

11 February 2021

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

Dear Sir/Madam

Please find attached the following documents:

1. Appendix 4D – results for announcement to the market for the half-year ended 31 December 2020;
2. Condensed Consolidated Half-year Financial Report dated 31 December 2020;
3. Market release dated 11 February 2021; and
4. Investor Presentation.

Yours sincerely,
Downer EDI Limited



Robert Regan
Company Secretary

**Results for announcement to the market
for the half-year ended 31 December 2020**

Appendix 4D

	31 Dec 2020 \$'m	31 Dec 2019 \$'m	% change
Revenue from ordinary activities	5,789.7	6,506.6	
Other income	36.6	2.3	
Total revenue and other income from ordinary activities	5,826.3	6,508.9	(10.5%)
Total revenue including joint ventures and other income	6,116.0	6,838.5	(10.6%)
Earnings before interest and tax	162.4	180.4	(10.0%)
Earnings before interest and tax and amortisation of acquired intangible assets (EBITA)	195.8	214.8	(8.8%)
Profit from ordinary activities after tax attributable to members of the parent entity	73.9	86.3	(14.4%)
Profit from ordinary activities after tax and before amortisation of acquired intangible assets (NPATA)	99.0	115.5	(14.3%)

	31 Dec 2020 cents	Restated ⁽ⁱ⁾ 31 Dec 2019 cents	% change
Basic earnings per share	10.3	13.7	(24.8%)
Diluted earnings per share ⁽ⁱⁱ⁾	10.2	13.7	(25.5%)
Net tangible asset backing per ordinary share ⁽ⁱⁱⁱ⁾	29.1	(0.3)	>100.0%

⁽ⁱ⁾ Basic and diluted EPS calculations for December 2019 were restated as a result of 106.6 million shares issued from the capital raising announced on 21 July 2020. Under the entitlement offer, 1 new share for each 5.58 outstanding shares were issued at a discounted price of \$3.75 per share. As a result of the new shares issued, the weighted average number of ordinary shares (WANOS) to calculate EPS needs to be adjusted by a theoretical ex-rights price (TERP) factor. The adjustment factor of 0.9817 was utilised to restate the 31 December 2019 WANOS for the basic and diluted EPS calculations.

⁽ⁱⁱ⁾ At 31 December 2019, the ROADS were anti-dilutive and consequently, diluted EPS remained at 13.7 cents per share.

⁽ⁱⁱⁱ⁾ The net tangible asset backing per ordinary share as at 31 December 2019 has been restated to reflect the correction of payroll benefit provisions (Refer Note D1 of the Annual Report 30 June 2020). The intangible assets balance have been tax effected.

Dividend	31 Dec 2020 Interim	31 Dec 2019 Interim ^(iv)
Dividend per share (cents)	9.0	14.0
Franked amount per share (cents)	0.0	0.0
Conduit foreign income (CFI)	100%	100%
Dividend record date	25/02/2021	26/02/2020
Dividend payable date	25/03/2021	25/09/2020

^(iv) The payment of the dividend declared for the comparative period was deferred and paid on 25 September 2020.

Redeemable Optionally Adjustable Distributing Securities (ROADS)

Dividend per ROADS (in Australian cents)	1.45	1.87
New Zealand imputation credit percentage per ROADS	100%	100%

ROADS payment date

	Quarter 1	Quarter 2
Instalment date FY2021	15/09/2020	15/12/2020
Instalment date FY2020	16/09/2019	16/12/2019

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

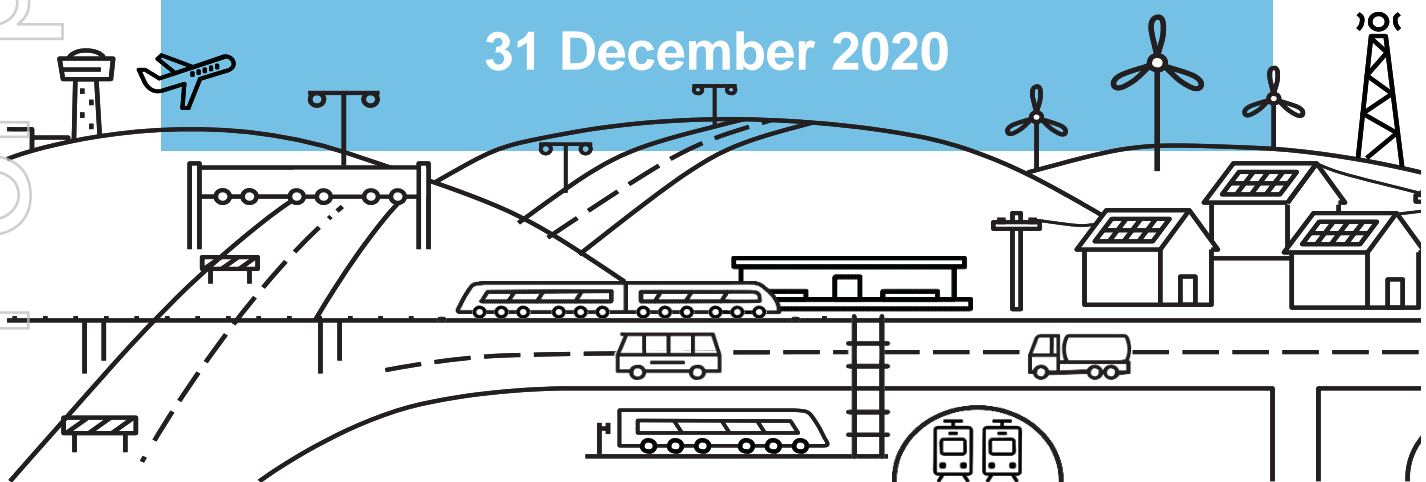
For commentary on the results for the period and review of operations, please refer to the Directors' Report and separate media release.

For personal use only

Downer EDI Limited

ABN: 97 003 872 848

Condensed Consolidated
Financial Report
for the half-year ended
31 December 2020



Condensed Consolidated Financial Report

for the half-year ended 31 December 2020

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DIRECTORS' REPORT

For the half-year ended 31 December 2020

The Directors of Downer EDI Limited (Downer) submit the condensed consolidated financial report of the Company for the half-year ended 31 December 2020. In accordance with the provisions of the *Corporations Act 2001 (Cth)*, the Directors' Report is set out below:

Directors

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

R M Harding (Chairman, Independent Non-executive Director)
G A Fenn (Managing Director and Chief Executive Officer)
P S Garling (Independent Non-executive Director)
T G Handicott (Independent Non-executive Director)
N M Hollows (Independent Non-executive Director)
C G Thorne (Independent Non-executive Director) (retired 13 July 2020)
P L Watson (Independent Non-executive Director)

REVIEW OF OPERATIONS

COVID-19

Downer continues to comply with all Government regulations and advice in relation to the COVID-19 pandemic and has robust Business Continuity Plans in place. Senior managers communicate regularly with their teams to ensure they are fully informed about the evolving situation and putting in place appropriate strategies. Downer is committed to working closely with its customers and partners to minimise the impact on operations while keeping its employees and communities safe.

Detailed and up-to-date information about Downer's response to COVID-19 is provided on the home page of the company's website (www.downergroup.com).

During the six months to 31 December 2020, there was no material impact on demand for the businesses within the Group's Transport, Utilities and Mining service lines. The Hospitality business within the Facilities service line continues to be significantly affected by COVID-19 regulations and some Asset Services customers continue to defer non-essential work.

PRINCIPAL ACTIVITIES

Downer EDI Limited (Downer) is a leading provider of integrated services in Australia and New Zealand. Downer employs approximately 50,000 people, mostly in Australia and New Zealand.

Downer reports its results under five service lines: Transport; Utilities; Facilities; Engineering, Construction & Maintenance (EC&M); and Mining.

Downer's strategy is to focus on its core Urban Services businesses: Transport, Utilities, Facilities and the Asset Services business within EC&M.

These core Urban Services businesses have:

- Demonstrated strength and resilience
- Leading market positions and attractive medium and long-term growth opportunities
- A high proportion of government and government-related contracts
- A capital light, services-based business model generating lower risk, more predictable revenues and cash flows.

As part of its Urban Services strategy, Downer has made significant progress exiting its capital-intensive Mining businesses. Downer had announced the sale of Open Cut Mining West, Underground, Downer Blasting Services, Snowden and its share of the RTL Mining and Earthworks joint venture (RTL JV). Downer is in active discussions with a number of interested parties in relation to the remaining businesses within the Mining portfolio: Open Cut East and the Otraco tyre management business.

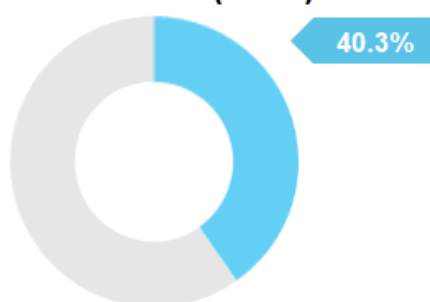
On 2 December 2020, Downer announced it had entered an agreement to sell 70% of its Laundries business.

For the first six months of the 2021 financial year, an outline of each of the five service lines is set out below.

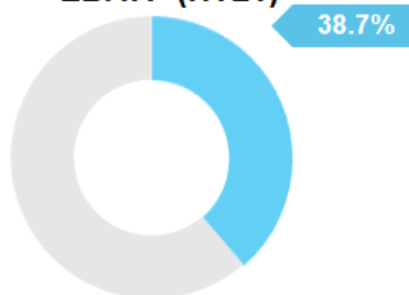
TRANSPORT

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

Total revenue¹ (HY21)



EBITA² (HY21)



■ Transport

¹ Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated.

² Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense. Due to rounding, divisional percentages do not add up precisely to 100%.

Road Services

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

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

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

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

Downer works for all of Australia's State road authorities, the New Zealand Transport Agency and a large number of local government councils and authorities in both countries. Customers also include road owners and businesses operating in a wide range of industries.

Rollingstock Services

Downer has over 100 years' rail experience providing end-to-end, innovative transport solutions. Downer is a leading provider of rollingstock asset management services in Australia, with expertise in delivering whole-of-life asset management support to our customers. Downer's capability spans all sectors, from rollingstock to infrastructure, and every project phase, from design and manufacture to through-life-support, fleet maintenance, operations and comprehensive overhaul of assets.

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

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

The Keolis Downer joint venture is Australia's largest private provider of multi-modal public transport solutions, with contracts to operate and maintain Yarra Trams in Melbourne, the Gold Coast light rail system in Queensland, and an integrated public transport system for the city of Newcastle in New South Wales. Keolis Downer is also one of Australia's most significant bus operators.

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

Projects

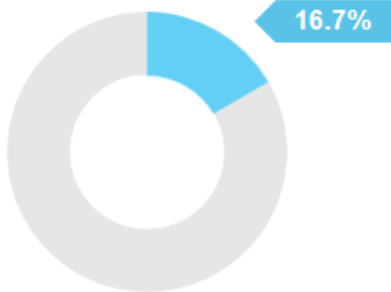
Downer delivers multi-disciplined infrastructure solutions to customers within the transport sector. The services provided by Downer include the design and construction of light rail, heavy rail, signalling, track and station works, rail safety technology, bridges and roads.

Downer has a long history of delivering transport infrastructure projects under a variety of contracting models. Downer's integrated capabilities enable intelligent transport solutions, road network management and maintenance, facility maintenance, utilities services and renewable energy technologies.

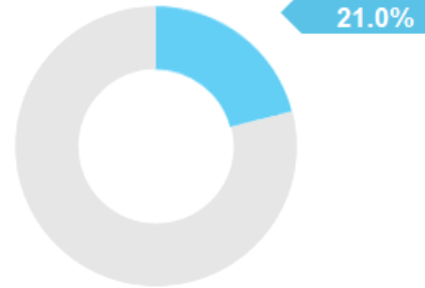
UTILITIES

Downer offers a range of services to customers across the power and gas, water, telecommunications and renewables sectors.

Total revenue¹ (HY21)



EBITA² (HY21)



■ Utilities

1 Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated.

2 Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense. Due to rounding, divisional percentages do not add up precisely to 100%.

Power and Gas

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

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

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

Water

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

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

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

Telecommunications

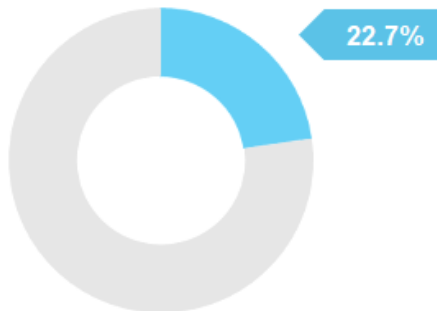
Downer is a leading provider of end-to-end technology and communications service solutions, offering integrated civil construction, electrical, fibre, copper and radio network deployment capability throughout Australia and New Zealand. Key capabilities include:

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

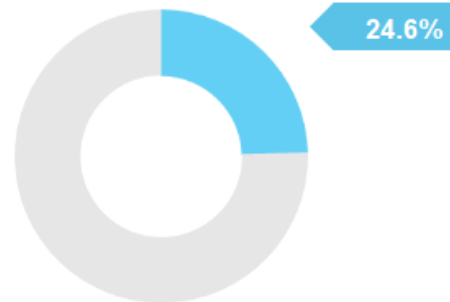
FACILITIES

The Facilities service line operates in Australia and New Zealand delivering facilities services to customers across a range of industry sectors including defence; education; health; government and hospitality.

Total revenue¹ (HY21)



EBITA² (HY21)



■ Facilities

¹ Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated.

² Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense. Due to rounding, divisional percentages do not add up precisely to 100%.

Spotless is the largest integrated facilities management services provider in Australia and New Zealand. Other businesses in the Facilities service line are AE Smith, Alliance, EPICURE, Mustard, Nuvo and Envar. The key capabilities of these businesses include:

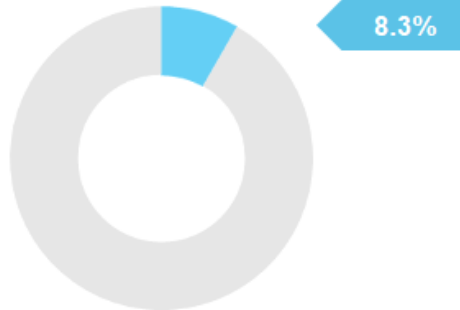
- Air-conditioning, mechanical and electrical
- Asset maintenance and management
- Catering and hospitality
- Cleaning
- Facilities management
- Security and electronic solutions
- Utility support.

The Facilities services line also includes Hawkins, New Zealand's leading construction business. Hawkins delivers unique transformational projects across a variety of sectors including education, health, airports, commercial office buildings and heritage restorations.

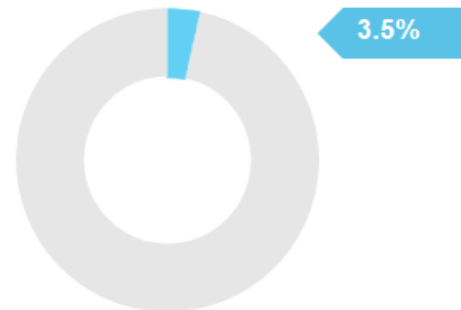
ENGINEERING, CONSTRUCTION AND MAINTENANCE (EC&M)

Downer's EC&M service line includes its Asset Services and Engineering & Construction businesses.

Total revenue¹ (HY21)



EBITA² (HY21)



■ EC&M

¹ Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated.

² Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense. Due to rounding, divisional percentages do not add up precisely to 100%.

Asset Services

Downer is a leading provider of asset maintenance and specialist services to Australia's critical economic infrastructure including the oil and gas, power generation and industrial sectors.

Oil and gas

Downer's state-of-the-art equipment and technology, and its people's expertise, supports customers through the full asset lifecycle. Downer provides maintenance, shutdown, turnaround and outage services, and offers end-to-end asset management services for the Coal Seam Gas and Liquefied Natural Gas sectors, as well as for terminals, refineries and petrochemical plants.

Power Generation

Downer is one of the largest providers of power generation asset management services in Australia, offering the full range of maintenance, shutdown, turnaround, outage and sustaining capital works. This includes servicing customers that supply 80% of the National Electricity Market. Through DMH, Downer's Alliance with Mitsubishi Power, Downer is an Original Equipment Manufacturer (OEM) specialist in the maintenance and overhaul of boilers, turbines and generating plants.

Industrial

Downer provides maintenance, turnaround, shutdown and sustaining capital programs for industrial operations across Australia's iron ore, minerals and metals, bulk materials handling and processing sectors.

Engineering & Construction

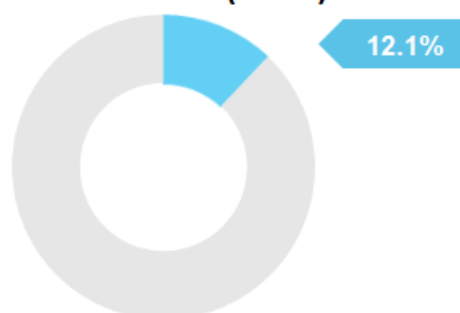
Downer announced in February 2020 that it will focus its construction efforts on areas where it has a competitive differentiation. As a result, Downer will no longer tender for “hard dollar” construction contracts in the coal, iron ore and industrial E&I (Electrical & Instrumentation) and SMP (Structural, Mechanical, and Piping) sectors.

Downer’s Mineral Technologies business is the world leader in fine physical mineral separation solutions, including spiral gravity concentrators, magnetic and electrostatic separation technology. Mineral Technologies delivers innovative, process solutions for iron ore, mineral sands, silica sands, coal, chromite, gold, tin, tungsten, tantalum and several other fine materials.

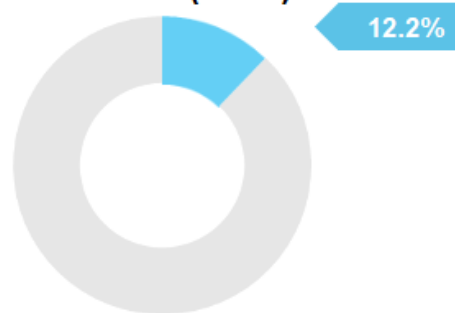
MINING

An important part of Downer’s Urban Services strategy is to exit its capital-intensive Mining business. Downer had announced the sale of Open Cut Mining West, Underground, Downer Blasting Services, Snowden and its share of the RTL Mining and Earthworks joint venture (RTL JV). Downer is in active discussions with a number of interested parties in relation to the remaining businesses within the Mining portfolio: Open Cut East and the Otraco tyre management business.

Total revenue¹ (HY21)



EBITA² (HY21)



■ Mining

1 Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated.

2 Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense. Due to rounding, divisional percentages do not add up precisely to 100%.

GROUP FINANCIAL PERFORMANCE

For the six-month period ended 31 December 2020, Downer reported a decrease in total revenue and in earnings before interest, tax and amortisation of acquired intangibles (EBITA). Gearing has decreased by 7.3 percentage points (pp) since June 2020, from 35.5% to 28.2%, and EBITA margin has improved from 3.1% to 3.2% compared to the prior comparative period (pcp).

The main features of the result for the six-months ended 31 December 2020 were:

- Total revenue of \$6.1 billion, down 10.6%
- Statutory EBITA of \$195.8 million, down 8.8% from \$214.8 million
- EBITA margin of 3.2%, up from 3.1%
- Statutory earnings before interest and tax (EBIT) of \$162.4 million, down 10% from \$180.4 million
- Statutory net profit after tax and before amortisation of acquired intangible assets (NPATA) of \$99.0 million, down 14.3% from \$115.5 million
- Statutory net profit after tax (NPAT) of \$75.6 million, down 17.3% from \$91.4 million.

Gearing has decreased by 7.3pp to 28.2% since June 2020 which shows that the Group was able to de-gear since the equity raising and despite \$83.3 million deferred interim 2020 dividend paid in the period and a \$134.5 million payment made to acquire the remaining 12.2% interest in Spotless.

Cash conversion for the period was 84.1%, up from 4.5% in the pcp, and 97.4% once adjusted for \$60.3 million of cash outflows relating to Individually Significant Items (ISIs) recognised in FY20.

ISIs totalled \$25.2 million during the period, (\$20.1 million after-tax and interest). These ISIs relates to the fair value movement of the Downer Contingent Share Option (DCSO) as part of the consideration to acquire the remaining 12.2% interest in Spotless, the impact of derecognising unamortised deferred financing costs following the termination of the Spotless financing arrangement, impairment of non-current assets, the gains recognised on divestments made during the period and transaction costs. Refer to Note B4 to the Financial Report for further details.

The table below provides a comparison of the underlying¹ earnings for HY21 versus the results for HY20 and a reconciliation to statutory NPAT.

Underlying ¹ EBITA (A\$m)	Reporting Segment	HY21	HY20	Variance (%)
Transport	Transport	99.7	112.5	(11.4%)
Utilities	Utilities	54.1	63.0	(14.1%)
Facilities ²	Facilities	62.5	68.7	(9.0%)
Asset Services ³	EC&M	11.6	22.4	(48.2%)
Core Urban Services Businesses		227.9	266.6	(14.5%)
Engineering & Construction ³ (Downer)	EC&M	(2.6)	(59.8)	95.7%
Businesses in wind down		(2.6)	(59.8)	95.7%
Mining	Mining	38.7	43.7	(11.4%)
Laundries ²	Facilities	4.5	7.0	(35.7%)
Hospitality ²	Facilities	0.3	0.2	50.0%
Businesses under review or to be sold		43.5	50.9	(14.5%)
Corporate	Unallocated	(47.8)	(42.9)	(11.4%)
Group Underlying EBITA⁴		221.0	214.8	2.9%
Amortisation of acquired intangibles (pre-tax)		(33.4)	(34.4)	2.9%
Underlying EBIT		187.6	180.4	4.0%
Net interest expense		(51.8)	(53.5)	3.2%
Tax expense		(40.1)	(35.5)	(13.0%)
Underlying NPAT		95.7	91.4	4.7%
Amortisation of acquired intangibles (post tax)		23.4	24.1	(2.9%)
Underlying NPATA⁴		119.1	115.5	3.1%
Items outside of underlying NPATA		(29.5)	-	
Tax effect on items outside NPATA		9.4	-	
Statutory NPATA		99.0	115.5	(14.3%)
Amortisation of acquired intangibles (post tax)		(23.4)	(24.1)	(2.9%)
Statutory NPAT		75.6	91.4	(17.3%)

1- The underlying result is a non-IFRS measure that is used by Management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review.

2- Total underlying EBITA for the Facilities segment was \$67.3m (HY20: \$75.9m). Refer to Note B1.

3- Total underlying EBITA for the EC&M segment was \$9.0m (HY20: loss of \$37.4m). Refer to Note B1.

4- Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY21: \$33.4m, \$23.4m after-tax. (HY20: \$34.4m, \$24.1m after-tax).

REVENUE

Total revenue for the Group decreased by 10.6% or \$722.5 million, to \$6.1 billion.

Transport revenue increased by 13.0%, or \$284.1 million, to \$2.5 billion due to continuing strong performance in the Road Services business, particularly in Australia, and increased contributions from Projects in Australia and New Zealand. These increases were partially offset by lower activities in Rollingstock Services as Waratah bogie overhaul activities completed.

Utilities revenue decreased by 28.0%, or \$396.4 million, to \$1.0 billion largely due to the continued wind-down of NBN contracts. This was partially offset by growth in the Defence business and increased activities in Power & Gas.

Facilities revenue decreased by 20.9%, or \$368.1 million, to \$1.4 billion largely due to the impact of COVID-19 on Hospitality and projects completions in both Australia and New Zealand.

EC&M revenue decreased by 28.4%, or \$200.6 million, to \$505.8 million as a result of project completions and reduced construction activity in line with Downer's strategy of reducing its exposure to selected construction markets. The Asset Services business continued to be impacted by COVID-19 resulting in customers deferring non-essential maintenance.

Mining revenue decreased by 5.2%, or \$40.4 million, to \$737.0 million as a result of contract completions and the cessation of revenue from Snowden and the RTL JV.

EXPENSES

Total expenses decreased by 10.6% or \$675.1 million compared to the pcp. If \$47.1 million of ISIs are excluded, total expenses decreased by 11.4%.

Employee benefits expenses decreased by 6.3%, or \$133.8 million, to \$2.0 billion and represent 35.3% of Downer's cost base. The decrease is mainly due to contract completions, reduced activities in Hospitality and the benefit of restructuring activities made in FY20. These decreases were partially offset by a shift in the mix of labour from subcontractors to direct labour.

Subcontractor costs decreased by 15.7%, or \$356.8 million, to \$1.9 billion and represent 33.8% of Downer's cost base. This decrease is a result of completed contracts during the period and the change in the subcontractor mix.

Raw materials and consumables costs decreased by 17.3%, or \$185.5 million, to \$0.9 billion and represent 15.7% of Downer's cost base. The decrease is mainly due to completion of the Waratah bogie overhaul activities in Rollingstock Services and from contract completions activities, particularly in the EC&M and Utilities segments.

Plant and equipment costs decreased by 2.7%, or \$8.9 million, to \$325.2 million and represent 5.7% of Downer's cost base. The decrease in plant and equipment costs is attributed to a less capital-intensive business as well as initiatives to drive efficient plant and equipment usage and maintenance practices.

Depreciation on leased assets increased by 32.5%, or \$21.9 million, to \$89.3 million and represent 1.6% of Downer's cost base. This increase is a result of investment in equipment on a lease basis.

Other depreciation and amortisation decreased by 2.1%, or \$3.9 million, to \$177.6 million and represent 3.1% of Downer's cost base. The decrease is driven by the normal run-off of assets useful life.

Impairment of non-current assets of \$28.1 million represents the impairment recognised to adjust the carrying value of the Property, plant and equipment and other assets of the Open Cut Mining West business to its expected recoverable value as an agreement had been reached to dispose of this business.

Other expenses, which include communication, travel, occupancy and professional fees costs, decreased by 12.9%, or \$36.2 million to \$243.7 million and represent 4.3% of Downer's cost base. The decrease is mainly due to reduced travel and discretionary expenses across the Group. Other expenses include \$19.0 million of ISIs as described in Note B4 to the Financial Report. Excluding these items, Other expenses would have decreased by \$55.2 million or 19.7% to \$224.7 million and would represent 4.0% of Downer's cost base.

EARNINGS

Statutory EBIT of \$162.4 million was \$18.0 million lower than pcp driven by lower contributions from Transport, Utilities, Facilities and Mining as a result of contract completions and some COVID-19 impact. These movements were partially offset by a higher contribution from EC&M as the pcp included non-recurring contract losses.

EBITA for the period of \$195.8 million includes \$25.2 million (pre-tax) of ISIs as described in Note B4 to the Financial Report. Excluding ISIs, the underlying EBITA for the Group increased by 2.9% or, \$6.2 million to \$221.0 million.

Statutory NPAT for the Group decreased by 17.3% or, \$15.8 million, to \$75.6 million and includes \$20.1 million after-tax ISIs.

Underlying NPATA for the Group increased by 3.1% or, \$3.6 million to \$119.1 million, while statutory NPATA of \$99.0 million has decreased \$16.5 million.

A reconciliation of the underlying result to the statutory result is provided in the table below:

\$'m	EBITA	Interest	Tax	NPATA	Deduct: Amortisation of acquired intangibles (post-tax)	NPAT
Underlying results	221.0	(51.8)	(50.1)	119.1	(23.4)	95.7
Fair value on Downer Contingent Share Option (DCSO) ¹	(14.0)	-	-	(14.0)	-	(14.0)
Termination of Spotless financing arrangements	-	(4.3)	1.3	(3.0)	-	(3.0)
Laundries transaction costs (including Stamp duty)	(4.0)	-	1.0	(3.0)	-	(3.0)
Mining Divestments (net of transaction costs) ²	(7.2)	-	7.1	(0.1)	-	(0.1)
Total items outside underlying results	(25.2)	(4.3)	9.4	(20.1)	-	(20.1)
Statutory result - profit / (loss)	195.8	(56.1)	(40.7)	99.0	(23.4)	75.6

1- The initial recognition of the fair value of the Downer Contingent Share Option (DCSO) was \$16.7 million as at 12 August 2020 and recorded as a current financial liability. The fair value of the DCSO have been calculated using an option pricing model reflecting the three tranches of the DCSO. The fair value of the DCSO issued as at the date the transaction completed was determined using an option pricing model. The key assumptions used in this assessment were a TERP adjusted share price of \$4.30, option volatility of 40%, interest of 0.31% and dividend yield of 8.5%. The DCSO was remeasured to fair value at 31 December 2020, with any fair value movements recognised through the income statement. As the Downer share price has increased from \$4.30 to \$5.33 at 31 December 2020 this has resulted in a fair value movement of \$14.0 million.

2- Includes impairment of assets of Open Cut Mining West, offset by gains on Snowden and RTL JV.

Transport EBITA decreased by 11.4%, or \$12.8 million to \$99.7 million driven by lower contribution from the Keolis Downer joint venture as Yarra Trams patronage was impacted by COVID-19 and lower contribution from Rollingstock Services as Waratah bogie overhaul activities completed. Road Services in Australia and New Zealand continued to perform strongly.

Utilities EBITA decreased by 14.1% to \$54.1 million mainly due to reduced contribution from NBN contracts as the project winds down, partially offset by higher contribution in Water and Power projects in Australia and New Zealand.

Facilities EBITA decreased by 16.6% to \$63.3 million driven by lower contribution from Health and Education; completion of construction contracts not fully replaced; reduced activities in the Hospitality sector due to COVID-19; and reduced volumes in the Laundries business. The Facilities EBITA includes \$4.0 million in relation to Laundries divestment transaction costs as described in Note B4 to the Financial Report.

EC&M EBITA increased by \$46.4 million to \$9.0 million as the pcp included non-recurring contract losses. This was partially offset by lower contribution from the Asset Services business as COVID-19 has resulted in deferral of shutdowns and plant maintenance activities.

Mining EBITA decreased by 27.9%, or \$12.2 million to \$31.5 million mainly due to lower margins on contracts and the net impact of \$7.2 million relating to Mining divestments as described in Note B4 to the Financial Report.

Corporate costs increased by \$4.9 million, to \$47.8 million mainly due to higher information technology and insurance costs in the period.

Net finance costs increased by \$2.6 million or, 4.9%, to \$56.1 million. Included in net finance costs is \$4.3 million of pre-tax ISIs in relation to termination of Spotless financing arrangements as described in Note B4 to the Financial Report. Excluding ISIs, net finance costs would have been \$1.7 million favourable to pcp, due to lower interest on drawn debt driven by downward movement in Australian Dollar rates and lower levels of debt.

Effective tax rate is 28.9% which is lower than the statutory corporate tax rate of 30% due to the impact of items including offset of capital losses against capital gains on divestments, non-taxable distributions from joint ventures and lower tax rates in overseas jurisdictions (e.g. New Zealand).

OPERATING CASH FLOW

Operating cash flow was strong at \$350.2 million, a major improvement from the \$4.5 million outflow in the pcp and represents a cash conversion of 84.1% of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA). Included within the operating cash flow is \$60.3 million in relation to ISIs recognised in FY20 (mainly restructuring cost and shareholder class action settlement) being the cash outflow incurred during the current period. Excluding the cash outflows for FY20 ISIs, cash conversion would be 97.4%.

INVESTING CASH

Total investing cash outflow was \$251.6 million, \$29.6 million, or 13.3%, higher than pcp. This was mainly due to \$134.5 million paid in relation to the acquisition of the remaining 12.2% interest in Spotless, offset by lower payments for property, plant and equipment and for intangible assets and from the proceeds received following the sale of Snowden and the interest in RTL JV.

DEBT AND BONDING

The Group's performance bonding facilities totalled \$2,035.2 million at 31 December 2020 with \$585.1 million undrawn. There is sufficient available capacity to support the ongoing operations of the Group.

As at 31 December 2020, the Group had liquidity of \$1.9 billion comprising cash balances of \$550.4 million and undrawn committed debt facilities of \$1.3 billion.

During the period, the Group raised \$399.7 million from the issue of new shares in order to rebalance the Group's gearing and overall liquidity positions, and in anticipation of the payments for the purchase of the Spotless shares it did not already own. In December 2020, the Group established a new \$1.4 billion syndicated sustainability linked loan facility. This new facility replaces the Spotless \$888.7 million and Downer \$400 million syndicated bank loan facilities as the Group's primary source of financing. In addition, \$145 million of Spotless bilateral bank loan facilities were refinanced at the Downer level.

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

BALANCE SHEET

Following the agreements reached in relation to Downer Blasting Services (DBS), Open Cut Mining West and Spotless Laundries businesses, the completion of these sales within twelve months is considered highly probable. As such, the recoverable value of the assets and liabilities are classified as Disposal groups and presented separately as Assets/Liabilities held for sale.

The net assets of Downer increased by \$322.9 million, or 12.3% to \$2.9 billion, mainly as a result of capital raising funds received in the period.

Net debt is calculated as borrowings (excluding lease liabilities) less the cash and cash equivalents. Net debt has decreased \$297.2 million to \$1,183.3 million mainly driven by \$367.5 million lower borrowings following debt repayments made in the period as a result of capital raising funds. This was offset by a lower cash position since 30 June 2020 (reduced by \$38.1 million) and unfavourable movements on mark to market derivatives. The strong operating cash flow and lower capital expenditure compared to the pcp further contributed to a lower net debt position.

Group gearing at 31 December 2020 was 28.2% (calculated on a pre-AASB 16 basis) which is 7.3 pp lower than 30 June 2020. This reduction was achieved despite payment of the deferred 2020 interim dividend (\$83.3 million) and payment of \$134.5 million for the remaining 12.2% interest in Spotless.

Total trade receivables and contract assets decreased by 9.5%, or \$230.1 million, to \$2,181.0 million reflecting contract completions and strong cash collections during the period. The decrease also reflects \$43.5 million that has been classified to Assets held for sale in relation to the divestments described in Note D7 to the Financial Report.

Inventories decreased by 20.7%, or \$69.1 million, to \$264.9 million reflecting \$72.0 million reclassified to Assets held for sale in relation to inventories held at Laundries and Mining. Excluding this reclassification, inventories would have increased \$2.9 million.

Current tax assets decreased by 75.2%, or \$49.0 million, to \$16.2 million reflecting tax refund received and timing of tax payments.

Assets held for sale of \$581.5 million represent the assets that will be disposed as part of the sale of Blasting Services, Laundries, and Open Cut Mining West businesses as described in Note D7 to the Financial Report.

Interest in equity accounted investments increased by 0.9%, or \$1.0 million, to \$111.6 million mainly reflecting \$9.8 million additional investment in Keolis Downer in the period, offset by \$8.1 million interest in RTL JV sold and the net impact of profit and distributions received during the period.

Property, plant and equipment decreased by 26.2%, or \$353.2 million, to \$997.0 million after \$333.6 million of transfers made to Assets held for sale. Excluding this transfer, Property, plant and equipment would have reduced by \$19.6 million with depreciation and impairment charges of \$151.2 million, disposal of \$25.7 million partially offset by \$157.8 million of additions during the period.

Right-of-use assets decreased \$62.8 million to \$529.8 million. The decrease includes \$79.9 million that has been classified to Assets held for sale. Excluding this classification, Right-of-use assets would have increased by \$17.1 million, reflecting new leases and extensions arrangements entered during the period.

Intangible assets decreased by 1.8%, or \$53.1 million, to \$2,843.0 million with \$46.6 million of amortisation charges in the period and \$24.6 million transfers to Assets held for sale, partially offset by \$17.4 million additional investment in software during the period.

Net deferred tax balances (net of deferred tax asset and liabilities) of \$47.5 million increased by 1.1%, or \$0.5 million reflecting the net position of deferred tax; including the consolidation of the Spotless tax consolidated group into the Downer tax consolidated group.

Total trade payables and contract liabilities decreased by 14.4%, or \$362.8 million, to \$2,163.4 million primarily due to payment of the deferred 2020 interim dividend (\$83.3 million), settlement of the Spotless shareholder class action and lower trade payables and contract liabilities balances as a result of lower revenue during the period. The decrease also reflects \$29.0 million that has been reclassified to Liabilities held for sale in relation to the divestments described in Note D7 to the Financial Report. Trade payables and contract liabilities represent 40.7% of Downer's total liabilities.

Other financial liabilities increased by 50.2%, or \$30.2 million, to \$90.4 million, representing 1.7% of Downer's total liabilities. The increase mainly reflects the recognition of the fair value of the Downer Contingent Share Option (DCSO) arising from the transaction to acquire the shares in Spotless that it did not already own during the period. Refer to Note B4 to the Financial Report.

Lease liabilities decreased by 10.4%, or \$79.2 million, to \$684.0 million and represent 12.9% of Downer's total liabilities. The decrease mainly relates to \$91.8 million of leases classified to Liabilities held for sale. Excluding this classification, lease liabilities would have increased by \$12.6 million largely reflecting new and extended lease arrangements entered into during the period.

Liabilities held for sale of \$165.0 million represent total liabilities that will be disposed as part of the sale of Blasting Services, Laundries, and Open Cut Mining West businesses as described in Note D7 to the Financial Report.

Provisions decreased by 4.8%, or \$26.4 million, to \$519.2 million, representing 9.8% of Downer's total liabilities. The decrease is mainly driven by employee related provision utilised during the period. Employee related provisions (annual leave and long service leave) made up 79.4% of this balance with the remainder covering contract provisions, decommissioning and restructuring and warranty obligations.

Total Equity increased by \$322.9 million, driven by \$393.4 million from the equity raising (net of costs) and \$75.6 million of net profit after tax. This was partially offset by the \$140.9 million derecognition of non-controlling interest (NCI) in Spotless following the acquisition of the remaining 12.2% interest during the period. Net foreign currency gains on translation of foreign operations, particularly in New Zealand, resulted in a movement in the foreign currency translation reserve of \$3.1 million.

DIVIDENDS

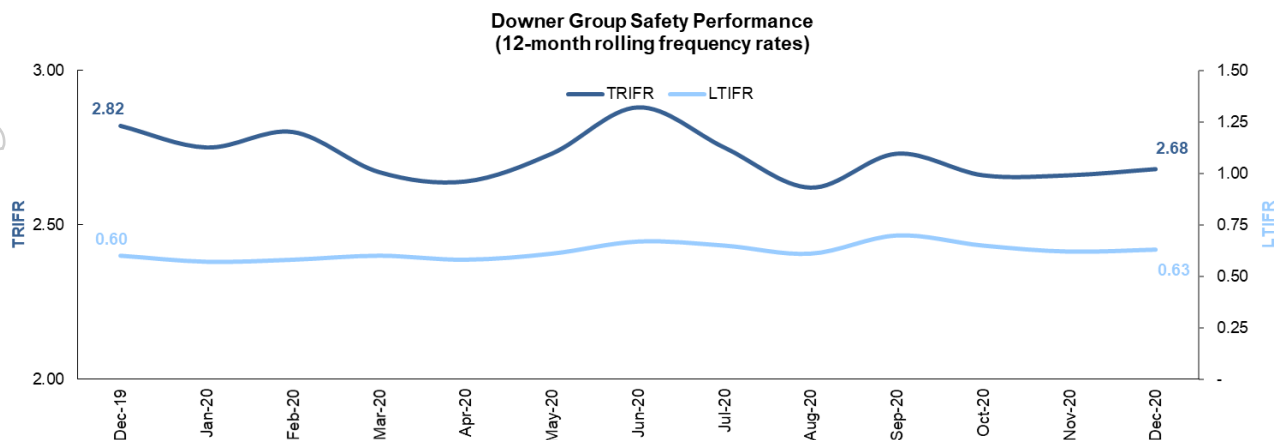
The Downer Board resolved to pay an interim dividend of 9.0 cents per share, unfranked (14.0 cents per share unfranked in the prior corresponding period), payable on 25 March 2021 to shareholders on the register at 25 February 2021. The unfranked dividend will be paid out of Conduit Foreign Income (CFI).

The Board also determined to continue to pay a fully imputed dividend on the ROADS security, which having been reset on 15 June 2020 has a yield of 4.32% per annum payable quarterly in arrears, with the next payment due on 15 March 2021. As this dividend is fully imputed (the New Zealand equivalent of being fully franked), the actual cash yield paid by Downer will be 3.11% per annum until the next reset date.

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

ZERO HARM

Downer's¹ Lost Time Injury Frequency Rate (LTIFR) increased to 0.63 from 0.60 and its Total Recordable Injury Frequency Rate (TRIFR) decreased to 2.68 from 2.82 per million hours worked².



OUTLOOK

Downer's strategy is to focus on its Urban Services businesses – Transport, Utilities, Facilities and Asset Services – because these businesses have:

- demonstrated strength and resilience;
- leading market positions and attractive medium and long-term growth opportunities;
- a high proportion of government and government-related contracts; and
- a capital light, services-based business model generating lower risk, more predictable revenues and cash flows.

These Urban Services businesses have work-in-hand of \$36.2 billion and it is expected that demand will remain strong due to continuing investment by both governments and blue-chip industrial companies.

Subsequent events

As announced to the market on 18 November 2020, 2 December 2020 and 15 December 2020, Downer has entered agreements for the sale of the Downer Blasting Services, Spotless Laundries and Open Cut Mining West businesses respectively.

On 1 February 2021, the sale of Open Cut Mining West was completed. Downer received an initial payment of \$109.0 million, while an additional \$66.0 million will be received in 12 equal monthly instalments of \$5.5 million commencing in February 2021. A further \$30.0 million will be received from the unwind of working capital balances. Completions of the sales of Downer Blasting Services and Laundries, and the sale of other non-core businesses, are progressing as expected.

On 20 January 2021, Downer announced underground mining services at OZ Minerals' Carrapateena mine will transition from Downer to Byrnegut Australia.

Outside of the above, at the date of this report, there have been no other matters or circumstances that have arisen since the end of the financial period that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

¹ Safety data excludes Hawkins and Spotless.

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

Auditor's independence declaration

The auditor's independence declaration, as required under Section 307C of the Corporations Act 2001, is set out on page 17.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



R M Harding
Chairman
Sydney, 11 February 2021

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

To the Directors of Downer EDI Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Downer EDI Limited for the half-year ended 31 December 2020 there have been:

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

KPMG

Nigel Virgo
Partner

Sydney

11 February 2021

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Independent Auditor's Review Report

To the Shareholders of Downer EDI Limited

Conclusion

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Condensed Consolidated Statement of Financial Position as at 31 December 2020
- Condensed Consolidated Statement of Profit or Loss and Other Comprehensive, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the half-year period ended on that date
- Notes A to D comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

The Directors of the Company are responsible for:

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

Auditor's Responsibilities for the Review of the Condensed Consolidated Half-year Financial Report

Our responsibility is to express a conclusion on the Condensed Consolidated Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Consolidated Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



KPMG



Nigel Virgo
Partner

Sydney

11 February 2021



Stephen Isaac
Partner

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2020

	Note	Dec 2020 \$'m	Dec 2019 \$'m
Revenue		5,789.7	6,506.6
Other income		36.6	2.3
Total revenue and other income	B2	5,826.3	6,508.9
Employee benefits expense	B3	(2,001.1)	(2,134.9)
Subcontractor costs		(1,913.2)	(2,270.0)
Raw materials and consumables used		(887.8)	(1,073.3)
Plant and equipment costs		(325.2)	(334.1)
Depreciation on leased assets		(89.3)	(67.4)
Other depreciation and amortisation	D3, D4	(177.6)	(181.5)
Impairment of non-current assets	B4	(28.1)	-
Other expenses from ordinary activities		(243.7)	(279.9)
Total expenses		(5,666.0)	(6,341.1)
Share of net profit from equity accounted investments	D5	2.1	12.6
Earnings before interest and tax		162.4	180.4
Finance income		2.6	3.9
Lease finance costs		(14.4)	(12.6)
Other finance costs		(44.3)	(44.8)
Net finance costs		(56.1)	(53.5)
Profit before income tax		106.3	126.9
Income tax expense		(30.7)	(35.5)
Profit after income tax		75.6	91.4
Profit for the period is attributable to:			
Non-controlling interest		1.7	5.1
Members of the parent entity		73.9	86.3
Profit for the period		75.6	91.4
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		3.4	1.2
Net gain / (loss) on foreign currency forward contracts		2.1	(5.0)
Net loss on cross currency and interest rate swaps		(3.6)	(1.3)
Income tax effect of items above		0.5	2.2
Other comprehensive income / (loss) for the period (net of tax)		2.4	(2.9)
Other comprehensive income / (loss) for the period is attributable to:			
Non-controlling interest		0.3	0.1
Members of the parent entity		2.1	(3.0)
Other comprehensive income / (loss) for the period		2.4	(2.9)
Total comprehensive income for the period		78.0	88.5
Earnings per share (cents)			Restated
Basic earnings per share ⁽ⁱ⁾	B5	10.3	13.7
Diluted earnings per share ⁽ⁱ⁾⁽ⁱⁱ⁾	B5	10.2	13.7

(i) At 31 December 2019, the ROADS were anti-dilutive and consequently diluted EPS remained at 13.7 cents per share.

(ii) The 31 December 2019 figures have been adjusted to reflect the impact of the equity raising that occurred during the current period.

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 24 to 43.

Condensed Consolidated Statement of Financial Position

as at 31 December 2020

	Note	Dec 2020 \$'m	Jun 2020 \$'m
ASSETS			
Current assets			
Cash and cash equivalents		550.4	588.5
Trade receivables and contract assets	D1	2,083.7	2,315.9
Other financial assets		27.0	26.2
Inventories		264.9	334.0
Lease receivables		16.4	18.5
Current tax assets		16.2	65.2
Prepayments and other assets		36.0	56.4
Assets held for sale	D7	581.5	-
Total current assets		3,576.1	3,404.7
Non-current assets			
Trade receivables and contract assets	D1	97.3	95.2
Equity accounted investments	D5	111.6	110.6
Property, plant and equipment	D3	997.0	1,350.2
Right-of-use assets		529.8	592.6
Intangible assets	D4	2,843.0	2,896.1
Other financial assets		7.7	21.4
Lease receivables		36.4	48.3
Deferred tax assets		49.1	141.5
Prepayments and other assets		8.9	11.9
Total non-current assets		4,680.8	5,267.8
Total assets		8,256.9	8,672.5
LIABILITIES			
Current liabilities			
Trade payables and contract liabilities	D2	2,134.9	2,497.4
Borrowings	C1	-	1.4
Lease liabilities		152.9	168.9
Other financial liabilities		63.4	45.8
Employee benefits provision		363.8	377.1
Other provisions		70.2	74.1
Current tax liabilities		6.1	11.0
Liabilities held for sale	D7	165.0	-
Total current liabilities		2,956.3	3,175.7
Non-current liabilities			
Trade payables and contract liabilities	D2	28.5	28.8
Borrowings	C1	1,683.8	2,049.9
Lease liabilities		531.1	594.3
Other financial liabilities		27.0	14.4
Employee benefits provision		48.3	55.0
Other provisions		36.9	39.4
Deferred tax liabilities		1.6	94.5
Total non-current liabilities		2,357.2	2,876.3
Total liabilities		5,313.5	6,052.0
Net assets		2,943.4	2,620.5
EQUITY			
Issued capital	C3	2,827.6	2,429.7
Reserves	C5	(54.8)	(47.7)
Retained earnings		165.3	94.3
Parent interests		2,938.1	2,476.3
Non-controlling interest	C4	5.3	144.2
Total equity		2,943.4	2,620.5

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 24 to 43.

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2020

Dec 2020 \$'m	Issued capital	Reserves	Retained earnings	Total attributable to owners of the parent	Non- controlling interest	Total
Balance at 30 June 2020	2,429.7	(47.7)	94.3	2,476.3	144.2	2,620.5
Profit after income tax	-	-	73.9	73.9	1.7	75.6
Other comprehensive income for the period (net of tax)	-	2.1	-	2.1	0.3	2.4
Total comprehensive income for the period	-	2.1	73.9	76.0	2.0	78.0
Capital raising (net of transaction costs and tax)	393.4	-	-	393.4	-	393.4
Vested executive incentive share transactions	4.5	(4.5)	-	-	-	-
Share-based employee benefits expense	-	0.2	-	0.2	-	0.2
Tax on share-based transactions	-	1.3	-	1.3	-	1.3
Acquisition of Non-controlling interest	-	(6.2)	-	(6.2)	(140.9)	(147.1)
Payment of dividends ⁽ⁱ⁾	-	-	(2.9)	(2.9)	-	(2.9)
Balance at 31 December 2020	2,827.6	(54.8)	165.3	2,938.1	5.3	2,943.4

⁽ⁱ⁾ \$2.9 million ROADS dividend paid during the financial period.

Dec 2019 \$'m	Issued capital	Reserves	Retained earnings	Total attributable to owners of the parent	Non- controlling interest	Total
Restated balance at 30 June 2019 ⁽ⁱ⁾	2,425.1	(27.5)	481.4	2,879.0	153.8	3,032.8
Opening balance adjustment on application of AASB 16 ⁽ⁱⁱ⁾ (net of tax)	-	-	(62.8)	(62.8)	(3.2)	(66.0)
Balance at 1 July 2019	2,425.1	(27.5)	418.6	2,816.2	150.6	2,966.8
Profit after income tax	-	-	86.3	86.3	5.1	91.4
Other comprehensive loss for the period (net of tax)	-	(3.0)	-	(3.0)	0.1	(2.9)
Total comprehensive income for the period	-	(3.0)	86.3	83.3	5.2	88.5
Vested executive incentive share transactions	4.6	(4.6)	-	-	-	-
Share-based employee benefits expense	-	1.0	-	1.0	-	1.0
Income tax relating to share-based transactions during the period	-	1.0	-	1.0	-	1.0
Payment of dividends ⁽ⁱⁱⁱ⁾	-	-	(87.0)	(87.0)	-	(87.0)
Restated balance at 31 December 2019	2,429.7	(33.1)	417.9	2,814.5	155.8	2,970.3

⁽ⁱ⁾ June 2019 balances have been restated following review of the Group's compliance with Enterprise Agreements (EA's) and Modern Award obligations. Refer to Note D1 of the 30 June 2020 Annual Report.

⁽ⁱⁱ⁾ Refer to Annual Report as at 30 June 2020 for details on opening balance adjustments made on application of new accounting standard AASB 16 Leases.

⁽ⁱⁱⁱ⁾ Relates to the 2019 final dividend of \$83.3 million and \$3.7 million ROADS dividends paid during the financial period.

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 24 to 43.

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2020

	Note	Dec 2020 \$'m	Dec 2019 \$'m
Cash flows from operating activities			
Receipts from customers		6,660.0	6,991.2
Payments to suppliers and employees		(6,280.5)	(6,981.2)
Distributions from equity accounted investees	D5	2.8	9.5
Operating cash flow before interest and tax		382.3	19.5
Interest received		1.4	2.7
Interest paid on lease liabilities		(14.4)	(12.6)
Interest and other costs of finance paid		(39.4)	(41.1)
Income tax received		20.3	27.0
Net cash generated from / (used in) operating activities		350.2	(4.5)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		16.9	11.0
Payments for property, plant and equipment		(117.6)	(150.1)
Payments for intangible assets		(17.4)	(31.7)
Payment to acquire remaining shares in NCI	C4	(134.5)	-
Payments of deferred consideration on acquisition of businesses	D6	(0.1)	(19.3)
Proceeds from sale of business		6.3	-
Proceeds from sale of equity accounted investments		18.8	-
Investment in equity accounted investments		(9.8)	-
Advances to equity accounted investments		(7.5)	(6.3)
Purchases of assets as a lessor		(6.7)	(25.6)
Net cash used in investing activities		(251.6)	(222.0)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		390.7	-
Proceeds from borrowings		2,619.0	3,772.3
Repayments of borrowings		(2,968.4)	(3,586.6)
Payment of principal of lease liabilities		(93.7)	(67.1)
Dividends paid		(86.2)	(87.0)
Net cash (used in) / generated by financing activities		(138.6)	31.6
Net decrease in cash and cash equivalents		(40.0)	(194.9)
Cash and cash equivalents at the beginning of the period		588.5	710.7
Effect of exchange rate changes		1.9	(0.9)
Cash and cash equivalents at the end of the period		550.4	514.9

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 24 to 43.

Notes to the condensed consolidated financial report

for the half-year ended 31 December 2020

A. About This Report

Statement of compliance

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

The Financial Report does not include all the information required for an annual financial report and should be read in conjunction with the 2020 Annual Report.

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The accounting policies and methods of computation applied in the Financial Report are consistent with those of the previous financial year and corresponding interim period. Note D7 includes the accounting policy for Disposal groups which has become a significant policy during the period.

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

The Financial Report was authorised for issue by the Directors on 11 February 2021.

New accounting standards

a) New and amended accounting standards adopted by the Group

During the period, the Group has applied a number of new and revised accounting standards issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2020, as follows:

- *Amendments to Australian Accounting Standards - References to Conceptual Framework*
- *Definition of Business (Amendments to AASB 3)*
- *Definition of Material (Amendments to AASB 101 and AASB 8)*
- *Interest Rate Benchmark Reform (Amendments to AASB 139, AASB 7 and AASB 9)*
- *Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia (Amendments to AASB 1054)*

None of the above new and amended accounting standards have had a significant impact on the Group's consolidated financial statements.

b) New accounting standards and interpretations not yet adopted

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

- *Onerous Contracts - Cost of fulfilling a Contract (Amendments to AASB 137)*
- *Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (AASB 2014-10)*

These new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements when they are adopted.

Rounding of amounts

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

Accounting estimates and judgements

Significant judgement, estimates and assumptions about future events are made by management when applying accounting policies and preparing the Financial Report which are consistent with those described in the 2020 Annual Report.

Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2020

B. Business performance

B1. Segment information

B2. Revenue and other income

B3. Employee benefits expense

B4. Individually significant items

B5. Earnings per share

B6. Subsequent events

B1. Segment information

Identification of reportable segments

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

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

There have been no changes to the composition of the Group's reportable segments since last reported in the 2020 Annual Report. The performance of the reportable segments identified within the Group is presented below:

Dec 2020

\$'m	Transport	Utilities	Facilities	EC&M	Mining	Un-allocated	Total
Segment revenue and other income	2,182.2	1,019.7	1,387.0	505.8	729.5	2.1	5,826.3
Share of sales revenue from joint ventures and associates ⁽ⁱ⁾	279.9	-	2.3	-	7.5	-	289.7
Total revenue including joint ventures and other income ⁽ⁱ⁾	2,462.1	1,019.7	1,389.3	505.8	737.0	2.1	6,116.0
EBIT before amortisation of acquired intangibles (EBITA)	99.7	54.1	67.3	9.0	38.7	(47.8)	221.0
Mining divestments	-	-	-	-	(7.2)	-	(7.2)
Laundries transaction costs	-	-	(4.0)	-	-	-	(4.0)
Fair value movement on DCSO liability ⁽ⁱⁱⁱ⁾	-	-	-	-	-	(14.0)	(14.0)
EBITA	99.7	54.1	63.3	9.0	31.5	(61.8)	195.8
Amortisation of acquired intangibles	(3.6)	(1.2)	(3.8)	-	-	(24.8)	(33.4)
Total reported segment results (EBIT)	96.1	52.9	59.5	9.0	31.5	(86.6)	162.4

Dec 2019

\$'m	Transport	Utilities	Facilities	EC&M	Mining	Un-allocated	Total
Segment revenue and other income	1,876.6	1,416.1	1,752.8	706.4	753.8	3.2	6,508.9
Share of sales revenue from joint ventures and associates ⁽ⁱ⁾	301.4	-	4.6	-	23.6	-	329.6
Total revenue including joint ventures and other income ⁽ⁱ⁾	2,178.0	1,416.1	1,757.4	706.4	777.4	3.2	6,838.5
EBIT before amortisation of acquired intangibles (EBITA)	112.5	63.0	75.9	(37.4)	43.7	(42.9)	214.8
Amortisation of acquired intangibles	(4.5)	(1.1)	(4.9)	-	-	(23.9)	(34.4)
Total reported segment results (EBIT)	108.0	61.9	71.0	(37.4)	43.7	(66.8)	180.4

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

⁽ⁱⁱⁱ⁾ DCSO refers to Downer Contingent Share Option (Refer to Note B4)

Notes to the condensed consolidated financial report - continued
for the half-year ended 31 December 2020

B1. Segment information - continued

Reconciliation of segment EBIT to Profit after income tax:

	Note	Dec 2020 \$'m	Dec 2019 \$'m
Segment EBIT		249.0	247.2
Unallocated:			
Amortisation of Spotless and Tenix acquired intangible assets		(24.8)	(23.9)
Fair value movement on DCSO liability	B4	(14.0)	-
Corporate costs		(47.8)	(42.9)
Total unallocated		(86.6)	(66.8)
Earnings before interest and tax		162.4	180.4
Net finance costs		(56.1)	(53.5)
Profit before income tax		106.3	126.9
Income tax expense		(30.7)	(35.5)
Profit after income tax		75.6	91.4

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Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2020

B2. Revenue and other income

Dec 2020

\$'m	Transport	Utilities	Facilities	EC&M	Mining	Un-allocated	Total
Service revenue	1,368.6	927.7	1,022.6	320.3	696.4	-	4,335.6
Construction contracts	715.1	88.6	332.8	178.2	-	-	1,314.7
Sale of goods	86.1	3.1	28.3	6.6	9.3	-	133.4
Total revenue from contracts with customers	2,169.8	1,019.4	1,383.7	505.1	705.7	-	5,783.7
Other revenue	2.7	-	-	0.1	1.1	2.1	6.0
Total revenue from ordinary activities	2,172.5	1,019.4	1,383.7	505.2	706.8	2.1	5,789.7
Government grants ⁽ⁱ⁾	0.1	0.1	3.3	-	-	-	3.5
Gain on divestments (Note B4)	-	-	-	-	16.3	-	16.3
Other	9.6	0.2	-	0.6	6.4	-	16.8
Other income	9.7	0.3	3.3	0.6	22.7	-	36.6
Total revenue and other income	2,182.2	1,019.7	1,387.0	505.8	729.5	2.1	5,826.3
Share of sales revenue from joint ventures and associates ⁽ⁱⁱ⁾	279.9	-	2.3	-	7.5	-	289.7
Total revenue including joint ventures and other income ⁽ⁱⁱⁱ⁾	2,462.1	1,019.7	1,389.3	505.8	737.0	2.1	6,116.0

⁽ⁱ⁾ Government grants represents incentives received under the New Zealand Government's wage subsidy scheme available to eligible businesses impacted by the COVID-19 pandemic.

Dec 2019

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

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

Notes to the condensed consolidated financial report - *continued*

for the half-year ended 31 December 2020

B2. Revenue and other income - *continued*

Revenue from contracts with customers by geographical location:

Dec 2020

\$'m	Transport	Utilities	Facilities	EC&M	Mining	Un-allocated	Total
Geographical location ⁽ⁱ⁾							
Australia	1,532.3	740.6	1,059.5	496.3	687.8	-	4,516.5
New Zealand and Pacific	637.5	278.8	324.2	-	-	-	1,240.5
Rest of the world	-	-	-	8.8	17.9	-	26.7
Total revenue from contracts with customers	2,169.8	1,019.4	1,383.7	505.1	705.7	-	5,783.7

Dec 2019

\$'m	Transport	Utilities	Facilities	EC&M	Mining	Un-allocated	Total
Geographical location ⁽ⁱ⁾							
Australia	1,315.1	1,120.8	1,330.5	680.6	719.1	-	5,166.1
New Zealand and Pacific	558.6	295.3	422.7	-	-	-	1,276.6
Rest of the world	0.1	-	-	25.1	32.6	-	57.8
Total revenue from contracts with customers	1,873.8	1,416.1	1,753.2	705.7	751.7	-	6,500.5

⁽ⁱ⁾ Revenue is allocated based on the geographical location of the legal entity.

B3. Employee benefits expense

	Dec 2020 \$'m	Dec 2019 \$'m
Defined contribution plans costs	123.9	129.6
Share-based employee benefits expense	0.2	1.0
Other employee benefits	1,877.0	2,004.3
Total employee benefits expense	2,001.1	2,134.9

Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2020

B4. Individually significant items

The following material items forming part of the Facilities, Mining and Unallocated segments are relevant to an understanding of the Group's financial performance:

2021	Fair value movement on DCSO liability	Termination of Spotless financing arrangements	Laundries transaction costs	Mining divestments	Total
\$'m					
Other income	-	-	-	21.9	21.9
Impairment of non-current assets	-	-	-	(28.1)	(28.1)
Other expenses from ordinary activities	(14.0)	-	(4.0)	(1.0)	(19.0)
Loss before interest and tax	(14.0)	-	(4.0)	(7.2)	(25.2)
Other finance costs	-	(4.3)	-	-	(4.3)
Income tax benefit	-	1.3	1.0	7.1	9.4
Loss after income tax	(14.0)	(3.0)	(3.0)	(0.1)	(20.1)

Fair value movement on Downer Contingent Share Option (DCSO) liability

As part of the consideration to acquire the shares in Spotless that it did not already own, the Group granted three tranches of 2.5 million share options to the previous minority interest shareholders which are exercisable within four years of issue on achievement of three prescribed share price targets (Downer Contingent Share Options). The fair value at issue date of these options was recognised as a liability arising on the acquisition of the shares. The DCSO are classified as a liability, with subsequent changes in the fair value recognised in the statement of profit or loss. Since grant date, and primarily driven by the movement in Downer's share price from \$4.30 to \$5.33, the fair value of the DCSO increased by \$14.0 million, which has been expensed through Other expenses in the statement of profit or loss during the period (Refer to Note C4).

Termination of Spotless financing arrangements

Following the purchase of the Non-controlling interest (NCI) in Spotless, the Group extinguished the Spotless financing arrangements. As a result, the unamortised deferred financing costs related to the extinguished facilities were immediately written-off to the 'other finance costs' line in the Statement of profit or loss, with the tax effect of \$1.3 million being credited to the income tax expense line.

Laundries transaction costs

To 31 December 2020, the Group has incurred transaction costs and stamp duty of \$4.0 million (\$3.0 million after tax) relating to the agreement to dispose of the Laundries business (Refer to Note D7).

Mining divestments

The divestment program for the Mining division has resulted in a number of material transactions netting to \$7.2 million expense noted above. These include:

- \$28.1 million impairment charge to adjust the carrying value of the Property, plant and equipment and other assets of the Open Cut Mining West business to its expected recoverable value on the classification of this business as a Disposal group held for sale.
- \$21.9 million gain on sale of property, plant and equipment and on the divestment of the Snowden business and equity accounted investment in RTL JV.
- \$1.0 million transaction costs incurred to date on the divestment program.

Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2020

B5. Earnings per share

Basic earnings per share

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

	Dec 2020	Restated ^(v) Dec 2019
Profit attributable to members of the parent entity (\$'m)	73.9	86.3
Adjustment to reflect ROADS dividends paid (\$'m)	(2.9)	(3.7)
Profit attributable to members of the parent entity used in calculating EPS (\$'m)	71.0	82.6
Weighted average number of ordinary shares (WANOS) (millions) ⁽ⁱ⁾	686.2	603.2
Basic earnings per share (cents per share)	10.3	13.7

Diluted earnings per share

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

	Dec 2020	Restated ^(v) Dec 2019
Profit attributable to members of the parent entity used in calculating basic EPS (\$'m)	73.9	86.3
Weighted average number of ordinary shares (WANOS) (millions) ^{(i) (ii)}	686.2	603.8
Adjustment to reflect potential dilution for ROADS (millions) ⁽ⁱⁱⁱ⁾	41.4	25.4
WANOS for calculation of diluted EPS	727.6	629.2
Diluted earnings per share (cents per share) ^(iv)	10.2	13.7

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

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

⁽ⁱⁱⁱ⁾ The WANOS adjustment is the value of ROADS that could potentially be converted into ordinary shares at the reporting date. It is calculated based on the issued value of ROADS in New Zealand dollars converted to Australian dollars at the spot rate prevailing at the reporting date, which was \$187.6 million (December 2019: \$192.1 million), divided by the average market price of the Company's ordinary shares for the period 1 July 2020 to 31 December 2020 discounted by 2.5% according to the ROADS contract terms, which was \$4.53 (December 2019: \$7.58).

^(iv) At 31 December 2019, the ROADS were anti-dilutive and consequently, diluted EPS remained at 13.7 cents per share.

^(v) Basic and diluted EPS calculation for December 2019 were restated as a result of 106.6 million shares issued from the capital raising announced on 21 July 2020. Under the entitlement offer, 1 new share for each 5.58 outstanding shares were issued at a discounted price of \$3.75 per share. As a result of the new shares issued, the weighted average number of ordinary shares (WANOS) to calculate EPS needs to be adjusted by a theoretical ex-rights price (TERP) factor. The adjustment factor of 0.9817 was utilised to restate the 31 December 2019 WANOS for the basic and diluted EPS calculations.

B6. Subsequent events

As announced to the market on 18 November 2020, 2 December 2020 and 15 December 2020, Downer has entered agreements for the sale of the Downer Blasting Services, Spotless Laundries and Open Cut Mining West businesses respectively. On 1 February 2021, the sale of Open Cut Mining West was completed. Downer received an initial payment of \$109.0 million, while an additional \$66.0 million will be received in 12 equal monthly instalments of \$5.5 million commencing in February 2021. A further \$30.0 million will be received from the unwind of working capital balances. Completions of the sales of Downer Blasting Services and Laundries, and the sale of other non-core businesses, are progressing as expected.

On 20 January 2021, Downer announced underground mining services at OZ Minerals' Carrapateena mine will transition from Downer to Byrnescut Australia.

Outside of the above, at the date of this report, there have been no other matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2020

C Capital structure and financing

C1. Borrowings
C2. Financing facilities
C3. Issued capital

C4. Non-controlling interest (NCI)
C5. Reserves
C6. Dividends

C1. Borrowings	Dec 2020 \$'m	Jun 2020 \$'m
Current		
Unsecured:		
- Bank loans	-	5.4
- Deferred finance charges	-	(4.0)
Total current borrowings	-	1.4
Non-current		
Unsecured:		
- Bank loans	650.0	982.2
- USD private placement notes	129.9	145.7
- AUD private placement notes	30.0	30.0
- AUD medium term notes	761.7	762.8
- JPY medium term notes	125.9	135.3
- Deferred finance charges	(13.7)	(6.1)
Total non-current borrowings	1,683.8	2,049.9
Total borrowings	1,683.8	2,051.3
Fair value of total borrowings ⁽ⁱ⁾	1,846.7	2,230.4

⁽ⁱ⁾ Excludes lease liabilities.

Notes to the condensed consolidated financial report - *continued*

for the half-year ended 31 December 2020

C2. Financing facilities

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

	Dec 2020 \$'m	Jun 2020 \$'m
Syndicated loan facilities	900.0	960.0
Bilateral loan facilities	427.0	310.0
Total unutilised loan facilities	1,327.0	1,270.0
Syndicated bank guarantee facilities	88.5	102.5
Bilateral bank guarantees and insurance bonding facilities	496.6	492.5
Total unutilised bonding facilities	585.1	595.0

Summary of borrowing arrangements as at 31 December 2020

Following the completion of the refinancing on 3 December 2020, the Group's borrowing arrangements are as follows:

Bank loan facilities

Bilateral loan facilities:

The Group has a total of \$477.0 million in bilateral loan facilities which are unsecured, committed facilities.

Syndicated loan facilities:

The Group has \$1,500.0 million of syndicated bank loan facilities which are unsecured, committed facilities.

USD private placement notes

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

AUD private placement notes

AUD unsecured private placement notes are on issue for a total amount of \$30.0 million.

Medium Term Notes (MTNs)

The Group has the following unsecured MTNs on issue:

- \$250.0 million maturing March 2022
- \$500.0 million maturing April 2026
- JPY 10.0 billion maturing May 2033.

The carrying value of the AUD MTN maturing April 2026 includes a premium of \$11.7 million over the face value owing to the differential between the coupon rate for that instrument and the prevailing market interest rate at the date of issue.

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

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

The maturity profile by facility limit of the Group's borrowing arrangements by financial year is represented in the table below:

Maturing in the period (\$'m)	Bilateral Loan Facilities	Syndicated Loan Facilities	USD	AUD	Medium Term Notes	Total
			Private Placement Notes	Private Placement Notes		
To 30 June 2021	-	-	-	-	-	-
1 July 2021 to 30 June 2022	100.0	-	-	-	250.0	350.0
1 July 2022 to 30 June 2023	377.0	100.0	-	-	-	477.0
1 July 2023 to 30 June 2024	-	300.0	-	-	-	300.0
1 July 2024 to 30 June 2025	-	400.0	-	-	-	400.0
1 July 2025 to 30 June 2026	-	400.0	129.9	30.0	500.0	1,059.9
1 July 2026 to 30 June 2027	-	300.0	-	-	-	300.0
1 July 2032 to 30 June 2033	-	-	-	-	125.9	125.9
	477.0	1,500.0	129.9	30.0	875.9	3,012.8

Notes to the condensed consolidated financial report - *continued*

for the half-year ended 31 December 2020

C2. Financing facilities - *continued*

Covenants on financing facilities

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

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

Financial covenants testing is undertaken monthly and reported at the Downer Board meetings. Reporting of financial covenants to financiers occurs semi-annually for the rolling 12-month periods to 30 June and 31 December. Downer Group was in compliance with all their financial covenants as at 31 December 2020.

Bank guarantees and insurance bonds

The Group has \$2,035.2 million of bank guarantee and insurance bond facilities to support its contracting activities. \$1,125.4 million of these facilities are provided to the Group on a committed basis and \$909.8 million on an uncommitted basis.

The Group's facilities are provided by a number of banks and insurance companies on an unsecured and revolving basis. \$1,450.1 million (refer to Note D8) of these facilities were utilised as at 31 December 2020 with \$585.1 million unutilised. These facilities have varying maturity dates between financial years 2021, 2022 and 2023.

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

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

Liquidity risk management

Liquidity risk is the risk that the Group is unable to meet its financial obligations as and when they fall due. The Group's liquidity risk is managed under a Board approved Treasury Policy that sets clear parameters governing the Group's continued access to liquidity.

The Group seeks to mitigate its exposure to liquidity risk by ensuring that debt facilities are provided by strong investment grade rated financial counterparties and by the early refinancing of debt facilities to ensure continued access to capital over the medium term.

During the period, the Group raised \$399.7 million from the issue of new shares in order to rebalance the Group's gearing and overall liquidity positions, and in anticipation of the payments for the purchase of the Spotless shares it did not already own. In December 2020, the Group established a new \$1,400.0 million syndicated sustainability linked loan facility. This new facility replaces the Spotless \$888.7 million and Downer \$400 million syndicated bank loan facilities as the Group's primary source of financing. The new facility is split into various tranches maturing in financial years 2024, 2025, 2026 and 2027. In addition, \$145 million of Spotless bilateral bank loan facilities were refinanced at the Downer level.

The Group now has no debt facilities maturing in the 12 months to 31 December 2021 and a strong liquidity position which will assist in mitigating any further market volatility. The maturity profile and quantum of the Group's debt facilities will continue to be monitored and refinanced in advance subject to credit market conditions and the support of its financial counterparties.

Credit ratings

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

Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2020

C3. Issued capital

	Dec 2020		Jun 2020	
	No.	\$'m	No.	\$'m
Ordinary shares	701,292,354	2,656.5	594,702,512	2,263.1
Unvested executive incentive shares	1,249,255	(7.5)	2,231,632	(12.0)
Redeemable Optionally Adjustable Distributing Securities (ROADS)	200,000,000	178.6	200,000,000	178.6
		2,827.6		2,429.7

a) Fully paid ordinary share capital

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

	Dec 2020		Jun 2020	
	m's	\$'m	m's	\$'m
Fully paid ordinary share capital				
Balance at the beginning of the financial year / period	594.7	2,263.1	594.7	2,263.1
Capital raising ⁽ⁱ⁾	106.6	399.7	-	-
Capital raising costs net of tax	-	(6.3)	-	-
Balance at the end of the financial year / period	701.3	2,656.5	594.7	2,263.1
b) Unvested executive incentive shares				
Balance at the beginning of the financial year / period	2.2	(12.0)	3.4	(16.6)
Vested executive incentive share transactions ⁽ⁱⁱ⁾	(1.0)	4.5	(1.2)	4.6
Balance at the end of the financial year / period	1.2	(7.5)	2.2	(12.0)

(i) On 30 July 2020, 88,585,611 shares were issued with net proceeds of \$332.2 million, and on 20 August 18,004,231 shares were issued with net proceeds of \$67.5 million being received.

(ii) December 2020 figure relates to the 2017 LTI plan, second deferred component of the 2018 STI award and first deferred component of the 2019 STI award totalling 982,377 vested shares for a value of \$4,488,658.

June 2020 figures relates to the 2016 LTI plan, second deferred component of the 2017 STI award and first deferred component of the 2018 STI award totalling 1,153,814 vested shares for a value of \$4,608,778.

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

c) Redeemable Optionally Adjustable Distributing Securities (ROADS)

ROADS are perpetual, redeemable, exchangeable preference shares. In accordance with the terms of the ROADS preference shares, the dividend rate for the one year commencing 15 June 2020 is 4.32% per annum (2019: 5.49% per annum) which is equivalent to the one year swap rate on 15 June 2020 of 0.27% per annum plus the step-up margin of 4.05% per annum.

Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2020

C4. Non-controlling interest (NCI)

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

	Dec 2020			Jun 2020		
	Spotless \$'m	Other \$'m	Total \$'m	Spotless \$'m	Other \$'m	Total \$'m
Current assets	-	21.9	21.9	563.9	18.4	582.3
Non-current assets	-	0.8	0.8	2,407.3	0.3	2,407.6
Current liabilities	-	(2.0)	(2.0)	(738.3)	(1.4)	(739.7)
Non-current liabilities	-	(0.5)	(0.5)	(1,087.4)	(0.1)	(1,087.5)
Net assets	-	20.2	20.2	1,145.5	17.2	1,162.7
NCI percentage	-	26.0%		12.198%	26.00%	
Net assets attributable to NCI	-	5.3	5.3	139.7	4.5	144.2

On 7 October 2020, the Group completed the acquisition of the 12.198% of the Spotless shares that it did not already own. The table below summarises the accounting for the acquisition of the NCI.

	Note	\$'m
Cash consideration paid		134.5
Fair value of Downer Contingent Share Options (DCSO) at issue date		16.7
Total consideration		151.2
Value of Spotless NCI at 30 June 2020		(139.7)
NCI share of Spotless results		(1.2)
		(140.9)
NCI share of other reserves		(0.3)
Value of NCI on acquisition		(141.2)
Net premium		(10.0)
Transaction Costs (net of tax)		(4.0)
Deferred Tax recognised on Spotless joining the Downer tax consolidated group ⁽ⁱ⁾		8.1
Amount recognised in Equity reserve	C5	(5.9)

⁽ⁱ⁾ The acquisition of the remaining 12.198% shares in Spotless that Downer did not already own automatically resulted in Spotless joining the Downer tax consolidated group on 7 October 2020. As such, the tax base of the assets of Spotless are required to be reset by applying the allocable cost amount (ACA) methodology prescribed under the income tax legislation. An estimate of the impact of the ACA calculation has been undertaken resulting in a net increase of \$8.1 million in deferred tax assets which has been recognised in equity at 31 December 2020. The ACA calculation is complex and is subject to change as certain matters continue to be considered and evaluated. The impact of the finalised ACA calculation will be reflected in the financial statements as at 30 June 2021.

The fair value of the DCSO issued as at the date the transaction completed was determined using an option pricing model. The key assumptions used in this assessment were a TERP adjusted share price of \$4.30, option volatility of 40%, interest of 0.31% and dividend yield of 8.5%.

The premium payable (being the difference between the total carrying value of the NCI interest, and the fair value of the consideration paid or payable) was recognised within Equity.

The liability recognised in relation to the DCSO is a Level 2 financial instrument whose fair value is calculated based on an option pricing model, using inputs from observable data. It is recorded in the Statement of financial position as part of the current Other financial liabilities balance and is revalued at each reporting date, with any movement in the liability being recognised through "Other expenses from ordinary activities" in the statement of profit or loss.

	Note	\$'m
DCSO Liability recognised at issue date		16.7
Charge to "Other expenses from ordinary activities"	B4	14.0
Liability at 31 December 2020		30.7

Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2020

C5. Reserves

The reserves attributable to the owners of the parent are as follows:

2020 \$'m	Hedge reserve	Foreign currency translation reserve	Employee benefits reserve	Equity reserve	Fair value through OCI reserve	Total reserves
Balance at 1 July 2020	(29.4)	(30.6)	14.9	-	(2.6)	(47.7)
Foreign currency translation difference	-	3.1	-	-	-	3.1
Change in fair value of cash flow hedges (net of tax)	(1.0)	-	-	-	-	(1.0)
Total comprehensive income for the period	(1.0)	3.1	-	-	-	2.1
Vested executive incentive share transactions	-	-	(4.5)	-	-	(4.5)
Share-based employee benefits expense	-	-	0.2	-	-	0.2
Income tax relating to share-based transactions during the period	-	-	1.3	-	-	1.3
Acquisition of Non-controlling interest	(0.5)	0.2	-	(5.9)	-	(6.2)
Balance at 31 December 2020	(30.9)	(27.3)	11.9	(5.9)	(2.6)	(54.8)

2020 \$'m	Hedge reserve	Foreign currency translation reserve	Employee benefits reserve	Equity reserve	Fair value through OCI reserve	Total reserves
Balance at 1 July 2019	(24.0)	(16.7)	15.8	-	(2.6)	(27.5)
Foreign currency translation difference	-	(13.9)	-	-	-	(13.9)
Actuarial movement on defined benefit plan obligations	-	-	0.7	-	-	0.7
Income tax effect of actuarial movement on defined benefit plan obligations	-	-	(0.2)	-	-	(0.2)
Change in fair value of cash flow hedges (net of tax)	(5.4)	-	-	-	-	(5.4)
Total comprehensive income for the year	(5.4)	(13.9)	0.5	-	-	(18.8)
Vested executive incentive share transactions	-	-	(4.6)	-	-	(4.6)
Share-based employee benefits expense	-	-	4.8	-	-	4.8
Income tax relating to share-based transactions during the year	-	-	(1.6)	-	-	(1.6)
Balance at 30 June 2020	(29.4)	(30.6)	14.9	-	(2.6)	(47.7)

Hedge reserve

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

Foreign currency translation reserve

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

Employee benefit reserve

The employee benefit reserve is used to recognise the fair value of share-based payments issued to employees over the vesting period, and to recognise the value attributable to the share-based payments during the reporting period. This reserve also includes the actuarial gain/loss arisen on the defined benefit plan.

Equity reserve

The Equity reserve accounts for the difference between the fair value of, and the amounts paid or received for, equity transactions with non-controlling interests.

Fair value through OCI reserve

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

Notes to the condensed consolidated financial report - *continued*

for the half-year ended 31 December 2020

C6. Dividends

a) Ordinary shares

	2021	2020	2020	2019
	Interim	Final	Interim	Final
Dividend per share (in Australian cents)	9.0	-	14.0	14.0
Franking percentage	0%	-	0%	50%
Cost (in \$'m)	63.1	-	83.3	83.3
Dividend record date	25/2/21	-	26/2/20	4/9/19
Payment date	25/3/21	-	25/9/20	2/10/19

Downer deferred the unfranked FY20 interim dividend which was originally due to be paid on 25 March 2020 and was disclosed as a dividend payable as at 30 June 2020 (refer to Note D2). The dividend was paid on 25 September 2020 and is disclosed in the cashflows for the period ended 31 December 2020.

b) Redeemable Optionally Adjustable Distributing Securities (ROADS)

2021	Quarter 1	Quarter 2			Total to date
Dividend per ROADS (in Australian cents)	0.72	0.73			1.45
New Zealand imputation credit percentage	100%	100%			100%
Cost (in A\$m)	1.4	1.5			2.9
Payment date	15/9/20	15/12/20			

2020	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Dividend per ROADS (in Australian cents)	0.92	0.95	0.96	0.92	3.75
New Zealand imputation credit percentage	100%	100%	100%	100%	100%
Cost (in A\$m)	1.8	1.9	1.9	1.8	7.4
Payment date	16/9/19	16/12/19	16/3/20	15/6/20	

Notes to the condensed consolidated financial report - *continued*

for the half-year ended 31 December 2020

D. Other disclosures

D1. Trade receivables and contract assets
D2. Trade payables and contract liabilities
D3. Property, plant and equipment
D4. Intangible assets
D5. Equity accounted investments

D6. Acquisition of businesses
D7. Disposal groups held for sale
D8. Contingent liabilities

D1. Trade receivables and contract assets	Dec 2020 \$'m	Jun 2020 \$'m
Trade receivables	575.0	792.1
Contract assets ⁽ⁱ⁾	1,542.5	1,573.5
	2,117.5	2,365.6
Other receivables	83.2	64.7
Loss allowance on trade receivables and contract assets arising from contracts with customers	(19.7)	(19.2)
	2,181.0	2,411.1
Included in the statement of financial position as:		
Current ⁽ⁱ⁾	2,083.7	2,315.9
Non-current	97.3	95.2

(i) Current contract assets: \$1,447.2 million (June 2020: \$1,482.9 million)

D2. Trade payables and contract liabilities	Note	Dec 2020 \$'m	Jun 2020 \$'m
Trade payables		576.9	697.7
Contract liabilities		402.4	497.7
Accruals		1,043.1	1,034.4
Shareholder class action payable		-	34.0
Dividends payable	C6	-	83.3
Other payables		141.0	179.1
		2,163.4	2,526.2
Included in the statement of financial position as:			
Current		2,134.9	2,497.4
Non-current		28.5	28.8

Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2020

D3. Property, plant and equipment

Dec 2020 \$'m	Freehold land and buildings	Plant, equipment and leasehold improvements	Laundries rental stock	Total
Balance at 30 June 2020	123.1	1,187.9	39.2	1,350.2
Additions	2.3	135.4	20.1	157.8
Disposals	(1.5)	(24.2)	-	(25.7)
Transferred to disposal group assets	(52.3)	(239.4)	(41.9)	(333.6)
Disposal of business	-	(1.1)	-	(1.1)
Depreciation expense	(1.4)	(112.2)	(17.4)	(131.0)
Impairment charge ⁽ⁱ⁾	-	(20.2)	-	(20.2)
Net foreign currency exchange differences	-	0.6	-	0.6
Net book value as at 31 December 2020	70.2	926.8	-	997.0
Cost	99.5	2,095.0	-	2,194.5
Accumulated depreciation and impairment	(29.3)	(1,168.2)	-	(1,197.5)

⁽ⁱ⁾ Impairment relates to the divestment of Open Cut Mining West (Refer to Note B4)

Jun 2020 \$'m				
Balance as at 1 July 2019	124.0	1,196.2	44.1	1,364.3
Additions	4.0	248.7	33.5	286.2
Disposals	(0.2)	(19.1)	-	(19.3)
Depreciation expense	(4.4)	(225.6)	(35.0)	(265.0)
Impairment charge ⁽ⁱⁱ⁾	-	(6.8)	(3.3)	(10.1)
Net foreign currency exchange differences	(0.3)	(5.5)	(0.1)	(5.9)
Net book value as at 30 June 2020	123.1	1,187.9	39.2	1,350.2
Cost	155.1	2,748.7	139.0	3,042.8
Accumulated depreciation and impairment	(32.0)	(1,560.8)	(99.8)	(1,692.6)

⁽ⁱⁱ⁾ Impairment relates to leasehold improvement assets as a result of the portfolio restructure.

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

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

Notes to the condensed consolidated financial report - *continued*

for the half-year ended 31 December 2020

D4. Intangible assets

Dec 2020 \$'m	Goodwill	Customer contracts and relationships	Brand names and Intellectual property on acquisition		Software and system development	Total
Carrying amount as at 1 July 2020	2,281.3	280.6	68.8	265.4	2,896.1	
Additions	-	-	-	17.4	17.4	
Transferred to disposal group assets	-	(15.8)	-	(8.8)	(24.6)	
Amortisation expense	-	(31.3)	(2.1)	(13.2)	(46.6)	
Net foreign currency exchange differences	0.4	-	-	0.3	0.7	
Net book value as at 31 December 2020	2,281.7	233.5	66.7	261.1	2,843.0	
Cost	2,599.1	472.4	81.5	492.9	3,645.9	
Accumulated amortisation and impairment	(317.4)	(238.9)	(14.8)	(231.8)	(802.9)	
Jun 2020						
\$'m						
Carrying amount as at 1 July 2019	2,454.5	345.0	73.3	257.9	3,130.7	
Additions	-	2.7	-	61.4	64.1	
Disposals	-	-	-	(0.2)	(0.2)	
Business acquisition adjustments	(5.5)	-	-	-	(5.5)	
Amortisation expense	-	(67.1)	(4.2)	(29.2)	(100.5)	
Impairment charge ⁽ⁱ⁾	(165.0)	-	-	(23.9)	(188.9)	
Net foreign currency exchange differences	(2.7)	-	(0.3)	(0.6)	(3.6)	
Net book value as at 30 June 2020	2,281.3	280.6	68.8	265.4	2,896.1	
Cost	2,598.7	494.7	81.5	478.0	3,652.9	
Accumulated amortisation and impairment	(317.4)	(214.1)	(12.7)	(212.6)	(756.8)	

⁽ⁱ⁾ \$165.0 million impairment as a result of assessment of the carrying value of the Spotless group of CGUs. \$23.9 million impairment of capitalised Information Systems (including applications and IT infrastructure), in CGUs that are being wound down as part of the portfolio restructure.

Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2020

D5. Equity accounted investments

	Dec 2020 \$'m	Jun 2020 \$'m
Interest in joint ventures at the beginning of the period	32.1	31.5
Share of net profit	6.4	18.2
Share of distributions	(2.8)	(17.2)
Interest in joint venture sold	(8.1)	-
Foreign currency exchange differences	-	(0.4)
Interest in joint ventures at the end of the period / year	27.6	32.1
Interest in associates at the beginning of the period	78.5	77.3
Share of (loss) / net profit	(4.3)	1.2
Investment in associates	9.8	-
Interest in associates at the end of the period / year	84.0	78.5
Total equity accounted investments	111.6	110.6

The Group's equity accounted investments relate to the interest in the following joint ventures and associates:

Arrangement	Principal activity	Country of operation	Ownership interest	
			Dec 2020 %	Jun 2020 %
Joint ventures				
Allied Asphalt Limited	Asphalt plant	New Zealand	50	50
Bitumen Importers Australia Joint Venture	Construction of bitumen storage facility	Australia	50	50
Bitumen Importers Australia Pty Ltd	Bitumen importer	Australia	50	50
Eden Park Catering Limited	Catering for functions at Eden Park	New Zealand	50	50
EDI Rail-Bombardier Transportation Pty Ltd	Sale and maintenance of railway rolling stock	Australia	50	50
Emulco Limited	Emulsion plant	New Zealand	50	50
Isaac Asphalt Limited	Manufacture and supply of asphalt	New Zealand	50	50
Repurpose It Holdings Pty Ltd	Waste recycling	Australia	50	50
RTL Mining and Earthworks Pty Ltd ⁽ⁱ⁾	Contract mining; civil works and plant hire	Australia	-	44
Waanyi Downer JV Pty Ltd	Mining Services	Australia	50	50
ZFS Functions (Pty) Ltd	Catering for functions at Federation Square	Australia	50	50
Associates				
Keolis Downer Pty Ltd	Operation and maintenance of Gold Coast light rail, Melbourne tram network and bus operation	Australia	49	49

(i) Downer's interest in this joint venture was disposed of during the financial period ended 31 December 2020.

D6. Acquisition of businesses

December 2020

There have been no acquisitions during the half-year period ended 31 December 2020.

During the period, deferred consideration payments of \$0.1 million were made (2019: \$19.3 million) in relation to acquisitions completed in previous periods.

The purchase of the remaining Spotless shares not already owned does not represent an acquisition of a business as the Group already controlled this entity. Further information on that transaction is presented in Note C4 Non-controlling interest.

Notes to the condensed consolidated financial report - continued

for the half-year ended 31 December 2020

D7. Disposal groups held for sale

As previously announced, the Group has been seeking to dispose of its Mining and Laundries businesses. During the period the Group was able to secure agreement for the disposal of certain businesses of the Mining segment, as well as for the sale of a majority shareholding of the Laundries business.

Disposal of Downer Blasting Services (DBS) business:

On 18 November 2020, the Group entered into an agreement to sell its blasting services business (Downer Blasting Services or DBS) to Enaex S.A. (a subsidiary of Sigdo Koppers Group (Chile)) for estimated proceeds of \$62.0 million. The completion of the transaction is expected by the end of March 2021.

Divestment of 70% of the Laundries business:

On 2 December 2020, the Group entered into an agreement to sell 70% of its Laundries business to an entity to be established by Australian private equity firm, Adamantem Capital (Adamantem). The estimated proceeds are expected to be \$155.0 million. When this transaction completes, the Group will cease to consolidate the Laundries business and will only recognise its remaining interest in the Laundries business of 30% as an equity accounted investment. As such, 100% of the assets and liabilities are included in the disposal group analysis below. The sale is expected to complete by the end of March 2021 and it is subject to customary conditions precedent being met, including regulatory and some customer approvals.

Disposal of Open Cut Mining West business:

On 15 December 2020, the Group entered into an agreement to sell its Western Australian open cut mining business (Open Cut Mining West) to MACA Limited for estimated proceeds of \$175 million of which \$66.0 million will be deferred consideration, payable in 12 equal monthly instalments following completion. The sale will result in the transfer of certain assets (including fleet and inventory) and liabilities; and the novation of the existing contracts to MACA.

On 1 February 2021, the sale of Open Cut Mining West was completed. Downer received an initial payment of \$109.0 million, while an additional \$66.0 million will be received in 12 equal monthly instalments of \$5.5 million commencing in February 2021. A further \$30.0 million will be received from the unwind of working capital balances.

The assets and liabilities of these disposal groups have been presented as assets of disposal groups held for sale and liabilities of disposal groups held for sale as at the balance sheet date:

\$'m	DBS	Laundries	Open Cut Mining West	Total
Property, plant and equipment	33.5	182.0	118.1	333.6
Right-of-use assets	0.6	50.6	28.7	79.9
Intangible assets	-	24.6	-	24.6
Trade receivables and contract assets	13.7	28.2	1.6	43.5
Inventory	14.8	4.2	53.0	72.0
Other assets	1.9	10.8	15.2	27.9
Assets held for sale	64.5	300.4	216.6	581.5
Trade payables and contract liabilities	11.1	17.9	-	29.0
Lease liabilities	0.7	62.1	29.0	91.8
Other liabilities	3.4	27.7	13.1	44.2
Liabilities held for sale	15.2	107.7	42.1	165.0

Refer to Note B6 Subsequent events for an update on these transactions, where applicable.

Recognition and measurement

Disposal groups are recognised when a sale is considered highly probable. The assets and liabilities of these disposal groups are disclosed separately on the basis that their value is expected to be realised through a sale event rather than continued use. Disposal group assets are presented at the lower of their carrying value or the value expected to be realised through the sale. Any impairment to the carrying value of the assets is recognised through the statement of profit or loss.

The Assets held for sale of the Open Cut Mining West business are presented after recognition of an impairment of Property, plant and equipment of \$20.2 million. This is recorded in Other expenses from ordinary activities in the statement of profit or loss.

Notes to the condensed consolidated financial report - *continued*

for the half-year ended 31 December 2020

D8. Contingent liabilities

Bonding	Note	Dec 2020 \$'m	Jun 2020 \$'m
The Group has bid bonds and performance bonds issued in respect of contract performance in the normal course of business for controlled entities	C2	1,450.1	1,439.8

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

Other contingent liabilities

- i) The Group is subject to design liability in relation to completed design and construction projects. The Directors are of the opinion that there is adequate insurance to cover this area and accordingly, no amounts are recognised in the financial statements.
- ii) The Group is subject to product liability claims. Provision is made for the potential costs of carrying out rectification works based on known claims and previous claims history. However, as the ultimate outcome of these claims cannot be reliably determined at the date of this report, contingent liability may exist for any amounts that ultimately become payable in excess of current provisioning levels.
- iii) Controlled entities have entered into various joint arrangements under which the controlled entity is jointly and severally liable for the obligations of the relevant joint arrangements.
- iv) The Group carries the normal contractors and consultants liability in relation to services, supply and construction contracts (for example, liability relating to professional advice, design, completion, workmanship, and damage), as well as liability for personal injury / property damage during the course of a project. Potential liability may arise from claims, disputes and / or litigation / arbitration by or against Group companies and / or joint venture arrangements in which the Group has an interest. The Group is currently managing a number of claims, arbitration and litigation processes in relation to services, supply and construction contracts as well as in relation to personal injury and property damage claims arising from project delivery.
- v) Several New Zealand entities in the Group have been named as co-defendants in "leaky building" claims. The leaky building claims where Group entities are co-defendants generally relate to water damage arising from historical design and construction methodologies (and certification) for residential and other buildings in New Zealand during the early-mid 2000s. The Directors are of the opinion that disclosure of any further information relating to the leaky building claims would be prejudicial to the interests of the Group.
- vi) Certain recent court decisions, not involving Spotless, regarding the correct application of various employee entitlements may have a financial impact on the Group. The Group does not consider the majority of the principles relating to these court decisions directly apply to the Group's employment arrangements. No provision has therefore been recognised in relation to these matters at 31 December 2020.

**Directors' Declaration
for the half-year ended 31 December 2020**

In the opinion of the Directors of Downer EDI Limited:

- (a) The condensed consolidated half-year financial statements and notes set out on pages 20 to 43 are in accordance with the Australian *Corporations Act 2001* (Cth), including:
- (i) Complying with Accounting Standard AASB134 *Interim Financial Reporting*, the *Corporations Regulations 2001*; and
 - (ii) The financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the six-month period ended on that date; and
- (b) There are reasonable grounds to believe that Downer EDI Limited will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the Directors:

On behalf of the Directors



R M Harding
Chairman

Sydney, 11 February 2021

Media/ASX and NZX Release

11 February 2021

DOWNER REPORTS UNDERLYING NPATA OF \$119.1 MILLION

Downer EDI Limited (Downer) today announced its financial results for the six months to 31 December 2020. The main features of the results are:

- Total revenue of \$6.1 billion, down 10.6% from the prior corresponding period (pcp).
- Statutory EBIT (earnings before interest and tax) of \$162.4 million and statutory NPAT (net profit after tax) of \$75.6 million.
- Underlying EBITA (earnings before interest, tax and amortisation of acquired intangible assets) of \$221.0 million, up 2.9% from the pcp; statutory EBITA of \$195.8 million.
- Underlying NPATA (net profit after tax and before amortisation of acquired intangible assets) of \$119.1 million, up 3.1% from the pcp; statutory NPATA of \$99.0 million.
- Underlying cash conversion of 97.4%; statutory cash conversion of 84.1%.
- Gearing reduced to 28.2% (35.5% at 30 June 2020).
- Resumption of dividends with interim dividend of 9 cents per share (unfranked).

The Chief Executive Officer of Downer, Grant Fenn, said Downer's core Urban Services businesses – Transport, Utilities, Facilities and Asset Services – continued to demonstrate resilience and the company had made significant progress implementing its key strategic initiatives.

“While COVID-19 restrictions did have an impact on the Group, our resilient performance shows that our concentration on Urban Services is proving to be the right strategy,” Mr Fenn said.

“Importantly, our cash performance was strong with operating cash flow of \$350.2 million and excellent underlying EBITDA conversion of 97.4%.”

Mr Fenn said Downer made good progress during the six-month period implementing the company's key strategic initiatives, including:

- moving to 100% ownership of Spotless and delivering \$10 million to \$15 million of synergies;
- refinancing the Group's debt platform through a \$1.4 billion syndicated sustainability linked loan;
- selling non-core businesses with \$526 million to be received from sales announced to date;
- Rightsizing the overhead cost base to match the new Urban Services profile; and
- Resuming the payment of dividends.

Refinancing and divestment of non-core businesses

On 3 December 2020, Downer successfully completed the refinancing of the Group's debt platform with the establishment of a new \$1.4 billion syndicated sustainability linked loan facility. The facility has been structured to enhance the Group's debt maturity profile, reduce average borrowing costs and provide flexibility as Downer continues its program of divesting non-core businesses. The sustainability aspect of the facility is underpinned by KPI metrics that, if realised, will lead to a reduction in borrowing costs.

Downer has made significant progress implementing its strategy to divest non-core businesses. The businesses sold to date are:

- 70% of Laundries for approximately \$155 million;
- The Mining businesses of Open Cut West, Downer Blasting Services, Underground, Snowden and Downer's share of the RTL joint venture for total proceeds of \$371 million.

The \$526 million of proceeds from all these divestments is in line with the net book value of these assets. Downer remains in discussions with a number of interested parties in relation to its remaining Mining businesses: Open Cut East and Otraco.

Dividend

The Downer Board has resolved to resume paying dividends with the payment of an interim dividend of 9 cents per share, unfranked, payable on 25 March 2021 to shareholders on the register at 25 February 2021. The unfranked dividend will be paid out of Conduit Foreign Income. The company's Dividend Reinvestment Plan (DRP) remains suspended and will not operate for this dividend.

Safety

Downer reported a Lost Time Injury Frequency Rate of 0.63 per million hours worked at 31 December 2020, in line with the prior corresponding period, and a Total Recordable Injury Frequency Rate of 2.68 per million hours worked, down from 2.82 per million hours worked.

Outlook

Downer's strategy is to focus on its Urban Services businesses – Transport, Utilities, Facilities and Asset Services – because these businesses have:

- demonstrated strength and resilience;
- leading market positions and attractive medium and long-term growth opportunities;
- a high proportion of government and government-related contracts; and
- a capital light, services-based business model generating lower risk, more predictable revenues and cash flows.

These Urban Services businesses have work-in-hand of \$36.2 billion and it is expected that demand will remain strong due to continuing investment by both governments and blue chip industrial companies.

For further information please contact:

Michael Sharp, Group Head of Corporate Affairs and Investor Relations

+61 439 470 145

About Downer

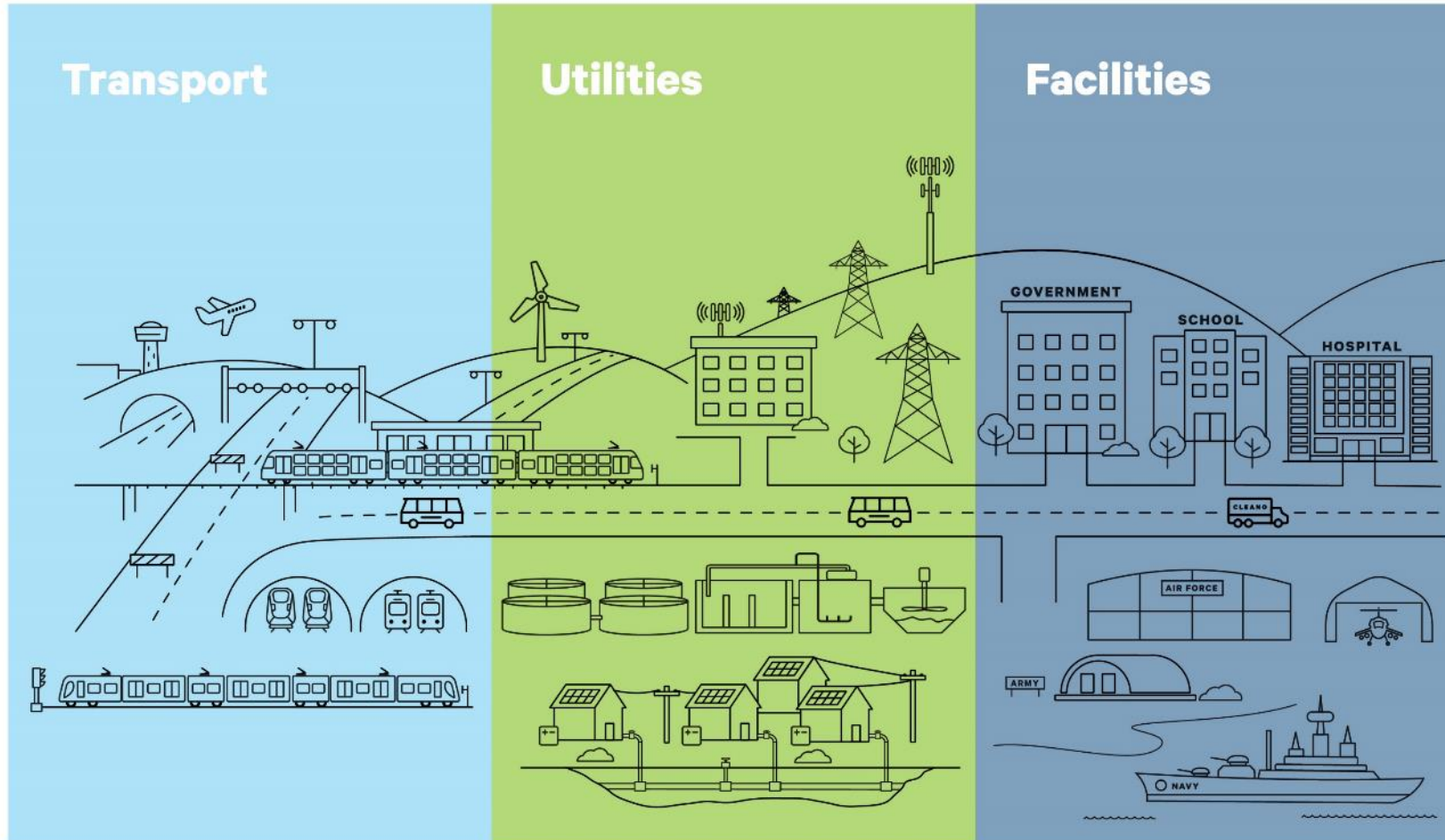
Downer is the leading provider of integrated services in Australia and New Zealand and customers are at the heart of everything it does. It exists to create and sustain the modern environment and its promise is to work closely with its customers to help them succeed, using world-leading insights and solutions to design, build and sustain assets, infrastructure and facilities. Downer employs approximately 50,000 people, primarily in Australia and New Zealand. For more information visit www.downergroup.com

Downer Group Investor Presentation Half Year Results



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11 February



2021

Highlights

- ✓ Statutory NPAT of \$75.6m (statutory EBIT of \$162.4m)
- ✓ Underlying NPATA^{1,2} of \$119.1m, up 3.1% (\$99.0m statutory)
- ✓ Underlying EBITA^{1,2} of \$221.0m, up 2.9% (\$195.8m statutory)
- ✓ Margin improvement of 0.5 percentage points to 3.6%
- ✓ Cash conversion of 97.4% (84.1% statutory)
- ✓ Gearing reduced to 28.2% (35.5% at June 20)
- ✓ Key milestones achieved:
 - ✓ 100% ownership of Spotless
 - ✓ \$1.4bn sustainability linked refinancing
 - ✓ Sale of non-core businesses (\$526m³)
 - ✓ Market leading sustainability credentials
- ✓ Resumption of ordinary dividends (9 cents per share – unfranked)

¹ Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY21: \$33.4m, \$23.4m after-tax. (HY20: \$34.4m, \$24.1m after-tax)

² The underlying result is a non-IFRS measure that is used by Management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review.

³ Includes proceeds from completed transactions (RTL and Snowden) and expected proceeds based on announced transactions not completed by 31 December 2020 (Laundries, Open Cut West, Downer Blasting Services, Underground and other plant sales)

1H21 performance overview

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- Underlying EBITA of \$221.0m, up 2.9%, and EBITA margin up 0.5pp to 3.6%
- Urban Services businesses have continued to show resilience despite challenging market conditions
- Yarra Trams (Transport), Asset Services and Hospitality continue to be materially impacted by COVID-19
- Utilities performed strongly despite reduced contribution from NBN
- Facilities performed well and positioned to continue with COVID-19 response
- Urban Services work-in-hand of \$36.2bn

\$m	1H20	2H20	1H21	Change 1H20%
Transport	112.5	123.1	99.7	(11.4)
Utilities	63.0	51.6	54.1	(14.1)
Facilities ³	68.7	56.2	62.5	(9.0)
Asset Services (EC&M)	22.4	4.7	11.6	(48.2)
Core Urban Services Businesses	266.6	235.6	227.9	(14.5)
Engineering & Construction (EC&M)	(59.8)	(9.4)	(2.6)	95.7
Businesses in wind down	(59.8)	(9.4)	(2.6)	95.7
Mining	43.7	35.3	38.7	(11.4)
Laundries (Facilities)	7.0	2.1	4.5	(35.7)
Hospitality (Facilities)	0.2	(19.9)	0.3	50.0
Businesses under review or to be sold	50.9	17.5	43.5	(14.5)
Corporate	(42.9)	(42.5)	(47.8)	(11.4)
Underlying EBITA^{1,2}	214.8	201.2	221.0	2.9
Items outside of underlying EBITA	-	(386.0)	(25.2)	(100)
Statutory EBITA¹	214.8	(184.8)	195.8	(8.8)
Underlying NPATA^{1,2}	115.5	99.6	119.1	3.1
Statutory NPAT	91.4	(247.1)	75.6	(17.3)

¹ Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY21: \$33.4m, \$23.4m after-tax. (HY20: \$34.4m, \$24.1m after-tax)

² The underlying result is a non-IFRS measure that is used by Management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review.

³ Infrastructure & Construction, previously reported in 'Businesses in wind down' has been reallocated to Facilities (Core) following a refocus of the business unit toward maintenance contracts

Transport

Road Services

Rollingstock Services

Projects

- Road Services

- Strong operating performance in surfacing, bituminous products and network maintenance
- Expanded SA road network management contract

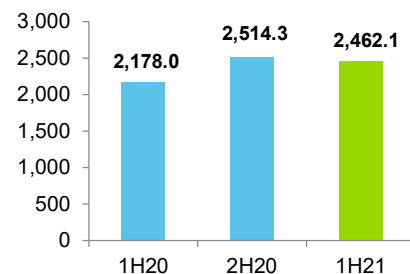
- Rollingstock Services

- Strong operating performance in maintenance and projects, offset by:
 - reduced Waratah profit contribution (\$16.2m) due to completion of bogie overhaul and Automated Train Protection (ATP) upgrade
 - impact of lower patronage on the Keolis Downer joint venture (\$8.8m lower) due to COVID-19, primarily Yarra Trams
- Keolis Downer awarded contract to operate train passenger services in South Australia
- Three of 65 High Capacity Metro Trains now in passenger service in Melbourne

- Projects

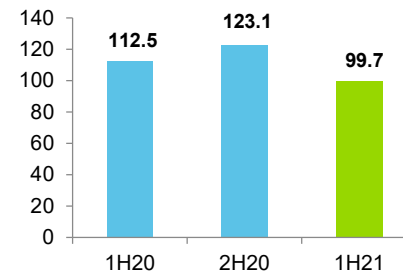
- Strong performance in NZ on urban project work, including City Rail Link (CRL), with additional CRL packages awarded during the period
- Parramatta Light Rail and METRONET alliance performing well

Revenue \$m



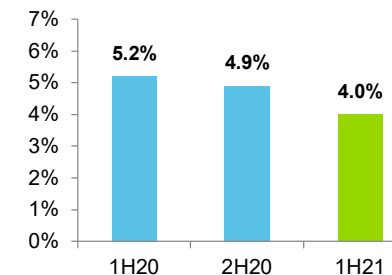
+13.0% v 1H20

EBITA \$m



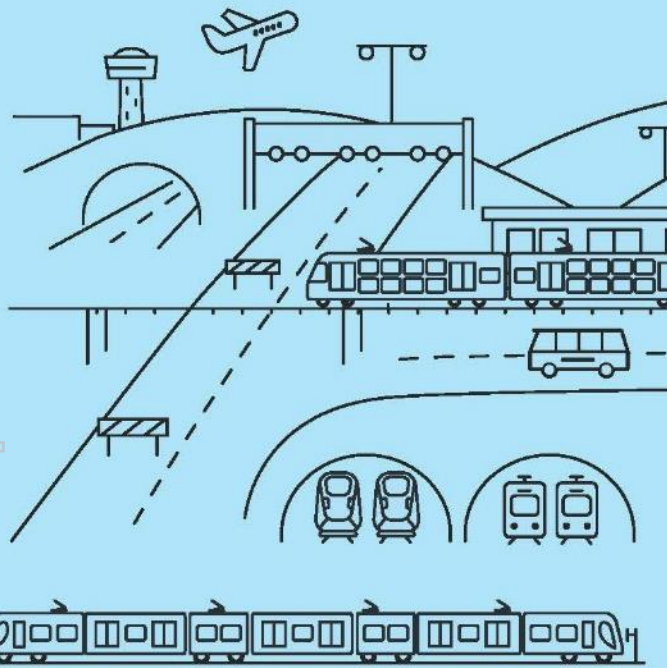
(11.4)% v 1H20

EBITA margin



(1.2)pp v 1H20

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Transport

Road Services

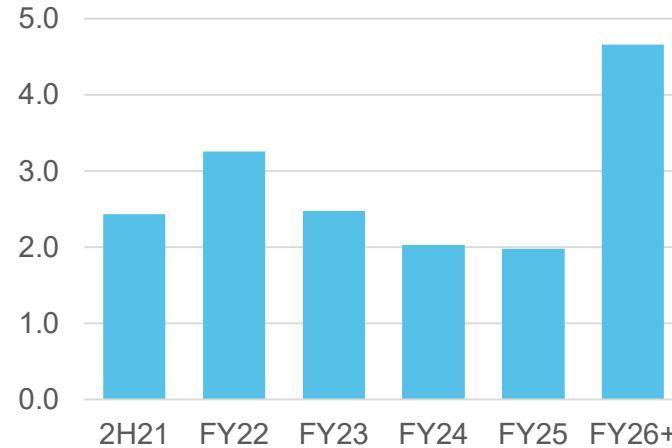
Rollingstock Services

Projects

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\$16.8 billion work-in-hand

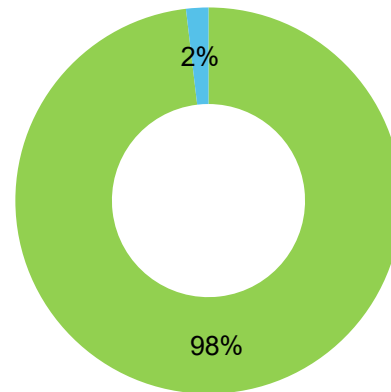
WIH profile (\$bn)



Top 5 Contracts Remaining

1. Maintaining Waratah trains until 2044
2. Operating Yarra Trams until 2024 (Keolis Downer)
3. Maintaining HCMT trains until 2053
4. Maintaining Sydney Growth Trains until 2044
5. Operating Adelaide Passenger Rail Network until 2033 (Keolis Downer)

WIH Government¹ v Non-Government



■ Govt ■ Non Govt

Top 5 Contract Wins in HY21

1. Operating Adelaide Passenger Rail Network
2. Station upgrades under NSW Transport Access Program
3. Resurfacing EastLink, Melbourne's largest tollway
4. Additional two contracts for City Rail Link project (NZ)
5. Dunedin City Council, Three Waters contract

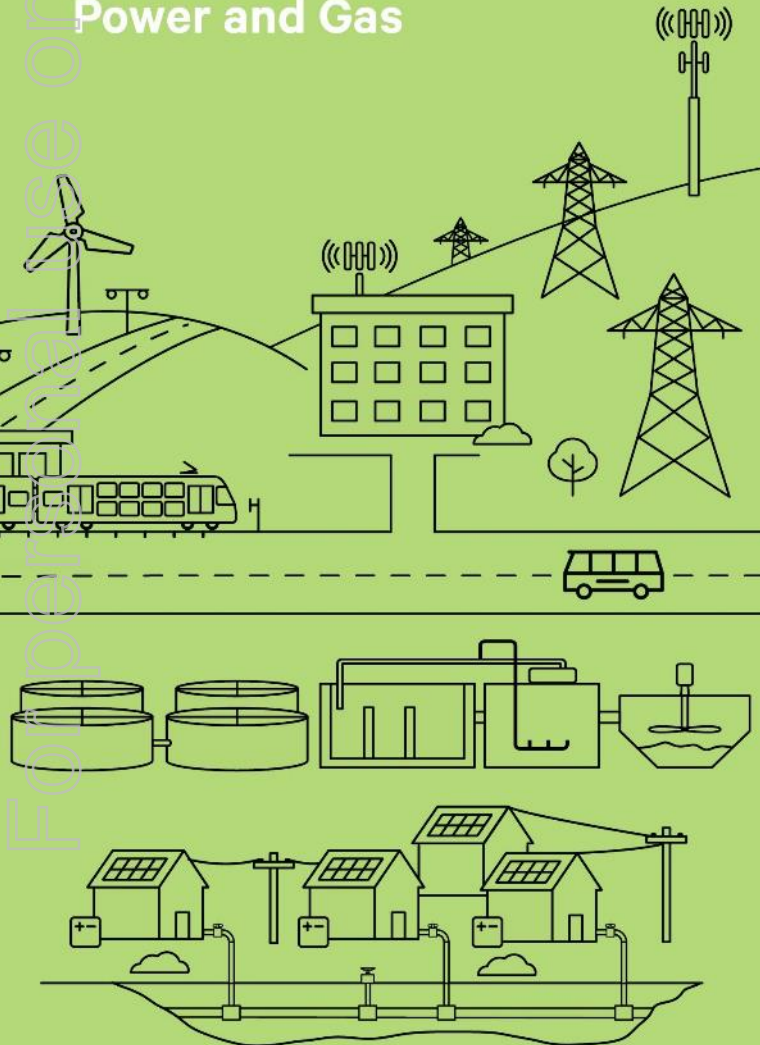
¹ WIH Government includes direct Government and Government-backed / regulated projects

Utilities

Telecommunications

Water

Power and Gas



- Telecommunications

- Rebuilding contract book following roll-off of NBN and UFB construction contracts
- Unified Field Operations (Network) contract with NBN (\$320m over eight years)
- Telstra Field Services contract (\$330m over five years)
- Vodafone contract in NZ (~\$150m over five years)

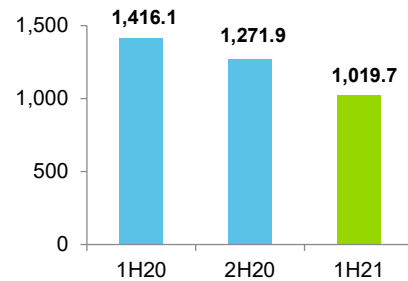
- Water

- Strong result with significant long-term contracts won in FY20 (Confluence Water, Logan City Council) performing well

- Power and Gas

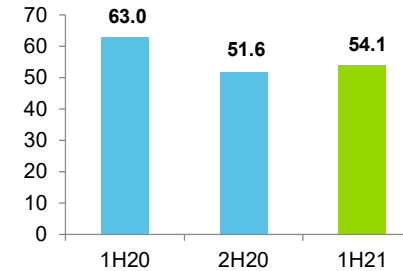
- Strong result with significant long-term contracts won in FY20 (AusNet, Powerco) performing well

Revenue \$m



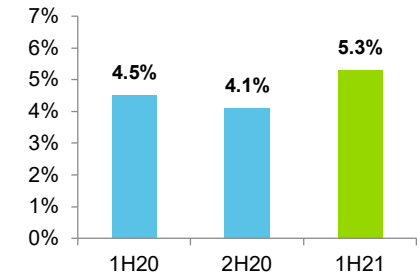
(28.0)% v 1H20

EBITA \$m



(14.1)% v 1H20

EBITA margin



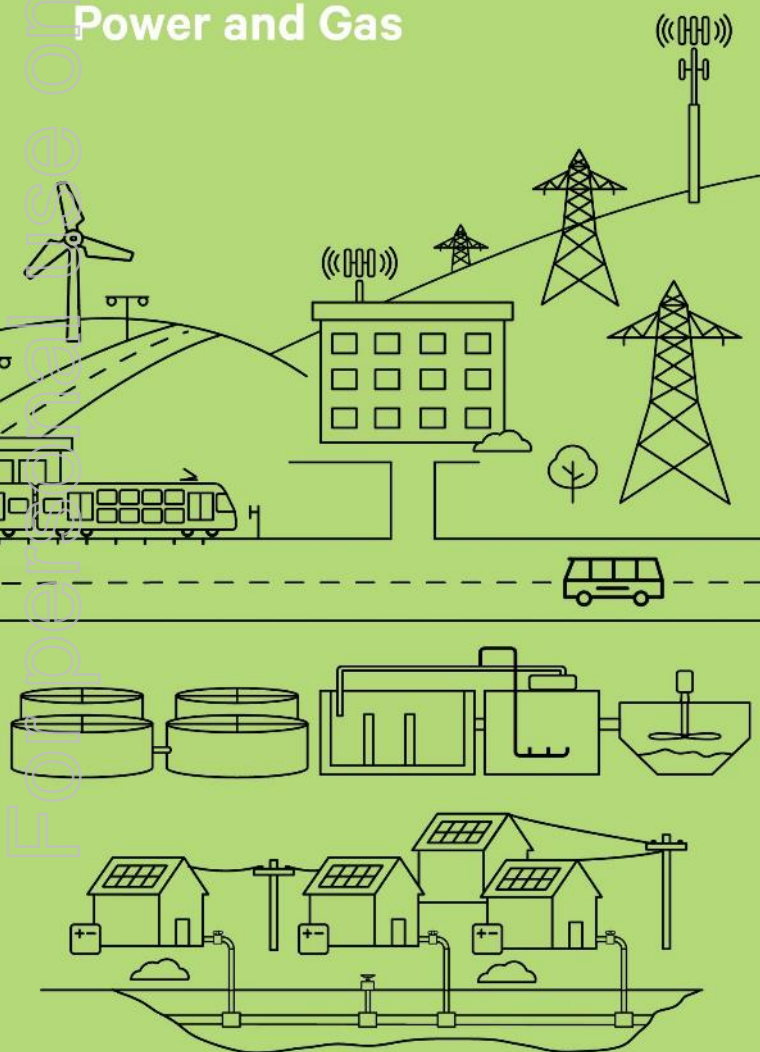
+0.8pp v 1H20

Utilities

Telecommunications

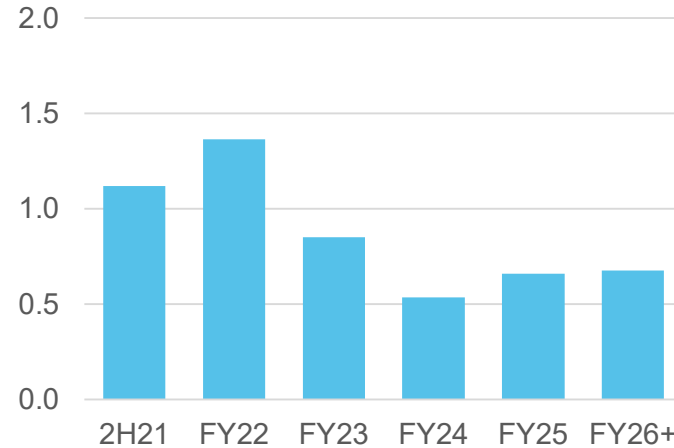
Water

Power and Gas



\$5.2 billion work-in-hand

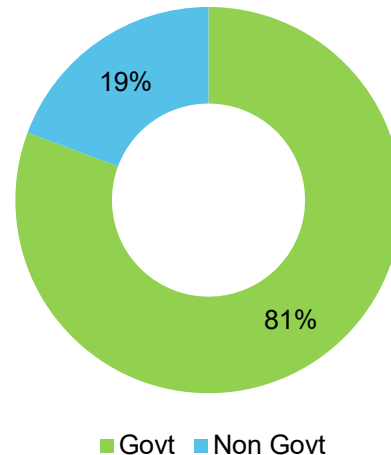
WIH profile (\$bn)



Top 5 Contracts Remaining

1. Sydney Water until 2030 (Confluence Water JV)
2. AusNet (power) until 2024 (plus extensions for 6 years)
3. Logan City Council until 2025 (plus 2x2yrs extensions)
4. AusNet (gas) until 2026
5. Unified Field Operations (Network) contract with NBN

WIH Government¹ v Non-Government



Top 5 Contract Wins in HY21

1. Unified Field Operations (Network) contract with NBN (\$320m over maximum eight years)
2. On Demand Module, connecting businesses to NBN
3. Renewal of City West Water (Melbourne)
4. National installation partner for AGL solar and batteries
5. Field Services with Telstra (\$330m over five years) awarded in January 2021

¹ WIH Government includes direct Government and Government-backed / regulated projects

Facilities

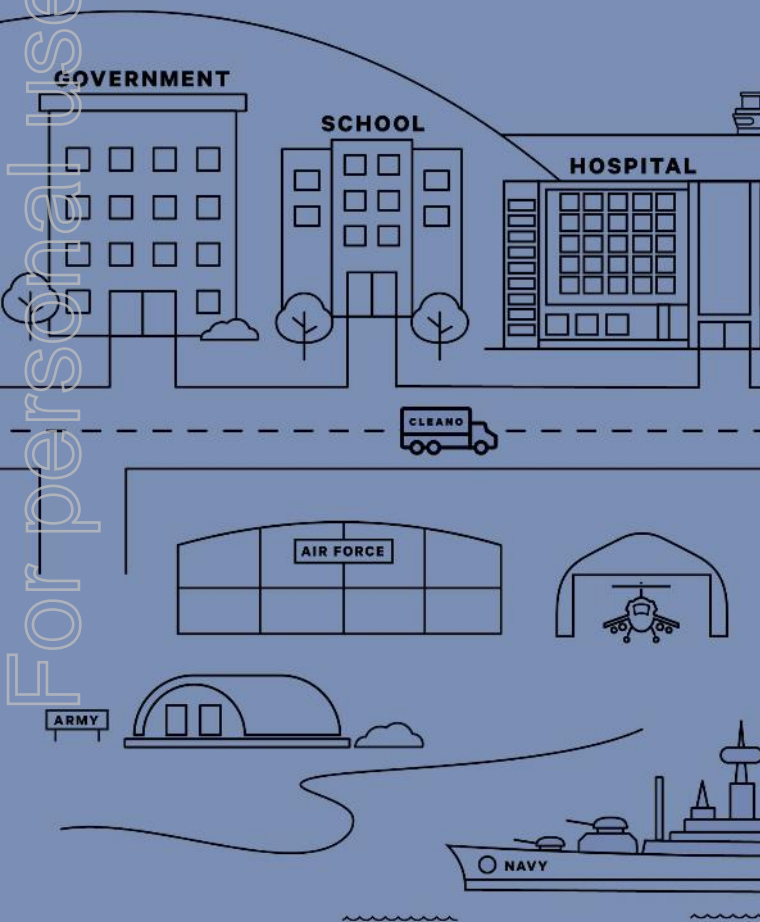
Government

Health and Education

Defence

Building

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■ Government

- Strong performance across State Government contracts benefiting from COVID-19 response
- Joint bidding success with the Keolis Downer Adelaide Passenger Rail Network
- Strong pipeline of first generation FM / maintenance contracts by governments

■ Health and Education

- Strong performance across portfolio and growth from COVID-Safe support services
- Continued improvement on Royal Adelaide Hospital as project approaches 30 June 2022 reset

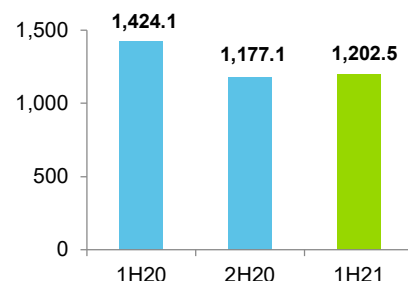
■ Defence

- Continued strong performance in Base and Estate management
- Increasing share of Managing Contractor engagements
- Ranked 7th top defence contractor in Australia

■ Building

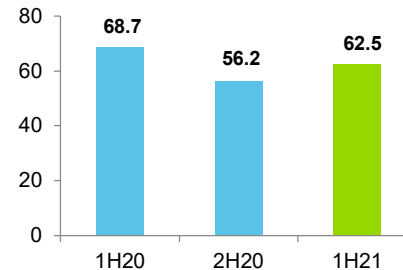
- Hawkins performing well despite lower revenue, with continued strong market share and wins in health, education and defence
- Spotless I&C refocused on industrial FM, maintenance and technical services

Revenue \$m



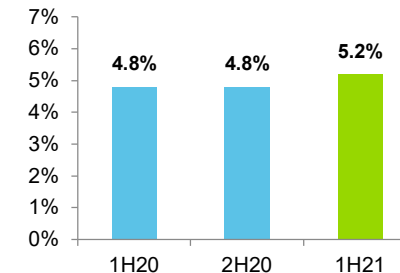
(15.6)% v 1H20

EBITA \$m



(9.0)% v 1H20

EBITA margin



+0.4pp v 1H20

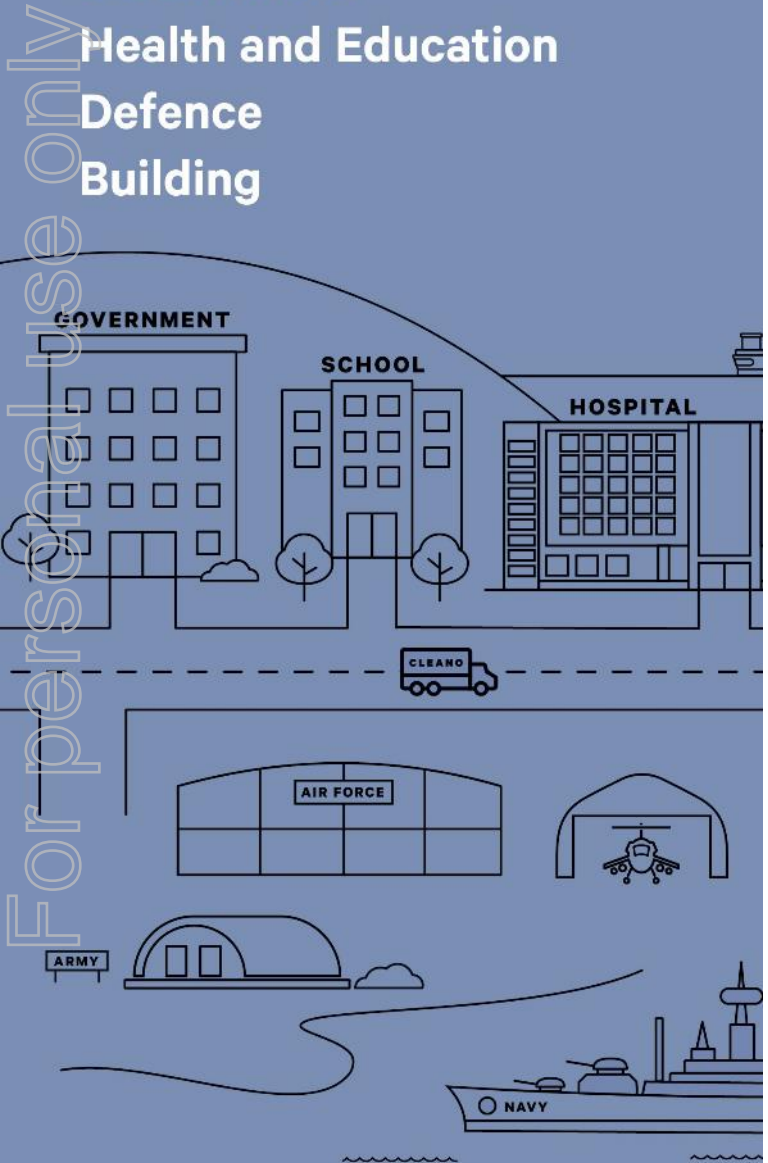
Facilities

Government

Health and Education

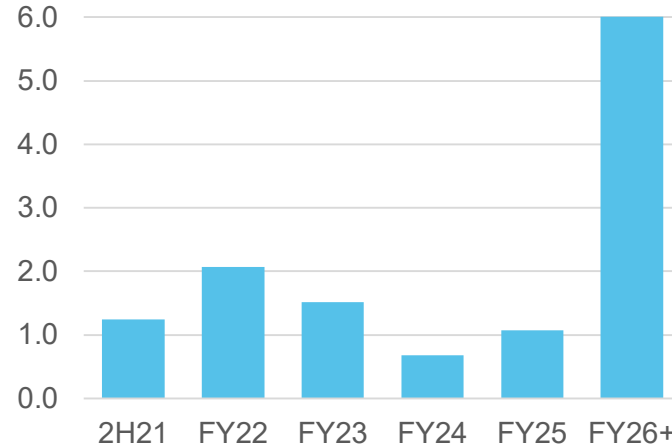
Defence

Building



\$12.7 billion work-in-hand

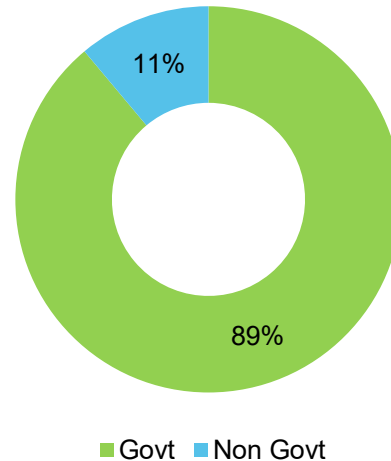
WIH profile (\$bn)



Top 5 Contracts Remaining

1. New Royal Adelaide Hospital PPP until 2046 (contract reset 30 June 2022)
2. Dept of Defence Estate Maintenance and Operations
3. NSW Whole of Government (cross agency FM)
4. Sunshine Coast University Hospital PPP until 2041
5. Bendigo Hospital PPP until 2042

WIH Government¹ v Non-Government



Top 5 Contract Wins in HY21

1. NSW Land and Housing Corporation FM
2. Adelaide Metro FM and cleaning
3. Managing contract for Victoria Barracks, Melbourne
4. COVID-19 cleaning and services for Vic Government
5. Te Whare Toroa (NZ Air Force facility)

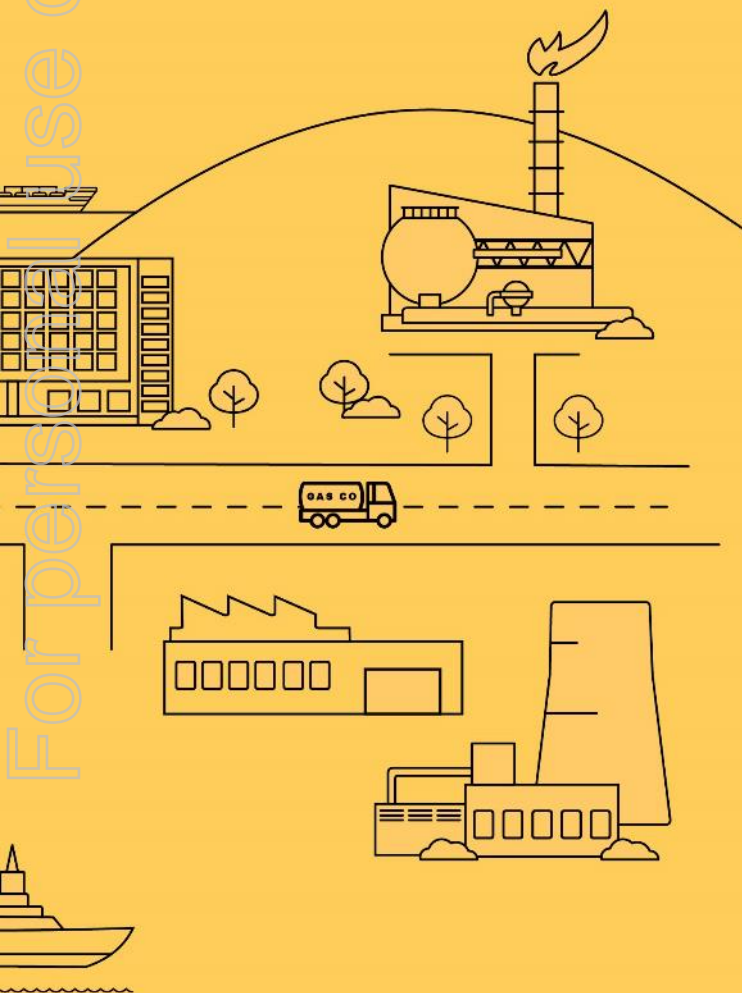
¹ WIH Government includes direct Government and Government-backed / regulated projects

Asset Services

Oil and Gas

Power Generation

Industrial



- Oil and Gas

- Industry deferral of non-essential maintenance and capital works
- Some improvement through remainder of FY21 with increased demand expected in FY22

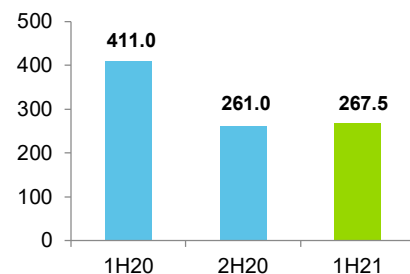
- Power Generation

- Performance impacted by deferred shutdowns and deferral of non-essential maintenance and capital works, offset by increasing market share with new customers
- Likely to continue through FY21 with expectation of increased demand in FY22
- Investment in energy transition capability

- Industrial

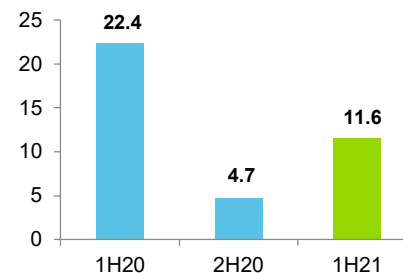
- Performance impacted by COVID-19 border restrictions and deferment of capital works, with demand expected to increase through remainder of FY21

Revenue \$m



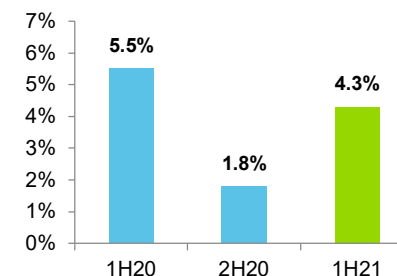
(34.9)% v 1H20

EBITA \$m



(48.2)% v 1H20

EBITA margin



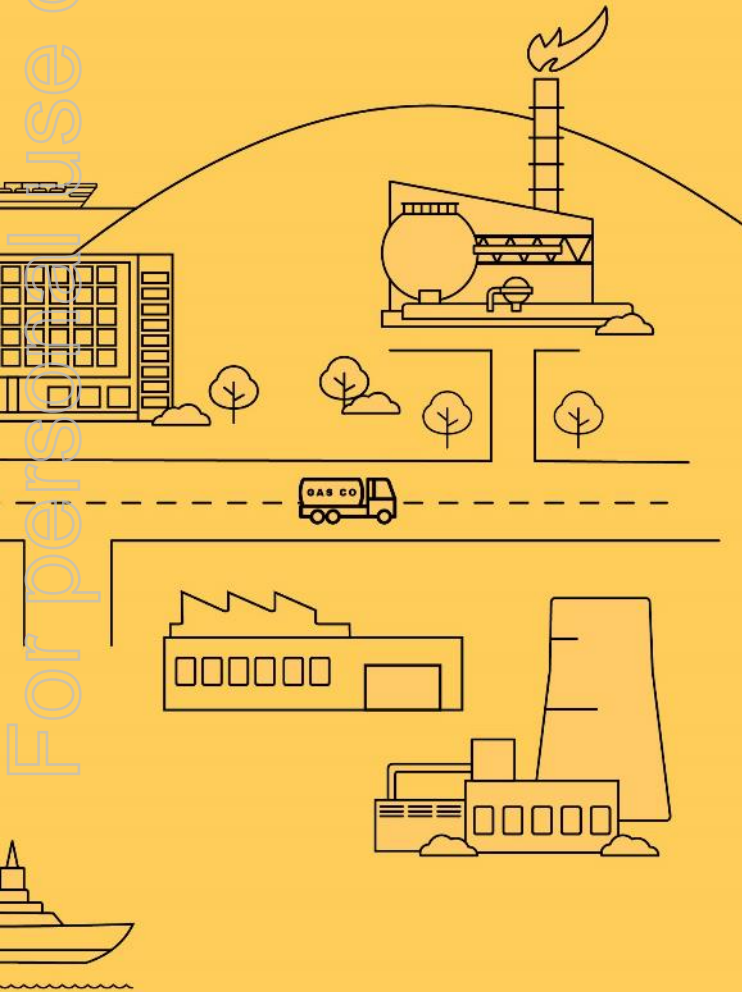
(1.2)pp v 1H20

Asset Services

Oil and Gas

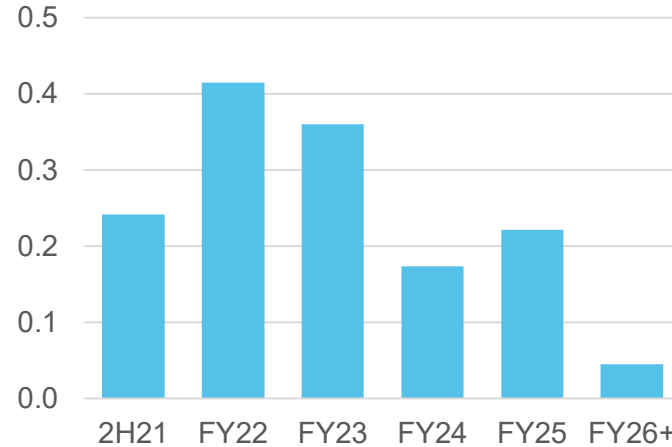
Power Generation

Industrial



\$1.5 billion work-in-hand

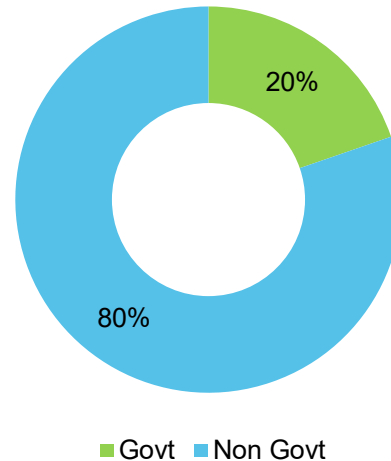
WIH profile (\$bn)



Top 5 Contracts Remaining

1. CS Energy until 2024
2. BHP Port Hedland until 2023
3. Chevron infrastructure maintenance until 2023
4. Santos onshore development services until 2023
5. Origin Energy Eraring Power Station until 2022

WIH Government¹ v Non-Government



Top 5 Contract Wins in HY21

1. CleanCo Wivenhoe Hydro Power Station Unit 1 overhaul
2. AGL Bayswater three year outages contract
3. BHP Olympic Dam SCM21 shutdown ECI
4. HMAS Cairns fuels upgrade
5. Santos Moomba carbon capture and storage project

¹ WIH Government includes direct Government and Government-backed / regulated projects

Driving value for shareholders

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Business growth

Efficient use of capital

Sustainable operations

Shareholder value

Aligned to growing markets and serving quality customers

High proportion Government revenue
Economic and social infrastructure
Markets aligned to economic stimulus

Strong operating cash flow discipline

Return to high operating cash conversion 80%+
Improve margins and ROFE

Zero Harm is embedded in Downer's culture

Leading Zero Harm KPIs, systems and culture
ESG Focus

Consistently growing EPS and DPS

Increased exposure to low capital, service oriented businesses

Portfolio mix adjusted to low capital intensity Urban Services – exit of Mining and Laundries

Strategic capital allocation, cost and capital efficiency

Optimise capital allocation
Optimise capital mix
Efficient term debt platform

Supporting our communities

Invest in our social licence
Flexible work environment
Employer of choice

Increasing EPS and a 60% – 70% dividend payout ratio over time

Strategic acquisitions

Market leading positions
Bolt on acquisitions

Maintaining a strong balance sheet and credit rating

Fitch BBB stable rating
Net Debt: 2-2.5x EBITDA

Governance

Effective and complementary Management and Board
Appropriate reward structures

TSR growth through continued delivery

Sustainability

Shifting our investment focus away from Mining and Laundries supports our decarbonisation pathway and our push to ensure Downer thrives in a low-carbon emissions economy

- Downer will reduce Scope 1 and 2 GHG emissions by 206k tCO₂-e or 35% on FY20 following the exit of Mining and Laundries
- \$1.4 billion syndicated sustainability linked loan
 - Achievement of emissions targets and cultural awareness and mental health training will reduce funding costs
- 82nd percentile in the Dow Jones Sustainability Index (DJSE) (2019: 62nd)
 - Improvements across all three key areas: Governance & Economic, Environmental and Social
- Committed to 45-50% reduction in Scope 1 and 2 GHG emissions by 2035 and net zero by 2050
- Employee Engagement Survey
 - Increase in engagement score of 4 percentage points in 2020
- Workplace Safety
 - Industry leading safety KPIs, systems and culture
 - Major focus on mental health and well-being
- Modern Slavery Statement issued 10 February 2021

Immediate priorities

- **Completion of asset sales**
 - Settlement of sales already announced (\$526m¹)
 - Sale of Mining's Open Cut East and Otraco
- **Capital Management**
 - Reset optimal capital structure at Net Debt: 2-2.5x EBITDA
 - Provide capital return to shareholders following asset sales
- **Refinement of business portfolio and corporate structure**
 - Rightsizing of overhead cost base to match new Urban Services revenue and earnings profile
 - Drive operational synergies across business units including full integration of Spotless
 - Optimise leasehold footprint as business adapts to post COVID-19 flexible work models
 - Continue to build capability and resilience across the business to manage risk and volatility. Invest in cloud technology, cyber security and business continuity
- **Deliver strong FY21 earnings and cash result**
 - High cash conversion
 - Resumption of dividends
 - Consistent and reliable delivery (no surprises!)

¹ Includes proceeds from completed transactions (RTL and Snowden) and expected proceeds based on announced transactions not completed by 31 December 2020 (Laundries, Open Cut West, Downer Blasting Services, Underground and other plant sales)

Immediate priorities (continued)

- Implementation of The Downer Standard (TDS)
 - Common processes / single certification
 - Quality systems and IP capture
- Earnings Growth
 - What will drive organic growth?
 - Increased spend in existing Urban Services markets. We are leveraged to the right sectors and customers
 - Margin improvement through better contract performance, technology and refined portfolio and structure
 - Brand development / increased Government focus
 - Strategic acquisitions in core markets

Group financials

Underlying financial performance

- Revenue down in Utilities, Facilities (primarily Hospitality) and Asset Services, offset by growth in Transport
- Group EBITA margin 3.6%, up 0.5pp
- Resumption of ordinary dividends – interim dividend of 9cps declared
- AASB16 reported consistently in both periods

\$m	HY20 ³	HY21 ³	Change (%)
Total revenue ¹	6,838.5	6,116.0	(10.6)
EBITDA	429.3	454.5	5.9
Depreciation and amortisation	(214.5)	(233.5)	(8.9)
EBITA²	214.8	221.0	2.9
Amortisation of acquired intangibles	(34.4)	(33.4)	2.9
EBIT	180.4	187.6	4.0
Net interest expense	(53.5)	(51.8)	3.2
Profit before tax	126.9	135.8	7.0
Tax expense	(35.5)	(40.1)	(13.0)
Net profit after tax	91.4	95.7	4.7
NPATA²	115.5	119.1	3.1
EBITA margin	3.1%	3.6%	0.5pp
Effective tax rate	28.0%	29.5%	1.5pp
ROFE ⁴	12.6%	9.9%	(2.7)pp
Dividend declared (cps)	14.0	9.0	(5.0)cps

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

²Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY21: \$33.4m, \$23.4m after-tax. (HY20: \$34.4m, \$24.1m after-tax)

³The underlying result are non-IFRS measures that are used by Management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review.

⁴ROFE = 12 month rolling underlying EBITA divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt (excludes lease liability) + Equity.

Summary of earnings

\$m	EBITA ¹	Net interest expense	Tax expense ²	NPATA ¹	Deduct: Amortisation of acquired intangibles (post-tax)	NPAT
Underlying³ result	221.0	(51.8)	(50.1)	119.1	(23.4)	95.7
Non-cash fair value movement on the Spotless minority acquisition Downer Contingent Share Obligation liability ⁴	(14.0)	-	-	(14.0)	-	(14.0)
Termination of Spotless financing arrangements	-	(4.3)	1.3	(3.0)	-	(3.0)
Laundries transaction costs ⁵	(4.0)	-	1.0	(3.0)	-	(3.0)
Mining divestments ⁶	(7.2)	-	7.1	(0.1)	-	(0.1)
Total items outside underlying result	(25.2)	(4.3)	9.4	(20.1)	-	(20.1)
Statutory result	195.8	(56.1)	(40.7)	99.0	(23.4)	75.6

¹ Downer calculates EBITA by adjusting EBIT to add back acquired intangible assets amortisation expense. Group HY21: \$33.4m (HY20: \$34.4m)

² Tax of \$50.1m is calculated by adjusting underlying tax of \$40.1m with \$10.0m tax on amortisation of acquired intangible assets.

³ The underlying result is a non-IFRS measure that is used by Management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review.

⁴ The fair value of the Downer Contingent Share Option (DCSO) has increased primarily driven by the movement in Downer's share price from \$4.30 (grant date) to \$5.33 at 31 December 2020 (+24%).

⁵ Transaction costs (including stamp duty) incurred in relation to the agreement to dispose of the Laundries business.

⁶ Net result including impairment of assets to the expected recoverable value and transaction costs incurred, offset by gain on plant and equipment disposed and from the divestment of Snowden and RTL JV (refer to Note B4 of the Financial Report).

Operating cash flow

- Strong cash performance across portfolio
- Underlying EBITDA conversion of 97.4% after adjusting for items (totalling \$60.3m) recognised in FY20
- Factoring at 31 December 2020 was \$104.7m (\$113.7m at 31 December 2019)

\$m	HY20	HY21	Change (%)
Underlying ¹ EBIT	180.4	187.6	4.0
Add: depreciation and amortisation ²	248.9	266.9	7.2
Underlying¹ EBITDA	429.3	454.5	5.9
Operating cash flow	(4.5)	350.2	>100
Add: Net interest paid ³	51.0	52.4	2.7
Deduct: Tax received	(27.0)	(20.3)	(24.8)
Adjusted operating cash flow	19.5	382.3	>100
EBITDA conversion	4.5%	84.1%	79.6pp

Adjust for items booked in FY20	HY21
Portfolio restructure and exit costs	23.4
Payroll remediation costs	4.1
Spotless shareholder class action	32.8
Underlying adjusted operating cash flow	442.6
Underlying EBITDA conversion	97.4%

¹ The underlying result is a non-IFRS measure that is used by Management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review.

² Includes \$89.3m (HY20: \$67.4m) depreciation of Right-of-use-assets (ROUA) following the adoption of AASB 16.

³ Interest, including AASB 16 finance leases of \$14.4m (HY20: \$12.6m) and other costs of finance paid less interest received.

Cash flow

- Net capital expenditure reduced due to lower spend on Laundries rental stock and Mining equipment
- Proceeds from sale of businesses represents the completed Snowden and RTL JV transactions
- Payment of deferred HY20 dividend of \$83.3m in period

\$m	HY20	HY21	Change (%)
Total operating	(4.5)	350.2	>100
Net capital expenditure – core	(63.0)	(66.6)	(5.7)
Net capital expenditure – non-core ¹	(101.7)	(40.8)	59.9
Spotless acquisition	-	(134.5)	(100)
Other acquisitions	(19.3)	(0.1)	99.5
IT Transformation	(31.7)	(17.4)	45.1
Proceeds from sale of businesses	-	25.1	100
Payment for investments in associates	-	(9.8)	(100)
Advances to JVs and other	(6.3)	(7.5)	(19.0)
Total investing	(222.0)	(251.6)	(13.3)
Issue of shares (net of costs)	-	390.7	100
Net proceeds / (repayment) of borrowings	185.7	(349.4)	>(100)
Dividends paid	(87.0)	(86.2)	0.9
Payment of principal lease liabilities – core	(56.3)	(70.8)	(25.8)
Payment of principal lease liabilities – non-core	(10.8)	(22.9)	>(100)
Total financing	31.6	(138.6)	>(100)
Net (decrease) in cash	(194.9)	(40.0)	79.5
Cash at 31 December	514.9	550.4	6.9
Total liquidity	1,651.9	1,877.4	13.7

¹ Includes purchase of assets as a lessor \$6.7m (HY20: \$25.6m).

Balance sheet

- Significant improvement in gearing and Net debt / EBITDA due to completed capital raising and strong underlying cash performance
- Pro-forma adjustments for the divestments further improve credit metrics (refer slide 23)

\$m	Jun-20	Dec-20
Current assets	3,404.7	3,576.1
Non-current assets	5,267.8	4,680.8
- Goodwill	2,281.3	2,281.7
- Acquired intangible assets	349.4	300.2
- PP&E, Software and other	2,044.5	1,569.1
- Right-of-use assets	592.6	529.8
Total Liabilities	(6,052.0)	(5,313.5)
- Lease liabilities	(763.2)	(684.0)
- Other liabilities	(5,288.8)	(4,629.5)
Net Assets	2,620.5	2,943.4
Net Debt¹	(1,480.5)	(1,183.3)
Gearing: net debt / net debt plus equity ²	35.5%	28.2%
Net debt / EBITDA ³	2.6	2.1

¹ Adjusted for the marked-to-market derivatives and deferred finance charges and excludes the lease liabilities of \$684.0m at 31 December 2020.

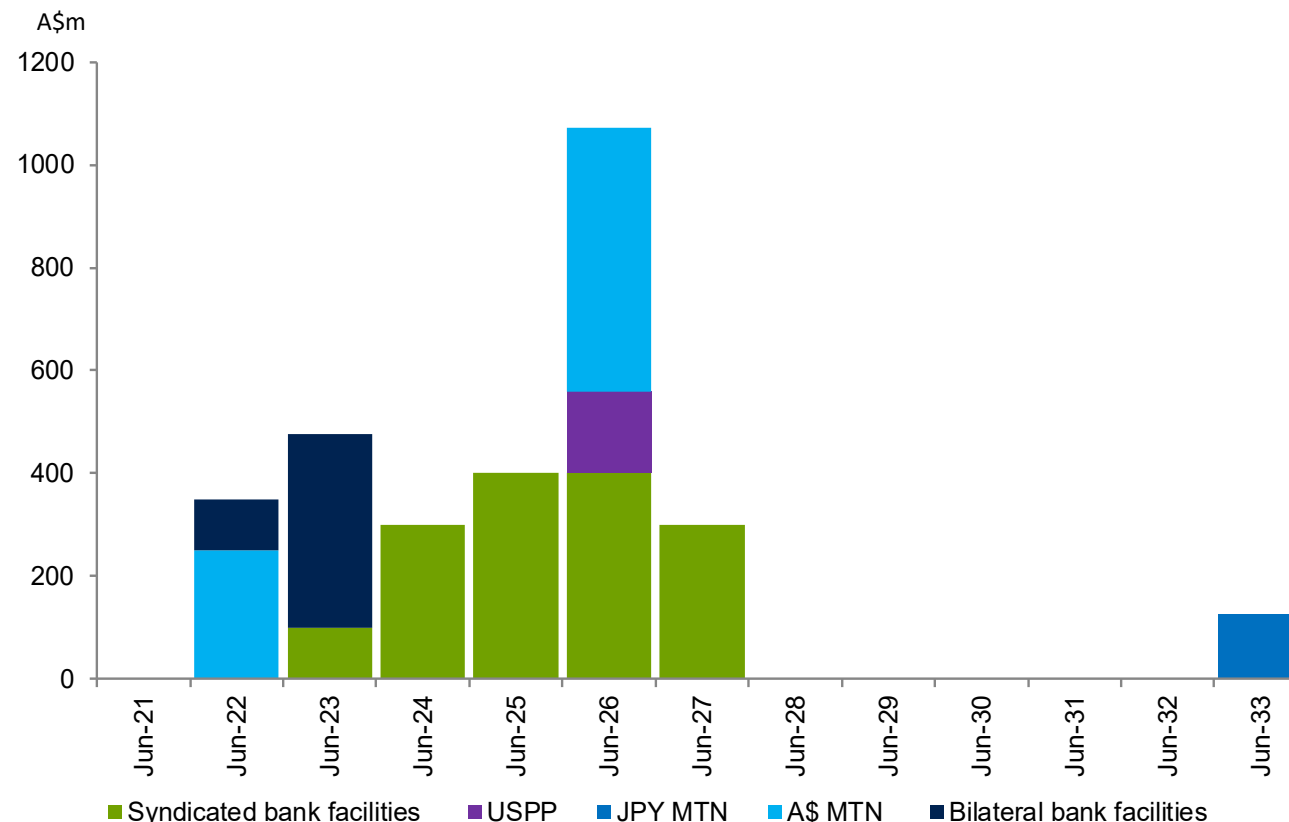
² Equity adjusted to exclude the impact on adoption of AASB 16 of \$65.8m.

³ On a post-AASB-16 basis, see slide 30

Group debt profile

- Weighted average debt duration of 4.1 years¹ (3.4 years at 30 June 20)
- No debt maturities within the next 12 months
- Downer has established a new \$1.4 billion syndicated sustainability linked loan facility
- The refinancing has extended debt duration, achieved a more balanced debt maturity profile and reduced interest costs
- Group debt profile retains flexibility as divestments progress

Debt facilities \$m	Jun-20	Dec-20
Total limit ²	3,339.0	3,060.7
Drawn ²	2,069.0	1,733.7
Available	1,270.0	1,327.0
Cash	588.5	550.4
Total liquidity	1,858.5	1,877.4
Net debt ²	1,480.5	1,183.3



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

² Excludes lease liabilities.

Pro-forma metrics and capital management

- Gearing of 28.2% at Dec-20, down from 35.5% at Jun-20 as a result of capital raising and strong HY21 cash flows
- Adjusting for divestments, pro-forma gearing of 18.3%³
- Downer to target optimal Net Debt / EBITDA of 2.0-2.5x post divestments
- Net debt / EBITDA of 2.1x, comfortably within range
- Pro-forma Net debt / EBITDA further reduces to 1.8x³ at completion of current divestments
- Dividend payments resumed

\$m	Jun-20	Dec-20
Net debt	1,480.5	1,183.3
Equity ¹	2,686.4	3,009.2
Gearing	35.5%	28.2%
Total pro-forma divestment proceeds		510.0 ²
Pro-forma gearing		18.3%

Resumption of dividend payments

- Dividend declared of 9cps
- Represents payout of 54% of underlying HY21 NPATA (excluding ROADS dividends)

Use of sale proceeds

- Prioritise maintenance of BBB investment grade rating
- Consider capital management initiatives
- Growth

¹ Equity adjusted to exclude the impact on adoption of AASB 16 of \$65.8m.

² Pro-forma adjustment excludes Snowden and RTL divestments which completed prior to 31 December 2020.

³ Detailed calculations of the pro-forma metrics have been included in the Supplementary information section of this presentation.

Significant progress on sale of non-core businesses

- Total proceeds to be received for sales to date of \$526m in line with net book value

Laundries	Open Cut West	Downer Blasting Services	Underground	RTL, Snowden and other equipment sales
<p>FY20 revenue: \$246m</p> <p>Sale of 70% to Adamantem Capital announced on 2 December 2020, for total proceeds of ~\$155m. Downer's retained 30% stake sees it well positioned to benefit from post COVID-19 recovery. Completion expected to occur in Q1 calendar 2021.</p>	<p>FY20 revenue: \$398m</p> <p>Sale to MACA Limited announced on 15 December 2020, with cash proceeds of \$205m (including \$66m deferred). Completion took place on 1 February 2021.</p>	<p>FY20 revenue: \$150m</p> <p>Sale to Enaex S.A announced on 18 November 2020, for an enterprise value of \$62m. All conditions precedent have been satisfied, and completion is scheduled to occur 1 March 2021.</p>	<p>FY20 revenue: \$273m</p> <p>Announced on 20 January 2021 that underground mining services at Carrapateena mine will transition from Downer to Byrncut. Equipment and inventory are expected to transfer at book value, and when combined with unwind of working capital, will generate proceeds of ~\$70m.</p>	<p>FY20 revenue: \$65m</p> <p>Sale of Snowden to Datamine completed on 15 July 2020.</p> <p>Sale of Downer's 44% share in the RTL joint venture to Thiess completed on 28 August 2020.</p> <p>Other equipment sales of \$18m.</p> <p>Total net cash proceeds of \$34m.</p>

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Key messages

- Our Urban Services businesses have proved their resilience – solid earnings and work-in-hand
- Transport, Utilities and Facilities end markets are enjoying tailwinds from increasing government infrastructure expenditure
- Our scale, leading capabilities and fit-for-purpose, capital light services business model means Downer is well placed to secure a growing share of this pipeline – our brand and relationships are strong
- Our confidence for the future is reinforced by stable, underlying financial performance and >80% cash conversion (which enabled resumption of dividends)
- We see opportunities to drive margin improvement through operational synergies from complementary services business lines and technology
- Commitment to consistent and reliable delivery into the future – no surprises
- Evaluating opportunities to invest for growth – disciplined focus on Urban Services

Q&A

Supplementary information

Pro-forma metrics – estimated proceeds

Gearing \$m	Net Debt	Equity	Gearing
31 December 2020 reported¹	1,183.3	3,009.2	28.2%
Open Cut West ²	(205.0)	-	(3.7%)
Blasting	(62.0)	-	(1.2%)
Underground – Carrapateena ³	(70.0)	-	(1.4%)
Mining – sale of idle fleet	(18.0)	-	(0.4%)
Laundries	(155.0)	-	(3.3%)
Proforma 31 December 2020	673.3	3,009.2	18.3%

Net debt / underlying EBITDA \$m	Net Debt ⁴	LTM EBITDA	Net debt / EBITDA
31 December 2020 reported¹	1,867.3	887.2	2.10x
Open Cut West ²	(205.0)	(67.0)	(0.08)x
Blasting	(62.0)	(14.2)	(0.04)x
Underground – Carrapateena ³	(70.0)	(7.2)	(0.07)x
Mining – sale of idle fleet	(18.0)	-	(0.02)x
Laundries	(155.0)	(55.3)	(0.07)x
Proforma 31 December 2020	1,357.3	743.5	1.83x

¹ Reported metrics include Snowden and RTL divestments which completed prior to 31 December 2020

² Includes \$109m payment on completion, plus \$66m payable in 12 equal monthly instalments, plus ~\$30m working capital unwind.

³ Assumes proceeds equate to book value of PPE and Inventory, and includes working capital unwind.

⁴ Net debt for the purposes of calculating net debt to EBITDA ratio includes lease liabilities (\$684.0m at 31 December 2020).

Reconciliation to segment financials

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Underlying EBITA ^{1,2} (\$m)	HY20	HY21
Asset Services (EC&M)	22.4	11.6
Engineering & Construction (EC&M)	(59.8)	(2.6)
EC&M Segment EBITA	(37.4)	9.0
Facilities (core)	68.7	62.5
Laundries (Facilities)	7.0	4.5
Hospitality (Facilities)	0.2	0.3
Facilities Segment EBITA	75.9	67.3

¹ Downer calculates EBITA by adjusting EBIT to add back acquired intangible assets amortisation expense.

² The underlying result is a non-IFRS measure that is used by Management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review.

Net debt / EBITDA calculation

Net debt / EBITDA \$m	Dec-19	Jun-20	Dec-20
Pre-AASB 16			
LTM EBITDA	805.6	686.2	682.9
Net debt	1,388.2	1,480.5	1,183.3
Net debt / EBITDA (x)	1.7	2.2	1.7
Post-AASB 16			
LTM EBITDA	883.5	862.0	887.2
Net debt	2,136.5	2,243.7	1,867.3
Net debt / EBITDA (x)	2.4	2.6	2.1

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