

17 DECEMBER 2021 SETTLEMENT ACHIEVED ON WEST GATE TUNNEL

CIMIC Group provides the following market update relating to settlement terms reached on the West Gate Tunnel (**West Gate**) project in Melbourne.

West Gate project

A design and construction contract for West Gate was awarded to the CPB Contractors and John Holland Joint Venture (**CPBJH JV**) in 2017. The project has been subject to various contractual disputes, including in relation to PFAS¹, between the project parties².

A commercial settlement has been reached, the terms of which include construction cost variations and potential KPIs linked to revenue (1.5% of contract value) that increase the total contract value of the project to the CPBJH JV to \$8.57 billion from the original contract value of \$4.99 billion.

The terms of the settlement provide for contributions from the State of Victoria (\$1.9 billion) and Transurban (\$2.0 billion) to ensure the completion of the project. As part of the settlement, the CPBJH JV contribution will be a negotiated reduction of revenue of \$600 million (CIMIC's share \$300 million) and the CPBJH JV will forego profit margin from the project.

The terms of settlement require the parties to conform the Project Documents to the settlement terms and to comply with the relevant project legislation in order for the settlement to come into full effect. This will be completed early in 2022.

The settlement allows tunnelling works to commence in early 2022 with a revised expected completion date of late 2025.

Financial impact and update on guidance

CIMIC expects the financial impact from the West Gate settlement and other project risks to be offset by existing provisions and other non-recurring gains from the period.

CIMIC now expects to report statutory and underlying net profit after tax of \$400-430 million for the 2021 financial year.

Outlook

The settlement resolves a long-standing legacy issue that has absorbed significant management time and attention over recent years. CIMIC is pleased to have achieved this settlement, avoiding further potential legal and other costs, while being able to maintain guidance.

Settlement of West Gate also allows tunnelling to commence to the benefit of the project parties and, ultimately, the people of Victoria who will gain from this infrastructure.

¹ Per and polyfluorinated alkyl substances (PFAS).

² The State of Victoria, Transurban (Project Company is a subsidiary) and the CPBJH JV.

CIMIC remains in a strong position with \$35.1 billion of work in hand as of 30 September 2021 and strong liquidity. The outlook remains attractive across CIMIC's core markets, underpinned by numerous stimulus packages announced by governments in the Group's core construction and services markets with additional opportunities through a strong PPP pipeline.

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