Downer EDI Limited
ABN 97 003 872 848

Triniti Business Campus
39 Delhi Road
North Ryde NSW 2113

1800 DOWNER
www.downergroup.com

27 February 2023

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 2022;
2. Condensed Consolidated Half-year Financial Report dated 31 December 2022;
3. Market release dated 27 February 2023; 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 2022

Appendix 4D

	31 Dec 2022 $'m	Restated(i) 31 Dec 2021 $'m	% change
Revenue from ordinary activities	**5,693.1**	5,438.7	
Other income	**17.7**	131.6	
Total revenue and other income from ordinary activities	**5,710.8**	5,570.3	2.5%
Total revenue including joint ventures and other income	**6,144.7**	5,970.3	2.9%
Earnings before interest and tax	**129.8**	167.4	(22.5%)
Earnings before interest and tax and amortisation of acquired intangible assets (EBITA)	**142.9**	181.6	(21.3%)
Profit from ordinary activities after tax attributable to members of the parent entity	**68.1**	85.4	(20.3%)
Profit from ordinary activities after tax and before amortisation of acquired intangible assets (NPATA)	**77.3**	95.8	(19.3%)

	31 Dec 2022 cents	Restated(i) 31 Dec 2021 cents	% change
Basic earnings per share	**9.3**	11.9	(21.8%)
Diluted earnings per share(ii)	**9.3**	11.8	(21.2%)
Net tangible asset backing per ordinary share	**22.6**	27.5	(17.8%)

(i) Decenber 2021 results have been restated to reflect the impact of historical misreporting of revenue and contract assets in one of Downer's maintenance contracts in its Australian Utilities business.

(ii) At 31 December 2022, the ROADS were deemed anti-dilutive and consequently, remained at 9.3 cents per share.

Dividend	**31 Dec 2022 Interim**	31 Dec 2021 Interim
Dividend per share (cents)	**5.0**	12.0
Franked amount per share (cents)	**-**	-
Conduit foreign income (CFI) (%)	**44%**	29%
Dividend record date	**13/3/2023**	24/2/2022
Dividend payable date	**11/4/2023**	24/3/2022
Redeemable Optionally Adjustable Distributing Securities (ROADS)		
Dividend per ROADS (in Australian cents)	**2.66**	1.51
New Zealand imputation credit percentage per ROADS	**100%**	100%

ROADS payment date	**Quarter 1**	**Quarter 2**
Instalment date FY2023	**15/9/2022**	**15/12/2022**
Instalment date FY2022	15/9/2021	15/12/2021

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

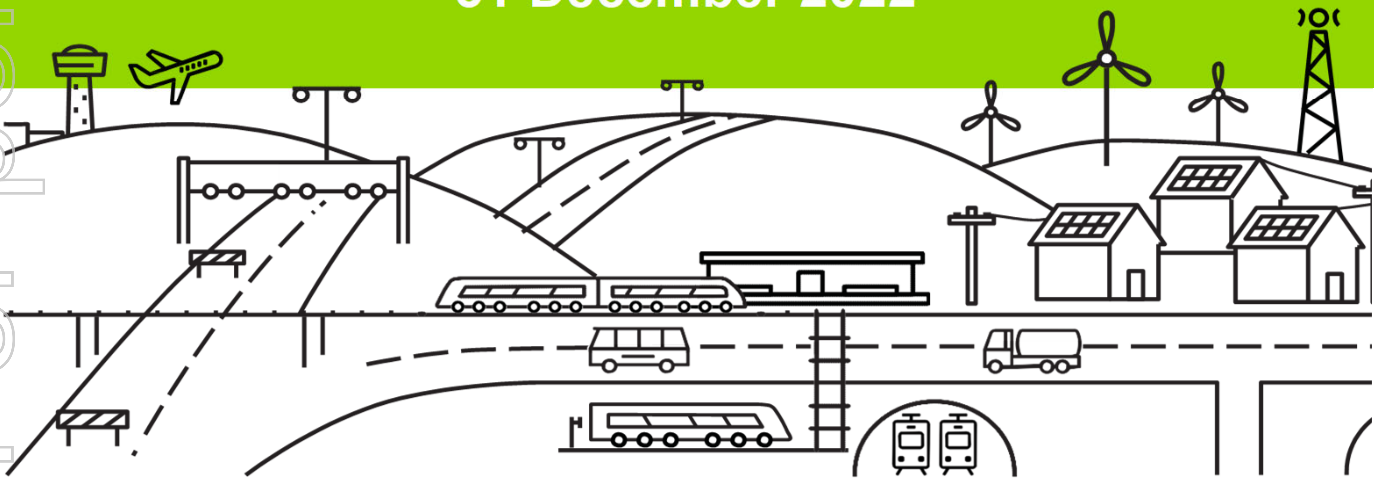
For commentary on the results for the period and review of operations, please refer to the Directors' Report and separate media release.

Relationships creating success

Downer EDI Limited

ABN: 97 003 872 848

Condensed Consolidated Financial Report for the half-year ended 31 December 2022



Contents

DIRECTORS' REPORT
For the half-year ended 31 December 2022

The Directors of Downer EDI Limited (Downer) submit the condensed consolidated financial report of the Company for the half-year ended 31 December 2022. 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:

Mark Peter Chellew (Chairman, Independent Non-executive Director)

Mark John Menhinnitt (Deputy Chairman, Independent Non-executive Director)

Grant Anthony Fenn (Managing Director and Chief Executive Officer)

Peter John Tompkins (Executive Director) – appointed on 1 February 2023

Mark James Binns (Independent Non-executive Director) – retired on 31 January 2023

Teresa Gayle Handicott (Independent Non-executive Director)

Nicole Maree Hollows (Independent Non-executive Director)

Adelle Maree Howse (Independent Non-executive Director)

Peter Lawrence Watson (Independent Non-executive Director)

REVIEW OF OPERATIONS

PRINCIPAL ACTIVITIES

Downer EDI Limited (Downer) is a leading provider of integrated services in Australia and New Zealand. Downer employs approximately 33,000 people, mostly in Australia and New Zealand.

Downer operates in sectors that are closely connected to the investment that is being driven by population growth and urbanisation. These sectors include roads, rail, light rail, other public transport, power, gas, water, telecommunications, health, education, defence and other government sectors.

These sectors are served by Transport, Utilities and Facilities.

SUSTAINABILITY

At Downer, sustainability means sustainable and profitable growth, providing value to customers, delivering services in a safe and environmentally responsible manner, helping its people to be better and advancing the communities in which the Group operates.

Downer's commitments to sustainability are outlined in its policies, which are accessible from the Downer website (**www.downergroup.com**). The Group's 2022 Sustainability Report detailing Downer's sustainability-related performance for the financial year ended 30 June 2022 can be found on the Company website (**www.downergroup.com/2022sustainabilityreport**).

During the period, Downer also released its first Climate Change Report, which was developed to provide information on Downer's response to climate change, including the risks and the opportunities that addressing climate change presents. It covers Downer's decarbonisation journey to date and achievements, Downer's pathway to net zero, and the pivotal role Downer can play in the energy transition. A copy of the report is available on the Company website **(www.downergroup.com/climate-change-report)**.

A core element of Downer's sustainability approach is to focus on its customers' success. The Group's core operating philosophy, 'Relationships creating success', encapsulates this theme. With Downer's services impacting millions of lives every day, the sustainability of the Group's operations is paramount – for its people, partners, shareholders, customers and their customers. Downer delivers these services, working collaboratively with its supply chain while managing the impacts of its activities on people, the environment and communities in which the Group operates. Downer's extensive capability is well-placed for the decarbonisation effort that is required to meet Australia and New Zealand's Net Zero emissions target. The Group understands that its ability to do this is fundamental to Downer's long-term success.

GROUP FINANCIAL PERFORMANCE

The main features of the result for the six-months ended 31 December 2022 were:

- Total revenue[1] of $6.1 billion, up 2.9%
- Statutory EBITA[2] of $142.9 million, down 21.3%; from $181.6 million
- Statutory EBITA margin of 2.3% down from 3.0% at 31 December 2021
- Statutory earnings before interest and tax (EBIT) of $129.8 million, down 22.5%; from $167.4 million
- Statutory net profit after tax and before amortisation of acquired intangible assets (NPATA) of $77.3 million, down 19.3%; from $95.8 million
- Statutory net profit after tax (NPAT) of $68.1 million, down 20.6%; from $85.8 million.

Total revenue, excluding contribution from divested Mining and Hospitality businesses in 1H22, increased by 8.9%. This was led by Government and Health & Education in the Facilities segment, together with Telecommunications in the Utilities segment.

Despite the strong revenue growth, EBITA has been negatively impacted by unprecedented wet weather, labour shortages and productivity including contract and project losses in Utilities.

Cash conversion for the period was 8.5% mainly due to timing of supplier payments on the completion of the Sydney Growth Trains (SGT) project, settlement of prior period project claims and timing of collections. Weak operating cash flow performance was the primary driver for the increase in gearing, up 7% to 24.8% since June 2022.

Net finance costs decreased by $5.5 million or, 12.0%, to $40.3 million driven by lower line fees from facilities refinanced at lower margins in FY22, lower lease interest expense, partially offset by increase in average debt drawn as a result of lower operating cashflows.

The effective tax rate of 23.9% is lower than the statutory corporate tax rate of 30.0% primarily due to the impact of non-taxable distributions from joint ventures and lower tax rates in overseas jurisdictions (e.g. New Zealand).

Individually Significant Items (ISIs) totalled $9.3 million after-tax and relate to the fair value movement of the Downer Contingent Share Options (DCSO) issued in FY21 as part of the acquisition of the remaining 12.2% interest in Spotless. Refer to Note B4 to the Financial Report for further details.

On 8 December 2022, Downer announced that it had identified the historical misreporting of revenues and work in progress in one of its maintenance contracts in its Australian Utilities business.

The contract is for the supply and maintenance, new connections, faults and capital works services.

As a result of the historical misreporting, post-tax earnings were overstated by a total of $22.2 million between April 2020 and 30 June 2022, of which $1.7 million relates to FY20, $8.8 million relates to FY21 and $11.7 million relates to FY22. Post tax earnings for the contract for the six months to 31 December 2022 was a loss of $12 million.

Downer is confident that the misreporting was specific to the contract and not replicated elsewhere.

[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] Earnings before interest, tax and amortisation of acquired intangibles (EBITA).

The table below provides a comparison of the underlying[1] earnings for HY23 versus the results for HY22 and a reconciliation to statutory NPAT:

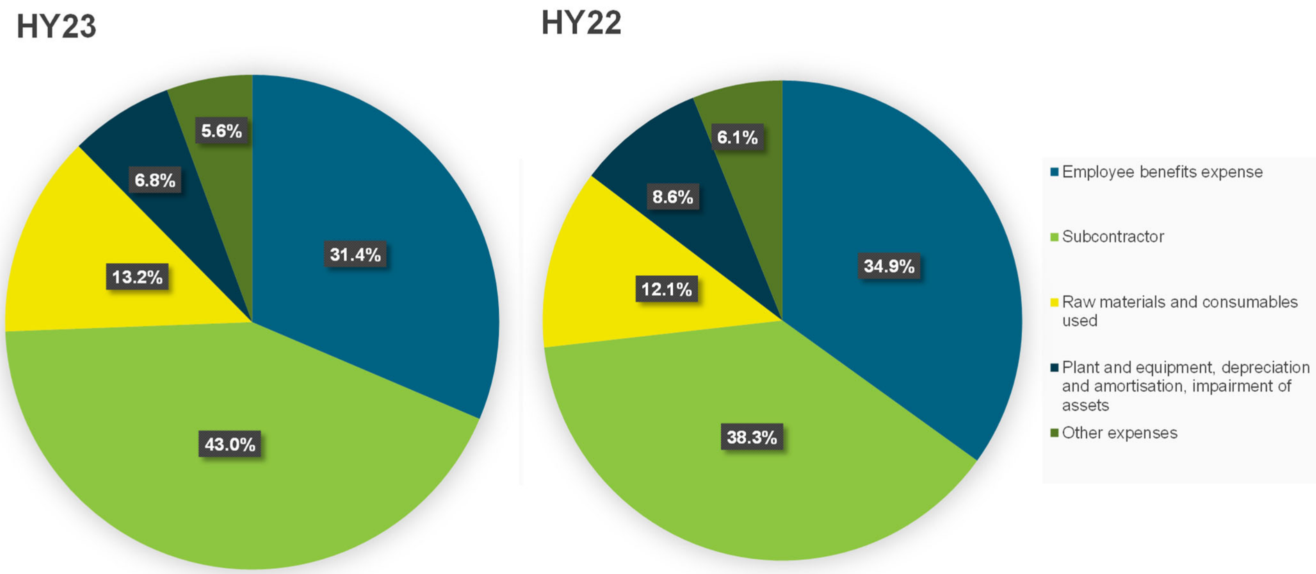
Underlying EBITA[1] (A$m)	**Reporting Segment**	**HY23**	**HY22[5]**	**Variance (%)**
Transport[2]	Transport	88.7	103.8	(14.5%)
Utilities[2]	Utilities	(5.2)	40.5	>(100%)
Facilities	Facilities	99.0	89.1	11.1%
Urban Services Businesses		**182.5**	**233.4**	**(21.8%)**
Business disposed[3]	Facilities /All other segments	-	(4.4)	100.0%
Corporate	Unallocated	(48.9)	(52.0)	6.0%
Group Underlying EBITA[4]		**133.6**	**177.0**	**(24.5%)**
Amortisation of acquired intangibles (pre-tax)		(13.1)	(14.2)	7.7%
Underlying EBIT		**120.5**	**162.8**	**(26.0%)**
Net interest expense		(40.3)	(45.8)	12.0%
Tax expense		(21.4)	(32.6)	34.4%
Underlying NPAT		**58.8**	**84.4**	**(30.3%)**
Amortisation of acquired intangibles (post tax)		9.2	10.0	(8.0%)
Underlying NPATA[4]		**68.0**	**94.4**	**(28.0%)**
Items outside of underlying NPATA (net of tax)		9.3	4.6	>100%
Tax effect on items outside NPATA		-	(3.2)	100.0%
Statutory NPATA		**77.3**	**95.8**	**(19.3%)**
Amortisation of acquired intangibles (post tax)		(9.2)	(10.0)	8.0%
Statutory NPAT		**68.1**	**85.8**	**(20.6%)**

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 HY22 Transport and Utilities contribution have been restated as a result of the change in operating segments (refer to Note B1).
3 Represents the contribution of Mining ($8.1 million) and Hospitality (loss $12.5 million) businesses disposed in prior period.
4 Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense.
5 HY22 results have been restated (Refer to Note A for further details).

EXPENSES

Total expenses increased by 3.3%, or $178.2 million, compared to the prior corresponding period (pcp). The pcp included $100.2 million of ISIs. Excluding the impact of ISIs, total expenses increased by 5.2%, or $278.4 million.

Downer's cost base (including ISIs) by type of expense compared to the pcp is as follows:



Employee benefits expenses decreased by 7.2%, or $135.4 million, to $1.8 billion and represents 31.4% of Downer's cost base. Subcontractor costs increased by 16.0%, or $341.1 million, to $2.4 billion and represents 43.0% of Downer's cost base (38.3% in the pcp). Labour market conditions have resulted in increased reliance on subcontractor labour, increasing the mix in total personnel costs. Compounding this, was the exit of Mining and Hospitality in the comparative period which had a relatively low reliance on subcontractor labour.

Raw materials and consumables costs increased by 12.8%, or $83.9 million, to $0.7 billion and represents 13.2% of Downer's cost base. The increase is mainly due to mix of raw materials used in line with increased activities in building activities (Facilities segment), and in water projects (Utilities segment) together with increase in Bitumen prices impacting the Road businesses (Transport segment).

Plant and equipment costs decreased by 10.7%, or $26.7 million, to $0.2 billion and represents 4.0% of Downer's cost base. Total depreciation and amortisation decreased by 19.7%, or $17.5 million, to $0.2 billion and represents 2.8% of Downer's cost base. The decrease in plant and equipment costs, along with depreciation and amortisation, is largely a result of divesting Mining in the comparative period.

Other expenses from ordinary activities, which includes communication, travel, professional fees and occupancy costs, decreased by 5.6%, or $18.4 million and represents 5.6% of Downer's cost base.

CASH FLOW

Operating Cash Flow

Net cash generated by operating activities before interest and tax of $23.9 million represents a cash conversion of 8.5% of earnings before interest, tax, depreciation and amortisation (EBITDA).

Operating cash outflow of $35.4 million was predominantly driven by timing of supplier payments on the completion of the SGT project, settlement of prior period project claims and timing of collections.

Investing Cash Flow

Total investing cash outflow of $89.8 million is $207.8 million lower than pcp mainly driven by $247.6 million proceeds from disposal activities during pcp.

Excluding payments for the purchase of and proceeds from the disposal of businesses in the pcp, investing cash outflow decreased $16.9 million, or 15.8%, largely due to the comparative period including Mining, along with lower IT spend.

DEBT AND BONDING

The Group's performance bonding facilities totalled $1,971.4 million at 31 December 2022 with $581.3 million undrawn. There is sufficient available capacity to support the ongoing operations of the Group.

As at 31 December 2022, the Group had liquidity of $1.6 billion comprising cash balances of $450.4 million and undrawn committed debt facilities of $1.2 billion.

The only Group debt facility maturing in the 12 months to 31 December 2023 is a $50 million committed debt facility.

During the period, a total of 3.85 million shares were purchased as part of the share buyback programme, for a total consideration of $17.8 million.

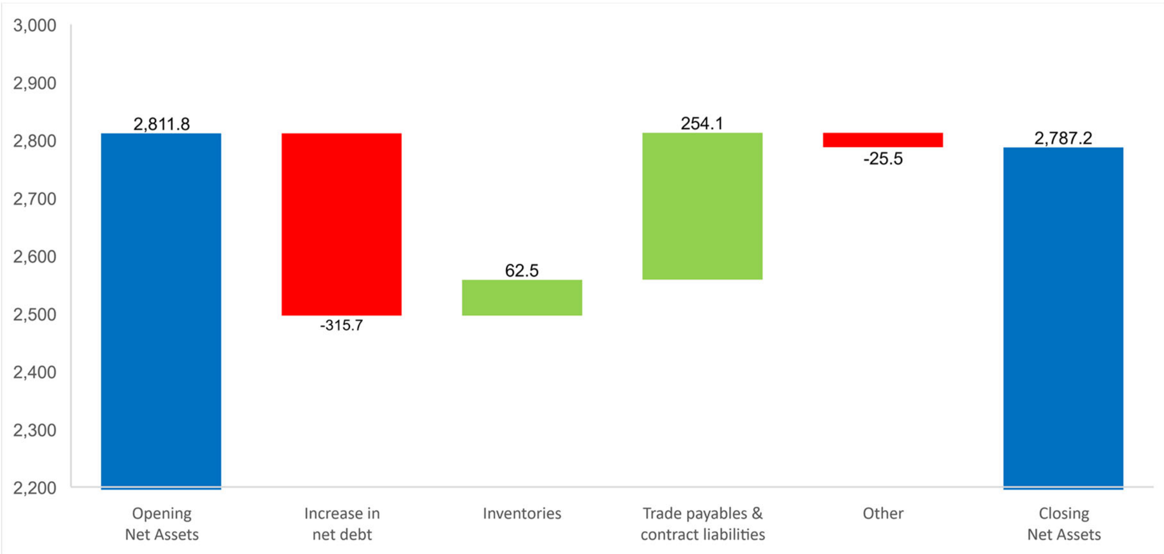
The outlook on the Group's BBB credit rating was revised from Stable to Negative by Fitch in December 2022.

BALANCE SHEET

The balance sheet remains in a strong position with net assets of $2.8 billion.

Since 30 June 2022, the net assets of the Group decreased by $24.6 million or 0.9% to $2.8 billion mainly driven by the reduction in cash, offset by the increase in inventories and the reduction in trade payables and contract liabilities as shown below:

Movement in Net Assets ($m)



Net debt is calculated as borrowings (excluding lease liabilities) less cash and cash equivalents. Net debt has increased by $315.7 million mainly driven by $288.1 million lower cash position since 30 June 2022 as a result of lower operating cashflows in the period.

Inventories increased by $62.5 million to $271.4 million largely due to an increase in Bitumen stock levels and additional components and spares required for key projects.

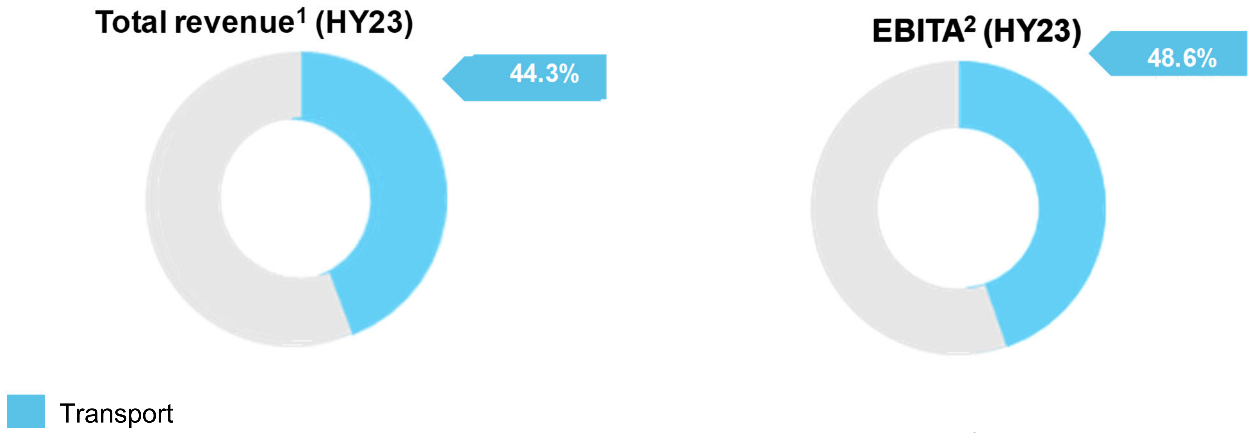
Trade payables and contract liabilities have decreased by $254.1 million to $2.0 billion as a result of the settlement of material supplier payments on the SGT project, reclassification of Transport Projects to Asset Held for Sale, wind down of the Hospitality business in the comparative period, together with general working capital movements.

Total Equity decreased by $24.6 million as a result of the $17.8 million in shares bought back and $86.4 million dividends paid during the period, which was partially offset by $68.1 million net profit after tax for the period ended 31 December 2022.

SEGMENT FINANCIAL PERFORMANCE

TRANSPORT

Transport comprises Downer's Road Services, Rail and Transit Systems and Projects businesses.



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%.

Transport revenue increased by 1.2%, or $33.3 million, to $2.7 billion, while EBITA decreased by 14.5% to $88.7 million. The Roads Services business continued to be heavily impacted by wet weather, labour market challenges and increased transport and logistics costs. Strong revenue and margin performance on long term rail maintenance contracts were impacted by bid costs.

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 28,000 kilometres of road in Australia and more than 25,000 kilometres in New Zealand.

Downer creates and delivers solutions to its 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.

Rail and Transit Systems

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 its 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.

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, Adelaide Metro 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.

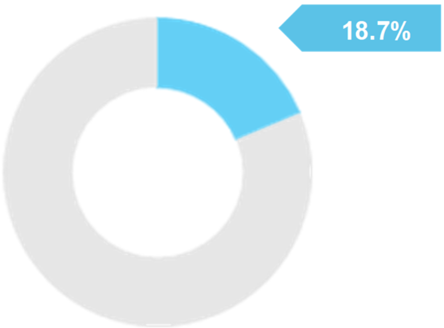
Projects

Downer delivers multi-disciplined infrastructure solutions to customers within the transport and power 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 infrastructure projects under a variety of contracting models. Downer's integrated capabilities enable intelligent transport solutions, road network management and maintenance.

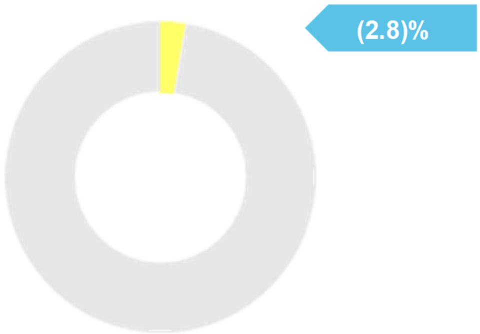
UTILITIES

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

Total revenue[1] (HY23)



EBITA[2] (HY23)



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%.

Utilities revenue increased by 12.3%, or $124.3 million, to $1.1 billion, while EBITA decreased $45.7 million to a loss of $5.2 million. Despite the Telecommunications business in both Australia and New Zealand performing well (both revenue and EBITA), the Utilities segment EBITA was heavily impacted by losses in a Power Maintenance contract, a Water construction project and in a renewable windfarm project in New Zealand together with losses in the meter reading business associated with labour availability, productivity and weather related challenges.

Power and Gas

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

Downer 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.

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 design construction, maintenance and rehabilitation, desalination and biosolids treatment.

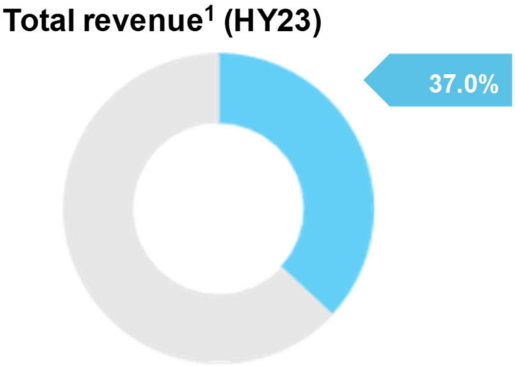
As a provider of asset management services, Downer supports its customers across the full asset lifecycle from conceptual development through to design, construction, commissioning and into operations and maintenance.

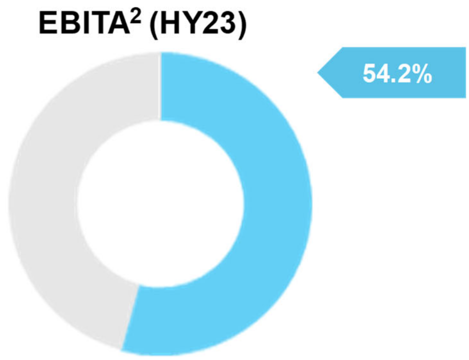
Telecommunications

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 designing, engineering, consulting, maintenance, operations and smart metering.

FACILITIES

The Facilities service line operates in Australia and New Zealand across a range of industry sectors including defence, education, health, government, power & energy and industrial & marine.





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%.

Facilities revenue increased by 11.8%, or $238.3 million, to $2.3 billion, with a strong increase in EBITA of 11.1% to $99.0 million. This was primarily driven by Government and Health & Education (including the reset of the reviewable services at Royal Adelaide Hospital and Bendigo Hospital on 1 July 2022), and a recovery in Power & Energy post a period of projects delays during COVID-19.

Facilities

Downer is the largest integrated facilities management services provider in Australia and New Zealand, delivering property and facilities management services to government departments, agencies and authorities at the Federal, State and municipal level. With 21 Public Private Partnership projects across the defence, education, health and leisure sectors, Downer provides innovative management of its customers' assets across their lifecycle.

Downer has a 40-year history of supporting the daily operations of hospitals across Australia and New Zealand, delivering a range of services that create a safe environment for hospital staff, patients and their guests. At leading schools and tertiary institutions, Downer helps to create world-class learning environments through integrated services such as catering, building and grounds maintenance, conserving energy with air-conditioning and lighting solutions and ensuring a secure environment.

Power & Energy and Industrial & Marine

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. As a trusted partner with a leading safety record, Downer optimises the reliability, efficiency and whole-of-life costs of its customers' assets through long-term relationship-based contracts.

Mineral Technologies

Downer's Mineral Technologies business is the world leader in fine physical mineral separation solutions, including spiral gravity concentrators and 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.

ALL OTHER SEGMENTS

All other segments reflect the contribution of divested business units of Mining and Hospitality in the pcp. As the divestment program is complete, there was no contribution to the Group results during the period.

DIVIDENDS

The Downer Board resolved to pay an interim dividend of 5.0 cents per share, unfranked, payable on 11 April 2023 to shareholders on the register at 13 March 2023. The portion of the unfranked dividend amount that will be paid out of Conduit Foreign Income (CFI) is 44.0%.[1]

The Board also determined to continue to pay a fully imputed dividend on the ROADS security, which having been reset on 15 June 2022 has a yield of 8.14% per annum payable quarterly in arrears, with the next payment due on 15 March 2023. As this dividend is fully imputed (the New Zealand equivalent of being fully franked), the actual cash yield paid by Downer will be 5.86% per annum until the next reset date.

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

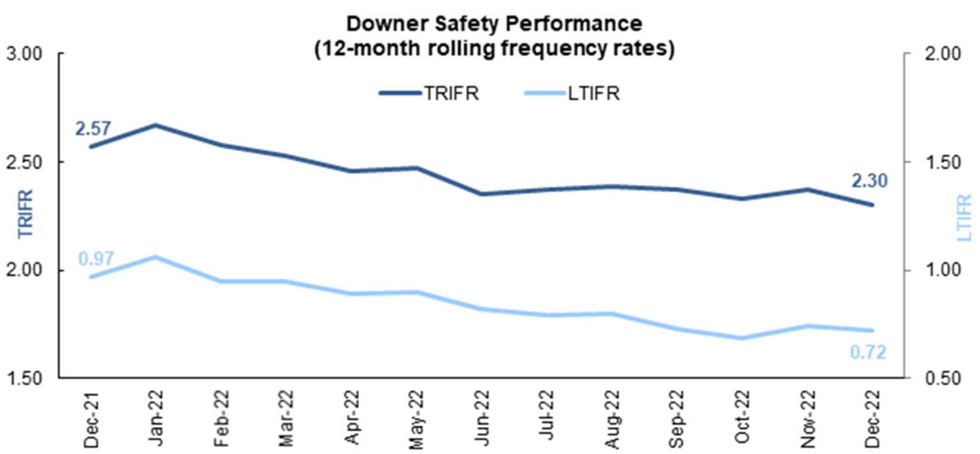
ZERO HARM

Downer's Lost Time Injury Frequency Rate (LTIFR) decreased to 0.72 from 0.97 and its Total Recordable Injury Frequency Rate (TRIFR) decreased to 2.30 from 2.57 per million hours worked[2].

Tragically, in December 2022, an employee from Downer's Utilities business was undertaking meter reading duties for our customer, Energy Queensland, on a property in Greenbank, south of Brisbane, when fatally attacked by dogs on the property.

Downer extends its sincerest condolences to the worker's family and colleagues and continue to support them following this tragic incident.

Downer Group Safety Performance (12-month rolling frequency rates)



[1] This is relevant only for non-resident shareholders. The effect is that the portion of the unfranked dividend paid out of CFI is not subject to Australian dividend withholding tax.

[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 plus medically treated injuries (MTIs) for employees and contractors. Total Recordable Injury Frequency Rate (TRIFR) is the number of TRIs per million hours worked.

OUTLOOK

On 8 December 2022, Downer announced that it had revised its guidance for FY23 as trading for October and November indicated that guidance was unlikely to be met. Guidance was restated as $210 million – $230 million NPATA assuming no further material COVID-19, weather, labour shortages or other disruptions and excluding any prior period impact from the Utilities revenue recognition issue.

Since 8 December, as part of the half year reporting process, Downer has conducted a detailed re-forecast review and considers it appropriate to further adjust the guidance for the following items:

- Losses associated with the Utilities power maintenance contract. Whilst the contract is not considered onerous, further losses will impact H2 until the contract reset and recovery plan take effect ($12 million post tax);
- Heightened risk of Water project losses due to unrecoverable prolongation costs as storms and flooding continue to impact completion ($12 million post tax);
- A slowdown in Government minor capital works based on recent customer feedback ($8 million post tax); and
- The impact of recent floods and storms in the North Island of New Zealand have materially impacted current operations and whilst we expect this to present opportunities in FY24, the 2H23 pipeline has been impacted ($8 million post tax).

Downer now expects underlying FY23 NPATA to be between $170 million – $190 million assuming no further material COVID-19, weather, labour shortages or other disruptions, and excluding restructuring costs.

SUBSEQUENT EVENTS

- On 6 February 2023 it was announced that Downer had been selected as the preferred applicant to deliver the Queensland Train Manufacturing Program (QTMP) which will include design, manufacture, commissioning and maintenance of rollingstock fleet.
- On 22 February 2023, the Group announced it had entered into an agreement to sell its Australian Transport Projects business to a wholly owned Australian subsidiary of Gamuda Berhad (Gamuda), a large engineering and construction company listed in Malaysia. The sale price represents an enterprise value of $212 million and Downer will receive cash proceeds at the completion of the transaction, which is subject to Foreign Investment Review Board approval and other customary conditions, and is expected to occur before 30 June 2023.
- On 24 February 2023 the Group entered into a Relief agreement in one of Downer's maintenance contracts in its Australian Utilities business.
- Downer has not incurred any significant damage to its assets resulting from the floods and storms events in the North Island of New Zealand in January and February 2023, however the events will materially impact operational performance through the remainder of the financial year.

Apart from matters identified above, no other matters or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

Auditor's independence declaration

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

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

M P Chellew
Chairman

G A Fenn
Managing Director and Chief Executive Officer

Sydney, 27 February 2023

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 2022 there have been:

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

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

KPMG

KPMG

Nigel Virgo

Partner

Sydney

27 February 2023

KPMG

Independent Auditor's Review Report

To the shareholders of Downer EDI Limited

Conclusion

We have reviewed the accompanying ***Condensed Consolidated 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 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 2022 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 Financial Report*** comprises:

- Condensed Consolidated Statement of Financial Position as at 31 December 2022;
- Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the Half-year ended on that date;
- Notes A to D comprising a summary of significant accounting policies and other explanatory information; and
- 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 these requirements.

Emphasis of matter – restatement of comparative balances

Without modifying our review conclusion expressed above, we draw attention to Note A to the Condensed Consolidated Financial Report, which states that amounts reported previously in the 30 June 2022 and 31 December 2021 financial reports have been restated for one maintenance contract.

KPMG

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; and*
- 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 Half-year Financial Report

Our responsibility is to express a conclusion on the 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 2022 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

KPMG

Nigel Virgo	Stephen Isaac
Partner	*Partner*

Sydney

27 February 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2022

	Note	Dec 2022 $'m	Restated[i] Dec 2021 $'m
Revenue		**5,693.1**	5,438.7
Other income		**17.7**	131.6
Total revenue and other income	B2	**5,710.8**	5,570.3
Employee benefits expense	B3	**(1,756.8)**	(1,892.2)
Subcontractor costs		**(2,405.6)**	(2,074.5)
Raw materials and consumables used		**(739.7)**	(655.8)
Plant and equipment costs		**(222.3)**	(249.0)
Depreciation on leased assets		**(74.9)**	(83.9)
Other depreciation and amortisation		**(85.9)**	(94.4)
Impairment of non-current assets	B4	**-**	(38.8)
Other expenses from ordinary activities		**(311.3)**	(329.7)
Total expenses		**(5,596.5)**	(5,418.3)
Share of net profit of joint ventures and associates	D5	**15.5**	15.4
Earnings before interest and tax		**129.8**	167.4
Finance income		**3.0**	1.1
Lease finance costs		**(10.8)**	(11.7)
Other finance costs		**(32.5)**	(35.2)
Net finance costs		**(40.3)**	(45.8)
Profit before income tax		**89.5**	121.6
Income tax expense		**(21.4)**	(35.8)
Profit after income tax		**68.1**	85.8
Profit for the period is attributable to:			
- Non-controlling interest		**-**	0.4
- Members of the parent entity		**68.1**	85.4
Profit for the period		**68.1**	85.8
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
- Change in fair value of unquoted equity investments		**0.2**	-
Items that may be reclassified subsequently to profit or loss			
- Exchange differences arising on translation of foreign operations		**17.6**	1.9
- Net gain on foreign currency forward contracts taken to equity		**1.1**	1.6
- Net (loss)/gain on cross currency and interest rate swaps taken to equity		**(9.9)**	9.4
- Income tax effect of items above		**2.6**	(3.2)
Other comprehensive income for the period (net of tax)		**11.6**	9.7
Other comprehensive income for the period is attributable to:			
- Non-controlling interest		**-**	(0.3)
- Members of the parent entity		**11.6**	10.0
Other comprehensive income for the period		**11.6**	9.7
Total comprehensive income for the period		**79.7**	95.5
Earnings per share (cents)			
Basic earnings per share	B5	**9.3**	11.9
Diluted earnings per share	B5	**9.3**	11.8

(i) December 2021 results have been restated (Refer to Note A for further details).

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 21 to 48.

Condensed Consolidated Statement of Financial Position
as at 31 December 2022

	Note	Dec 2022 $'m	Restated(i) Jun 2022 $'m
ASSETS			
Current assets			
Cash and cash equivalents		**450.4**	738.5
Trade receivables and contract assets	D1	**1,911.2**	1,921.2
Other financial assets	C6	**9.0**	28.2
Inventories		**271.4**	208.9
Current tax assets		**40.8**	40.1
Prepayments and other assets		**37.5**	59.3
Assets held for sale	D8	**163.3**	-
Total current assets		**2,883.6**	2,996.2
Non-current assets			
Trade receivables and contract assets	D1	**122.7**	121.6
Equity accounted investments	D5	**158.8**	162.8
Property, plant and equipment	D3	**916.6**	924.4
Right-of-use assets		**437.5**	436.2
Intangible assets	D4	**2,701.5**	2,741.4
Other financial assets	C6	**50.4**	32.7
Deferred tax assets		**4.0**	3.8
Prepayments and other assets		**16.2**	10.1
Total non-current assets		**4,407.7**	4,433.0
Total assets		**7,291.3**	7,429.2
LIABILITIES			
Current liabilities			
Trade payables and contract liabilities	D2	**1,951.1**	2,208.1
Borrowings	C1	**46.7**	-
Lease liabilities		**134.0**	132.4
Other financial liabilities	C6	**18.9**	26.4
Employee benefits provision		**277.6**	303.5
Other provisions		**56.4**	54.5
Current tax liabilities		**0.7**	5.2
Liabilities held for sale	D8	**145.4**	-
Total current liabilities		**2,630.8**	2,730.1
Non-current liabilities			
Trade payables and contract liabilities	D2	**49.4**	46.5
Borrowings	C1	**1,342.6**	1,361.7
Lease liabilities		**408.5**	411.5
Other financial liabilities	C6	**2.7**	5.0
Employee benefits provision		**16.4**	18.7
Other provisions		**19.2**	18.8
Deferred tax liabilities		**34.5**	25.1
Total non-current liabilities		**1,873.3**	1,887.3
Total liabilities		**4,504.1**	4,617.4
Net assets		**2,787.2**	2,811.8
EQUITY			
Issued capital	C3	**2,642.4**	2,660.2
Reserves	C4	**23.6**	12.1
Retained earnings		**121.2**	139.5
Total equity		**2,787.2**	2,811.8

(i) Balances have been restated (Refer to Note A for further details).

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 21 to 48.

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2022

Dec 2022 $'m	Issued capital	Reserves	Retained earnings	Total
Balance at 1 July 2022	**2,660.2**	**12.1**	**161.7**	**2,834.0**
Prior period restatement in relation to revenue recognition[(i)]	**-**	**-**	**(22.2)**	**(22.2)**
Restated balance at 1 July 2022	**2,660.2**	**12.1**	**139.5**	**2,811.8**
Profit after income tax	**-**	**-**	**68.1**	**68.1**
Other comprehensive income for the year (net of tax)	**-**	**11.6**	**-**	**11.6**
Total comprehensive income for the period	**-**	**11.6**	**68.1**	**79.7**
Share-based employee benefits expense	**-**	**(0.4)**	**-**	**(0.4)**
Income tax relating to share-based transactions	**-**	**0.3**	**-**	**0.3**
Group on-market share buy-back	**(17.8)**	**-**	**-**	**(17.8)**
Payment of dividends[(ii)]	**-**	**-**	**(86.4)**	**(86.4)**
Balance at 31 December 2022	**2,642.4**	**23.6**	**121.2**	**2,787.2**

Dec 2021 $'m	Issued capital	Reserves	Retained earnings	Total attributable to owners of the parent	Non-controlling interest	Total
Balance at 1 July 2021	2,802.6	(31.2)	181.5	2,952.9	4.5	2,957.4
Prior period restatement in relation to revenue recognition[(i)]	-	-	(10.6)	(10.6)	-	(10.6)
Restated balance at 1 July 2021	2,802.6	(31.2)	170.9	2,942.3	4.5	2,946.8
Profit after income tax[(i)]	-	-	85.4	85.4	0.4	85.8
Other comprehensive income for the year (net of tax)	-	10.0	-	10.0	(0.3)	9.7
Total comprehensive income for the period	-	10.0	85.4	95.4	0.1	95.5
Vested executive incentive share transactions	0.2	(0.2)	-	-	-	-
Vested Downer Contingent Share Options[(iii)]	-	16.0	-	16.0	-	16.0
Share-based employee benefits expense	-	2.0	-	2.0	-	2.0
Group on-market share buy-back	(99.0)	-	-	(99.0)	-	(99.0)
Disposal of business	-	7.2	-	7.2	(4.6)	2.6
Payment of dividends[(iv)]	-	-	(86.7)	(86.7)	-	(86.7)
Restated balance at 31 December 2021	2,703.8	3.8	169.6	2,877.2	-	2,877.2

(i) Balances have been restated (Refer to Note A for further details).

(ii) Relates to the 2022 final dividend and $5.3 million ROADS dividends paid during the financial period.

(iii) On 24 August 2021, the Target Price Condition of the Tranche 1 Series Downer Contingent Share Option was satisfied resulting in 2,499,264 shares exercised at $6.382 per share.

(iv) Relates to the 2021 final dividend and $3.0 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 21 to 48.

Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2022

	Note	Dec 2022 $'m	Dec 2021 $'m
Cash flows from operating activities			
Receipts from customers		**6,099.6**	6,349.8
Payments to suppliers and employees		**(6,095.4)**	(6,067.3)
Distributions from equity accounted investees	D5	**19.7**	11.6
Net cash generated by operating activities before interest and tax		**23.9**	294.1
Interest received		**2.5**	1.0
Interest paid on lease liabilities		**(10.8)**	(11.7)
Interest and other costs of finance paid		**(31.9)**	(37.1)
Income tax (paid)/received		**(19.1)**	24.1
Net cash (used in)/generated by operating activities		**(35.4)**	270.4
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**15.7**	44.6
Payments for property, plant and equipment		**(85.8)**	(117.9)
Payments for intangible assets		**(14.4)**	(22.8)
Payments of deferred consideration on acquisition of businesses	D6	**-**	(0.1)
Payments for acquisition of businesses (net of cash acquired)	D6	**-**	(22.8)
Proceeds from sale of business (net of cash disposed)	D7	**-**	247.6
Investment in equity accounted and other investments		**(6.9)**	(0.8)
Advances from/(to) equity accounted investments		**1.6**	(9.8)
Net cash (used in)/generated by investing activities		**(89.8)**	118.0
Cash flows from financing activities			
Group on-market share buy-back	C3	**(17.8)**	(99.0)
Proceeds from borrowings		**7,029.0**	5,214.8
Repayments of borrowings		**(7,010.1)**	(5,468.5)
Payment of principal of lease liabilities		**(81.9)**	(85.0)
Dividends paid		**(86.4)**	(86.7)
Net cash used in financing activities		**(167.2)**	(524.4)
Net decrease in cash and cash equivalents		**(292.4)**	(136.0)
Cash and cash equivalents at the beginning of the period		**738.5**	811.4
Effect of exchange rate changes		**4.3**	1.3
Cash and cash equivalents at the end of the period		**450.4**	676.7

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 21 to 48.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

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).*

The Financial Report does not include all the information required for an annual financial report and should be read in conjunction with the 2022 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.

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 27 February 2023.

New Accounting Standards

(a) New and amended accounting standards and interpretations 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 2022, as follows:

- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments.*
  - *Amendments to AASB 137 - Onerous Contracts - Cost of Fulfilling a Contract.*
  - *Amendments to AASB 116 - Property, Plant and Equipment: Proceeds before Intended Use.*
  - *Reference to the Conceptual Framework (Amendments to AASB 3).*

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

(b) New accounting standards and interpretations not yet adopted

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

- AASB 2020-1 and 2020-6 *Classification of liabilities as current or non-current.*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates.*
- AASB 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.*
- AASB 17 *Insurance Contracts.*
- AASB 2020-5 *Amendments to Australian Accounting Standards - Insurance Contracts.*
- AASB 2022-1 *Amendments to Australian Accounting Standards - Initial Application of AASB 17 and AASB 9 - Comparative Information.*
- *Amendments to AASB 16 Leases - Lease Liability in a Sale and Leaseback.*
- AASB 2014-10 *Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

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 condensed consolidated financial report. 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 2022 Annual Report.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

Restatement of comparative balances

Downer has identified certain accounting adjustments in its Australian Utilities business involving historical misreporting of revenue and contract assets in one of Downer's maintenance contracts. As a consequence, the Group identified accounting adjustments to prior periods, including financial years 2020, 2021 and 2022 in relation to the measure of progress. The adjustments have been corrected by restating each of the affected financial statement line items for prior periods.

Opening retained earnings has been restated. The following tables summarises the impacts on the Group's Condensed Consolidated financial statements.

i. Impact on Condensed Consolidated Statement of Financial Position

	Note	30-Jun-22 Reported $'m	Adjustment $'m	30-Jun-22 Restated $'m
Trade receivables and contract assets (Current)	D1	1,953.0	(31.8)	1,921.2
Other assets		5,508.0	-	5,508.0
Total assets		**7,461.0**	**(31.8)**	**7,429.2**
Deferred tax liabilities		34.7	(9.6)	25.1
Other liabilities		4,592.3	-	4,592.3
Total liabilities		**4,627.0**	**(9.6)**	**4,617.4**
Net assets		**2,834.0**	**(22.2)**	**2,811.8**
Retained earnings		161.7	(22.2)	139.5
Other equity		2,672.3	-	2,672.3
Total equity		**2,834.0**	**(22.2)**	**2,811.8**

Note: Opening Retained Earnings at 1 July 2021 has been adjusted by $10.6 million as a result of the restatement.

ii. Impact on Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	31-Dec-21 Reported $'m	Adjustment $'m	31-Dec-21 Restated $'m
Revenue		5,443.3	(4.6)	5,438.7
Other income		131.6	-	131.6
Total revenue and other income	B2	**5,574.9**	**(4.6)**	**5,570.3**
Total expenses		**(5,418.3)**	**-**	**(5,418.3)**
Share of net profit of joint ventures and associates		15.4	-	15.4
Earnings before interest and tax		**172.0**	**(4.6)**	**167.4**
Net finance costs		(45.8)	-	(45.8)
Profit before income tax		**126.2**	**(4.6)**	**121.6**
Income tax expense		(37.2)	1.4	(35.8)
Profit after income tax		**89.0**	(3.2)	85.8
Other comprehensive income for the period		9.7	-	9.7
Total comprehensive income for the period		**98.7**	(3.2)	95.5

iii. Impact on total earnings per share

	Note	31-Dec-21 Reported	Adjustment	31-Dec-21 Restated
Basic earnings per share (cents)	B5	12.4	(0.5)	11.9
Diluted earnings per share (cents)	B5	12.3	(0.5)	11.8

There is no impact on the condensed consolidated statement of cash flows resulting from the restatement.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

B
Business performance

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.

The reportable segments are based on a combination of operating segments determined by the similarity of the services provided, the sources of the Group's major risks that could therefore have the greatest effect on the rates of return and their quantitative contribution to the Group's results. On 1 September 2022, the Power Systems business unit, transitioned to the Utilities Division to consolidate Utilities work under a single division creating synergies and further opportunities in the Power, Water and Renewables sectors. Consequently, Power Systems now forms part of the Utilities segment (previously reported as part of the Transport segment). As a result, prior period comparative segment information has been restated.

The reportable segments identified within the Group are outlined as follows:

Segment	Segment description
Transport	Comprises the Group's road services, transport infrastructure and rail businesses. Downer's road and transport infrastructure services include: road network management; routine road maintenance; asset management systems; spray sealing; asphalt laying; manufacture and supply of bitumen-based products and asphalt products; the use of recycled products and environmentally sustainable methods to produce asphalt; landfill diversion solutions; intelligent transport systems; design and construction of light rail and heavy rail networks; signalling; track and station works; rail safety technology; and bridges. The Rail business spans all light rail and heavy rail sectors, from rollingstock to infrastructure; from design and manufacture to through-life-support including fleet maintenance, operations and comprehensive overhaul of assets.
Utilities	Comprises the Group's power, gas, water and telecommunications businesses. This includes: planning, designing, constructing, operating, maintaining, managing and decommissioning power and gas network assets; providing complete water lifecycle solutions for municipal and industrial water users including water and wastewater treatment, network construction and rehabilitation; and end-to-end technology and communications solutions including design, civil construction, network construction, operations and maintenance across fibre, copper and radio networks.
Facilities	Facilities operates in Australia and New Zealand and provides outsourced facility services to customers across a diverse range of industry sectors including: defence; education; government; healthcare; resources; leisure; assets services and hospitality. Facilities provides technical and engineering services; maintenance and asset management services including shutdowns, turnaround and outage delivery; operations maintenance, refrigeration solutions and ongoing management of strategic assets across a range of sectors. It also provides feasibility studies; engineering design; procurement and construction; commissioning and decommissioning services; and design and manufacture of mineral process equipment as well as building and construction solutions across a variety of sectors in New Zealand.
All other segments	Prior period comprises of the Group's Mining operating segment. The Mining divestment was completed with Otraco and Open Cut Mining East disposed of during the financial year ended 30 June 2022.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

The performance of the reportable segments identified within the Group is presented below:

Dec 2022 $'m	Transport	Utilities	Facilities	All other segments	Unallocated	Total
Segment revenue and other income	**2,308.5**	**1,136.2**	**2,250.9**	**-**	**15.2**	**5,710.8**
Share of sales revenue from joint ventures and associates[i]	**389.6**	**-**	**-**	**-**	**44.3**	**433.9**
Total revenue including joint ventures and other income[i]	**2,698.1**	**1,136.2**	**2,250.9**	**-**	**59.5**	**6,144.7**
EBIT before amortisation of acquired intangibles (EBITA)	**88.7**	**(5.2)**	**99.0**	**-**	**(39.6)**	**142.9**
Amortisation of acquired intangibles	**(1.9)**	**(0.2)**	**(2.9)**	**-**	**(8.1)**	**(13.1)**
Total reported segment results (EBIT)	**86.8**	**(5.4)**	**96.1**	**-**	**(47.7)**	**129.8**

Dec 2021 Restated[ii] $'m	Transport	Utilities	Facilities	All other segments	Unallocated	Total
Segment revenue and other income	2,295.6	1,011.9	2,012.3	242.8	7.7	5,570.3
Share of sales revenue from joint ventures and associates[i]	369.2	-	0.3	-	30.5	400.0
Total revenue including joint ventures and other income[i]	2,664.8	1,011.9	2,012.6	242.8	38.2	5,970.3
EBIT before amortisation of acquired intangibles (EBITA)	103.8	40.5	76.6	8.1	(47.4)	181.6
Amortisation of acquired intangibles	(2.2)	(0.1)	(2.9)	-	(9.0)	(14.2)
Total reported segment results (EBIT)	101.6	40.4	73.7	8.1	(56.4)	167.4

(i) This is a non-statutory disclosure as it relates to Downer's share of revenue from equity accounted joint ventures and associates.
(ii) Restated to reflect the changes in operating segments described above and to include the accounting adjustment as described in Note A.

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

	Note	Segment results Dec 2022 $'m	Segment results Restated[i] Dec 2021 $'m
Segment EBIT		**177.5**	223.8
Unallocated:			
Fair value movement on DCSO liability	B4	**9.3**	(5.4)
Divestments and exit costs	B4	**-**	(65.4)
Portfolio restructure costs	B4	**-**	(7.6)
Bid costs	B4	**-**	(2.8)
Gain on sale of property, plant and equipment	B4	**-**	85.8
Amortisation of Spotless and Tenix acquired intangible assets		**(8.1)**	(9.0)
Corporate costs		**(48.9)**	(52.0)
Total unallocated		**(47.7)**	(56.4)
Earnings before interest and tax		**129.8**	167.4
Net finance costs		**(40.3)**	(45.8)
Profit before income tax		**89.5**	121.6
Income tax expense		**(21.4)**	(35.8)
Profit after income tax		**68.1**	85.8

(i) December 2021 results have been restated (Refer to Note A for further details).

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

B2. Revenue

Revenue and other income

Dec 2022 $'m	Transport	Utilities	Facilities	All other segments	Unallocated	Total
Rendering of services	**1,401.9**	**918.7**	**1,783.6**	**-**	**-**	**4,104.2**
Construction contracts	**770.7**	**213.1**	**440.4**	**-**	**-**	**1,424.2**
Sale of goods	**125.4**	**3.7**	**26.4**	**-**	**-**	**155.5**
Total revenue from contracts with customers	**2,298.0**	**1,135.5**	**2,250.4**	**-**	**-**	**5,683.9**
Other revenue	**3.3**	**-**	**-**	**-**	**5.9**	**9.2**
Total revenue	**2,301.3**	**1,135.5**	**2,250.4**	**-**	**5.9**	**5,693.1**
Government grants(i)	**0.3**	**0.4**	**0.2**	**-**	**-**	**0.9**
Gain on sale of property, plant and equipment	**7.1**	**0.1**	**0.3**	**-**	**-**	**7.5**
Other	**(0.2)**	**0.2**	**-**	**-**	**9.3**	**9.3**
Other income	**7.2**	**0.7**	**0.5**	**-**	**9.3**	**17.7**
Total revenue and other income	**2,308.5**	**1,136.2**	**2,250.9**	**-**	**15.2**	**5,710.8**
Share of sales revenue from joint ventures and associates(ii)	**389.6**	**-**	**-**	**-**	**44.3**	**433.9**
Total revenue including joint ventures and other income(ii)	**2,698.1**	**1,136.2**	**2,250.9**	**-**	**59.5**	**6,144.7**

Dec 2021 Restated(iii) $'m	Transport	Utilities	Facilities	All other segments	Unallocated	Total
Rendering of services	1,245.6	507.8	1,565.5	240.9	-	3,559.8
Construction contracts	835.2	497.8	419.1	0.3	-	1,752.4
Sale of goods	93.7	1.1	20.5	0.7	-	116.0
Total revenue from contracts with customers	2,174.5	1,006.7	2,005.1	241.9	-	5,428.2
Other revenue	3.0	-	0.1	1.5	5.9	10.5
Total revenue	2,177.5	1,006.7	2,005.2	243.4	5.9	5,438.7
Government grants(iv)	8.0	4.5	4.3	-	-	16.8
Insurance recoveries	-	-	-	-	1.8	1.8
Gain on sale of property, plant and equipment	104.8	-	-	-	-	104.8
Other	5.3	0.7	2.8	(0.6)	-	8.2
Other income	118.1	5.2	7.1	(0.6)	1.8	131.6
Total revenue and other income	2,295.6	1,011.9	2,012.3	242.8	7.7	5,570.3
Share of sales revenue from joint ventures and associates(ii)	369.2	-	0.3	-	30.5	400.0
Total revenue including joint ventures and other income(ii)	2,664.8	1,011.9	2,012.6	242.8	38.2	5,970.3

(i) Government grants represents incentives received under the New Zealand Government's COVID leave support scheme available to eligible businesses impacted by the COVID-19 pandemic.
(ii) This is a non-statutory disclosure as it relates to Downer's share of revenue from equity accounted joint ventures and associates.
(iii) Revenue disclosures have been restated to reflect the changes in operating segments described in Note B1 and to include the accounting adjustment as described in Note A.
(iv) Government grants represents incentives received under the New Zealand Government's wage support scheme available to eligible businesses impacted by the COVID-19 pandemic.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

Revenue from contracts with customers by geographical location

Dec 2022 $'m	Transport	Utilities	Facilities	All other segments	Unallocated	Total
Geographical location[i]						
Australia	**1,656.0**	**869.6**	**1,620.0**	**-**	**-**	**4,145.6**
New Zealand and Pacific	**642.0**	**265.9**	**612.7**	**-**	**-**	**1,520.6**
Rest of the world	**-**	**-**	**17.7**	**-**	**-**	**17.7**
Total revenue from contracts with customers	**2,298.0**	**1,135.5**	**2,250.4**	**-**	**-**	**5,683.9**

Dec 2021 Restated[ii] $'m	Transport	Utilities	Facilities	All other segments	Unallocated	Total
Geographical location[i]						
Australia	1,582.2	766.1	1,495.8	228.3	-	4,072.4
New Zealand and Pacific	592.3	240.6	497.3	-	-	1,330.2
Rest of the world	-	-	12.0	13.6	-	25.6
Total revenue from contracts with customers	2,174.5	1,006.7	2,005.1	241.9	-	5,428.2

(i) Revenue is allocated based on the geographical location of the legal entity.
(ii) Revenue disclosures have been restated to reflect the changes in operating segments described in Note B1 and to include the accounting adjustment as described in Note A.

B3. Employee benefits expense

	Dec 2022 $'m	Dec 2021 $'m
Defined contribution plans costs	**106.0**	101.0
Share-based employee benefits expense[i]	**(0.4)**	2.0
Other employee benefits	**1,651.2**	1,789.2
Total employee benefits expense	**1,756.8**	1,892.2

(i) Share-based payments net benefit for the period includes the reversal for the 2021 Long-term Incentive Plan performance rights due to forfeiture.

B4. Individually significant items

Current period

The following material items of income, forming part of the unallocated segment are relevant to an understanding of the Group's financial performance.

Dec 2022 $'m	Fair value movement on DCSO liability
Other Income	**9.3**
Profit after interest and tax	**9.3**

Fair value movement on Downer Contingent Share Options (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 (the Downer Contingent Share Options or DCSO). 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 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income. Since 30 June 2022, the fair value of the DCSO has decreased by $9.3 million, which has been recognised through 'Other income' in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income during the period. This income is driven by the decrease in Downer’s share price from $5.05 at 30 June 2022 to $3.71 at 31 December 2022.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

Prior period

The Group recognised the following items as individually significant as at 31 December 2021:

Dec 2021 $'m	Fair value movement on DCSO liability	Divestments and exit costs	Portfolio restructure costs	Bid costs	Gain on sale of PP&E	Total
Other income	-	-	-	-	(104.8)	(104.8)
Loss on disposal of businesses	-	13.1	-	-	-	13.1
Impairment of non-current assets	-	38.8	-	-	-	38.8
Employee benefits expense	-	3.5	7.6	0.7	-	11.8
Other expenses from ordinary activities	5.4	10.0	-	2.1	19.0	36.5
Loss/(profit) before interest and tax	5.4	65.4	7.6	2.8	(85.8)	(4.6)
Income tax (benefit)/expense	-	(19.4)	(2.3)	(0.8)	25.7	3.2
Loss/(profit) after interest and tax	5.4	46.0	5.3	2.0	(60.1)	(1.4)

Fair value movement on Downer Contingent Share Option (DCSO) liability
Since 30 June 2021, and primarily driven by the movement in Downer's share price from $5.59 at 30 June 2021 to $5.96 at 31 December 2021, the fair value of the DCSO increased by $5.4 million, which has been expensed through 'Other expenses' in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Divestments and exit costs
The divestment program was completed following the disposal of Otraco on 1 December 2021, the sale of Open Cut Mining East on 17 December 2021, and the exit from a number of Hospitality contracts. Assets previously utilised by those businesses are no longer utilised by the Group and have been written-off. The material elements of divestment and exit costs include:
- $13.1 million net pre-tax loss (including disposal costs) from the disposal of Otraco and Open Cut East (OCE). Refer to Note D7.
- $52.3 million pre-tax exit costs, relating to impairments of IT infrastructure and applications ($25.5 million), impairment of right-of-use assets and leasehold improvements for leased properties ($13.3 million); and inventory write-offs and other exit costs totalling $13.5 million.

Portfolio restructure costs
As a result of the divestment program, Downer has reduced management overhead with restructuring costs of $7.6 million expensed.

Bid costs
In the process of tendering for Queensland Train Manufacturing Program, Downer incurred $2.8 million in bid costs.

Gain on sale of property, plant and equipment
Downer received notice from Sydney Metro of its intention to compulsorily acquire Downer's land at 1A Unwin Street, Rosehill for the purposes of the Sydney Metro West project.

The site was used to operate Downer's primary Asphalt and recycling operations in Sydney.

Sydney Metro and Downer reached agreement under the Land Acquisition (Just Terms Compensation) Act on the compensation payable to Downer for the acquisition.

The transaction has resulted in Sydney Metro reimbursing Downer, on a like for like basis, for the actual costs incurred on the construction and commissioning of a replacement facility.

Downer completed the construction of replacement facility, also in Rosehill, without any disruptions to its operations.

The difference between the historical written-down book value of the existing facility, the reimbursement of costs for the replacement facility and relocation costs has been recognised as a $60.1 million after tax gain for the period ended 31 December 2021.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

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 2022	Restated[(i)] Dec 2021
Profit attributable to members of the parent entity ($'m)	**68.1**	85.4
Adjustment to reflect ROADS dividends paid ($'m)	**(5.3)**	(3.0)
Profit attributable to members of the parent entity used in calculating basic EPS ($'m)	**62.8**	82.4
Weighted average number of ordinary shares (WANOS) on issue (m's)[(ii)]	**672.6**	690.8
Basic earnings per share (cents)	**9.3**	11.9

Diluted earnings per share

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

	Dec 2022	Restated[(i)] Dec 2021
Profit attributable to members of the parent entity ($'m)	**68.1**	85.4
Weighted average number of ordinary shares		
– Weighted average number of ordinary shares (WANOS) on issue (m's)[(ii) (iii)]	**672.6**	690.8
– WANOS adjustment to reflect potential dilution for ROADS (m's)[(iv)]	**39.7**	31.8
WANOS used in the calculation of diluted EPS (m's)	**712.3**	722.6
Diluted earnings per share (cents)[(v)]	**9.3**	11.8

(i) December 2021 results have been restated (Refer to Note A for further details).
(ii) The WANOS on issue has been adjusted by the weighted average effect of the unvested executive incentive shares.
(iii) For diluted earnings per share, the WANOS has been further adjusted by the potential vesting of executive incentive shares.
(iv) 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 $187.3 million (December 2021: $188.4 million), divided by the average market price of the Company's ordinary shares for the period 1 July 2022 to 31 December 2022 discounted by 2.5% according to the ROADS contract terms, which was $4.72 (December 2021: $5.91).
(v) At 31 December 2022, the ROADS were deemed anti-dilutive and consequently, diluted EPS remained at 9.3 cents per share.

B6. Subsequent events

On 6 February 2023 it was announced that Downer had been selected as the preferred applicant to deliver the Queensland Train Manufacturing Program (QTMP) which will include design, manufacture, commissioning and maintenance activities of rollingstock fleet.

On 22 February 2023, the Group announced it had entered into an agreement to sell its Australian Transport Projects business to a wholly owned Australian subsidiary of Gamuda Berhad (Gamuda), a large engineering and construction company listed in Malaysia. The sale price represents an enterprise value of $212 million. Downer will receive cash proceeds at the completion of the transaction, which is subject to Foreign Investment Review Board approval and other customary conditions, which is expected to occur before 30 June 2023.

On 24 February 2023, the Group entered into a Relief agreement in one of Downer's maintenance contracts in its Australian Utilities business.

Downer has not incurred any significant damage to its assets resulting from the floods and storms events in the North Island of New Zealand in January and February 2023, however the events will materially impact operational performance through the remainder of the financial year.

Apart from the above matters identified in the financial statements or notes thereto, there has not been any matter or circumstance that has arisen since 31 December 2022 that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of Downer in the future.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

C
Capital structure and financing

C1. Borrowings

	Dec 2022 $'m	Jun 2022 $'m
Current		
Unsecured:		
– Bank loans	**50.0**	-
– Deferred finance charges	**(3.3)**	-
Total current borrowings	**46.7**	-
Non-current		
Unsecured:		
– Bank loans	**552.0**	582.0
– USD private placement notes	**147.5**	145.2
– AUD private placement notes	**30.0**	30.0
– AUD medium term notes	**507.5**	508.6
– JPY medium term notes	**110.9**	106.4
– Deferred finance charges	**(5.3)**	(10.5)
Total non-current borrowings	**1,342.6**	1,361.7
Total borrowings	**1,389.3**	1,361.7
Fair value of total borrowings[(i)]	**1,396.6**	1,384.5

(i) Excludes lease liabilities.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

C2. Financing facilities

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

	Dec 2022 $'m	Jun 2022 $'m
Syndicated loan facilities	**1,025.0**	1,010.0
Bilateral loan facilities	**160.0**	195.0
Total unutilised loan facilities	**1,185.0**	1,205.0
Syndicated bank guarantee facilities	**75.8**	61.7
Bilateral bank guarantees and insurance bonding facilities	**505.5**	530.1
Total unutilised bonding facilities	**581.3**	591.8

Summary of borrowing arrangements
The Group's borrowing arrangements are as follows:

Bank loan facilities
Bilateral loan facilities:
The Group has a total of $387.0 million in bilateral loan facilities which are unsecured, committed facilities.

Syndicated loan facilities:
The Group has $1,400.0 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 with a maturity date of July 2025. The USD denominated principal and interest amounts have been fully hedged against the Australian dollar through cross-currency interest rate swaps.

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

Medium Term Notes (MTNs)
The Group has the following unsecured MTNs on issue:
– $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 $7.5 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 of the Group's borrowing arrangements by financial year is represented in the below table by facility limit:

Maturing in the period $'m	Bilateral Loan Facilities	Syndicated Loan Facilities	USD Private Placement Notes	AUD Private Placement Notes	Medium Term Notes	Total
1 July 2023 to 30 June 2024(i)	**175.0**	**-**	**-**	**-**	**-**	**175.0**
1 July 2024 to 30 June 2025	**212.0**	**500.0**	**-**	**-**	**-**	**712.0**
1 July 2025 to 30 June 2026	**-**	**-**	**147.5**	**30.0**	**500.0**	**677.5**
1 July 2026 to 30 June 2027	**-**	**600.0**	**-**	**-**	**-**	**600.0**
1 July 2027 to 30 June 2028	**-**	**300.0**	**-**	**-**	**-**	**300.0**
1 July 2032 to 30 June 2033	**-**	**-**	**-**	**-**	**110.9**	**110.9**
Total	**387.0**	**1,400.0**	**147.5**	**30.0**	**610.9**	**2,575.4**

(i) Includes $50.0 million bilateral debt facility maturing in November 2023.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

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 its financial covenants as at 31 December 2022.

Bank guarantees and insurance bonds
The Group has $1,971.4 million of bank guarantee and insurance bond facilities to support its contracting activities. $1,066.6 million of these facilities are provided to the Group on a committed basis and $904.8 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. $1,390.1 million (refer to Note D9) of these facilities were utilised as at 31 December 2022 with $581.3 million unutilised. These facilities have varying maturity dates between financial years 2023, 2024 and 2025.

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 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 guarantee capacity.

Refinancing requirements
The Group will negotiate with existing and, where required, new financiers to extend the maturity date or refinance facilities maturing within the next 12 months. The Group's financial metrics and credit rating as well as conditions in financial markets and other factors may influence the outcome of these negotiations. As at 31 December 2022, the Group has $50.0 million bilateral debt facility maturing in the next 12 months.

Credit ratings
In December 2022, the outlook on the Group's external credit rating was revised by Fitch Ratings from BBB (Outlook Stable) to BBB (Outlook Negative). The rating remains Investment Grade. 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 statements

for the half-year ended 31 December 2022

C3. Issued capital

	Dec 2022		Jun 2022	
	No.	$'m	No.	$'m
Ordinary shares	**671,573,679**	**2,471.1**	675,425,623	2,488.9
Unvested executive incentive shares	**1,193,978**	**(7.3)**	1,193,978	(7.3)
Redeemable Optionally Adjustable Distributing Securities (ROADS)	**200,000,000**	**178.6**	200,000,000	178.6
Total		**2,642.4**		2,660.2

(a) Fully paid ordinary share capital

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

	Dec 2022		Jun 2022	
	m's	$'m	m's	$'m
Fully paid ordinary share capital				
Balance at the beginning of the financial period / year	**675.4**	**2,488.9**	696.9	2,631.5
Group on-market share buy-back	**(3.8)**	**(17.8)**	(24.0)	(142.6)
Vested Downer Contingent Share Option(i)	**-**	**-**	2.5	-
Balance at the end of the financial period / year	**671.6**	**2,471.1**	675.4	2,488.9

(b) Unvested executive incentive shares

	Dec 2022		Jun 2022	
	m's	$'m	m's	$'m
Unvested executive incentive shares				
Balance at the beginning of the financial period / year	**1.19**	**(7.3)**	1.25	(7.5)
Vested executive incentive share transactions(ii)	**-**	**-**	(0.06)	0.2
Balance at the end of the financial period / year	**1.19**	**(7.3)**	1.19	(7.3)

(i) On 24 August 2021, the Target Price Condition of the Tranche 1 Series Downer Contingent Share Option was satisfied resulting in 2,499,264 shares exercised at $6.382 per share. Refer to Note C4.

(ii) June 2022 figures relate to the second deferred component of the 2019 STI award of 55,277 vested shares for a value of $252,571.

Unvested executive incentive shares are stock market purchases and are held by the Executive Employee Share Plan Trust under the Long-Term Incentive (LTI) plan. From the 2011 LTI plan onwards, no dividends will be distributed on shares held in trust during the performance measurement and service periods. Accumulated dividends will be paid out to executives after all vesting conditions have been met. Otherwise, excess net dividends are retained in the trust to be used by the Company to acquire additional shares on the market for employee equity plans.

(c) Redeemable Optionally Adjustable Distributing Securities (ROADS)

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 2022 is 8.14% per annum (2021: 4.42% per annum) which is equivalent to the one year swap rate on 15 June 2022 of 4.09% per annum plus the step-up margin of 4.05% per annum.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

C4. Reserves

Dec 2022 $'m	Hedge reserve	Foreign currency translation reserve	Employee benefits reserve	Equity reserve	Fair value through OCI reserve	Total attributable to the members of the parent
Balance at 1 July 2022	**7.4**	**(39.1)**	**20.7**	**25.5**	**(2.4)**	**12.1**
Foreign currency translation difference	**-**	**17.6**	**-**	**-**	**-**	**17.6**
Change in fair value of cash flow hedges (net of tax)	**(6.2)**	**-**	**-**	**-**	**-**	**(6.2)**
Change in fair value of unquoted equity investments	**-**	**-**	**-**	**-**	**0.2**	**0.2**
Total comprehensive income for the period	**(6.2)**	**17.6**	**-**	**-**	**0.2**	**11.6**
Share-based employee benefits expense	**-**	**-**	**(0.4)**	**-**	**-**	**(0.4)**
Income tax relating to share-based transactions during the period	**-**	**-**	**0.3**	**-**	**-**	**0.3**
Balance at 31 December 2022	**1.2**	**(21.5)**	**20.6**	**25.5**	**(2.2)**	**23.6**

Jun 2022 $'m	Hedge reserve	Foreign currency translation reserve	Employee benefits reserve	Equity reserve	Fair value through OCI reserve	Total attributable to the members of the parent
Balance at 1 July 2021	(23.1)	(29.7)	14.7	9.5	(2.6)	(31.2)
Foreign currency translation difference	-	(16.6)	-	-	-	(16.6)
Actuarial movement on net defined benefit plan obligations	-	-	6.8	-	-	6.8
Income tax effect of actuarial movement on defined benefit plan obligations	-	-	(2.1)	-	-	(2.1)
Change in fair value of cash flow hedges (net of tax)	30.5	-	-	-	-	30.5
Change in fair value of unquoted equity investments	-	-	-	-	0.2	0.2
Total comprehensive income for the year	30.5	(16.6)	4.7	-	0.2	18.8
Vested executive incentive share transactions	-	-	(0.2)	-	-	(0.2)
Vested Downer Contingent Share Options	-	-	-	16.0	-	16.0
Share-based employee benefits expense	-	-	4.2	-	-	4.2
Income tax relating to share-based transactions during the year	-	-	(2.7)	-	-	(2.7)
Disposal of business	-	7.2	-	-	-	7.2
Balance at 30 June 2022	7.4	(39.1)	20.7	25.5	(2.4)	12.1

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

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 benefits 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 including the fair value of vested DCSO.

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.

C5. Dividends

(a) Ordinary shares

	2023 Interim	2022 Final	2022 Interim	2021 Final
Dividend per share (in Australian cents)	**5.0**	**12.0**	12.0	12.0
Franking percentage	**0%**	**0%**	0%	0%
Cost (in $'m)	**33.6**	**81.1**	81.8	83.7
Dividend record date	**13/3/23**	**31/8/22**	24/2/22	26/8/21
Payment date	**11/4/23**	**28/9/22**	24/3/22	23/9/21

The interim 2023 dividend has not been declared as at reporting date and therefore is not reflected in the condensed consolidated financial report.

(b) Redeemable Optionally Adjustable Distributing Securities (ROADS)

2023	Quarter 1	Quarter 2			Total to date
Dividend per ROADS (in Australian cents)	**1.29**	**1.37**			**2.66**
New Zealand imputation credit percentage	**100%**	**100%**			**100%**
Cost (in A$'m)	**2.6**	**2.7**			**5.3**
Payment date	**15/9/22**	**15/12/22**			

2022	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Dividend per ROADS (in Australian cents)	0.76	0.75	0.74	0.72	2.97
New Zealand imputation credit percentage	100%	100%	100%	100%	100%
Cost (in A$'m)	1.5	1.5	1.5	1.4	5.9
Payment date	15/9/21	15/12/21	15/3/22	15/6/22	

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

C6. Other financial assets and liabilities

Dec 2022 $'m	Financial assets Current	Financial assets Non-current	Financial liabilities Current	Financial liabilities Non-current
At amortised cost:				
Current				
Other financial assets	**4.1**	**17.1**	**-**	**-**
Advances to/from joint ventures and associates	**0.4**	**-**	**5.4**	**-**
Deferred consideration	**-**	**-**	**1.4**	**-**
	4.5	**17.1**	**6.8**	**-**
At fair value:				
Level 2				
Foreign currency forward contracts – Cash flow hedge	**1.8**	**0.7**	**2.8**	**-**
Cross-currency and interest rate swaps – Cash flow hedge	**2.7**	**15.7**	**4.9**	**2.7**
Downer Contingent Share Options (DCSO) financial instrument	**-**	**-**	**4.4**	**-**
	4.5	**16.4**	**12.1**	**2.7**
Level 3				
Unquoted equity investments – Fair value through OCI	**-**	**16.9**	**-**	**-**
	-	**16.9**	**-**	**-**
Total	**9.0**	**50.4**	**18.9**	**2.7**

Jun 2022 $'m	Financial assets Current	Financial assets Non-current	Financial liabilities Current	Financial liabilities Non-current
At amortised cost:				
Current				
Other financial assets	15.7	5.6	-	-
Advances to/from joint ventures and associates	0.3	-	3.6	-
Deferred consideration	4.5	-	0.2	1.3
	20.5	5.6	3.8	1.3
At fair value:				
Level 2				
Foreign currency forward contracts – Cash flow hedge	2.2	0.4	3.6	0.3
Cross-currency and interest rate swaps – Cash flow hedge	5.5	17.0	5.3	3.4
Downer Contingent Share Options (DCSO) financial instrument	-	-	13.7	-
	7.7	17.4	22.6	3.7
Level 3				
Unquoted equity investments – Fair value through OCI	-	9.7	-	-
	-	9.7	-	-
Total	28.2	32.7	26.4	5.0

Reconciliation of Level 3 fair value measurements of financial assets

The fair value of Level 3 investments has increased by $7.2 million from prior year (June 2022: $7.7 million increase) due to the $4.9 million investment in Evolution Rail (HCMT project), $2.1 million investment in a virtual reality technology company and $0.2 million investment revaluation.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

Recognition and measurement

Fair value measurement

When a derivative is designated as the cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Valuation of financial instruments

For financial instruments measured and carried at fair value, the Group uses the following to categorise the methods used:

- Level 1: fair value is calculated using quoted prices in active markets for identical assets or liabilities
- Level 2: fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: fair value is estimated using inputs for the asset or liability that are not based on observable market data.

During the year there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

The following table shows the valuation technique used in measuring Level 2 and 3 fair values, as well as significant unobservable inputs used:

Type	Valuation technique	Significant unobservable input
Cross-currency and interest rate swaps	Calculated using the present value of the estimated future cash flows based on observable yield curves.	Not applicable.
Foreign currency forward contracts	Calculated using forward exchange rates prevailing at the balance sheet date.	Not applicable.
Unquoted equity investments	Calculated based on the Group's interest in the net assets of the unquoted entities.	Assumptions are made with regard to future expected revenues and discount rates. Changing the inputs to the valuations to reasonably possible alternative assumptions would not significantly change the amounts recognised in profit or loss, total assets or total liabilities, or total equity.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

D
Other disclosures

D1. Trade receivables and contract assets

	Dec 2022 $'m	Restated[(i)] Jun 2022 $'m
Trade receivables	**648.7**	682.9
Contract assets[(ii)]	**1,349.8**	1,351.8
	1,998.5	2,034.7
Other receivables	**66.7**	40.5
Loss allowance on trade receivables and contract assets arising from contracts with customers	**(31.3)**	(32.4)
Total trade receivables and contract assets	**2,033.9**	2,042.8
Included in the financial statements as:		
Current[(i)]	**1,911.2**	1,921.2
Non-current	**122.7**	121.6

(i) Balances have been restated (Refer to Note A for further details).
(ii) Current contract assets: $1,228.3 million (restated June 2022: $1,231.2 million).

D2. Trade payables and contract liabilities

	Dec 2022 $'m	Jun 2022 $'m
Trade payables	**713.7**	785.0
Contract liabilities	**307.9**	364.6
Accruals	**831.6**	949.1
Other payables	**147.3**	155.9
Total trade payables and contract liabilities	**2,000.5**	2,254.6
Included in the financial statements as:		
Current	**1,951.1**	2,208.1
Non-current	**49.4**	46.5

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

D3. Property, plant and equipment

Dec 2022 $'m	Note	Freehold land and buildings	Plant, equipment and leasehold improve-ments	Total
Balance as at 1 July 2022		**87.5**	**836.9**	**924.4**
Additions		**0.1**	**84.6**	**84.7**
Disposals at net book value		**-**	**(3.6)**	**(3.6)**
Depreciation expense		**(1.1)**	**(58.3)**	**(59.4)**
Transferred to disposal group assets held for sale	D8	**(0.1)**	**(36.2)**	**(36.3)**
Net foreign currency exchange differences at net book value		**-**	**6.8**	**6.8**
Net book value as at 31 December 2022		**86.4**	**830.2**	**916.6**
Cost		**118.8**	**1,745.0**	**1,863.8**
Accumulated depreciation and impairment		**(32.4)**	**(914.8)**	**(947.2)**

Jun 2022 $'m	Freehold land and buildings	Plant, equipment and leasehold improve-ments	Total
Balance as at 1 July 2021	67.1	927.6	994.7
Additions	29.0	221.5	250.5
Acquisition of businesses	6.3	9.3	15.6
Disposals at net book value	(12.3)	(18.4)	(30.7)
Disposal of businesses	-	(164.7)	(164.7)
Depreciation expense	(2.2)	(122.5)	(124.7)
Impairment charge[(i)]	-	(10.4)	(10.4)
Net foreign currency exchange differences at net book value	(0.4)	(5.5)	(5.9)
Net book value as at 30 June 2022	87.5	836.9	924.4
Cost	118.6	1,748.0	1,866.6
Accumulated depreciation and impairment	(31.1)	(911.1)	(942.2)

(i) Impairment includes $7.2 million in relation to leasehold improvements write-off as a result of divestments (Note B4) and to assets damaged following the flooding/wet weather events in Queensland.

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 – power and gas	Working hours	Based on hours of use
Plant and equipment – other	3 to 25 years	Straight-line

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

D4. Intangible assets

Dec 2022 $'m	Note	Goodwill	Customer contracts and relation-ships	Brand names on acquisition	Intellectual property on acquisition	Software and system develop-ment	Total
Balance as at 1 July 2022		**2,285.0**	**172.5**	**58.7**	**1.5**	**223.7**	**2,741.4**
Additions		**-**	**-**	**-**	**-**	**23.1**	**23.1**
Amortisation expense		**-**	**(11.1)**	**(2.0)**	**-**	**(13.4)**	**(26.5)**
Transferred to disposal group assets held for sale	D8	**(41.3)**	**-**	**-**	**-**	**-**	**(41.3)**
Net foreign currency exchange differences at net book value		**4.2**	**-**	**0.5**	**-**	**0.1**	**4.8**
Net book value as at 31 December 2022		**2,247.9**	**161.4**	**57.2**	**1.5**	**233.5**	**2,701.5**
Cost		**2,565.3**	**515.3**	**79.1**	**2.4**	**530.0**	**3,692.1**
Accumulated amortisation and impairment		**(317.4)**	**(353.9)**	**(21.9)**	**(0.9)**	**(296.5)**	**(990.6)**

Jun 2022 $'m	Goodwill	Customer contracts and relation-ships	Brand names on acquisition	Intellectual property on acquisition	Software and system develop-ment	Total
Balance as at 1 July 2021	2,280.8	203.2	63.0	1.6	234.3	2,782.9
Additions	-	-	-	-	36.5	36.5
Acquisition of businesses(i)	7.8	-	-	-	-	7.8
Amortisation expense	-	(30.7)	(4.0)	(0.1)	(22.4)	(57.2)
Impairment charge(ii)	-	-	-	-	(24.6)	(24.6)
Net foreign currency exchange differences at net book value	(3.6)	-	(0.3)	-	(0.1)	(4.0)
Net book value as at 30 June 2022	2,285.0	172.5	58.7	1.5	223.7	2,741.4
Cost	2,602.4	515.1	78.5	2.4	504.6	3,703.0
Accumulated amortisation and impairment	(317.4)	(342.6)	(19.8)	(0.9)	(280.9)	(961.6)

(i) This relates to goodwill on acquisition of Fowlers. Refer to Note D6.

(ii) Impairment relates to ERP systems write-off as a result of divestments. Refer to Note B4.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

Impairment of assets
AASB 136 *Impairment of Assets* requires an entity to assess at each reporting date, whether there are any indicators that assets may be impaired. If any indicators exist, the entity shall estimate the recoverable amount of the asset.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Management have identified impairment indicators in relation to the increase in discount rates (WACC) and below budget performance in a number of CGUs.

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

No impairment has been identified in relation to any of the Group's non-current assets, CGUs or Groups of CGUs, with further disclosure provided below in relation to the impairment testing of goodwill.

Allocation of goodwill to Groups of Cash-Generating units

Goodwill has been allocated for impairment testing purposes to Groups of CGUs that represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The potential divestment of Transport Projects (presented as an Asset Held for Sale in Note D8) enabled an operational change impacting the Group's internal reporting structure and the level at which performance and goodwill is monitored for the Transport and Utilities CGUs. This has resulted in $152.9 million of goodwill in relation to the Power Systems business unit to be reclassified from the Transport to the Utilities Group of CGUs.

The goodwill allocation to each of the Groups of CGUs (hereafter 'CGUs') is presented below:

	Carrying value of consolidated goodwill	
	Dec 2022 $'m	Jun 2022 $'m
Transport Australia(i)	**241.6**	435.8
Rail and Transit Systems	**55.3**	55.3
Utilities Australia(ii)	**447.3**	294.4
New Zealand	**197.3**	193.1
Facilities	**1,306.4**	1,306.4
	2,247.9	2,285.0

(i) The Transport Australia goodwill has reduced by $194.2 million of which $152.9 million reflects the internal reorganisation in the period and $41.3 million of goodwill classified under Assets Held For Sale.

(ii) Utilities Australia CGU goodwill has increased by $152.9 million reflecting the internal reorganisation in the period.

Recoverable amount testing

The recoverable amount of the identified CGUs has been assessed using the higher of 'value in use' (VIU) and 'fair value less cost of disposal' (FVLCD). For each CGU, this has resulted in a VIU methodology being used.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

Value in use calculation

In assessing VIU, the estimated future cash flows are discounted to their present value using a discount rate that uses current market assessments of the time value of money and the risks specific to the CGU.

The Group determines the recoverable amount, using cash flow projections based on the Board approved forecast for the 6 months to 30 June 2023 and business plan for the years ending 30 June 2024 and 2025. For FY26 onwards, the Group assumes a long-term growth rate of 2.5% to reflect the organic growth expectations of the industry.

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

Recoverable amount testing – Key assumptions

The table below summarises the key assumptions utilised in the VIU calculations.

	Dec 2022				Jun 2022			
	Budgeted Revenue(i)	EBIT margin(ii)	Long-term growth rate	Discount rate (post-tax)	Budgeted Revenue(iii)	EBIT margin(ii)	Long-term growth rate	Discount rate (post-tax)
Transport Australia	**1.6%**	**6.3%**	**2.5%**	**9.0%**	3.9%	6.3%	2.5%	8.5%
Rail and Transit Systems	**6.4%**	**5.4%**	**2.5%**	**9.1%**	8.2%	5.4%	2.5%	8.7%
Utilities Australia	**3.8%**	**5.1%**	**2.5%**	**9.2%**	3.7%	4.7%	2.5%	8.8%
New Zealand	**(1.0%)**	**5.8%**	**2.5%**	**9.7%**	2.1%	5.7%	2.5%	8.9%
Facilities	**7.1%**	**5.9%**	**2.5%**	**9.1%**	6.4%	5.9%	2.5%	8.7%

(i) Budgeted revenue for December 2022 is expressed as the compound annual growth rates (CAGR) from FY23 to terminal year forecast based on the CGUs business plan.
(ii) EBIT margin represents the terminal year forecast margin based on the CGU's business plan. December 2022 EBIT margin for the Utilities CGU increased as a result of Power Systems contribution to the CGU following its reallocation.
(iii) Budgeted revenue for June 2022 is expressed as the compound annual growth rates (CAGR) from FY22 to terminal year forecast based on the CGUs business plan.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

(i) Projected cash flows – including budgeted revenue and EBIT margin and the impact of COVID-19

Cash flow forecasts

The cash flow projections through to the terminal year are based on the Group's past experience and assessment of economic and regulatory factors affecting the business in which the Downer businesses operate.

In preparing the impairment models at 31 December 2022, the Group considered the experience in the last 6-months results in developing the cash flow forecasts.

Specifically, for each CGU:

– Transport Australia has been negatively impacted in the first 6 months of the year by persistent wet weather resulting in a below budget performance. With the assumption that climatic conditions improve it is expected to benefit from activity/volume growth in road infrastructure as a result of the wet weather (e.g. from flood recovery work) and from increased Government investment in regional Australia.

– Rail and Transit Systems performance in the first 6 months has been impacted by unbudgeted bid costs for the Queensland Train Manufacturing Program (QTMP). The outlook is expected to benefit from new opportunities on rail fleet extensions and maintenance contracts, increased work opportunities in Queensland (including the anticipated award of the QTMP contract announced on 6 February 2023) and from regional rolling stock maintenance contracts opportunities.

– Utilities Australia has been negatively impacted in the period by contract performance in a Power maintenance contract, a water construction project, deferral of transmission line contract awards and productivity challenges arising from weather, absenteeism and labour shortages. Benefits are anticipated from FY24 onwards from an increase in activities in wireless programs, in the water sector and pricing in maintenance work contracts.

– New Zealand has been negatively impacted in the period by wet weather and a project loss on a renewable windfarm project. The cashflow forecast reflects the expected benefit from increased investment in infrastructure, particularly in the transport and utilities sectors and an increase on maintenance contracts.

– Facilities performance in the period has been above budget with strong performance supported by volumes of work in government backed contracts and asset services work in the Power and Energy sector. Ongoing performance is expected to benefit from a pipeline of opportunities across its operations including:

- Health & Education has a favourable market outlook with increased Government spend to fulfil growing structural demand for these services as well as from contract renewals/ extensions
- Government sector has significant growth opportunities to service an increasing public sector asset base, leveraging its assets and management expertise
- Power & Energy sector has opportunities from the decarbonisation of energy generators as well as a strong rebound in activity following deferrals of plant shutdowns and maintenance stemming from COVID-19 related disruptions
- Defence will benefit from increased Government investment on new military capability, upgrades to base infrastructure and estate management services.

The Group has assumed a return to historical labour availability and productivity.

Inflation and price escalation

The Group's exposure to inflationary pressures in labour and other costs in its contracts is mitigated with contractual mechanisms and allowances for price movements.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

(ii) Long-term growth rates

The long-term annual growth rates, applicable for the periods after which detailed forecasts have been prepared, are based on the long-term expected GDP rates for the country of operation, adjusted as necessary to reflect industry-specific considerations. The Group assumes a long-term growth rate of 2.50% (FY22: 2.50%) to allow for organic growth on the existing asset base.

(iii) Discount rates

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

Compared to 30 June 2022, WACCs have increased by 44 basis points for the Australian CGUs and 73 basis points for the New Zealand group of CGUs. This resulted in post-tax discount rates at December 2022 to be between 9.0% and 9.7% (June 2022: between 8.5% and 8.9%). The increase reflects the inflationary Australian / New Zealand environment of the last 6-months.

(iv) Budgeted capital expenditure

The expected cash flows for capital expenditure are based on past experience and the amounts included in the terminal year calculation are for maintenance capital used for existing plant and replacement of plant as it is retired from service. The resulting expenditure has been compared against the annual depreciation charge to ensure that it is reasonable.

(v) Budgeted working capital

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

Sensitivities

Management has sensitised the impacts of potential further increases in WACC for each CGU and EBIT forecast deterioration and concluded that despite a decline in headroom, sufficient headroom will remain for all CGUs.

The recoverable amount of the Utilities CGU currently exceeds its carrying value by $144 million. Based on the modelling and analysis performed utilising a "value in use" model, the recoverable amount of the Utilities CGU is expected to be greater than its carrying value.

Management has identified that an unfavourable change in the EBIT margin or revenue assumption of 15.6% per year in the Utilities CGU would give rise to nil headroom.

Management believes that for all other CGUs, any reasonably possible change in the key assumptions would not cause the carrying value of the CGUs to exceed their recoverable amounts.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

D5. Equity accounted investments

	Dec 2022 $'m	Jun 2022 $'m
Interest in joint ventures at the beginning of the financial period / year	**31.9**	24.1
Share of net profit	**9.9**	21.5
Share of distributions	**(2.5)**	(13.6)
Foreign currency exchange differences	**0.2**	(0.1)
Interest in joint ventures at the end of the financial period / year	**39.5**	31.9
Interest in associates at the beginning of the financial period / year	**130.9**	131.0
Share of net profit	**5.6**	8.2
Share of distributions	**(17.2)**	(8.3)
Interest in associates at the end of the financial period / year	**119.3**	130.9
Total equity accounted investments	**158.8**	162.8

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

			Ownership interest	
Name of arrangement	Principal activity	Country of operation	Dec 2022 %	Jun 2022 %
Joint ventures				
Allied Asphalt Limited	Asphalt plant	New Zealand	**50**	50
Bitumen Importers Australia Joint Venture	Bitumen importer	Australia	**50**	50
Bitumen Importers Australia Pty Ltd	Bitumen importer	Australia	**50**	50
EDI Rail-Alstom Transport Pty Limited[(i)]	Sale and maintenance of railway rollingstock	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	**45**	45
Associates				
Keolis Downer Pty Ltd	Operation and maintenance of Gold Coast light rail, Melbourne tram network, Adelaide metro and bus operation	Australia	**49**	49
HT HoldCo Pty Ltd	Laundries services	Australia	**30**	30

(i) EDI Rail-Bombardier Transportation Pty Ltd changed its name to EDI Rail-Alstom Transport Pty Limited during the period ended 31 December 2022.

D6. Acquisition of businesses

Current period

There have been no acquisitions during the period ended 31 December 2022.

During the period, no deferred consideration payments were made (2022: $0.1 million) in relation to acquisitions completed in previous periods.

Prior period

Fowlers
On 30 November 2021, the Group acquired 100% of Fowlers Asphalting Pty. Limited, Gippsland Asphalt Pty. Ltd. and Tarmac Linemarking Pty Ltd ("Fowlers") for total consideration of $24.9 million. Total consideration for this acquisition comprised $22.8 million cash paid (net of $0.8 million cash balances acquired) and $1.3 million deferred consideration. The fair value of the acquired net assets amounts to $18.1 million resulting in goodwill of $7.8 million being recognised. Fowlers is an asphalting and civil construction business operating in the Gippsland area of Victoria.

The Group has concluded the acquisition accounting process for this acquisition and there was no material change arising from finalisation.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

D7. Disposal of businesses

Current period

There have been no disposals during the period ended 31 December 2022.

Prior period

Disposal of Mining businesses

Open Cut Mining East business
On 11 October 2021, Downer entered into an agreement to sell its Open Cut Mining East business to an Australian subsidiary of PT Bukit Makmur Mandiri Utama (BUMA), a large Mining services provider in Indonesia, for gross proceeds of $150 million. The sale included the transfer of assets (including fleet and inventory) and liabilities; and the novation of the existing contracts to BUMA. Downer received an initial deposit of $16 million at that date. On 17 December 2021, the sale of Open Cut Mining East was completed and Downer received the remaining purchase price. As at 31 December 2021, net proceeds (after transaction costs) of $137.6 million had been received with a $60.5 million pre-tax loss on disposal recognised.

Otraco business
On 26 April 2021, an agreement was reached for the sale of Mining's tyre management business (Otraco) to Bridgestone Corporation (Bridgestone). Otraco was disclosed as a disposal group held for sale in the Group's 2021 Annual Report. On 1 December 2021, the sale of Otraco was completed and Downer received net proceeds (after transaction costs) of $76.2 million and recorded a net pre-tax gain on disposal of $47.4 million.

The table below summarises the impact on divestment during the financial period ended 31 December 2021:

Dec 2021 $'m	Note	Mining Divestments
Proceeds on disposal (net of transaction costs)		229.5
Less cash disposed		(15.7)
Proceeds net of disposal costs(i)		213.8
Proceeds on disposal (net of transaction costs)		229.5
Cash and cash equivalents		15.7
Trade receivables and contract assets		43.9
Property, plant and equipment(ii)		174.1
Right-of-use assets(iii)		41.7
Intangible assets(iv)		0.5
Inventories		40.3
Current tax assets		1.7
Deferred tax assets		9.2
Prepayments and other assets		0.7
Assets disposed		327.8
Trade payables and contract liabilities		5.9
Lease Liabilities(v)		43.2
Employee benefits provision		38.5
Other provisions		0.2
Liabilities disposed		87.8
Net assets disposed		240.0
Add non-controlling interest disposed		4.6
Less FCTR held on businesses disposed		7.2
Loss on disposal before tax	B4	(13.1)

(i) A further $33.8 million proceeds in relation to Open Cut Mining West and Blasting businesses disposed during FY21 have been received during the period. Total divestment proceeds received as at 31 December 2021 amounts to $247.6 million.

(ii) A further $9.4 million of Otraco assets classified as Assets Held for Sale at 30 June 2021 were also disposed. Refer to Annual Report 2021.

(iii) A further $2.2 million of Otraco assets classified as Assets Held for Sale at 30 June 2021 were also disposed. Refer to Annual Report 2021.

(iv) $0.5 million of Otraco intangible assets classified as Assets Held for Sale at 30 June 2021 were also disposed. Refer to Annual Report 2021.

(v) A further $2.4 million of Otraco lease liabilities classified as Liabilities Held for Sale at 30 June 2021 were also disposed. Refer to Annual Report 2021.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

D8. Disposal group held for sale

Transport Projects

The Group has performed a strategic review of the Australian Transport Projects business and is seeking to dispose of the business.

On 22 February 2023, Downer entered an agreement to sell its Transport Projects Business to a wholly owned Australian subsidiary of Gamuda Berhad (Gamuda), a large engineering and construction company listed in Malaysia for $212 million, subject to customary completion adjustments.

The transaction, which is subject to Foreign Investment Review Board approval and other customary conditions, is expected to occur before 30 June 2023. The assets and liabilities to be divested have been reclassified as current assets and liabilities held for sale at 31 December 2022.

At 31 December 2022, the disposal group was stated at the lower of its carrying amount and fair value less costs of disposal, and consisted of the following assets and liabilities:

Dec 2022 $'m	Note	Transport Projects
Trade receivables and contract assets		**75.6**
Inventories		**1.1**
Prepayments and other assets		**1.0**
Property, plant and equipment	D3	**36.3**
Right-of-use assets		**3.7**
Goodwill	D4	**41.3**
Deferred tax assets		**4.3**
Assets held for sale		**163.3**
Trade payables and contract liabilities		**127.0**
Lease liabilities		**3.8**
Employee benefits provision		**14.3**
Other provisions		**0.3**
Liabilities held for sale		**145.4**

Recognition and measurement

Disposal groups are recognised when a sale is considered highly probable. The assets and liabilities of this 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 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The Assets held for sale do not include any recognition of divestment and exit costs. There is no impairment to the Assets Held For Sale of the Transport Projects business.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2022

D9. Contingent liabilities

Bonding	Note	Dec 2022 $'m	Jun 2022 $'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	**1,390.1**	1,372.9

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) Downer New Zealand, an entity in the Group, has been named as co-defendant in a 'leaky building' claim. The leaky building claim where the Group entity is co-defendant relates to water damage arising from historical design and construction methodologies (and certification) for residential and other buildings in New Zealand during the early to mid 2000s. The Directors are of the opinion that disclosure of any further information relating to the leaky building claim would be prejudicial to the interests of the Group.

(vi) In December 2022, Downer received correspondence notifying an alleged stray current defect in the depot constructed by Downer for the High Capacity Metro Trains Project, requiring Downer to advise how it will address the rectification of that issue and alleging that Downer is responsible for the costs of rectification. The Group does not consider it has a present obligation in relation to this matter as, to date, the root cause has not been identified and agreed between the parties. No provision has therefore been recognised in relation to this matter at 31 December 2022. The Directors are of the opinion that disclosure of any further information relating to this matter would be prejudicial to the interests of the Group.

Directors' Declaration

for the half-year ended 31 December 2022

In the opinion of the Directors of Downer EDI Limited:

(a) The condensed consolidated half-year financial statements and notes set out on pages 17 to 48 are in accordance with the *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 2022 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

M P Chellew	G A Fenn
Chairman	Managing Director and Chief Executive Officer

Sydney, 27 February 2023

Downer EDI Limited
ABN 97 003 872 848

Triniti Business Campus
39 Delhi Road
North Ryde NSW 2113

1800 DOWNER
www.downergroup.com

Media/ASX and NZX Release

27 February 2023

DOWNER REPORTS UNDERLYING NPATA OF $68.0 MILLION AND STATUTORY NPATA OF $77.3 MILLION

Downer EDI Limited (Downer) today announced its financial results for the 6 months to 31 December 2022. The main features of the results are:

- Urban Services revenue of $6.1 billion, up 8.9% from the prior corresponding period (pcp). Total Group revenue of $6.1 billion, up 2.9% on the pcp.
- Statutory EBIT (earnings before interest and tax) of $129.8 million and statutory NPAT (net profit after tax) of $68.1 million.
- Underlying EBITA (earnings before interest, tax and amortisation of acquired intangible assets) of $133.6 million, down 24.5% from the pcp; statutory EBITA of $142.9 million.
- Underlying NPATA (net profit after tax and before amortisation of acquired intangible assets) of $68.0 million, down 28.0% from the pcp; statutory NPATA of $77.3 million.
- Included in the result was a post-tax loss of $12 million in relation to the Utilities maintenance contract described in today's ASX Release: Update on Downer's Utilities contract.
- Net Debt to EBITDA of 2.3x and Gearing of 24.8% (17.8% at 30 June 2022).
- Interim dividend of 5 cents per share (unfranked).

The Chief Executive Officer of Downer, Grant Fenn, said it had been a challenging period for the business in the first half of the 2023 financial year.

"Significant parts of our business have been heavily impacted by rain, storms and flooding whilst labour mix and productivity remain an issue. Our cash conversion at 8.5% was way off our normal half end position due to some meaty subcontractor payments on completion of our Sydney Growth Train Project and a few large customer receipts expected in late H1 that were received in H2," Mr Fenn said.

"The market outlook in our Transport, Utilities and Facilities businesses remains strong, which is evident in the 9% growth in Urban Services revenue delivered in the half. Whilst we are in the right markets and we have the right capabilities, economic conditions, particularly around labour and productivity, continue to impact the business and the recovery from the economic effects of COVID-19 has been difficult and continues.

"We have won a number of important contracts during the period and we are preferred on the very significant multi-billion dollar Queensland Train Manufacturing Project, underpinning the strength of our Rail and Transit Systems business over the next decade and beyond."

As announced on 1 December, Mr Fenn will today officially hand over leadership of Downer to Peter Tompkins.

"Downer is in very capable hands with Peter stepping into the CEO role," Mr Fenn said. "He has a deep knowledge of the organisation and our customers, and his leadership experience across the Group, key focus on risk management and strong resolve will be an asset to Downer going forward.

"Downer has a very bright future under Peter's leadership, and I look forward to watching it thrive."

Dividend

The Downer Board has declared an interim dividend of 5 cents per share, unfranked, payable on 11 April 2023 to shareholders on the register at 13 March 2023. The portion of the unfranked dividend amount that will be paid out of Conduit Foreign Income (CFI) is 44%. The Company's Dividend Reinvestment Plan (DRP) remains suspended and will not operate for this dividend.

Safety

Downer's Lost Time Injury Frequency Rate decreased to 0.72 from 0.97 in the prior period and its Total Recordable Injury Frequency Rate decreased to 2.30 from 2.57 per million hours worked.

Tragically, in December 2022, an employee from Downer's Utilities business was undertaking meter reading duties for our customer, Energy Queensland, on a property in Greenbank, south of Brisbane, when fatally attacked by dogs on the property.

Downer extends its sincerest condolences to the worker's family and colleagues, and we continue to support them following this tragic incident.

Outlook

On 8 December 2022, Downer announced that it had revised its guidance for FY23 as trading for October and November indicated that guidance was unlikely to be met. Guidance was restated as $210 million – $230 million NPATA assuming no further material COVID-19, weather, labour shortages or other disruptions and excluding any prior period impact from the Utilities revenue recognition issue.

Since 8 December, as part of the half year reporting process, Downer has conducted a detailed re-forecast review and considers it appropriate to further adjust the guidance for the following items:

- Losses associated with the Utilities power maintenance contract. Whilst the contract is not considered onerous, further losses will impact H2 until the contract reset and recovery plan take effect ($12 million post tax);
- Heightened risk of Water project losses due to unrecoverable prolongation costs as storms and flooding continue to impact completion ($12 million post tax);
- A slowdown in Government minor capital works based on recent customer feedback ($8 million post tax); and
- The recent floods and storms in the North Island of New Zealand, which have materially impacted current operations and whilst we expect this to present opportunities in FY24, the 2H23 pipeline has been impacted ($8 million post tax).

Downer now expects underlying FY23 NPATA to be between $170 million – $190 million assuming no further material COVID-19, weather, labour shortages or other disruptions, and excluding restructuring costs.

For further information please contact:

Media: Mitchell Dale, Group General Manager Corporate Affairs	+61 448 362 198
Investors: Adam Halmarick, Group Head of Investor Relations and Strategic Planning	+61 413 437 487

About Downer

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

27 February 2023

Downer Group

Investor presentation

for the half year ended 31 December 2022

Downner
Relationships creating success

Grant Fenn (CEO)

- Update on Downer's Utilities contract
- Results summary
- Outlook

Michael Ferguson (CFO)

- Financial results

Peter Tompkins (incoming CEO)

- Strategies to realise value for shareholders
- Queensland Train Manufacturing Program (QTMP) update
- Immediate priorities

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Update on Downer's Utilities contract

- External lawyers and forensic accountants have now completed a confidential and privileged investigation
- Downer has determined
  - "root cause" and contributing factors
  - through broader workbook review that the issue is isolated to one contract
- Post tax earnings were overstated by approximately $1.7m in FY20, $8.8m in FY21 and $11.7m in FY22. Comparative financial information has been restated to incorporate the correction in the financial results. Post tax earnings impact in 1H23 period was a loss of $12m
- A detailed contract recovery plan is being actioned. In addition, negotiations with the customer have resulted in a commercial reset of the contract. The contract is not considered onerous
- New contract and executive management team in place
- Additional control measures have been implemented across the Group

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Results summary

Grant Fenn

Summary of HY23 financial results

Profit after tax and EPS

$68.1m Statutory NPAT
▼ 20.6%
Statutory EBIT of $129.8m

$68.0m Underlying NPATA[1,3]
▼ 28.0%

9.3 cps Underlying EPSA[3,5]
▼ 3.9 cps
9.3 cps statutory Basic EPS

Operational performance

$133.6m Underlying EBITA[1,3]
▼ 24.5%
Statutory EBITA $142.9m

$23.9m Adjusted Operating cash
8.5% conversion

$6.1bn Revenue[2]
▲ 2.9%

Balance sheet and dividend

2.3x Net Debt to EBITDA[4]
1.7x at June 2022

24.8% Gearing[4]
17.8% at June 2022

5 cps Interim ordinary dividend (unfranked)
12cps HY22

1H22 results have been restated to reflect the impact of historical misreporting of revenue and contract assets in one of Downer's maintenance contracts in its Australian Utilities business ($4.6m, $3.2m after-tax)
[1] Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY23: $13.1m, $9.2m after-tax. (HY22: $14.2m, $10.0m after-tax)
[2] Total revenue is a non-statutory disclosure and includes revenue from joint ventures, other alliances and other income
[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. Refer slide 15 for reconciliation to statutory results
[4] Net debt to EBITDA ratio includes lease liabilities in Net Debt and is on a post-AASB 16 basis. Gearing ratio does not include lease liabilities in Net Debt and is on a pre-AASB16 basis
[5] EPSA is calculated based on underlying NPATA adjusted by contributions from minority interests and ROADs dividends paid; divided by WANOS

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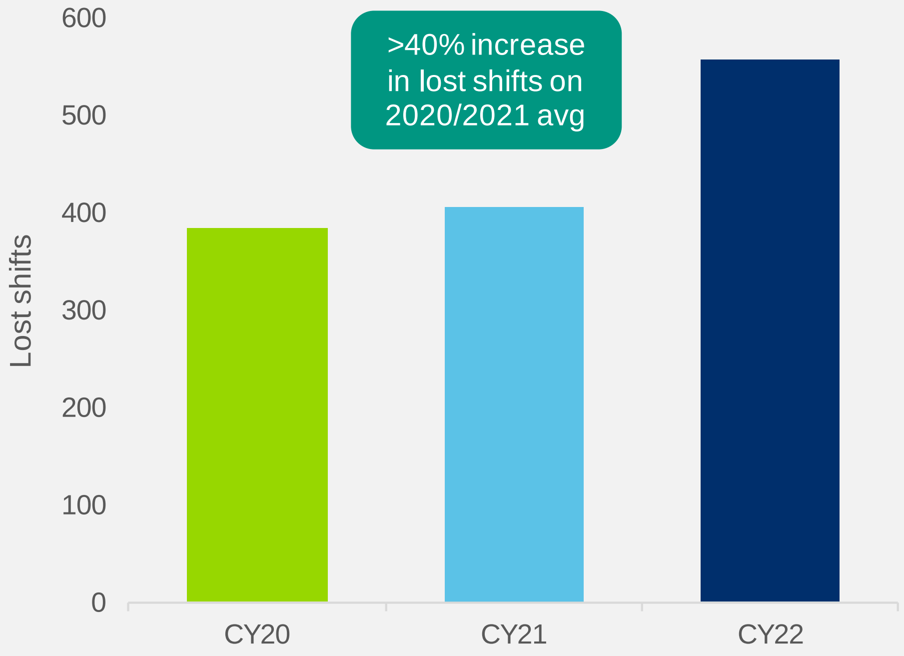
1H23 has been very challenging

Issue	Impact and experience
Unprecedented weather impacts	▪ 40% increase in lost shifts and reduced product volumes within Road Services (Transport) ▪ Site closures, delays and productivity impacts in Water projects ▪ Lower worker utilisation across all outdoor activities (e.g. Metering Services)
Labour challenges	▪ Reliant on increased use of outsourced labour (subcontractors and agency hire) to fulfill service obligations ▪ Increased overtime used to fill resource gaps ▪ Offshore recruiting initiatives for specific skilled roles ▪ EBA renewals all within expected range, and well within CPI escalators ▪ Downer continues to be ranked highly (#7) in top 10 employers by Randstad's Employer Brand Research

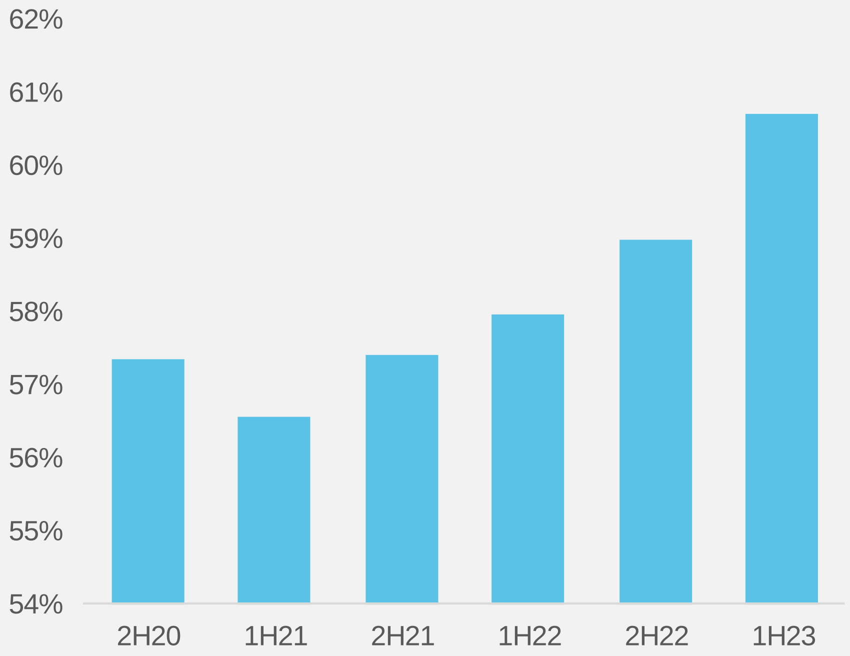
Weather & labour pressures impacting costs and productivity

Sydney and Brisbane lost shifts – Road Services



- Road Services in both Australia and New Zealand heavily impacted – bituminous products cannot be laid when it is raining (product specifications, structural issues and safety risks)
- Lost work shifts have reduced in Australia in calendar 2023 but are expected to further deteriorate in New Zealand

Outsourced labour usage elevated[1]



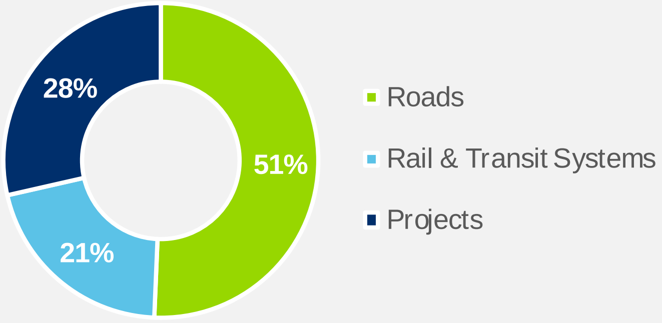
- Increased use of outsourced labour (subcontractors and agency hire) to fulfill contractual obligations
- Outsourced labour is more expensive resulting in an impact on margins – typically labour hire can be up to 15% more expensive
- Conditions persisting into 2H23

[1] Trailing 12-months subcontractor and temporary staff costs as a percentage of total payroll and subcontractor costs, (excludes unallocated costs and divested businesses).

Transport

- Preferred applicant for multi-billion dollar Queensland Train Manufacturing Program (QTMP)
- Continued wet weather materially impacted the performance of the Roads business in 1H23
- Contracts signed for the sale of Transport Projects Australia ($212m enterprise value), with completion expected pre 30 June 2023
- Renewed key Roads contract in Victoria, maintaining 8,500 lane km in the Hume region for up to 7 ½ years (~$490m)
- Extensive road rehabilitation opportunities are starting to present in Australia and a significant effort will be required in New Zealand, across our suite of services, to recover from recent floods and storms

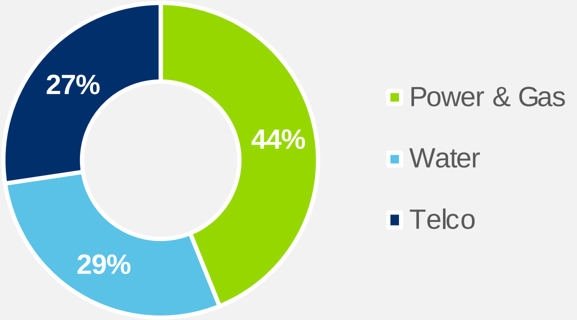
44% of HY23 revenue



Utilities

- Disappointing result for the half, impacted by:
  - Power maintenance contract (8 Dec ASX release) ($17m)
  - NSW Water construction project ($12m)
  - NZ renewable wind farm project ($6m)
  - Meter reading productivity and labour availability impact ($4m)
- On the positive:
  - Entry into NZ transmission market with Transpower contract (Aug-22)
  - 10-year City of Gold Coast ~$250m water and sewerage network
  - Revenue growth led by Telco, particularly nbn and Telstra

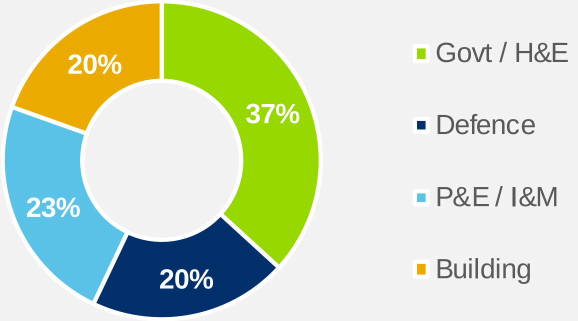
18% of HY23 revenue



Facilities

- Performance above expectations
- Royal Adelaide Hospital and Bendigo Hospital performing to plan
- Contract win – South Australian Housing Authority Maintenance Contract (~27,000 social and public housing dwellings) ~$630m over 7 ½ years
- On-going involvement in two of Australia's largest carbon capture and storage projects

38% of HY23 revenue[1]

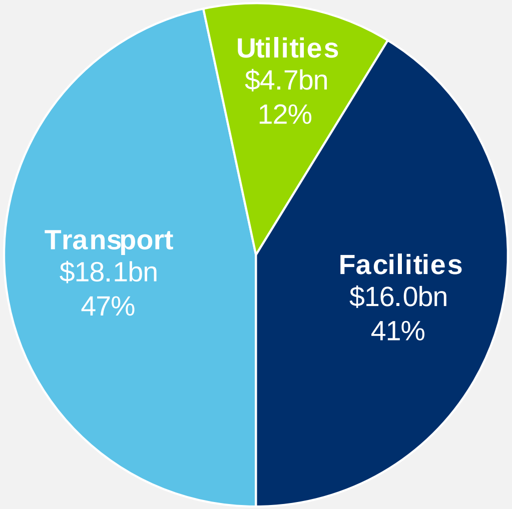


[1] P&E / I&M is the abbreviation of Power & Energy and Industrial & Marine businesses and also includes Mineral Technologies. H&E is the abbreviation of Health & Education

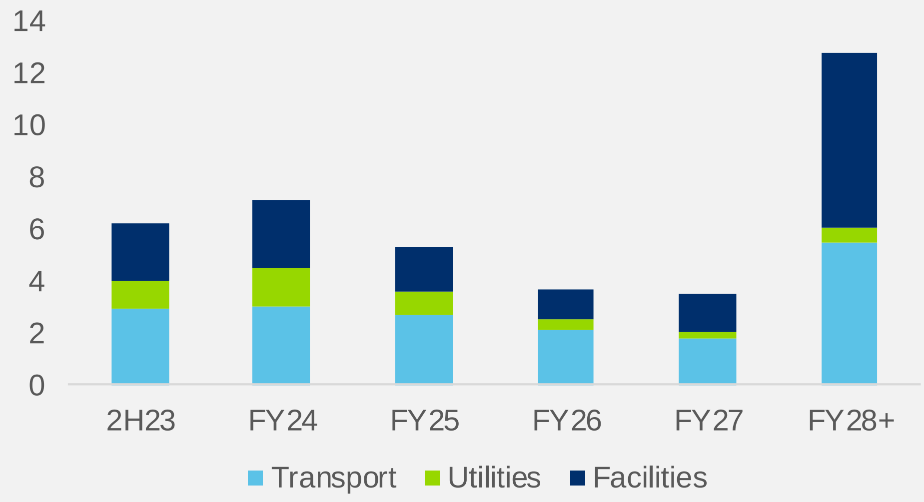
$38.8bn of work-in-hand

- ✓ Long-dated
- ✓ ~90% Government / Government related
- ✓ Diversified by industry
- ✓ 85% Services[2]

Work-in-hand by segment[1] ($38.8bn)



Work-in-hand profile[1] ($bn)



[1] Work-in-hand figure at Dec-22 adjusted to include expected contract value for the Queensland Train Manufacturing Program (QTMP) following the announced preferred applicant status (announced on 6 February 2023) and excludes WIH associated with the Transport Projects Australia divestment (assuming 30 June 2023 completion)
[2] Remaining balance, Construction, comprises the Projects businesses in Australia (until 30 June 2023) and New Zealand (Transport), a portion of Power & Gas (Utilities), Building in New Zealand (Facilities) and construction component of QTMP.

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Group financials

Michael Ferguson

Group underlying financial performance

- Total revenue[3] 2.9% higher to $6.1bn
- Group underlying EBITA margin 2.2%, impacted by:
  - Unprecedented weather impact
  - Labour shortages
  - Productivity
  - Project and contract losses in Utilities
- Net interest expense decreased by $5.5m
- Underlying effective tax rate of 26.7%
- Interim dividend of 5 cps declared (unfranked)

$m[1]	HY23	HY22[2]	Change
Total revenue[3]	6,144.7	5,970.3	2.9%
EBITDA	281.3	341.1	(17.5%)
Depreciation and amortisation	(147.7)	(164.1)	10.0%
EBITA[4]	**133.6**	**177.0**	**(24.5%)**
Amortisation of acquired intangibles	(13.1)	(14.2)	7.7%
EBIT	**120.5**	**162.8**	**(26.0%)**
Net interest expense	(40.3)	(45.8)	12.0%
Profit before tax	**80.2**	**117.0**	**(31.5%)**
Tax expense	(21.4)	(32.6)	34.4%
Net profit after tax	**58.8**	**84.4**	**(30.3%)**
NPATA[4]	**68.0**	**94.4**	**(28.0%)**
EBITA margin	2.2%	3.0%	(0.8pp)
Effective tax rate	26.7%	27.9%	(1.2pp)
ROFE[5]	9.4%	11.1%	(1.7pp)
Dividend declared (cps)	5.0	12.0	(7.0 cps)

[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. Refer slide 15 for reconciliation to statutory results
[2] 1H22 results have been restated to reflect the impact of historical misreporting of revenue and contract assets in one of Downer's maintenance contracts in its Australian Utilities business ($4.6m, $3.2m after-tax)
[3] Total revenue is a non-statutory disclosure and includes revenue from joint ventures, other alliances and other income
[4] Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY23: $13.1m, $9.2m after-tax. (HY22: $14.2m, $10.0m after-tax)
[5] ROFE = 12 month rolling underlying EBITA divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt(excludes lease liability) + Equity

Segment underlying performance overview

Transport

- Revenue of $2.7bn (▲ 1.2%)
- EBITA of $88.7m (▼ 14.5%)
- EBITA margin of 3.3% (▼ 0.6pp)
- Deterioration in margins relative to 1H22
- Wet weather, labour market challenges and increased transport and logistics costs
- Revenue and margin performance on long term rail maintenance contracts driving strong rail performance, offset by residual QTMP bid costs

Utilities

- Revenue of $1.1bn (▲ 12.3%)
- EBITA of ($5.2m) (▼ >100%)
- EBITA margin of (0.5%) (▼ 4.5pp)
- Contract and project losses
  - Power maintenance contract ($17m)
  - NSW Water construction project ($12m)
  - NZ renewable wind farm project ($6m)
- Losses in Meter reading associated with labour availability, productivity and weather related challenges ($4m)
- Revenue growth driven by nbn and Telstra work (Telco)

Facilities[1]

- Revenue of $2.3bn (▲ 16.6%)
- EBITA of $99.0m (▲ 11.1%)
- EBITA margin of 4.4% (▼ 0.2pp)
- Government (State Housing and NSW WoG contracts) and H&E (nRAH and Bendigo post reviewable services) performing well
- Power & Energy is seeing growth through new contracts, including with Santos and CS Energy (Kogan Creek)

1H22 results have been restated to reflect the impact of historical misreporting of revenue and contract assets in one of Downer's maintenance contracts in its Australian Utilities business ($4.6m, $3.2m after-tax), and to reflect the change in operating segment of Power Systems from the Transport segment to the Utilities segment

[1] Comparatives exclude Hospitality and Laundries

Reconciliation of underlying to statutory results

$m	EBITA[1]	Net interest expense	Tax expense[2]	NPATA[1]	Amortisation of acquired intangibles (post-tax)	NPAT
Underlying[3] results	**133.6**	**(40.3)**	**(25.3)**	**68.0**	**(9.2)**	**58.8**
Fair value on Downer Contingent Share Options (DCSO)[4]	9.3	-	-	9.3	-	9.3
Total items outside underlying result	**9.3**	**-**	**-**	**9.3**	**-**	**9.3**
Statutory results	**142.9**	**(40.3)**	**(25.3)**	**77.3**	**(9.2)**	**68.1**

1 Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY23: $13.1m, $9.2m after-tax. (HY22: $14.2m, $10.0m after-tax)
2 Tax of $25.3m is calculated by adjusting underlying tax of $21.4m with $3.9m 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 Options (DCSO) have decreased primarily driven by the movement in Downer's share price from $5.05 at 30 June 2022 to $3.71 at 31 December 2022

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Operating cash flow

- Operating cash conversion of 8.5%. Key variances explained by:
  1. $78m – supplier payments on completion of SGT project (timing, with inflow accumulated over prior years)
  2. $22m – settlement of two project claims (provided in prior year)
  3. $40m – change in timing of collection from two key customers
  4. $40m – claim positions agreed and expected to be paid in H1, delayed collection to H2 (Transport Projects and Transmission)
- Working capital increased through the period, due to inventory (specifically bitumen in Roads and spares in Rail) and contract assets

$m	HY23	HY22[1]	Change
Underlying[2] EBIT	120.5	162.8	(26.0%)
Add: Amortisation of acquired intangibles	13.1	14.2	(7.7%)
Add: Depreciation and amortisation	147.7	164.1	(10.0%)
Underlying[2] EBITDA	**281.3**	**341.1**	(17.5%)
Operating cash flow	**(35.4)**	**270.4**	(>100.0%)
Add: Net interest paid	40.2	47.8	(15.9%)
Add: Tax paid / (received)	19.1	(24.1)	>100.0%
Adjusted operating cash flow	**23.9**	**294.1**	(91.9%)
EBITDA conversion	**8.5%**	**86.2%**	(77.7pp)
Adjust for items booked in FY20	-	21.1	(100.0%)
Underlying[2] adjusted operating cash flow	**23.9**	**315.2**	(92.4%)
Underlying[2] EBITDA conversion	**8.5%**	**92.4%**	(83.9pp)

[1] 1H22 results have been restated to reflect the impact of historical misreporting of revenue and contract assets in one of Downer's maintenance contracts in its Australian Utilities business ($4.6m, $3.2m 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

Downer
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Cash flow

- Cash balance of $450.4m and total liquidity of $1,635.4m
- Strong focus in 2H23 to return to traditional operating cash flow conversion
- Capex consistent with prior periods

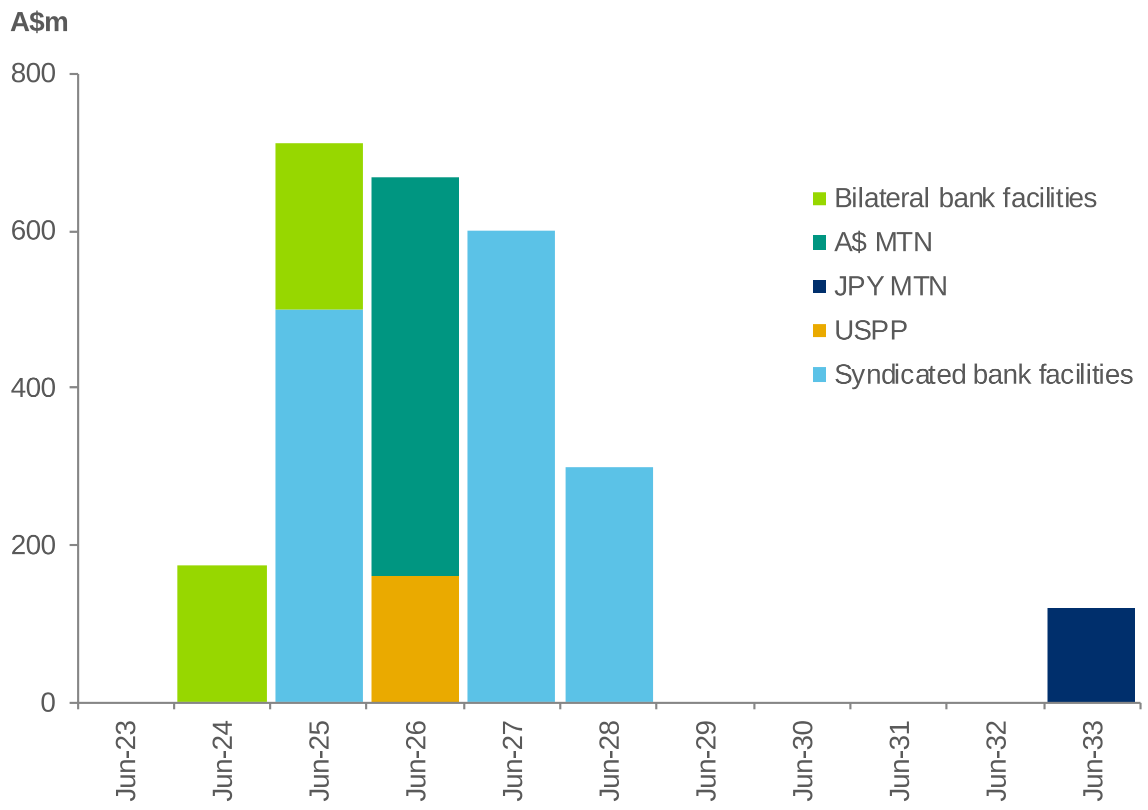
$m	HY23	HY22	Change
Total operating cash flow	**(35.4)**	**270.4**	(>100.0%)
Net Capex (Core)	(70.1)	(65.2)	7.5%
Net Capex (Non-Core)	-	(8.1)	100.0%
Payment of principal lease liabilities (Core)	(81.9)	(75.4)	(8.6%)
Payment of principal lease liabilities (Non-Core)	-	(9.6)	100.0%
IT	(14.4)	(22.8)	36.8%
Advances to JVs and Other	(5.3)	(10.6)	50.0%
Funds from operations	**(207.1)**	**78.7**	**(>100.0%)**
Dividends paid	(86.4)	(86.7)	0.3%
Divestments	-	247.6	(100.0%)
Acquisitions	-	(22.9)	100.0%
Share buyback	(17.8)	(99.0)	82.0%
Net proceeds / (repayment) of borrowings	18.9	(253.7)	>100.0%
Net decrease in cash	**(292.4)**	**(136.0)**	**(>100.0%)**
Cash at the end of the period	**450.4**	**676.7**	**(33.4%)**
Total liquidity	**1,635.4**	**2,103.7**	**(22.3%)**

Group debt profile

- Weighted average debt duration of 3.4 years[1] (3.9 years at 30 June 2022)
- Net Debt to EBITDA[2] of 2.3x, within the capital allocation framework target range of 2-2.5x, but above current optimal level
- Downer remains in compliance with all financial covenants
- Proceeds from sale of Transport Projects Australia will be used to repay debt

Debt facilities $m	Dec-22	Jun-22	Dec-21
Total limit [3]	2,572.1	2,563.4	2,686.2
Drawn [3]	1,387.1	1,358.4	1,259.2
Available	**1,185.0**	**1,205.0**	**1,427.0**
Cash	450.4	738.5	676.7
Total liquidity	**1,635.4**	**1,943.5**	**2,103.7**
Net debt [3]	936.7	619.9	582.5

Debt maturity profile (A$m)



[1] Based on the weighted average life of debt facilities (by A$m limit)
[2] Net debt to EBITDA ratio includes lease liabilities in Net Debt and is on a post-AASB 16 basis
[3] Excludes lease liabilities

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Outlook

Grant Fenn

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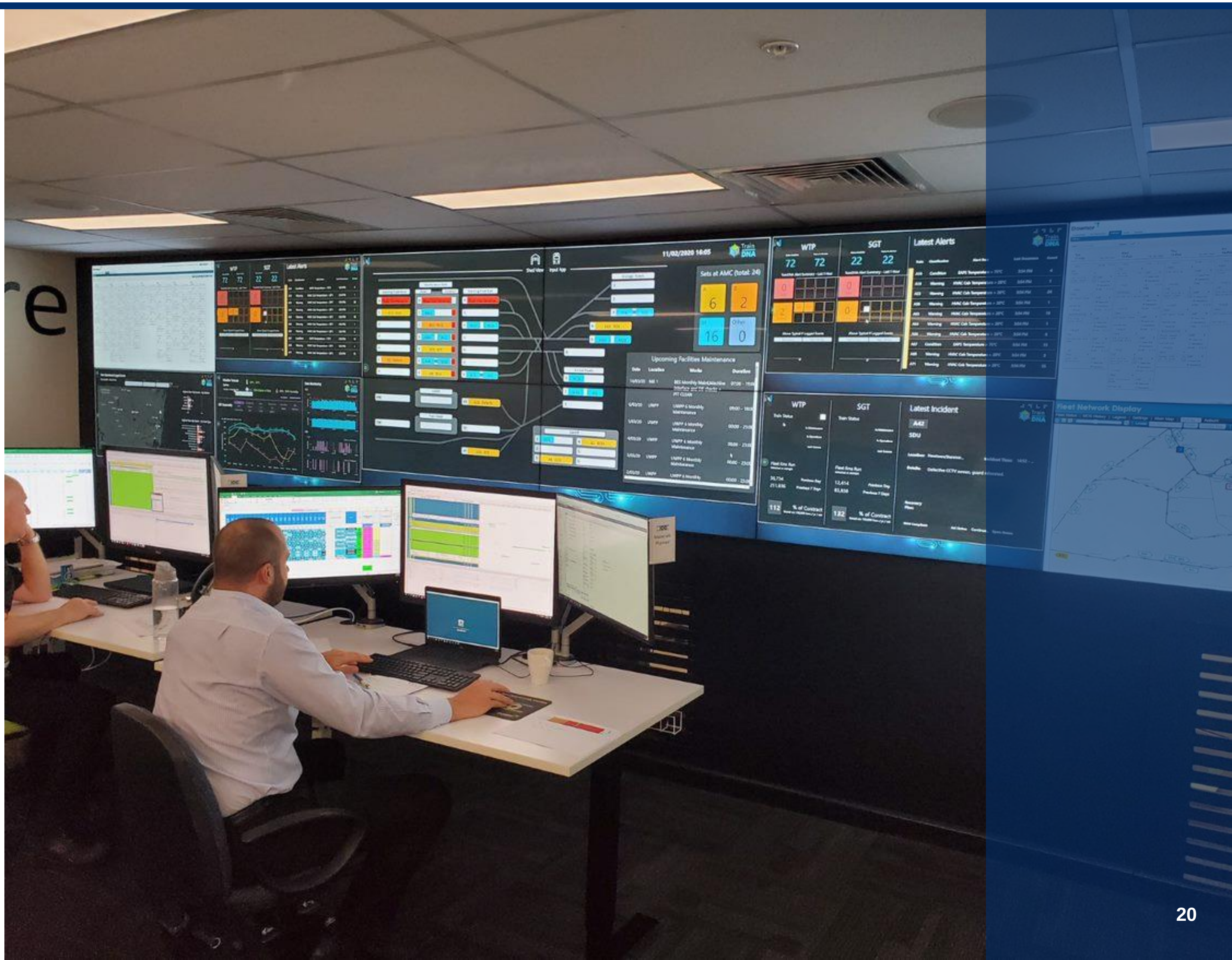
Outlook

FY23 has proven difficult to provide accurate guidance given weather and changing economic conditions:

- 17 August 2022 – Guidance for FY23
  - 10-20% underlying NPATA growth subject to COVID-19, weather, labour, and other disruptions
- 3 November 2022 – AGM
  - Forecasts continue to support guidance
- 8 December 2022 – Trading Update
  - Trading for October and November indicates that guidance is unlikely to be met
  - Guidance reset to $210m - $230m NPATA (excluding impact of Utilities contract issue)



Change in guidance

$210-230m	**8 December 2022**	Excluding any prior period impact of the accounting irregularities, Downer now expects underlying FY23 NPATA to be between $210 million – $230 million assuming no further material COVID-19, weather, labour shortages or other disruptions
($40m)	Utilities Power Maintenance contract ($12m)	▪ Losses associated with the power maintenance contract not included in the 8 December guidance ▪ Whilst not onerous, further losses will impact H2 until the contract reset and recovery plan take effect
	Other Utilities project risks ($12m)	▪ Heightened risk of Water project loss from unrecoverable prolongation costs as storms and flooding continue to impact completion ▪ Risks have materialised since 8 December
	Expected slowdown in Govt minor capital works ($8m)	▪ Slowdown in Government minor capital works based on recent customer feedback
	NZ storm impact ($8m)	▪ Recent floods and storms in the North Island have materially impacted the New Zealand business ▪ We expect this to present opportunities in FY24, however 2H23 pipeline has been impacted
$170-190m	**27 February 2023**	Downer now expects underlying FY23 NPATA to be between $170 million – $190 million assuming no further material COVID-19, weather, labour shortages or other disruptions, and excluding restructuring costs

Strategic priorities

Peter Tompkins

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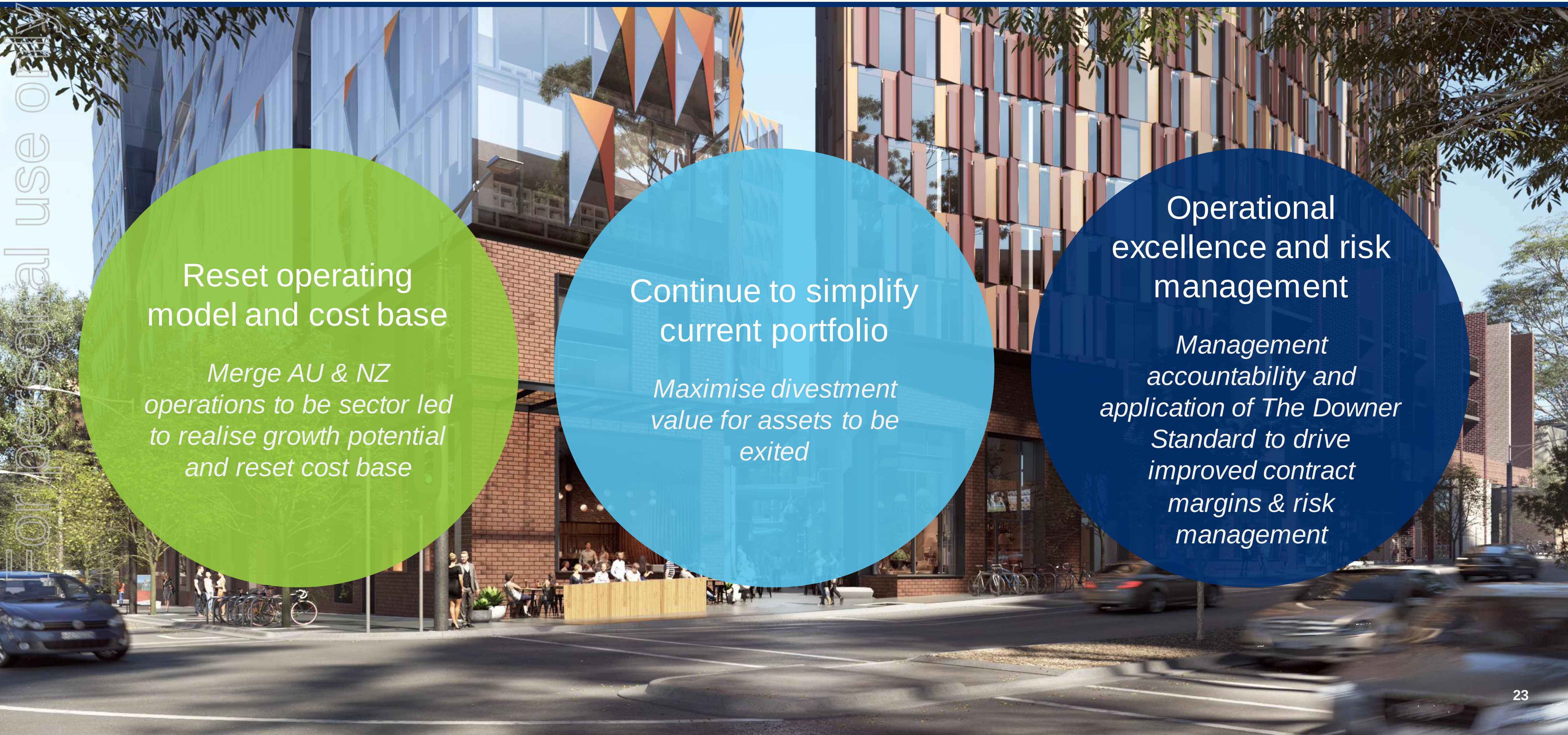
Strategies to realise value for shareholders



Reset operating model and cost base

Merge AU & NZ operations to be sector led to realise growth potential and reset cost base

Continue to simplify current portfolio

Maximise divestment value for assets to be exited

Operational excellence and risk management

Management accountability and application of The Downer Standard to drive improved contract margins & risk management

Reset operating model and cost base

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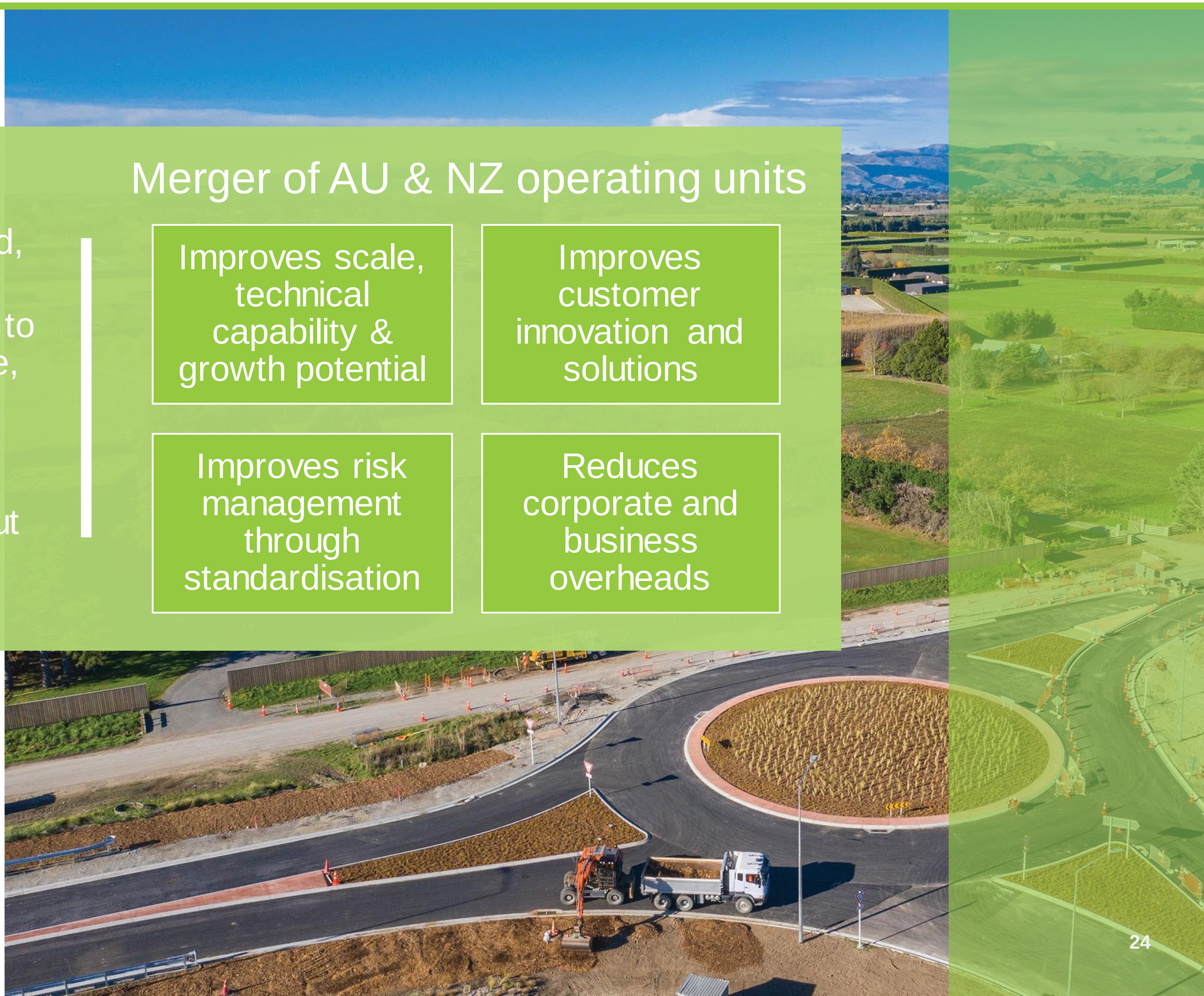
Targeting benefits of at least $100m per annum in FY25

Project leader and team appointed, with scope & focus areas:

- Merge AU & NZ operating units to establish sector led, stand-alone, Trans-Tasman businesses
- Operating model optimisation, systems, fleet & property rationalisation and other cost-out initiatives



Merger of AU & NZ operating units

Improves scale, technical capability & growth potential	Improves customer innovation and solutions
Improves risk management through standardisation	Reduces corporate and business overheads

A further update will be provided at Downer's Investor Day in April 2023

Continue to simplify current portfolio

We have a portfolio of outstanding assets, and the Australian Transport Projects divestment proves that

Divestment program progressed

Transport Projects signed

- Announced 22 February 2023 with an enterprise value of $212m
- Completion expected before 30 June 2023, subject to FIRB approval and other customary conditions

Repurpose It underway

- Very attractive waste industry asset
- 45% ownership (equity accounted)

Ongoing strategic review

Merger of Australian and New Zealand operations provides portfolio optionality

Decisions on asset sales dependent upon economic conditions & value

Operational excellence and risk management

Downer has exceptional businesses, market leading positions with scale and exposure to energy transition, industrialisation, defence and government outsourcing driving high growth potential

Targeting >4.5% EBITA margin (FY25)

- The Downer Standard to drive better project execution
- Business unit accountability through new operating structure
- Delivery of the transformation program (targeting at least $100m p.a benefits)
- Exiting lower margin operations
- Adjustment of terms and conditions and contract forms to reflect new market dynamics and industry supply constraints

Risk management

- Higher level of accountability and focus of senior leaders to deliver
- New sector led businesses have scale, specialisation and accountability for performance and operational assurance/front line risk management
- The Downer Standard defines the risk management standards in functional and operational areas
- Risk appetite in current climate is lower and tightly managed

Timeline and what to expect from here

FY23

1 February 2023
Transformation Management Office established

20 February 2023
Trans-Tasman integration
Announced the merged Australian and New Zealand operating model and the new Executive team

22 February 2023
Transport Projects divestment

27 February 2023
FY23 Half-year results

Portfolio review
Announced process underway for Repurpose It

27 April 2023
Investor Day 2023
Additional market communication on progress of delivering shareholder value

FY24

1 July 2023
New operating model
Targeting the new operating model to be effective at the beginning of FY24

10 August 2023
FY23 Full-year results

Transformation benefits
Target period for delivery of $100m p.a of benefits in FY25

EBITA % initiatives delivered
Target date to have executed key steps required to deliver targeted FY25 EBITA margins

- Sector led operating model and transformation program
- Continue to simplify current portfolio
- Operational excellence and risk management

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Preferred applicant for QTMP

- Preferred applicant on Queensland Train Manufacturing Program (QTMP) – announced 6 February 2023
- Largest investment in new rollingstock in Queensland history
- Target contract close and mobilisation in Q4 FY23
- Downer will deliver:
  - 65 six-car passenger trains
  - two training simulators
  - purpose built train manufacturing facility at Torbanlea
  - maintenance facility at Ormeau
  - passenger train maintenance
- Downer is a leading provider of rollingstock asset management services in Australia, with expertise across every project phase from design and manufacture to through life support, fleet maintenance and overhaul

Indicative revenue profile

Component	Rev %	Delivery Profile
Manufacturing & maintenance facilities	~35%	
Fleet delivery	~45%	
Maintenance (through life support)	~20%	*Transition in* / *Full fleet*

FY23 *FY27* *FY33*

Immediate priorities

- Particular focus on:
  - value for shareholders
  - risk management
  - mobilisation of QTMP
  - target EBITA margin
  - new structures and leadership team for success
- The Transformation Program is mobilised and restructuring costs to be incurred from 2H
- Update at Investor Day in April 2023

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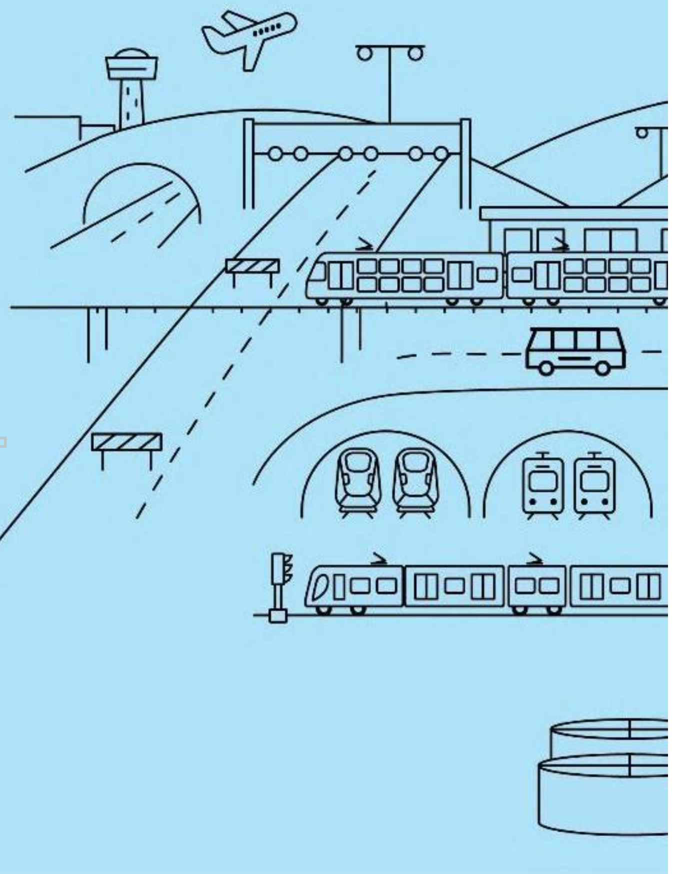
Supplementary information

Transport

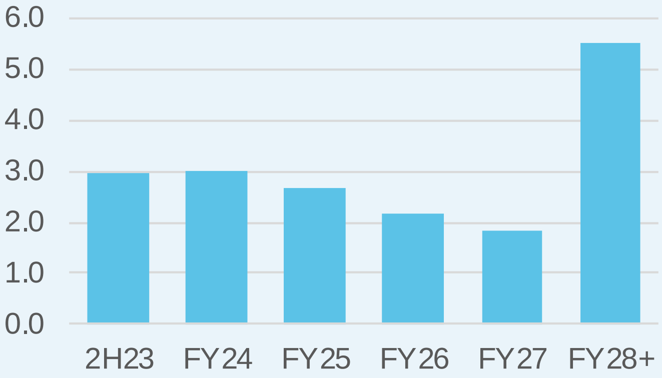
Road Services

Rail & Transit Systems

Projects



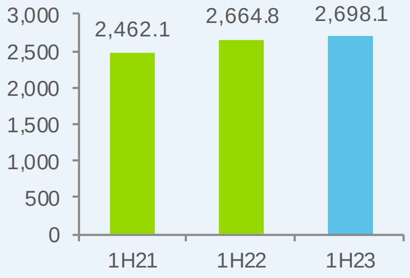
WIH profile[1] ($bn)



- Total WIH of $18.1bn
- 98% government WIH[2]

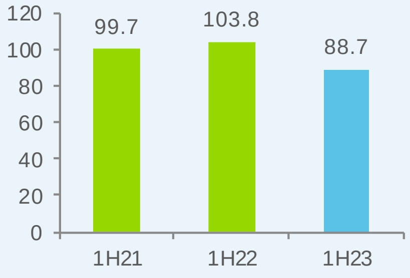
Top 5 Contracts Remaining (ex QTMP)
1. Maintaining Waratah trains until 2044
2. Maintaining HCMTs until 2053
3. Maintaining Sydney Growth Trains until 2044
4. Operating Yarra Trams until 2024 (Keolis Downer)
5. Operating Adelaide Passenger Rail Network until 2033 (Keolis Downer)

Revenue[3] $m



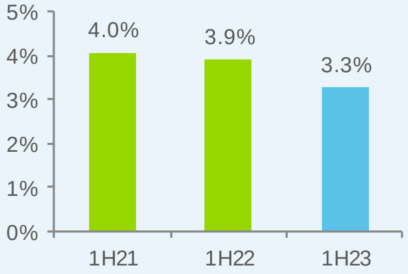
▲ 1.2% v HY22

EBITA[3] $m



▼ 14.5% v HY22

EBITA[3] margin



▼ 0.6pp v HY22

[1] Work-in-hand figure at Dec-22 adjusted to include expected contract value for the Queensland Train Manufacturing Program (QTMP) following the announced preferred applicant status (announced on 6 February 2023) and excludes WIH associated with the Transport Projects Australia divestment (assuming 30 June 2023 completion)

[2] WIH Government includes direct Government and Government related projects

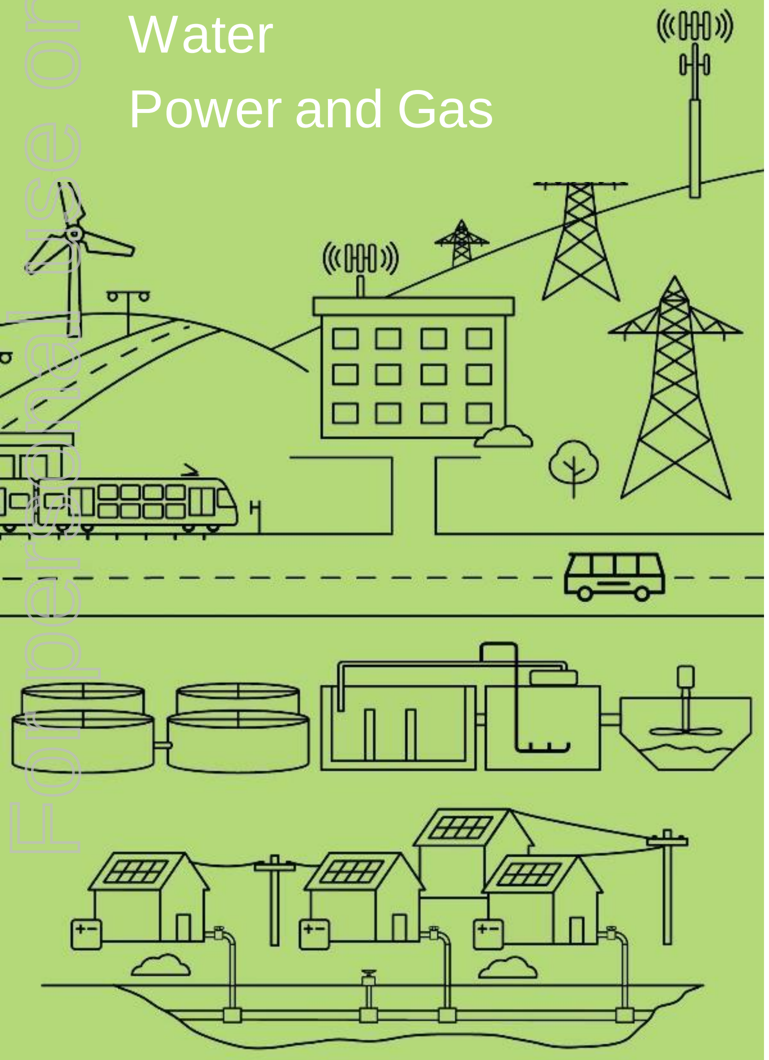
[3] 1H22 restated to reflect the change in operating segment of Power Systems from the Transport segment to the Utilities segment

Utilities

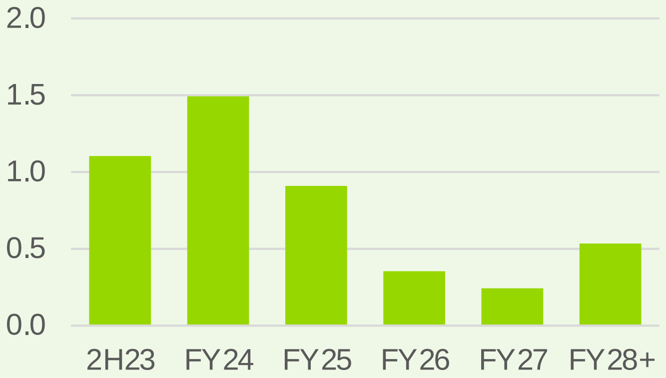
Telecommunications

Water

Power and Gas



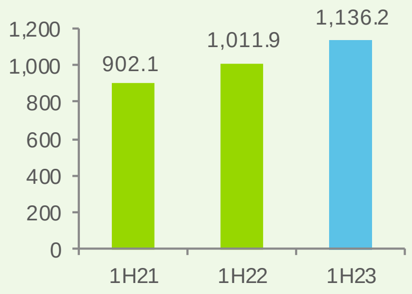
WIH profile ($bn)



- Total WIH of $4.7bn
- 81% government WIH[1]

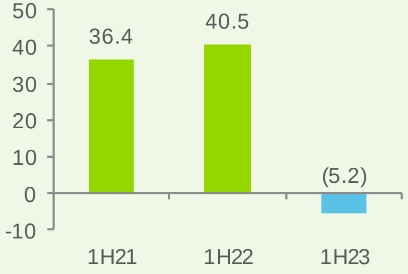
Top 5 Contracts Remaining
1. Sydney Water until 2030 (Confluence Water JV)
2. AusNet (power) until 2024 (plus two 3-year extensions)
3. City of Gold Coast (water) until 2032
4. AusNet (gas) until 2026
5. Logan City Council until 2025 (plus two 2-year extensions)

Revenue[2] $m



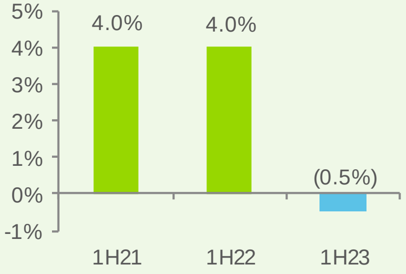
▲ 12.3% v HY22

EBITA[2] $m



▼ >100% v HY22

EBITA[2] margin



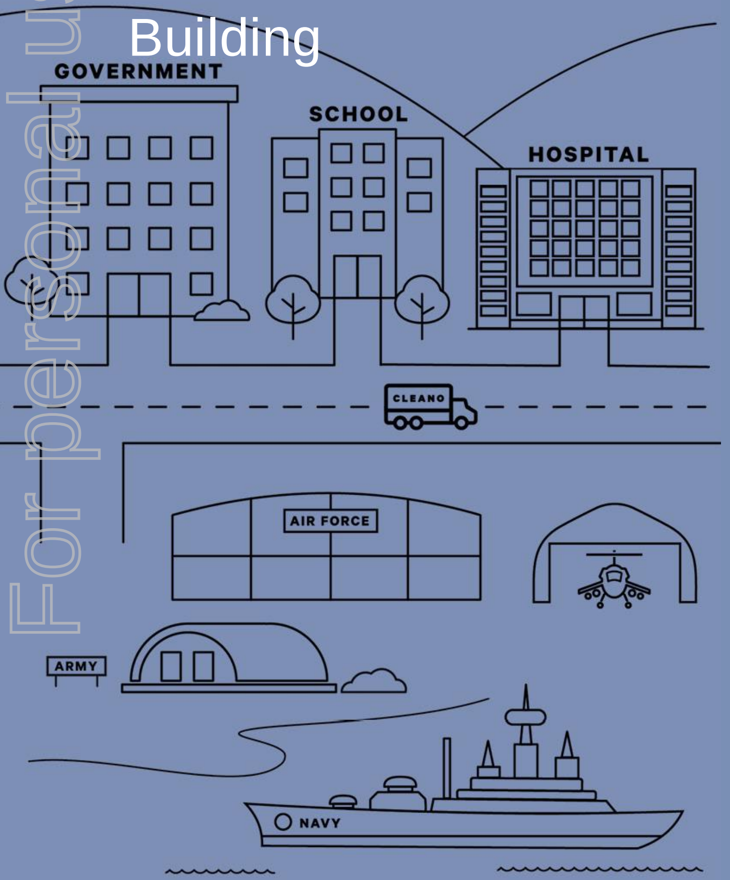
▼ 4.5pp v HY22

[1] WIH Government includes direct Government and Government related projects

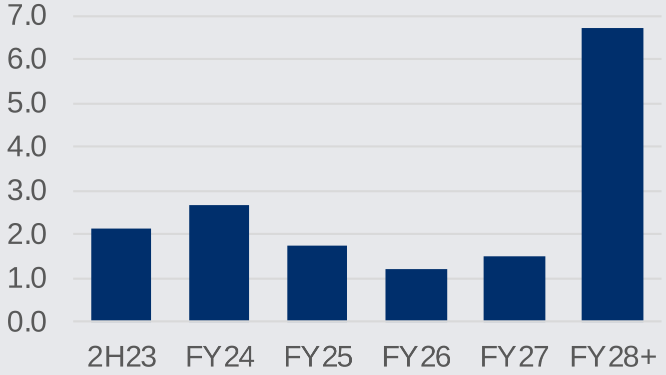
[2] 1H21 and 1H22 results have been restated to reflect the impact of historical misreporting of revenue and contract assets in one of Downer's maintenance contracts in its Australian Utilities business. 1H22 also restated to reflect the change in operating segment of Power Systems from the Transport segment to the Utilities segment

Facilities

Government
Health & Education
Defence
Power & Energy
Industrial & Marine
Building



WIH profile ($bn)

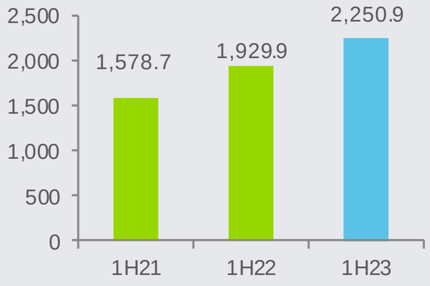


- Total WIH of $16.0bn
- 85% government WIH[1]

Top 5 Contracts Remaining

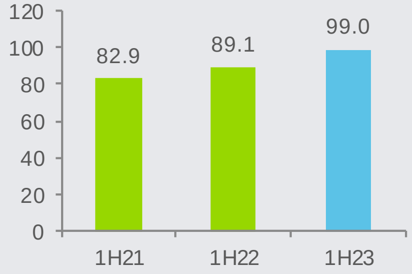
1. New Royal Adelaide Hospital PPP until 2046 (contract reset 30 June 2022)
2. Bendigo Hospital PPP until 2042 (contract reset 30 June 2022)
3. Sunshine Coast University Hospital PPP until 2042
4. Dept of Defence Estate Maintenance and Operations until August 2024
5. Orange Hospital PPP until 2036

Revenue[2] $m



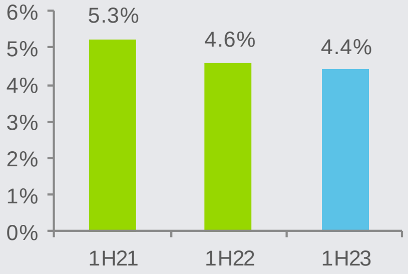
▲ 16.6% v HY22

EBITA[2] $m



▲ 11.1% v HY22

EBITA[2] margin

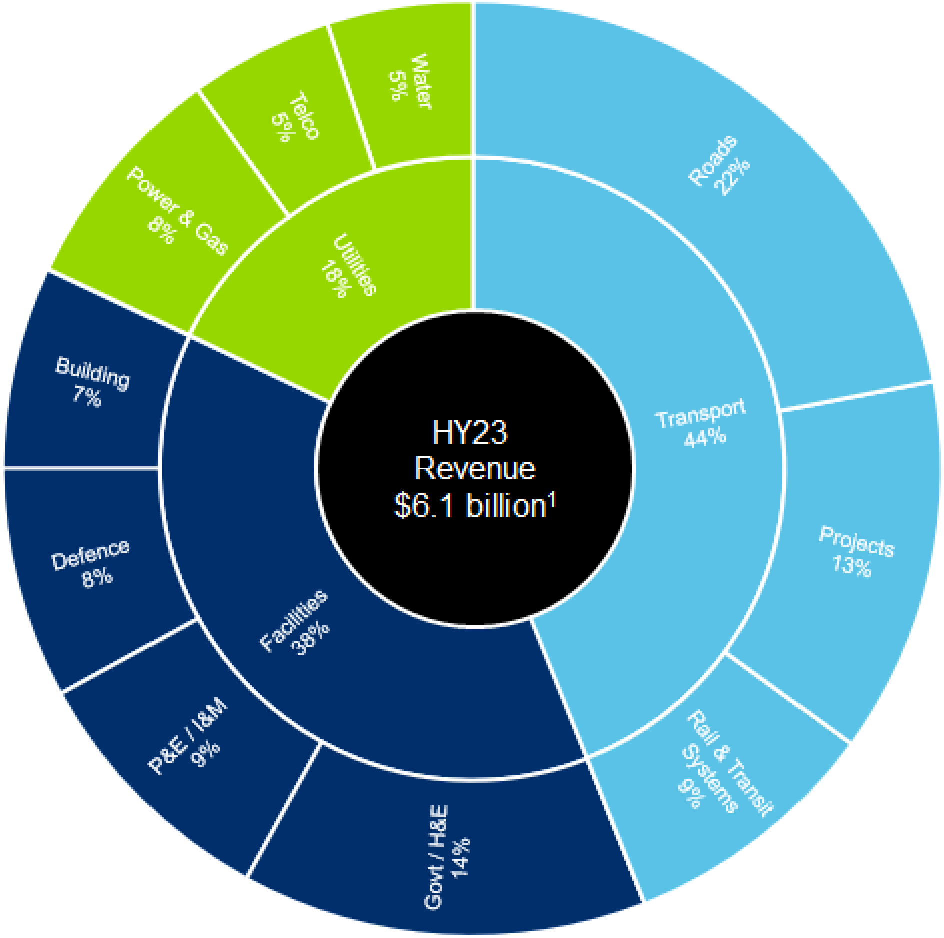


▼ 0.2pp v HY22

[1] WIH Government includes direct Government and Government related projects
[2] Excludes Hospitality and Laundries in prior periods

HY23 revenue composition

Revenue diversified across Transport, Utilities and Facilities markets



Revenue growth of 3% on prior period

(9% excluding Mining and Hospitality in comparative period)

[1] P&E / I&M is the abbreviation of Power & Energy and Industrial & Marine businesses and also includes Mineral Technologies. H&E is the abbreviation of Health & Education

Business unit performance

$m	HY23	HY22[1]	Change
Transport	88.7	103.8	(14.5%)
Utilities	(5.2)	40.5	(>100.0%)
Facilities	99.0	89.1	11.1%
Urban Services Businesses	**182.5**	**233.4**	**(21.8%)**
Mining	-	8.1	(100.0%)
Hospitality	-	(12.5)	100.0%
Non-core businesses	**-**	**(4.4)**	**100.0%**
Corporate	(48.9)	(52.0)	6.0%
Underlying EBITA[2,3]	**133.6**	**177.0**	**(24.5%)**
Items outside of underlying EBITA	9.3	4.6	>100%
Statutory EBITA[2]	**142.9**	**181.6**	**(21.3%)**
Underlying NPATA[2,3]	68.0	94.4	(28.0%)
Statutory NPAT	**68.1**	**85.8**	**(20.6%)**

- Refer to slide 14 for commentary on segment performance

[1] 1H22 results have been restated to reflect the impact of historical misreporting of revenue and contract assets in one of Downer's maintenance contracts in its Australian Utilities business ($4.6m, $3.2m after-tax), and to reflect the change in operating segment of Power Systems from the Transport segment to the Utilities segment
[2] Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY23: $13.1m, $9.2m after-tax. (HY22: $14.2m, $10.0m after-tax)
[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

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Capital expenditure and D&A

$m	HY23	HY22	Change
Net Capital expenditure – core	70.1	65.2	7.5%
Net Capital expenditure – non-core	-	8.1	(100.0%)
IT	14.4	22.8	(36.8%)
Capital expenditure / IT	**84.5**	**96.1**	**(12.1%)**

$m	HY23[1]	HY22[1]	Change
Depreciation of PP&E – core	59.4	54.4	9.2%
Depreciation of PP&E – non-core	-	13.6	(100.0%)
IT amortisation	13.4	12.2	9.8%
Depreciation of RouA – core	74.9	76.2	(1.7%)
Depreciation of RouA – non-core	-	7.7	(100.0%)
Total depreciation & amortisation	**147.7**	**164.1**	**(10.0%)**

- Maintenance capex broadly in-line with PP&E depreciation and IT amortisation expense

[1] Total depreciation & amortisation excludes acquired intangible assets amortisation expense (HY23: $13.1m, HY22: $14.2m)