

7 November 2019

Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

RE: Downer EDI Limited 2019 Annual General Meeting

Please find attached a copy of the following documents related to the Annual General Meeting of Downer EDI Limited to be held at 11.00am today:

- Chairman's address to shareholders; and
- Chief Executive Officer's report.

Yours faithfully



Robert Regan
Company Secretary

**DOWNER GROUP ANNUAL GENERAL MEETING 2019
CHAIRMAN'S ADDRESS AND CHIEF EXECUTIVE OFFICER'S REPORT**

Chairman's Address, Mike Harding

Ladies and gentlemen,

I am pleased to report that Downer has had another good year.

This includes meeting guidance for the eighth consecutive year, maintaining a strong share price and increasing the dividends paid to you, our shareholders – from 27 cents in 2018 to 28 cents in 2019.

Our 2019 safety performance, as measured by the key industry safety statistics, improved from 2018.

However, in late July 2019 an employee of Otraco, Jose Castro, died in Chile. Otraco is a Downer business that delivers tyre management services across more than 60 mine sites in Australia, South America and South Africa.

There is an ongoing investigation into Mr Castro's death and Downer is assisting the local authorities in relation to this investigation.

Sustainability is becoming an increasingly important issue for our shareholders, and our people, and I am pleased to inform you that our Sustainability Report continues to improve.

We have copies of the report here today, and I encourage you to take one and read it when you get home.

You will see on page 5 that the 2018 report has received positive reviews from a number of independent organisations. This includes a "leading" rating from the Australian Council of Superannuation Investors, a "level 1" rating (which is the highest rating) from Institutional Shareholder Services, and a "double A" rating from MSCI.

A key milestone this year is that we have implemented the recommendations of the Task Force on Climate-related Financial Disclosures. We have also set an ambitious long-term greenhouse gas emission reduction target that aligns with the 2015 Paris agreement – that is, to pursue efforts to limit the temperature increase by 1.5% by the end of the century.

Another important initiative was to revisit our materiality assessment, in accordance with the Global Reporting Initiative standards, to identify what our stakeholders believe are the material issues for Downer. The assessment reinforced the importance our stakeholders place on governance frameworks, and we have increased our reporting on Downer's governance and ethical conduct in this year's report.

Ladies and gentlemen, you will have noticed that Board renewal is continuing at Downer. Last year we welcomed Nicole Hollows as a Director and, in May this year, Peter Watson joined the Board. I

will speak more about Peter later in the meeting when, at item 2a on the agenda, we vote on his election to the Board.

At the conclusion of today's meeting Annabelle Chaplain will retire as a Non-executive Director of Downer.

Annabelle has made an enormous contribution to Downer over more than a decade. She joined the Board in July 2008 and, since that time, the company has successfully navigated many challenges and achieved significant growth.

Annabelle has provided invaluable advice and leadership through her service on the Zero Harm Committee, the Remuneration Committee and the Nominations and Corporate Governance Committee – and she has played a particularly important role as the long-term Chair of the Audit and Risk Committee.

On behalf of the Board, and our shareholders, thank you, Annabelle, for all you have done for Downer – and we wish you all the best for the future.

I would like to thank Grant, his executive team and our people for the Group's good performance in the 2019 financial year. Spotless has continued to improve, with Peter Tompkins appointed CEO a year ago. Grant will provide more information about Spotless and our other businesses in his update on the Group's operations.

Finally, I would like to thank our shareholders for their support during the year.

I will now hand over to Grant before I return to run through the resolutions that will be put to the meeting.

Thank you.

Chief Executive Officer's Report, Grant Fenn

Thank you, Mike

Ladies and gentlemen, I am pleased to report that Downer has delivered another solid operational and financial performance in the 2019 financial year. The highlights included:

- Underlying earnings increasing by 14.7% (in the top quartile of ASX 100 companies) and Downer meeting its earnings guidance for the eighth year in a row;
- Continuing strong and reliable cash performance, with operating cash of \$630 million and cash flow conversion of 89% of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA);
- Maintaining a strong balance sheet with gearing of 25% and undrawn funding capacity and cash of \$1.8 billion;
- Growing work-in-hand to over \$44 billion, giving us a very solid pipeline of work for the years ahead; and
- Increasing the total dividend to 28 cents per share, up from 27 cents per share last year.

Our strong share price performance and increased dividend are a welcome outcome for you, our shareholders, and I thank you for your continued support. I also thank our people for their hard work during the year and their contribution to our results.

I confirm that Downer is targeting Net Profit After Tax and before Amortisation of acquired intangibles (NPATA) of around \$365 million before minority interests for the 2020 financial year. We believe the 7% profit growth we have forecast for the year ahead is a good outcome in the current environment.

Our cash performance for the 2020 financial year is not expected to be as strong as it has been in recent years due to a number of known factors, including the cash impact of Murra Warra wind farm, the timing of cash flows from large projects winding down, and the timing of cash payments for the first bogie overhaul for the Waratah Trains.

Ladies and gentlemen, over the past year we have highlighted the performance of our Urban Services businesses of Transport, Utilities and Facilities. These businesses contributed 83% of Downer's earnings in the 2019 financial year, make up 88% of our work-in-hand, and are all well positioned for growth.

- Transport includes road services, rollingstock services and transport projects;
- Utilities includes power and gas distribution, water, telecommunications and renewable energy;
- Facilities, which includes Spotless, incorporates a broad range of services provided to industrial and government customers in sectors including health, education, defence, and justice.

We have increased our focus on Urban Services in recent times as governments in both Australia and New Zealand are continuing to invest in economic and social infrastructure as they respond to the ongoing demands of population growth and increasing urbanisation.

We are well placed to benefit from this government investment. We have strong and deep positions in Urban Services and we have built multi-faceted relationships with our customers. We offer our customers an extensive range of skills and capabilities that help them solve their problems. We work closely with them and our aim is to help them to be successful.

The increasing proportion of Downer's earnings contributed by Urban Services is in line with our shareholder value proposition, which is focused on driving growth in services-oriented businesses while maintaining disciplined cost and capital efficiency.

At our full year results in August, we announced that we are undertaking a Portfolio Review to determine whether there are opportunities to enhance the alignment of our portfolio. We noted that an important area of focus for this review is our Mining business.

Downer's Mining business is a leader in Australia, with excellent people and a strong and proven track record. However, it is also very capital-intensive. Mining contributed about 12% of Downer's profit in the 2019 financial year but required more than 50% of the Group's total capital expenditure to achieve that result.

The process is progressing and we will inform the market of any significant developments.

Ladies and gentlemen, it has been two years since Downer acquired Spotless. There have been challenges, as we expected, but we have made substantial progress in improving the business and we remain firmly of the view that Spotless is strategically very important to Downer's future.

The highlights of the 2019 financial year for Spotless included:

- Reaching an agreement with the South Australian Government and Celsus in relation to the new Royal Adelaide Hospital – this has significantly improved the monthly cash position and provides a strong foundation for further improvements to the operating model;
- Reducing Spotless' debt by 7% from the prior financial year;
- Strengthening the management team under Peter Tompkins and restructuring the business so it is better aligned with customers and markets; and
- Establishing centres of excellence to drive consistency of delivery, improved quality, innovation and future growth.

Ladies and gentlemen, Downer performed well in the 2019 financial year, we have forecast good growth in 2020, and we continue to have leading positions in all the markets in which we operate.

Thank you again for your support and I now hand the meeting back to our Chairman to discuss the items outlined in the Notice of Meeting.