

19 September 2024

ASX Compliance
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear ASX Compliance

Response to ASX Aware Letter Reference: 99940

Downer (ASX:DOW) notes the questions contained in the letter from ASX of 19 September 2024 (**ASX Letter**) and responds as follows.

1. ***Does DOW consider that any measure of its statutory or underlying earnings for the 2024 financial year as disclosed in the Results Announcements ('Earnings Information') differed materially from the market's expectations, having regard to the following three base indicators (in decreasing order of relevance and reliability):***
 - 1.1 ***If DOW had published earnings guidance, that guidance.***
 - 1.2 ***If DOW is covered by sell-side analysts, the earnings forecasts of those analysts.***
 - 1.3 ***If paragraph 1.1 and 1.2 are not applicable, DOW's earnings for the prior corresponding period, being the 2023 financial year.***

Downer does not consider that any measure of its statutory or underlying earnings for the 2024 financial year (**FY24**), as disclosed, differed materially from the market's expectations. Downer notes the indicators set out below (utilising the numbering from the ASX Letter):

- 1.1 Downer did not publish earnings guidance for FY24.
- 1.2 Downer is covered by 8 sell-side analysts. For the purposes of internal analysis, Downer reviews analyst earnings estimates to form a view of market consensus. This exercise was undertaken on 30 July 2024 and Downer determined the Full Consensus estimate for FY24 to be:
 - Underlying Earnings Before Interest, Tax and Amortisation of acquired intangibles (**EBITA**) of \$376.3 million; and
 - Underlying Net Profit after Tax and before Amortisation of acquired intangibles (**NPATA**) of \$205.9 million.

	FY24 EBITA (\$m)	FY24 NPATA (\$m)
Visible Alpha Consensus	373.2	203.5
Full Consensus	376.3	205.9
Underlying Downer FY24 Results ¹	380.8	210.1
Variance to Visible Alpha Consensus	2.0%	3.2%
Variance to Full Consensus	1.2%	2.0%

¹ The Underlying result reflects the statutory results adjusted for "individually significant items".

Downer also disclosed Pro Forma² results in its Earnings Information which adjusts statutory earnings for the impact of divestments and individually significant items. Pro forma results for FY24 were as follows:

- Pro Forma EBITA: \$384.1 million; and
- Pro Forma NPATA: \$212.3 million.

The variance of Pro Forma results to Full Consensus was 2.1% for EBITA and 3.1% for NPATA.

1.3 Not applicable, noting the FY24 consensus referred to above.

2. *Please explain the basis for the view provided in response to question 1. In doing so, please specify how DOW determined market expectations in relation to each relevant measure of its earnings, including:*

2.1 *If DOW had published earnings guidance, details of:*

2.1.1 *that guidance and when it was released to the market; and*

2.1.2 *the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, that guidance.*

Not applicable.

2.1.1 Refer to the answer at 1.1 above.

2.1.2 Refer to the answer at 1.1 above.

2.2 *If DOW used sell-side analyst forecasts to estimate the market's expectations of its earnings, details of:*

2.2.1 *the method that DOW used to translate sell-side analyst forecasts into its estimate of market expectations for each measure of earnings referred to in the Earnings Information and, in particular, whether or not DOW used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate;*

2.2.2 *the entity's estimate of market expectations using that method; and*

2.2.3 *the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, its estimate of these expectations.*

2.2.1 Refer to the answer at 1.2 above.

2.2.2 Refer to the answer at 1.2 above.

² The Pro Forma result reflects the statutory results adjusted for "individually significant items" and excluding the revenue and EBITA contribution relating to completed divestments.

- 2.2.3 Downer continually monitors consensus analyst estimates, which are regularly revised to reflect updates in the underlying analyst estimates.

The actual Downer FY24 Underlying EBITA result was \$380.8 million and Underlying FY24 NPATA result was \$210.1 million. Given Visible Alpha market consensus was \$373.2 million and \$203.5 million respectively, at no point did Downer become aware, or consider, that earnings for the relevant period would materially vary from consensus estimates.

3. ***Does DOW consider that, at any point prior to the release of the Results Announcements, there was a variance between its expected earnings and its estimate of market expectations for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of DOW's securities?***

No.

4. ***If the answer to question 3 is "no", please provide the basis for that view.***

Refer to the answer at 2.2.3.

5. ***If the entity first became aware of the variance before the release of Results Announcements, did DOW make any announcement prior to the release of the Results Announcements which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe DOW was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps DOW took to ensure that the information was released promptly and without delay.***

Not applicable.

6. ***Please provide details of any other explanation DOW may have for the trading in its securities following the release of the Results Announcements.***

Downer is not aware of any company specific factors that may have contributed to the trading of Downer securities after the release of its FY24 results announcements. However, we do note that the short position in Downer, in the days following the release of our FY24 results on 30 August 2024, reduced from the position reported by ASIC on 29 August 2024 and this may have been a factor related to the trading of Downer securities.

7. ***Please confirm that DOW is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.***

Confirmed.

8. ***Please confirm that DOW's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of DOW with delegated authority from the board to respond to ASX on disclosure matters.***

This response has been approved by the Downer Managing Director and CEO.

Yours faithfully,



Peter Tompkins
Managing Director and CEO



12 September 2024

Reference: 99940

Mr Peter Lyons
Company Secretary
Downer EDI Limited
39 Delhi Road
North Ryde NSW 2113

By email

Dear Mr Lyons

Downer EDI Limited ('DOW'): ASX Aware Letter

ASX refers to the following:

- A. DOW's announcements released on the ASX Market Announcements Platform ('MAP') on 30 August 2024 in connection with its full year results ('Results Announcements'), being:
- 1.1 "Appendix 4E", released on MAP at 8:09 am AEST;
 - 1.2 "Annual Report to shareholders", released on MAP at 8:17 am AEST;
 - 1.3 "FY24 Results Media Release", released on MAP at 8:28 am AEST; and
 - 1.4 "FY24 Results Presentation", released on MAP at 8:31 am AEST.
- B. The change in the price of DOW's securities from \$4.78 immediately prior to the release of the Results Announcements to a high of \$5.71 following the release of the Results Announcements.
- C. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- D. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."*
- E. Section 4.4 in *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B* titled "When does an entity become aware of information?"
- F. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure as follows.
- "3.1A** *Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1** *One or more of the following 5 situations applies:*
- *It would be a breach of a law to disclose the information;*
 - *The information concerns an incomplete proposal or negotiation;*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*

- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed."*

G. ASX's policy position on "market sensitive earnings surprises", which is detailed in section 7.3 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular:

"...If an entity becomes aware that its earnings for the current reporting period will differ materially (downwards or upwards) from market expectations, it needs to consider carefully whether it has a legal obligation to notify the market of that fact."...

"...An earnings surprise will need to be disclosed to the market under Listing Rule 3.1 if it is market sensitive – that is, it is of such a magnitude that a reasonable person would expect information about the earnings surprise to have a material effect on the price or value of the entity's securities."...

Request for information

Having regard to the above, ASX asks DOW to respond separately to each of the following questions and requests for information:

1. Does DOW consider that any measure of its statutory or underlying earnings for the 2024 financial year as disclosed in the Results Announcements ('Earnings Information') differed materially from the market's expectations, having regard to the following three base indicators (in decreasing order of relevance and reliability):
 - 1.1 If DOW had published earnings guidance, that guidance.
 - 1.2 If DOW is covered by sell-side analysts, the earnings forecasts of those analysts.
 - 1.3 If paragraph 1.1 and 1.2 are not applicable, DOW's earnings for the prior corresponding period, being the financial year ended 30 June 2023.

Please answer separately for each measure of earnings referred to in the Earnings Information. In your response, please have regard to ASX's commentary in paragraphs 4(a) and 4(b) of section 7.3 of Guidance Note 8 about when a variation from market expectations may be material.

2. Please explain the basis for the view provided in response to question 1. In doing so, please specify how DOW determined market expectations in relation to each relevant measure of its earnings, including:
 - 2.1 If DOW had published earnings guidance, details of:
 - 2.1.1 that guidance and when it was released to the market; and
 - 2.1.2 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, that guidance.
 - 2.2 If DOW used sell-side analyst forecasts to estimate the market's expectations of its earnings, details of:
 - 2.2.1 the method that DOW used to translate sell-side analyst forecasts into its estimate of market expectations for each measure of earnings referred to in the Earnings Information and, in

particular, whether or not DOW used a “consensus estimate” or an “adjusted consensus estimate” or a different specified approach for determining this estimate;

2.2.2 the entity’s estimate of market expectations using that method; and

2.2.3 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, its estimate of these expectations.

3. Does DOW consider that, at any point prior to the release of the Results Announcements, there was a variance between its expected earnings and its estimate of market expectations for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of DOW’s securities?

Please answer separately for each measure of earnings referred to in the Earnings Information.

4. If the answer to question 3 is “no”, please provide the basis for that view.
5. If the entity first became aware of the variance before the release of Results Announcements, did DOW make any announcement prior to the release of the Results Announcements which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe DOW was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps DOW took to ensure that the information was released promptly and without delay.
6. Please provide details of any other explanation DOW may have for the trading in its securities following the release of the Results Announcements.
7. Please confirm that DOW is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
8. Please confirm that DOW’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of DOW with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4:00 PM AEST Thursday, 19 September 2024**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, DOW’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out above and may require DOW to request a trading halt immediately if trading in DOW’s securities is not already halted or suspended.

Your response should be sent by e-mail to ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow us to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in DOW’s securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to DOW's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that DOW's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A. The usual course is for the correspondence to be released to the market.

Yours faithfully

ASX Compliance