

Media/ASX and NZX Release

8 December 2022

ACCOUNTING IRREGULARITIES IN UTILITIES AND TRADING UPDATE

Downer EDI Limited (Downer) announced today that its NPATA guidance for the 2023 financial year has been updated to reflect the following:

Accounting irregularities in Downer's Australian Utilities business

Downer has identified certain accounting irregularities in its Australian Utilities business involving historical misreporting of revenue and work in progress in one of Downer's maintenance contracts.

With oversight by the Board and senior management, a detailed investigation has been initiated and is being treated with the highest priority. The investigation is ongoing, so details are preliminary, but the adjustments appear to relate to the period between September 2019 and November 2022.

Based on information currently available the irregularities are estimated to result in a historical overstatement of pre-tax earnings in the order of \$30 million – \$40 million at the end of November 2022 accumulated across financial years 2020, 2021, 2022 and 2023. Any potential ongoing impact on earnings is still being determined.

Downer's CEO & Managing Director, Grant Fenn, said that the Company has moved quickly to ensure the immediate issues are addressed and the financial and management capability within the business is strengthened.

Trading update

In August, Downer said that it expected 10 – 20% growth in underlying FY23 NPATA assuming no material COVID-19, weather, labour shortages or other disruptions.

At Downer's Annual General Meeting on 3 November, the CEO Grant Fenn confirmed that difficult weather conditions and elevated cost to serve issues had plagued the first quarter, particularly in Australia's Eastern States and New Zealand with very few of our businesses unaffected. We highlighted that it was too early to predict the impact for the remainder of the year but, as it stood, the forecast continued to support the guidance.

After analysis of the Group's trading for October and November, it has become clear that the guidance is now unlikely to be met.

"Although the business has a general skew to the second-half, we think that the challenge for the last seven months of FY23 has become too large," Mr Fenn said. "Our Road Services and Utilities businesses have been heavily impacted by weather and all businesses have been battling with staff shortages and supply chain issues. These issues are dissipating but not in time for 2023 earnings."

Excluding any prior period impact of the accounting irregularities discussed above, Downer now expects underlying FY23 NPATA to be between \$210 million – \$230 million assuming no further material COVID-19, weather, labour shortages or other disruptions. A further update will be provided at the half year results in February.

A conference call for investors in relation to today's announcement will be held at 11am on Thursday 8 December. Conference call details accompany this announcement.

Conference call details

To register for the conference call, go to: <https://s1.c-conf.com/diamondpass/10027551-8649jh.html>
Registered participants will receive dial-in details via email upon registration.

Authorised for release by Downer's Chief Executive Officer, Grant Fenn

About Downer

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

For further information please contact:

Media: Mitchell Dale, Group Manager Corporate Affairs
Investors: Adam Halmarick, Group Head of Investor Relations

+61 448 362 198
+61 413 437 487