlement, as well as to certain other Institutional Investors. The Institutional Entitlement Offer was completed on Wednesday, 22 July 2020. The Institutional Entitlement Offer raised approximately \$339 million;
- the **Retail Entitlement Offer** – Eligible Retail Shareholders are now being invited to take up all or part of their Entitlements.

The Entitlement Offer is fully underwritten and is non-renounceable, which means that Entitlements are non-transferable and cannot be sold or traded on the ASX or otherwise.

New Shares issued under the Entitlement Offer will rank equally with existing shares and will not be eligible for the 2020 interim dividend of 14 cents per share to be paid on 25 September 2020 as this dividend had an ex-dividend date of 25 February 2020 and a record date of 26 February 2020. The Retail Entitlement Offer closes at 5:00pm (Sydney time) on Friday, 14 August 2020, with New Shares to be issued on Friday, 21 August 2020.

1.2 Who is eligible to participate in the Retail Entitlement Offer

Under the Retail Entitlement Offer, Eligible Retail Shareholders are being offered the opportunity to subscribe for 1 New Share for every 5.58 Shares held as at the Record Date (7:00pm (Sydney time) on Thursday, 23 July 2020), at the Offer Price of \$3.75 (or NZ\$4.02) per New Share.

Eligible Retail Shareholders are those Shareholders who:

- are not Eligible Institutional Shareholders or Ineligible Institutional Shareholders;
- are registered as a holder of Shares as at the Record Date, being 7:00pm (Sydney time) on Thursday, 23 July 2020;
- as at the Record Date, have a registered address in Australia or New Zealand;

(d) are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent they are holding Shares for the account or benefit of a person in the United States); and

(e) are eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus, product disclosure statement or offer document to be lodged or registered.

Downer may (in its absolute sole discretion) extend the Retail Entitlement Offer to any institutional shareholder who was eligible to participate in the Institutional Entitlement Offer but was not invited to participate in the Institutional Entitlement Offer and was not treated as an Ineligible Institutional Shareholder under the Entitlement Offer (subject to compliance with applicable laws).

Determination of eligibility of investors for the purposes of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Downer and the Underwriters. To the maximum extent permitted by law, each of Downer and the Underwriters disclaim any duty or liability (including for fault or negligence) in respect of that determination and the exercise or otherwise of that discretion.

1.3 What is your Entitlement

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form and has been calculated as 1 New Share for every 5.58 Shares you held as at the Record Date, being 7:00pm (Sydney time) on Thursday, 23 July 2020. If the result is not a whole number your Entitlement will be rounded up to the nearest whole number. If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding.

Note: *The Entitlement stated on your personalised Entitlement and Acceptance Form may be in excess of the actual Entitlement you may be permitted to take up; for example, you are not permitted to take up an Entitlement to the extent you are holding Shares for the account or benefit of a person in the United States (see definition of Eligible Retail Shareholders in section 1.2 of this Information Booklet).*

1.4 Can you trade your Entitlement

The Entitlement Offer is non-renounceable, which means that your Entitlement is personal to you and non-transferable and cannot be sold or traded on ASX or any other exchange, or assigned or otherwise dealt with. If you do not take up your Entitlements by 5:00pm (Sydney time) on Friday, 14 August 2020, your Entitlement will lapse.

By allowing your Entitlement to lapse you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up your Entitlement. Your percentage shareholding in Downer will also be diluted.

1. Overview of the Entitlement Offer (continued)

1.5 Reconciliation

The Entitlement Offer is a complex structure and in some instances Shareholders may believe that they will own more Shares in Downer than they actually do on the Record Date. This results in a need for reconciliation.

If reconciliation is required, it is possible that Downer may need to issue a small quantity of additional New Shares (**Top-Up Shares**) to ensure all Eligible Shareholders receive their full Entitlement. These Top-Up Shares would be issued at the Offer Price.

1.6 ASX quotation

Subject to approval being granted, quotation of the New Shares is expected to commence on:

- Friday, 31 July 2020 for New Shares issued under the Institutional Entitlement Offer (on a normal settlement basis); and
- Monday, 24 August 2020 for New Shares issued under the Retail Entitlement Offer (on a normal settlement basis).

Holding statements will be despatched in accordance with the Listing Rules. It is the responsibility of each applicant to confirm their holding before trading in New Shares. Any applicant who sells New Shares before receiving confirmation of their holding in the form of a holding statement will do so at their own risk. Downer and the Underwriters disclaim all liability (to the maximum extent permitted by law) to persons who trade New Shares before receiving their holding statements, whether on the basis of confirmation of the allocation provided by Downer, the Underwriters, the Registry or otherwise.

1.7 Ineligible Retail Shareholders

All Shareholders who are not Eligible Retail Shareholders, Eligible Institutional Shareholders or Ineligible Institutional Shareholders are ineligible retail shareholders (**Ineligible Retail Shareholders**). Ineligible Retail Shareholders will not be entitled to participate in the Retail Entitlement Offer.

Downer has determined that it would be unreasonable on this occasion to extend the Retail Entitlement Offer to Ineligible Retail Shareholders, having regard to the number of Shares held by Ineligible Retail Shareholders, the number and value of New Shares that they would be offered and the costs of complying with the legal and regulatory requirements which would apply to an offer of Shares to Ineligible Retail Shareholders in those places.

1.8 Adjustments of Entitlements

(a) Adjusting Entitlements

Downer reserves the right (in its absolute sole discretion) to reduce the number of New Shares allocated to Eligible Retail Shareholders, or persons claiming to be Eligible Retail Shareholders, if their claims prove to be overstated or they fail to provide information to substantiate their claims.

(b) Adjusting for subscriptions in excess of Entitlement

If any Shareholder subscribes under the Entitlement Offer for New Shares in excess of its Entitlements then in the absolute discretion of Downer and the Underwriters, the relevant Shareholder may be required to transfer to the Underwriters the excess New Shares at the Offer Price of \$3.75 (or NZ\$4.02). If necessary, the relevant Shareholder will be required to transfer existing Shares held by them or to purchase Shares on market to meet this obligation. The relevant Shareholder will bear any and all losses caused by subscribing for New Shares in excess of its Entitlement and any actions it is required to take in this regard.

(c) Acknowledgement

By taking up or exercising an Entitlement, Eligible Shareholders irrevocably acknowledge and agree to do any of the above as required by Downer and the Underwriters in their absolute discretion. Shareholders also acknowledge that:

- there is no time limit on the ability of Downer and the Underwriters to require any of the actions set out above; and
- where Downer and the Underwriters exercise their right to correct a Shareholder's Entitlement, the Shareholder is treated as continuing to accept or not take up any remaining Entitlement.

1.9 FY20 Full Year Results

Downer expects to release its full year 30 June 2020 financial results on 12 August 2020. The Investor Presentation of 21 July 2020 contains certain preliminary unaudited financial information for that financial period. When those 2020 financial results are released you will be able to obtain copies of them by referring to the ASX announcements platform at www.asx.com.au or by contacting the Entitlement Offer Information Line.

2. How to Apply

2.1 What you may do – choices available

If you have any questions about any aspect of the Entitlement Offer, you should seek advice from your stockbroker, accountant or other independent professional adviser, or call the Entitlement Offer Information Line on 1300 556 161 or +61 3 9415 4000 (outside Australia) at any time between 8:30am and 5:00pm (Sydney time) on Monday to Friday during the Retail Entitlement Offer period. You should also refer to the “Key Risks” section of the Investor Presentation.

The number of New Shares to which Eligible Retail Shareholders are entitled is shown on the accompanying Entitlement and Acceptance Form. If you are an Eligible Retail Shareholder, you may do any one of the following:

- take up all of your Entitlement in full (see section 2.2 of this Information Booklet); or
- take up part of your Entitlement and let the balance lapse (see section 2.3 of this Information Booklet); or
- do nothing and let your Entitlement lapse (see section 2.4 of this Information Booklet).

You should note that if you do not take up all of your Entitlement, your percentage shareholding in Downer will be diluted.

2.2 If you wish to take up all of your Entitlement

If you decide to take up **all** of your Entitlement and you wish to pay by cheque, bank draft or money order you should:

- complete the personalised Entitlement and Acceptance Form by following the instructions set out on the personalised Entitlement and Acceptance Form;
- attach payment for the full amount payable (being the Offer Price multiplied by the number of New Shares comprising your Entitlement to the form; and
- return the Entitlement and Acceptance Form together with payment to the Registry so that it is received by 5:00pm (Sydney time) on Friday, 14 August 2020.

If you wish to take up **all** of your Entitlement and you wish to pay by BPAY^{®3} you should make your payment by BPAY[®] for the full amount payable (being the Offer Price multiplied by the number of New Shares comprising your Entitlement so that it is received by 5:00pm (Sydney time) on Friday, 14 August 2020.

If you choose to pay by BPAY[®] you are not required to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that form.

If you take up and pay for your Entitlement so that payment is received before the Closing Date, you will be allotted your New Shares on Friday, 21 August 2020. Downer’s decision on the number of New Shares allotted to you will be final.

2.3 If you wish to take up part of your Entitlement

If you decide to take up **part** of your Entitlement and reject the balance and you wish to pay by cheque, bank draft or money order you should:

- complete the personalised Entitlement and Acceptance Form by following the instructions set out on the personalised Entitlement and Acceptance Form indicating the number of New Shares you wish to take up. This will be less than your Entitlement as specified on the Entitlement and Acceptance Form;
- attach payment for the full amount payable (being the Offer Price multiplied by the number of New Shares you are taking up – you will need to calculate this number yourself) to the form; and
- return the Entitlement and Acceptance Form to the Registry so that it is received by 5:00pm (Sydney time) on Friday, 14 August 2020.

If you wish to take up **part** of your Entitlement and reject the balance and you wish to pay by BPAY[®] you should make your payment by BPAY[®] for the full amount payable (being the Offer Price multiplied by the number of New Shares you are taking up – you will need to calculate this number yourself).

If you choose to pay by BPAY[®] you are not required to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that form.

If you take up and pay for your Entitlement so that payment is received before the Closing Date, you will be allotted your New Shares on Friday, 21 August 2020. Downer’s decision on the number of New Shares allotted to you will be final.

2.4 If you do not wish to take up your Entitlement

If you do not wish to take up all or any part of your Entitlement, do not take any further action and all or that part of your Entitlement will lapse.

By allowing your Entitlement to lapse, you will forgo any exposure to increases or decreases in the value of the New Shares you would have acquired had you taken up your Entitlement and you will not receive any value for your Entitlement. Your percentage shareholding in Downer will also be diluted to the extent that New Shares are issued under the Entitlement Offer.

³ BPAY[®] is a bill payment service. For further information, please see <http://www.bpay.com.au/>.

2. How to Apply (continued)

2.5 Payment

(a) General

The Offer Price of \$3.75 (or NZ\$4.02) per New Share accepted is payable on acceptance of your Entitlement.

If you wish to pay in Australian dollars, you can pay in the following ways:

- BPAY®; or
- cheque, bank draft, money order.

If you wish to pay in New Zealand dollars, you can pay by direct credit.

Cash payments will not be accepted. Receipts for payment will not be issued.

Application Monies received from Eligible Retail Shareholders will be held in the Downer Entitlement Offer Account solely for the purpose of holding the Application Monies.

Downer reserves the right to cancel the Entitlement Offer at any time prior to the allocation of New Shares under the Institutional Entitlement Offer. If the Entitlement Offer is cancelled, all Application Monies will be refunded without interest. To the fullest extent permitted by law, each Eligible Retail Shareholder agrees that any Application Monies paid by them to Downer will not entitle them to any interest against Downer and that any interest earned in respect of Application Monies will belong to Downer. This will be the case, whether or not all or none (if the Entitlement Offer is withdrawn) of the New Shares applied for by a person are issued to that person.

Downer will treat you as applying for as many New Shares as your payment will pay for in full up to your Entitlement

Any Application Monies received for more than your final allocation of New Shares will be refunded (except for where the amount is less than \$1.00 in which case it will be donated to a charity chosen by Downer) as soon as practicable after the close of the Retail Entitlement Offer. No interest will be paid on any Application Monies received or refunded.

(b) Payment by BPAY® (in Australian dollars only)

For payment by BPAY® in Australian dollars, please follow the instructions on the personalised Entitlement and Acceptance Form (which includes the biller code and your unique reference number, or the direct credit banking account if you have a registered address in New Zealand). You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

If you are paying by BPAY®, please make sure to use the specific Biller Code and unique Reference Number on your Entitlement and Acceptance Form.

If you have multiple holdings and receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings, please only use the Customer Reference Number specific to the Entitlement on that form. If you do not use the correct Customer Reference Number specific to that holding, your Application will not be recognised as valid. If you inadvertently use the same Customer Reference Number for more than one of your Entitlements, you will be deemed to have applied for only your Entitlement to which that Customer Reference Number applies and any excess amount will be refunded.

Please note that should you choose to pay by BPAY®:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to have made the statements on that personalised Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY® payment is received by the Registry by no later than 5:00pm (Sydney time) on Friday, 14 August 2020.

You should be aware that your Australian financial institution branch may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment.

(c) Payment by direct credit (in New Zealand dollars only)

For payment by direct credit in New Zealand dollars, please follow the instructions on the personalised Entitlement and Acceptance Form (including the direct credit banking account and your unique Direct Credit Reference number). You can only make a payment via direct credit if you are the holder of an account with a New Zealand financial institution that supports direct credit transactions.

If you are paying by direct credit (for New Zealand only), please make sure to use the direct credit banking account and the unique Direct Credit Reference number on your Entitlement and Acceptance Form.

If you have multiple holdings and receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings, please only use the Direct Credit Reference Number specific to the Entitlement on that Form. If you do not use the correct Direct Credit Reference Number specific to that holding, or inadvertently use the same Direct Credit Reference Number for more than one of your Entitlements, your application will not be recognised as valid.

Please note that should you choose to pay by direct credit:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to have made the statements on that personalised Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your direct credit payment is received in the direct credit bank account on the Entitlement and Acceptance Form by no later than 7.00pm (Auckland time) on Friday, 14 August 2020. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment.

(d) Payment by cheque, bank draft or money order (in Australian dollars only)

Your cheque, bank draft or money order must be:

- for an amount equal to \$3.75 multiplied by the number of New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution; and
- payable to “Downer EDI Limited” and crossed “Not Negotiable”.

If you wish to pay by cheque, bank draft or money order, you must also complete your personalised Entitlement and Acceptance Form in accordance with the instructions set out on that form and return it to the Registry address below accompanied by a cheque, bank draft or money order. You should consider postal and cheque clearance timeframes in order to meet this deadline.

Downer EDI Limited
c/o Computershare Investors Services Pty Ltd
GPO Box 505, Melbourne VIC 3001

You should ensure that sufficient funds are held in the relevant account(s) to cover the Application Monies as your cheque, bank draft or money order will be processed on the day of receipt. If the amount of your cheque, bank draft or money order for Application Monies (or the amount for which the cheque, bank draft or money order clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower whole number of New Shares as your cleared Application Monies will pay for (and you will be taken to have specified that number of New Shares on your personalised Entitlement and Acceptance Form). Alternatively, your application will not be accepted.

2.6 Entitlement and Acceptance Form is binding

A payment made through BPAY® or a completed and lodged Entitlement and Acceptance Form together with the payment of requisite Application Monies constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Information Booklet and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid Application for New Shares. Downer’s decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY®, or otherwise applying to participate in the Entitlement Offer, you:

(a) declare that:

- (i) all details and statements made in the personalised Entitlement and Acceptance Form are complete and accurate;
- (ii) you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Retail Entitlement Offer and your personalised Entitlement and Acceptance Form;
- (iii) you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;

(b) acknowledge that:

- (i) once Downer receives the Entitlement and Acceptance Form with the requisite Application Monies or your payment by BPAY® you may not withdraw it except as allowed by law;
- (ii) you have read and understood this Information Booklet and the personalised Entitlement and Acceptance Form; and
- (iii) the information contained in this Information Booklet is not investment advice or a recommendation that the New Shares are suitable for you, given your investment objectives, financial situation or particular needs;
- (iv) this Information Booklet is not a prospectus, does not contain all of the information you may require in order to assess an investment in Downer and is given in the context of Downer’s past and ongoing continuous disclosure announcements to ASX;
- (v) determination of eligibility of investors for the purposes of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Downer and the Underwriters;

2. How to Apply (continued)

- (vi) to the maximum extent permitted by law, each of Downer and the Underwriters disclaim any duty or liability (including for fault or negligence) in respect of that determination and the exercise or otherwise of that discretion; and
 - (vii) neither Downer nor the Underwriters guarantees the performance of the New Shares or the performance of Downer nor do they guarantee the repayment of capital from Downer;
- (c) agree to:
- (i) apply for, and be issued with up to, the number of New Shares that you apply for at the Offer Price of \$3.75 (or NZ\$4.02) per New Share; and
 - (ii) be bound by the terms of this Information Booklet and the provisions of Downer's constitution;
- (d) authorise Downer to:
- (i) register you as the holder of New Shares and authorise Downer and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instruction of the Registry by using the contact details set out in the personalised Entitlement and Acceptance Form; and
 - (ii) correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- (e) represent and warrant that:
- (i) the law of any place (other than Australia and New Zealand) does not prohibit you from being given this Information Booklet or making an application for New Shares; and
 - (ii) you are an Eligible Retail Shareholder.
- By completing and returning your Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY® or otherwise applying to participate in the Retail Entitlement Offer you will also be treated as:
- (a) having represented and warranted that:
- (i) you are not in the United States and are not applying for New Shares on behalf of, or for the account or benefit of, a person in the United States;
 - (ii) you and each person on whose account you are acting are not engaged in the business of distributing securities;
 - (iii) you and each person on whose account you are acting have not and will not send any materials relating to the Entitlement Offer, including this Information Booklet and the Entitlement and Acceptance Form, to any person that is in the United States or that is acting for the account or benefit of a person in the United States; and
- (b) acknowledging and representing on your own behalf and on behalf of each person on whose account you are acting that:
- (i) you are not in the United States and you are not acting for the account or benefit of a person in the United States (or, in the event that you are acting for the account or benefit of a person in the United States, you are not participating in the Retail Entitlement Offer in respect of that person);
 - (ii) neither the Entitlements nor the New Shares offered in the Entitlement Offer have been, or will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States;
 - (iii) the Entitlements may not be taken up by, and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States or to persons who are acting for the account or benefit of a person in the United States (to the extent they are holding Shares for the account of benefit of a person in the United States);
 - (iv) the New Shares to be offered and sold in the Retail Entitlement Offer may only be offered and sold outside the United States in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act) in compliance with Regulation S under the U.S. Securities Act;
 - (v) if in the future you decide to sell or otherwise transfer any New Shares, you will only do so in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act, including in a standard (regular way) brokered transaction on the ASX where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States;
 - (vi) you have not and will not send this Information Booklet, the Entitlement and Acceptance Form or any other materials relating to the Retail Entitlement Offer to any person in the United States or in any other country outside Australia or New Zealand; and
 - (vii) if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia or New Zealand and is not in the United States and is not acting for the account or benefit of a person in the United States (or in the event that you are acting for the account or benefit of a person in the United States, you are not participating in the Retail Entitlement Offer in respect of that person), and you have not sent this Information Booklet, the Entitlement and Acceptance Form or any information relating to the Retail Entitlement Offer to any such person in the United States.

3. Australian Taxation Considerations

Set out below is a general summary of the key Australian tax implications of the Retail Entitlement Offer for Eligible Retail Shareholders who are residents of Australia for tax purposes and who hold their Shares and will hold their New Shares and Entitlements on capital account for Australian tax purposes.

The summary below does not apply to Eligible Retail Shareholders who:

- (a) are not residents of Australia for tax purposes;
- (b) hold their Shares or will hold their New Shares as revenue assets or trading stock such as banks, insurance companies and taxpayers carrying on a business of share trading;
- (c) have acquired their Shares or will acquire their New Shares for the purposes of resale at a profit;
- (d) are subject to the Taxation of Financial Arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in respect of their Shares, New Shares or Entitlements;
- (e) are exempt from Australian income tax; or
- (f) acquired their Shares or will hold their New Shares or Entitlements under an arrangement that constitutes an 'employee share scheme' for Australian tax purposes.

The summary below is intended as a general guide only and is not an authoritative or complete statement of all potential tax implications for each Eligible Retail Shareholder.

The summary below is not advice and should not be relied on as such. It also does not take account of any individual circumstances of any particular Eligible Retail Shareholder. Taxation is a complex area of law and the taxation consequences for each Eligible Retail Shareholder may differ depending on their own particular circumstances. Accordingly, Eligible Retail Shareholders should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers. Neither Downer, nor any of its officers, nor its taxation adviser, nor any other advisor to Downer, accepts any liability or responsibility in respect of any statement concerning the taxation consequences of the Retail Entitlement Offer.

The summary below is based on the law in effect as at the date of this Information Booklet. Future changes in Australian taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of the Retail Entitlement Offer and an investment in the New Shares or the holding and disposal of the New Shares. These comments do not address the taxation implications of the Retail Entitlement Offer under the laws of any jurisdiction other than the laws of Australia.

3.1 Issue of Entitlement

The issue of the Entitlement should not itself result in any amount being included in the assessable income of an Eligible Retail Shareholder.

3.2 Exercise of Entitlement

If you exercise all or part of your you will be allocated New Shares. In this case:

- (a) the Entitlement will cease to exist and a "CGT event" will occur, but any capital gain or loss made on the exercise of the Entitlement should be disregarded;
- (b) the New Shares acquired as a result of exercising the Entitlement should be treated for CGT purposes as having been acquired on the day on which the Entitlement is exercised; and
- (c) the cost base (and reduced cost base) of the New Shares for CGT purposes should include:
 - (i) where your existing Shares were acquired (or are taken to be acquired for CGT purposes) on or after 20 September 1985, the Offer Price payable by you for those New Shares plus certain non-deductible incidental costs you incur in acquiring them (if any); or
 - (ii) where your existing Shares were acquired (or are taken to be acquired) before 20 September 1985, the sum of the market value of the Entitlement when it was exercised and the Offer Price payable by you for those New Shares plus certain non-deductible incidental costs you incur in acquiring them (if any).

3.3 Entitlements not exercised

If you do not exercise all or part of your Entitlements, those Entitlements will lapse and you will not receive any consideration for the lapsed Entitlements. The lapsing of your Entitlements for no consideration should not have any tax implications.

3. Australian Taxation Considerations (continued)

3.4 New Shares

If you exercise all or some of your Entitlement, you will acquire New Shares for CGT purposes when the Entitlements are exercised. Any future dividends or other distributions made in respect of those New Shares should generally be subject to the ordinary taxation treatment of dividends or other distributions made in respect of shares held in an Australian resident company.

On any future disposal of New Shares, you may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base (in the case of a capital gain) or less than the reduced cost base of those shares (in the case of a capital loss).

Any capital gain arising to Eligible Retail Shareholders who are individuals or trusts (other than trusts that are complying superannuation funds) can generally be reduced by 50% (after first offsetting any current year or prior year capital losses) if the New Shares are held for at least 12 months between the date the New Shares are treated as having been acquired (as outlined in section 3.2 above) and the date of disposal for CGT purposes. Taxation of trusts and their beneficiaries is a complex area of the taxation law and trustees should seek specific advice in relation to the tax consequences arising to them (and their beneficiaries) of any capital gains of the trust.

For Eligible Retail Shareholders which are complying superannuation funds, any capital gain can generally be reduced by one-third (after first offsetting any current year or prior year capital losses) if the New Shares are held for at least 12 months between the date the New Shares are treated as having been acquired (as outlined in section 3.2 above) and the date of disposal for CGT purposes.

The CGT discount is generally not available to Eligible Shareholders that are companies.

A capital loss made by an Eligible Shareholder can only be used to offset a capital gain made in the same or later income year (subject to satisfying any applicable utilisation tests). A capital loss cannot be used to offset other income.

3.5 Other Australian taxes

On the basis that the exercise of Entitlements, even if viewed as one arrangement between all of the Eligible Retail Shareholders, will not result in a change of interests of 90% or more in Downer, no stamp duty in any Australian jurisdiction should be payable in respect of the grant or exercise of the Entitlements, or the acquisition of the New Shares.

No Australian GST is payable in respect of the grant or exercise of the Entitlements or the acquisition of New Shares. You may be charged GST on costs (such as adviser fees) incurred relating to the acquisition of Entitlements or the acquisition of New Shares, for which you may not be entitled to input tax credits or only entitled to reduced input tax credits depending on the type of expense and your particular circumstances. In this regard you should seek independent professional tax advice in relation to your individual circumstances.

4. ASX Offer Announcements



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Downer EDI Limited
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1800 DOWNER
www.downergroup.com

Media/ASX and NZX Release

CREATING A STRONGER DOWNER AND EQUITY RAISING

21 July 2020

- Downer expects to report Underlying EBITA² of \$410 – \$420 million and Underlying NPATA of \$210 – \$220 million for the financial year ended 30 June 2020
- Despite the impacts of COVID-19, cash performance improved materially in the second half of the financial year, with operating cash conversion at ~74% of Underlying EBITDA, taking the full year operating cash conversion to ~40%
- Downer expects to recognise \$386 million of charges outside its underlying result in relation to goodwill impairment, restructuring and portfolio review costs, payroll remediation, legal settlements and historical contract claims adjustments
- Statutory FY20¹ NPAT loss is expected to be in the range of \$150 – \$160 million
- Initiatives to reshape Downer as a focused Urban Services business with a stronger platform for long term, sustainable growth:
 - Achieving 100% ownership of Spotless
 - Exiting non-core businesses
 - Right-sizing cost base
- A\$400 million equity raising to strengthen balance sheet, fund acquisition of the remaining shares in Spotless and provide flexibility for continued investment in Downer's core business
- Downer will have significant balance sheet flexibility following the Entitlement Offer and Spotless Offer with pro forma liquidity of ~\$2.1 billion and pro forma gearing ratio³ of 29.3% (within Downer's long term target of 25% – 30%) as at 30 June 2020

¹ All references to "FY20" in this announcement refer to the financial year ended 30 June 2020. References to "FY19" in this announcement refer to the financial year ended 30 June 2019. A number of figures, amounts, percentage, estimates, calculations of value and fractions in this Announcement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Announcement.

² Underlying profit and pro forma measures are non-IFRS financial information. These measures are reported as they provide useful information to users in measuring the financial performance of Downer. Underlying EBITA is reconciled to statutory NPAT in the FY20 Financial Performance section. Underlying profit and pro forma measures have not been subject to audit or review.

³ Gearing ratio calculated as net debt / (net debt + shareholders' equity). For the purposes of the gearing ratio calculations, shareholders' equity has been adjusted to exclude the impact upon adoption of AASB 16 of \$66.0 million, consistent with Downer's debt covenant reporting requirements. The pro forma gearing ratio includes adjustments for the impacts of the Entitlement Offer and Spotless Offer.

4. ASX Offer Announcements (continued)



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INITIATIVES TO RESHAPE DOWNER

Downer EDI Limited ("**Downer**") is implementing a package of initiatives to reshape the business and create a stronger platform for long term, sustainable growth.

Achieving 100% ownership of Spotless

Achieving full ownership of Spotless Group Holdings Limited ("**Spotless**"), one of Australia's largest integrated service providers, is a key enabler for the Group's Urban Services strategy which is aimed at driving consistent earnings and reliable cash flow from servicing long term customers in critical government and industry sectors.

Downer or its wholly-owned subsidiary, Downer EDI Services Pty Ltd ("**Downer Services**"), will make an unconditional offer to acquire all of the issued share capital of Spotless not already owned by Downer ("**Spotless Offer**") for upfront cash consideration of \$1.00 per Spotless share plus for every 17.92741 Spotless shares accepted into the Spotless Offer, a Downer contingent share option exercisable over 1 Downer share, subject to the future market prices of Downer shares ("**Downer Contingent Share Option**").⁴ The Downer Contingent Share Option has a zero exercise price.

Downer has entered into a call option deed with Coltrane Master Fund, L.P.,⁵ under which it has a call option over 2.99% of Spotless shares (the "**Call Option**"), which on exercise will increase Downer's ownership above the 90% threshold required to proceed to compulsory acquisition.

The Spotless Offer, if completed, is expected to enable synergies of \$10 – \$15 million per annum from eliminating redundant corporate management structures, integrating operations and consolidating the Group's debt platform.

Exiting non-core businesses

Downer is committed to shaping its portfolio in line with its Urban Services strategy. The exit of capital-intensive businesses such as Mining and Laundries remains a key short-term objective.

- Downer is currently exploring the potential sale of the Mining portfolio (in parts or as a whole) in response to recent enquiries from a number of interested parties. At this stage there is no certainty that any transaction will proceed; and
- The Laundries business is performing well with hospital volumes returning strongly. The sale process has been paused and will resume when investment market conditions improve.

The exit of higher-risk construction markets in Downer's Engineering and Construction (E&C) and Spotless' Infrastructure and Construction (I&C) is underway and will complete as existing projects finish.

Downer is reviewing the prospects of its Hospitality business to determine which parts of the business will continue, be exited or sold as the future market demand becomes clearer.

Right-sizing

Downer is taking decisive action to right-size its cost base and operating model to align with the requirements of its core Urban Services portfolio. Management overheads have been reduced across the business through reduction in management layers, head-count, property footprint, systems and discretionary spend.

In Hospitality all non-critical staff have been stood down or made redundant. Contracts have been temporarily discontinued, exited or converted to cost plus a margin.

⁴ Subject to finalisation of definitive terms and all required ASX approvals.

⁵ Coltrane currently has a relevant interest in approximately 11.8% of the Spotless shares on issue.

The E&C business in Downer has been scaled down significantly to focus only on its competitive strength in high voltage power lines and substation construction. The I&C business in Spotless has been scaled down to focus on longer-term maintenance contracts and associated small scale construction (less than \$5 million).

Downer anticipates annual cost saving benefits of \$15 – \$20 million⁶ commencing from FY21 and has booked FY20 restructuring costs of \$142 million, with further details set out in Appendix A.

EQUITY RAISING

Downer is seeking to raise A\$400 million of equity through a 1 for 5.58 fully underwritten accelerated non-renounceable pro-rata entitlement offer ("**Entitlement Offer**"). The Entitlement Offer will support the acquisition of the remaining shares in Spotless, strengthen the Group's balance sheet, and provide flexibility for continued investment in Downer's core businesses. The offer price of A\$3.75 per share represents a 12.0% discount to Downer's closing price of A\$4.26 on the ASX on Monday, 20 July 2020 and a 10.3% discount to the theoretical ex-rights price ("**TERP**") of A\$4.18.⁷

RESHAPED DOWNER

Through the COVID-19 period, Downer's core Urban Services⁸ businesses have demonstrated their strength and resilience – they represent the future of Downer.

After implementing the portfolio initiatives and the equity raising, Downer will be well placed to deliver growth and an improving return on capital with:

- Core Urban Services businesses having demonstrated their strength and resilience;
- Leading market positions and attractive medium and long-term growth outlook across the range of its end markets;
- High proportion of government and government related contracts;
- A capital light service-based business model (after the exit of Mining and Laundries) generating lower risk, long term more predictable revenues and cash flows;
- Opportunity to leverage Downer's expertise in operations, maintenance, servicing and supply to drive margin expansion over time;
- A right-sized operating model and simplified corporate and capital structure delivering tangible cost efficiencies; and
- A strengthened balance sheet with flexibility to continue investment in Downer's core businesses.

⁶ Annual cost benefits measured at the EBITA level.

⁷ TERP is the theoretical price at which Downer shares trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Downer shares trade on the ASX immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the closing price of the Downer share price as traded on ASX on Monday, 20 July 2020 being the last trading day prior to the announcement of the Entitlement Offer.

⁸ Core Urban Services include Transport, Utilities, Facilities and Asset Services and exclude E&C, I&C, Mining, Laundries and Hospitality as set out in the table under FY20 Financial Performance.

4. ASX Offer Announcements (continued)



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CEO COMMENTARY

The Chief Executive Officer of Downer, Grant Fenn, said:

During the COVID-19 period we have been focused on the health and safety of our people and customers and providing essential Urban Services to our communities.

We are very happy with the strong performance of Downer's core Urban Services businesses in the current operating environment. We are focused on continuing to grow our services businesses which require relatively low levels of capital and deliver more predictable revenue in the long term.

We have identified areas of our business where restructuring is required and are taking the necessary steps to exit less profitable markets and contracts and to right-size the cost structure of these businesses. We are confident that the actions we are taking will make our business more competitive and allow us to drive improved returns going forward.

Following the significant disruption experienced during the COVID-19 period to date, we are seeing a return to more normalised levels of activity across our businesses, including New Zealand which was materially impacted by the Level 4 restrictions in place during FY20. Transport, Utilities and Facilities (excluding Hospitality) have been very resilient and are expected to continue trading strongly into the 2021 financial year.

Downer welcomes the opportunity to move to 100% ownership of Spotless. While the Hospitality business has been materially impacted by the COVID-19 pandemic, the core facilities management businesses of Health, Education, Government and Defence continue to perform well. Our core facilities management segment (excluding Hospitality and I&C) is expected to deliver FY20 EBITA in line with FY19. Spotless is a key part of our Urban Services strategy and we expect it to continue to benefit from the long-term trends of increasing urbanisation and government outsourcing.

The Entitlement Offer announced today will provide Downer with significant balance sheet flexibility and liquidity to complete an orderly exit of Mining and Laundries and continue to invest in our core businesses.

FY20 FINANCIAL PERFORMANCE

The table below provides a comparison of the preliminary and unaudited underlying earnings for FY20 versus underlying results for FY19 and a reconciliation to statutory NPAT.

Underlying EBITA (A\$m)	Reporting Segment	Actual FY19	Estimated FY20	Variance to FY19 (%)
Transport	Transport	242	236	(2)
Utilities	Utilities	136	115	(15)
Facilities	Facilities	134	134	-
Asset Services	EC&M	13	27	108
Core Urban Services Businesses		525	511	(3)
Infrastructure & Construction (Spotless)	Facilities	(3)	(9)	>(100)
Engineering & Construction (Downer)	EC&M	20	(69)	>(100)
Businesses in wind down		17	(78)	>(100)
Mining	Mining	77	79	3
Laundries	Facilities	17	9	(47)
Hospitality	Facilities	23	(20)	>(100)
Businesses under review or to be sold		117	68	(42)
Corporate	Unallocated	(98)	(87)	11
Underlying EBITA		561	415	(26)
Amortisation of acquired intangibles		(70)	(71)	(1)
Underlying EBIT		490	344	(30)
Net interest expense		(82)	(112)	(37)
Tax expense		(117)	(67)	43
Underlying NPAT		291	165	(43)
Amortisation of acquired intangibles (post tax)		49	50	1
Underlying NPATA		340	215	(37)
Items outside of underlying NPATA (pre tax)		(28)	(386)	>(100)
Tax effect on items outside of underlying NPATA		14	65	>100
Statutory NPATA		326	(106)	>(100)
Amortisation of acquired intangibles (post tax)		(49)	(50)	(1)
Statutory NPAT		276	(156)	>(100)

FY20 financials are estimates only, based on preliminary, unaudited financial results for the year ended 30 June 2020. Figures remain subject to finalisation, audit and Board review and sign-off and may change. FY20 financials represent the mid-point of the estimated \$210 – \$220 million underlying NPATA range. The underlying EBITA is calculated on a consistent basis with EBITA in the segment reporting in Downer's financial statements with the exception that the underlying EBITA excludes \$19 million of historical contract claims adjustments (\$10 million relating to the Facilities segment and \$9 million relating to the EC&M segment) in estimated FY20 (refer Appendix A). FY19 actuals are prior to the adoption of AASB16 Leases.

4. ASX Offer Announcements (continued)



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Mr Fenn said Downer's core Urban Services businesses had performed well with underlying EBITA only slightly down on the prior year.

"Demand for our services particularly from Government and Defence, Road and Rail, Power and Gas, Water, and Health and Education has remained strong throughout the year," he said. "In some areas, demand has increased as governments look to Downer to provide COVID-19 remediation services or stimulate economic activity.

"Downer's New Zealand business was impacted materially due to the unexpected Level 4 lockdown that restricted our operations to around 30% of normal levels for a period of around six weeks. Downer received approximately NZ\$70 million in wage support payments from the New Zealand Government to partially offset wage costs during that period. Levels of activity have now returned to normal and the business is currently performing well.

"The Hospitality business has been the most acutely affected part of the Group with all major event venues and other customer premises either closed or running at a fraction of capacity. The business has been placed into hibernation awaiting demand to recover, with cost plus arrangements in place for those customers requiring service.

"The Laundries business, which is predominantly health based, was impacted by the restrictions on elective surgery in both Australia and New Zealand. With those restrictions now relaxed the business is performing well with volumes returning. We are seeing improved yield as our customers use more Spotless supplied consumables and the benefit from efficiency improvements implemented during the year.

"Mining earnings were above FY19 despite the impact of COVID-19 restrictions on operations, State border closures and operations in South Africa closing due to COVID-19."

ITEMS OUTSIDE OF UNDERLYING FY20 RESULT

The table below reflects Downer's current expectations of items it plans to recognise that are not included in its Underlying FY20 result.

A\$m	Previously reported	Estimated (subject to review and audit procedures)	
	1H20 Impact	2H20 Impact	FY20 Impact
Items outside of Underlying FY20 earnings (Pre Tax basis)			
Non-cash impairment to Spotless goodwill	Nil	165	165
Historical contract claims adjustments	(15)	34	19
Portfolio Restructure and Exit Costs	9	133	142
Payroll Remediation Costs	4	12	16
Legal settlements	Nil	44	44
Total	(2)	388	386

The \$386m of items outside of the underlying FY20 result presented in the above table include significant non-cash write-offs as follows: Spotless Goodwill impairment (\$165m), information systems (\$26m), historical contract claims (\$19m), stock (\$10m) and receivables (\$8m).

Additional information on each of the above items outside of underlying FY20 result is contained in Appendix A.

SPOTLESS OFFER

Downer today announced steps to move to 100% ownership of Spotless.⁹ The terms of the Spotless Offer are summarised in Appendix C.

Downer has entered into a call option deed with Coltrane Master Fund, L.P. under which it has a call option over 2.99% of Spotless shares, which on exercise will increase Downer's ownership above the 90% threshold required to proceed to compulsory acquisition.

Consideration

The upfront cash cost to Downer under the Spotless Offer will be approximately \$134.5 million.

A maximum of 7.5 million Downer shares (representing less than 1.1% of Downer's issued capital pro forma for the Entitlement Offer) will be issued on exercise of the Downer Contingent Share Options.¹⁰

Synergies

Downer expects to realise \$10 – \$15 million in pre-tax cost synergies per annum by moving to 100% ownership of Spotless, through further rationalisation of corporate costs and moving to a more efficient debt structure.

Further details on the Spotless Offer, including reasons Spotless shareholders should accept the Spotless Offer, will be set out in the Bidder's Statement to be lodged with the ASX on or about 12 August 2020.

UBS AG, Australia Branch is acting as financial adviser to Downer on the Spotless Offer.

DOWNER EQUITY RAISING

Downer today announced the launch of an equity raising to strengthen the Group's balance sheet, support the acquisition of the remaining shares in Spotless and provide flexibility for continued investment in Downer's core business.

Downer is undertaking a fully underwritten 1 for 5.58 accelerated pro-rata non-renounceable entitlement offer to raise approximately \$400 million at a fixed price of A\$3.75 per share.¹¹

The offer price of A\$3.75 represents a:

- 10.3% discount to the theoretical ex-rights price ("TERP¹²") of A\$4.18; and
- 12.0% discount to Downer's closing price of A\$4.26 on the ASX on Monday, 20 July 2020.

The Entitlement Offer will result in approximately 107 million new shares being issued, representing approximately 17.9% of Downer's existing shares on issue.

New shares issued under the Entitlement Offer will rank equally with existing shares and will not be eligible for the 2020 interim dividend of 14 cents per share to be paid on 25 September 2020 as this dividend had an ex-dividend date of 25 February 2020 and a record date of 26 February 2020.

⁹ Downer currently has a relevant interest in 87.80% of the Spotless shares on issue.

¹⁰ Number of shares issued on exercise of the Downer Contingent Share Options is subject to agreed adjustments for certain capital events, including bonus share issues and capital reorganisations.

¹¹ Eligible shareholders may also apply in NZD. The NZD equivalent of the AUD offer price will be determined following completion of the Institutional Entitlement Offer and communicated to investors who may wish to subscribe in NZD.

¹² TERP is the theoretical price at which Downer shares trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Downer shares trade on the ASX immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the closing price of the Downer share price as traded on ASX on Monday, 20 July 2020 being the last trading day prior to the announcement of the Entitlement Offer.

4. ASX Offer Announcements (continued)



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The Entitlement Offer is fully underwritten by UBS AG, Australia Branch and Macquarie Capital (Australia) Limited.

Refer to Appendix D for further information.

FINANCIAL POSITION

Following the Entitlement Offer, Downer will be well capitalised to meet expected future funding needs and well positioned to continue investment in its core business units.

Downer's cash and undrawn facilities as at 30 June 2020, adjusted for the Entitlement Offer, and for the Spotless Offer, total \$2.1 billion.

Net debt, adjusted for the Entitlement Offer and for the Spotless Offer, is expected to be \$1.2 billion with gearing of 29.3% (within Downer's long term target of 25% – 30%) as at 30 June 2020.

Downer is rated BBB (stable) by Fitch Ratings.

TRADING UPDATE AND OUTLOOK

Due to the current economic environment Downer cannot provide earnings guidance for FY21 at this time.

While the Downer business continues to be impacted by COVID-19, particularly in Hospitality, its diversification across critical services such as road and rail maintenance, public transport, power and gas, water, health and education, defence and government housing and facilities has delivered considerable resilience in earnings and cash flows.

Across all of Downer's businesses, apart from Hospitality, there is strong demand for its services, significant work-in-hand and a strong pipeline of opportunities with the potential to benefit further from government stimulus during the COVID-19 recovery period.

As committed, Downer's deferred unfranked interim dividend of 14 cents per share which was declared on 12 February 2020 will be paid on 25 September 2020 to shareholders on the register at 26 February 2020.

Given the current circumstances and equity raising the Downer Board does not intend to pay a final dividend for the year ended 30 June 2020. Dividends are expected to resume in financial year 2021 depending on business performance.

APPENDIX A – Items outside of underlying FY20 result

Non-cash impairment of Spotless goodwill

The carrying value of goodwill relating to the Spotless acquisition has been reduced by \$165 million (non-cash) due to:

- An increase in discount rate from 8.1% to 8.3% applied to forecast cash flows;
- A reduction in the terminal growth rate from 2.5% to 2.25% due to the macro-economic environment;
- The impact of COVID-19 on future earnings from Hospitality; and
- A reduction in earnings from the I&C division (Nuvo and AE Smith) as that business exits major construction exposure.

The upfront cash consideration under the Spotless Offer is materially in line with the revised carrying value of Spotless following this impairment.

Historical contract claims adjustments

The carrying value of claims relating to historical Spotless contracts on foot at the time of the Downer acquisition has been reduced by \$19 million to reflect the difficulty and cost in settling construction variations and disputed claims. Downer will continue to pursue these claims as appropriate.

Portfolio restructure and exit costs

Hospitality

The Hospitality business has been the most acutely affected part of the Group through COVID-19 with all major event venues and other customer premises either closed or running at a fraction of capacity. The business has effectively been placed into hibernation, awaiting demand to recover, with cost plus arrangements in place for those customers requiring service. Downer is not eligible for the Federal Government's JobKeeper subsidy.

Restructure costs of \$46 million have been expensed to cover redundancies, asset impairments, stock write-offs, onerous contracts and other exit costs.

Construction

Downer has exited the resource based electrical and mechanical major construction market within the Engineering and Construction (E&C) business unit. Restructure costs of \$15 million have been expensed to cover redundancies and other exit costs.

Spotless has exited the facilities based electrical and mechanical major construction market within the Infrastructure and Construction (I&C) business unit. Restructure costs of \$9 million have been expensed to cover redundancies and other exit costs.

Corporate

Downer has reduced management overhead across the Group through reduction in management layers, head-count, property footprint, systems and discretionary spend to better reflect the new operating model. Restructure costs of \$36 million have been expensed.

Transaction costs

Transaction costs of \$10 million relating to the portfolio review of Mining and Laundries have been expensed in FY20.

Non-cash impairment of capitalised Information Systems

The carrying value of information systems has been impaired by \$26 million. The impairment relates to applications and infrastructure in businesses that are being wound down.

4. ASX Offer Announcements (continued)



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Payroll Remediation

During the year, Spotless commenced a review of the applicable Enterprise Agreements and Modern Awards, together with the assumptions regarding their interpretation and application in its payroll systems in order to validate the correct application of pay rates to employees as well as identify historical underpayments and overpayments. The process is ongoing.

On 1 July 2020, Spotless lost a Federal Court case with respect to Ordinary and Customary Turnover of Labour rate (OCTL) redundancy payments for employees made redundant on cessation of specific contracts.

Spotless has recognised an expected liability of \$41 million in relation to these matters, including interest and other remediation costs. Of this amount, \$25 million will be recognised as a prior period error in opening retained earnings, with \$16 million being recognised as an expense in the period.

The expected liability is management's best estimate of the Group's shortfall at this time, and has required assumptions regarding complex variables including the assessment of large volumes of payroll data and the interpretation of a number of applicable Enterprise Agreements and Modern Awards.

Changes to any of these variables has the potential to result in further adjustments to the calculation of the shortfall, which could result in a further liability being required in subsequent reporting periods.

Downer is committed to ensuring its people are paid in accordance with their employment agreements and the law and has a dedicated team investigating Spotless and Downer practices, systems and processes.

Legal Settlements

In May 2020, Spotless accepted an offer to settle a class action commenced in the Federal Court of Australia in May 2017. The settlement was without admission of liability and is subject to Federal Court approval. As a result of the settlement, Downer's results for FY20 have been impacted by \$34 million (pre-tax).

Downer has agreed to settle a long running dispute and remediate water ingress issues in building works engineered by a Downer subsidiary in New Zealand over 15 years ago. The remediation works are expected to cost \$10 million.

APPENDIX B – Reconciliation of expected Statutory Result for FY20 to expected Underlying Result

A\$m	FY19 Reported	Estimated FY20
Underlying NPATA	340.1	210 – 220
Amortisation of acquired intangibles (post tax)	(49.3)	(50)
Underlying NPAT	290.8	160 – 170
Items outside of underlying NPAT (pre tax)	(28.0)	(386)
Tax effect on items outside of underlying NPAT	13.5	65
Statutory NPAT	276.3	(150) – (160)

FY20 financials are estimates only, based on preliminary, unaudited financial results for the year ended 30 June 2020. Figures remain subject to finalisation, audit and Board review and sign-off and may change.

APPENDIX C – Further Details of the Spotless Offer

Spotless Offer													
Takeover Bid	Downer or Downer Services will make an unconditional offer to acquire all of the issued share capital of Spotless that it does not already own.												
Conditionality	Unconditional.												
Consideration	The consideration under the Spotless Offer will be: <ul style="list-style-type: none"> upfront cash consideration of \$1.00 per Spotless share (Cash Consideration); plus for every 17.92741 Spotless shares accepted into the Spotless Offer, a contingent share option exercisable over 1 Downer share, subject to the future market prices of Downer shares (Downer Contingent Share Option or DCSO) as set out below. 												
Payment Terms	The Cash Consideration will be paid by Downer within seven days of Downer's receipt of the Spotless shareholder's acceptance into the Spotless Offer.												
Acceptance	Acceptance of the Spotless Offer can be for some or all Spotless shares held.												
DCSO Terms¹³													
Exercise Price	Nil.												
Option Term	If the Target Price Condition is not satisfied within 4 years from the date the offer period commences, the DCSOs will lapse.												
Entitlement upon Exercise	One ordinary share in Downer.												
Exercise Conditions	<p>DCSOs are exercisable in three series (each a Series).</p> <p>The exercise of DCSOs in a Series is subject to satisfaction of the Target Price Condition (as defined below) for that Series. The last day for exercise of the DCSOs in a Series is 20 business days after the Target Price Condition for the Series has been satisfied.</p> <p>The Target Price Condition is satisfied when, in respect of a Series, Downer's 5-day VWAP* is <i>equal to or exceeds</i> the relevant Target Price (as stipulated in the table below) for that Series.</p> <table border="1" data-bbox="507 1236 1107 1397"> <thead> <tr> <th>Series</th> <th>Target Price</th> <th>Target Price post adjustment for Entitlement Offer¹⁴</th> </tr> </thead> <tbody> <tr> <td>Tranche 1</td> <td>\$6.50</td> <td>\$6.382</td> </tr> <tr> <td>Tranche 2</td> <td>\$7.00</td> <td>\$6.873</td> </tr> <tr> <td>Tranche 3</td> <td>\$7.50</td> <td>\$7.364</td> </tr> </tbody> </table> <p>*the average volume weighted average sale price of a Downer share calculated over the prior five consecutive trading days of Downer shares on ASX, excluding certain crossing transactions.</p> <p>The Target Price will be varied in the event of certain share issues, special dividends and certain other adjustment events. The adjustment for the Entitlement Offer is set out in the table above.</p>	Series	Target Price	Target Price post adjustment for Entitlement Offer ¹⁴	Tranche 1	\$6.50	\$6.382	Tranche 2	\$7.00	\$6.873	Tranche 3	\$7.50	\$7.364
Series	Target Price	Target Price post adjustment for Entitlement Offer ¹⁴											
Tranche 1	\$6.50	\$6.382											
Tranche 2	\$7.00	\$6.873											
Tranche 3	\$7.50	\$7.364											
Quotation and Transferability	<p>The DCSOs will not be quoted on ASX.</p> <p>The DCSOs are transferable with Downer's consent (which is not to be unreasonably withheld or delayed).</p>												
Adjustments	<p>The DCSOs are subject to customary adjustment provisions in the event of a bonus issue or reorganisations of capital.</p> <p>Depending on the type of corporate action that triggers an adjustment, the Target Price or the number of Downer shares which may be issued under a DCSO may be varied accordingly.</p>												
Participation Rights	<p>The DCSOs do not confer on the holder:</p> <ul style="list-style-type: none"> any voting rights at a Downer general meeting; any rights to participate in new issues of capital by Downer; nor any right to a dividend or any entitlement to Downer assets on a winding up. 												

¹³ The following description of terms is subject to finalisation of definitive terms and all required ASX approvals. To the extent a term of the DCSOs is inconsistent with the ASX Listing Rules (and no confirmations or waivers have been provided by ASX in respect of that rule), the term will be amended or read down to the extent of the inconsistency.

¹⁴ Target Price assuming the successful completion of both the Institutional and Retail component of the Entitlement Offer.

4. ASX Offer Announcements (continued)



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APPENDIX D – Further Details for the Entitlement Offer

The Entitlement Offer consists of an accelerated institutional entitlement offer (“**Institutional Entitlement Offer**”) and a retail entitlement offer (“**Retail Entitlement Offer**”).

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place on Tuesday, 21 July 2020.

The Institutional Entitlement Offer will be conducted by way of a bookbuild process on Tuesday, 21 July 2020. Entitlements under the Institutional Entitlement Offer that are not taken up and entitlements of ineligible institutional shareholders will be offered for sale in the bookbuild.

Downer shares have been placed in trading halt while the Institutional Entitlement Offer is undertaken and the results of the bookbuild will be announced on Wednesday, 22 July 2020.

Retail Entitlement Offer

Eligible retail shareholders in Australia and New Zealand will be invited to participate in the Retail Entitlement Offer at the same AUD offer price¹⁵ and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open at 9:00am (Sydney time) on Tuesday, 28 July 2020 and close at 5:00pm (Sydney time) on Friday, 14 August 2020.

Eligible retail shareholders should carefully read the retail information booklet and accompanying personalised entitlement and acceptance form which are expected to be despatched on or around Tuesday, 28 July 2020 and which will be made available on the ASX website on that date.

Offer Timetable

A timetable of key dates in relation to the Entitlement Offer is set out below. The timetable is indicative only and dates and times are subject to change without notice. All dates refer to 2020 and times are Sydney time.

Event	Date
Announcement of Entitlement Offer, Institutional Entitlement Offer opens	Tuesday, 21 July
Announcement of results of Institutional Entitlement Offer Trading Halt lifted Trading in ordinary shares resumes on an ex-entitlement basis	Wednesday, 22 July
Record Date for Entitlement Offer (7.00pm Sydney time)	Thursday, 23 July
Retail Entitlement Offer opens and Retail Entitlement Offer Booklet despatched	Tuesday, 28 July
Settlement of Institutional Entitlement Offer	Thursday, 30 July
Issue and trading of new shares under the Institutional Entitlement Offer	Friday, 31 July
Announcement of Downer FY20 results Expected lodgement of Bidder’s Statement for the Spotless Offer	Wednesday, 12 August
Retail Entitlement Offer closes (5.00pm Sydney time)	Friday, 14 August

¹⁵ Eligible retail shareholders may also apply in NZD. The NZD equivalent of the AUD offer price will be specified in the retail information booklet.



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Announce results of Retail Entitlement Offer	Wednesday, 19 August
Settlement of Retail Entitlement Offer	Thursday, 20 August
Allotment of new shares under the Retail Entitlement Offer	Friday, 21 August
New shares issued under the Retail Entitlement Offer commence trading on a normal settlement basis	Monday, 24 August
Despatch of holding statements for new shares under Retail Entitlement Offer	Tuesday, 25 August

Further Information

Further details of the Entitlement Offer are set out in the Investor Presentation lodged with the ASX today. This includes important information with respect to the Entitlement Offer, including key risks and foreign selling restrictions.

Authorised for release by Downer’s Chief Executive Officer.

For further information please contact:

Michael Sharp, Group Head of Corporate Affairs and Investor Relations

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4. ASX Offer Announcements (continued)



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IMPORTANT INFORMATION

Forward looking statements disclaimer

This announcement contains certain forward looking statements and comments about future events, including Downer's expectations about the performance of its business, the effect of the funds raised under the Entitlement Offer on those businesses, the outcome of the Spotless Offer and the future performance (including potential or further expected synergies) of Downer and Spotless post acquisition. Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements and include statements in this announcement regarding the conduct and outcome of the Entitlement Offer, the use of proceeds, the outcome of the Spotless Offer, the future performance (including potential or further expected synergies) of Downer and Spotless post acquisition and Downer's outstanding debt. You are cautioned not to place undue reliance on any forward looking statement. While due care and attention has been used in the preparation of forward looking statements, forward looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Downer, its directors and management. A number of important factors could cause Downer's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements. Actual results, performance or achievements may vary materially from any forward looking statements and the assumptions on which statements are based. Downer disclaims any intent or obligation to update publicly any forward looking statements, whether as a result of new information, future events or results or otherwise. Investors are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.

Financial information

All dollar values are in Australian dollars (\$) or AUD unless stated otherwise. All references starting with "FY" refer to the financial year for Downer, ending 30 June. For example, "FY20" refers to the financial year ended 30 June 2020.

Investors should be aware that this announcement contains certain financial information and measures that are "non-IFRS financial information" under Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by the Australian Securities and Investments Commission (ASIC) and "non-GAAP financial measures" within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under Australian Accounting Standards (AAS) and International Financial Reporting Standards (IFRS). The non-IFRS financial information includes EBITA, EBITDA, underlying EBITDA, underlying EBITA, underlying NPATA, gearing and NPATA. The non-IFRS financial information and non-GAAP financial measures do not have a standardised meaning prescribed by the applicable AAS or IFRS, and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with the applicable AAS or IFRS. Although Downer believes the non-GAAP and non-IFRS financial information and financial measures provide useful information to users in measuring Downer's financial performance and condition, investors are cautioned not to place undue reliance on any non-GAAP or non-IFRS financial information or financial measures included in this announcement.

The financial information contained in this announcement for the year ended 30 June 2020 is preliminary only. Downer currently expects to release its full FY20 financial statements on 12 August 2020. Accordingly, the FY20 financial information contained in this announcement is unaudited. An audit process is currently underway in respect of the finalisation of the FY20 financial statements, however the audit will not be completed until immediately prior to the release of Downer's full FY20 financial statements on 12 August 2020. Whilst Downer has taken care so as to have a high degree of confidence that this financial information will not



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materially differ from the final numbers contained in the FY20 financial statements, there is a risk that those numbers will differ from the final financial information contained in the FY20 financial statements.

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This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which, or to any person to whom, such an offer would be illegal. Neither the entitlements nor the new shares of Downer issued under the Entitlement Offer have been, nor will be, registered under the U.S. Securities Act of 1933, as amended ("**U.S. Securities Act**") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements and such securities may not be taken up by, or offered or sold to, directly or indirectly, any person in the United States, or to any person acting for the account or benefit of any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction of the United States.

About Downer

Downer is the leading provider of integrated services in Australia and New Zealand and customers are at the heart of everything it does. It exists to create and sustain the modern environment and its promise is to work closely with its customers to help them succeed, using world-leading insights and solutions to design, build and sustain assets, infrastructure and facilities. For more information visit downergroup.com.

4. ASX Offer Announcements (continued)

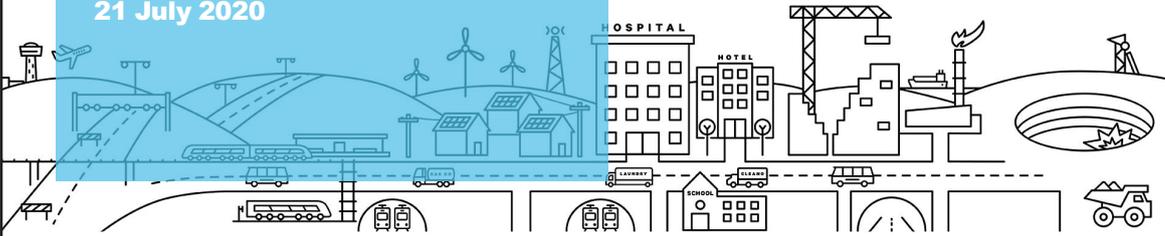
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Creating a stronger Downer

21 July 2020



Downer
Relationships creating success



IMPORTANT NOTICES AND DISCLAIMER

This presentation (**Presentation**) has been prepared by Downer EDI Limited (ABN 97 003 872 848) (**DOW** or **Downer**) in relation to Downer's pro-rata accelerated non-renounceable entitlement offer of new fully paid ordinary shares in Downer (**New Shares**) (**Entitlement Offer**). The Entitlement Offer will be made to:

- Eligible institutional shareholders of Downer (**Institutional Entitlement Offer**); and
- Eligible retail shareholders of Downer (**Retail Entitlement Offer**).

under section 708AA of the Corporations Act 2001 (Cth) (**Corporations Act**), as notionally modified by the Australian Securities and Investments Commission (ASIC) Corporations (Non-Traditional Rights Issues) Instrument 2016/94 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73.

By reviewing or retaining these materials, or attending or participating in this Presentation, you acknowledge and represent that you have read, understood and accepted the terms of this "Important Notices and Disclaimer".

Summary information

This Presentation contains summary information about Downer and its associated entities, including Spotless Group Holdings Limited (ABN 27 154 229 562) (**Spotless**), and their activities current as at the date of this Presentation.

The information contained in this Presentation is of a general nature and does not purport to include or summarise all information that an investor should consider when making an investment decision nor does it contain all the information which would be required in a product disclosure statement, prospectus or other disclosure document prepared in accordance with the requirements of the Corporations Act. Downer is not responsible for updating, nor undertakes to update, this Presentation. This Presentation should be read in conjunction with Downer's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (**ASX**), which are available at www.asx.com.au.

Certain information in this Presentation has been sourced from publicly available information. While steps have been taken to review that information, no representation or warranty, expressed or implied, is made as to its fairness, accuracy, correctness, completeness or adequacy. Certain market and industry data used in connection with this Presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither Downer nor its representatives have independently verified any such market or industry data provided by third parties or industry or general publications.

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This Presentation is for information purposes only and is not a prospectus, product disclosure statement or other disclosure or offering document under Australian law or any other law (and will not be lodged with ASIC). This Presentation is not and should not be considered an offer or an invitation to acquire any entitlements or New Shares or any other financial product and neither this Presentation nor any of the information contained herein shall form the basis of any contract or commitment. The distribution of this Presentation in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

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Investment Risk

An investment in shares in Downer is subject to known and unknown risks, some of which are beyond the control of Downer, including possible loss of income and principal invested. Downer does not guarantee any particular rate of return or the performance of Downer, nor does it guarantee any particular tax treatment. Investors should have regard to (amongst other things) the risk factors outlined in this Presentation when making their investment decision. See the "Key Risks" section of this Presentation for certain risks relating to an investment in Downer shares.

Not investment or financial product advice

The information contained in this Presentation does not constitute investment or financial product advice (nor taxation, accounting or legal advice), is not a recommendation to acquire New Shares and does not and will not form the basis of any contract or commitment for the acquisition of New Shares. This Presentation has been prepared without taking into account the investment objectives, financial position or needs of any particular individual. Before making an investment decision, prospective investors should consider the appropriateness of the information (including but not limited to the assumptions, uncertainties and contingencies which may affect future operations of Downer and the values and the impact that different future outcomes may have on Downer) having regard to their own investment objectives, financial situation and needs and should seek legal, accounting and taxation advice appropriate to their jurisdiction. Downer is not licensed to provide investment or financial product advice in respect of Downer shares. Cooling off rights do not apply to the acquisition of New Shares pursuant to the Entitlement Offer.

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IMPORTANT NOTICES AND DISCLAIMER

Future performance and forward looking statements

This Presentation contains certain forward looking statements and comments about future events, including Downer's expectations about the performance of its businesses, the effect of the funds raised under the Entitlement Offer on those businesses, the outcome of the Spotless Offer (as defined below) and the future performance (including potential or further expected synergies) of Downer and Spotless post acquisition. Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions. Indicators of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements and include statements in this Presentation regarding the conduct and outcome of the Entitlement Offer, the use of proceeds, the outcome of the Spotless Offer, the future performance (including potential or further expected synergies) of Downer and Spotless post acquisition and Downer's outstanding debt. You are cautioned not to place undue reliance on any forward looking statement. While due care and attention has been used in the preparation of forward looking statements, forward looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, all are statements about market and industry trends which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Downer, its directors and management. A number of important factors could cause Downer's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements, including the risk factors described in the "Key Risks" section of this Presentation. Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which statements are based. Downer disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

Investors are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.

Past Performance

Past performance and pro-forma historical information in this Presentation is given for illustrative purposes only and should not be relied upon (and is not) an indication of future financial condition and/or performance including future share price information. Historical information in this Presentation relating to Downer is information that has been released to the market. For further information, please see past announcements released to ASX.

Financial Information

All dollar values are in Australian dollars (\$) or AUD unless stated otherwise. All references starting with "FY" refer to the financial year for Downer, ending 30 June. For example, "FY20" refers to the financial year ended 30 June 2020.

Investors should be aware that this Presentation contains certain financial information and measures that are "non-IFRS financial information" under Regulatory Guide 230: "Disclosing non-IFRS financial information" published by the Australian Securities and Investments Commission (ASIC) and "non-GAAP financial measures" within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under Australian Accounting Standards (AAS) and International Financial Reporting Standards (IFRS). The non-IFRS financial information includes EBITA, EBITDA, underlying EBITA, underlying EBITDA, gearing and NPATA. The non-IFRS financial information and non-GAAP financial measures do not have a standardised meaning prescribed by the applicable AAS or IFRS, and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with the applicable AAS or IFRS. Although Downer believes the non-GAAP and non-IFRS financial information and financial measures provide useful information to users in measuring Downer's financial performance and condition, investors are cautioned not to place undue reliance on any non-GAAP or non-IFRS financial information or financial measures included in this Presentation.

The financial information contained in this Presentation for the year ended 30 June 2020 is preliminary only. Downer currently expects to release its full FY20 financial statements on 12 August 2020. Accordingly, the FY20 financial information contained in this Presentation is unaudited. An audit process is currently underway in respect of the finalisation of the FY20 financial statements, however the audit will not be completed until immediately prior to the release of Downer's full FY20 financial statements on 12 August 2020. Whilst Downer has taken care so as to have a high degree of confidence that this financial information will not materially differ from the final numbers contained in the FY20 financial statements, there is a risk that those numbers will differ from the final financial information contained in the FY20 financial statements.

Effect of Rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

Disclaimer

UBS AG, Australia Branch (ABN 47 088 129 613), and Macquarie Capital (Australia) Limited (ABN 79 123 199 548), as underwriters to the Entitlement Offer (Underwriters), together with each of their respective related bodies corporate, shareholders or affiliates and its respective officers, directors, employees, affiliates, agents or advisers (each a Limited Party) have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Presentation and do not make or purport to make any statement in this Presentation and there is no statement in this Presentation which is based on any statement by a Limited Party.

No representation or warranty, express or implied, is made by Downer, its related bodies corporate, any of their respective officers, directors, employees, agents or advisers, nor any Limited Party as to the accuracy, reliability, completeness or fairness of the information, opinions and conclusions contained in this Presentation. In particular, the Limited Parties have not independently verified such information and take no responsibility for any part of this Presentation or the Entitlement Offer.

To the maximum extent permitted by law, Downer, its related bodies corporate, their respective officers, directors, employees, agents or advisers, and each Limited Party expressly disclaims any and all liability, including, without limitation, any liability arising out of fault or negligence, for any direct, indirect, consequential or contingent loss or damage arising from the use of information contained in this Presentation. Statements made in this Presentation are made only at the date of the Presentation. Downer is under no obligation to update this Presentation. The information in this Presentation remains subject to change by Downer without notice.

The Limited Parties make no recommendations as to whether you or your related parties should participate in the Entitlement Offer nor do they make any representations or warranties to you concerning the Entitlement Offer, and you represent, warrant and agree that you have not relied on any statements made by a Limited Party in relation to the Entitlement Offer and you further expressly disclaim that you are in a fiduciary relationship with any of them.

Investors acknowledge and agree that determination of eligibility of investors for the purposes of the Institutional Entitlement Offer or the Retail Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Downer and/or the Limited Parties, and each of Downer and the Limited Parties disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law. The Limited Parties may rely on information provided by or on behalf of institutional investors in connection with managing, conducting and underwriting the Entitlement Offer and without having independently verified that information and the Limited Parties do not assume any responsibility for the accuracy or completeness of that information.

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AGENDA

1 Executive summary

2 FY20 result update

3 Initiatives to reshape Downer

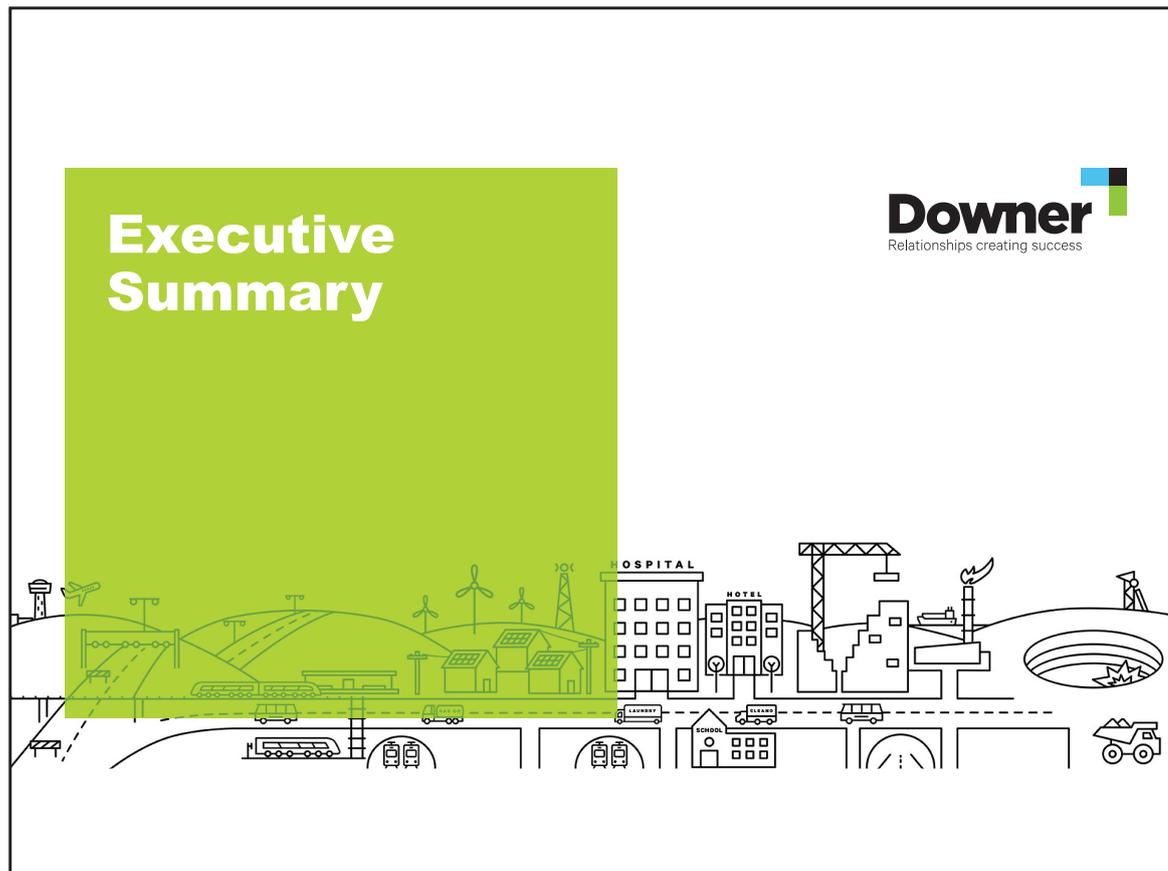
4 Reshaped Downer

5 Equity raising and balance sheet

6 Appendices

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4. ASX Offer Announcements (continued)



1 Executive Summary

<p>FY20 preliminary, unaudited result</p>	<ul style="list-style-type: none"> Underlying FY20 EBITA^{1,2} expected to be in the range of \$410m – \$420m and underlying NPATA^{1,2} in the range of \$210m – \$220m Underlying FY20 EBITA for core Urban Services businesses estimated to total \$511m² (FY19: \$525m) Considerable resilience in earnings and cash flows despite COVID-19 due to diversification of markets across critical services including roads and rail maintenance, public transport, power and gas, water, defence, health and education and government housing and facilities Operating cash conversion of ~74% in the second half, taking full year operating cash conversion to ~40% Expect to recognise \$386m of items outside of the FY20 underlying result, including non-cash impairment charge of \$165m in relation to Spotless goodwill Statutory FY20 NPAT loss is expected to be in the range of \$150m – \$160m²
<p>Initiatives to reshape Downer</p>	<ol style="list-style-type: none"> <p>Achieving 100% ownership of Spotless</p> <ul style="list-style-type: none"> Downer will make an unconditional offer to acquire all of the issued share capital of Spotless not already owned by Downer ("Spotless Offer") for upfront cash consideration of \$1.00 per Spotless share plus for every 17,92741 Spotless shares accepted into the Spotless Offer, a Downer contingent share option³ ("Downer Contingent Share Option") exercisable over 1 Downer share, subject to the future market prices of Downer shares⁴ Expected to achieve synergies of \$10m – \$15m per annum through elimination of redundant corporate structures, integrating operations and consolidation of the Group's debt platform Downer has entered into a call option deed with Coltrane Master Fund, L.P. ("Coltrane") which provides a clear path to 100% ownership of Spotless⁵ <p>Exiting non-core businesses</p> <p>Downer is committed to shaping its portfolio in line with its Urban Services Strategy:</p> <ul style="list-style-type: none"> Exploring the potential sale of the Mining portfolio (in parts or as a whole) in response to recent enquiries from a number of interested parties Sale process for Laundries has been paused and will resume when investment market conditions improve Exit of high-risk construction markets is underway as remaining projects complete Reviewing medium to long-term prospects of Hospitality business to determine which parts will continue, be exited or sold (stadium and events business has been placed in 'hibernation' and underperforming contracts renegotiated or terminated) <p>Right-sizing</p> <ul style="list-style-type: none"> Decisive action to right-size Downer's corporate and divisional cost base and operating model to align with the requirements of its core Urban Services portfolio Downer anticipates annual cost saving benefits of \$15m – \$20m⁶ commencing in FY21

Notes:

- Underlying profit and pro forma measures are non-IFRS financial information. These measures are reported as they provide useful information to users in measuring the financial performance of Downer. Underlying NPATA is reconciled to statutory NPAT in Appendix A. Underlying profit and pro forma measures have not been subject to audit or review
- FY20 financials are estimates only, based on preliminary, unaudited financial results for the year ended 30 June 2020. Figures remain subject to finalisation, audit and Board review and sign-off and may change. FY20 financials represent the mid-point of the estimated EBITA range
- Subject to finalisation of definitive terms and all required ASX approvals
- Off-market takeover bid to be made by Downer or Downer's wholly-owned Australian subsidiary, Downer EDI Services Pty Ltd
- Coltrane Master Fund, L.P. currently has a relevant interest in approximately 11.8% of the Spotless shares on issue
- Annual cost benefits measured at the EBITA level

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1 Executive Summary

Highlights of a reshaped Downer	<ul style="list-style-type: none"> After implementing the portfolio initiatives and the equity raising, Downer will be well placed to deliver growth and an improving return on capital Core Urban Services' businesses have demonstrated their strength and resilience and represent the future of Downer and enjoy leading market positions and attractive medium and long-term growth outlook across the range of its end markets High proportion of government and government related contracts Capital light service-based business model (post the exit of Mining and Laundries) generating lower risk, long term more predictable revenues and cash flows Opportunity to leverage Downer's expertise in operations, maintenance, servicing and supply to drive margin expansion over time Right-sized operating model and simplified corporate and capital structure delivering tangible cost efficiencies Strengthened balance sheet with flexibility to continue investment in Downer's core businesses
Trading update and outlook	<ul style="list-style-type: none"> Across all of Downer's core Urban Services businesses there is strong demand for our services, significant work-in-hand and a strong pipeline of opportunities with the potential to benefit further from government stimulus during the recovery period
Equity Raising	<ul style="list-style-type: none"> Downer is seeking to raise \$400 million of equity through a 1 for 5.58 fully underwritten accelerated non-renounceable pro rata entitlement offer (the "Entitlement Offer") Entitlement Offer to support acquisition of the remaining shares in Spotless, strengthen the Group's balance sheet and provide flexibility for continued investment in Downer's core Urban Services businesses The offer price of A\$3.75 per share represents a 12.0% discount to Downer's closing price of A\$4.26 on the ASX on Monday, 20 July 2020 and a 10.3% discount to the theoretical ex-rights price ("TERP") of A\$4.18
Funding and liquidity	<ul style="list-style-type: none"> Downer will have significant balance sheet flexibility following the Entitlement Offer and Spotless Offer with pro-forma liquidity of ~\$2.1 billion as at 30 June 2020² Pro forma gearing of 29.3%³ following the Entitlement Offer and Spotless Offer (within long term target ratio of 25% – 30%). Further opportunity to reduce through asset sales. No near term debt maturities, compliant with covenants, and a simpler capital structure post Entitlement Offer and Spotless Offer

Notes:

Underlying profit and pro forma measures are non-IFRS financial information. These measures are reported as they provide useful information to users in measuring the financial performance of Downer.

1. Core Urban Services include Transport, Utilities, Facilities and Asset Services and exclude E&C, I&C, Mining, Laundries and Hospitality as set out in the table under FY20 Financial Performance

2. Pro forma liquidity adjusts for the Entitlement Offer (\$400m) and the Spotless Offer (\$135m).

3. Gearing ratio calculated as net debt / (net debt + shareholders' equity). For the purposes of the gearing ratio calculations, shareholders' equity has been adjusted to exclude the impact upon adoption of AASB 16 of \$66.0m, consistent with Downer's debt covenant reporting requirements which have been amended to exclude the impact of AASB 16. The pro forma gearing ratio includes adjustments for the impacts of the Entitlement Offer and Spotless Offer.

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FY20 result update

Downer
Relationships creating success



4. ASX Offer Announcements (continued)

2 Core Urban Services' performance has been resilient

Despite the near-term impacts associated with COVID-19, total FY20 underlying EBITA for Downer's core Urban Services businesses is comparable to FY19 levels

Underlying EBITA A\$m	FY19 ¹		Estimated FY20 ²		Variance (%)
	Actual	Preliminary, unaudited			
Segment					
Transport	242		236		(2%)
Utilities	136		115		(15%)
Facilities	134		134		0%
EC&M – Asset Services	13		27		108%
Core Urban Services Businesses	525		511		(3%)
Facilities – Infrastructure & Construction	(3)		(9)		(>100%)
EC&M – Engineering & Construction	20		(69)		(>100%)
Businesses in wind down	17		(78)		(>100%)
Mining	77		79		3%
Facilities – Laundries	17		9		(47%)
Facilities – Hospitality	23		(20)		(>100%)
Businesses under review or to be sold	117		68		(42%)
Corporate	(98)		(87)		11%
Underlying EBITA	561		415		(26%)
Amortisation of acquired intangibles	(70)		(71)		(1%)
Underlying EBIT	490		344		(30%)
Net interest expense	(82)		(112)		(37%)
Tax expense	(117)		(67)		43%
Underlying NPAT	291		165		(43%)
Amortisation of acquired intangibles (post tax)	49		50		1%
Underlying NPATA	340		215		(37%)
Items outside of underlying NPATA (pre tax)	(28)		(386)		(>100%)
Tax effect on items outside of underlying NPATA	14		65		>100%
Statutory NPATA	326		(106)		(>100%)
Amortisation of acquired intangibles (post tax)	(49)		(50)		(1%)
Statutory NPAT	276		(156)		(>100%)

Notes:

FY20 financials are estimates only, based on preliminary, unaudited financial results for the year ended 30 June 2020. Figures remain subject to finalisation, audit and Board review and sign-off and may change. FY20 financials represent the mid-point of the estimated \$210 – \$220 million underlying NPATA range.

1. FY19 actuals are prior to the adoption of AASB16 Leases.

2. The underlying EBITA is calculated on a consistent basis with EBITA in the segment reporting in Downer's financial statements with the exception that the underlying EBITA excludes \$19m of historical contract claims adjustments (\$10m relating to the Facilities segment and \$9m relating to the EC&M segment) in estimated FY20.

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- Core urban services businesses expected to deliver FY20² underlying EBITA comparable to FY19¹ levels
- COVID-19 restrictions drove reduced productivity across certain sectors
 - New Zealand: level 4 restrictions limited services to 30% of normal levels
 - Spotless: reduced revenue in Hospitality and reduced volumes within Laundries
 - Asset Services: delays to non-essential works
 - Mining: travel restrictions, changed work practices, and mine closure in South Africa
 - Yarra Trams: reduction in patronage
 - Construction: travel restrictions and changed work practices
- No material impact on demand across other business units

2 Summary of items outside of the underlying result

Items outside of underlying FY20 (Pre tax basis) A\$m	Previously reported	Estimated (subject to review and audit processes)		Summary
	1H20 impact	2H20 impact	FY20 ¹ impact	
Non-cash impairment to Spotless goodwill	Nil	165	165	<ul style="list-style-type: none"> • Impact of COVID-19 on future earnings from Hospitality • Reduction in construction earnings from the Spotless Infrastructure and Construction (I&C) division as that business exits major construction exposure • Discount rate increase from 8.1% to 8.3% applied to forecast cash flows • Reduction in terminal growth rate from 2.5% to 2.25% due to macro-economic environment
Portfolio Restructure and Exit Costs	9	133	142	<ul style="list-style-type: none"> • Costs incurred in restructuring Hospitality, Downer Engineering & Construction and Spotless I&C • Changes to the Corporate structure to reflect the new operating model • Transaction costs related to the portfolio reviews of Mining and Laundries • Non-cash impairment of capitalised Information Systems relating to businesses being wound down • Anticipate annual cost savings of \$15 - \$20m³ commencing in FY21
Payroll Remediation costs ²	4	12	16	<ul style="list-style-type: none"> • Historic payroll issues that have resulted in underpayment of employees
Legal settlements	Nil	44	44	<ul style="list-style-type: none"> • Settlements of Spotless Class Action (\$34m) and NZ building works (\$10m)
Historical contract claims adjustments	(15)	34	19	<ul style="list-style-type: none"> • Difficulty in settling variations and disputed claims • Downer will continue to pursue these claims
Total	(2)	388	386	

The \$386m of items outside of the underlying FY20 result presented in the above table include significant non-cash write-offs as follows: Spotless goodwill impairment (\$165m), information systems (\$26m), historical contract claims (\$19m), stock (\$10m) and receivables (\$8m).

Notes:

1. FY20 financials are estimates only, based on preliminary, unaudited financial results for the year ended 30 June 2020. Figures remain subject to finalisation, audit and Board review and sign-off and may change.

2. Recognised an expected liability of \$41m, of which \$25m has been recognised as a prior period error in opening retained earnings, with \$16m being recognised as an expense in the period.

3. Annual cost benefits measured at the EBITA level.

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Initiatives to reshape Downer



3 Creating a stronger Downer

Downer is undertaking a range of initiatives focused on optimising its portfolio and creating a stronger platform for long-term, sustainable growth

<p>1. Path to 100% ownership of Spotless through unconditional offer and agreement with Coltrane</p>	<ul style="list-style-type: none"> Downer or its wholly-owned subsidiary, Downer EDI Services Pty Ltd, will make an unconditional offer to acquire all of the issued share capital of Spotless not already owned by Downer (the "Spotless Offer") for upfront cash consideration of \$1.00 per Spotless share plus for every 17,92741 Spotless shares accepted into the Spotless Offer, a Downer contingent share option exercisable over 1 Downer share, subject to the future market prices of Downer shares.¹ The Downer Contingent Share Option has a zero exercise price Spotless is integral to Downer's Urban Services strategy, supporting its position as a leading integrated services provider with resilient earnings and long term customer relationships <ul style="list-style-type: none"> Leading positions and resilient earnings in core Spotless businesses of Health, Education, Government and Defence Expected to achieve synergies of \$10m – \$15m per annum through elimination of redundant corporate structures, integration of operations and consolidation of the Group's debt platform Downer has entered into a call option deed with Coltrane³ under which Downer has a call option over 2.99% of Spotless shares to be delivered to it, which on exercise will increase Downer's ownership above the 90% threshold required to proceed to compulsory acquisition
<p>2. Exiting non-core businesses</p>	<p>Downer is committed to shaping the portfolio in line with its Urban Services strategy:</p> <ul style="list-style-type: none"> Options to sell the Mining business (in parts or as a whole) are being explored with recent enquiries from a number of interested parties; The Laundries business is performing well with hospital volumes returning strongly. The sale process has been paused and will resume when investment market conditions improve; The exit of high-risk construction markets in Downer's Engineering and Construction (E&C) and Spotless' Infrastructure and Construction (I&C) is underway as remaining projects complete; Reviewing medium to long-term prospects of Hospitality business to determine which parts will continue, be exited or sold (stadium and events business within Spotless Hospitality has been placed in "hibernation" and underperforming contracts renegotiated or terminated).
<p>3. Right-sizing</p>	<ul style="list-style-type: none"> Downer is taking decisive action to right-size its corporate and divisional cost base and adjust its operating model to align with the requirements of its core Urban Services portfolio Downer anticipates annual cost saving benefits of \$15m – \$20m² commencing from FY21 and has booked FY20 restructuring costs of \$142m

Notes:
 1. Subject to finalisation of definitive terms and all required ASX approvals.
 2. Annual cost benefits measured at the EBITA level.
 3. Coltrane Master Fund, L.P. currently has a relevant interest in approximately 11.8% of the Spotless shares on issue

4. ASX Offer Announcements (continued)

3 Path to 100% ownership of Spotless

Spotless is integral to Downer's Urban Services strategy, supporting its position as a leading integrated services provider with resilient earnings and long term customer relationships

- ✓ Multi-billion dollar pipeline of new opportunities driven by macro-economic trends of increasing urbanisation, growing population and government outsourcing
- ✓ Leading positions and resilient earnings in core Spotless businesses of Health, Education, Government and Defence
- ✓ Significant steps taken to strengthen the business are showing results:
 - ✓ restructure to better align with customers and markets
 - ✓ more robust governance and risk management
 - ✓ more predictable cash flows
 - ✓ Hospitality has been placed in "hibernation" and underperforming contracts renegotiated or terminated
- ✓ Ability to realise further synergies through one debt platform, integration of operations and further rationalisation of corporate structures – estimated \$10m – \$15m per annum

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3 Exiting non-core businesses

Mining and Laundries

- Portfolio review announced in August 2019
 - Review concluded Downer should exit both Mining and Laundries to increase returns to shareholders and release invested capital
 - In March 2020, Downer announced it was suspending the sale process for Mining due to volatile market conditions. Downer is currently exploring the potential sale of the portfolio (in parts or as a whole) in response to recent enquiries from a number of interested parties. At this stage there is no certainty that any transaction will proceed
 - The Laundries business is performing well with hospital volumes returning. The sale process has been paused and will resume when investment market conditions improve
- FY20 performance
 - Mining earnings were above FY19 despite the impact of COVID-19 restrictions on operations, state border closures and operations in South Africa closing due to COVID-19
 - Laundry volumes were also impacted materially from the restrictions on elective surgery resulting in a reduction in EBITA for FY20. With those restrictions now relaxed, the business is performing well with volumes returning, improved yield as hospitals use more supplied consumables and the benefit from efficiency improvements implemented during the year
- Downer will continue to keep the market informed in relation to these businesses

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3 Exiting non-core businesses (cont.)

Construction and Hospitality

- Identified areas of the business where restructuring is required and taking the necessary steps to exit from less profitable markets and contracts, and to right-size the cost structure of these businesses
 - The exit of high-risk construction markets in Downer's Engineering and Construction (E&C) and Spotless' Infrastructure and Construction (I&C) is underway as remaining projects complete
 - Downer has been strictly limiting the risk in its construction portfolio in terms of the type and scale of work, price, terms and conditions
 - The stadium and events business within Hospitality has been placed in "hibernation". All non-critical staff have been either stood down or made redundant
 - All other contracts have either been discontinued or converted to cost plus a margin. Downer will determine which parts of the business will continue, be exited or sold as the future market demand becomes clearer

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3 Restructuring to right-size corporate structure

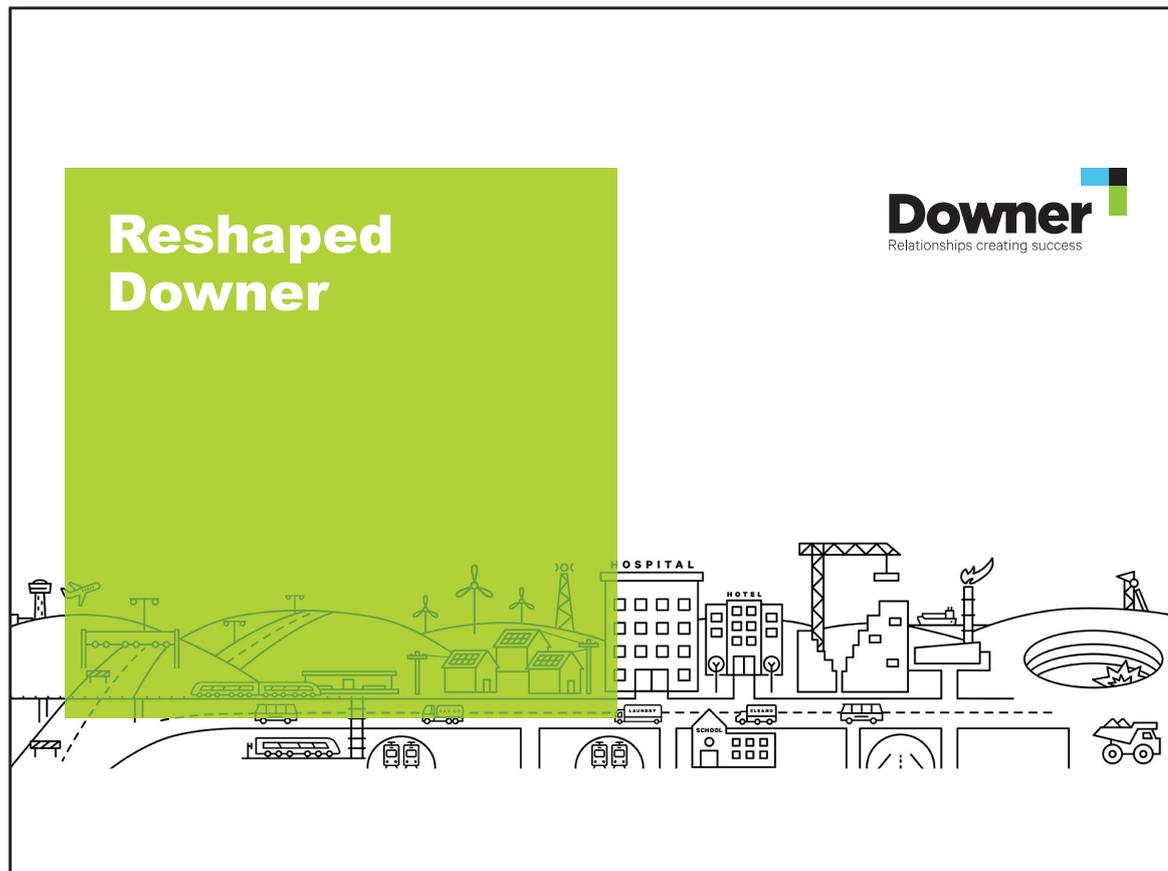
- As it moves to exit legacy construction and hospitality contracts, Downer is taking steps to restructure and right-size its corporate cost structure to deliver ongoing cost savings and efficiencies across the Group's operations
- Included in portfolio restructuring and exit costs of \$142m, Downer expects to recognise costs of \$62m to reflect the impact of right-sizing its corporate cost structure, including:
 - the net impact of staff redundancies;
 - lease-related costs; and
 - write-down of IT and other assets as a result of the exit and wind down of construction and hospitality
- Downer anticipates cost saving benefits of \$15m – \$20m¹ to be realised from the restructuring, with benefits to commence from FY21.

Notes:
1. Annual cost benefits measured at the EBITA level

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4. ASX Offer Announcements (continued)



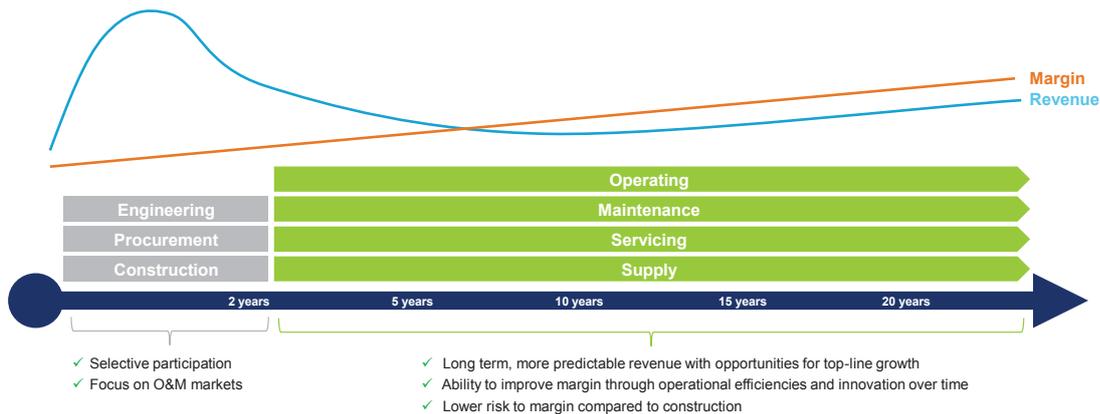
4 Reshaped Downer

After implementing these reshaping initiatives and the equity raising, Downer will be well positioned to deliver growth and improved returns post COVID-19

- ✓ Downer's future portfolio is weighted to services-oriented businesses that have demonstrated their resilience:
 - ✓ Leading market positions and attractive medium and long-term growth outlook across the range of Urban Services end markets
 - ✓ High proportion of government and government related contracts
- ✓ Capital light business model that generates lower risk, long term more predictable revenues
- ✓ Opportunity to leverage Downer's expertise in operations, maintenance, servicing and supply to drive margin expansion over time
- ✓ Right-sized operating model and simplified corporate and capital structure delivering tangible cost efficiencies
- ✓ Strengthened balance sheet with flexibility to continue investment

4 Focus on lifecycle asset services

Downer is focused on winning and delivering secure, long-term contractual service revenue and leveraging its expertise to drive margin expansion over time¹



Notes:

¹ Graph represents theoretical depiction showing the ability for long-term contractual services revenues and margins to increase over time with improved operating knowledge of the underlying contract.

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4 Positive outlook for core businesses

Downer expects earnings to continue to be resilient, supported by strong exposure to critical infrastructure and government-mandated public works

- Due to the current economic environment Downer cannot provide earnings guidance for FY21 at this time
- While the Downer business continues to be impacted by COVID-19, particularly in Hospitality, its diversification across critical services such as road and rail maintenance, public transport, power and gas, water, health and education, defence and government housing and facilities has delivered considerable resilience in earnings and cash flows
- Across all of Downer's businesses, apart from Hospitality, there is strong demand for its services, significant work-in-hand and a strong pipeline of opportunities with the potential to benefit further from government stimulus during the COVID-19 recovery period
- As committed, Downer's deferred unfranked interim dividend of 14 cents per share will be paid on 25 September 2020 to shareholders on the register at 26 February 2020
- Given the current circumstances and equity raising the Downer Board does not intend to pay a final dividend for the year ended 30 June 2020. Dividends are expected to resume in financial year 2021 depending on business performance

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4. ASX Offer Announcements (continued)

4 Driving value for shareholders



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Equity raising and balance sheet



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Entitlement Offer to support Spotless Offer and reshaping initiatives, maintain flexibility and strengthen balance sheet

Downer is undertaking a fully underwritten \$400 million Entitlement Offer

Supports reshaping initiatives	<ul style="list-style-type: none"> Achieving 100% ownership of Spotless with upfront cash cost to Downer of \$134.5m <ul style="list-style-type: none"> Expected to achieve synergies of \$10m – \$15m per annum through elimination of redundant corporate structures and consolidation of the Group's debt platform Exiting non-core businesses to shape portfolio in line with Downer's Urban Services Strategy Decisive action to right-size Downer's corporate and divisional cost base and operating model to align with the requirements of its core Urban Services portfolio <ul style="list-style-type: none"> Downer anticipates annual cost saving benefits of \$15m – \$20m³ commencing in FY21
Maintain flexibility	<ul style="list-style-type: none"> The equity raising will ensure Downer's balance sheet is well positioned to support future refinancing Continue investment in its core Urban Services business units Ensure the exit of Mining and Laundries is completed on appropriate terms
Strengthened balance sheet	<ul style="list-style-type: none"> Strong balance sheet and liquidity position post raising <ul style="list-style-type: none"> Liquidity (cash and undrawn debt facilities) of ~\$2.1 billion as at 30 June 2020¹ after adjusting for equity raising and expected cash cost of Spotless Offer Reported gearing ratio post impairment of 35.5% will reduce to a pro forma gearing ratio of 29.3%² following the Entitlement Offer and Spotless Offer (within long term target ratio of 25% – 30%). Further opportunity to reduce through asset sales Compliant with covenants Committed to maintaining Fitch credit rating (BBB Stable) and the capacity to respond to market volatility

Notes:

Underlying profit and pro forma measures are non-IFRS financial information. These measures are reported as they provide useful information to users in measuring the financial performance of Downer.

1. Pro forma liquidity adjusts for the Entitlement Offer (\$400m) and the Spotless Offer (\$135m)

2. Gearing ratio calculated as net debt / (net debt + shareholders' equity). For the purposes of the gearing ratio calculations, shareholders' equity has been adjusted to exclude the impact upon adoption of AASB16 of \$66.0m, consistent with Downer's debt covenant reporting requirements which have been amended to exclude the impact of AASB16. The pro forma gearing ratio includes adjustments for the impacts of the Entitlement Offer and Spotless Offer

3. Annual cost benefits measured at EBITA level

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Entitlement Offer Details

Fully underwritten c.\$400 million accelerated non-renounceable entitlement offer

Structure	<ul style="list-style-type: none"> Fully underwritten c.\$400 million accelerated non-renounceable entitlement offer ("Entitlement Offer") Under the Entitlement Offer, eligible shareholders are entitled to 1 New Share for every 5.58 existing ordinary shares held on the Record Date
Offer Price	<ul style="list-style-type: none"> AS\$3.75¹ per New Share 12.0% discount to Downer's closing price of AS\$4.26 on the ASX on Monday, 20 July 2020 10.3% discount to the theoretical ex-rights price ("TERP") of AS\$4.18²
Institutional Entitlement Offer	<ul style="list-style-type: none"> Institutional Entitlement Offer to be conducted by way of a bookbuild process on Tuesday, 21 July 2020
Retail Entitlement Offer	<ul style="list-style-type: none"> Retail Entitlement Offer opens on Tuesday, 28 July 2020 and closes 5:00pm on Friday, 14 August 2020 Each member of the Downer Board has stated they intend to participate in the Entitlement Offer in whole or in part
Ranking	<ul style="list-style-type: none"> New Shares will rank equally with existing ordinary shares from their time of issue New Shares issued will not be entitled to the deferred unfranked interim dividend of 14 cents per share that will be paid on 25 September 2020 as this dividend had an ex-dividend date of 25 February 2020 and a record date of 26 February 2020
Record Date	<ul style="list-style-type: none"> 7.00pm (Sydney time) Thursday, 23 July 2020

Notes:

Dates and times are indicative only and subject to change without notice. Downer reserves the right to alter the dates in this presentation at its discretion and without notice, subject to the ASX Listing Rules and Corporations Act 2001 (Cth). All dates refer to 2020 and times are Sydney, Australia time.

1. Eligible shareholders may also apply in NZD. The NZD equivalent of the AUD offer price will be determined following completion of the Institutional Entitlement Offer and communicated to investors who may wish to subscribe in NZD

2. TERP is the theoretical price at which Downer shares trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Downer shares trade on the ASX immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the closing price of the Downer share price as traded on ASX on Monday, 20 July 2020 being the last trading day prior to the announcement of the Entitlement Offer.

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4. ASX Offer Announcements (continued)

5 Entitlement Offer Timetable

Event	Date
Announcement of Entitlement Offer, Institutional Entitlement Offer opens	Tuesday, 21 July
Announcement of results of Institutional Entitlement Offer Trading Halt lifted Trading in ordinary shares resumes on an ex-entitlement basis	Wednesday, 22 July
Record Date for Entitlement Offer (7.00pm Sydney time)	Thursday, 23 July
Retail Entitlement Offer opens and Retail Entitlement Offer Booklet despatched	Tuesday, 28 July
Settlement of Institutional Entitlement Offer	Thursday, 30 July
Issue and trading of New Shares under the Institutional Entitlement Offer	Friday, 31 July
Announcement of Downer FY20 results Expected lodgement of Bidder's Statement for the Spotless Offer	Wednesday, 12 August
Retail Entitlement Offer closes (5.00pm Sydney time)	Friday, 14 August
Announce results of Retail Entitlement Offer	Wednesday, 19 August
Settlement of Retail Entitlement Offer	Thursday, 20 August
Allotment of New Shares under the Retail Entitlement Offer	Friday, 21 August
New Shares issued under the Retail Entitlement Offer commence trading on a normal settlement basis	Monday, 24 August
Despatch of holding statements for New Shares under Retail Entitlement Offer	Tuesday, 25 August

Note: Dates and times are indicative only and subject to change without notice. Downer reserves the right to alter the dates in this presentation at its discretion and without notice, subject to the ASX Listing Rules and Corporations Act 2001 (Cth). All dates refer to 2020 and times are Sydney, Australia time.

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5 Strengthened balance sheet

The Entitlement Offer will strengthen Downer's balance sheet to support continued investment in its core businesses

- Following the Entitlement Offer, Downer will be well capitalised to meet expected future funding needs
- Reported gearing ratio² post impairment of 35.5% will reduce to a pro forma gearing ratio of 29.3% following the Entitlement Offer and Spotless Offer (within long term target ratio of 25% – 30%). Further opportunity to reduce through asset sales
- No near term debt maturities, and material headroom to covenants
- Committed to maintaining Fitch credit rating (BBB Stable) and the capacity to respond to market volatility

Sources and uses				Balance sheet metrics				
Sources of funds	A\$m	Uses of funds	A\$m	A\$m	As at 30 June 2020	Impact of Entitlement Offer	Impact of Spotless Offer	Pro forma for Entitlement Offer and Spotless Offer
Proceeds from Entitlement Offer ¹	400	Spotless offer	135	Total limit	3,339	-	-	3,339
		Net debt reduction	265	Drawn	(2,069)	-	-	(2,069)
Total sources	400	Total uses	400	Available	1,270	-	-	1,270
				Cash	588	400	(135)	853
				Total liquidity	1,858	400	(135)	2,123
				Net debt	1,481	(400)	135	1,216
				Net debt / underlying EBITDA	1.7x			1.4x
				Gearing ratio²	35.5%			29.3%

Notes:

Underlying profit and pro forma measures are non-IFRS financial information. These measures are reported as they provide useful information to users in measuring the financial performance of Downer.

¹ Gross proceeds excluding transaction costs.

² Gearing ratio calculated as net debt / (net debt + shareholders' equity). For the purposes of the gearing ratio calculations, shareholders' equity has been adjusted to exclude the impact upon adoption of AASB16 of \$66.0m, consistent with Downer's debt covenant reporting requirements which have been amended to exclude the impact of AASB16. The pro forma gearing ratio includes adjustments for the impacts of the Entitlement Offer and Spotless Offer

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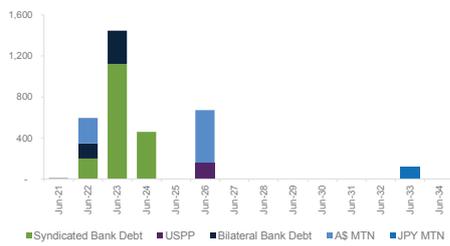
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5 Funding and liquidity

Diversified funding sources and no near-term debt maturities

- Total limit under all facilities of \$3,339m (\$1,270m currently undrawn)
- New \$500m syndicated bank facility established in April 2020 and extension to existing bilateral facilities
- Diversified funding sources
- Downer is rated BBB (Stable) by Fitch Ratings

Debt facilities maturity profile as at 30 June 2020



Pro forma liquidity¹



Notes:

1. Undrawn and committed facilities and cash position at 30 June 2020 based on preliminary, unaudited financial results for the year ended 30 June 2020. Figures remain subject to finalisation, audit and Board review and sign-off and may change.

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**FY20
preliminary,
unaudited
result
Appendix A**

Downer
Relationships creating success



4. ASX Offer Announcements (continued)

Reconciliation to statutory result

A\$m	FY19 reported	Expected FY20 ¹ result (subject to review and audit processes)
Underlying NPATA	340.1	210 – 220
Amortisation of acquired intangibles (post-tax)	(49.3)	(50)
Underlying NPAT	290.8	160 – 170
Items outside of underlying NPAT (pre tax)	(28.0)	(386)
Tax effect on items outside of underlying NPAT	13.5	65
Statutory NPAT	276.3	(150) – (160)

Notes:

Underlying profit and pro forma measures are non-IFRS financial information. These measures are reported as they provide useful information to users in measuring the financial performance of Downer.
 1. FY20 financials are estimates only, based on preliminary, unaudited financial results for the year ended 30 June 2020. Figures remain subject to finalisation, audit and Board review and sign-off and may change.

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Further detail on Spotless Offer

Appendix B



Spotless Offer details

Overview	<ul style="list-style-type: none"> Downer or its wholly-owned subsidiary, Downer EDI Services Pty Ltd will make an unconditional offer to acquire all of the issued share capital in Spotless not already owned by Downer Downer has entered into a call option deed with Coltrane Master Fund, L.P.¹ under which it has a call option over 2.99% of Spotless shares, which on exercise will increase Downer's ownership above the 90% threshold required to proceed to compulsory acquisition²
Consideration	<ul style="list-style-type: none"> Under the Spotless Offer, Spotless shareholders other than Downer will be entitled to receive: <ul style="list-style-type: none"> – Upfront cash consideration of \$1.00 per Spotless share; plus – For every 17,927,411 Spotless shares accepted into the Spotless Offer, a Downer Contingent Share Option (DCSO) exercisable over 1 Downer share, subject to the future market prices of Downer shares³
Details of Downer Contingent Share Option (DCSO)	<ul style="list-style-type: none"> Downer Contingent Share Options are exercisable in three series ("Series") if and when, on or prior to the lapsing date (see below), the 5 day volume weighted average price of a Downer share equals or exceeds the corresponding Target Price⁴ for that Series <ul style="list-style-type: none"> – Target Prices for each Series of \$6.50, \$7.00 and \$7.50 per Downer share – Target Prices for each Series, post adjustment for Entitlement Offer, are \$6.382, \$6.873 and \$7.364⁵ per Downer share – If the Target Price Condition is not satisfied within 4 years from the date the offer period commences, the DCSOs will lapse. The last day for exercise of the DCSOs in a Series is 20 business days after the Target Price Condition for the Series has been satisfied; – The Downer Contingent Share Option has a zero exercise price A maximum of 7.5 million Downer shares may be issued on exercise of the Downer Contingent Share Options⁶ Target Prices and number of shares subject to agreed adjustments for certain capital events⁷
Expected Financial Impact	<ul style="list-style-type: none"> Total upfront cash cost to Downer of \$134.5 million Estimated pre-tax cost synergies of approximately \$10m – \$15m per annum through rationalisation of corporate structure and more efficient capital structure
Other	<ul style="list-style-type: none"> Upfront Cash Consideration under the Spotless Offer is in line with Downer's expected revised carrying value for its existing shareholding in Spotless business, following the expected non-cash impairment to goodwill announced today

Notes:

- Coltrane Master Fund, L.P. currently has a relevant interest in approximately 11.8% of the Spotless shares on issue
- Downer currently has a relevant interest in 87.8% of the issued capital of Spotless
- The following description of terms is subject to finalisation of definitive terms and all required ASX approvals. To the extent a term of the DCSOs is inconsistent with the ASX Listing Rules (and no confirmations or waivers have been provided by ASX in respect of that rule), the term will be amended or read down to the extent of the inconsistency
- The target price will be varied in the event of certain share issues, special dividends and certain other adjustment events
- Target Price assuming the successful completion of both the institutional and retail component of the Entitlement Offer
- Number of Downer shares issued on exercise of Downer Contingent Share Options are subject to customary adjustment events.
- Depending on the type of corporate action that triggers an adjustment, the Target Price or the number of Downer shares which may be issued under a DCSO may be varied accordingly.

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Key risks

Appendix C



4. ASX Offer Announcements (continued)

KEY RISKS

There are a number of risks, of a general and specific nature, which may affect the future operating and financial performance of Downer, its investment returns and the value of its shares. Many of the circumstances giving rise to these risks are beyond the control of Downer.

This section describes certain specific areas that are believed to be the major risks associated with an investment in Downer. Broadly, these risks include:

- risks specific to Downer's business and the industry in which Downer operates;
- risks relating to the acquisition of 100% of the shares not already owned by Downer in Spotless; and
- general risks associated with the current economic conditions including, among other things, changes in legislation or regulatory policies and variations in prevailing exchange rates and interest rates.

Each of the risks described below could, if they eventuate, have a material adverse effect on Downer's operating and financial performance. You should note that the risks in this section are not exhaustive. There may be other risks which Downer is not presently aware of or may arise in the future, which may also have a material impact on Downer's performance. You should consider carefully the risks described in this section, as well as other information in this presentation, and consult your financial or other professional adviser before making an investment decision.

DOWNER BUSINESS SPECIFIC RISKS:

COVID-19 impact

The ongoing COVID-19 pandemic has had a significant impact on the Australian and global economy and the ability of individuals, businesses, and governments to operate. Across Australia and the world, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic. In addition, events relating to COVID-19 have resulted in significant volatility across financial, commodity and other markets, including in the prices of securities trading on the Australian Securities Exchange (ASX) (including the price of Downer securities) and on other foreign securities exchanges.

As previously disclosed to ASX, COVID-19 has affected Downer in several ways, with:

- generally reduced productivity due to distancing measures;
- reduced provision of services (down to 30% in New Zealand caused by Level 4 restrictions (now lifted));
- Spotless's hospitality division being unable to generate revenue and the laundries division operating on reduced volumes from private hospitals as a result of the cancellation of elective surgery;
- Asset services experiencing delays to non-essential maintenance and capital works;
- Mining division being impacted by travel restrictions and changed work practices, as well as the closure of the Palabora mine in South Africa; and
- Yarra Trams fare box being impacted by reduced patronage.

While government restrictions have begun to ease, there continues to be considerable uncertainty as to the duration of and further impact of COVID-19. A new wave of infections, prolonged period of social distancing, quarantines, travel restrictions, work stoppages, (including in the construction industry), project delays, health authority actions, lockdowns and other related measures within Australia or New Zealand (or overseas), or an escalation of currently existing measures, may directly and indirectly impact a number of aspects of Downer's business divisions including those referred to above. Events such as those experienced in Victoria in early July 2020 demonstrate that the easing of restrictions can be reversed quickly and without warning.

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KEY RISKS

In addition, there is a risk of a COVID-19 related infection occurring at a location in which Downer operates, which could have a negative impact on Downer's ability to operate at that location. This may also create a risk of broader infection of Downer's workforce which could negatively impact on Downer's ability to meet its contractual obligations, and may adversely impact Downer's financial and business performance.

While Downer considers that it has a strong balance sheet (including as a result of the Entitlement Offer), significant available liquidity and headroom in its bank covenants and expects it will have sufficient liquidity to deal with the circumstances relating to COVID-19 currently known to it, there is a risk that if the duration of events surrounding COVID-19 is prolonged, Downer may need to take additional measures in order to respond appropriately, including by raising additional funding or selling assets/businesses.

Downer is also exposed to counterparty risk in respect of its customers failing to fulfil their contractual obligations. This risk may be heightened as a result of COVID-19 and may cause Downer's financial performance and business to be impacted where its customers experience financial difficulties, reduce or discontinue operations or default on obligations owed to Downer.

There have been and may be other changes in the domestic and global macroeconomic environment associated with the events relating to COVID-19 that are beyond the control of Downer and may be exacerbated in an economic recession or downturn. These include, but are not limited to:

- (a) changes in inflation, interest rates and foreign currency exchange rates;
- (b) changes in employment levels and labour costs;
- (c) changes in customer and consumer behaviours to those that existed prior to the pandemic;
- (d) changes in aggregate investment and economic output; and
- (e) other changes in economic conditions which may affect Downer's revenue or operating costs.

Many of the risks highlighted in further detail below are likely to be heightened due to the impacts of the COVID-19 pandemic.

FY20 financial information is preliminary, incomplete and unaudited

The financial information contained in this Investor Presentation for the year ended 30 June 2020 is preliminary only. Downer currently expects to release its full FY20 financial statements on 12 August 2020. While Downer has taken care so as to have a high degree of confidence that this financial information will not materially differ from the final numbers contained in the FY20 financial statements, there is a risk that those numbers will differ from the final financial information contained in the FY20 financial statements.

The financial information contained in this Investor Presentation is not a complete statement of all the financial information that will be contained in the FY20 financial statements. Certain of the information that will be contained in the FY20 financial statements may aid in an understanding of the financial information contained in this Investor Presentation. In addition there may be information contained in the FY20 financial statements that may be material to an understanding of the financial performance and assets and liabilities of Downer that is not set out in this Investor Presentation.

The financial information contained in this Investor Presentation is unaudited. An audit process is currently under way in respect of the finalisation of the FY20 financial statements. The FY20 financial statements will contain an independent auditors report given by Downer's auditor, KPMG, containing an opinion on the FY20 financial statements and their compliance with the disclosure requirements of Corporation Act. An independent auditors report provides greater assurance of financial disclosure as compared to unaudited financial information. The independent auditors report will also contain details of the key audit matters that the auditor has focused on in providing its report that may assist in an understanding of the financial information contained in the FY20 financial statements. There is a risk that the completion of the audit process may require changes to the financial information concerning the year ended 30 June 2020 contained in this Investor Presentation.

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KEY RISKS

Equity raising and Underwriting Risk

Downer has entered into an underwriting agreement under which the Underwriters have agreed to fully underwrite the Entitlement Offer, subject to the terms and conditions of the underwriting agreement. If certain events occur, the underwriter may terminate the underwriting agreement.

Such "Termination events" include: regulatory action being undertaken in respect of the Entitlement Offer; ASX refusing to grant quotation of the new shares to be issued under the Entitlement Offer; Downer being prevented from issuing the new shares under the Entitlement Offer; Downer ceasing to be admitted to the official list of ASX; a director of Downer being charged with an indictable offence, being disqualified from managing a corporation or otherwise being the subject of a regulatory action; Downer or a prescribed member of the Downer Group becoming insolvent; there being a disruption in financial markets which makes it impossible or impracticable to settle the Entitlement Offer; the documents released on ASX by Downer for the Entitlement Offer containing a false, misleading or deceptive statement (including by omission) in a materially adverse respect; a representation or warranty given by Downer to the Underwriters becoming incorrect in a materially adverse respect; there being a change in law which materially adversely impacts the Entitlement Offer; or hostilities arising or majorly escalating which involve Australia or the US or a state of emergency being declared in either of those countries in a materially adverse respect.

Termination of the underwriting agreement would have an adverse impact on the availability of the proceeds raised under the Entitlement Offer and may require Downer to review its proposed gearing strategy and/or seek alternative sources of funding to achieve those strategies.

Risk of Dilution

You should also note that if you do not take up all of your entitlement under the Entitlement Offer, then your percentage security holding in Downer will be diluted by not participating to the full extent in the Entitlement Offer.

Workplace accidents and environmental incidents

Downer maintains a rigorous focus on Zero Harm for its employees and environment, recognising that its activities can result in harm to people and the environment. As part of this focus Downer, on an ongoing basis, seeks to assess, understand and mitigate the "critical risks" facing Downer and implementing "Cardinal Rules" which provide direction and guidance on these critical risks and high potential incidents. However, the risk of serious injury, death or environmental incident cannot be fully eliminated. In such cases there may be adverse impacts on project completions, as well as reputational damage to Downer. In the event Downer is found to have failed to comply with applicable health, safety or environmental legislative requirements, fines, penalties and/or compensation to those affected may be payable.

Key contracts, competition and retention of clients

There is a risk that material contracts that Downer enters may not be renewed, renewed on less favourable terms or cancelled.

Furthermore, some of the markets in which Downer operates are highly competitive. Increased competition can impact on Downer's ability to win new contracts.

If such events take place this may lead to a decrease in work in hand, profitability and earnings. To manage these risks, Downer maintains its focus on forming strong relationships with customers across a range of different markets and delivering successful outcomes for its customers, strategic partnerships and joint ventures with leading technology and knowledge providers and a strong focus on its Customer Relationship Management (CRM) system.

In addition, some of the contracts that Downer enters have pricing that is 'fixed' or 'not to exceed'. While Downer undertakes thorough bid governance processes to ensure that projects are appropriately estimated and there is a strong focus on costs, supply chain management and project management controls, to the extent that the cost of delivering on its contractual obligations exceeds the estimated price, Downer could incur losses that are not recoverable from its customers.

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KEY RISKS

Project Management and bid governance for large projects

Downer has sought to implement robust project risk management processes and systems across its business (including a Project Management Office), as well as additional bid governance relating to tenders for large projects.

Because of the nature of the industries in which Downer operates and the size of some of Downer's contracts, there is the possibility that material losses could be incurred if these systems and governance requirements are not followed correctly.

Key supplier, subcontractor and partner risk

Where Downer is reliant on one or a small set of specialist suppliers or subcontractors to provide goods and services, the performance of these suppliers or subcontractors may impact Downer's ability to achieve budgeted project outcomes. Where suppliers or subcontractors do not fulfil contractual obligations or do not renew existing contracts, the ability of Downer to complete projects and win new work may be adversely affected. In addition, there are particular suppliers with whom Downer has a long term relationship which support Downer's business activities. A change in relationship with these suppliers and partners could negatively impact Downer's financial performance.

Capital expenditure

Certain aspects of Downer's operations are reliant on significant capital investment being made in order for Downer to provide services to its customers. Downer's ongoing ability to win new work and to comply with its obligations in respect of existing contracts may be dependent on sufficient funds being available to Downer in respect of this capital expenditure.

Key personnel and labour issues

Downer's growth and profitability may be limited by the loss of key management, the inability to attract new suitably qualified personnel or by increases in remuneration costs associated with attracting and retaining personnel. Downer is dependent on the availability of suitably skilled personnel to provide its services and therefore, access to labour can sometimes represent an ongoing risk in some parts of the business.

Product and services liability

There is a risk that Downer may fail to fulfil its statutory and contractual obligations in relation to the quality of its products or services, which could give rise to contractual damages claims or statutory penalties.

Some entities in the Downer Group are subject to normal design liability in relation to completed design and construction projects where that entity has had design responsibility and in some cases also construction responsibility. The liability may include claims, disputes and/or litigation against Downer Group companies and/or joint venture arrangements in which the Downer Group has an interest. The liabilities may also include an obligation on Downer to rectify the design defects at its own cost. The directors are of the opinion that there is adequate insurance to cover these potential liabilities and accordingly, no amounts are recognised in the financial statements.

Insurance

The availability of insurance at an appropriate term and price is not guaranteed. It is possible that the occurrence of an event may not be fully covered, or covered at all, by insurance.

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4. ASX Offer Announcements (continued)

KEY RISKS

Payroll Remediation

(a) Employee Pay Remediation

In 2019, following the identification of historical under and overpayments to some employees, the Group commenced a review of the main Enterprise Agreements (EA) and Modern Awards (MA) under which permanent and casual Spotless employees have been engaged. The review was set up to validate the calculation of wage payments (covering hourly base rates of pay and other entitlements and allowances) through an assessment of how employment agreements, EAs and MAs have been applied, interpreted and configured in Spotless' payroll systems.

The review is ongoing but has progressed to a point where Management has been able to identify further instances of underpayments and form its best estimate of the additional cost of remediation in relation to these shortfalls.

(b) Redundancy costs

In addition, on 1 July 2020, Spotless was notified that its appeal to the Full Federal Court in the matters of United Voice v Berkeley Challenge Pty Limited [2018] FCA224 and Fair Work Ombudsman v Spotless Services Australia Ltd [2019] FCA9 were unsuccessful.

Both cases involved an interpretation of the ordinary and customary turnover of labour (OCTL) exemption to the obligation to make redundancy payments under the Fair Work Act 2009 (Cth) (FW Act).

Spotless is currently considering the Court's judgment in the context of an application to the High Court of Australia for special leave to appeal. However, in the meantime Management has formed its best estimate of Spotless' exposure to make redundancy payments to former staff where the OCTL exemption has been historically relied upon and on an assumption that any appeal is not successful.

(c) Estimate of potential exposure in relation to (a) and (b) and risks

Management has estimated the amount at \$41m in relation to the above matters, which will be recognised as a provision in the Financial Statements for the full year ended 30 June 2020. Of this amount, \$25m will be recognised as a prior period error in opening retained earnings, with \$16m being recognised as an expense in the period.

Each identified case is currently in the process of final validation and quantification. In the case of redundancy costs, the quantification and ultimate liability will also be subject to the outcome of any appeal.

The work involved in calculating the provision has been time consuming, complex and is Management's best estimate of the Group's exposure in relation to (a) and (b). The estimate is based on an assessment of substantial volumes of payroll data and where employee, payroll and/or rostering data has been missing or incomplete, assumptions have been made by the reviewing team in relation to known gaps. The estimate also relies upon the correct interpretation of the applicable EAs and Modern Awards in calculating the shortfalls.

Changes to any of the variables (including the reviewing period and numbers of employees affected), assumptions (including the roles that employees were originally hired to perform in the case of (b)) or inputs has the potential to result in further adjustments to the calculation of the shortfall, which would result in further provisioning being required in subsequent reporting periods.

The Group is committed to ensuring its people are paid in accordance with their legal entitlements and will keep the dedicated reviewing team in place until it is satisfied that the above matters have been addressed.

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KEY RISKS

IT and Cyber risk

Downer relies on IT infrastructure and systems and the efficient and uninterrupted operation of core technologies. Downer's core technologies and other systems and operations could be exposed to damage or interruption from system failures, computer viruses, cyber-attacks, power or telecommunication provider's failure or human error. These events may cause one or more of Downer's core technologies to become unavailable.

Any interruptions to these operations would impact Downer's ability to operate and could result in business interruption, loss of customers and revenue, damaged reputation and weakening of competitive position and could therefore adversely affect Downer's operating and financial performance.

Downer uses technologies which involve the collection of confidential information. Through the ordinary course of business, Downer may be exposed to cyberattacks. Cyberattacks may lead to a compromise or breach of technology systems used by Downer to protect confidential information. It is possible that measures taken by Downer will not be sufficient to detect or prevent unauthorised access to, or disclosure of, confidential information, whether malicious or inadvertent.

There is a risk that, if a cyberattack is successful, any data security breaches or Downer's inadvertent failure to protect confidential information could result in a loss of information integrity, breaches of Downer's obligations under applicable laws or client arrangements, system outages and the hacking of Downer systems. Each of these has the potential to have a materially adverse impact on Downer's reputation and financial performance.

Downer is currently undertaking an IT systems upgrade and is continuing to invest in data centres and network infrastructure. There is a risk that the costs of undertaking these improvements will exceed those anticipated by Downer, that the anticipated improvements are not achieved or that the upgrading process causes business disruption.

Environmental risk

Downer operates in industries and services that may have a negative impact on the environment, including in respect of land, air and water pollution and greenhouse gas emissions. Downer believes in the pursuit of environmental excellence and enhancing livability for all communities in which it operates.

Downer is committed to developing solutions to reduce its energy consumption and greenhouse gas emissions and is seeking to transition to a low carbon economy. There is a risk that these strategies cause increases to Downer's cost structure or that Downer will be unable to satisfy future regulatory requirements relating to these matters.

There is a risk that Downer's business operations may incur liability under applicable environmental laws and regulations that could adversely impact Downer's financial and business performance. In the event that Downer is found to have failed to comply with applicable environmental laws and regulations, fines, penalties and/or compensation to those affected may be payable. There is also a risk that any such event may have adverse impacts on project completions and result in reputational damage to Downer.

Future dividends and franking capital

On 24 March 2020 Downer announced that payment of the interim dividend (\$83 million) would be deferred until September 2020 as a consequence of COVID-19. While the current intention of Downer remains to pay that interim dividend, a number of listed companies have cancelled previously declared dividends as the COVID-19 pandemic develops. The impact of COVID-19 may also impact on the ability to pay future dividends.

While Downer maintains a progressive dividend policy with interim and final dividends generally being in line with improved earnings and balance sheet strength, any future dividends and the level of franking will ultimately be determined by the Board of Downer having regard to a range of factors including the performance of Downer's businesses (particularly in the COVID-19 environment), the availability of cash, capital requirements of the business and obligations under debt instruments. There is no guarantee that any dividend will be paid by Downer or, if paid, that they will be paid at previous levels, or with the same level of franking as prior periods.

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KEY RISKS

Partnerships and joint ventures

Controlled entities have entered into various partnerships and joint ventures under which the controlled entity could ultimately be jointly and severally liable for the obligations of the partnership or joint venture.

The participation of third parties in partnerships and joint ventures introduces the risk that Downer may not be able to determine the outcome of business decisions concerning the activities of the partnership or joint venture and may not be able to access surplus cash generated by the partnership or joint venture. The contractual terms governing the partnership or joint venture may give third party participants rights that are adverse to the interests of Downer in certain circumstances (for example where Downer breaches a term of the arrangement or where there is a change of control of Downer) and may give rise to disputes between the participants in the partnership or joint venture.

Asset impairment

The Downer Board regularly monitors impairment risk. Consistent with accounting standards, Downer is periodically required to assess the carrying values of its assets. Where the value of an asset assessed is to be less than its carrying value, Downer is obliged to recognise an impairment charge in its profit or loss. Impairment charges can be significant and operate to reduce the level of a company's profits, may impact its capacity to pay dividends and may impact upon financial ratios relevant to Downer's financing arrangements. Impairment charges are a non-cash item.

As outlined in the Presentation, on 21 July 2020 Downer announced non-cash impairment charges of \$165m relating to the Spotless goodwill and certain other impairment charges (for example, \$26m relating to the information systems of Downer), including as a result of the impact of COVID-19. While Downer believes that those impairment charges fully deal with the financial consequences of this deterioration in the relevant activities of the Downer Group there is a risk that deterioration in those activities may result in further impairment charges in relation to these matters.

Cost reductions

Downer has undertaken an internal analysis of cost saving and restructuring opportunities available to the Downer Group. It is possible that such analyses, the assumptions made by Downer and the resulting conclusions, are ultimately inaccurate or fail to be fully realised, or the costs associated with the cost saving and restructuring opportunities (including transaction costs, taxes and stamp duty) or the level of cost saving realisations are different compared to those indicated by Downer's analysis. In such circumstances, there is a risk that the profitability and future earnings of the operations of the Downer Group may be different from the profitability and earnings expected as reflected in this presentation.

As outlined in the Investor Presentation, on 21 July 2020 Downer announced that it will incur portfolio and exit costs of \$142m to right size its corporate cost structure, primarily in restructuring its hospitality, engineering and construction and infrastructure and construction divisions to reflect its new business model. There is a risk that the provision for these costs is insufficient to recognise the actual costs incurred in undertaking this right size its corporate cost structure.

Acquisition and Divestment risks

Downer periodically considers acquisition and divestment opportunities. There can be no assurance that Downer will identify suitable acquisition or divestment opportunities or other projects at acceptable prices, or successfully execute those opportunities.

In addition, Downer's past and future acquisitions and divestments may subject to unanticipated risks and liabilities, or may disrupt its operations. Acquisitions may not deliver projected benefits or value, and integrations may not be successful, resulting in interruptions to the achievement of business strategy. Due diligence undertaken in making acquisitions may not have identified all liabilities and risks associated with the relevant business. This may divert management's attention and resources from Downer's day to day operations.

Downer is conducting a portfolio review of its business in order to determine whether to divest certain non-core assets and business units, particularly its mining and laundries business units. The laundries sale process has been paused and is intended to resume when investment market conditions improve. There is no guarantee that Downer will be able to dispose of these assets or business units at acceptable prices or successfully execute any such disposal opportunities.

Downer is seeking to exit high risk construction markets in Downer's engineering and construction and Spotless's infrastructure and construction divisions as remaining projects complete. The stadium and events business of Spotless hospitality has been placed in hibernation as Downer determines which parts of that business will continue, be exited or sold as future market demand becomes clearer. The exiting of these markets and businesses may involve unanticipated costs and may impact the future financial performance of Downer.

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KEY RISKS

Guarantees and indemnities

Downer and certain of its controlled entities are called upon to give guarantees and indemnities in respect of the performance by counterparties, including controlled entities and related parties, of their contractual and financial obligations. These guarantees and indemnities are generally indeterminable in amount.

Litigation

Downer is subject to the usual business risk that disputes or litigation may arise from time to time in the course of its business activities. Downer's 2019 Annual Report and half-year report for the 6 months ended 31 December 2019 discloses a number of such disputes, claims and litigation such as those relating to the "leaky building" claims in New Zealand and the arbitration proceedings on foot with Tecnicas Reunidas S.A. among others. If such issues are not resolved in line with Downer's expectations, there could be a material impact on Downer's financial position.

Economic and Financial Risks

Level of economic activity

Downer's operational and financial performance is linked to both the overall level of activity in the economy and the level of construction, investment and outsourcing in the sectors in which Downer operates. A reduction in economic activity (for example, during periods of economic recession, including, but not limited to, as a result of the impact of the COVID-19 pandemic), and particularly a reduction in demand for the commodities produced by many of Downer's larger clients, or a reduction in the level of outsourcing in the sectors in which Downer operates, can negatively impact the level of revenue and earnings generated by Downer.

Level of government spending

Public authorities in Australia and New Zealand are major clients of Downer. Changes in prioritisation of government spending or restrictions on the level of spending undertaken by governments (including, but not limited to, as a result of the impact of the COVID-19 pandemic) could impact the level of earnings generated by Downer.

Continued access to capital markets

Downer's ability to service its existing debt will depend on its future performance and cash flows, which in turn will be affected by various factors, certain of which are outside of its control (such as changes in interest and foreign exchange rates, and general economic conditions (including, but not limited to, as a result of the impact of the COVID-19 pandemic)). Any inability to service its existing debt may have a material adverse effect on Downer. Further, to the extent that additional equity or debt funding is not available from time to time on acceptable terms, Downer may not be able to operate its business in the ordinary course, take advantage of acquisition and other growth opportunities, develop new business or respond to competitive pressures.

Financing covenants and ability to refinance

Downer has various covenants in relation to its banking facilities. Factors such as increases in base rates, increased borrowings and weak operational performance could lead to Downer breaching its debt covenants. In certain circumstances, lenders may require that such banking facilities be repaid immediately. Under such a scenario, there is no guarantee that Downer will be able to secure alternative financing on commercially acceptable terms or at all.

Further, where existing loans either approach or reach maturity, Downer may seek to re-negotiate with existing and new lenders to extend the maturity date of those loans. Downer's earnings profile, credit rating, state of the economy and other factors (including, but not limited to, the COVID-19 pandemic) may influence the outcome of those negotiations. Where refinancing occurs at a higher cost, this may impact the ability of Downer to win new work and the profitability of its operations.

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4. ASX Offer Announcements (continued)

KEY RISKS

Credit ratings

As at the date of this presentation Downer was rated BBB (Stable) by Fitch Ratings.

Changes to Downer's credit rating by Fitch Ratings may impact the ability of Downer to win new work as well as the cost of funding. Where the credit rating is reduced, or placed on negative watch, customers and suppliers may be less willing to contract with Downer as Downer may be considered to be higher counterparty risk. Banks and other lending institutions may demand a higher interest rate on funds provided to Downer to reflect the higher risk of lending. In such circumstances, both the revenue and profitability of Downer may be reduced.

Impact of interest rate and foreign exchange movements

While Downer takes reasonable steps to protect itself through the use of hedges, rising interest rates may nonetheless adversely impact Downer's interest payments on its floating rate borrowings and inflation in underlying input costs may also adversely impact the anticipated returned from client operations. Notwithstanding the hedging arrangements Downer has in place, disruptions in financial markets (including, but not limited to, the impact of the COVID-19 pandemic) may affect the availability and cost of hedging, which may have a material adverse impact on the financial performance and position of Downer.

In addition, as Downer operates internationally it faces foreign exchange rate risks associated with foreign currency denominated debt, input costs and offshore earnings.

RISKS ASSOCIATED WITH THE ACQUISITION OF SPOTLESS

Increased economic exposure to Spotless

Downer currently has an approximate 88% interest in Spotless and has had such an interest since the close of its takeover offer in 2017. If the Spotless Offer is successful Spotless will become a wholly owned subsidiary of Downer and will therefore have an increased economic exposure to Spotless. While this increased economic exposure will afford Downer the opportunity to receive all of the benefit of any improvement in the financial performance and value of Spotless, the increased economic exposure also exposes Downer to greater risk if there is a financial deterioration and decline in the value of Spotless.

Impact of COVID-19

As discussed above in further detail, the ongoing COVID-19 pandemic has had a significant impact on various business divisions of Downer. With a strong focus on hospitality services (among others), Spotless's businesses have been impacted significantly as a result of government restrictions imposed in response to the COVID-19 pandemic, particularly the closure of a number of venues that Spotless provides hospitality services to and restricted operating conditions in those venues as restrictions ease and the laundries business operating on reduced volumes. The effect of such restrictions may continue for a prolonged period of time even as they begin to ease, such that Spotless operates under limited revenue conditions in the near to medium term before its operating environment recovers to pre-COVID levels. Downer is unable to estimate when such recovery may be achieved. Events such as those experienced in Victoria in early July 2020 also demonstrate that the easing of restrictions can be reversed quickly and without warning.

Post Acquisition Performance and Synergies

Downer has undertaken an internal analysis of the synergies which would be available as a result of successful completion of the Spotless Offer and 100% ownership of Spotless. It is possible that such analyses, the assumptions made by Downer and the resulting conclusions, are ultimately inaccurate or fail to be fully realised, or the costs associated with the acquisition (including transaction costs, taxes and stamp duty) or the level of synergy realisation are different compared to those indicated by Downer's analysis. In such circumstances, there is a risk that the profitability and future earnings of the operations of the combined Downer Group may be different from the profitability and earnings expected as reflected in this presentation.

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KEY RISKS

Completion risk

The acquisition of the outstanding shares in Spotless is subject to an unconditional takeover bid which Downer has committed to make in respect of the shares it does not currently own in Spotless. Downer has entered into a call option deed with Coltrane Master Fund, L.P. over 2.99% of Spotless shares. While the making of the bid and grant of the option means that there is a high degree of certainty that Downer will be able to proceed with compulsory acquisition and move to 100% ownership of Spotless, the technical nature of the relevant legislative provisions means there is a possibility that outcome might not be achieved or may be delayed.

If Downer otherwise acquires less than 100% of the remaining shares in Spotless, the full benefits of completing the Spotless Offer would not be realised. In that event, more of the net proceeds of the Entitlement Offer would be applied to reduce debt, with Downer to review its capital management position in the future as required.

GENERAL RISKS

General equity market and investment risk

The price of Downer shares will fluctuate due to various factors including movements in Australian equity markets, recommendations by brokers and analysts, interest rates, inflation, Australian and international economic conditions, changes in government, fiscal, monetary and regulatory policies, global and geo-political events and hostilities, natural disasters, changing climatic conditions, pandemics, public health emergencies, acts of terrorism, investor perceptions and other factors that may affect Downer's financial position and earnings. Downer manages its exposure to these risks by undertaking, among other things, strategic partnerships and joint ventures to diversify revenue sources.

Government policies and legislation

Downer's business is affected by a range of industry specific and general legal and regulatory controls. Changes in these types of controls can have an adverse effect on Downer's financial performance. Further, any major shift in regulatory policy may impact on the profitability of Downer and its customers. Infrastructure projects, which are a key source of revenue for Downer, are subject to discretion by government departments and ministers.

Business interruptions

Significant business interruptions as a result of natural disasters (such as fire, earthquake, flood or cyclone), pandemics or public health emergencies, general periods of prolonged rain, unstable service sites or regulatory intervention may have a materially adverse impact on the business activities of Downer and its clients and may lead to a decrease in profitability and earnings.

Taxation risk

Future changes in the tax law of Australia or the investor's jurisdiction, including changes in interpretation or application of the law by courts or taxation authorities in Australia or the investor's jurisdiction, may affect the taxation treatment of an investment in Downer shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted in the various jurisdictions in which Downer operates may impact the future tax liabilities of Downer.

Changes in accounting policy

Changes to Australian Accounting Standards could affect Downer's reported earnings and its financial position from time to time.

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International offering jurisdictions

Appendix D



INTERNATIONAL OFFERING JURISDICTIONS

International Offer Restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of Downer in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold in the institutional entitlement offer, in any country outside Australia except to the extent permitted below.

Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of New Shares only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces"), only to persons to whom New Shares may be lawfully distributed in the Provinces, and only by persons permitted to sell such securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus Exemptions*, of the Canadian Securities Administrators. No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Shares or the offering of New Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Shares.

Downer as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon Downer or its directors or officers. All or a substantial portion of the assets of Downer and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against Downer or such persons in Canada or to enforce a judgment obtained in Canadian courts against Downer or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages and rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

4. ASX Offer Announcements (continued)

INTERNATIONAL OFFERING JURISDICTIONS

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against Downer if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against Downer. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against Downer, provided that (a) Downer will not be liable if it proves that the purchaser purchased the New Shares with knowledge of the misrepresentation; (b) in an action for damages, Downer is not liable for all or any portion of the damages that Downer proves does not represent the depreciation in value of the New Shares as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Shares were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations. Prospective purchasers of the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the New Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

European Union

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

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INTERNATIONAL OFFERING JURISDICTIONS

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Malaysia

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of New Shares. The New Shares may not be offered, sold or issued in Malaysia except pursuant to, and to persons prescribed under, Schedules 5 and 6 of the Malaysian Capital Markets and Services Act.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of Downer with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

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INTERNATIONAL OFFERING JURISDICTIONS

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in the Norwegian Securities Trading Act).

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of Downer's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to investors who qualify as "professional clients" (as defined in the Swiss Financial Services Act). This document is personal to the recipient and not for general circulation in Switzerland.

No offering or marketing material relating to the New Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

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INTERNATIONAL OFFERING JURISDICTIONS

United Arab Emirates

This document does not constitute a public offer of securities in the United Arab Emirates and the New Shares may not be offered or sold, directly or indirectly, to the public in the UAE. Neither this document nor the New Shares have been approved by the Securities and Commodities Authority ("SCA") or any other authority in the UAE.

This document may be distributed in the UAE only to "qualified investors" (as defined in the SCA Board of Directors' Chairman Decision No. 37 RM of 2019, as amended) and may not be provided to any person other than the original recipient. No marketing of the New Shares has been, or will be, made from within the UAE other than in compliance with the laws of the UAE and no subscription for any securities may be consummated within the UAE.

No offer or invitation to subscribe for New Shares is valid, or permitted from any person, in the Abu Dhabi Global Market or the Dubai International Financial Centre.

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing section 86(7) of the FSMA). This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Downer.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

Not for release or distribution in the United States

This Presentation may not be released or distributed in the United States. In particular, this Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be illegal. Neither the New Shares nor the entitlements have been, or will be, registered under the U.S. Securities Act of 1933, as amended (U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the securities have been registered under the U.S. Securities Act (which Downer has no obligation to do or procure) or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable state securities laws.

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4. ASX Offer Announcements (continued)

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Media/ASX and NZX Release

DOWNER SUCCESSFULLY COMPLETES INSTITUTIONAL ENTITLEMENT OFFER

22 July 2020

Downer EDI Limited (ASX:DOW) ("**Downer**") has successfully completed the institutional component ("**Institutional Entitlement Offer**") of its 1 for 5.58 accelerated pro rata non-renounceable entitlement offer ("**Entitlement Offer**") that was announced on Tuesday, 21 July 2020.

INSTITUTIONAL ENTITLEMENT OFFER

The Institutional Entitlement Offer raised approximately \$339 million at the offer price of \$3.75 per share ("**Offer Price**") and was strongly supported by institutional shareholders with take-up of approximately 97% by eligible institutional shareholders.

There was also strong demand from both Downer's existing institutional shareholders and new institutional investors for the institutional shortfall, comprising entitlements that were not taken up by institutional shareholders under the Institutional Entitlement Offer, or that would have been offered to ineligible shareholders had they been entitled to participate.

The Chief Executive Officer of Downer, Grant Fenn, said:

"We are very pleased with the strong support for the Entitlement Offer shown by both our existing shareholders and new institutional investors. Proceeds of the Entitlement Offer will be used to strengthen Downer's balance sheet, support the acquisition of the remaining shares in Spotless and provide flexibility for continued investment in Downer's core Urban Services business. We believe the strong support for the Institutional Entitlement Offer is an endorsement of the actions we are taking to make our business more competitive and allow us to drive improved returns going forward."

The approximately 90.4 million new shares subscribed for under the Institutional Entitlement Offer ("**New Shares**") are expected to be allotted on Friday, 31 July 2020 and will commence trading on a normal settlement basis on the ASX on the same day.

New Shares issued under the Institutional Entitlement Offer will rank equally with existing shares and will not be eligible for the 2020 interim dividend of 14 cents per share to be paid on 25 September 2020 as this dividend had an ex-dividend date of 25 February 2020 and a record date of 26 February 2020.

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RETAIL ENTITLEMENT OFFER

The retail component of the Entitlement Offer (“**Retail Entitlement Offer**”), which is fully underwritten, is expected to raise approximately \$61 million.

The Retail Entitlement Offer will open on Tuesday, 28 July 2020 and close at 5.00pm on Friday, 14 August 2020.

Eligible retail shareholders on the Record Date of 7.00pm, Sydney time, on Thursday, 23 July, 2020 will have the opportunity to invest in New Shares at the Offer Price. Eligible retail shareholders in Australia and New Zealand will be invited to participate in the Retail Entitlement Offer at the same AUD offer price² and offer ratio as the Institutional Entitlement Offer.

The terms and conditions under which eligible retail shareholders may apply are outlined in the Retail Information Booklet which is expected to be despatched on or around Tuesday, 28 July 2020 and which will be made available on the ASX website on that date.

Shareholders with a registered address outside Australia and New Zealand will be ineligible to participate in the Retail Entitlement Offer.

For further information regarding the Retail Entitlement Offer, please contact the Downer Entitlement Offer Information Line on 1300 556 161 or +61 3 9415 4000 (outside Australia), any time between 8.30am and 5.00pm (Sydney time), Monday to Friday during the Retail Entitlement Offer period.

Offer Timetable

A timetable of key dates in relation to the Entitlement Offer is set out below. The timetable is indicative only and dates and times are subject to change without notice. All dates refer to 2020 and times are Sydney time.

Event	Date
Announcement of results of Institutional Entitlement Offer Trading Halt lifted Trading in ordinary shares resumes on an ex-entitlement basis	Wednesday, 22 July 2020
Record Date for Entitlement Offer (7.00pm Sydney time)	Thursday, 23 July 2020
Retail Entitlement Offer opens and Retail Information Booklet despatched	Tuesday, 28 July 2020

² Eligible retail shareholders may also subscribe in NZD. The NZD equivalent of the AUD offer price will be specified in the retail information booklet.

4. ASX Offer Announcements (continued)

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Settlement of Institutional Entitlement Offer	Thursday, 30 July 2020
Issue and trading of new shares under the Institutional Entitlement Offer	Friday, 31 July 2020
Retail Entitlement Offer closes (5.00pm Sydney time)	Friday, 14 August 2020
Announce results of Retail Entitlement Offer	Wednesday, 19 August 2020
Settlement of Retail Entitlement Offer	Thursday, 20 August 2020
Allotment of new shares under the Retail Entitlement Offer	Friday, 21 August 2020
New shares issued under the Retail Entitlement Offer commence trading on a normal settlement basis	Monday, 24 August 2020
Despatch of holding statements for new shares under Retail Entitlement Offer	Tuesday, 25 August 2020

Further Information

Authorised for release by Downer's Chief Executive Officer.

For further information please contact:

Michael Sharp, Group Head of Corporate Affairs and Investor Relations

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IMPORTANT INFORMATION

Forward looking statements disclaimer

This announcement contains certain forward looking statements and comments about current intention, statements of opinion and predictions as to possible future events, including Downer's expectations about the future performance of its business, the effect of the funds raised under the Entitlement Offer on those businesses, the outcome of the Spotless Offer and the future performance (including potential or further expected synergies) of Downer and Spotless post acquisition. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements and include statements in this announcement regarding the conduct and outcome of the Entitlement Offer, the use of proceeds, the outcome of the Spotless Offer, the future performance (including potential or further expected synergies) of Downer and Spotless post acquisition and Downer's outstanding debt. You are cautioned not to place undue reliance on any forward looking statement. While due care and attention has been used in the preparation of forward looking statements, forward looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Downer, its directors and management. Actual results, performance or achievements may vary materially from any forward looking statements and the assumptions on which statements are based. Downer disclaims any intent or obligation to update publicly any forward looking statements, whether as a result of new information, future events or results or otherwise.

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This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which, or to any person to whom, such an offer would be illegal. Neither the entitlements nor the new shares of Downer issued under the Entitlement Offer have been, nor will be, registered under the U.S. Securities Act of 1933, as amended ("**U.S. Securities Act**") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements and such securities may not be taken up by, or offered or sold to, directly or indirectly, any person in the United States, or to any person acting for the account or benefit of any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction of the United States.

About Downer

Downer is the leading provider of integrated services in Australia and New Zealand and customers are at the heart of everything it does. It exists to create and sustain the modern environment and its promise is to work closely with its customers to help them succeed, using world-leading insights and solutions to design, build and sustain assets, infrastructure and facilities. For more information visit downergroup.com.

5. Important Information

5.1 Responsibility for Information Booklet

This Information Booklet (including the ASX Offer Announcements and the enclosed personalised Entitlement and Acceptance Form) has been prepared by Downer. This Information Booklet is dated 28 July 2020 (other than the ASX Offer Announcements, which were released to the ASX and published on the ASX website on Tuesday, 21 July and Wednesday, 22 July 2020). Statements made in this Information Booklet are made only as at the date of this Information Booklet. The information in this Information Booklet remains subject to change without notice.

No party other than Downer has authorised or caused the issue of this Information Booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in this Information Booklet.

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Information Booklet. Any information or representation that is not in this Information Booklet may not be relied on as having been authorised by Downer, or its related bodies corporate in connection with the Entitlement Offer.

5.2 Status of Information Booklet

The Retail Entitlement Offer is being made pursuant to provisions of the Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84) which allow rights issues to be conducted without a prospectus.

Neither this Information Booklet nor the Entitlement and Acceptance Form are required to be lodged or registered with ASIC. This Information Booklet is not a prospectus under the Corporations Act and no prospectus for the Entitlement Offer will be prepared. These documents do not contain, or purport to contain, all of the information that a prospective investor may require in evaluating an investment in Downer. They do not contain all the information which would be required to be disclosed in a prospectus.

As a result, it is important for Eligible Retail Shareholders to carefully read and understand the information on Downer and the Entitlement Offer made publicly available, prior to accepting all or part of their Entitlement. In particular, please refer to this Information Booklet, the Investor Presentation and other announcements made available at <http://www.asx.com.au/>.

This Information Booklet does not contain financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Downer is not licensed to provide financial product advice in respect of the New Shares. Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If after reading the Information Booklet including the Investor Presentation released to ASX on Tuesday, 21 July 2020 (in particular, the "Key Risks" section), if you have any questions about the Entitlement Offer, you should contact your stockbroker, accountant or other independent professional adviser.

5.3 Information Booklet availability

Eligible Retail Shareholders in Australia and New Zealand can obtain a copy of this Information Booklet during the period of the Entitlement Offer by accessing the ASX website or accessing the Downer offer website at www.downerentitlementoffer.com. Persons who access the electronic version of this Information Booklet should ensure that they download and read the entire Information Booklet. The electronic version of this Information Booklet on the ASX website and the Downer website will not include a personalised Entitlement and Acceptance Form.

A replacement personalised Entitlement and Acceptance Form can be requested by calling the Entitlement Offer Information Line on 1300 556 161 or +61 3 9415 4000 (outside Australia) at any time between 8:30am and 5:00pm (Sydney time) on Monday to Friday during the Retail Entitlement Offer period.

This Information Booklet (including the accompanying personalised Entitlement and Acceptance Form) may not be distributed or released to, or relied upon by, persons in the United States or that are acting for the account or benefit of a person in the United States.

5.4 Notice to nominees

If Downer believes you hold Shares as a nominee or custodian you will have received, or will shortly receive, a letter in respect of the Entitlement Offer from Downer.

Nominees and custodians should consider carefully the contents of that letter and note in particular that the Retail Entitlement Offer is not available to Eligible Institutional Shareholders who were invited to participate in the Institutional Entitlement Offer (whether they accepted their Entitlement or not) and Ineligible Institutional Shareholders.

Persons acting as custodians and/or nominees must not take up Entitlements or apply for New Shares on behalf of, or for the account or benefit of, a person in the United States and must not send the Retail Entitlement Offer Booklet or any other document relating to the Retail Entitlement Offer to, any person that is in the United States or any person that is acting for the account or benefit of any person in the United States.

Downer is not required to determine whether or not any registered holder is acting as a nominee or custodian or the identity or residence of any beneficial owners of Shares. Where any holder is acting as a nominee for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Retail Entitlement Offer is compatible with the terms of the Retail Entitlement Offer and all applicable foreign laws. Eligible Retail Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how to proceed.

5.5 No cooling off

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been made.

5.6 Privacy Statement

If you complete an application for New Shares, you will be providing personal information to Downer (directly or through the Registry). Downer collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Registry.

You can access, correct and update the personal information that is held about you. If you wish to do so please contact the Registry at the relevant contact numbers set out in the Corporate Directory of this Information Booklet.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if the information required on the Entitlement and Acceptance Form is not provided, Downer may not be able to accept or process your application.

5.7 Governing Law

This Information Booklet, the Entitlement Offer and the contracts formed on acceptance of the Entitlement Offers pursuant to the personalised Entitlement and Acceptance Forms are governed by the laws applicable in New South Wales, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

5.8 Foreign Jurisdictions

This Information Booklet has been prepared to comply with the requirements of the securities laws of Australia.

The New Shares are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This Information Booklet has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This Information Booklet is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

This Information Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Entitlement Offer, the Entitlements, the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

This Information Booklet, and any accompanying ASX announcements and the Entitlement and Acceptance Form, do not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither this Information Booklet nor the Entitlement and Acceptance Form may be distributed or released in the United States. Neither the Entitlements nor the New Shares offered in the Entitlement Offer have been, or will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be taken up by, and the New Shares may not be offered or sold to, persons in the United States or persons who are acting for the account or benefit of a person in the United States.

The Entitlements offered and sold in the Retail Entitlement Offer may only be taken up, and the New Shares offered and sold in the Retail Entitlement Offer may only be offered and sold, outside the United States in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act.

Any non-compliance with these restrictions may contravene applicable securities laws.

See the "International Offering Jurisdictions" section of the Investor Presentation for more information.

5.9 Underwriters

The Entitlement Offer is being fully underwritten by the Underwriters pursuant to an underwriting agreement dated 21 July 2020 (the **Underwriting Agreement**). The Underwriting Agreement contains customary representations, warranties and indemnities in favour of the Underwriters. A summary of the circumstances in which the Underwriting Agreement may be terminated is set out in the "Key Risks" section of the Investor Presentation.

5.10 Disclaimer of representations

Except as required by law, and only to the extent so required, none of Downer or any other person, warrants or guarantees the future performance of Downer or any return on any investment made pursuant to this Information Booklet.

6. Glossary

ABN means Australian Business Number.

Application Monies means the amount specified in the personalised Entitlement and Acceptance Form, being the consideration for New Shares under the Retail Entitlement Offer.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited ACN 008 624 691 or, where the context requires, the financial market operated by it on which Shares are quoted.

ASX Offer Announcements means the ASX announcements reproduced in section 4 of the Information Booklet, being the announcement to ASX on Tuesday, 21 July 2020 of the launch of the Entitlement Offer, the Investor Presentation and the Institutional Entitlement Offer Completion Announcement released to ASX on Wednesday, 22 July 2020.

CGT means capital gains tax.

Corporations Act means the *Corporations Act 2001* (Cth).

Eligible Institutional Shareholder means institutional shareholders who were successfully invited to participate in the Institutional Entitlement Offer (as determined by the Underwriters).

Eligible Retail Shareholders has the meaning given in section 1.2 of the Information Booklet.

Entitlement and Acceptance Form means the personalised form accompanying this Information Booklet to be used to make an application in accordance with the instructions set out on that form.

Entitlement means the number of New Shares for which an Eligible Shareholder is entitled to subscribe under the Entitlement Offer, being 1 New Share for every 5.58 Shares held at the Record Date.

Entitlement Offer means the accelerated pro-rata non-renounceable entitlement offer of 1 New Share for every 5.58 Shares held at the Record Date at an Offer Price of \$3.75 (or NZ\$4.02) per New Share.

GST means goods and services tax.

Information Booklet means this information booklet in relation to the Retail Entitlement Offer, including the ASX Offer Announcements reproduced in section 4 and the personalised Entitlement and Acceptance Form accompanying the information booklet.

Ineligible Institutional Shareholder means institutional shareholders who were treated as ineligible institutional shareholders under the Institutional Entitlement Offer (as determined by the Underwriters).

Ineligible Retail Shareholders has the meaning given in section 1.7 of this Information Booklet.

Institutional Entitlement Offer means the entitlement offer made to Eligible Institutional Shareholders and successfully completed on Wednesday, 22 July 2020.

Institutional Entitlement Offer Completion Announcement means the announcement released to ASX on Wednesday, 22 July 2020 on the successful completion of the Institutional Entitlement Offer.

Investor Presentation means the Downer Investor Presentation released to ASX on Tuesday, 21 July 2020 and included in section 4 of this Information Booklet.

Listing Rules means the official listing rules of the ASX.

New Shares means the fully paid ordinary shares in Downer offered under the Entitlement Offer.

Offer Price means \$3.75 (or NZ\$4.02) being the price payable per New Share under the Entitlement Offer.

Record Date means 7:00pm (Sydney time) on Thursday, 23 July 2020.

Registry means Computershare Investors Services Pty Ltd.

Retail Entitlement Offer means the accelerated pro-rata non-renounceable entitlement offer of 1 fully paid ordinary shares for every 5.58 existing Shares held at the Record Date at an Offer Price of \$3.75 (or NZ\$4.02) made to Eligible Retail Shareholders.

Share means a fully paid ordinary share in Downer.

Shareholder means a holder of one or more Shares.

U.S. Securities Act means the United States Securities Act 1933 (as amended).

Underwriters means Macquarie Capital (Australia) Limited ABN 79 123 199 548 and UBS AG, Australia Branch ABN 47 088 129 613.

Underwriting Agreement means the underwriting agreement between Downer and the Underwriters under which the Underwriters have agreed to underwrite the Entitlement Offer.

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Corporate Directory

Downer EDI Limited

ACN 003 872 848

Registered Office

Level 2, Triniti III
Triniti Business Campus
39 Delhi Road
North Ryde NSW 2113

Legal Adviser

Ashurst
Level 11, 5 Martin Place
Sydney NSW 2000
Australia

Underwriters

Macquarie Capital
(Australia) Limited
1 Martin Place
Sydney NSW 2000

UBS AG, Australia Branch
Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Registry

Computershare Investor
Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000



WEBSITE

<http://www.downergroup.com/>



ENTITLEMENT OFFER INFORMATION LINE

1300 556 161 or

+61 3 9415 4000 (outside Australia)

Open between 8:30am and 5:00pm (Sydney time) on Monday to Friday during the Retail Entitlement Offer period.