Relationships creating success

Downer EDI Limited

ABN: 97 003 872 848

Condensed Consolidated Financial Report for the half-year ended 31 December 2023

Contents

DIRECTORS' REPORT
For the half-year ended 31 December 2023

The Directors of Downer EDI Limited (Downer) submit the condensed consolidated financial report of the Company for the half-year ended 31 December 2023. 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 John Menhinnitt (Chairman, Independent Non-executive Director)

Peter John Tompkins (Managing Director and Chief Executive Officer)

Sheridan Adelene Broadbent (Independent Non-executive Director) – appointed on 1 October 2023

Teresa Gayle Handicott (Independent Non-executive Director)

Nicole Maree Hollows (Independent Non-executive Director)

Adelle Maree Howse (Independent Non-executive Director)

Steven John MacDonald (Independent Non-executive Director) – appointed on 1 September 2023

Peter Lawrence Watson (Independent Non-executive Director) – retired on 30 September 2023

REVIEW OF OPERATIONS

PRINCIPAL ACTIVITIES

Downer EDI Limited (Downer) is a leading provider of integrated services in Australia and New Zealand. Downer employs approximately 31,000 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 Downer's Transport, Utilities and Facilities segments.

Divestments during the reporting period
In the year ended 30 June 2023, Downer completed the divestment of the Australian Transport Projects business to a wholly owned subsidiary of Gamuda Berhad, a large engineering and construction company listed in Malaysia. There remained a number of customer consents outstanding at the date of completion. Consents for these contracts were received during the period and the divestment of these contracts completed in the half-year ended 31 December 2023.

In the half-year ended 31 December 2023, Downer also:

- Completed the sale of the remaining part of its Australian Mechanical and Electrical Commercial Projects business ('Asset & Development Services') to existing managers of the business. The Asset & Development Services business financial performance is reported under the Facilities segment for the period.
- Announced and completed the sale of its 45 per cent interest in Repurpose It, a resource recovery joint venture business operating in Victoria.
- Completed other smaller transactions as part of the on-going strategy to simplify the business and focus on core markets.

Refer to note D6 for further detail on divestments.

SUSTAINABILITY

At Downer, sustainability means being environmentally sustainable as well as prioritising the safety of our people, achieving sustainable growth, building trusted relationships and ensuring we have a diverse and inclusive workforce. Downer's commitments to sustainability are outlined in its policies, which are accessible from the Downer website (**www.downergroup.com**). The Group's 2023 Sustainability Report details Downer's sustainability related performance for the financial year ended 30 June 2023 and can be found on the Company website (**www.downergroup.com/2023sustainabilityreport**).

As Downer's transformation program is underway, Downer is evolving our Purpose and Promise and updating our Pillars. In FY23, Downer changed its Purpose to articulate a higher ambition. With sustainability at the forefront of how organisations build strategy, allocate capital and contribute to activities that support energy transition, it was important for Downer to articulate our ambition in a way that resonates more meaningfully with all stakeholders.

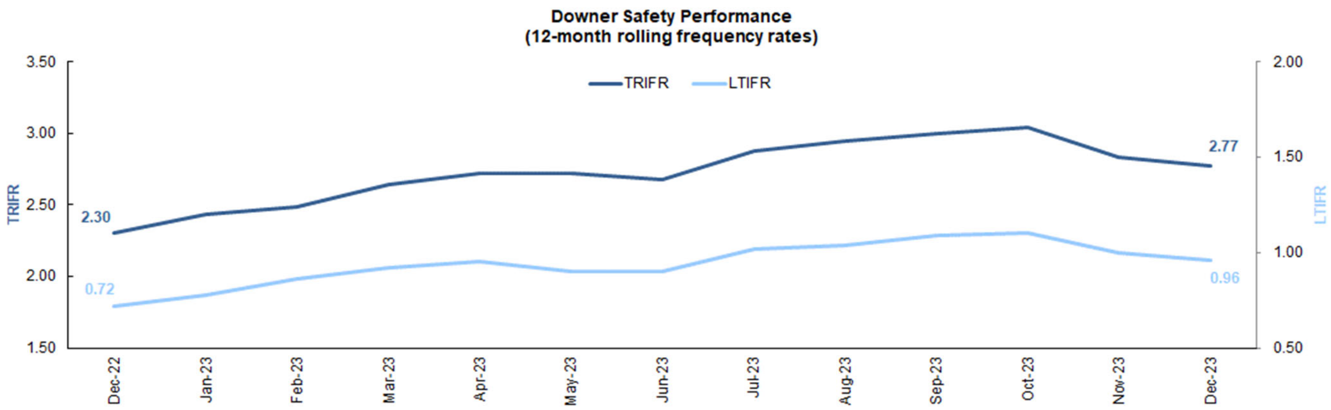
Downer embeds sustainability in the way we deliver our services and operate our business across the Tasman. Downer's new Purpose is: 'Enabling communities to thrive'. With Downer's services impacting millions of lives every day, the sustainability of the Group's operations is paramount – for its people, partners, shareholders, customers and their customers. Downer delivers these services while managing the impacts of its activities on people, the environment and the communities in which the Group operates whilst working collaboratively with its supply chain. Downer's capability is well placed for the energy transition and decarbonisation effort that is required to meet Australia and New Zealand's respective net zero emissions targets.

For further information please refer to Downer's 2022 Climate Change Report which can be found on the Company website (**www.downergroup.com/climate-change-report**). This Climate Change Report has been prepared to provide shareholders and potential shareholders with information on Downer's net zero targets, approach to climate risks and opportunities as well as our climate-related plans, activities, and disclosures in accordance with the Taskforce for Climate related Financial Disclosures (TCFD), which has now been integrated into the International Sustainability Standards.

ZERO HARM

Downer remains steadfastly committed to Zero Harm. Protecting our people, communities and the environment is and will always be Downer's number one priority. Since 31 December 2022, Downer's Lost Time Injury Frequency Rate (LTIFR) increased to 0.96 from 0.72, and its Total Recordable Injury Frequency Rate (TRIFR) increased to 2.77 from 2.30 per million hours worked[1]. Incidents are investigated with actions to prevent recurrence identified and tracked to closure. Relevant lessons are shared across Business Units. Trends are reviewed and addressed at the Business Unit level and are considered by Communities of Practice, as relevant.

Sadly, in the half-year two fatal incidents occurred. A staff member was fatally injured during asphalting operations while working in regional New South Wales, and a subcontractor died while operating a dozer undertaking land-clearing activities in the South Burnett region of Queensland. Downer extends its condolences to these workers' families, colleagues, and employers.



[1] 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.

GROUP FINANCIAL PERFORMANCE

The main features of the result for the 6 months ended 31 December 2023 were:

- Total revenue[1] of $6.0 billion, down 1.9% on prior comparative period (pcp)
- Statutory EBITA[2] of $139.2 million, down 2.6% on pcp
- Underlying[3] EBITA of $150.5 million, up 12.6% on pcp
- Underlying EBITA margin of 2.5%, an increase from 2.2% in the pcp
- Statutory earnings before interest and tax (EBIT) of $127.6 million, down 1.7% on prior year
- Statutory profit after tax and before amortisation of acquired intangible assets (NPATA) of $80.2 million, up 3.8% on pcp
- Statutory profit after tax (NPAT) of $72.1 million, up 5.9% on pcp.

Total revenue of $6.0 billion decreased by 1.9% on the prior period. Growth in Rail and Transit Systems in the Transport segment and the Utilities business was offset by the divestment of the Australian Transport Projects and Asset and Development Services businesses in the Transport and Facilities segments respectively.

Underlying EBITA of $150.5 million increased 12.6% on the prior period. This was attributable primarily to a recovery in earnings from the Utilities business compared to a loss in the prior year, in addition to improved performance in the Projects business in New Zealand. This was offset by the divestment of the Australian Transport Projects and Asset and Development Services businesses.

Cash conversion for the period was 73.4%. Cash conversion was impacted by payments associated with FY23 and HY24 Individually Significant Items (together $20.7 million), as well as the Australian Transport Projects GST payment of $23.5 million as disclosed in the Consolidated Statement of Cash Flows in the FY23 Annual Report. Normalising for these cash outflows, underlying cash conversion equates to 87.7%.

Net finance costs increased by $7.1 million or, 17.6%, to $47.4 million driven by an increase in average cost of funds on reduced net debt, partially offset by higher interest on cash.

The underlying effective tax rate of 25.7% 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 a $11.3 million loss before interest and tax for the year, ($4.1 million profit after-tax). Additional information is provided on the following pages of the Review of Operations and in Note B4 to the Financial Report.

[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).
[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.

Underlying EBITA and reconciliation to Statutory NPAT

The table below provides a comparison of the underlying[1] earnings for HY24 versus the results for HY23[2] and a reconciliation to statutory NPAT.

Underlying[1] EBITA (A$m)	**Reporting Segment**	**HY24**	**HY23**	**Variance (%)**
Transport[2]	Transport	100.8	101.9	(1.1%)
Utilities[2]	Utilities	18.7	(5.2)	>100%
Facilities[2]	Facilities	85.8	85.8	-
Corporate	Unallocated	(54.8)	(48.9)	(12.1%)
Group Underlying EBITA[3]		**150.5**	**133.6**	**12.6%**
Amortisation of acquired intangibles (pre-tax)		(11.6)	(13.1)	11.5%
Underlying EBIT		**138.9**	**120.5**	**15.3%**
Net interest expense		(47.4)	(40.3)	(17.6%)
Tax expense		(23.5)	(21.4)	(9.8%)
Underlying NPAT		**68.0**	**58.8**	**15.6%**
Amortisation of acquired intangibles (post tax)		8.1	9.2	(12.0%)
Underlying NPATA[3]		**76.1**	**68.0**	**11.9%**
Items outside of underlying NPATA		(11.3)	9.3	>100%
Tax effect on items outside NPATA		15.4	-	100%
Statutory NPATA		**80.2**	**77.3**	**3.8%**
Amortisation of acquired intangibles (post tax)		(8.1)	(9.2)	(12.0%)
Statutory NPAT		**72.1**	**68.1**	**5.9%**

[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]HY23 Transport, Utilities and Facilities contribution have been restated as a result of the change in operating segments (refer to Note B1) consistent with FY23 changes.
[3]Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense.

STATUTORY EARNINGS

Statutory earnings before interest and tax (EBIT) of $127.6 million, down 1.7% from $129.8 million.

Statutory EBITA of $139.2 million, down 2.6% from $142.9 million.

Underlying EBITA of $150.5 million, up 12.6% from $133.6 million.

A reconciliation of the HY24 underlying result to the statutory result is provided in the table below:

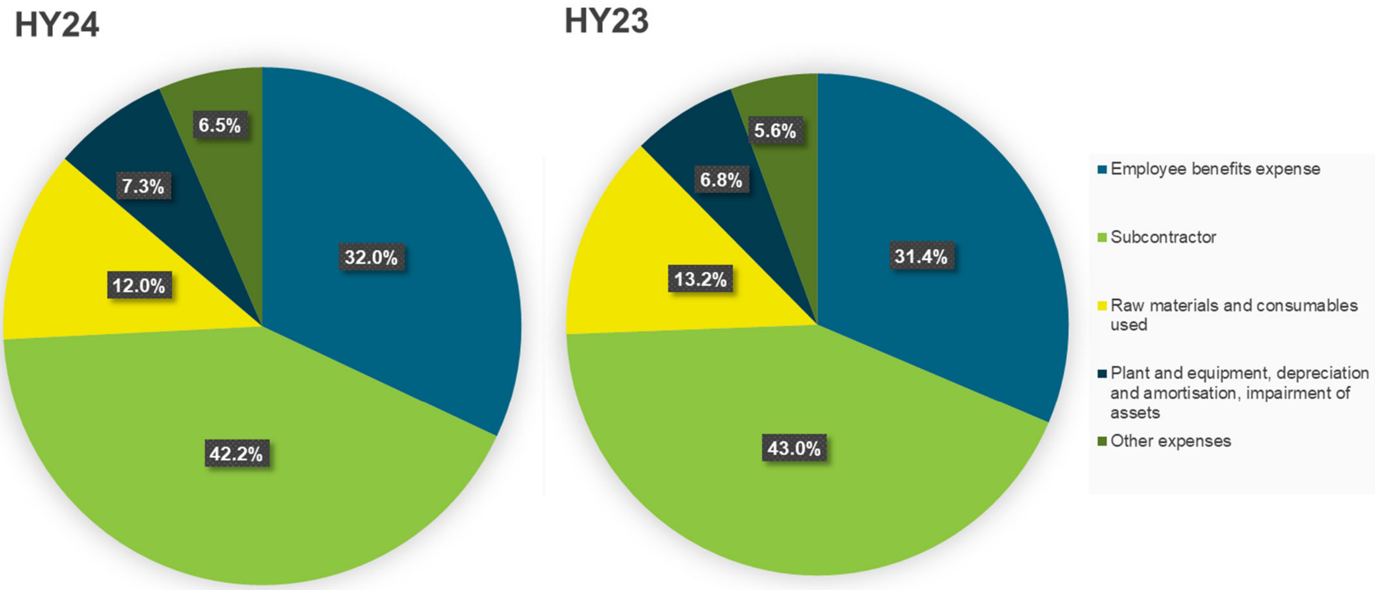
A$m	EBITA	Net finance costs	Tax expense	NPATA	Amortisation of acquired intangibles (post-tax)	NPAT
Underlying result	**150.5**	**(47.4)**	**(27.0)**	**76.1**	**(8.1)**	**68.0**
Fair value on Downer Contingent Share Options (DCSO)[1]	1.2	-	-	1.2	-	1.2
Net gain on divestments and exit costs	33.8	-	1.8	35.6	-	35.6
Transformation and restructure costs	(12.3)	-	3.7	(8.6)	-	(8.6)
Regulatory reviews and legal matters	(15.4)	-	4.4	(11.0)	-	(11.0)
Impairment and other asset write-downs	(18.6)	-	5.5	(13.1)	-	(13.1)
Total items outside underlying results	**(11.3)**	-	**15.4**	**4.1**	-	**4.1**
Statutory profit	**139.2**	**(47.4)**	**(11.6)**	**80.2**	**(8.1)**	**72.1**

[1] The Downer Contingent Share Options (DCSO) issued as part of the acquisition of the minority interest in Spotless in August 2020 are required to be recorded at fair value with changes in fair value recorded through profit or loss. Since 30 June 2023, the fair value of the DCSO liability has decreased by $1.2 million with a gain recognised in 'Other income' in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income during the period.

Refer to Note B4 to the Financial Report for further details.

EXPENSES

Total expenses decreased by 2.4% compared to the prior corresponding period (pcp) to $5.5 billion. Included in total expenses is $53.2 million of ISIs (nil in the pcp). Downer's cost base (including ISIs) by type of expense compared to the pcp is as follows:



Employee benefits expenses decreased by 0.4%, or $7.6 million, to $1.7 billion and represents 32.0% of Downer's cost base. The decrease in labour expenses is broadly consistent with the reduction in revenue, with growth in Segments offset by divestments including Australian Transport Projects and Asset & Development Services. Subcontractor costs decreased by 4.2%, or $102.2 million, to $2.3 billion and represents 42.2% of Downer's cost base. The decrease in subcontractor costs as a percentage of overall expenses is due to the higher use of subcontractors in the divested Australian Transport Projects business.

Raw materials and consumables costs decreased by 11.2%, or $82.9 million, to $0.7 billion and represents 12.0% of Downer's cost base. The decline was predominantly due to the decrease in construction activities following the divestment of the Australian Transport Projects business.

Plant and equipment costs decreased by 3.0% or $6.6 million to $0.2 billion, as a result of the divestment of Australian Transport Projects. Total depreciation and amortisation increased by 5.8%, or $9.4 million, to $0.2 billion and represents 3.1% of Downer's cost base. Of the $9.4 million increase in depreciation and amortisation, $8.0 million relates to accelerated amortisation in relation to IT assets and is listed as an ISI related to transformation and restructure costs (Refer to Note B4). Impairment of non-current assets expense of $12.1 million relates to IT assets that will no longer be utilised or provide future economic benefit as a result of transformation and business restructuring. Refer to Note B4 for additional information.

Other expenses from ordinary activities, which includes communication, travel, professional fees and occupancy costs, increased by $45.1 million to $0.4 billion, primarily due to $31.4 million of individually significant items (pre-tax) as described in Note B4 of the Financial Report, increased communications spend from Software as a Service technology investment and inflation.

CASH FLOW

Operating Cash Flow

Operating cash flow of $168.2 million represents an underlying cash conversion of 73.4% of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA). Cash conversion was impacted by payments associated with FY23 and HY24 Individually Significant Items (together $20.7 million), as well as the Australian Transport Projects GST payment of $23.5 million as highlighted in the FY23 Annual Report. Normalising for these cash outflows, underlying cash conversion equates to 87.7%.

Investing Cash Flow

Total investing cash inflow of $1.0 million includes $70.7 million proceeds from the disposal of businesses during the period, net of cash disposed. Refer to note D6 for details.

Excluding proceeds from the disposal of businesses, investing cash outflow decreased by 22.4% or $20.1 million to $69.7 million largely due to less capital expenditure in the Transport Segment with a number of asphalt plant projects nearing completion.

DEBT AND BONDING

The Group's performance bonding facilities totalled $2,190.2 million at 31 December 2023 with $763.4 million undrawn. There is sufficient available capacity to support the ongoing operations of the Group.

As at 31 December 2023, the Group had liquidity of $1.9 billion comprising cash balances of $553.4 million and undrawn committed debt facilities of $1.3 billion.

The Group has a BBB credit rating with Negative outlook from Fitch.

BALANCE SHEET

Since 30 June 2023, the net assets of the Group increased by $12.4 million.

Movement in Net Assets ($m)

Net debt is calculated as borrowings (excluding lease liabilities) less cash and cash equivalents. Net debt has decreased by $34.1 million driven by cash generated in the period enabling the repayment of borrowings.

Property, Plant & Equipment decreased by $30.4 million during the period largely attributable to the sale of the Metering Services business' assets and contracts (Refer to Note D6) and disposals in the Transport segment.

Intangibles have declined by $33.3 million to $2.1 billion, primarily due amortisation of software and system development assets totalling $25.5 million and impairment of $12.1 million as outlined in Note B4.

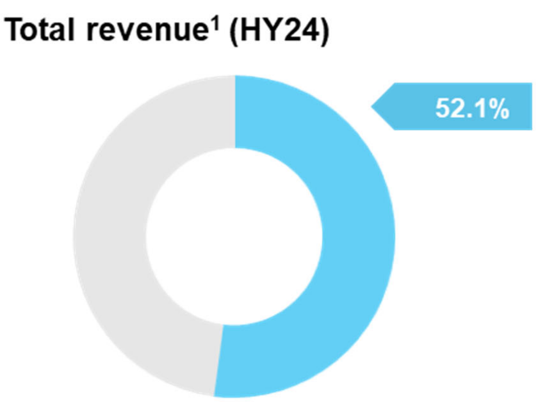
Net working capital, which includes current trade receivables and contract assets, in addition to current trade payables and contract liabilities, increased by $79.8 million mainly driven by a decrease in trade payables.

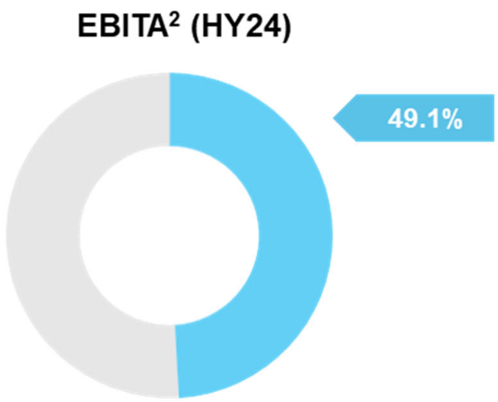
Total Equity increased by $12.4 million, primarily as a result of the statutory profit after tax of $72.1 million, offset by $60.3 million of dividends paid during the period.

SEGMENT FINANCIAL PERFORMANCE

TRANSPORT

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





Transport

1 Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated.
2 Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense. Due to rounding, divisional percentages do not add up precisely to 100%.

Transport revenue decreased by 1.9%, or $60.4 million, to $3.1 billion, while EBITA decreased by 1.1% or $1.1 million to $100.8 million. The decrease in revenue and EBITA was attributable to the divestment of the Australian Transport Projects business. This was offset by growth in other parts of the Transport segment. Revenue growth was delivered in the Rail & Transit Systems business from the ramp up of the Queensland Trains Manufacturing Program (QTMP) contract in the period. EBITA growth in both the Roads and Projects business in New Zealand partially offset the impact of the Australian Transport Projects divestment and commercial settlements on rail refurbishment projects.

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.

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.

During the period Downer announced and completed the sale of its 45 per cent interest in Repurpose It, a resource recovery joint venture business operating in Victoria.

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.

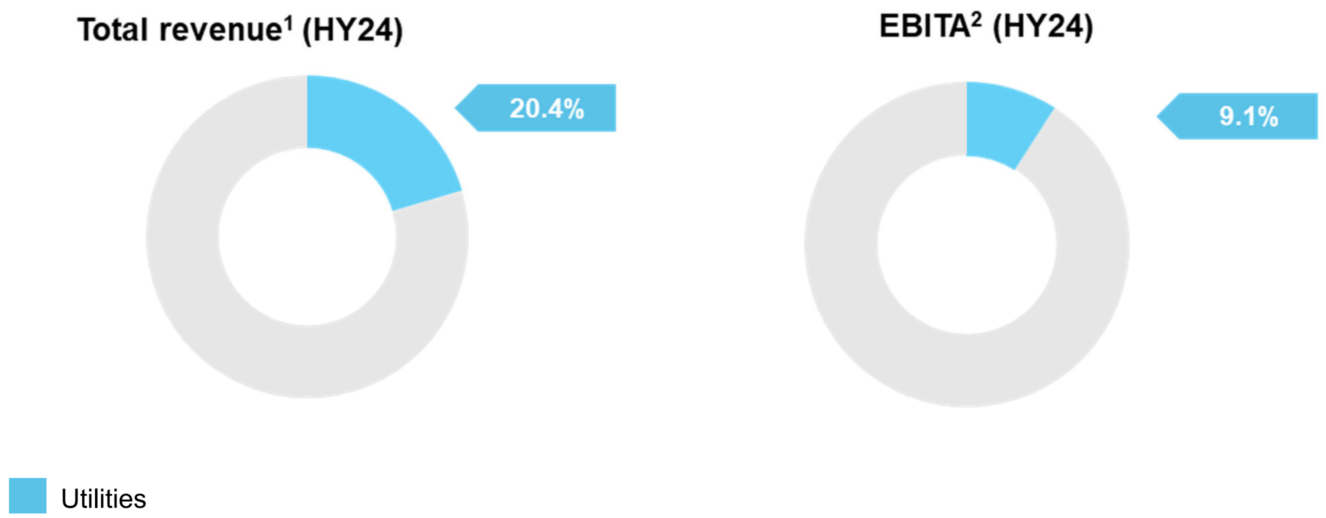
Projects

Downer provides building and construction solutions across a variety of sectors in New Zealand, including the design and construction of track and station works, signalling, bridges, airports and roads. Through the Hawkins business, Downer also delivers vertical construction to customers in New Zealand. Downer has a long history of delivering infrastructure projects under a variety of contracting models.

In the year ended 30 June 2023, Downer completed the divestment of the Australian Transport Projects business to a wholly owned subsidiary of Gamuda Berhad, a large engineering and construction company listed in Malaysia. There remained a number of customer consents outstanding at the date of completion. Consents for these contracts were received and the divestment of these contracts completed in the half-year ended 31 December 2023.

UTILITIES

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



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 6.6%, or $75.3 million, to $1.2 billion, while EBITA increased $23.9 million to $18.7 million compared to a loss of $5.2 million in the prior period. An ongoing turnaround in performance of a power maintenance contract in the Australian operations of the Power and Gas business and modest improvement in the Water portfolio underpinned the improvement in earnings. Revenue and EBITA was also supported by strong growth in the Telco business, particularly in Australia.

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.

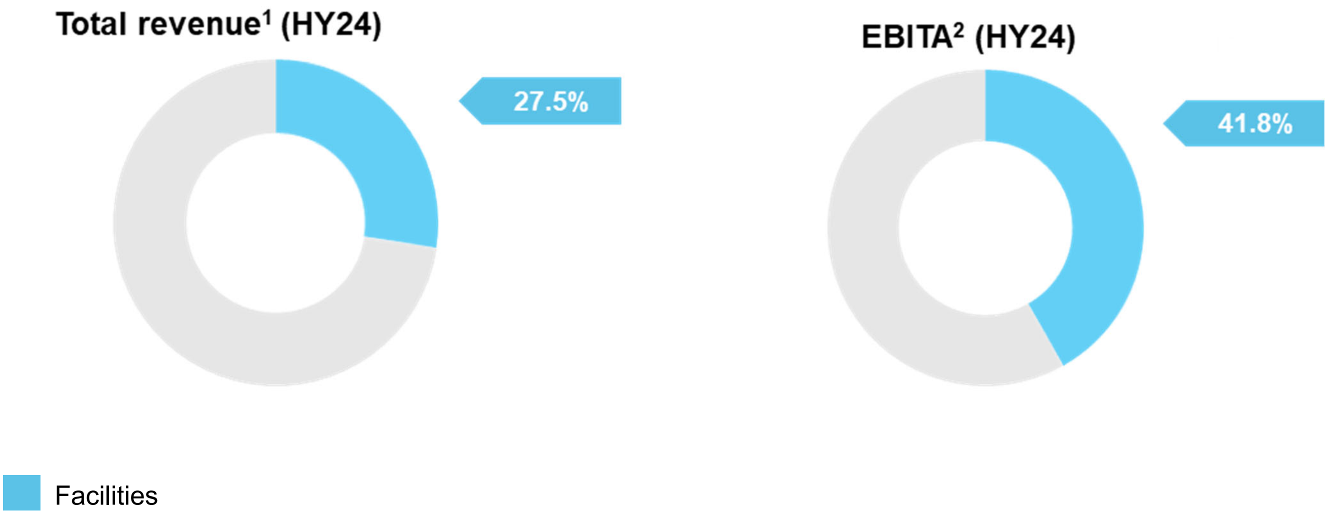
As a provider of asset management services, Downer supports its customers across the full asset lifecycle from conceptual development through to design, construction, commissioning and into operations and maintenance.

Telecommunications

Downer is a leading provider of end-to-end technology and communications service solutions, offering integrated civil construction, electrical, fibre, copper and wireless network deployment capability throughout Australia and New Zealand. Key capabilities include designing, engineering, consulting, maintenance, operations and smart metering.

FACILITIES

The Facilities segment operates in Australia and New Zealand across a range of industry sectors including education, health, government, defence and industrial and energy.



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 decreased by 8.9%, or $159.6 million, to $1.6 billion, while EBITA was flat during the period at $85.8 million. The decrease in revenue compared to the prior period was primarily attributable to the divestment of the Asset and Development Services business. EBITA was flat with an improvement in margin percentage due to low contribution from the divested Asset and Development Services business in the prior period.

Government and Health & Education

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.

Defence

Downer provides a broad range of professional services, base and estate management and estate development and base upgrade services to the Australian Defence Force, the New Zealand Defence Force and other government agencies.

We have a whole of Defence Capability Life Cycle offering and mindset. Our Sovereign Industry Capability delivers to the needs of Defence, National Security organisations, the major primes and other government agencies.

Industrial & Energy

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. Through its Mineral Technologies business, Downer is a world leader in fine physical mineral separation solutions, including spiral gravity concentrators and magnetic and electrostatic separation technology.

DIVIDENDS

The Downer Board resolved to pay an interim dividend of 6.0 cents per share, unfranked, payable on 11 April 2024 to shareholders on the register at 14 March 2024. The portion of the unfranked dividend amount that will be paid out of Conduit Foreign Income (CFI) is 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 2023 has a yield of 9.81% per annum payable quarterly in arrears, with the next payment due on 15 March 2024. As this dividend is fully imputed (the New Zealand equivalent of being fully franked), the actual cash yield paid by Downer will be 7.06% per annum until the next reset date.

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

OUTLOOK

Downer reiterates that FY24 is an important year in the company's turnaround program, and notes the following:

- Labour market challenges remain, however they have stabilised.
- The new operating model is demonstrating results in terms of accountability and efficiency.
- Downer is focused on delivering tendered margins across the portfolio and the targeted cost out programs.

Downer anticipates continued EBITA margin percentage improvement in H2 through a combination of cost out and improving operational performance towards its management target of >4.5% in FY25.

SUBSEQUENT EVENTS

At the date of this report, there is no matter or circumstance that has arisen since 31 December 2023, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

[1] This is relevant only for non-resident shareholders. The effect is that the entire dividend will be subject to Australian dividend withholding tax.

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 J Menhinnitt
Chairman

P J Tompkins
Managing Director and Chief Executive Officer

Sydney, 14 February 2024

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 2023 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

14 February 2024

Independent Auditor's Review Report

To the shareholders of Downer EDI Limited

Conclusion

We have reviewed the accompanying ***Condensed Consolidated Financial Report for the half-year ended 31 December 2023*** 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 for the half-year ended 31 December 2023 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 2023 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 for the half-year ended 31 December 2023*** comprises:

- Condensed Consolidated Statement of Financial Position as at 31 December 2023;
- 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 material accounting policies and other explanatory information;
- The Directors' Declaration.

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

Basis for Conclusion

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

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

Responsibilities of the Directors for the Condensed Consolidated Financial Report for the half-year ended 31 December 2023

The Directors of the Company are responsible for:

- the preparation of the Condensed Consolidated Financial Report for the half-year ended 31 December 2023 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 Financial Report for the half-year ended 31 December 2023 that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Condensed Consolidated Financial Report for the half-year ended 31 December 2023

Our responsibility is to express a conclusion on the Condensed Consolidated Financial Report for the half-year ended 31 December 2023 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 Financial Report for the half-year ended 31 December 2023 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 2023 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 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

14 February 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2023

	Note	Dec 2023 $'m	Dec 2022 $'m
Revenue		**5,537.1**	5,693.1
Other income		**46.1**	17.7
Total revenue and other income	B2	**5,583.2**	5,710.8
Employee benefits expense	B3	**(1,749.2)**	(1,756.8)
Subcontractor costs		**(2,303.4)**	(2,405.6)
Raw materials and consumables used		**(656.8)**	(739.7)
Plant and equipment costs		**(215.7)**	(222.3)
Depreciation on leased assets		**(74.8)**	(74.9)
Other depreciation and amortisation	D3, D4	**(95.4)**	(85.9)
Impairment of non-current assets	B4, D4	**(12.1)**	-
Other expenses from ordinary activities		**(356.4)**	(311.3)
Total expenses		**(5,463.8)**	(5,596.5)
Share of net profit of joint ventures and associates	D5	**8.2**	15.5
Earnings before interest and tax		**127.6**	129.8
Finance income		**5.0**	3.0
Lease finance costs		**(12.5)**	(10.8)
Other finance costs		**(39.9)**	(32.5)
Net finance costs		**(47.4)**	(40.3)
Profit before income tax		**80.2**	89.5
Income tax expense		**(8.1)**	(21.4)
Profit after income tax attributable to members of the parent entity		**72.1**	68.1
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
- Change in fair value of unquoted equity investments		**(0.1)**	0.2
Items that may be reclassified subsequently to profit or loss			
- Exchange differences arising on translation of foreign operations		**5.1**	17.6
- Net (loss)/gain on foreign currency forward contracts taken to equity		**(0.5)**	1.1
- Net loss on cross currency and interest rate swaps taken to equity		**(8.0)**	(9.9)
- Income tax effect of items above		**2.5**	2.6
Other comprehensive (loss)/income for the period (net of tax) attributable to members of the parent entity		**(1.0)**	11.6
Total comprehensive income for the period attributable to members of the parent entity		**71.1**	79.7
Earnings per share (cents)			
Basic earnings per share	B5	**9.8**	9.3
Diluted earnings per share	B5	**9.8**	9.3

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 44.

Condensed Consolidated Statement of Financial Position
as at 31 December 2023

	Note	Dec 2023 $'m	Jun 2023 $'m
ASSETS			
Current assets			
Cash and cash equivalents		**553.4**	889.1
Trade receivables and contract assets	D1	**1,905.0**	2,094.2
Other financial assets	C6	**18.6**	10.7
Inventories		**223.2**	234.8
Current tax assets		**11.3**	7.2
Prepayments and other assets		**71.7**	68.9
Assets classified as held for sale	D7	**-**	92.2
Total current assets		**2,783.2**	3,397.1
Non-current assets			
Trade receivables and contract assets	D1	**144.0**	138.8
Equity accounted investments	D5	**130.8**	159.2
Property, plant and equipment	D3	**904.3**	934.7
Right-of-use assets		**404.3**	428.5
Intangible assets	D4	**2,147.0**	2,180.3
Other financial assets	C6	**46.6**	51.5
Deferred tax assets		**4.9**	3.3
Prepayments and other assets		**18.9**	20.9
Total non-current assets		**3,800.8**	3,917.2
Total assets		**6,584.0**	7,314.3
LIABILITIES			
Current liabilities			
Trade payables and contract liabilities	D2	**1,994.6**	2,272.4
Lease liabilities		**131.7**	135.2
Other financial liabilities	C6	**13.1**	15.0
Current tax liabilities		**12.9**	2.6
Employee benefits provision		**276.0**	268.2
Other provisions		**90.7**	66.3
Liabilities associated with assets classified as held for sale	D7	**-**	112.9
Total current liabilities		**2,519.0**	2,872.6
Non-current liabilities			
Trade payables and contract liabilities	D2	**69.4**	61.1
Borrowings	C1	**1,226.6**	1,596.4
Lease liabilities		**376.9**	402.0
Other financial liabilities	C6	**13.5**	5.7
Deferred tax liabilities		**23.2**	36.7
Employee benefits provision		**24.4**	22.7
Other provisions		**28.8**	27.3
Total non-current liabilities		**1,762.8**	2,151.9
Total liabilities		**4,281.8**	5,024.5
Net assets		**2,302.2**	2,289.8
EQUITY			
Issued capital	C3	**2,642.5**	2,642.4
Reserves	C4	**19.5**	19.0
(Accumulated losses)/retained earnings		**(359.8)**	(371.6)
Total equity		**2,302.2**	2,289.8

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 21 to 44.

Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2023

Dec 2023 $'m	Issued capital	Reserves	Accumulated losses	Total
Balance at 1 July 2023	**2,642.4**	**19.0**	**(371.6)**	**2,289.8**
Profit after income tax	**-**	**-**	**72.1**	**72.1**
Other comprehensive income for the year (net of tax)	**-**	**(1.0)**	**-**	**(1.0)**
Total comprehensive income/(loss) for the period	**-**	**(1.0)**	**72.1**	**71.1**
Vested executive incentive share transactions	**0.1**	**(0.1)**	**-**	**-**
Share-based employee benefits expense	**-**	**1.5**	**-**	**1.5**
Income tax relating to share-based transactions during the period	**-**	**0.1**	**-**	**0.1**
Payment of dividends(i)	**-**	**-**	**(60.3)**	**(60.3)**
Balance at 31 December 2023	**2,642.5**	**19.5**	**(359.8)**	**2,302.2**

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(ii)	-	-	(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 during the period	-	0.3	-	0.3
Group on-market share buy-back	(17.8)	-	-	(17.8)
Payment of dividends(iii)	-	-	(86.4)	(86.4)
Balance at 31 December 2022	2,642.4	23.6	121.2	2,787.2

(i) Relates to the 2023 final dividend and $6.6 million ROADS dividends paid during the financial period.

(ii) Refer to Annual Report as at 30 June 2023 for details on prior period restatement in relation to revenue recognition.

(iii) Relates to the 2022 final dividend and $5.3 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 44.

Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2023

	Note	Dec 2023 $'m	Dec 2022 $'m
Cash flows from operating activities			
Receipts from customers		**6,344.3**	6,099.6
Payments to suppliers and employees		**(6,125.5)**	(6,095.4)
Distributions from equity accounted investees	D5	**8.1**	19.7
Net cash generated by operating activities before interest and tax		**226.9**	23.9
Interest received		**5.5**	2.5
Interest paid on lease liabilities		**(12.5)**	(10.8)
Interest and other costs of finance paid		**(36.3)**	(31.9)
Income tax paid		**(15.4)**	(19.1)
Net cash generated by/(used in) operating activities		**168.2**	(35.4)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**16.1**	15.7
Payments for property, plant and equipment		**(62.5)**	(85.8)
Payments for intangible assets		**(13.3)**	(14.4)
Payments of deferred consideration on acquisition of businesses		**(1.3)**	-
Net proceeds from sale of business (net of cash disposed)	D6	**70.7**	-
Receipts from/(payments for) investments		**0.2**	(6.9)
Advances (to)/from equity accounted investments		**(8.9)**	1.6
Net cash generated by/(used in) investing activities		**1.0**	(89.8)
Cash flows from financing activities			
Group on-market share buy-back	C3	**-**	(17.8)
Proceeds from borrowings		**6,107.0**	7,029.0
Repayments of borrowings		**(6,473.6)**	(7,010.1)
Payment of principal of lease liabilities		**(79.9)**	(81.9)
Dividends paid	C5	**(60.3)**	(86.4)
Net cash used in financing activities		**(506.8)**	(167.2)
Net decrease in cash and cash equivalents		**(337.6)**	(292.4)
Cash and cash equivalents at the beginning of the period		**889.1**	738.5
Effect of exchange rate changes		**1.9**	4.3
Cash and cash equivalents at the end of the period		**553.4**	450.4

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 21 to 44.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

A
About this report

Statement of compliance

The condensed consolidated half-year Financial Report (Financial Report) represents the consolidated results of Downer EDI Limited (the Group).

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 2023 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 14 February 2024.

New Accounting Standards

(a) New or amended accounting standards and interpretations adopted by the Group

During the period, the Group has adopted all of the new or revised accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2023, as follows:

- AASB 2022-1 *Amendments to Australian Accounting Standards - Initial Application of AASB 17 and AASB 9 - Comparative Information.*
- AASB 17 *Insurance Contracts.*
- AASB 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates.*
- AASB 2023-2 *Amendments to Australian Accounting Standards - International Tax Reform - Pillar Two Model Rules.*

None of the above new and amended accounting standards have had a significant impact on the Group's 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, 2020-6 and 2022-6 *Classification of liabilities as current or non-current.*
- AASB 2021-7 *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.*
- AASB 2022-5 *Amendments to AASB 16 Leases - Lease Liability in a Sale and Leaseback.*

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

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 2023 Annual Report.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

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 Group CEO is identified as the Chief Operating Decision Maker. 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.

Following the restructure of the Group and the creation of a Trans-Tasman operating model, the Hawkins building business was transitioned from the Facilities segment to the Transport segment. This restatement was made to align with how the businesses are reported internally to the Group CEO.

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 businesses across Australia and New Zealand, rail businesses in Australia and projects businesses in New Zealand. Downer's road 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. 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. Transport also provides building and construction solutions across a variety of sectors in New Zealand including signalling, track and station works, bridges, airports and roads. Through the Hawkins business, Downer also delivers vertical construction to customers in New Zealand.
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 provides outsourced facility services to customers across a diverse range of industry sectors including: defence; education; government; healthcare; industrial; resources; and energy. 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.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

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

Dec 2023 $'m	Transport	Utilities	Facilities	Unallocated	Total
Segment revenue and other income	**2,694.8**	**1,211.5**	**1,632.3**	**44.6**	**5,583.2**
Share of sales revenue from joint ventures and associates[i]	**401.9**	**-**	**-**	**40.8**	**442.7**
Total revenue including joint ventures and other income[i]	**3,096.7**	**1,211.5**	**1,632.3**	**85.4**	**6,025.9**
Total reported segment results – EBIT before amortisation of acquired intangibles (EBITA)	**100.8**	**18.7**	**85.8**	**(66.1)**	**139.2**
Amortisation of acquired intangibles	**(0.5)**	**(0.2)**	**(2.3)**	**(8.6)**	**(11.6)**
Earnings before interest and tax (EBIT)	**100.3**	**18.5**	**83.5**	**(74.7)**	**127.6**

Dec 2022 Restated[ii] $'m	Transport	Utilities	Facilities	Unallocated	Total
Segment revenue and other income	2,767.5	1,136.2	1,791.9	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]	3,157.1	1,136.2	1,791.9	59.5	6,144.7
Total reported segment results - EBIT before amortisation of acquired intangibles (EBITA)	101.9	(5.2)	85.8	(39.6)	142.9
Amortisation of acquired intangibles	(2.3)	(0.2)	(2.5)	(8.1)	(13.1)
Earnings before interest and tax (EBIT)	99.6	(5.4)	83.3	(47.7)	129.8

(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 changes in operating segments described above.

Reconciliation of segment EBIT to net profit after tax:

		Segment results	
	Note	Dec 2023 $'m	Dec 2022 $'m
Segment EBIT		**202.3**	177.5
Unallocated:			
Fair value movement on DCSO liability	B4	**1.2**	9.3
Net gain on divestments and exit costs	B4	**33.8**	-
Transformation and restructure costs	B4	**(12.3)**	-
Regulatory reviews and legal matters	B4	**(15.4)**	-
Impairment and other asset write-downs	B4	**(18.6)**	-
Amortisation of Spotless and Tenix acquired intangible assets		**(8.6)**	(8.1)
Corporate costs		**(54.8)**	(48.9)
Total unallocated		**(74.7)**	(47.7)
Earnings before interest and tax		**127.6**	129.8
Net finance costs		**(47.4)**	(40.3)
Profit before income tax		**80.2**	89.5
Income tax expense		**(8.1)**	(21.4)
Profit after income tax attributable to members of the parent entity		**72.1**	68.1

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

B2. Revenue

Revenue and other income

Dec 2023 $'m	Transport	Utilities	Facilities	Unallocated	Total
Rendering of services	**1,730.9**	**1,068.9**	**1,616.0**	**-**	**4,415.8**
Construction contracts	**805.3**	**138.4**	**-**	**-**	**943.7**
Sale of goods	**145.8**	**4.3**	**15.3**	**-**	**165.4**
Total revenue from contracts with customers	**2,682.0**	**1,211.6**	**1,631.3**	**-**	**5,524.9**
Other revenue	**9.6**	**-**	**-**	**2.6**	**12.2**
Total revenue	**2,691.6**	**1,211.6**	**1,631.3**	**2.6**	**5,537.1**
Insurance recoveries	**1.1**	**-**	**-**	**-**	**1.1**
Net gain on sale of property, plant and equipment	**2.1**	**(0.1)**	**0.5**	**-**	**2.5**
Net gain on disposal of business	**-**	**-**	**-**	**40.7**	**40.7**
Other	**-**	**-**	**0.5**	**1.3**	**1.8**
Other income	**3.2**	**(0.1)**	**1.0**	**42.0**	**46.1**
Total revenue and other income	**2,694.8**	**1,211.5**	**1,632.3**	**44.6**	**5,583.2**
Share of sales revenue from joint ventures and associates(i)	**401.9**	**-**	**-**	**40.8**	**442.7**
Total revenue including joint ventures and other income(i)	**3,096.7**	**1,211.5**	**1,632.3**	**85.4**	**6,025.9**

Dec 2022 Restated(ii) $'m	Transport	Utilities	Facilities	Unallocated	Total
Rendering of services	1,420.5	918.7	1,765.0	-	4,104.2
Construction contracts	1,211.1	213.1	-	-	1,424.2
Sale of goods	125.4	3.7	26.4	-	155.5
Total revenue from contracts with customers	2,757.0	1,135.5	1,791.4	-	5,683.9
Other revenue	3.3	-	-	5.9	9.2
Total revenue	2,760.3	1,135.5	1,791.4	5.9	5,693.1
Government grants	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	2,767.5	1,136.2	1,791.9	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)	3,157.1	1,136.2	1,791.9	59.5	6,144.7

(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 changes in operating segments described above.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

Revenue from contracts with customers by geographical location

Dec 2023 $'m	Transport	Utilities	Facilities	Unallocated	Total
Geographical location[i]					
Australia	**1,430.3**	**935.2**	**1,430.4**	**-**	**3,795.9**
New Zealand and Pacific	**1,251.7**	**276.4**	**172.2**	**-**	**1,700.3**
Rest of the world	**-**	**-**	**28.7**	**-**	**28.7**
Total revenue from contracts with customers	**2,682.0**	**1,211.6**	**1,631.3**	**-**	**5,524.9**

Dec 2022 Restated[ii] $'m	Transport	Utilities	Facilities	Unallocated	Total
Geographical location[i]					
Australia	1,657.6	869.6	1,618.4	-	4,145.6
New Zealand and Pacific	1,099.4	265.9	155.3	-	1,520.6
Rest of the world	-	-	17.7	-	17.7
Total revenue from contracts with customers	2,757.0	1,135.5	1,791.4	-	5,683.9

(i) Revenue is allocated based on the geographical location of the legal entity.
(ii) Restated to reflect changes in operating segments described above.

B3. Employee benefits expense

	Dec 2023 $'m	Dec 2022 $'m
Defined contribution plans costs	**101.5**	106.0
Share-based employee benefits expense[i]	**1.5**	(0.4)
Other employee benefits	**1,646.2**	1,651.2
Total employee benefits expense	**1,749.2**	1,756.8

(i) Share-based payments net benefit for the December 2022 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 and expense, forming part of the unallocated segment are relevant to an understanding of the Group's financial performance.

Dec 2023 $'m	Fair value movement on DCSO liability	Net gain on divestments and exit costs	Transfor-mation and restructure costs	Regulatory reviews and legal matters	Impairment and other asset write-downs	Total
Other income	**1.2**	**-**	**-**	**-**	**-**	**1.2**
Net gain on disposal of businesses	**-**	**40.7**	**-**	**-**	**-**	**40.7**
Other depreciation and amortisation	**-**	**-**	**(8.0)**	**-**	**-**	**(8.0)**
Impairment of non-current assets	**-**	**-**	**-**	**-**	**(12.1)**	**(12.1)**
Employee benefits expense	**-**	**-**	**(1.7)**	**-**	**-**	**(1.7)**
Other expenses from ordinary activities	**-**	**(6.9)**	**(2.6)**	**(15.4)**	**(6.5)**	**(31.4)**
Profit/(loss) before interest and tax	**1.2**	**33.8**	**(12.3)**	**(15.4)**	**(18.6)**	**(11.3)**
Income tax benefit	**-**	**1.8**	**3.7**	**4.4**	**5.5**	**15.4**
Profit/(loss) after income tax	**1.2**	**35.6**	**(8.6)**	**(11.0)**	**(13.1)**	**4.1**

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

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 on 12 August 2020 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 2023, the fair value of the DCSO liability has decreased by $1.2 million, with a gain recognised through ‘Other income’ in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income during the year.

Net gain on divestments and exit costs
During the period, divestment and exit costs were recognised in relation to a number of transactions. Refer to note D6 for further details on the individual transactions.

The material elements of the net gain on divestments and exit costs include:

- $40.7 million net pre-tax gain (including disposal costs) across the divestments;
- $6.9 million pre-tax transaction-related expenses and provisions associated with Downer’s ongoing obligations and risks associated with divestments.
- Carried forward capital losses on which a deferred tax asset has not been previously recognised have been used to fully offset capital gains arising on divestments during the period. A deferred tax asset has not been recognised on remaining carried forward capital losses of $28.4 million at 31 December 2023 as it is not probable that a future capital gain will arise.

Transformation and restructure costs
Transformation and restructure costs represent costs incurred following Downer’s commencement of the Transformation program to restructure its operating model. The material elements of the costs associated with the transformation and restructure are as follows:

- Transformation program related expenses including advisory and redundancy costs incurred during the period;
- Accelerated amortisation in relation to IT assets where the useful life was reassessed at 30 June 2023 against the Group’s new operating model.

Regulatory reviews and legal matters
Regulatory review and legal matters costs were incurred in relation to defending the shareholder class actions filed against Downer during the prior financial year, responding to regulatory reviews, undertaking business conduct reviews and investigations, and other legal matters.

The shareholder class actions claims have been disclosed as a contingent liability in Note D8.

Impairment and other asset write-downs
Impairment of assets relates to adjustment in the carrying value, and related provisions recognised on IT and other assets that will no longer be utilised or provide future economic benefit as a result of transformation and business restructuring.

Prior period
The Group recognised the following items as individually significant as at 31 December 2022:

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 Option (DCSO) liability
Since 30 June 2022, the fair value of the DCSO liability decreased by $9.3 million, with a gain recognised through 'Other income' in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income during the period. This income was 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 2023

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 2023	Dec 2022
Profit attributable to members of the parent entity ($'m)	**72.1**	68.1
Adjustment to reflect ROADS dividends paid ($'m)	**(6.6)**	(5.3)
Profit attributable to members of the parent entity used in calculating basic EPS ($'m)	**65.5**	62.8
Weighted average number of ordinary shares (WANOS) on issue (m's)(i)	**670.4**	672.6
Basic earnings per share (cents)	**9.8**	9.3

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 2023	Dec 2022
Profit attributable to members of the parent entity ($'m)	**72.1**	68.1
Weighted average number of ordinary shares		
– Weighted average number of ordinary shares (WANOS) on issue (m's)(i) (ii)	**670.4**	672.6
– WANOS adjustment to reflect potential dilution for ROADS (m's)(iii)	**45.8**	39.7
WANOS used in the calculation of diluted EPS (m's)	**716.2**	712.3
Diluted earnings per share (cents)(iv)	**9.8**	9.3

(i) The WANOS on issue has been adjusted by the weighted average effect of the unvested executive incentive shares of 1,182,818 (December 2022: 1,193,978).

(ii) For diluted earnings per share, the WANOS has been further adjusted by the potential vesting of executive incentive shares of 353,255 (December 2022: nil).

(iii) The WANOS adjustment is the value of ROADS that could potentially be converted into ordinary shares at the reporting date. It is calculated based on the issued value of ROADS in New Zealand dollars converted to Australian dollars at the spot rate prevailing at the reporting date, which was $185.7 million (December 2022: $187.3 million), divided by the average market price of the Company's ordinary shares for the period 1 July 2023 to 31 December 2023 discounted by 2.5% according to the ROADS contract terms, which was $4.05 (December 2022: $4.72).

(iv) At 31 December 2023, the ROADS were deemed anti-dilutive and consequently, diluted earnings per share remained at 9.8 cents per share.

B6. Subsequent events

At the date of this report, there is no matter or circumstance that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

C
Capital structure and financing

C1. Borrowings	C4. Reserves
C2. Financing facilities	C5. Dividends
C3. Issued capital	C6. Other financial assets and liabilities

C1. Borrowings

	Dec 2023 $'m	Jun 2023 $'m
Non-current		
Unsecured:		
– Bank loans	**450.0**	812.0
– USD private placement notes	**146.2**	150.8
– AUD private placement notes	**30.0**	30.0
– AUD medium term notes	**505.3**	506.4
– JPY medium term notes	**103.4**	104.3
– Deferred finance charges	**(8.3)**	(7.1)
Total non-current borrowings	**1,226.6**	1,596.4
Total borrowings	**1,226.6**	1,596.4
Fair value of total borrowings(i)	**1,238.9**	1,603.2

(i) Excludes lease liabilities.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

C2. Financing facilities

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

	Dec 2023 $'m	Jun 2023 $'m
Syndicated loan facilities	**1,100.0**	830.0
Bilateral loan facilities	**237.0**	145.0
Total unutilised loan facilities	**1,337.0**	975.0
Syndicated bank guarantee facilities	**129.3**	75.1
Bilateral bank guarantees and insurance bonding facilities	**634.1**	652.2
Total unutilised bonding facilities	**763.4**	727.3

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 $5.3 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 2024 to 30 June 2025	**75.0**	**-**	**-**	**-**	**-**	**75.0**
1 July 2025 to 30 June 2026	**142.0**	**-**	**146.2**	**30.0**	**500.0**	**818.2**
1 July 2026 to 30 June 2027	**170.0**	**600.0**	**-**	**-**	**-**	**770.0**
1 July 2027 to 30 June 2028	**-**	**500.0**	**-**	**-**	**-**	**500.0**
1 July 2028 to 30 June 2029	**-**	**300.0**	**-**	**-**	**-**	**300.0**
1 July 2032 to 30 June 2033	**-**	**-**	**-**	**-**	**103.4**	**103.4**
Total	**387.0**	**1,400.0**	**146.2**	**30.0**	**603.4**	**2,566.6**

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

Covenants on financing facilities

The 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 Board meetings. Reporting of financial covenants to financiers occurs semi-annually for the rolling 12-month periods to 30 June and 31 December. The Group was in compliance with all its financial covenants as at 31 December 2023.

Bank guarantees and insurance bonds

The Group has $2,190.2 million of bank guarantee and insurance bond facilities to support its contracting activities. $1,301.3 million of these facilities are provided to the Group on a committed basis and $888.9 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. $1,426.8 million (refer to Note D8) of these facilities were utilised as at 31 December 2023 with $763.4 million unutilised. These facilities have varying maturity dates between financial years 2024, 2025, 2026 and 2027.

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 2023, the Group has $75.0 million of undrawn debt facilities maturing within the 12 months to 31 December 2024.

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 Negative Outlook was affirmed by Fitch in September 2023 following release of the Group's results for the year ended 30 June 2023. 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 2023

C3. Issued capital

	Dec 2023		Jun 2023	
	No.	$'m	No.	$'m
Ordinary shares	**671,573,679**	**2,471.1**	671,573,679	2,471.1
Unvested executive incentive shares	**1,173,846**	**(7.2)**	1,193,978	(7.3)
Redeemable Optionally Adjustable Distributing Securities (ROADS)	**200,000,000**	**178.6**	200,000,000	178.6
Total		**2,642.5**		2,642.4

(a) Fully paid ordinary share capital

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

	Dec 2023		Jun 2023	
	m's	$'m	m's	$'m
Fully paid ordinary share capital				
Balance at the beginning of the financial period/year	**671.6**	**2,471.1**	675.4	2,488.9
Group on-market share buy-back	**-**	**-**	(3.8)	(17.8)
Balance at the end of the financial period/year	**671.6**	**2,471.1**	671.6	2,471.1

(b) Unvested executive incentive shares

	Dec 2023		Jun 2023	
	m's	$'m	m's	$'m
Unvested executive incentive shares				
Balance at the beginning of the financial period/year	**1.19**	**(7.3)**	1.19	(7.3)
Vested executive incentive share transactions(i)	**(0.02)**	**0.1**	-	-
Balance at the end of the financial period/year	**1.17**	**(7.2)**	1.19	(7.3)

(i) December 2023 figures relate to the second deferred component of the 2021 STI award of 20,132 vested shares for a value of $101,578.

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 2023 is 9.81% per annum (2022: 8.14% per annum) which is equivalent to the one year swap rate on 15 June 2023 of 5.76% 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 2023

C4. Reserves

Dec 2023 $'m	Hedge reserve	Foreign currency translation reserve	Employee benefits reserve	Equity reserve	Fair value through OCI reserve	Total
Balance at 1 July 2023	**3.0**	**(30.6)**	**23.3**	**25.5**	**(2.2)**	**19.0**
Foreign currency translation difference	**-**	**5.1**	**-**	**-**	**-**	**5.1**
Change in fair value of cash flow hedges (net of tax)	**(6.0)**	**-**	**-**	**-**	**-**	**(6.0)**
Change in fair value of unquoted equity investments	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Total comprehensive income/(loss) for the period	**(6.0)**	**5.1**	**-**	**-**	**(0.1)**	**(1.0)**
Vested executive incentive share transactions	**-**	**-**	**(0.1)**	**-**	**-**	**(0.1)**
Share-based employee benefits expense	**-**	**-**	**1.5**	**-**	**-**	**1.5**
Income tax relating to share-based transactions during the period	**-**	**-**	**0.1**	**-**	**-**	**0.1**
Balance at 31 December 2023	**(3.0)**	**(25.5)**	**24.8**	**25.5**	**(2.3)**	**19.5**

Jun 2023 $'m	Hedge reserve	Foreign currency translation reserve	Employee benefits reserve	Equity reserve	Fair value through OCI reserve	Total
Balance at 1 July 2022	7.4	(39.1)	20.7	25.5	(2.4)	12.1
Foreign currency translation difference	-	8.5	-	-	-	8.5
Actuarial movement on net defined benefit plan obligations	-	-	2.6	-	-	2.6
Income tax effect of actuarial movement on defined benefit plan obligations	-	-	(0.8)	-	-	(0.8)
Change in fair value of cash flow hedges (net of tax)	(4.4)	-	-	-	-	(4.4)
Change in fair value of unquoted equity investments	-	-	-	-	0.2	0.2
Total comprehensive income for the year	(4.4)	8.5	1.8	-	0.2	6.1
Share-based employee benefits expense	-	-	(0.8)	-	-	(0.8)
Income tax relating to share-based transactions during the year	-	-	1.6	-	-	1.6
Balance at 30 June 2023	3.0	(30.6)	23.3	25.5	(2.2)	19.0

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.

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.

Notes to the condensed consolidated financial statements
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C5. Dividends

(a) Ordinary shares

	2024 Interim	2023 Final	2023 Interim	2022 Final
Dividend per share (in Australian cents)	**6.0**	**8.0**	5.0	12.0
Franking percentage	**0%**	**0%**	0%	0%
Cost (in $'m)	**40.3**	**53.7**	33.6	81.1
Dividend record date	**14/3/24**	**24/8/23**	13/3/23	31/8/22
Payment date	**11/4/24**	**21/9/23**	11/4/23	28/9/22

The interim 2024 dividend has not been declared as at reporting date and therefore is not reflected in the Financial Report.

(b) Redeemable Optionally Adjustable Distributing Securities (ROADS)

2024	Quarter 1	Quarter 2			Total to date
Dividend per ROADS (in Australian cents)	**1.64**	**1.64**			**3.28**
New Zealand imputation credit percentage	**100%**	**100%**			**100%**
Cost (in A$'m)	**3.3**	**3.3**			**6.6**
Payment date	**15/9/23**	**15/12/23**			

2023	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Dividend per ROADS (in Australian cents)	1.29	1.37	1.37	1.35	5.38
New Zealand imputation credit percentage	100%	100%	100%	100%	100%
Cost (in A$'m)	2.6	2.7	2.7	2.7	10.7
Payment date	15/9/22	15/12/22	15/3/23	15/6/23	

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

C6. Other financial assets and liabilities

Dec 2023 $'m	Financial assets		Financial liabilities	
	Current	Non-current	Current	Non-current
At amortised cost(i):				
Current				
Other financial assets	**2.9**	**14.3**	**0.1**	**-**
Advances to/from joint ventures and associates	**12.7**	**-**	**3.0**	**-**
Deferred consideration	**0.2**	**-**	**0.1**	**-**
	15.8	**14.3**	**3.2**	**-**
At fair value:				
Level 2				
Foreign currency forward contracts – Cash flow hedge	**1.5**	**-**	**1.6**	**0.6**
Cross-currency and interest rate swaps – Cash flow hedge	**1.3**	**14.6**	**5.8**	**12.9**
Downer Contingent Share Options (DCSO) financial instrument	**-**	**-**	**2.5**	**-**
	2.8	**14.6**	**9.9**	**13.5**
Level 3				
Unquoted equity investments – Fair value through OCI	**-**	**17.7**	**-**	**-**
	-	**17.7**	**-**	**-**
Total	**18.6**	**46.6**	**13.1**	**13.5**

Jun 2023 $'m	Financial assets		Financial liabilities	
	Current	Non-current	Current	Non-current
At amortised cost(i):				
Current				
Other financial assets	3.4	14.4	-	-
Advances to/from joint ventures and associates	4.2	-	3.6	-
Deferred consideration	-	-	1.3	-
	7.6	14.4	4.9	-
At fair value:				
Level 2				
Foreign currency forward contracts – Cash flow hedge	0.8	0.5	1.5	0.3
Cross-currency and interest rate swaps – Cash flow hedge	2.3	18.6	4.9	5.4
Downer Contingent Share Options (DCSO) financial instrument	-	-	3.7	-
	3.1	19.1	10.1	5.7
Level 3				
Unquoted equity investments – Fair value through OCI	-	18.0	-	-
	-	18.0	-	-
Total	10.7	51.5	15.0	5.7

(i) Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different from their carrying amounts.

Reconciliation of Level 3 fair value measurements of financial assets

The fair value of Level 3 investments has decreased by $0.3m from prior year (June 2023: $8.3 million increase) due to revaluation and return on investment.

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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
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D
Other disclosures

D1. Trade receivables and contract assets

	Dec 2023 $'m	Jun 2023 $'m
Trade receivables	**636.5**	677.8
Contract assets(i)	**1,332.5**	1,474.6
	1,969.0	2,152.4
Other receivables	**102.9**	113.8
Loss allowance on trade receivables and contract assets arising from contracts with customers	**(22.9)**	(33.2)
Total trade receivables and contract assets	**2,049.0**	2,233.0
Included in the financial statements as:		
Current(i)	**1,905.0**	2,094.2
Non-current	**144.0**	138.8

(i) Current contract assets: $1,189.2 million (June 2023: $1,336.5 million).

D2. Trade payables and contract liabilities

	Dec 2023 $'m	Jun 2023 $'m
Trade payables	**787.6**	817.4
Contract liabilities	**388.2**	359.5
Accruals	**677.4**	931.6
Other payables	**210.8**	225.0
Total trade payables and contract liabilities	**2,064.0**	2,333.5
Included in the financial statements as:		
Current	**1,994.6**	2,272.4
Non-current	**69.4**	61.1

Notes to the condensed consolidated financial statements
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D3. Property, plant and equipment

Dec 2023 $'m	Note	Freehold land and buildings	Plant, equipment and leasehold improve-ments	Total
Balance as at 1 July 2023		**137.7**	**797.0**	**934.7**
Additions		**0.3**	**58.2**	**58.5**
Disposals at net book value		**-**	**(13.6)**	**(13.6)**
Disposal of businesses	D6	**(0.1)**	**(18.8)**	**(18.9)**
Depreciation expense		**(1.3)**	**(57.0)**	**(58.3)**
Net foreign currency exchange differences at net book value		**(0.1)**	**2.0**	**1.9**
Net book value as at 31 December 2023		**136.5**	**767.8**	**904.3**
Cost		**170.9**	**1,737.6**	**1,908.5**
Accumulated depreciation and impairment		**(34.4)**	**(969.8)**	**(1,004.2)**

Jun 2023 $'m	Freehold land and buildings	Plant, equipment and leasehold improve-ments	Total
Balance as at 1 July 2022	87.5	836.9	924.4
Additions	77.6	151.8	229.4
Disposals at net book value	(25.0)	(6.9)	(31.9)
Disposal of businesses	-	(36.7)	(36.7)
Depreciation expense	(2.2)	(126.1)	(128.3)
Impairment charge(i)	-	(25.2)	(25.2)
Transferred to disposal group assets held for sale	-	(0.4)	(0.4)
Net foreign currency exchange differences at net book value	(0.2)	3.6	3.4
Net book value as at 30 June 2023	137.7	797.0	934.7
Cost	170.8	1,751.7	1,922.5
Accumulated depreciation and impairment	(33.1)	(954.7)	(987.8)

(i) Impairment relates to the adjustment to the carrying value of assets at one of Rail & Transit Systems' maintenance facilities, and to other assets in Australia following a strategic review.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

D4. Intangible assets

Dec 2023 $'m	Note	Goodwill	Customer contracts and relation-ships	Brand names on acqui-sition	Intellectual property on acqui-sition	Software and system develop-ment	Total
Balance as at 1 July 2023		**1,762.8**	**150.3**	**55.0**	**1.4**	**210.8**	**2,180.3**
Additions		**-**	**-**	**-**	**-**	**14.9**	**14.9**
Disposal of businesses	D6	**-**	**(0.4)**	**-**	**-**	**-**	**(0.4)**
Amortisation expense		**-**	**(9.5)**	**(2.0)**	**(0.1)**	**(25.5)**	**(37.1)**
Impairment charge(i)		**-**	**-**	**-**	**-**	**(12.1)**	**(12.1)**
Net foreign currency exchange differences at net book value		**1.2**	**-**	**0.1**	**-**	**0.1**	**1.4**
Net book value as at 31 December 2023		**1,764.0**	**140.4**	**53.1**	**1.3**	**188.2**	**2,147.0**
Cost		**2,564.4**	**515.2**	**79.0**	**2.4**	**544.9**	**3,705.9**
Accumulated amortisation and impairment		**(800.4)**	**(374.8)**	**(25.9)**	**(1.1)**	**(356.7)**	**(1,558.9)**

Jun 2023 $'m	Goodwill	Customer contracts and relation-ships	Brand names on acqui-sition	Intellectual property on acqui-sition	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	-	-	-	-	40.3	40.3
Disposal of businesses	(41.3)	-	-	-	(2.8)	(44.1)
Amortisation expense	-	(22.2)	(3.9)	(0.1)	(26.8)	(53.0)
Impairment charge(ii)	(483.0)	-	-	-	(23.5)	(506.5)
Net foreign currency exchange differences at net book value	2.1	-	0.2	-	(0.1)	2.2
Net book value as at 30 June 2023	1,762.8	150.3	55.0	1.4	210.8	2,180.3
Cost	2,563.2	515.2	78.8	2.4	529.4	3,689.0
Accumulated amortisation and impairment	(800.4)	(364.9)	(23.8)	(1.0)	(318.6)	(1,508.7)

(i) $12.1 million impairment relates to IT assets that will no longer be utilised or provide future economic benefit as a result of transformation and business restructuring.

(ii) $483.0 million impairment was as a result of assessment of the carrying value of the Group's CGUs. $23.5 million relates to IT assets that will no longer be utilised or provide future economic benefit as a result of business restructuring, divestments and transformation.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

D5. Equity accounted investments

	Note	Dec 2023 $'m	Jun 2023 $'m
Interest in joint ventures at the beginning of the financial period/year		**39.1**	31.9
Share of net profit		**5.6**	20.1
Share of distributions		**(8.1)**	(12.9)
Interest in joint venture divested	D6	**(28.5)**	-
Interest in joint ventures at the end of the financial period/year		**8.1**	39.1
Interest in associates at the beginning of the financial period/year		**120.1**	130.9
Share of net profit		**2.6**	9.7
Share of distributions		**-**	(20.5)
Interest in associates at the end of the financial period/year		**122.7**	120.1
Total equity accounted investments		**130.8**	159.2

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

			Ownership interest	
Name of arrangement	Principal activity	Principal place of business	Dec 2023 %	Jun 2023 %
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	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(i)	Waste recycling	Australia	**-**	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) Downer's interest in this joint venture was disposed of during the financial period ended 31 December 2023. Refer to Note D6.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

D6. Disposal of businesses

Current period divestments

Transport Projects
On 20 June 2023, Downer announced it had completed the sale of its Australian Transport Projects business to DT Infrastructure Pty Ltd, a Gamuda Berhad group company (Gamuda). The remaining number of contracts with customer consents that were outstanding at the date of completion have been received in the period, the contracts have been novated and deferred settlement paid.

As at December 2023, a net payment on the first completion (after transaction costs) of $22.9 million, and a net payment on the second completion (after transactions costs) of $2.3 million has been paid with a $3.0 million pre-tax gain on disposal recognised.

As part of the divestment, Downer's interest in the following joint operations have been novated in the period:
- Downer EDI Works Pty Ltd & CPB Contractors Pty Ltd
- NEWest Alliance

Asset and Development Services
Downer completed the agreement to sell the remaining part of the Asset and Development Services business to a Management Buy Out Consortium on 31 August 2023. As at December 2023, a net payment (after transactions costs) of $9.6 million has been paid with a $16.7 million pre-tax loss on disposal recognised.

The following controlled entities have been divested as part of the transaction:
- A.E. Smith & Son Proprietary Limited
- A.E. Smith Service Holdings Pty Ltd
- A.E. Smith Service Pty Ltd
- A.E. Smith Service (SEQ) Pty Ltd
- AE Smith Building Technologies Pty Ltd
- A E Smith & Son (SEQ) Pty Ltd
- A E Smith & Son (NQ) Pty Ltd
- Airparts Holdings Pty Ltd
- Airparts Fabrication Pty Ltd
- Airparts Fabrication Unit Trust
- Emerald ESP Pty Ltd
- Envar Installation Pty Ltd
- Envar Service Pty Ltd
- Envar Holdings Pty Ltd
- Envar Engineers and Contractors Pty Ltd
- Nuvogroup (Australia) Pty Ltd
- NG-Serv Pty Ltd

Downer's interest in Repurpose It
During the period, Downer completed the sale of its 45% interest in Repurpose It Holdings Pty Ltd, to Australian infrastructure investment manager, Palisade Impact Pty Ltd and its affiliates (Palisade). As at December, net proceeds (after transaction costs) of $84.5 million has been received with a $56.0 million pre-tax gain on disposal after exit costs recognised.

VEC Contracts
On 30 November 2023, Downer completed the sale of all current contracts, assets and the transfer of employees for VEC Civil Engineering Pty Ltd to Hazell Bros Group Pty Ltd and Hazell Bros Resources Pty Ltd. The sale consideration for this transaction is $0.8 million, for which proceeds are still subject to working capital adjustments. As at December 2023, net proceeds of $0.6 million had been received.

AE Smith New Zealand
On 30 November 2023, Downer completed the sale of its AE Smith New Zealand contracts to Horizon Energy Group. As at December 2023, a net payment (after transactions costs) to the purchaser of $1.4 million have been paid with a $1.6 million pre-tax loss on disposal.

Metering Services
On 22 December 2023, Downer completed an agreement for the sale of its Advance Metering (smart meter) assets and contracts to Intellihub Australia Pty Ltd. As at December 2023, net proceeds of $21.8 million have been received. Proceeds are subject to working capital adjustments.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

The below table summarises the impact of divestments during the 2024 financial period:

Dec 2023 $'m	Note	Transport Projects(ii)	Asset and Development Services	Downer's interest in Repurpose It	VEC Contracts	AE Smith New Zealand	Metering Services	Total
Proceeds on disposal (net of transaction costs)		28.5	2.3	84.5	0.6	(1.4)	21.8	136.3
Less cash disposed		(30.8)	(11.9)	-	-	-	-	(42.7)
Deferred settlement paid and transaction costs		(22.9)	-	-	-	-	-	(22.9)
Net Proceeds (as per the Condensed Consolidated Statement of Cash Flows)		(25.2)	(9.6)	84.5	0.6	(1.4)	21.8	70.7
Deferred consideration		-	(2.6)	-	0.2	(0.1)	-	(2.5)
Total net proceeds on disposal		(25.2)	(12.2)	84.5	0.8	(1.5)	21.8	68.2
Consideration for divested business (net of transaction costs)		22.1	(0.3)	84.5	0.7	(1.5)	21.6	127.1
Cash and cash equivalents		30.8	11.9	-	-	-	-	42.7
Trade receivables and contract assets		39.0	50.2	-	-	1.0	-	90.2
Equity accounted investments	D5	-	-	28.5	-	-	-	28.5
Property, plant and equipment(i)	D3	-	0.3	-	1.5	0.3	17.2	19.3
Right-of-use assets		0.6	0.8	-	-	1.0	-	2.4
Intangible assets	D4	-	0.4	-	-	-	-	0.4
Inventories		-	0.2	-	0.1	0.1	4.4	4.8
Current tax assets		-	2.5	-	-	-	-	2.5
Deferred tax assets		1.0	2.2	-	0.2	-	-	3.4
Prepayments and other assets		0.6	0.3	-	-	-	-	0.9
Assets disposed		72.0	68.8	28.5	1.8	2.4	21.6	195.1
Trade payables and contract liabilities		48.3	42.3	-	0.4	0.3	-	91.3
Lease liabilities		0.6	0.8	-	-	1.0	-	2.4
Employee benefits provision		3.2	7.8	-	0.7	1.0	-	12.7
Other provisions		0.8	1.1	-	-	-	-	1.9
Deferred tax liabilities		-	0.4	-	-	-	-	0.4
Liabilities disposed		52.9	52.4	-	1.1	2.3	-	108.7
Net assets disposed		19.1	16.4	28.5	0.7	0.1	21.6	86.4
Gain/(loss) on disposal before tax	B4	3.0	(16.7)	56.0	-	(1.6)	-	40.7
Other exit related costs		-	-	(4.5)	-	(2.4)	-	(6.9)
Gain/(loss) on disposal after exit costs before tax	B4	3.0	(16.7)	51.5	-	(4.0)	-	33.8

(i) A further $0.4 million of Asset and Development Services assets were classified as Assets Held for Sale at 30 June 2023 and were also disposed. Refer to Note D3.

(ii) Transport Projects represents the net impact of deferred cash flows of $22.9 million associated with the first stage completion (transaction completed and recognised in FY23), together with the disposal and associated cash flows with the second stage completion (transaction completed and recognised in HY24).

Prior period divestments

There were no divestments during the period ended 31 December 2022.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

D7. Disposal group held for sale

There were no disposal groups held for sale during the period ended 31 December 2023.

Prior period

Transport Projects
On 20 June 2023, Downer announced it completed the sale of its Australian Transport Projects business to DT Infrastructure Pty Ltd, a Gamuda Berhad group company (Gamuda). There were a number of contracts with customer consents outstanding at the date of completion. These contracts remained with Downer until the consents were received.

Asset and Development Services
Downer entered into an agreement to sell the remaining part of its Australian Mechanical and Electrical Commercial Projects business ('Asset & Development Services') to existing managers of the business. The transaction was completed in FY24.

The assets and liabilities of the contracts to be divested were reclassified as current assets and liabilities held for sale at 30 June 2023.

At 30 June 2023, the disposal groups were stated at the lower of its carrying amount and fair value less costs of disposal, and consisted of the following assets and liabilities:

June 2023 $'m	Transport Projects	Asset and Develop-ment Services	Total
Trade receivables and contract assets	42.8	41.2	84.0
Inventories	-	0.2	0.2
Current tax assets	-	2.0	2.0
Prepayments and other assets	0.7	0.5	1.2
Property, plant and equipment	-	0.4	0.4
Right-of-use assets	0.6	2.0	2.6
Deferred tax assets	-	1.8	1.8
Assets held for sale	44.1	48.1	92.2
Trade payables and contract liabilities	54.8	42.7	97.5
Lease liabilities	0.6	2.5	3.1
Current tax liabilities	-	0.2	0.2
Employee benefits provision	3.0	8.4	11.4
Other provisions	0.5	1.2	1.7
Deferred tax liabilities	(1.0)	-	(1.0)
Liabilities held for sale	57.9	55.0	112.9

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

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

D8. Contingent liabilities

Bonding	Note	Dec 2023 $'m	Jun 2023 $'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	**1,426.8**	1,517.2

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.

(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) In the ordinary course of business, contingent liabilities exist in respect of claims and potential claims against entities in the consolidated entity. The consolidated entity does not consider that the outcomes of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position.

(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 Directors are of the opinion that disclosure of any further information relating to this matter would be prejudicial to the interests of the Group.

(vii) In early 2023, four competing shareholder class actions were filed against Downer following announcements it published with the ASX on 8 December 2022 and 27 February 2023. Each class action alleged a breach of Downer's continuous disclosure obligations and that it engaged in misleading or deceptive conduct by making and/or failing to correct or qualify various statements in connection with a maintenance contract in its Australian Utilities business and Downer's financial performance.

On 28 August 2023, three of the class actions (commenced by plaintiffs represented by Maurice Blackburn, William Roberts and Piper Alderman) were consolidated (Lidgett Proceeding). On 27 September 2023, the Supreme Court of Victoria selected the Lidgett Proceeding to be prosecuted and stayed the other class action commenced by a plaintiff represented by Quinn Emanuel (Kajula). While Kajula has applied for leave to appeal that decision, timetabling orders have been made in the Lidgett Proceeding which require Downer to file its defence on 1 March 2024.

Downer intends to vigorously defend whichever class action ultimately proceeds.

Directors' Declaration
for the half-year ended 31 December 2023

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 44 are in accordance with the Australian *Corporations Act 2001* (Cth), including:

(i) Complying with Accounting Standard AASB134 *Interim Financial Reporting* and 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 2023 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 J Menhinnitt
Chairman

P J Tompkins
Managing Director and Chief Executive Officer

Sydney, 14 February 2024