Operator: Thank you for standing by and welcome to the Downer full year results conference call and webcast. All participants are in a listen only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, you will need to press the star key, followed by the number one on your telephone keypad. I would now like to hand the conference over to Mr Grant Fenn, CEO. Please go ahead.

Mr Fenn: Well good morning ladies and gentlemen and thank you for joining the Downer team for the presentation of the Downer EDI Limited results for the 12 months to 30 June 2019. My name's Grant Fenn and I'm the CEO of the Downer Group. This morning I'll take you through an overview of the results and what you can expect from the company for 2020 and a bit beyond. Michael Ferguson, our Group CFO, he'll cover the financial position of the company in more detail. We'll take questions at the end of the presentation.

Downer's delivered a strong operational and financial performance for its customers and shareholders in the 2019 financial year. Our underlying NPATA growth was 14.7% on 2018, with revenue growth of 6.6%. The Group EBITA margin increased from 3.8% to 4.2% and return on funds employed up 2.2 percentage points to 13.7%. We have focused on margins and returns over the past year and we will look to further improve going forward. I'll have more to say on that later. Our cash performance remains strong and reliable, with operating cash of $630 million and cash conversion of 89% of EBITDA. Dividends for the year of $0.28 per share up from $0.27 in 2018. If you are having any dramas in reconciling the statutory to underlying earnings, a reconciliation of underlying and statutory NPATA guidance is set out in supplementary slide 9 and Michael will run through this with you in any case.

During the year, our urban services businesses, transport, utilities and facilities, continued to grow strongly, contributing 76% of Group revenue and 84% of EBITA at a margin of 5.4%. Transport continues to outperform in both Australia and New Zealand, with strong results in road maintenance, rolling stock maintenance and bituminous products. Excluding our challenges with Murra Warra, utilities achieved particularly strong EBITA growth, driven by a combination of NBN, UFB in New Zealand Power Networks and overhead cost reduction. Facilities, whilst relatively flat, saw significantly improved performance in hospitality and FM, government, defence and laundries offset by lower contribution from AE Smith and Nuvo.

With a clear focus on productivity and cost efficiency, our mining services business has really kicked in 2019 with revenue up 8.8% and EBITA up 52%. Our management

team has done a great job in turning this business around and we've had some help with production volumes increasing in both metallurgical coal and iron ore. EC&M EBITA performance was down 8.3% due to reduced volumes as we completed construction on Gorgon and Wheatstone and the impact of first half construction losses that we dealt with at the half year. However, we're very excited about the growth from our asset services business over the past two years. Our asset services revenue has grown significantly and earnings have doubled in the past year as we've increased our market share. We expect asset services will increase to around 60% EC&M earnings in 2020 which will grow, despite resource based construction remaining relatively subdued.

Downer's continued to build its pipeline of work. Over the past year, work in hand has risen from $42 billion at 30 June 2018 to $43.5 billion at 31 December 2018, to $44.3 billion at 30 June 2019. We continue to win trust of important blue-chip customers and our brand is strong. As you can see from the chart, 88% of our work in hand is now in urban services, transport, utilities and facilities, essentially government customers dealing with population growth and urbanisation pressures. This will continue and we are well placed being highly leveraged to servicing both economic and social infrastructure. We also continue to build our resource-based work in hand with substantial opportunities ahead, particularly in mining services and asset services.

I'm pleased to report, as announced yesterday, that we've reached agreement with the South Australian Government and Celsus in relation to services provided by Spotless at the new Royal Adelaide Hospital. A term sheet has been negotiated and signed by the parties and it includes settlement of historic abatement claims; a revised KPI and abatement regime that better reflects the actual services provided by Spotless and the reality of operating in that environment and an increase in Spotless' monthly service fee; a number of agreed initiatives to further reduce costs and improve patient care. The settlement deed is expected to be signed by the end of September. It will take effect from 1 July 2019. The increased service fee will be paid from 1 July 2019 until June 2022. At that point, there will be a repricing process. We expect that the agreement reached with the state and Celsus, including the increased service fee and initiatives to further reduce cost, will result in the contract becoming profitable. We expect cash flows to turn positive over time as initiatives are delivered and our profitable lifecycle maintenance volumes step up. In 2022 we have the opportunity reprice our soft services, cleaning, catering, orderly services, security, et cetera, to further improve the profitability of the contract. In financial year 2019, there is no impact on Spotless or Downer financial accounts as a result of the agreement. The implications of the agreement will be reflected in the first half of financial year

2020. The provision that currently exists to absorb any losses will be reduced in FY20 to reflect the new agreement.

In addition to dealing with the Royal Adelaide Hospital, there has been significant progress at Spotless during the year. We've improved the business in a number of ways. A new highly competent and experienced management team is now in place under Peter Tompkins. The business has been restructured to better align its customers and markets; centres of delivery excellence are now in place and driving quality, innovation and growth; robust governance and risk management processes are in place, importantly cash flow and cash conversion is now consistent and Spotless debt has reduced by 7% since June 2018; and Spotless has $15.6 billion of work in hand and a multibillion dollar pipeline of new opportunities. Spotless is working closely with Downer on nearly all of its major contracts and contract renewals and the opportunities to work together are ever increasing. I must acknowledge that turning Spotless around has taken considerable effort over the past two years, lifting its quality and performance across almost all of what it does. But we are on the cusp of having a really good business that will contribute significantly to the Group in the future.

I'll now hand over to our CFO, Michael Ferguson and he'll go through the financial results in more detail.

Mr Ferguson: Thanks Grant and good morning everyone. I pick up from slide 8 outlining the underlying financial performance of the Group for the year. Group revenue, including Downer's share of revenue from joint ventures, increased 6.6% to $13.4 billion during the year. This solid growth reflects our market-leading position across both our urban services and mining, energy and industrial markets, with the utilities, mining and EGM's asset services divisions achieving particularly good growth during the year. The Group's revenue performance has translated to strong growth in earnings, with total EBITA of $560.6 million, which is 17% higher than the prior corresponding period. A full breakdown of the revenue and EBITA performance for all divisions is included in the supplementary information of this presentation. Non-cash acquisition related amortisation was $70.4 million compared to the prior year of $66.7 million, with the increase arising from Downer's acquisition of Kier Group share of the Downer Mouchel joint venture. Net interest expense has increased 8% to $82.4 million. This is a result of high debt levels during the period and also includes $2.4 million of non-cash interest arising from the unwind of provision recognised to reflect the present value of the estimated losses on the new Royal Adelaide Hospital contract. Adjusting for this amount, interest has increased $3.7 million or 4%.

Tax expense of $117 million reflects an effective tax rate of 28.7%. This is above the prior period of 25.8% due predominantly to the reduction in Downer's research and development claim following recent legislative changes reducing these initiatives. The effective tax rate remains below the Australian statutory rate of 30% due to non-taxable distributions from joint ventures and a lower corporate tax rate on our New Zealand earnings. This all equates to an underlying net profit after tax and before amortisation or NPATA of $340.1 million, which is up 14.7%. Downer's return on funds employed has increased to 13.7% from 11.5%, reflecting a growth in earnings during the period. Downer's Directors have declared a final dividend of $0.14 per share, franked at 50%. Total dividends for the year total $0.28 per share, up from $0.27 per share last year. This equates to a payout ratio of 53% of statutory NPATA within the payout range of 50% to 60% we have previously disclosed as our target.

Slide 9 outlines the reconciliation of both Downer's underlying and statutory NPATA for the year to the original FY19 guidance of $335 million. This shows two reconciliation items being the fair value gain arising from Downer's full acquisition of the Downer Mouchel joint venture as reported in the first half and the after-tax impact of the expected loss on the Murra Warra Wind Farm project.

Slide 10 provides an overview of unallocated costs. Unallocated costs totalled $173 million and included $98.4 million of corporate costs. The increase in corporate costs, compared with last year, is mainly due to amortisation of IT costs arising from Downer's major business transformation program and restructuring costs incurred during the period.

Moving on to operating cash flow on slide 11, Grant spoke earlier about the continued strength of the cash performance of both Downer and Spotless, with operating cash flows for the year totalling $630 million. We have now delivered cash flow conversion greater than 88% of EBITDA for eight consecutive years, from an increasing proportion of cash-predictable, service-based contracts across our portfolio. After adjusting for the cash losses at the new Royal Adelaide Hospital, Spotless operating cash to EBITDA conversion was 84%, continuing the improved cash performance following Downer's acquisition. The unadjusted Spotless conversion was 70%. In recent times there has been some discussion in the market about receivables and supply factoring. Downer only uses receivables factoring in very limited circumstances to better match cash flows where payment terms for material contracts have exceeded 60 days. At 30 June 2019 we had factored a total of $90 million of receivables relating to two customers. This represents a very small portion of our total receivables book with the receivables factoring facilities used being on credit terms that are cheaper than Downer's average cost of funds.

Turning to overall cash flow on slide 12, net capital expenditure was $395 million, in line with the prior period. Downer continues to invest in growth capital for the mining business, but has also invested in significant growth opportunities in rail maintenance and in increasing our footprint in roads in Australia and New Zealand through the strategic purpose of land and asphalt facilities. Acquisition outflow net of cash required totalled $71.5 million. This includes the acquisition of the other 50% of the Downer Mouchel joint venture as disclosed at our half year results, with the balance related to small acquisitions and deferred purchase consideration. Financing cash outflows totals, to net proceeds of borrowings of $155 million, this includes the proceeds from Downer's $300 million medium term note issue, issued in April, offset by the repayment of a maturing bond of $150 million. Total dividends paid of $175 million increased 11.6% as a result of the increase from $0.27 per share to $0.28 per share. Cash held at 31 December was $710 million, which when combined with undrawn facilities of $1.1 billion, provides us with significant liquidity of $1.8 billion.

Turning to slide 13, the Downer Group balance sheet remains strong, with strong net asset positions. Gearing at 30 June 2019 was 24.9%, still comfortably within the target range.

Our Group maturity profile is set out on slide 14. Weighted average debt maturity remains healthy at 3.6 years, with the major funding activity during the year being the successful issue of a seven-year, $300 million medium term note. The note issue was well priced, again reflecting Downer's continued shift to a more predictable, infrastructure-based services business and was very well supported by Downer's existing and new institutional investors in Australia and Asia. The Group's total net debt is $1 billion, with $324 million in Downer and $688 million in Spotless. Pleasingly, Spotless' net debt continues to reduce. We continue to sit comfortably within our credit rating and debt covenant metrics. Downer's credit rating with Fitch remains at BBB with a stable outlook. Further details of debt and bonding can be found in the supplementary information on slide 25.

I'll now finish on slide 15 which provides an overview of the expected impact of the new leasing standard, AASB 16. AASB 16 has not impacted Downer's FY19 results. It is effective from 1 July 2019 and disclosure has been made on the expected impact in G1 of the Annual Report. The most significant impact of the new standard will be to bring the majority of the operating leases on balance sheet and the requirement to recognise the interest expense component of these leases. The 2020 outlook statement we have included today takes into account the transition to AASB 16. Whilst we expect the transition will result in increased EBITDA and EBITDA, this will be offset by increased depreciation and interest expense, resulting in a minimal impact to NPATA. Whist the earnings impact is expected to be immaterial, the gross

up of the balance sheet is estimated to be within the following ranges: a $720 million to $770 million increase in lease liabilities, offset by a $560 million to $610 million arising from the creation of an associated right of use asset and a $65 million to $75 million reduction in opening retained earnings. We will provide more information on the impact of the new standard when we release our FY20 half year results.

Thank you very much and I'll now hand back to Grant.

Mr Fenn: Thanks Mike. So if we move now to an important slide on our shareholder value focus and I think you might wish to spend some time going through this after the presentation. Each of the boxes on this page is important in understanding how we're managing the business to drive shareholder value and our proposition is this. If we generate reliable earnings growth into the future, if we do that, while deploying our capital efficiently and we do these two things in a way that supports our people and communities, we will drive superior shareholder value. To drive growth, we need to be in strong and growing markets, serving quality customers. As you know, we've been shaping our business to take advantage of the buoyant economic and social infrastructure markets. Our contract base is around 70% government or government-related and we're highly leveraged to the major mega trends that I'm sure all of you have heard about and they're real, as population growth, urbanisation, technology and data proliferation. Communities and governments will need to increase spending in the areas in which we have major positions. We have growing exposure to these urban service markets, with low capital intensity and long contract tenure and we'll continue to add strategically to our business through selective acquisitions where they make sense.

Efficient use of our capital requires first and foremost strong operating cash flow discipline. Downer has a reputation for delivering in this area and our systems are now driving much better results in Spotless. Over the coming reporting periods, we'll be working hard to improve our operating margins by reducing our overheat base across the Group and through improved project performance. There are significant opportunities and we're confident that our margins can rise materially. Further to our capital efficiency, Downer will be undertaking a review to determine whether there are opportunities to enhance the alignment of our portfolio. An important focus area is mining, either operating or alternative ownership strategies that could unlock value for our shareholders and the mining business is a leader in Australia with a proven track record. The new management team there has implemented initiatives to improve financial performance in financial year 2019 with additional benefits to be delivered in future years. As a result, mining is well positioned to capitalise on its strong market position and pipeline to deliver significant earnings growth and improved returns.

Over the past two years, a number of parties have approached Downer expressing interest in acquiring our mining services business. In reviewing the options, we will ensure mining remains well placed to deliver for our people and customers and we will keep shareholders informed of the progress of the review. The Downer Group will continue to maintain a strong balance sheet and credit rating through driving cash-backed earnings and strategic capital allocation. Our portfolio review announced today will be an important part of unlocking value for shareholders.

Increasingly and importantly, how you do business is becoming as important, if not more important than the business itself. This is not something concerning or new for Downer, we've always seen ourselves in this light. The safety of our people, the environment that we care for and the communities in which we live are paramount in how we go about our job. Our customers care, our people care and so do we. This year's sustainability report will be available on our website in about a week and it's a fantastic read and a real testament to the people working in the Downer Group. I recommend it to you for a real look into some of the amazing things that the Downer Group does. I'm pleased to say that we received high ratings for our 2018 sustainability report from independent ESG agencies, including ISS, ACSI, MSCI, Sustainalytics and DJSI, but the 2019 report is better.

We'll now move on to the outlook for 2020. Downer's targeting earnings growth of 7.3% on the FY2019 underlying earnings base of $340.1 million. As a result, we expect NPATA will increase to around $365 million before minority interests.

That's all for the formal presentation and I'll now hand back to the coordinator for questions. Thank you.

Operator: Thank you Grant. Thank you and welcome to the question and answer session. If you wish to ask a question, please press star/one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star/two. If you are on a speakerphone, please pick up the handset to ask your question. We will now pause a moment to assemble a question queue.

Your first question comes from John Purtell from Macquarie. Please go ahead, John.

Question: *Good morning guys, how are you?*

Mr Fenn: Yes, good John.

Question: *Just had a couple of questions, just in relation to transport services, very strong result there, can you just comment on what were the key drivers and just the second aspect, re EC&M, that was a disappointing result in terms of the second half, what were the drivers there?*

Mr Fenn: Yes, so starting with transport, look it was a very strong result and it's got great positions in its markets really, which is what's driving that at a time when governments are spending a lot of money. So that's the underlying position here and it relates to road maintenance, it relates to rolling stock maintenance, both of those things are very strong and also as a result of that, particularly on the road maintenance side and also the amount of work and new roads that are being formed, we had very strong performance in bituminous products, both in Australia and New Zealand. So transport, yes, very good.

Now EC&M, look I don't agree with your position on EC&M. Now we can see that the numbers are down slightly, but when you unpick that, the points that I'd like to make here is that in the previous corresponding period you had a lot of earnings coming from Gorgon and Wheatstone which have now trailed off quite significantly. We also in the first half, as we discussed at the first half results announcement, we also had a difficult project in Orbost. Now those are quite significant things in their own right, but what's happened is for the most part that has been offset by a very, very strong result in asset services. So that business has increased its revenue by around 40% and it's earnings around 100% during that period, almost to offset it and we're expecting more growth in that and that is where we want to grow our business. So whilst on the surface it might look as if it's poor and that problem project has not further continued into the second half, in fact it's been quite good in the second half. So I'm very pleased with where EC&M is pushing into financial year 2020, John.

Question: *Thank you and just a last question if I can, obviously you've mentioned the strategic review there with a focus on mining, are you able to provide any colour about whether it's going to be broader than that over time as far as a narrowing of the mix of the different businesses?*

Mr Fenn: We've been talking about this for a while, that we're focusing in particular areas and we won't rehash all of that, so we are looking for long-term positions in services businesses that are relatively capital light. So we're taking that into the review, but the one that's in focus right now will be mining and I think we will stick to that at the moment. If that changes, then we'll talk to you about it.

Question: *Thank you.*

Operator: Thank you, John. Your next question comes from Nathan Reilly from UBS. Please go ahead, Nathan.

Question: *Good morning gents. First question is just in relation to the Royal Adelaide Hospital resolution. Grant, you've indicated there that there is a path to that project becoming profitable and I think you also mentioned that the impact on the provision which*

you've raised against future losses on that contact would likely be reduced in 1H 2020. So am I right to assume therefore that, I guess that contact out to that FY22 reprice point is still loss making, is just post resolution, it's less loss making?

Mr Fenn: Yes, so look the way I describe it is the total contract we think is now profitable, but there are two sides to this. One is more the soft services or the reviewable services and the other is lifecycle. So the benefits on the cash flow on the lifecycle are relatively backdated or end-dated on the contract, whereas the cash impact on the soft services are more forward-dated. So if we think of it in an accounting sense, the totality of that looks positive. However, those cash losses on the front end have been reduced quite significantly as a result of the increase in the service payment. We also have a path to further efficiency, so as part of the arrangement that we've organised with both Celsus and the state, that we're focusing in on a list of initiatives to reduce cost. So we're very hopeful that between now and 2022 we'll also drive dividends for us in reducing that cost base. So on the provision, we'll be looking at just exactly what we do with the provision and how far we reduce it over the course of the first half of 2020 and we'll come and talk to you about that at the time, so that's in our sights as we speak.

Question: And therefore the implication to the FY20 earnings guidance you've just provided, does that include any reversal on that provision?

Mr Fenn: No, there's nothing included in the $365 million.

Question: Okay, so when you do get some line of sight over the impact on that provision, you'll call that out separately and mark that as an adjustment?

Mr Fenn: Yes.

Question: Okay, very good. Now the second question or the second topic really, just in relation to the Murra Warra situation, I guess in conjunction with some of the challenges you've faced in the renewable energy sector recently, Grant can I just get you to give us a bit of an overview of your explanation and how you've ended up in this situation? Could you just give us an idea on the risk management control processes around the bids on these types of contracts and any tightening which you might have introduced post some of these situations arising? I guess the final point on that, I'm just curious to get a bit of an understanding on your fixed price contract exposure and your work in hand at the moment.

Mr Fenn: Yes, sure. So if we just talk about Murra Warra for the moment, so what we've entered into there is our scope of work was balance of plant, Senvion's scope of work was to manufacture, erect and commission and take the risk on the power curves, et cetera on the wind towers. Unfortunately what we did was we were joint and several

on that, which we had covered through a bank guarantee, it was something the customer required. We thought we'd covered it on a bank guarantee, but it wasn't sufficient. When we looked back through it, it's plainly obvious to us that we should have understood that should there be an issue with Senvion, that it would be rather difficult to replicate the manufacture of the equipment. So that's a bit of a kick in the tail for us and we should never have been in this spot. In wind, up until a couple of jobs ago, we'd never taken joint and several on that and we've been investigation as to how did we get to this position. Of course, as you would expect, that's not the position going forward. We've just included another wind job recently and we've pushed back to the customer and we're not taking joint and several on that, we're taking liability just for the balance of plant for which is our scope.

So there are learnings in this. A business like ours and people in the sector, you do take joint and several, but the learning here is don't take it where you can't replicate the technology that you require to do the job. The risk is this is not really one of wind or renewables, this is around credit risk and then your ability to replicate the technology. So we've learnt a bit in this, as we have each time we have one of these issues, we improve. So our book, I was speaking to Michael yesterday and my view of the book is that it is very clean, in fact, despite us have now Murra Warra to address, but the rest of the book is very clean.

Question: *Just in terms of, I guess, the level of fixed price contract work within that order book at present?*

Mr Fenn: I couldn't give you an exact number because a lot of it is service oriented, mate; I'd have to come back to you on exactly what the amount of fixed price is. We're much more concerned about fix priced construction contracts, hard dollar construction contracts, they're our focus.

Question: *Is the strategy still to reduce the exposure to that type of work going forward in terms of your pivot towards infrastructure services?*

Mr Fenn: Yeah, it is, but it's all risk related, right, so as you would have seen a number of months ago, we announced that we were selected with VINCI, our partners, to undertake the largest infrastructure job that's ever been done in New Zealand. Now you could say, well that doesn't really align with what you've been talking about, but it does because we are - it is a true alliance job, right, so the risk on that job is limited to your profit. We've spent a lot of time making sure that the alliance worked so that we're not just there to make up the numbers here, we're actually going to make money on that job and we won't be losing money. So it depends on the risk allocation. Technically construction is very much within our grasp. We are very careful with risk positions, which is why we have largely avoided the issues that have really struck

many of the civil contractors in the country with the infrastructure boom that's going on. There are very few people making money in there. I've got to say, we are one of the companies that are.

Question: *Okay, appreciate your thoughts on that one. Final question, Michael, the amortisation add-back in the FY19 NPATA calc, looks like it's about $49 million, can you give us a guide for what that number would look like for F20, just relative to your FY20 guidance please?*

Mr Ferguson: Yes, it's not far off. It winds down slightly as some of the contracts - the customer contracts were in the book at the time of acquisition, but within $5 million of that number.

Question: *Excellent, thank you.*

Operator: Thank you, Nathan. Just a reminder, if you wish to ask a question, please press star/one on your telephone and wait for your name to be announced. Your next question comes from Siraj Ahmed from Citigroup. Please go ahead, Siraj.

Question: *Thank you. Just a couple of questions. Grant just firstly on the guidance, how should we think about - I mean you guided to 7% growth but clearly there were a few one-offs, especially in first half 2019 with a few problem contracts, I'm just trying to understand from a segmental perspective how we should think of the guidance.*

Mr Fenn: Yes, we think 7% growth rolling forward is going to be pretty good in comparison to the market, Siraj, I'd say that as a start. We don't split up our guidance into the individual businesses, but look we're seeing positive numbers in most of our business units. So again, it's because we're not particularly reliant on any one and we're not particularly reliant on any single customer or any single large infrastructure job. So that probably doesn't answer exactly your question, but that's probably as good as I can go.

Question: *Maybe just specifically, I mean the transport margins which you mentioned in second half was really strong, will that expectation continue? I mean I know there's a skew in that business, but just trying to understand the margin improvement year on year.*

Mr Fenn: Look, yes, it's a pretty good margin where it is. Look just generally overall we think there's a job to be done in the business to lift our Group margins and as we look at it, we say, we're probably a little heavy in our overhead base and that's not just at the corporate side, but also the divisions and looking at that. Yeah, so I think, as I said in the presentation, we're doing a job on trying to get our margins up and you'll see that as we roll through into investor day, we'll have more to say about that.

Question: *Sure, but just clarifying, that margin improvement or the work that you're doing, that's not as big from an FY20 guidance perspective, or is there a bit of it?*

Mr Fenn: No, there's elements of it, yeah, it can't all be done at once mate, there's elements of that in there.

Question: *Got it. Secondly, just on - there has been some discussion about the Melbourne trains, the growth project, probably a little bit delayed, I think it's pretty public as well, just trying to understand what's Downer's exposure to it, if you could just give some colour on that?*

Mr Fenn: Yes, so CRRC, their scope is around the design, the construction, the testing and commissioning and basically the sale of those trains into the network. So in terms of delayed position into the Melbourne network and they are delayed, they're somewhere towards 12 months I think and I'll just say what's been reported on television, let's assume that that's right. That's CRRC's risk. Now we are working with them to try and help them address that. We're very hopeful that we will have a train or trains on the network before Christmas, but that's what we're working towards. So our exposure, well we don't have the exposure there, it's CRRC that's got the exposure, but of course we earn service revenue off trying to get them there and of course we run the through-life support, so that gets delayed when the trains don't come into service, obviously that gets delayed by a period, so that's our exposure.

Question: *Okay, all right. Just one thing, Michael, just on the corporate costs, I missed it during the call, there's pretty a big increase, especially in the first half as well, can you just talk through what happened?*

Mr Ferguson: Yes, the majority of it is we finished our systems implementation, so I think we've talked in previous periods about rolling out consistent ERPs and payroll platforms across the Group that's led to an increase in our non-cash amortisation as those things are now in and working. Then we also had some restructure related costs in the second half as well.

Question: *Just looking forward, just assume similar, shall we?*

Mr Ferguson: Probably, the restructuring costs are about $7 million of that number and then the balance of the increase from the previous year is the amortisation.

Question: *Great, all right, thank you.*

Operator: Thank you, Siraj. Your next question comes from James Redfern from Merrill Lynch. Please go ahead James.

Question: *Hi, Grant, good morning.*

Mr Fenn: Hey James.

Question: *Just a quick question on the potential sales of mining division as part of the strategic review, my understanding is Downer received a couple of unsolicited offers in the last six to 12 months that were unacceptable to Downer, so do you think that the market has improved and that the potential offers that you might receive will be higher than those received, say, six months ago, or have you lowered your expectations relative to the book value of, I think it's roughly $550 million? Thank you.*

Mr Fenn: Yes, look I'm not going to get into price discussions here, but what I would say is that this is an exception business, it's been very good for us and should we come to the conclusion that we want to exit that business, then I'm sure that there is an owner out there with the ability to grow this business strongly. Look we think this business is a very good business and when we've had incoming, it's not really value that's been the issue.

Question: *Okay, excellent, thank you. My other questions were already answered, thanks Grant.*

Mr Fenn: Thanks.

Operator: Thank you, James. Your next question comes from Scott Ryall from Rimor Equity Research. Please go ahead, Scott.

Question: *Thanks so much. Grant, I just wanted to take John's question in the transport division a little bit further please. Your revenue, similar to your first half, revenue was flat, but EBITDA is up with a strong increase in margin, probably stronger in the second half and ROFE looking pretty good. So clearly that division, with some of those contracts rolling off that you mentioned in your disclosures, has been successful in areas that are higher margin and higher return on capital. Could you just elaborate a little bit more around, broadly speaking, what those attractive areas are please and why are you able to win those? Presumably that's something where you've got a competitive advantage or intellectual properly. Thank you.*

Mr Fenn: Yes, sure. Look there's a lot in that question.

Question: *Sorry.*

Mr Fenn: But I'll certainly answer it. Just on the revenue side there, also within that business we have our infrastructure projects are, which is doing transport related civil and building works for rail, et cetera, so that business is a little more volatile and in this period there's been a little less revenue in there, so when you look at the revenue, that's what's going on there. But on our business model around, when you say transport, what you really mean is I think roads, because rolling stock is relatively easy to

understand, but if you think about roads, we have a very significant position. If we start at the top of the tree, we either are or would be very close to the largest network manager of roads in the world. When I say network manager, I don't mean a business that has a whole heap of trucks that gets told by the government go and fill potholes, I mean actually fully managing the assets of very large road networks. Although we do that just in New Zealand and Australia, we have a very, very large scale business and a lot of IP and smarts that sit within that., world class, the people in there, as well.

There was a recent trip for investors and also analysts out to some of our facilities and you would see that we range from network management through to actual maintenance of the road, to producing the products that go into the maintenance on the road, doing the research around those products, in some cases those products are repurposed from our recycling business and that's both asphalt, that's road sweepings and that's other things. So we have a very strong vertical chain into the market and the market ranges from, in New Zealand's case, national agencies down through to councils, down through to individuals, even in developments and in Australia, it's really state governments through down to councils and we have a very strong network. We have a geographical scale with asphalt plants and capability that is unmatched by anyone also. So look, I've done my best there, mate. Does that answer the question?

Question: *Yes it does, thank you. That's all I have.*

Operator: Thank you, Scott. Your next question comes from Siraj Ahmed from Citigroup. Please go ahead, Siraj.

Question: *Just a follow up, on the cash flow, it looks like Spotless conversion has reduced in the second half, can you just give some colour on that, Michael?*

Mr Ferguson: Yes, it's just a reflection, I think, of the sort of performance of the second half versus the first half. I'm not exactly sure of the reasons or the specific reasons, but we look at it in aggregate and we think the full year performance has been very good.

Question: *Okay and just trying to understand the settlement regarding Royal Adelaide, would expect, I mean from a P&L perspective, obviously you've provisioned for it, so we shouldn't be expecting an improvement next year, but would the cash flow conversion has to increase, in the [equivalent] cash flows, I know it's supposed to be lower.*

Mr Fenn: Yes, the unadjusted cash flow won't improve.

Question: *Yes, sure.*

Mr Ferguson: Yes, so we called out the adjusted cash flow and the actual cash flow and then the extra service fees all bridge some of that gap.

Question: *Got it, all right. Thanks.*

Operator: Thank you Siraj. Your next question comes from Alex Karpos from Goldman Sachs. Please go ahead, Alex.

Question: *Good morning everyone. Just one question here from me, looking at the work in hand, it looks like facilities has gone back a bit ever since the 1H 2019 result. Can you parse that out by Spotless and Hawkins? Just trying to get a sense of the core Spotless kind of work in hand that's tracked over the past six months. Then are there any major Spotless contracts and renewals coming up that we need to be aware of?*

Mr Fenn: Yes, I'm not sure, I don't have the split here for you, so Michael might be able to give it to you later. Look Spotless has continued to win its share, as you know, in these types of businesses because they're also very long dated, as you roll off and it's the same in the mining business. You will see movements in work in hand for those typical businesses that will go down and then you win a contact and it goes up significantly, so we're just in that cycle. Michael will have to do with the - Michael Sharp I mean - will have to deal with the split.

Question: *Got it and no major renewals we need to be aware of in the next six months?*

Mr Fenn: None that I'm - there's a very large expansion, potential expansion of a contract in Western Australia with BHP, but no, other than that, I think we've done very well in our laundries renewals, that's all of major note.

Question: *Got it, thanks, that's it from me.*

Mr Fenn: Thanks.

Operator: Thank you Alex. We have no further questions at this stage, we're now going to close the question and answer session. I will hand back to Mr Fenn for closing remarks.

Mr Fenn: Okay, look thank you very much for your effort to get here. I know you're very busy with results and for those investors on the line, no doubt I'll see you over the course of the next few days. Thank you very much.

END OF RECORDING (50:03)