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ASX Market Announcements
Australian Securities Exchange Limited
Level 4
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EXECUTIVE CHAIRMAN'S ADDRESS TO SHAREHOLDERS

In accordance with Listing Rule 3.13.3, attached is a copy of the address to shareholders to be delivered by CIMIC Group Executive Chairman Mr Marcelino Fernández Verdes at the company's Annual General Meeting today.

A webcast of the Annual General Meeting can be viewed at www.cimic.com.au.

Sincerely,

CIMIC GROUP LIMITED

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Authorised by the CIMIC Group Limited Continuous Disclosure Committee

EXECUTIVE CHAIRMAN'S ADDRESS TO SHAREHOLDERS

A presentation to the 2020 Annual General Meeting of CIMIC Group Limited by the Executive Chairman, Mr Marcelino Fernández Verdes.

I would like to start today by addressing the impact of coronavirus on our people and our business.

Coronavirus

COVID-19 presents a great challenge to our society, and one which we can only overcome together.

For our company, our people, our shareholders, and for the communities where we operate, it is important that our operations continue, to keep critical infrastructure functioning.

I'd like to acknowledge the efforts of the CIMIC team members who are working through these difficult times, to keep essential services operating.

While it is certainly not business as usual at the moment, we are open for business.

I want to assure you that we are continuously monitoring the risks and responding to the changing conditions, to ensure the safety of our people and the continuity of our operations.

The health and wellbeing of our people is our priority, and our planning for their safety amid the spread of the virus has been underway since the commencement of this situation.

We have implemented protocols to manage the risk of infection, including setting standards for routine prevention activities and increased cleaning, management of critical business teams, social distancing and flexible work regimes including working from home where available.

At our project sites, we are applying prevention activities which include limiting the size of pre-start meetings to achieve social distancing, increased hygiene and cleaning practices, split rosters, and staggered meal breaks.

In the event of suspected or confirmed cases, we are working closely with our occupational physicians and government health officials to support the individuals, and their close or casual contacts, as well as following government advice on quarantine.

We have also taken steps that will allow us to continue to meet our clients' needs over this challenging period, establishing teams to manage the continuity of our operations.

Reviewing and mitigating the impacts to our delivery of projects and services is essential, and we have the resources and information to respond quickly as the situation evolves.

Our protocols and other business continuity measures are being implemented by dedicated teams within each of our operating companies, via arrangements that are

tailored to the needs of each of our businesses and reflect their structures and style of projects.

Our Executive Leadership Teams and our key business support functions are ensuring we respond in a timely and appropriate manner and we are continuously monitoring and adhering to the advice of governments in Australia and across the world.

Middle East

Our decision earlier this year to exit our non-controlling 45% financial investment in BIC Contracting, a company operating in the Middle East, had a one-off post tax impact of negative \$1.8 billion on our financial statements for 2019.

The post-tax impact represents all our exposure in relation to BICC.

Notwithstanding this non-recurring impact on our 2019 results, leaving the region is the appropriate long-term decision for our business and for our shareholders.

The decision to exit BICC followed an extensive strategic review of our investment, including a confidential M&A process. Discussions continue with a shortlist of potential acquirers for all or part of the company.

In addition, in the context of an accelerated deterioration of local market conditions, BICC is engaging in confidential discussions with its lenders, creditors, clients and other stakeholders.

Exiting the region will allow us to focus our resources and capital allocation on the growth opportunities in our core markets in Australia, New Zealand and Asia Pacific.

The overall BICC impact includes an expected cash outlay, net of tax, of around \$700 million during 2020 and beyond, as CIMIC's financial guarantees of certain BICC liabilities materialise.

We concluded, in late January, a separate, dedicated facility of \$1.5 billion to cover the BICC impact from a liquidity perspective which, on a pre-tax basis, is consistent with our announcement. Therefore, from an operational perspective, our strong liquidity position with committed, undrawn debt facilities of \$3.0 billion at the end of December was unchanged.

Financial performance

As a result of the impact of BICC on our P&L, we reported a statutory net loss after tax of \$1.0 billion for 2019.

This aside, our operating performance remained sound, with net profit after tax of \$800 million, up 3% year on year.

Highlights of the 2019 operating result, compared with 2018, included revenue¹ of \$14.7 billion; and stable operating profit², profit before tax and net profit after tax margins³ of 8.4%, 7.5% and 5.4% respectively.

Our mining and mineral processing business delivered a strong performance, with revenue up 13.4% to \$4.5 billion. This growth reflects a number of contract extensions and benefitted from the diversity of our mining and mineral processing activities. The continued focus on efficiencies and on creating value for clients contributed to an increased margin with profit before tax rising nearly 41% to over \$600 million.

Construction revenue was 5.4% lower at \$7.5 billion due to a decline in activity in Hong Kong which was partially offset by contributions from the delivery of transport infrastructure projects in Australia. Construction profit before tax was \$470 million for the year. The change in the construction segment, as we secure more projects under alliance-style contracts, is positive for our risk-return profile and I'll explain this in more detail in a moment.

At \$2.6 billion, services revenue was at a similar level to 2018 as we sustained our competitive position in the operations and maintenance services market. Margins were steady with the segment reporting profit before tax of \$155 million.

The Group's operating cash flow was \$1.7 billion and EBITDA cash conversion was 80%, with no increase in factoring.

There was an increase of more than \$1.0 billion year-on-year in operating cash flow, pre-factoring. And we maintained our strict focus on managing working capital and generating sustainable cash-backed profits.

Net cash stood at \$832 million at 31 December, and we have a strong level of liquidity further supported by committed, undrawn debt facilities of \$3.0 billion at the end of December.

As we highlighted earlier, this strong level of operational liquidity is not impacted by the expected cash outlay for BICC, given that we have a separate, dedicated and additional liquidity facility of \$1.5 billion for this matter.

So, from an operational perspective, we have committed facilities and cash available to meet all obligations as required. This favourable position is further supported by a positive maturity profile with only \$164 million of debt due for repayment in the next 12 months.

We have a strong financial position and a balance sheet that gives us the flexibility to pursue strategic growth initiatives and capital allocation opportunities.

¹ Revenue excludes revenue from joint ventures and associates of \$2,506.0m (FY18: \$2,582.6m)

² Operating profit is EBIT adjusted for the one-off item in respect of the provisions and asset impairment of the Group's financial investment in BICC and exit from the Middle East region

³ Margins are calculated on revenue which excludes revenue from joint ventures and associates. Margins excluding BICC are calculated as the net of the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region

Our solid investment grade credit ratings were reaffirmed after our announcement to exit the Middle East, with Moody's rating us at Baa2/Stable and Standard & Poor's at BBB/Stable/A-2. S&P's bulletin noted that our exit from the Middle East is 'consistent with our Group strategy' and Moody's referred to the Middle East exit as being 'credit positive'.

In 2019, we returned \$526 million to shareholders through dividends and the share buyback.

While we did not declare a 2019 final dividend, our focus remains on continuing to deliver returns and we have commenced another buyback of our shares to further remunerate shareholders.

Work in hand

We have a strong pipeline of new work, and our work in hand⁴ reached \$37.5 billion at the end of the year, equivalent to more than two years' worth of revenue.

Since the commencement of our transformation back in 2014, we have worked to establish a unique, diversified business model which delivers cash-backed profit and sustainable returns through effective risk mitigation.

Our portfolio composition, supported by a mix of activities and geographies, has increasingly moved towards a better balance of risk sharing contracts and we are engaging with our clients in collaborative contracting models like alliancing, in which the maximum risk exposure is capped by the client.

Our mining and services activities, which contributed 27% and 30% respectively to work in hand, are largely delivered through collaborative and well-balanced contracts.

Construction work comprised 43% of work in hand, around half of which is made up of alliance-style contracts. The other half consists of construction projects which are well diversified according to geography, type of client and project size, and are delivered by experienced teams with a long track record.

By providing capabilities for the entire lifecycle of assets – from development and financing to engineering, construction, mining, and operations and maintenance – we have established a resilient business model, which can adapt to emerging risks and provide sustainable, cash-backed profits.

⁴ Work in hand/order book includes CIMIC's share of work in hand from joint ventures and associates.

Work winning

Turning to some of our highlight project wins.

One of our standouts for the year was the selection of Pacific Partnerships, CPB Contractors and UGL across two packages of work for Cross River Rail in Brisbane. This is a great example of an alliance project, and demonstrates our ability to provide public private partnerships, or PPPs.

In another PPP win, Pacific Partnerships, UGL and CPB Contractors, as part of a consortium, were selected to deliver the Regional Rail project in New South Wales.

At Sydney Metro, where we are involved with several packages of work, UGL and Pacific Partnerships were granted an extension to the existing PPP contract.

These projects are excellent examples of how we provide engineering-led solutions that integrate the capabilities of several of our companies.

In mining and mineral processing, project highlights included Thiess signing a significant extension at the Curragh Mine in Queensland – the result of several years of planning.

Thiess also achieved an extension to existing work at a diamond mine in Botswana, and Sedgman was awarded a contract at a mine in Central Queensland.

Market outlook

Across our markets, we expect that governments and the private sector will continue to invest to meet sustained demand for critical economic and social infrastructure, notwithstanding the short-term impact of coronavirus.

Doing so addresses historic underinvestment and facilitates economic growth, employment and productivity – factors which will be even more important in today's uncertain environment.

As an essential services provider, we are in a good position to continue to pursue these prospects and look to increase the number of alliance and long-term mining and services contracts within our books, further improving the risk profile of our work in hand.

In total, there are more than \$500 billion of tenders relevant to CIMIC to be bid and/or awarded in the current and coming years.

Our stakeholders

All of this means we're well placed to provide sustained benefits for our stakeholders – be they shareholders, community members, clients, subcontractors, suppliers or employees.

I'd like to underline our appreciation of the valuable role played by our suppliers and sub-contractors. Procurement is crucial for successful project delivery.

We offer a range of payment terms which provide flexibility, including a voluntary program through which suppliers or subcontractors may elect to receive early payment.

Turning to communities now. During 2019 and early 2020, we have been pleased to give back to the many people located in areas where we operate.

The recent Australian bushfires have brought a tragic loss of life and extreme hardship to regional and rural areas across our country. We are contributing to the broader relief and recovery efforts with a \$1 million employee matched giving initiative.

This leads me to the outcomes we've achieved in sustainability. Building a reputation as a provider of choice with our clients and shareholders and creating a positive legacy for our stakeholders underlies our approach to sustainability.

Operating sustainably means we can be part of the solution to address climate change and work as a partner to clients who are transitioning to a low-carbon future.

In 2019 we achieved the highest rating for reporting on environmental, social and governance factors from the Australian Council of Superannuation Investors.

For the fourth year in a row we were included in the FTSE4Good Index, which identifies companies that demonstrate strong environmental, social and governance practices.

Sustainability is integral for our future and for the value we create for shareholders, our people and our clients.

Innovation

Let's talk about innovation. Each day our people are delivering projects of magnitude and significance, and have done so for many years.

The feats we're achieving today set the scene for the future, and what we will achieve tomorrow.

Investing in innovation and digitalisation is essential to maintaining and enhancing our competitive advantage and resilience.

Our digital incubator and accelerator, Nexplore, is both generating value from technology today and exploring how it will transform our business model for tomorrow.

Nexplore has commenced a series of research projects, to realise the opportunities offered by new and emerging technologies focused on the construction, mining and industrial services sectors.

I spoke last year about some of Nexlore's partnerships with MIT, or the Massachusetts Institute of Technology, and IBM, which I am pleased to advise are bearing fruit, and we have expanded that to include more partners globally.

Nexlore, with its agile and efficient structure, works through Innovation Centres located in close proximity to our Operating Companies to focus on the challenges core to our operations; Development Centres to deliver our solutions rapidly; and Research Centres to be at the forefront of technological developments.

Nexlore has Development Centres in Spain, the USA and the Asia-Pacific, both in Australia and Hong Kong. And I can say that by the end of this year more than 100 sites will be running some of their processes on top of our platform. More than 60 of them within CIMIC.

Nexlore's ultimate goal is to enable our people to continuously seek better ways to solve problems, adapt to the future world, and evolve in everything we do.

People and culture

The continued development of our people and the culture within our operations is essential.

Our first commitment to our people is to their safety, and this is evident in our response to coronavirus. Our approach is to foster a workplace culture that promotes safety and productivity, with strong leadership, training and communication, underpinned by robust risk management systems.

We also systematically identify critical risks in our operations and implement strategies and engineering systems to ensure that our people are not exposed to any uncontrolled risks.

There were no fatalities in 2019.

However, it is with great sadness that I report a fatality in our operations in early 2020. Our thoughts and profound sympathies are with our colleague's family and partner, his friends and teammates, and we have provided assistance to all of those who were affected.

As well as a focus on physical and mental safety at work, we support and promote the wellbeing of our people beyond the workplace.

In 2019 we expanded our commitment to our people and their families who may be experiencing family and domestic violence with a new policy that provides support for those who need it.

We also have a wellbeing program that is assisting our employees to improve their overall health. Making sure support is available for our people and their families will be especially important given coronavirus.

And our career and skills development programs are ongoing, as we seek to enhance our culture of innovation, back our people and promote from within.

Leadership

A significant development in our leadership this year was the appointment in February of Juan Santamaria as our Chief Executive Officer and Managing Director.

Juan is a highly regarded leader with more than 18 years' experience leading diverse businesses across our markets, the past five of which have been within the CIMIC Group.

Juan has extensive experience in construction, services and PPPs, and a long history of high performance within the Group, including in his former position leading CPB Contractors and his prior role leading UGL.

A civil engineer, Juan has a strong understanding of our entire operations, and a total commitment to our clients, shareholders and to developing our people.

Thank you

Lastly, I would like to make mention of a major anniversary in our business in 2019.

In 1899 Alfred Goninan started a business which supported the local industry. Over the next 120 years, the business grew, diversified and developed into what we know as UGL today. UGL's Broadmeadow site has been the home of Goninan and its subsequent entities for more than 100 years.

In closing I would like to thank our 40,000 people for their great efforts during 2019, and their ongoing commitment to the success of our clients and our business.

Thank you also to each of you, our shareholders, for the part you play in the opportunities we provide to our people and the results we deliver to our clients and communities.

We wish you all the best for the challenging weeks and months ahead and I hope you are all able to stay safe and well.

Thank you.