ASX / Media Release

28 MARCH 2022 **TARGET'S STATEMENT RELEASED IN RESPONSE TO HOCHTIEF AUSTRALIA OFFER**

CIMIC Group Limited (**CIMIC**) announces that it has today released its target's statement (**Target's Statement**) in response to the off-market takeover offer by HOCHTIEF Australia Holdings Limited, for all of the ordinary shares in CIMIC in which HOCHTIEF does not have a relevant interest at an offer price of $22.00 cash per share (**Offer**).

Following the announcement of the Offer, the CIMIC Board of Directors established the Independent Board Committee (**IBC**), comprising independent directors Russell Chenu and Kate Spargo, with responsibility for considering, evaluating and responding to the Offer.

The IBC appointed Grant Thornton Corporate Finance Pty Limited as Independent Expert to assess the merits of the Offer. The Independent Expert has concluded that the Offer is fair and reasonable to CIMIC Shareholders other than HOCHTIEF Australia. The Independent Expert has assessed the estimated market value of CIMIC Shares on a controlling and 100% basis to be in the range of $19.26 and $25.05 per CIMIC Share

The IBC unanimously recommends that CIMIC Shareholders accept the Offer in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to CIMIC Shareholders. In addition, each IBC member intends to accept the Offer in respect of all CIMIC Shares held or controlled by them or held on their behalf in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to CIMIC Shareholders.

The Target's Statement sets out the IBC's reasons for its recommendation and other information that is material to shareholders in assessing the Offer. CIMIC Shareholders should read the Target's Statement (including the Independent Expert's Report) carefully in full and, if required, seek independent advice if they are in any doubt as to how to respond to the Offer.

The Target's Statement has or will be sent to HOCHTIEF and lodged with the Australian Securities and Investments Commission today.

The Target's Statement will be dispatched to CIMIC Shareholders today by the following means:

1. if shareholders have nominated an email address to receive communications from CIMIC, then they will receive an email to their nominated email address with a link to an electronic copy of the Target's Statement; and

2. if shareholders have not nominated an email address to receive communications from CIMIC, then they will receive a letter from CIMIC to their registered postal address, which will contain details of where they can access an electronic copy of the Target's Statement or how to request a hard copy of the Target's Statement.

CIMIC Shareholders may also request a hard copy of the Target's Statement be sent to them (if in Australia, by pre-paid ordinary post or by courier, or, if outside Australia, by pre-paid airmail post or by courier) by contacting the CIMIC information line on 1300 620 408 (within Australia) or +61 3 9415 4639 (outside Australia) between 9:00am and 5:00pm (AEST) Monday to Friday, excluding public holidays.

ENDS

Issued by CIMIC Group Limited ABN 57 004 482 982 www.cimic.com.au
Authorised by the Independent Board Committee

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CIMIC Group (ASX:CIM) is an engineering-led construction, mining, services and public private partnerships leader working across the lifecycle of assets, infrastructure and resources projects. CIMIC Group comprises our construction businesses CPB Contractors, Leighton Asia and Broad, our mining and mineral processing companies Thiess (joint control) and Sedgman, our services specialist UGL and our public private partnerships arm Pacific Partnerships – all supported by our in-house engineering consultancy EIC Activities. Our mission is to generate sustainable shareholder returns by delivering innovative and competitive solutions for clients and safe, fulfilling careers for our people. With a history since 1899, and around 29,000 people in around 20 countries, we strive to be known for our principles of Integrity, Accountability, Innovation and Delivery, underpinned by Safety. CIMIC is a member of the S&P/ASX 200 index, the Dow Jones Sustainability Australia Index and FTSE4Good.

Target's Statement

This Target's Statement has been issued in response to the off-market takeover bid made by HOCHTIEF Australia Holdings Limited (ACN 103 181 675) (**HOCHTIEF Australia**) for all of your ordinary shares in CIMIC Group Limited (ACN 004 482 982) (**CIMIC**).

THE CIMIC INDEPENDENT BOARD COMMITTEE **UNANIMOUSLY RECOMMENDS** THAT YOU

ACCEPT

THE OFFER FROM HOCHTIEF AUSTRALIA, IN THE ABSENCE OF A SUPERIOR PROPOSAL AND SUBJECT TO THE INDEPENDENT EXPERT CONTINUING TO CONCLUDE THAT THE OFFER IS FAIR AND REASONABLE TO CIMIC SHAREHOLDERS.

The Independent Expert has concluded that the Offer is **fair and reasonable** to CIMIC Shareholders other than HOCHTIEF Australia.

This is an important document and requires your immediate attention.

If you are in doubt as to how to deal with this document, you should consult your financial or other professional adviser immediately.

CIMIC Shareholders can call the CIMIC Shareholder Information Line on 1300 620 408 (within Australia) or +61 3 9415 4639 (outside Australia) if they require assistance.

Financial Adviser

Legal Adviser

Important information

Key Dates

Date of the Offer	10 March 2022
Date of this Target's Statement	28 March 2022
Close of the Offer (unless extended or withdrawn)	7:00pm (Sydney time) on 11 April 2022

Nature of this document

This document is a Target's Statement issued by CIMIC Group Limited (ACN 004 482 982) (**CIMIC**) under Part 6.5, Division 3 of the Corporations Act in response to the off-market takeover bid made by HOCHTIEF Australia Holdings Limited (ACN 103 181 675) (**HOCHTIEF Australia**) for all of the CIMIC Shares in which HOCHTIEF Australia does not have a Relevant Interest (**Offer**).

ASIC and ASX disclaimer

A copy of this Target's Statement was lodged with ASIC and given to ASX on 28 March 2022. Neither ASIC nor ASX, nor any of their respective officers, take any responsibility for the content of this Target's Statement.

Defined terms and interpretation

Capitalised terms used in this Target's Statement are defined in section 12. The rules of interpretation that apply to this Target's Statement are also set out in section 12.

No account of personal circumstances

The CIMIC Independent Board Committee recommends that you read this Target's Statement and the Bidder's Statement in full and seek independent advice if you have any queries in respect of the Offer. The information contained in this Target's Statement does not constitute personal advice. In preparing this Target's Statement, CIMIC has not taken into account the objectives, financial situation or needs of individual CIMIC Shareholders. It is important that you consider the information in this Target's Statement in light of your particular circumstances. You should seek advice from your financial, legal or other professional adviser before deciding whether to accept or reject the Offer.

Forward-looking statements

This Target's Statement contains forward-looking statements, including statements of current intention or expectation. As such forward-looking statements relate to future matters, they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by such forward-looking statements.

None of CIMIC or any of its Directors, officers or advisers give any representation, assurance or guarantee to CIMIC Shareholders or any other person as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement. The forward-looking statements in this Target's Statement (including in the Independent Expert's Report) reflect views held only as at the date of this Target's Statement. Except as required by applicable law, CIMIC does not undertake to update or revise these forward-looking statements nor any other statements (written or oral) that may be made from time to time by or on behalf of CIMIC, whether as a result of new information, future events or otherwise.

Disclaimer as to information about HOCHTIEF Australia

The information on HOCHTIEF Australia contained in this Target's Statement has been compiled from and prepared by CIMIC using information obtained from HOCHTIEF Australia or publicly available information (including information contained in the Bidder's Statement) and has not been independently audited or verified by CIMIC or its advisers. Accordingly, subject to the Corporations Act, CIMIC does not make any representation or warranty (express or implied) as to the accuracy or completeness of such information. If any information obtained from HOCHTIEF Australia or the public sources is inaccurate or incomplete, this may affect the information included in this Target's Statement. In particular, if the information has been used as the basis for forward-looking statements in this Target's Statement, this may add to the risk that actual values, results, performance or achievements will differ materially from those expressed or implied by the forward-looking statements.

Independent Expert's Report

The Independent Expert's Report has been prepared by the Independent Expert for the purposes of this Target's Statement and the Independent Expert takes full responsibility for that report. Neither CIMIC nor any of its officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement may be restricted by law or regulation in some jurisdictions outside Australia. Accordingly, persons outside Australia who come into possession of this Target's Statement should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with laws and regulations outside Australia.

Privacy

CIMIC has collected your information from the CIMIC share register for the purpose of providing you with this Target's Statement. Such information may include the name, contact details and shareholdings of CIMIC Shareholders and the names of persons appointed to act as proxy, attorney or corporate representative of CIMIC Shareholders. Without this information, CIMIC would be hindered in its ability to issue this Target's Statement.

The Corporations Act requires the name and address of shareholdings to be held in a public register. Personal information of the type described above may be disclosed on a confidential basis to CIMIC and its Related Bodies Corporate, holders of CIMIC Shares and external service providers (including the Registry), and may be required to be disclosed to regulators, such as ASIC. If you would like details of information about you held by CIMIC, please contact us on the CIMIC Shareholder Information Line as set out below.

Diagrams

Diagrams appearing in this Target's Statement are illustrative only and may not be drawn to scale.

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

CIMIC Shareholder Information Line

If you have any questions in relation to the Offer, please contact the CIMIC Shareholder Information Line on 1300 620 408 (within Australia) or +61 3 9415 4639 (outside Australia) between 9.00am and 5.00pm (Sydney time) on Business Days.

Contents

Letter from your independent directors

Dear CIMIC Shareholders

On 23 February 2022, HOCHTIEF Australia announced its intention to acquire all of the shares in CIMIC it did not then own for $22.00 cash per CIMIC Share by way of an off-market takeover offer (**Offer**). The Offer was unsolicited.

CIMIC Shareholders who accept the Offer will receive total value of $22.00 per CIMIC Share. The Offer is *final*, which means the $22.00 offer price cannot be increased during the Offer Period (in the absence of a competing proposal), and *unconditional*, which means it is not subject to any defeating conditions.

You should recently have received the Bidder's Statement from HOCHTIEF Australia, which sets out the detailed terms of the Offer and includes an Acceptance Form. A copy of the Bidder's Statement is also available on CIMIC's website and through ASX's website.

This Target's Statement sets out CIMIC's formal response to the Offer.

Independent Board Committee

Following announcement of the Offer, the CIMIC Board approved the establishment of the CIMIC Independent Board Committee as a sub-committee of the Board with responsibility for, amongst other things, considering, evaluating and responding to the Offer. We, your independent directors, comprise the CIMIC Independent Board Committee.

The other CIMIC directors have current or historical connections with HOCHTIEF Australia or another HOCHTIEF Group entity (including ACS, the ultimate controller of HOCHTIEF Australia) or otherwise represent HOCHTIEF Australia on the CIMIC Board. For that reason, those non-independent directors are not making a recommendation to CIMIC Shareholders in relation to the Offer.

Independent Expert

The CIMIC Independent Board Committee appointed Grant Thornton Corporate Finance Pty Limited as Independent Expert to assess the merits of the Offer.

The Independent Expert has concluded that the Offer is fair and reasonable to CIMIC Shareholders other than HOCHTIEF Australia. The Independent Expert has assessed the estimated market value of CIMIC Shares on a controlling and 100% basis to be in the range of $19.26 and $25.05 per CIMIC Share.

A copy of the Independent Expert's Report is included as Attachment A to this Target's Statement, and you are encouraged to read that report in full.

Independent Board Committee's Recommendation

The CIMIC Independent Board Committee has carefully considered the Offer and unanimously recommends that you accept the Offer in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to CIMIC Shareholders. In addition, each CIMIC Independent Board Committee member intends to accept the Offer in respect of all CIMIC Shares held or controlled by them or held on their behalf in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to CIMIC Shareholders.

In summary, the key reasons why the CIMIC Independent Board Committee recommends that you accept the Offer in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to CIMIC Shareholders, are because:

- The Independent Expert has concluded that the Offer is fair and reasonable to CIMIC Shareholders other than HOCHTIEF Australia.

- The Offer Price of $22.00 per CIMIC Share represents an attractive premium to the recent historical trading price of CIMIC Shares.

- The Offer is a final unconditional offer and provides certain and immediate value in the form of cash consideration for your CIMIC Shares.

- The CIMIC Independent Board Committee consider that it is unlikely that a superior proposal will emerge from another bidder, given HOCHTIEF Australia currently has a Relevant Interest in approximately 85.08% of CIMIC Shares (as at close of trading on 22 March 2022).

- There are risks associated with not accepting the Offer.

- There are potentially adverse consequences if you choose not to accept the Offer.

A detailed explanation of the reasons to accept the Offer are provided in section 1 of this Target's Statement. Section 2 of this Target's Statement sets out reasons why you may wish to not accept the Offer.

Next steps

We encourage you to read this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement carefully in full and, if required, to seek independent advice if you are in any doubt as to how to respond to the Offer.

If you have not received a Bidder's Statement or Acceptance Form, you should call HOCHTIEF Australia's Offer information line on 1300 648 874 (within Australia) or +61 2 8355 1000 (outside Australia) between 9.00am and 5.00pm (Sydney time) on Business Days.

The Offer is scheduled to close at 7:00pm (Sydney time) on 11 April 2022, unless extended or withdrawn. To accept the Offer, simply follow the instructions outlined in the Bidder's Statement or the Acceptance Form and section 4.1 of this Target's Statement. No action is required if you decide not to accept the Offer.

Further information

Your independent directors will keep you informed via the ASX market announcements platform if there are any material developments in relation to the Offer and through the Investor Centre section of the CIMIC website at www.cimic.com.au/en/investors.

If you have any questions about the information contained in this Target's Statement, please call 1300 620 408 (for callers within Australia) or +61 3 9415 4639 (for callers outside Australia) Monday to Friday between 8.30am and 5.00pm (Sydney time). Further information relation to the Offer can be obtained from the Investor Centre section of the CIMIC website (https://www.cimic.com.au/en/investors).

Thank you for your continued support as a CIMIC Shareholder.

Yours sincerely

Kate Spargo	Russell Chenu
Independent director	**Independent director**

1 Reasons why you should Accept the Offer

1.1 The Offer is unanimously recommended by the CIMIC Independent Board Committee in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to CIMIC Shareholders

The CIMIC Independent Board Committee has carefully considered the Offer in all the current circumstances.

The CIMIC Independent Board Committee unanimously recommend that you accept the Offer in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to CIMIC Shareholders. In addition, each CIMIC Independent Board Committee member intends to accept the Offer in respect of all CIMIC Shares held or controlled by them or held on their behalf in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to CIMIC Shareholders.

1.2 The Independent Expert has concluded that the Offer is fair and reasonable to CIMIC Shareholders other than HOCHTIEF Australia

The CIMIC Independent Board Committee appointed Grant Thornton Corporate Finance Pty Limited as Independent Expert to assess the merits of the Offer. The Independent Expert concluded that the Offer is both fair and reasonable to CIMIC Shareholders other than HOCHTIEF Australia.

The Independent Expert has assessed the estimated market value of CIMIC Shares on a controlling and 100% basis to be in the range of $19.26 to $25.05 per CIMIC Share.

As the value of the Offer consideration of $22.00 per CIMIC Share is within the range of its estimate of the market value of a CIMIC Share, the Independent Expert has concluded that the Offer is both fair and reasonable.

The Independent Expert has stated that the Offer Price is reasonable because:

- the Offer Price is fair;
- the Offer Price represents a premium for control which would not be available in the absence of the Offer or a superior proposal;
- if the Offer lapses, it is likely that CIMIC Shares will trade at a price below the Offer Price, at least in the short term;
- HOCHTIEF Australia has stated it intends to proceed to compulsory acquisition of all remaining CIMIC Shares if it is entitled to do following the Offer, meaning CIMIC Shareholders will get paid sooner if they accept the Offer rather than wait for compulsory acquisition to occur;
- the Offer provides CIMIC Shareholders with the opportunity to receive a certain cash amount at a premium to the trading price of CIMIC Shares before the announcement of the Offer and will no longer be exposed to the ongoing risks associated with holding CIMIC Shares as set out in section 8 of this Target's Statement; and
- the Offer allows CIMIC Shareholders to sell their CIMIC Shares without paying any brokerage or stamp duty costs.

In forming this view, the Independent Expert also took into account the following disadvantage of the Offer:

- CIMIC has recently addressed a number of legacy issues which historically adversely affected the trading prices of CIMIC Shares and CIMIC Shareholders accepting the Offer will not be able to participate in this potential recovery of trading prices, all other things being the same. However, in the opinion of the IER this potential benefit is more than offset by the fact that if HOCHTIEF Australia is not able to proceed to compulsory acquisition at the end of the Offer Period, the liquidity in CIMIC's shares will reduce materially and they may not trade at prices which reflect the fair market value of the underlying business.

The Independent Expert also took into account the following factors:

- the prices at which CIMIC Shares have traded since announcement of the Offer;

- the value of CIMIC for HOCHTIEF AG, in circumstances where CIMIC becomes a wholly owned subsidiary of HOCHTIEF Australia, which will provide an opportunity for HOCHTIEF AG to fully integrate CIMIC into its operations and rationalise its holding company structure; and

- limited takeover contestability and prospect of a superior proposal given HOCHTIEF Australia now has Relevant Interest in approximately 85.08% of CIMIC Shares (as at close of trading on 22 March 2022);

A copy of the Independent Expert's Report is attached to this Target's Statement as Attachment A.

The CIMIC Independent Board Committee encourages shareholders to read the Independent Expert's Report in its entirety before making a decision as to whether or not to accept the Offer.

1.3 The Offer Price represents an attractive premium to the recent historical trading price of CIMIC Shares

The Offer Price of $22.00 represents an attractive premium based on CIMIC's historical trading prices prior to the Announcement Date as illustrated in the chart below.

The Offer Price represents a premium of:

- 33.4% to the trading price of CIMIC Shares on the ASX at the close of trading on 23 February 2022, being the Announcement Date;

- 35.4% to the one month VWAP of CIMIC Shares up to and including 23 February 2022;

- 30.9% to the three month VWAP of CIMIC Shares up to and including 23 February 2022; and

- 19.6% to the six month VWAP of CIMIC Shares up to and including 23 February 2022.

Offer Price Premium

1.4 The Offer is a final unconditional offer and provides certain and immediate value in the form of cash consideration for your CIMIC Shares

The Offer provides certainty of value, with all consideration in cash. The Offer Price is final and cannot be increased during the Offer Period (in the absence of a competing proposal).

If you accept the Offer, you will:

- be paid $22.00 in cash for each CIMIC Share which you hold;[1],[2]
- not incur any brokerage fees which would likely be incurred if you were to sell your CIMIC Shares on market; and
- receive payment for the Offer within 5 Business Days after the date of your acceptance.

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[1] HOCHTIEF Australia has stated that its Offer Price of $22.00 per CIMIC Share is final and cannot be increased during the Offer Period in the absence of a competing proposal.

[2] Under the terms of the Offer, if you accept the Offer in respect of your CIMIC Shares, then HOCHTIEF Australia will be entitled to all of the rights attaching to your CIMIC Shares, which includes any dividends declared or paid by CIMIC after the Announcement Date, including the FY21 Final Dividend.

If CIMIC pays any dividend to CIMIC Shareholders after the Announcement Date and you (or any previous owner of your CIMIC Shares) receives that dividend and you accept the Offer, HOCHTIEF Australia will deduct the amount of such dividend from the $22.00 per CIMIC Share to be paid to you under the Offer.

Accordingly, with respect to the FY21 Final Dividend, if a person other than HOCHTIEF Australia is paid that dividend in respect of a CIMIC Share, any person who accepts the Offer in respect of that CIMIC Share will have the amount of that dividend deducted from the Offer Price payable to them in respect of that CIMIC Share.

At the same time as providing certain value for your investment, by accepting the Offer you will eliminate any exposure to the risks inherent in continuing to hold CIMIC Shares, including risks associated with CIMIC's business and general industry and market risks. Please refer to section 8.3 for further information about these risks.

If you do not accept the Offer, the amount you will be able to realise for your CIMIC Shares will be uncertain (refer to section 1.7 below).

1.5 No superior proposal has emerged as at the date of this Target's Statement

As at the date of this Target's Statement, no alternative proposals to the Offer have been put to CIMIC or are currently under consideration by CIMIC, and the CIMIC Independent Board Committee is not aware of any other offer or proposal that might be an alternative to the Offer.

In light of HOCHTIEF Australia's Relevant Interest in approximately 85.08% of CIMIC Shares (as at 22 March 2022), the CIMIC Independent Board Committee consider that it is unlikely that a Superior Proposal will be forthcoming before the end of the Offer Period.

Similarly, the Independent Expert's Report states that the takeover contestability of CIMIC is limited due to the shareholding of HOCHTIEF Australia, which reduces the likelihood of any alternative transaction emerging.

1.6 There are risks associated with not accepting the Offer

CIMIC has exposure to a number of risks including financial risks, strategic risks and risks related to CIMIC's operations. Section 8.3 of this Target's Statement sets out a description of these general risks which may affect the future operating and financial performance of CIMIC and the value of CIMIC Shares. You will continue to be exposed to these risks if you remain a CIMIC Shareholder. There are other potentially adverse consequences of remaining a CIMIC Shareholder which are set out in section 1.7.

1.7 Potentially adverse consequences if you choose not to accept the Offer

If you choose not to accept the Offer, there are certain potentially adverse consequences of which you should be aware:

(a) CIMIC's share price may fall if HOCHTIEF Australia is not entitled to proceed to compulsory acquisition and the Offer closes

As noted in section 1.3, the Offer represents an attractive premium for CIMIC Shares as compared to recent trading prices. Based on these recent trading prices, the CIMIC Independent Board Committee believes that CIMIC Shares may trade below the Offer Price of $22.00 per CIMIC Share in the event that HOCHTIEF Australia is not entitled to compulsorily acquire the remaining CIMIC Shares at the end of the Offer Period.

(b) Risk of compulsory acquisition

HOCHTIEF Australia may become entitled to exercise rights to compulsorily acquire all outstanding CIMIC Shares, so that CIMIC becomes a wholly-owned subsidiary of HOCHTIEF AG. If entitled to do so, HOCHTIEF Australia has indicated in its Bidder's Statement that it currently intends to exercise those rights. There are two different compulsory acquisition procedures that may be used by HOCHTIEF Australia, as described in section 5.9. Based on statements made by HOCHTIEF Australia in the Bidder's Statement, the consideration to be paid to the remaining CIMIC

Shareholders under either of the compulsory acquisition procedures is likely to still be \$22.00[3]. However, it can be expected that the consideration for CIMIC Shares on compulsory acquisition would be paid later than the time of payment if a CIMIC Shareholder had accepted the Offer. Section 5.9 sets out further details regarding the compulsory acquisition procedures that might be used by HOCHTIEF Australia, including the statements of intention that HOCHTIEF Australia has made in relation to the consideration that would be payable on compulsory acquisition.

(c) **It may be difficult to sell your shares after the Offer**

If your CIMIC Shares are not acquired under the Offer or via compulsory acquisition, it is likely to be difficult for you to sell your CIMIC Shares.

In its Bidder's Statement, HOCHTIEF Australia has stated that, where it is not entitled to compulsorily acquire outstanding CIMIC Shares under either Part 6A.1 or Part 6A.2 of the Corporations Act, its intention is to seek to have ASX delist CIMIC. The delisting of CIMIC would require ASX consent. ASX guidance states that delisting in these circumstances would require either:

- that there are less than 150 CIMIC Shareholders having holdings with a value less than \$500; or
- approval of CIMIC Shareholders by special resolution, where HOCHTIEF Australia would be excluded from voting on such a resolution for 12 months after the end of the Offer Period.

If CIMIC is delisted, you may find it is more difficult to sell your CIMIC Shares. The protections available to shareholders under the ASX Listing Rules will no longer be available to CIMIC Shareholders if CIMIC is delisted. Further, if CIMIC is delisted with 50 shareholders or less, CIMIC will no longer be subject to the takeover provisions in Chapter 6 of the Corporations Act, and you may not have the opportunity to participate in any future transactions in respect of CIMIC Shares.

Further, if your CIMIC Shares are not acquired under the Offer and/or via compulsory acquisition and CIMIC Shares remain listed on the ASX, it may be more difficult for you to sell your CIMIC Shares due to a potential reduction in liquidity. HOCHTIEF Australia currently has a Relevant Interest in approximately 85.08% of CIMIC Shares (as at close of trading on 22 March 2022). Each acceptance of the Offer will reduce the liquidity of CIMIC Shares and this may make it difficult to sell your CIMIC Shares.

[3] Less the value of any Rights, including the FY21 Final Dividend, that is paid but not received by HOCHTIEF Australia in respect of Your CIMIC Shares

2 Reasons why you may decide not to accept the Offer

2.1 You may disagree with the CIMIC Independent Board Committee's recommendation or the conclusions of the Independent Expert

You may believe that the Offer Price of $22.00 per CIMIC Share is insufficient and you may hold a different view as to the value of CIMIC Shares to those views held by both the CIMIC Independent Board Committee and the Independent Expert. Even if you hold this view, you should also have regard to the potentially adverse consequences of remaining a CIMIC Shareholder after the Offer closes.

2.2 You may wish to remain invested in CIMIC

If you accept the Offer, you will no longer be a CIMIC Shareholder and will forgo any direct benefits that may result from being a CIMIC Shareholder. In particular, you will no longer be able to directly participate in CIMIC's future financial performance.

You may prefer to keep your CIMIC Shares to preserve your direct investment in a listed company with the specific characteristics of CIMIC. In particular, you may believe that CIMIC Shares will be worth more than the Offer Price in the future.

The CIMIC Independent Board Committee has evaluated the risks and benefits of CIMIC continuing as a standalone business against the Offer Price and the other terms of the Offer. In deciding to recommend that CIMIC Shareholders accept the Offer in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to CIMIC Shareholders, the CIMIC Independent Board Committee believes that, on balance, the value and certainty provided by the Offer provides greater benefit to CIMIC Shareholders than retaining their CIMIC Shares.

2.3 You may consider that there is potential for a superior proposal to emerge

You may believe that a superior proposal for all CIMIC Shares could emerge in the future.

CIMIC Shareholders who have accepted the Offer will not be able to withdraw their acceptance in order to accept a superior proposal.

However, as at the date of this Target's Statement, no superior proposal has been received and the CIMIC Independent Board Committee consider it unlikely that a superior proposal will emerge, particularly as HOCHTIEF Australia has a Relevant Interest in approximately 85.08% of CIMIC Shares (as at close of trading on 22 March 2022).

2.4 The tax consequences of transferring your CIMIC Shares pursuant to the Offer may not be attractive to you

The tax consequences of the Offer will depend on your personal situation. You may consider that the tax consequences of the Offer are not attractive to you.

A general guide to the taxation implications of the Offer is contained in section 9 of this Target's Statement. However, section 9 is expressed in general terms only, and CIMIC Shareholders should consult with their own independent taxation advisers regarding the taxation implications of the Offer.

2.5 You may prefer to sell your CIMIC Shares on market

You may wish to realise your investment in CIMIC through the sale of some or all of your CIMIC Shares on ASX.

Since the Announcement Date, there has been market trading of CIMIC Shares on the ASX at prices which exceed the Offer Price of $22.00, in the range of $22.005 - $22.15. The VWAP of market trading of CIMIC Shares on the ASX at prices which exceed the Offer Price, is $22.02 (during the period from the Announcement Date to close of trading on 22 March 2022).

However, your ability to sell your CIMIC shares on the ASX at a price above the Offer Price is subject to there continuing to be available liquidity to do so.

If you sell your CIMIC Shares on market, you:

- will lose the ability to accept the Offer, or to participate in any other superior proposal that may emerge;
- may receive more or less for your CIMIC Shares than the Offer Price of $22.00 cash per CIMIC Share; and
- may incur a brokerage charge.

2.6 You may wish to receive the FY21 Final Dividend

If your CIMIC Shares are not acquired under the Offer or via compulsory acquisition and you remain a CIMIC Shareholder on the record date, you will be entitled to receive the FY21 Final Dividend that was declared by the CIMIC Board on 10 February 2022 for period ending 31 December 2021 of 36 cents (franked at 0% per CIMIC Share), with a record date of 15 June 2022 and to be paid on 5 July 2022.

3 Frequently asked questions

This section answers some possible questions about the Offer. It is not intended to address all relevant issues for CIMIC Shareholders. This section should be read together with all other parts of this Target's Statement (including the Independent Expert's Report).

Question	Answer
Who is making the Offer?	The Offer is being made by HOCHTIEF Australia Holdings Limited (ACN 103 181 675). Information in relation to HOCHTIEF Australia, HOCHTIEF AG and the HOCHTIEF Group is set out in section 1 of the Bidder's Statement or can otherwise be obtained via the HOCHTIEF Group's website at https://www.hochtief.com/.
What is the Bidder's Statement?	The Bidder's Statement contains information on the Offer. The law requires HOCHTIEF Australia to send it to you. HOCHTIEF Australia lodged its Bidder's Statement with ASIC on 3 March 2022.
What is this Target's Statement?	This booklet comprises the Target's Statement and has been prepared by CIMIC. CIMIC is required by law to produce this Target's Statement in response to the Offer. The Target's Statement contains information to help you decide whether to accept or reject the Offer, including the recommendation by the CIMIC Independent Board Committee and the accompanying Independent Expert's Report.
What is HOCHTIEF Australia offering for my CIMIC Shares?	The Offer Price under the Offer is $22.00 in cash per CIMIC Share.[4]
Does HOCHTIEF Australia already have an interest in CIMIC Shares?	As at close of trading on 22 March 2022, HOCHTIEF Australia has a Relevant Interest in 264,849,380 CIMIC Shares, equating to approximately 85.08% of the total issued capital of CIMIC.
What choices do I have in response to the Offer?	As a CIMIC Shareholder, you have the following three choices in respect of your CIMIC Shares: • accept the Offer, in which case you should follow the instructions in section 4.1(a) of this Target's Statement and section 7.6 of the Bidder's Statement and on the Acceptance Form which accompanies the Bidder's Statement; • sell your CIMIC Shares, unless you have previously accepted the Offer and have not validly withdrawn that acceptance; or • reject the Offer by doing nothing.

[4] Under the terms of the Offer, if you accept the Offer in respect of your CIMIC Shares, then HOCHTIEF Australia will be entitled to all of the rights attaching to your CIMIC Shares, which includes any dividends declared or paid by CIMIC after the Announcement Date, including the FY21 Final Dividend.

If CIMIC pays any dividend to CIMIC Shareholders after the Announcement Date and you (or any previous owner of your CIMIC Shares) receives that dividend and you accept the Offer, HOCHTIEF Australia will deduct the amount of such dividend from the $22.00 per CIMIC Share to be paid to you under the Offer.

Accordingly, with respect to the FY21 Final Dividend, if a person other than HOCHTIEF Australia is paid that dividend in respect of a CIMIC Share, any person who accepts the Offer in respect of that CIMIC Share will have the amount of that dividend deducted from the Offer Price payable to them in respect of that CIMIC Share.

Question	Answer
	There are several implications in relation to each of the above choices. A summary of these implications is set out in section 4 of this Target's Statement. You should seek legal, financial and taxation advice from your professional adviser regarding the action that you should take in relation to the Offer.
Why was the CIMIC Independent Board Committee established?	The CIMIC Independent Board Committee is a committee of the CIMIC Board, which was established pursuant to internal conflict management protocols which were put in place by CIMIC in relation to the Offer. At the time it announced its intention to make the Offer, HOCHTIEF Australia held 78.58% of CIMIC Shares and a number of the directors on the CIMIC Board had a relationship with HOCHTIEF Australia, or its parent entities, and so were not considered independent for the purposes of assessing and making a recommendation in relation to the Offer. The role of the CIMIC Independent Board Committee is to consider, respond to and vote in relation to the Offer, and otherwise manage any conflicts which may arise (or be perceived to arise) in relation to the Offer in an appropriate manner. The CIMIC Independent Board Committee comprises CIMIC's independent directors, Kate Spargo and Russell Chenu. The other Directors of CIMIC (who are not members of the CIMIC Independent Board Committee) are: • Juan Santamaria (Non-independent executive Director, Chief Executive Officer and Executive Chairman); • José-Luis del Valle Pérez (Non-independent non-executive Director); • Pedro López-Jiménez (Non-independent non-executive Director); • David Robinson (Non-independent non-executive Director); • Peter-Wilhelm Sassenfeld (Non-independent non-executive Director); and • Robert Leslie Seidler (Alternate Director).
What is the CIMIC Independent Board Committee recommending?	The CIMIC Independent Board Committee unanimously recommends that you accept the Offer in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to CIMIC Shareholders. The reasons for the CIMIC Independent Board Committee's recommendations are set out in section 1 of this Target's Statement.
What does the Independent Expert say?	The Independent Expert has concluded that the Offer is fair and reasonable to CIMIC Shareholders. The Independent Expert's Report is included as Attachment A to this Target's Statement, and you are encouraged to read that report in full.
Will I be forced to sell my CIMIC Shares?	You cannot be forced to sell your CIMIC Shares unless HOCHTIEF Australia is entitled to, and does, proceed to compulsory acquisition under either Part 6A.1 or 6A.2 of the Corporations Act. See section 5.9 for more information on the compulsory acquisition process. If your CIMIC Shares are compulsorily acquired, based on statements made by HOCHTIEF Australia in the Bidder's Statement, the consideration to be paid to the remaining CIMIC Shareholders under either of the compulsory acquisition procedures is likely to be the same as if you accepted the Offer. However, it can be expected that the consideration for CIMIC Shares which are compulsorily acquired would be paid later than if you had accepted the Offer. If you do not wish to have your CIMIC Shares compulsorily acquired, you may make an application to the court to prevent compulsory acquisition. However, the court may

Question	Answer
	only make an order to prevent the compulsory acquisition of your CIMIC Shares if it is satisfied that the consideration for your CIMIC Shares is not fair. If you wish to challenge the compulsory acquisition of your shares, you should seek your own legal advice as to the process for such a challenge. Please refer to section 5.9 of this Target's Statement for more information about the compulsory acquisition process, including the statements of intention that HOCHTIEF Australia has made in relation to the consideration that would be payable on compulsory acquisition.
When does the Offer close?	The Offer Period must remain open for at least 1 month. It is currently scheduled to close at 7.00pm (Sydney time) on 11 April 2022 but can be extended in certain circumstances. The CIMIC Independent Board Committee will keep you informed if there are any material developments in relation to the Offer. CIMIC Shareholders are also encouraged to monitor the CIMIC website at https://www.cimic.com.au/en/investors for any updates on the Offer.
Can the Offer Period be extended?	HOCHTIEF Australia may extend the Offer Period at any time before the end of the Offer Period. The maximum Offer Period is 12 months. There will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period, HOCHTIEF Australia increases the consideration offered. If that happens, the Offer will be automatically extended so that it ends 14 days after that event. However, HOCHTIEF Australia has stated that the Offer Price is final and will not be increased during the Offer Period, in the absence of a competing proposal. Accordingly, HOCHTIEF Australia will not be able to increase the Offer Price during the Offer Period unless there is a competing proposal. The CIMIC Independent Board Committee consider it unlikely that a competing proposal will emerge, given HOCHTIEF Australia already has a Relevant Interest in approximately 85.08% of CIMIC Shares (as at close of trading on 22 March 2022).
How do I accept the Offer?	Instructions on how to accept the Offer are set out in section 4.1(a) of this Target's Statement and section 7.6 of the Bidder's Statement and on the Acceptance Form which accompanies the Bidder's Statement. If you want to accept the Offer, you should follow these instructions carefully to ensure that your acceptance is valid.
What are the consequences of accepting the Offer now?	If you accept the Offer, you will be obliged to sell your CIMIC Shares to HOCHTIEF Australia and you will receive the Offer Price under the Offer. If you accept the Offer, you will be unable to sell or transfer your CIMIC Shares or accept any other offer for your CIMIC Shares, while the Offer is open.
What will happen if a competing or superior proposal emerges?	The CIMIC Independent Board Committee will carefully consider any competing or superior proposal and will advise you whether the competing proposal affects their recommendation that you accept the Offer. However, the CIMIC Independent Board Committee considers it unlikely that a competing proposal will emerge, given HOCHTIEF Australia already has a Relevant Interest in approximately 85.08% of CIMIC Shares (as at close of trading on 22 March 2022). Importantly, if you accept the Offer, you will be unable to withdraw your acceptance and accept a superior proposal if one emerges, except in limited circumstances (which are set out below and further in section 5.8).
If I accept the Offer, can I withdraw my acceptance?	No, unless the Takeovers Panel decides otherwise.

Can HOCHTIEF Australia withdraw the Offer once I have accepted?	HOCHTIEF Australia may be able to withdraw the Offer if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent. However, if you have accepted the Offer, HOCHTIEF Australia can no longer withdraw the Offer in respect of your CIMIC Shares.
Can I accept the Offer for only some of my CIMIC Shares?	No.
What will happen if HOCHTIEF Australia increases its Offer?	If you accept the Offer and HOCHTIEF Australia subsequently increases the Offer Price you will receive the increased consideration for your CIMIC Shares. However, HOCHTIEF Australia has stated that the Offer Price is final and will not be increased during the Offer Period, in the absence of a competing proposal. Accordingly, HOCHTIEF Australia will not be able to increase the Offer Price during the Offer Period unless there is a competing proposal.
Will CIMIC pay a dividend as part of the Offer?	Under the terms of the Offer, if you accept the Offer in respect of your CIMIC Shares, then HOCHTIEF Australia will be entitled to all of the Rights attaching to your CIMIC Shares, which includes any dividends declared or paid by CIMIC after the Announcement Date. If CIMIC pays any dividend to CIMIC Shareholders after the Announcement Date and you (or any previous owner of your CIMIC Shares) receives that dividend and you accept the Offer, HOCHTIEF Australia will deduct the amount of such dividend from the $22.00 per CIMIC Share to be paid to you under the Offer. For the avoidance of doubt, Rights do not include any franking credits attached to any dividend. Accordingly, with respect to the FY21 Final Dividend, if a person other than HOCHTIEF Australia is paid that dividend in respect of a CIMIC Share, any person who accepts the Offer in respect of that CIMIC Share will have the amount of that dividend deducted from the Offer Price payable to them in respect of that CIMIC Share.
When will I receive the Offer Price if I accept the Offer?	If you accept the Offer, HOCHTIEF Australia will pay you the Offer Price to which you are entitled under the terms of the Offer on or before 5 Business Days after the date you validly accept the Offer. Further details on when and how you will be paid the Offer Price are set out in section 7.12(a) of the Bidder's Statement.
Will I need to pay stamp duty if I accept the Offer?	Section 9 contains general tax information which indicates that you will most likely not pay stamp duty or goods and services tax on a disposal of your CIMIC Shares.
What are the tax implications of accepting the Offer?	This depends on your personal tax position and the price and time at which you originally acquired your CIMIC Shares. A general outline of the tax implications of accepting the Offer is set out in section 5 of the Bidder's Statement and section 9 of this Target's Statement. You should consult with your taxation adviser for detailed advice before making a decision whether or not to accept the Offer.
Who should I call if I have questions?	If you have any further queries in relation to the Offer or how to accept the Offer, you should call the CIMIC Shareholder Information Line 1300 620 408 (within Australia) or +61 3 9415 4639 (outside Australia), Monday to Friday between 9.00am and 5.00pm or go to https://www.cimic.com.au/en/investors.

4 Your choices as a CIMIC Shareholder

CIMIC encourages you to consider your personal risk profile, investment objectives and tax and financial circumstances before making any decision in relation to your CIMIC Shares. As a CIMIC Shareholder, you have the following three choices available to you in relation to the Offer:

4.1 Option 1 – Accept the Offer

(a) How to accept the Offer

If you choose to accept the Offer, then your acceptance must be received by HOCHTIEF Australia before the end of the Offer Period. The Offer Period ends at 7:00pm (Sydney time) on 11 April 2022, unless extended. Instructions on how to accept the Offer are set out in section 7.6 of the Bidder's Statement and on the Acceptance Form accompanying the Bidder's Statement. If you want to accept the Offer, you should follow these instructions carefully to ensure that your acceptance is valid.

(b) Effect of acceptance

If you accept the Offer, you will be entitled to be paid the Offer Price by HOCHTIEF Australia in accordance with the terms of the Offer (see section 7.12 of the Bidder's Statement for further information on timing of payment of the Offer Price).

The effect of acceptance of the Offer is explained in more detail in section 7.7 of the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your CIMIC Shares and the representations and warranties that you are deemed by HOCHTIEF Australia to give to it by accepting the Offer.

It is worth noting that accepting the Offer would (subject to the possible withdrawal rights set out in section 5.8 of this Target's Statement):

- prevent you from participating in any competing superior proposal that may emerge; and
- prevent you from otherwise selling your CIMIC Shares.

The taxation implications of accepting the Offer depend on a number of factors and will vary according to your particular circumstances. A general outline of the Australian tax consequences of accepting the Offer is set out in section 9 of this Target's Statement and section 5 of the Bidder's Statement. You should seek your own specific professional advice regarding the taxation consequences for you in accepting the Offer.

4.2 Option 2 – Sell your CIMIC Shares

During a takeover, shareholders in a target company may still sell their shares for cash provided that they have not accepted a takeover offer for those shares. Accordingly, CIMIC Shareholders remain free to sell their CIMIC Shares, provided they have not already accepted the Offer.

CIMIC Shareholders who sell their CIMIC Shares other than via the Offer:

- will lose the ability to accept the Offer, or to participate in any other competing or superior proposal that may emerge;

- may receive more or less for their CIMIC Shares than the consideration under the Offer of $22.00 cash per CIMIC Share[5]; and
- may incur a brokerage charge.

CIMIC Shareholders who wish to sell their CIMIC Shares other than via the Offer should contact their stockbroker or financial adviser for instructions on how to effect that sale.

The taxation implications of selling your CIMIC Shares other than via the Offer depend on a number of factors and will vary according to your particular circumstances, in the same way as if you accept the Offer. You should seek your own specific professional advice regarding the taxation consequences for you of selling your CIMIC Shares.

4.3 Option 3 – Reject the Offer by doing nothing

If you do not wish to accept the Offer and wish to retain your CIMIC Shares, you do not need to take any action.

Subject to acceptances under the Offer, if HOCHTIEF Australia reaches the required thresholds outlined in section 5.9 it will be entitled to compulsorily acquire your CIMIC Shares under the Corporations Act. If compulsory acquisition proceeds, you will receive your consideration later than CIMIC Shareholders who choose to accept the Offer. Please refer to section 5.9 of this Target's Statement for further details on compulsory acquisition.

If you successfully challenge the compulsory acquisition process (and HOCHTIEF Australia does not subsequently make a successful offer with revised consideration), you will remain a minority shareholder in CIMIC, with potential adverse implications, including that it may be difficult for you to sell your CIMIC Shares.

[5] Less the value of any Rights, including the FY21 Final Dividend, that is paid but not received by HOCHTIEF Australia in respect of Your CIMIC Shares

5 Important information about the Offer

5.1 Summary of the Offer

The Offer Price is $22.00 cash per CIMIC Share[6] subject to the terms of the Offer.

If you accept the Offer in respect of your CIMIC Shares, then HOCHTIEF Australia will be entitled to all of the rights attaching to your CIMIC Shares, which includes any dividends declared or paid by CIMIC after the Announcement Date, including the FY21 Final Dividend.

If CIMIC pays any dividend to CIMIC Shareholders after the Announcement Date and you (or any previous owner of your CIMIC Shares) receives that dividend and you accept the Offer, HOCHTIEF Australia will deduct the amount of such dividend from the $22.00 per CIMIC Share to be paid to you under the Offer.

Accordingly, with respect to the FY21 Final Dividend, if a person other than HOCHTIEF Australia is paid that dividend in respect of a CIMIC Share, any person who accepts the Offer in respect of that CIMIC Share will have the amount of that dividend deducted from the Offer Price payable to them in respect of that CIMIC Share.

5.2 Offer Period

The Offer opened for acceptance on 10 March 2022 and will remain open for acceptance until 7:00pm (Sydney time) on 11 April 2022 unless extended or withdrawn.

The circumstances in which HOCHTIEF Australia may extend or withdraw the Offer are set out in section 7.15(b) of the Bidder's Statement.

5.3 Conditions

The Offer is not subject to any conditions.

5.4 Eligibility

The Offer is being made to each person registered as the holder of CIMIC Shares in the Registry on the Register Date. The Offer also extends to any person who becomes registered, or entitled to be registered, as the holder of your CIMIC Shares during the Offer Period.

If, at the time the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of your CIMIC Shares, then:

- a corresponding offer on the same terms and conditions as the Offer will be deemed to have been made to that other person in respect of those CIMIC Shares; and

[6] Less the value of any Rights, including the FY21 Final Dividend, that is paid but not received by HOCHTIEF Australia in respect of Your CIMIC Shares

- a corresponding offer on the same terms and conditions as the Offer will be deemed to have been made to you in respect of any other CIMIC Shares you hold to which the Offer relates; and
- the Offer will be deemed to have been withdrawn immediately at that time.

5.5 Entitled to be registered as trustee or nominee

If at any time during the Offer Period you are registered or entitled to be registered as the holder of one or more parcels of CIMIC Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate and distinct offer on the same terms and conditions as the Offer had been made in relation to each of those distinct parcels and any distinct parcel you hold in your own right. To validly accept the offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of the Bidder's Statement and / or the Acceptance Form, please contact HOCHTIEF Australia’s Offer information line on 1300 648 874 (for calls made within Australia) or +61 2 8355 1000 (for calls made from outside Australia) between 9.00am and 5.00pm (Sydney time) on Business Days to request those additional copies.

5.6 Shares registered with broker

If your CIMIC Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee, you should contact that nominee for assistance in accepting the Offer.

5.7 Withdrawal of Offer

HOCHTIEF Australia may not withdraw the Offer if you have already accepted it.

Before you accept the Offer, HOCHTIEF Australia may withdraw offers made in respect of the Offer only with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

5.8 Effect of acceptance and your ability to withdraw your acceptance

CIMIC Shareholders who accept the Offer give up their rights to sell or otherwise deal with their CIMIC Shares, unless the above withdrawal rights are exercised.

5.9 Effect of HOCHTIEF Australia lodging a compulsory acquisition notice

HOCHTIEF Australia has stated in section 6.1 of the Bidder's Statement that it intends to compulsorily acquire all outstanding CIMIC Shares if it is entitled to do so and may do so using either of the compulsory acquisition rights available to it

The two types of compulsory acquisition under Chapter 6A of the Corporations Act which may be available to HOCHTIEF Australia are discussed below.

(a) **Part 6A.1 – Follow on compulsory acquisition**

Under Part 6A.1 of the Corporations Act, if, at any point during the Offer Period, HOCHTIEF Australia has (together with its associates):

- a Relevant Interest in at least 90% (by number) of CIMIC Shares; and

- acquired at least 75% (by number) of CIMIC Shares in which HOCHTIEF Australia or its associates did not have a Relevant Interest as at 9 March 2022, being 12.24% of the total number of CIMIC Shares on issue (by number),

HOCHTIEF Australia will be entitled to compulsorily acquire any outstanding CIMIC Shares for which it did not receive acceptances, on the same terms as the Offer. This means that HOCHTIEF Australia will need to have a Relevant Interest of at least 95.92% by the end of the Offer Period in order to be entitled to proceed to compulsory acquisition under Part 6A.1.

If these thresholds are met, HOCHTIEF Australia will have up to 1 month after the end of the Offer Period within which to give compulsory acquisition notices to CIMIC Shareholders who have not accepted the Offer. It may choose to commence compulsory acquisition as soon as the relevant thresholds are satisfied rather than wait until the end of the Offer Period.

CIMIC Shareholders have statutory rights to challenge the compulsory acquisition of their CIMIC Shares, but a successful challenge will require the relevant CIMIC Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent "fair value".

CIMIC Shareholders should be aware that if they do not accept the Offer and their CIMIC Shares are compulsorily acquired, those CIMIC Shareholders will face a delay in receiving the Offer Price compared with CIMIC Shareholders who have accepted the Offer (who will receive the cash consideration on or before 5 Business Days after the date you validly accept the Offer). However, these CIMIC Shareholders will be paid the same consideration under compulsory acquisition as the Offer Price.

(b) **Part 6A.2 – General compulsory acquisition**

Under Part 6A.2 of the Corporations Act, HOCHTIEF Australia will be entitled to compulsorily acquire any CIMIC Shares if HOCHTIEF Australia (either alone or with a Related Body Corporate) holds full beneficial interests in at least 90% of the CIMIC Shares (by number).

If this threshold is met, HOCHTIEF Australia will have 6 months after it becomes a 90% holder within which to give compulsory acquisition notices to the relevant CIMIC Shareholders. The compulsory acquisition notices sent to the CIMIC Shareholders must be accompanied by an independent expert's report (which must be prepared by an expert nominated by ASIC) and an objection form. HOCHTIEF Australia has stated in Section 6.1 of the Bidder’s Statement that it presently intends that the consideration to be paid under this compulsory acquisition power will be the Offer Price, where it is entitled to and does exercise this compulsory acquisition power.

The independent expert's report must set out whether the terms of the compulsory acquisition give 'fair value' for the CIMIC Shares concerned and the independent expert's reasons for forming that opinion.

If CIMIC Shareholders with at least 10% of CIMIC Shares covered by the compulsory acquisition notice object to the acquisition before the end of the objection period (which must be at least one month), HOCHTIEF Australia may apply to the court for approval of the acquisition of the CIMIC Shares covered by the notice. CIMIC must establish to the satisfaction of the court that the terms of the compulsory acquisition give 'fair value' for the CIMIC Shares concerned. The costs incurred by any CIMIC Shareholder who objects in legal proceedings in relation to the compulsory acquisition must be borne by CIMIC, unless the court is satisfied that the CIMIC Shareholder acted improperly, vexatiously or otherwise unreasonably.

(c) **Objecting to the compulsory acquisition process**

Should a compulsory acquisition notice be lodged, if any CIMIC Shareholder wishes to prevent the compulsory acquisition process in respect of its CIMIC Shares, that shareholder must apply to the court under Part 6A.1 or lodge a notice of objection under Part 6A.2 of the Corporations Act. In the case of compulsory acquisition under Part 6A.1, a successful challenge will require the relevant CIMIC Shareholders to establish to the satisfaction of a court that the consideration offered is not "fair value". In the case of compulsory acquisition under Part 6A.2, a successful challenge will require CIMIC Shareholders with at least 10% of the CIMIC Shares covered by the compulsory acquisition notice to object to the compulsory acquisition, in which case, HOCHTIEF Australia would have to establish to the satisfaction of the court that the terms of the compulsory acquisition give 'fair value' for the CIMIC Shares concerned.

Any application must be made before the later of:

- one month from when the CIMIC Shareholder was notified of the compulsory acquisition by way of a compulsory acquisition notice; or
- the end of 14 days from when the CIMIC Shareholder requests the written statement of names and addresses from HOCHTIEF Australia (this applies to a follow on compulsory acquisition only under Part 6A.1).

5.10 When you will receive the Offer Price

If you accept the Offer, HOCHTIEF Australia will pay you the Offer Price to which you are entitled on or before 5 Business Days after the date you validly accept the Offer.

6 Information relating to CIMIC

6.1 Overview of CIMIC

CIMIC is an engineering-led construction, services, mining and public private partnerships (**PPPs**) leader working across the lifecycle of assets, infrastructure and resources projects. CIMIC operates through activity-focused businesses in construction, mining and mineral processing, operation and maintenance services, PPPs and engineering.

CIMIC's businesses deliver services across Australia and select markets in Asia, the near Pacific and the Americas, with a strategic focus on core markets in Australia, New Zealand, Hong Kong and Singapore.

CIMIC employs approximately 29,000 people.[7]

6.2 Corporate history

CIMIC has origins dating back to railway rolling stock production in 1899. CIMIC's businesses have a proud and diverse legacy of redefining the engineering, construction, mining services, services and PPP industries for over 120 years.

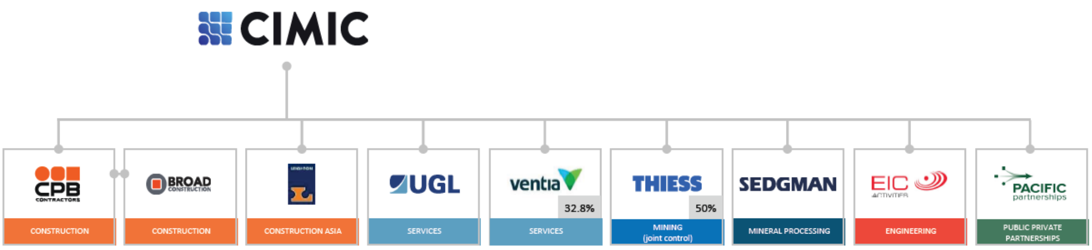
CIMIC, previously known as Leighton Holdings Limited, was listed on ASX in 1962.

In 2014, HOCHTIEF Australia launched a proportional takeover, increasing its ownership of Leighton Holdings Limited (renamed CIMIC in 2015) from 58.8% to 69.62%. Since then, HOCHTIEF Australia has, over time, increased its interest in CIMIC.

6.3 Business activities

CIMIC is structured around activity-based businesses and a corporate head office as shown in the diagram below.

Figure 1: Operational structure of the CIMIC Group



[7] Direct and indirect employees, which includes CIMIC's share of JV employees.

Construction

- **CPB Contractors** is a leading international construction contractor with operations spanning Australia, New Zealand, Asia and Papua New Guinea. It delivers major projects spanning all key sectors of the construction industry, including roads, rail, tunnelling, defence, building and resources infrastructure.

- **Leighton Asia** is the contractor behind some of Asia's most prestigious projects. Established in 1975, headquartered in Hong Kong, Leighton Asia delivers a portfolio of high-profile infrastructure projects throughout Asia.

- **Broad** is a trusted managing contractor within the Australian building industry, delivering new build, fit-out and refurbishment projects.

Mineral Processing

- **Sedgman** is a leading provider of integrated minerals processing solutions. With a track record in successful project and operations delivery, Sedgman is focused on realising value for clients through excellence in engineering and innovative solutions.

Services

- **UGL** is a market leader in end-to-end asset solutions. The team's whole-of-life offer delivers operational value and enhanced customer experiences for critical assets in power, water, resources, telecommunications, transport, defence and security, and social infrastructure.

Public Private Partnerships

- **Pacific Partnerships** develops, invests in and manages infrastructure concession assets for CIMIC Group, offering clients seamless value-for money solutions for key infrastructure under public private partnership structures.

Engineering

- **EIC Activities** is CIMIC Group's engineering and technical services business, providing a competitive advantage for winning and delivering profitable projects that generate value for clients.

Other Property and Investments – Property

In addition:

- CIMIC has a 99.9% investment in **Devine Pty Limited**. Devine was an ASX listed residential property developer until 2021.

- CIMIC has a 100% interest in **Leighton Properties**, a property management business.

- **Ventia** is one of the largest essential services providers in Australia and New Zealand. It provides the services that keep infrastructure working for communities. As at 31 December 2021, CIMIC held a 32.8% interest in Ventia following its initial public offering in November 2021.

- **Thiess** partners with its clients to deliver excellence in open cut and underground mining in Australia, Asia and the Americas. For more than 80 years, Thiess has operated in diverse commodities, geologies, environments and cultures. Since 31 December 2020, CIMIC has held a 50% interest in

Thiess and it is a jointly controlled JV entity with funds advised by Elliott Advisors (UK) Limited.

6.4 Details of the Directors of CIMIC

Details of each Director are as follows:

Juan Santamaria
Chief Executive Officer and Executive Chairman

MEng (Civil)

Appointed Executive Chairman on 6 November 2020 and appointed Chief Executive Officer and Managing Director on 5 February 2020. Mr Santamaria was formerly the Managing Director of CPB Contractors (CIMIC Group's construction business) with responsibility for CPB Contractors, Leighton Asia and Broad in all geographies including Australia, New Zealand, Papua New Guinea, India and Asia.

Prior to that, Mr Santamaria held roles as the Managing Director of UGL (CIMIC Group's services business) and Executive General Manager of Public Private Partnerships and Construction West at CPB Contractors. He was Chief Executive Officer of Iridium (an ACS Group Company) between 2014 and 2015, and he was Chief Executive Officer and Chief Operating Officer of ACS Infrastructure North America and Canada between 2006 and 2013.

Mr Santamaria holds a Master of Science in Civil Engineering from the Polytechnic University of Madrid and has held a variety of positions in the construction industry during the past 20 years.

Mr Santamaria has extensive international experience in the delivery of large and complex construction, services and PPP projects and has been responsible for projects and businesses in Australia, Europe, North America, Latin America and South Africa.

Russell Chenu
Independent non-executive Director

BCom, MBA, CPA

Appointed independent non-executive Director in June 2014.

Chairman of the Audit and Risk Committee, Member of the Ethics, Compliance and Sustainability Committee and the Remuneration and Nomination Committee.

Mr Chenu has a Bachelor of Commerce from the University of Melbourne and an MBA from the Macquarie Graduate School of Management. Mr Chenu is an experienced corporate and finance professional who previously held senior finance and management positions with a number of ASX-listed companies. In a number of these senior roles, he was engaged in significant strategic business planning and business change, including several turnarounds, new market expansions and management leadership initiatives.

Mr Chenu was CFO of James Hardie Industries plc from 2004 to 2013. As CFO, he was responsible for accounting, treasury, taxation, corporate finance, information technology and systems, and procurement.

ASX listed company experience: Mr Chenu is currently Chairman of Vulcan Steel Limited (since June 2021) and a director of Reliance Worldwide Corporation Limited (since April 2016). He was formerly a director of Metro Performance Glass Limited (July 2014 to August 2021) and James Hardie Industries plc (August 2014 to November 2020).

José-Luis del Valle Pérez
Non-independent non-executive Director

LLB

Appointed non-executive Director in March 2014.

Member of the Ethics, Compliance and Sustainability Committee and the Remuneration and Nomination Committee.

Mr del Valle Pérez completed a degree in Law from the University Complutense of Madrid in 1971 and, since 1974, has been Abogado del Estado de España (State Attorney of Spain). He has been a Member of the Bar Association of Madrid since 1976. As Spanish State Attorney he performed his duties in the Delegations of the Ministry of Finance and the Courts of Justice of Burgos and of Toledo, and in the Legal Departments of the Ministry of Health and of the Ministry of Labour and Social Security. Mr del Valle Pérez was previously a Director of the legal department of the political party UCD (from 1977 to 1981) and a Member of the Parliament (Congreso de los Diputados) of Spain (from 1979 to 1982). He was also Deputy Minister for Territorial Administration from 1981 to 1982. Since 1983 Mr del Valle Pérez has been a Director of and/or legal advisor to many Spanish companies, including Banesto (merged with Banco Santander), Continental Industrias del Caucho (a subsidiary of Continental AG), Fococafé and Continental Hispánica (a subsidiary of Continental Grain Inc).Mr del Valle Pérez is a member and Board Secretary of ACS Group and a number of its subsidiaries, is a Director and Board Secretary of Dragados, S.A., of ACE Servicios, Comunicaciones y Energía S.A., of Cobra Gestión de Infraestructuras, S.A. and of ACS Servicios y Concesiones S.A.and is currently a member of the Supervisory Board of HOCHTIEF AG.

Pedro López Jiménez
Non-independent non-executive Director

MEng (Civil), MBA

Appointed non-executive Director in March 2014.

Member of the Ethics, Compliance and Sustainability Committee and the Remuneration and Nomination Committee.

Mr López Jiménez is Ingeniero de Caminos Canales y Puertos and an MBA from IESE Business School, Madrid. He has been awarded the Grand Cross of Isabel La Católica.

During his career, Mr López Jiménez has held the following positions: General Director of Ports for the Ministry of Public Works (Spain), Secretary of State of Urban Affairs and Public Works (Spain), Board Member of Instituto Nacional de Industria (State owned holding company), Manager of the Thermal Plant Constructions in Hidroelectrica Española, CEO of Empresarios Agrupados (thermal and nuclear plants engineering and construction management), Chairman and CEO of Endesa S.A., Board Member of Unión Eléctrica S.A. and

Empresa Nacional Hidroelectrica de la Ribagorçana, Chairman of Unión Fenosa S.A., Vice Chairman of Indra Sistemas S.A., Board Member of CESPA, Board Member of ENCE S.A., Board Member of Keller Group plc, and Chairman of Gtceisu Construcción S.A. Additionally, he was the founder of CEOE (Confederation of Spanish Industries), and Member of its first Executive Committee, founder and first Chairman of FEIE (Federation of Spanish Utility Companies), Board Member of Club Español de Energía (Spanish Energy Association) and Board Member of the Alcala University.

Mr López Jiménez is currently a Board Member of ACS Group, Member of the Nomination Committee and Vice Chairman of its Executive Committee, Vice Chairman of Dragados S.A., Chairman of ACS Services y Concesiones S.A. and Vice Chairman of ACS Servicios Communicaniones y Energia S.A.; Chair of the Supervisory Board of HOCHTIEF AG, and Board Member of Abertis and Chairman of its Audit and Control.

Mr López Jiménez is also Vice Chairman of the Royal Board of the National Library of Spain and Board Member of the Malaga Picasso Museum.

Mr López Jiménez is Vice Chairman of the Real Madrid Football Club.

David Robinson
Non-independent non-executive Director

MCom, BEc, FCA, CTA

Appointed non-executive Director in December 1990.

Member of the Ethics, Compliance and Sustainability Committee.

Mr Robinson has served as an Alternate Director for a number of HOCHTIEF-nominated directors dating back to November 2013.

Mr Robinson is a graduate of the University of Sydney and a registered company auditor and tax agent. He is a chartered accountant and Partner of ESV Accounting and Business Advisors, which advises local and overseas companies with interests in Australia. He is also principal of Harveys Consulting. Mr Robinson is a Director of Catholic Schools NSW Limited and Catholic Employment Relations Limited. Mr Robinson is a Director of HOCHTIEF Australia and was a former Director of Leighton Properties from May 2000 to August 2012. He was a Trustee of Mary Aikenhead Ministries, the responsible entity for the health, aged care and education works created by the Sisters of Charity of Australia.

Mr Robinson was the Chairman of ASX listed entity Devine Limited (Chairman since January 2016 and a Director since May 2015).

Devine was acquired by CIMIC during the year and Mr Robinson resigned as a director effective 25 August 2021.

Peter-Wilhelm Sassenfeld
Non-independent non-executive Director

MBA

Appointed non-executive Director in November 2011.

Member of the Audit and Risk Committee.

Mr Sassenfeld has an MBA from the University of Saarland.

Mr Sassenfeld was appointed as the CFO of HOCHTIEF AG in November 2011 and is also the CFO of HOCHTIEF Solutions AG. Mr Sassenfeld is a Director of HOCHTIEF Australia, The Turner Corporation and Flatiron Holding Inc. Mr Sassenfeld has previously worked as the CFO of Ferrostaal AG and Krauss Maffei AG and in senior finance roles at Bayer AG and the Mannesmann Group. He was a director of Abertis Infraestructuras, S.A.

Kate Spargo
Independent non-executive Director

LLB (Hons), BA, FAICD

Appointed non-executive Director in September 2017.

Chairman of the Ethics, Compliance and Sustainability Committee and Remuneration and Nomination Committee, and Member of the Audit and Risk Committee.

Ms Spargo holds a Bachelor of Law with Honours and an Arts degree from the University of Adelaide. Ms Spargo is a fellow of the Australian Institute of Company Directors.

Ms Spargo has broad commercial experience, both in advisory roles (having worked in legal practice in the public and private sectors), and as a director of listed and unlisted companies.

Ms Spargo is a Director of the following additional ASX listed companies: Sigma Healthcare Limited (since December 2015), Sonic Healthcare Limited (since July 2010) and Adairs Limited (since May 2015). She is also a director of the Geelong Football Club, Future Fuels Cooperative Research Centre and Jellis Craig. Ms Spargo's previous Board positions included Chairman of UGL, as well as directorships at Fulton Hogan, SMEC Holdings, Fletcher Building (March 2012 to September 2017), Xenith IP Ltd (April 2017 to August 2019), Pacific Hydro, Suncorp Portfolio Services, IOOF, Investec Bank, Transfield Services Infrastructure Fund, and Coinvest Ltd.

Robert Leslie Seidler
Alternate director

LLB

Appointed alternate director for Mr del Valle Pérez in June 2014. Previously an alternate director for Mr Sassenfeld (from June 2014 to October 2017). Mr Seidler AM has served as an alternate director for a number of HOCHTIEF-nominated directors dating back to November 2003.

He has a degree in Law from the University of Sydney and is a former partner of Ashurst.

Mr Seidler AM has over 40 years' experience as a lawyer, non-executive director on listed and unlisted companies in industries as diverse as funds management, banking, investment banking, hotel management as well as serving on government committees in both Australia and Japan.

Mr Seidler AM is Vice President of the Australia-Japan Business Cooperation Committee, Senior Regional Executive, APAC Regional Office (Australia) for

Hitachi Ltd, Principal of the Kokusai Business Advisory and was the Chairman of the Australian Olympic Committee Tokyo Advisory Committee, and was a member of the Business Council of Australia's Asia Society's "Asia Taskforce". Mr Seidler AM has also been made a member of the Order of the Rising Sun by the Emperor of Japan.

Mr Seidler AM was appointed as a Director of HOCHTIEF Australia in November 2011. From 2016 to 2019 Mr Seidler AM was the NSW Government's Special Envoy – Japan. He was a director of Investa Office Fund Management (July 2016 to December 2018) and Investa Listed Funds Management Limited (April 2016 to December 2018). He was the Chairman of Leighton Asia (November 2011 to September 2012), and Chairman of Leighton Properties (May 2010 to August 2012) and a director of Leighton International (November 2009 to November 2011).

The CIMIC Independent Board Committee comprises Kate Spargo (Independent non-executive Director) and Russell Chenu (Independent non-executive Director).

6.5 Historical financial information

The selected income statement, balance sheet and statement of cash flows information contained below for CIMIC is extracted from the audited consolidated financial statements of CIMIC for the years ended 31 December 2020 and 31 December 2021.

The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

CIMIC Shareholders may view complete copies of the audited consolidated financial statements of CIMIC on ASX's website at www.asx.com.au or on the CIMIC website at www.cimic.com.au

Consolidated Statement of Profit or Loss

	12 months to December 2021 $m	12 months to December 2020 $m
Continuing Operations		
Revenue	9,686.6	7,802.4
Expenses	(9,307.1)	(9,412.8)
Finance income	12.7	19.8
Finance costs	(140.5)	(179.8)
Share of profits of associates and joint ventures	185.7	69.0
Other gains	60.3	-
Profit / (loss) before tax	497.7	(1,701.4)
Income tax (expense) / benefit	(93.7)	434.2
Profit / (loss) for the year from continuing operations	404.0	(1,267.2)
Discontinued Operations		
Profit for the year from discontinued operations	-	1,883.9
Profit for the year	404.0	616.7
(Profit) / loss for the year attributable to non-controlling interests	(1.9)	3.4
Profit for the year attributable to shareholders of the parent entity	402.1	620.1
Dividends per share - Final	36.0¢	60.0¢
Dividends per share - Interim	42.0¢	-
Earnings per share from continuing operations		
Basic earnings per share	129.2¢	(395.1¢)
Diluted earnings per share	129.2¢	(395.1¢)
Earnings per share from continuing and discontinued operations		
Basic earnings per share	129.2¢	195.0¢
Diluted earnings per share	129.2¢	195.0¢

Consolidated Statement of Financial Position

	31 December 2021 $m	31 December 2020 $m
Assets		
Cash and cash equivalents	1,939.7	3,082.5
Short term financial assets and investments	4.5	4.5
Trade and other receivables	2,308.2	1,929.8
Current tax assets	126.6	1.0
Inventories: consumables and development properties	232.4	185.2
Asset held for sale	44.3	-
Total current assets	4,655.7	5,203.0
Trade and other receivables	123.5	89.8
Inventories: development properties	80.6	84.8
Investments accounted for using the equity method	1,700.5	1,378.2
Other investments	84.2	57.1
Deferred tax assets	608.9	757.9
Property, plant and equipment	639.6	814.2
Intangibles	915.4	912.3
Total non-current assets	4,152.7	4,094.3
Total assets	8,808.4	9,297.3
Liabilities		
Trade and other payables	4,344.2	4,569.8
Current tax liabilities	63.8	16.5
Provisions	249.0	218.3
Financial liability	68.9	151.2
Interest bearing liabilities	275.7	210.0
Lease liabilities	70.1	69.7
Total current liabilities	5,071.7	5,235.5
Trade and other payables	253.7	195.3
Provisions	30.3	42.7
Interest bearing liabilities	2,166.4	2,686.6
Lease liabilities	207.1	245.1
Total non-current liabilities	2,657.5	3,169.7
Total liabilities	7,729.2	8,405.2
Net assets	1,079.2	892.1
Equity		
Share capital	1,458.7	1,458.7
Reserves	(617.2)	(658.0)
Retained earnings	241.0	165.7
Total equity attributable to equity holders of the parent	1,082.5	966.4
Non-controlling interests	(3.3)	(74.3)
Total equity	1,079.2	892.1

Consolidated Statement of Cash Flows

	12 months to December 2021 $m	12 months to December 2020 $m
Cash flows from operating activities		
Cash receipts in the course of operations (including GST)	10,739.4	13,807.5
Cash payments in the course of operations (including GST)	(10,764.9)	(13,754.4)
Cash flows from operating activities	(25.5)	53.1
Interest received	10.6	22.7
Finance costs paid	(107.1)	(167.5)
Income taxes paid	(15.8)	(173.5)
Net cash (outflow) / inflow from operating activities	(137.8)	(265.2)
Cash flows from investing activities		
Payments for intangibles	(4.6)	(18.4)
Payments for property, plant and equipment	(63.3)	(579.7)
Payments for investments in controlled entities and businesses	-	(10.9)
Proceeds from sale of property, plant and equipment	28.9	30.5
Proceeds from sale of investments	32.0	2,223.4
Cash acquired from acquisition of investments in controlled entities and businesses	-	16.3
Cash disposed from sale of investments in controlled entities and businesses	-	(127.7)
Payments for investments	(50.3)	-
Net cash (outflow) / inflow from investing activities	(57.3)	1,533.5
Cash flows from financing activities		
Cash payments for share buy backs	-	(281.3)
Repayment of financial liability	(84.5)	(1,398.4)
Payments to acquire non-controlling interest	(15.6)	-
Proceeds from borrowings	2,188.3	4,910.0
Repayment of borrowings	(2,655.7)	(2,752.9)
Repayment of leases	(88.5)	(317.8)
Dividends paid to shareholders of the Company	(317.5)	-
Dividends paid to non-controlling interests	-	(11.4)
Net cash (outflow) / inflow from financing activities	(973.5)	148.2
Net (decrease) / increase in cash held	(1,168.6)	1,416.5
Cash and cash equivalents at the beginning of the period	3,082.5	1,750.0
Effects of exchange rate fluctuations on cash held	25.8	(84.0)
Cash and cash equivalents at reporting date	1,939.7	3,082.5

Note: the 12 months to December 2020 consolidated statement of cash flows includes cash flows from both continuing and discontinued operations. Refer to Note 31 of the audited consolidated financial statements of CIMIC for the year ended 31 December 2021: Acquisitions, disposals and discontinued operations, for details of cash flows relating to discontinued operations.

6.6 Future opportunities

CIMIC's core markets – in construction, PPPs, mining and mineral processing, operations and maintenance services, and engineering – continue to offer a broad range of growth opportunities. In addition to CIMIC's work in hand and a substantial pipeline of future projects, CIMIC (including through its operating companies and contract mining services joint venture, Thiess) will continue to consider inorganic growth opportunities to diversify and expand into new regions, markets and capabilities, including the exploration of current M&A opportunities in the market. In doing so, CIMIC will continue to apply its disciplined approach to assessing projects and transactions that are consistent with its strategy.

7 Information relating to HOCHTIEF Australia

HOCHTIEF Australia is a public company incorporated in Australia and is a wholly owned subsidiary of HOCHTIEF AG.

To date HOCHTIEF Australia has not conducted any operative business other than holding its Relevant Interest in approximately 85.08% of CIMIC Shares (as at close of trading on 22 March 2022) and matters related to this interest.

Refer to section 1 of the Bidder's Statement or HOCHTIEF Group's website (https://www.hochtief.com/about-hochtief) for further information about HOCHTIEF Australia, HOCHTIEF AG and the HOCHTIEF Group.

8 Risk factors

8.1 Introduction

In considering the Offer, CIMIC Shareholders should be aware that there are a number of risk factors associated with either accepting the Offer or rejecting the Offer and continuing to hold CIMIC Shares.

In deciding whether to accept the Offer, CIMIC Shareholders should read this Target's Statement and the Bidder's Statement carefully and consider these risks. While some of these risks can be mitigated, some are outside the control of CIMIC and the CIMIC Board and cannot be mitigated.

The risks set out in this section 8 do not take into account the individual investment objectives, financial situation, position or particular needs of CIMIC Shareholders.

The risk factors set out in this section are not an exhaustive list of all risks. In addition, these risks are general in nature only and do not cover every risk that may be associated with an investment in CIMIC now or in the future. In addition to these general risks, there are specific risks / issues affecting CIMIC which were disclosed in CIMIC's 2021 Annual Report and which are updated in sections 0 – 0 below.

There may also be additional risks and uncertainties not currently known to CIMIC, or which are currently known to CIMIC but which CIMIC currently considers to be individually immaterial, which may adversely affect CIMIC's operating and financial performance and the price or value of CIMIC Shares in the future.

8.2 Risks associated with accepting the Offer

There are risks associated with accepting the Offer, including those described in this section 8.2 of this Target's Statement.

(a) Possibility of a superior proposal emerging

If you accept the Offer, you will forego the opportunity to benefit from any superior proposal by another party for your CIMIC Shares should such a proposal eventuate.

As at the date of this Target's Statement, the CIMIC Independent Board Committee is not aware of a proposal by anyone to make a superior proposal. In light of HOCHTIEF Australia's Relevant Interest in approximately 85.08% of CIMIC Shares (as at close of trading on 22 March 2022), the CIMIC Independent Board Committee considers that it is unlikely that a superior proposal will be forthcoming before the end of the Offer Period.

Similarly, the Independent Expert's Report states that the takeover contestability of CIMIC is limited due to the shareholding to HOCHTIEF Australia, now at 85.08%, which reduces the likelihood of any alternative transaction emerging.

(b) Possibility of future CIMIC Share price appreciation

You may be able to sell your CIMIC Shares in the future for more valuable consideration than that offered under the Offer (although CIMIC can give no assurances and makes no forecast of whether this will occur).

(c) **Taxation consequences**

The taxation consequences of disposing of your CIMIC Shares pursuant to the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of certain Australian tax considerations of such a disposal is set out in section 9 of this Target's Statement.

You should carefully read and consider the taxation consequences of disposing of your CIMIC Shares pursuant to the Offer. The outline provided in this Target's Statement is of a general nature only and you should seek your own specific professional tax advice as to the taxation implications applicable to your circumstances.

8.3 Risks associated with rejecting the Offer and continuing as a CIMIC Shareholder

There are various risks associated with continuing to hold CIMIC Shares. Some of these risks are specific to CIMIC while others are risks of a more general nature that apply to any investment in a listed company.

The list of risks summarised below is not exhaustive and does not take into account the personal circumstances of CIMIC Shareholders. CIMIC Shareholders should seek professional advice if they are in any doubt about the risks associated with accepting or rejecting the Offer, having regard to their individual investment objectives and financial circumstances.

(a) **General risk factors**

As with any listed entity on the ASX, the future prospects and performance of CIMIC and the value of CIMIC Shares are affected by a wide variety of factors, including:

- general economic conditions, including interest and inflation rates, exchange rates and commodity prices;
- fluctuations in the local and global market for listed stocks;
- changes to government policy (including fiscal, monetary, taxation, employment and environmental policies), legislation, regulation or accounting policy, including in relation to CIMIC's ability to obtain relevant licences and approvals (and renewals) to establish new operations or to continue operations of existing facilities and projects;
- the nature of markets, including end-markets, in which CIMIC operates, across its countries of operation (such markets can be cyclical and affected by various macroeconomic, geopolitical, demographic and regulatory factors, and the allocation and timing of government funding for public infrastructure and other building programs);
- volatility and uncertainty in capital markets (which could restrict the willingness of debt and equity investors to provide capital to CIMIC to meet its short, medium and long-term capital requirements) and reductions in the availability, affordability and appropriateness of insurance coverage;
- business continuity being impacted by the compromise of, or disruption to, corporate information, technology systems or data: unauthorised access to the CIMIC Group's data, a cyberattack or significant outages to key technology systems may result in serious business disruption

including loss of data, loss of access to data, compromise or disruption of technology systems, privacy violation or damage to reputation amongst clients and the broader market;

- general and operational business risks; and
- natural disasters, pandemics generally, climate change, global hostilities, tensions, war and acts of terrorism.

These factors may result in fluctuations to the market price of CIMIC Shares that are not explained by the fundamental operations and activities of CIMIC.

(b) **General risks associated with CIMIC**

There are a number of risks specific to both the markets that CIMIC operates in and the nature of the services it offers, which may impact CIMIC's future prospects and the market price of CIMIC Shares, including risks that are beyond CIMIC's control. An overview of the material business risks facing CIMIC is set out below.

Macroeconomic environment and cyclical fluctuations

CIMIC's business is sensitive to changes in the macroeconomic environment and cyclical fluctuations in the markets in which it operates. Economic downturns or cyclical fluctuations globally, or in one or more individually significant markets, can have a distinct impact on general prosperity and public spending which in turn can considerably decrease demand for the services offered by CIMIC. The construction industry is cyclical by nature and largely dependent on investments undertaken by both the public and private sectors. These investments, which normally increase in times of economic growth and decrease during a recession, are particularly sensitive to interest rates, general economic and political conditions and other factors outside CIMIC's control.

COVID-19 pandemic

The COVID-19 pandemic continues to impact virtually all of the major jurisdictions in which CIMIC operates. Global responses to the COVID-19 pandemic may result in factors that could negatively impact future profitability and cash flow performance of CIMIC. These factors include:

- supply chain disruptions;
- price escalation;
- reduced availability of labour;
- delay in award of new work;
- border closures; and
- site closures.

CIMIC will continue to work with all stakeholders to ensure on-going business continuity, cost mitigation and pandemic control measures within its control.

Public spending on infrastructure projects

CIMIC is influenced by the economic and fiscal policies concerning public investment and spending on infrastructure and in public-private partnerships (**PPP**) in the markets in which it operates. Government spending finances a significant portion of infrastructure development. Government spending on infrastructure projects is driven by demographic, political and budgetary factors and is therefore uncertain.

International operations

CIMIC generates operating revenues from outside of Australia and New Zealand in international markets including Hong Kong, Indonesia, Singapore, North America and South America. CIMIC's operations in these international markets are subject to various legal, regulatory, social, political and economic risks inherent in international business operations.

Large-scale infrastructure projects

Large corporate groups and governments have regularly awarded large-scale infrastructure project contracts to companies within the CIMIC Group. The success of CIMIC's business operations will therefore be significantly influenced by large-scale infrastructure projects and the extent to which national and state governments (in Australia and/or globally) and other public authorities spend money on stimulus packages. A decline in public spending on economic stimulus packages and any decline in the award of large-scale infrastructure project contracts to companies within the CIMIC Group could have a material adverse effect on CIMIC's business, cash-flows, financial condition and operations.

Pricing and execution risks with large-scale and/or PPP projects

The structure of construction contracts can vary between lump sum (or fixed) price, guaranteed maximum price, cost-plus-fee, unit price (i.e. cost-reimbursable) contracts or risk sharing alliance contracts. Some contracts can involve more than one of these pricing elements. In the construction industry, major projects are generally awarded after an open tender process. In these tenders the contract model can commonly be either an alliance or lump sum, the latter where the price and the scope is usually fixed on the date a bid is awarded and not usually altered subsequently unless variations are agreed. As at 31 December 2021, CIMIC construction work in hand comprised c.35% under alliance style contracts.

Lump sum contracts entail more risk to CIMIC as it must determine both the quantities of work to be performed and the costs associated with executing the work. Prices and contractual completion dates are based on a number of assumptions which include, in particular: material prices (e.g. concrete, steel or fuel); the cost and availability of labour and equipment; local weather and geological conditions; the timely performance of suppliers and subcontractors or other third parties; and/or unanticipated technical issues. If any of the aforementioned assumptions prove to be incorrect, or if CIMIC is unable to monitor and manage any of these factors successfully during the course of a project, CIMIC may not be in a position to complete a project on time and/or within cost estimates.

Profitability of investments in transport and social infrastructure concession projects

The concession or operating period of many projects delivered by CIMIC, or in which CIMIC holds a stake, often extends over several decades. Where companies in the CIMIC Group enter into long-term or large-scale concession agreements, business planning and the underlying assumptions are critically important to the profitability of such transactions and the investment decision.

The profitability of CIMIC's projects may deviate from the initial plan due to economic circumstances or market trends such as a significant change in freight volumes, fuel, steel and coal prices, variances in patronage or deviations to traffic projections, or due to the particular circumstances of an individual project. If the costs of implementing a project are underestimated, the income from a project is overestimated or if other problems arise during the execution phase of the project, or during the concession period that result in actual costs exceeding or actual income falling below expected amounts, this could have a material adverse effect on CIMIC's business, cash flows, financial condition and operational performance.

Competitive environment

In certain markets the infrastructure construction industry is highly competitive with comparatively low margins. An increased number of competitors and sustained pricing pressure in the markets in which CIMIC operates could impair CIMIC's ability to maintain or increase its market share or sustain profitability. Several markets in the infrastructure construction industry are characterised by low barriers to entry which could further intensify competition if new entrants were to come to the market.

Failure to meet contractual deadlines or quality requirements

Construction projects in general, and civil engineering projects in particular, are highly schedule-driven. Failure to meet contractual deadlines could result in additional costs such as penalties and damages, that may reduce CIMIC's projected profit margins and/or could result in the termination of a contract. Delays may occur for a number of reasons including as a result of strikes, design issues, poor weather conditions, unanticipated technical problems, delays in the commencement of construction work or other events over which CIMIC has little or no control.

Warranty, liability and related reputational risks

Products and services provided by CIMIC may be defective. This may cause substantial damage to personal property, personal injury or give rise to warranty claims and may result in customers asserting claims for damages, product liability claims or contractual warranty claims. Certain defects may only be detected after a substantial period of time which may impair CIMIC's ability to take recourse against suppliers or subcontractors. Damage to personal property or personal injury incurred in connection with CIMIC's projects could also materially impair CIMIC's reputation.

Competition and anti-bribery laws

Across its international operations, CIMIC is subject to various laws and regulations including competition rules and legislation prohibiting corruption and bribery. CIMIC regularly participates in public and private bidding or tendering processes for projects. In an effort to prevent collusion and cartels in the construction sector, many competition authorities regularly scrutinise bidding processes. If in any tender, a breach of competition regulation by CIMIC's employees is found to have occurred, CIMIC may face civil and/or criminal penalties, damages claims or other sanctions, and be barred from future public and private bidding processes.

Adverse weather conditions or natural disasters

The output and productivity of the CIMIC Group's construction, mining and services activities can be impacted by weather conditions. The ability of CIMIC to carry out its construction and mining services during periods of adverse weather conditions may be impaired leading to reduced construction and mining volumes and thereby lower revenues. Climate risks could have significant consequences for CIMIC's business operations in the longer term.

Environment, health and public safety laws and regulations

CIMIC is subject to various laws and regulations relating to the protection of the environment, health and public safety in the countries in which it operates. CIMIC has incurred, and will continue to incur, significant costs in complying with these laws and regulations. CIMIC must comply with an increasing number and greater complexity of regulatory requirements in the markets it serves, including environmental protection measures such as emission levels targets and energy efficiency demands. Workspace health or safety incidents or events may put CIMIC's employees, subcontractors and even members of the community at risk.

Procurement risk

CIMIC has to manage procurement to ensure that capable and reliable operating partners – both subcontractors and suppliers – are selected. This also includes the necessity to monitor the market carefully and maintain close relationships with clients, subcontractors, suppliers and institutions, in order to be able to identify changes in the procurement market and to respond to such changes.

Raw material and energy shortages or price fluctuations

CIMIC is exposed to changes in the prices of its key raw materials (such as steel, cement and aggregates) and energy (such as diesel and electricity), as well as prices for project-related services sourced from third parties. CIMIC takes prices of raw materials, energy and project-related services into consideration in the bidding process and strives to manage and appropriately allocate price fluctuation risk or lock in fixed price supply contracts with those suppliers. The price risk associated with raw materials is not always able to be hedged by CIMIC and CIMIC may not be able to pass on increased raw material and energy costs to its customers or subcontractors.

Qualified management team and skilled employees

CIMIC's performance depends significantly on the performance of the members of its management team. CIMIC's management team has significant experience in operating its businesses and has made important contributions to the CIMIC Group's growth and success. The ability of CIMIC to grow revenues and profits depends significantly on CIMIC's success in attracting and retaining highly skilled employees, particularly in the case of large-scale projects.

Joint ventures or other similar partnerships

Some of CIMIC's activities are conducted through joint ventures and partnerships where CIMIC has less than a 100 per cent interest in a particular entity with the remaining ownership interest being held by one or more third parties. The management and control of such entities may entail risks associated with multiple owners and decision makers. Under applicable laws, partners under such arrangements are usually jointly and severally liable for the obligations to be performed by the relevant joint venture or partnership. As a consequence, if CIMIC's joint venture partners fail to perform its obligations satisfactorily, or if a partner becomes insolvent or leaves the joint venture or partnership, CIMIC may lose all or part of the investment made or may be required to make additional investments and to provide additional services to ensure the adequate performance and delivery of the contracted services. In relation to third parties, CIMIC may therefore also be liable for damages that were caused by partners or other third parties, such as suppliers or subcontractors.

Currency exchange rate fluctuations

CIMIC reports its results in Australian dollars and generates revenues in various currencies in addition to Australian dollars, primarily US dollars and New Zealand dollars, among others. The results of operations of certain parts of CIMIC 's business are therefore subject to fluctuations of the Australian dollar as CIMIC's functional currency against various other currencies.

Tax Risk

Changes in tax laws (or their interpretation) in Australia and other countries where the CIMIC Group has operations could materially affect the CIMIC Group's financial performance and impact its ability to obtain the benefit of existing tax losses and other beneficial tax attributes. In addition, governments may review and impose additional or higher excise or other taxes on payroll or infrastructure work, which may have an adverse effect on private and government spending on construction and infrastructure projects or on labour rates and may adversely impact the CIMIC Group's financial results.

Further, the determination of the taxation treatment of investments, activities or transactions requires an interpretation of the relevant taxation laws and significant judgment in circumstances where there may be differing but reasonable interpretations which may be adopted. Consistent with other companies of the size and diversity of the CIMIC Group, the CIMIC Group may be the subject of periodic information requests, investigations, and audit activities by tax authorities in the jurisdictions in which the companies operate, which may result in additional retrospective tax liabilities for the CIMIC Group.

CIMIC has accumulated tax losses in certain jurisdictions that may be used to offset tax charges on future profits. To the degree that utilisation of these losses is probable, an asset can be recognised. Recoverability of tax assets is dependent on the generation of future taxable profits in the relevant jurisdiction

Credit Rating

CIMIC currently has credit ratings from Standard & Poor's and Moody's. Rating agencies periodically review CIMIC's credit ratings, including in response to certain events affecting CIMIC. Negative changes in CIMIC's credit ratings may have materially adverse effects on CIMIC's costs of funds, ability to obtain credit and ability to win certain types of work. CIMIC is aware that Moody's has announced an intention to review CIMIC's rating for downgrade as a result of the Offer. The outcome of the review could be a retention of the existing rating or a downgrade which would increase CIMIC's cost of funds

Contract Termination Risk

CIMIC is a party to a number of contracts and agreements with a broad range of clients, as well as with subcontractors, suppliers, service providers, technology providers and lessors.

Some contract counterparties have a right to terminate contracts in certain circumstances, including where a change of control provision is triggered or where CIMIC is in material breach of the contract. In addition, some contracts with clients contain a right for the client to terminate for convenience at any time during the contract term.

Despite HOCHTIEF controlling 78.58% of CIMIC's shares prior to the announcement of the Offer, some change of control clauses in CIMIC's contracts may be triggered as a result of the Offer or as a result of changes in ownership of shares or other events following the Offer.

Whilst CIMIC will seek to mitigate the risk of termination of any contracts triggered by the Offer, CIMIC cannot guarantee that any necessary consents to a change of control will be forthcoming or, if forthcoming, that such consents will not be subject to conditions that are unfavourable to CIMIC. Although there are several material contracts which may be at risk, CIMIC does not believe that termination of any particular contract would have a material adverse effect on CIMIC as a whole.

Potential and current litigation

As an international construction, mining and minerals processing, and services group, CIMIC also faces numerous legal and other risks in connection with lawsuits, claims, and regulatory proceedings. The outcome of legal disputes and regulatory proceedings in most cases is difficult to predict. CIMIC's construction business is characterised by large-scale projects which are complex, lengthy and often time-critical. Some of the factors that may prevent CIMIC from completing projects in the agreed timeframe are beyond the control of CIMIC, such as adverse weather conditions or unexpected technical or geological difficulties. Furthermore, CIMIC faces warranty and liability risks in connection with its business operations. This may result in lengthy disputes and litigation which could also materially impair CIMIC's reputation. While CIMIC maintains provisions in connection with risks from litigation and regularly monitors the adequacy of such provisions, there can be no assurance that this will protect CIMIC against adverse outcomes.

(c) **Specific risks**

Australian Federal Police Investigation

As previously disclosed, on 13 February 2012, CIMIC announced that it had reported to the Australian Federal Police (**AFP**) a possible breach by Leighton International Limited of its Code of Ethics that, if substantiated, may have contravened Australian laws. The matter, has been, and in some cases continues to be, subject to the investigations below:

- In March 2014, ASIC commenced a formal investigation into potential breaches of the Corporations Act relating to a number of matters being investigated by the AFP. In March 2017, ASIC advised CIMIC that its investigation had concluded and it will take no further action.

- On 22 May 2018, the UK Serious Fraud Office (**SFO**) announced it has charged individuals, none of whom are CIMIC employees, and on 26 June 2018 announced it has charged a company, which is not a member of the CIMIC Group. On 19 July 2019 the SFO announced that one individual had pleaded guilty to charges. Following trials in 2020 and 2021 the individuals were convicted on some charges. However, some of those convictions have been overturned on appeal. None of the juries' guilty findings relate to charges involving the CIMIC Group company contracts.

- On 1 March 2019, CIMIC entered into an investigation agreement with the United States Department of Justice (**DOJ**). On 30 October 2019 the DOJ announced that in March 2019 three individuals not employed by CIMIC pleaded guilty to a charge of conspiracy to violate the *Foreign Corrupt Practices Act 1977* (United States federal law).

- On 18 November 2020, the AFP advised CIMIC that it had charged an ex-employee with alleged offences relating to foreign bribery and related matters and on 23 February 2021 the AFP announced it had brought an additional charge in relation to foreign bribery. On 11 January 2021, the AFP informed CIMIC that it had charged a second ex-employee with related offences. The AFP has also indicated it may charge a further ex-employee and that its investigations continue. CIMIC does not know when the charges will be heard or the outcome of any investigation.

- CIMIC continues to cooperate with the AFP on all official investigations. If these investigations by the AFP result in criminal charges or civil penalty proceedings being brought against any CIMIC Group entity, there is a risk these proceedings, possible fines, compensation orders (including any potential disgorgement of benefits derived by the alleged offences of ex-employees) or convictions that may result, could have a materially adverse effect on the current and future business of the CIMIC Group. For example, they may have a material adverse effect on CIMIC's financial position or CIMIC's ability to secure future work opportunities or affect its investments, supplier or joint venture relationships.

No CIMIC Group company has been charged with any criminal offence in relation to the above matters to date or is currently facing any civil penalty proceedings.

Arbitration in relation to combined cycle power plant for the Ichthys LNG Project

As previously disclosed, UGL, a wholly owned subsidiary of CIMIC, together with its consortium partners CH2M and General Electric Company, were contracted by JKC to carry out works relating to the design, construction, and commissioning of a combined cycle power plant for the Ichthys LNG Project in the Northern Territory (**CCPP Contract**). UGL is a 42.5% partner in the consortium. In January 2017, the consortium terminated the CCPP Contract.

The arbitration hearing in respect of the termination of the CCPP Contract is scheduled to begin on 14 April 2022 and will run for approximately 6 weeks, with a decision currently expected in 2023. Although the dispute is complex and there are various claims and counterclaims in relation to the CCPP Contract and related contracts, holistically, the consortium has claimed $741.7 million (plus additional interest after December 2020 and arbitration costs) as being the reasonable value of the work it performed up to termination while JKC has counterclaimed $2.08 billion (plus interest and costs) for its completion costs.

In December 2021, the parties engaged in a formal mediation process which failed to achieve a commercial settlement.

While CIMIC expects the arbitration hearings to commence imminently, CIMIC will continue to participate in commercial discussions with the other members of the consortium and JKC which may result in a settlement being reached between the parties. Although it is not possible to reliably estimate the ultimate impact on CIMIC of an arbitration decision or any settlement being reached, it should be noted that the quantum of the amounts being claimed and counter-claimed are material and therefore an outcome could have a materially adverse effect on CIMIC.

Settlement terms in relation to the West Gate Tunnel

As previously disclosed, CIMIC's wholly owned subsidiary, CPB Contractors, and its joint venture partner John Holland, are contracted to provide the West Gate Tunnel for Transurban and the State of Victoria. Due to an inability to remove soil from the site as a result of soil contaminates, a dispute has arisen between the parties primarily as to the disclosure of soil contaminants and which party is liable for the cost of the disposing thereof and the resultant delays. Following mediation in December 2021, all parties have signed the agreed terms and the settlement is awaiting Parliamentary approval to come into full effect.

Arbitration in relation to the new Royal Adelaide Hospital

As previously disclosed, CIMIC's wholly owned subsidiary, CPB Contractors, and its joint venture partner Hansen Yuncken, as part of a 50/50 JV, were awarded the design and construction of the new Royal Adelaide Hospital for the South Australian State Government. The project experienced difficulties and delays arising from the complex interdependencies between the State's works and the JV's works and a dispute between the parties arose. An arbitration to settle the dispute between the parties was commenced but has been delayed with hearings likely to commence in 2022 with a decision in 2023.

Class action in relation to BICC and cash flow reporting

As previously disclosed, on 25 August 2020 CIMIC announced to the ASX that a group of CIMIC Shareholders initiated proceedings on 24 August 2020 relating to the period 7 February 2018 – 22 January 2020 with regard to disclosures about CIMIC's non-controlling 45% investment in the Middle East as well as the reporting of CIMIC's cash flows in the context of factoring arrangements. CIMIC denies there is a proper basis for the claim and is defending the proceedings.

Exit from Middle East

As previously disclosed, on 15 February 2021, CIMIC announced it had signed a sale agreement with SALD (as acquirer) for the sale of CIMIC's investment in the Middle East. At the date of the sale agreement, CIMIC and the co-shareholder (holding 45% and 55% respectively) transferred all beneficial rights, economic entitlements, obligations, and risks, as well as management of the business, to SALD.

CIMIC, its co-shareholder and SALD continue to work collaboratively to progress the completion of the sale including to satisfy the remaining conditions precedent.

Several entities within the BICC group have been transferred to SALD, including all entities making up the Qatar business. The primary Qatar business called LCQ was owned 49% by BICC and 51% by a local partner.

CIMIC reiterates its previous statements that the transaction does not increase CIMIC's previously announced financial exposure to the Middle East.

BICC employees

CIMIC is always concerned as to the fair and equitable treatment of individuals and made it conditions of the sale agreement that:

- all BICC employee entitlements be up to date and paid immediately following the signing of the sale agreement; and
- the sale agreement be structured to protect employee entitlements as a priority.

Following the sale, SALD initiated a restructuring process for BICC which is ongoing. This has resulted in a significant reduction of BICC's workforce. Since February 2021, more than 1,830 employees have been paid their end of service entitlements in the UAE, Oman and Saudi Arabia. Entitlements of two former employees in these regions remain outstanding and are expected to be paid soon.

The primary business in Qatar has been managed by a receiver since July 2020. The receiver, SALD and its co-shareholder recently reached an agreement to accelerate the payment of end of service entitlements to former employees of the Qatar business and payments are being resolved by the Qatar business. Approximately 85% of the end of service entitlements in Qatar have been paid and the remainder are expected be paid soon.

9 Taxation considerations

This section 9 provides a summary of the general Australian tax consequences for CIMIC Shareholders accepting the Offer and should be considered in conjunction with the rest of this Target's Statement.

The information is a general guide, does not constitute financial advice and is not intended to be an authoritative or complete statement of the Australian tax law applicable to the specific circumstances of each CIMIC Shareholder and should not be relied upon by CIMIC Shareholders as tax advice. CIMIC Shareholders are strongly advised to seek their own professional advice with respect to the tax implications of the Offer.

9.1 Overview

The following is a general summary of the Australian tax (including capital gains tax (**CGT**), goods and services tax (**GST**) and stamp duty) implications for CIMIC Shareholders who hold their CIMIC Shares on capital account and who dispose of their CIMIC Shares under the Offer.

This summary does not apply to all CIMIC Shareholders, including those who:

- hold their CIMIC Shares as revenue assets or as trading stock;
- are subject to the Taxation of Financial Arrangements provisions in Division 230 of the *Income Tax Assessment Act 1997* or other special taxation rules; or
- are financial institutions, insurance companies, partnerships, tax exempt organisations or dealers in securities;
- are shareholders who changed their tax residency while holding their CIMIC Shares; or
- are foreign shareholders who own their CIMIC Shares through a permanent establishment in Australia.

The summary has been prepared on the basis of Australian taxation law and administrative practice as at the date of this Target's Statement and does not consider the taxation implications in jurisdictions outside of Australia.

9.2 Australian tax implications of accepting the Offer

(a) ***Disposal of CIMIC Shares by Australian resident CIMIC Shareholders***

(i) *Australian capital gains tax*

The disposal of CIMIC Shares by an Australian resident CIMIC Shareholder should constitute CGT event A1 for Australian income tax purposes.

Australian resident CIMIC Shareholders should:

- make a capital gain if the capital proceeds from the disposal of their CIMIC Shares are greater than the cost base of their CIMIC Shares; or
- make a capital loss if the capital proceeds from the disposal of their CIMIC Shares are less than the reduced cost base of their CIMIC Shares.

Australian resident CIMIC Shareholders who make a capital gain on disposal of their CIMIC Shares will be required to aggregate the capital gain with any other capital gains the CIMIC Shareholder may have in that income year. Any resulting net capital gain (after offsetting any available capital losses from the current income year or brought forward from prior income years) should be reduced by any applicable CGT discount and any remaining discounted net capital gain for the income year should be included in the CIMIC Shareholder's assessable income and should be subject to tax at the CIMIC Shareholder's applicable rate of tax. No CGT roll-overs should be applicable to the Offer.

Australian resident CIMIC Shareholders who make a capital loss on the disposal of their CIMIC Shares can only offset the capital loss against capital gains realised in the same income year. Any resulting net capital loss may be carried forward and offset against taxable capital gains in subsequent income years. Specific loss recoupment rules apply to companies and may restrict their ability to utilise capital losses in a future period.

(ii) *Time of CGT event*

CGT event A1 occurs:

- when an Australian resident CIMIC Shareholder enters into the contract to dispose of their CIMIC Shares by accepting the Offer; or
- where their CIMIC Shares are compulsorily acquired, when HOCHTIEF Australia becomes the beneficial owner of their CIMIC Shares.

(iii) *Capital proceeds*

The capital proceeds from the disposal of CIMIC Shares under the Offer should include $22.00 cash for each CIMIC Share (less the amount of the FY21 Final Dividend in respect of each CIMIC Share if HOCHTIEF Australia does not receive the FY21 Final Dividend in respect of the CIMIC Share).

(iv) *Cost base*

The cost base and reduced cost base of CIMIC Shares should generally include the amount paid to acquire the CIMIC Shares, the market value of any property given to acquire the CIMIC Shares and any incidental costs of acquisition.

(v) *CGT discount*

Generally, Australian resident CIMIC Shareholders who are individuals, trusts, or complying superannuation entities that acquired (for tax purposes) their CIMIC Shares at least 12 months before their disposal (not including the days of acquisition and disposal) should be entitled to the CGT discount in calculating the amount of the capital gain on disposal of their CIMIC Shares.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which should reduce a capital gain arising from the disposal of CIMIC Shares is as follows:

- 50% for individuals and trusts; or
- 33⅓% for a complying superannuation entity.

The CGT discount is not available for Australian resident CIMIC Shareholders who are companies. In addition, the Federal Government has announced that the tax law will be amended with retrospective effect from 1 July 2020 so that trusts that are managed investment trusts and attribution managed investment trusts will be prevented from applying the CGT discount at the trust level (however, the discount may still be available at the unitholder level).

(b) ***Disposal of CIMIC Shares by foreign resident CIMIC Shareholders***

(i) *Australian capital gains tax*

A CIMIC Shareholder that is not a resident of Australia for tax purposes should generally not have to pay Australian income tax on any capital gain arising on the disposal of their CIMIC Shares unless their CIMIC Shares are characterised as 'indirect Australian real property interests'. A CIMIC Shareholder's CIMIC Shares may be treated as indirect Australian real property interests if both of the following requirements are satisfied:

- the CIMIC Shareholder, together with its 'associates' (as defined in section 318 of the *Income Tax Assessment Act 1936* (Cth)), held a combined interest of at least 10% in CIMIC, respectively, either at the time the CIMIC Shares were disposed of (or were taken to have been disposed of) or for at least 12 months during the 24 months before the CIMIC Shares were disposed of (for CGT purposes); and

- more than 50% of the value of CIMIC's assets is attributed to direct or indirect interests in Australian real property, which is defined to include mining and exploration leases and licences.

Where both the above requirements are satisfied, foreign CIMIC Shareholders may be liable for tax on gains from the disposal of their CIMIC Shares and may be required to lodge a tax return in connection with the disposal of CIMIC Shares.

CIMIC does not consider that the CIMIC Shares should be characterised as indirect Australian real property interests.

(ii) *CGT discount*

A foreign CIMIC Shareholder who is subject to tax on disposal of their CIMIC Shares may be eligible to apply a CGT discount to part of their gain if they acquired, or are taken to have acquired, their CIMIC Shares on or before 8 May 2012. Otherwise, the CGT discount is not available to foreign CIMIC Shareholders.

(c) ***GST***

The disposal of CIMIC Shares by a CIMIC Shareholder should not give rise to a liability to account for GST, regardless of whether a CIMIC Shareholder is registered for GST. This is on the basis such transactions should be considered an input taxed financial supply, or outside the scope of GST.

If a CIMIC Shareholder incurs GST on any acquisitions relating to the disposal of CIMIC Shares, the CIMIC Shareholder should obtain independent advice in relation to the precise GST implications, including whether any GST included in such acquisitions is recoverable.

(d) ***Stamp duty***

There should not be stamp duty (including landholder duty) payable by a CIMIC Shareholder on the disposal of your CIMIC Shares.

9.3 Foreign resident capital gains tax withholding

Foreign resident capital gains tax withholding applies to a transaction involving the acquisition of the ownership of an asset that is an Australian indirect real property interest from a 'relevant foreign resident'.

Under the Australian foreign resident capital gains tax withholding rules, HOCHTIEF Australia, as the purchaser of CIMIC Shares, may be required to pay 12.5% of the Offer consideration to acquire the CIMIC Shares to the Australian Taxation Office if at least one of the CIMIC Shareholders is a 'relevant foreign resident' and the CIMIC Shares represent indirect Australian real property interests.

HOCHTIEF Australia has indicated in the Bidder's Statement that, if HOCHTIEF Australia is not provided with a completed *Foreign resident capital gains withholding – vendor declaration* form available from the Australian Taxation Office website at: https://www.ato.gov.au/uploadedFiles/Content/LB_I/downloads/Foreign%20resident%20capital%20gains%20withholding%20-%20vendor%20declaration.pdf within the requisite time from a CIMIC Shareholder to declare that:

- it is an Australian tax resident; or
- the CIMIC Shares are not indirect Australian real property interests,

or HOCHTIEF Australia reasonably believes that the information in the form is false, HOCHTIEF Australia may withhold the applicable amount from the Offer consideration paid to the relevant CIMIC Shareholder.

Any capital gains tax withholding may be able to be offset against the actual tax payable on the gain from the disposal of the CIMIC Shares and is refundable by the Australian Taxation Office to the extent that the capital gains tax withholding exceeds the actual tax payable.

As mentioned above, CIMIC does not consider that the CIMIC Shares should be characterised as indirect Australian real property interests, and therefore, the foreign resident capital gains tax withholding should not apply.

10 Additional information

10.1 CIMIC Independent Board Committee and Protocols

The CIMIC Independent Board Committee has established protocols to ensure that the consideration of the Offer has been subject to appropriate protocols and that any potential conflicts of interest have been managed. This has included:

- the CIMIC Independent Board Committee being exclusively responsible for all decisions connected with CIMIC's response to the Offer. The CIMIC Independent Board Committee only comprises independent directors Kate Spargo and Russell Chenu, and excludes all other CIMIC directors given they have current or historical connections with HOCHTIEF Australia or another HOCHTIEF Group entity (including ACS, the ultimate controller of HOCHTIEF Australia) or otherwise represent HOCHTIEF Australia on the CIMIC Board;
- protocols for the directors, executives and managers of CIMIC in relation to the provision of information to and communications with the Independent Expert and the CIMIC Independent Board Committee; and
- the Independent Board Committee appointing Gilbert + Tobin to act as legal adviser, and Oaktower Partnership to act as financial adviser, in respect of the Offer and Grant Thornton Corporate Finance Pty Ltd to prepare the Independent Expert's Report.

10.2 Capital structure

As at the date of this Target Statement, there are 311,296,286 CIMIC Shares and CIMIC has no other securities on issue.

10.3 Substantial holders

Based on the information contained in substantial holder notices filed with the ASX, as at the date of this Target Statement, the only substantial shareholder of CIMIC is HOCHTIEF Australia.

As at close of trading on 22 March 2022, HOCHTIEF Australia had a Relevant Interest and voting power in 264,849,380 CIMIC Shares or 85.08% of CIMIC Shares.

HOCHTIEF Australia is required to notify the ASX and CIMIC before 9:30am on the next trading day during the Offer Period where there is a movement of at least 1% in its voting power in CIMIC Shares (being the Relevant interests in CIMIC Shares held by it and is Associates) as compared with its last substantial holder notice.

10.4 Continuous disclosure

CIMIC is a disclosing entity (as that term is defined in the Corporations Act) and is subject to regular reporting and disclosure obligations under the Corporations Act.

Copies of documents may be obtained from the CIMIC website at https://www.cimic.com.au/en/investors/asx-announcements or from www.asx.com.au.

Copies of documents lodged with ASIC in relation to CIMIC may also be obtained from, or inspected at, an ASIC office.

10.5 No other material information

This Target's Statement is required to include all information that CIMIC Shareholders and their professional advisors would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisors to expect to find the information in this Target's Statement; and
- only if the information is known to any of the Directors.

The CIMIC Board is of the opinion that the information that CIMIC Shareholders and their professional advisors would reasonably require to make an informed assessment of whether to accept the Offer is the information contained in:

- the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- CIMIC's annual reports and public announcements before the date of this Target's Statement;
- documents lodged by CIMIC with ASIC before the date of this Target's Statement; and
- this Target's Statement.

The CIMIC Board has assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the CIMIC Board does not take any responsibility for the contents of the Bidder's Statement and is not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the CIMIC Board has had regard to:

- the nature of the CIMIC Shares (being fully paid ordinary shares);
- the matters which CIMIC Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisors of CIMIC Shareholders; and
- the time available to CIMIC to prepare this Target's Statement.

10.6 Directors of CIMIC

The Directors of CIMIC as at the date of this Target's Statement are:

- Juan Santamaria (Chief Executive Officer and Executive Chairman);
- José-Luis del Valle Pérez (Non-independent non-executive Director);
- Pedro López Jiménez (Non-independent non-executive Director);
- David Robinson (Non-independent non-executive Director);

- Peter-Wilhelm Sassenfeld (Non-independent non-executive Director);
- Kate Spargo (Independent non-executive Director);
- Russell Chenu (Independent non-executive Director); and
- Robert Leslie Seidler (alternate director).

10.7 Relevant Interests of Directors in CIMIC, HOCHTIEF Australia or Related Body Corporate securities

As at 25 March 2022, except as set out below, no Director has a Relevant Interest in any of the securities of CIMIC or HOCHTIEF Australia or any other Related Body Corporate of HOCHTIEF Australia.

Director	Number of CIMIC Shares held directly or indirectly	Number of ordinary shares in HOCHTIEF Australia held directly or indirectly	Description of ordinary shares in any Related Body Corporate of CIMIC or HOCHTIEF Australia
Juan Santamaria	NIL	NIL	635 ordinary shares in ACS
José-Luis del Valle Pérez	1,000	NIL	306,095 ordinary shares in ACS 275,000 options over shares in ACS
Pedro López Jiménez	1,192	NIL	755,201 ordinary shares in ACS
David Robinson	1,489	NIL	NIL
Peter-Wilhelm Sassenfeld	1,858	17,795 shares in HOCHTIEF AG	NIL
Kate Spargo	4,000	NIL	NIL
Russell Chenu	4,085	NIL	NIL
Robert Leslie Seidler	2,941	NIL	1,173 ordinary shares in ACS

10.8 Recommendation of CIMIC Independent Board Committee

Each member of the CIMIC Independent Board Committee unanimously recommends that the CIMIC Shareholders accept the Offer in respect of their CIMIC Shares, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to CIMIC Shareholders for the reasons set out in this Target's Statement (particularly the matters discussed in section 1).

The other Directors are not regarded as independent of HOCHTIEF Australia, as they have current or historical connections with HOCHTIEF Australia or a HOCHTIEF Group entity (including ACS, the ultimate controller of HOCHTIEF Australia) or otherwise represent HOCHTIEF Australia on the CIMIC Board. For that reason, those non-independent directors are not making a recommendation to CIMIC Shareholders in relation to the Offer.

10.9 Recent dealings of Directors in CIMIC securities and HOCHTIEF Australia securities

No Director acquired or disposed of any CIMIC Shares, any other securities in CIMIC or HOCHTIEF Australia, within the period of four months immediately preceding the date of this Target's Statement.

10.10 Benefits and agreements

No member of the CIMIC Independent Board Committee has an interest in any contract entered into by them with HOCHTIEF Australia.

As a result of the Offer, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act) will or may be given to a member of the CIMIC Independent Board Committee in connection with their retirement from office in CIMIC or a Related Body Corporate of CIMIC.

No member of the CIMIC Independent Board Committee has agreed to receive, or is entitled to receive, any benefit from HOCHTIEF Australia which is conditional on, or is related to, the Offer.

CIMIC does not propose and, except as otherwise disclosed in this Target's Statement, is not aware of any proposal in connection with the Offer:

- that will confer a benefit on any person in connection with the retirement of that person from a board or managerial office of CIMIC or Related Body Corporate of CIMIC; or
- that will or may be given to any person in connection with the transfer of the whole or any part of undertaking or property currently owned by CIMIC.

David Robinson has disclosed an interest in a retirement allowance. David Robinson will receive a maximum benefit on retirement limited to his entitlement under the Non-executive Director Retirement Plan as if he had retired on 1 July 2008. This entitlement totals $363,495.

Robert Leslie Seidler is party to an agreement with HOCHTIEF Australia to act as an alternate director on the CIMIC Board.

10.11 Consents

The following parties have given, and have not withdrawn before the date of this Target's Statement, their consent to be named in this Target's Statement in the form and context in which they are so named:

- Oaktower Partnership Pty Limited;
- Gilbert + Tobin;
- Computershare Investor Services Pty Limited; and
- Grant Thornton Corporate Finance Pty Ltd, including consenting to the inclusion of the Independent Expert's Report in this Target's Statement as Attachment A,

and each of those parties:

- has not authorised or caused the issue of this Target's Statement;
- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, other than a statement included in this Target's Statement with the consent of that party; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for any part of this Target's Statement, other than a reference to its name and the statements (if any) included in this Target's Statement with the consent of that party.

As permitted by ASIC Class Order 13/521, this Target's Statement may include or be accompanied by statements which are made in documents lodged with ASIC or ASX. Pursuant to the Class Order, provided this Target's Statement fairly represents such statements, the consent of the parties making those statements is not required for, and those parties have not consented to, the inclusion of such statements in this Target's Statement. CIMIC Shareholders may, during the Offer Period, obtain a copy of the documents (free of charge) in which the aforementioned statements appear (or in which statements based on those statements appear, as the case may be), or the relevant part(s) of any of those documents, by contacting the CIMIC Shareholder Information Line on 1300 620 408 (within Australia) or +61 3 9415 4639 (outside Australia) at any time between 9.00am and 5.00pm (Sydney time) on Business Days.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by statements fairly representing a statement by an official person, or statements from a public official document or a published book, journal or comparable publication.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement contains share price data sourced from IRESS without its consent.

10.12 ASIC declarations

On 16 March 2022, ASIC granted CIMIC a modification of section 648C of the Corporations Act in connection with the takeover bid. The effect of this modification was to allow CIMIC to:

- deliver an electronic copy of this Target's Statement via electronic mail to the nominated email address of those CIMIC Shareholders who have elected to receive communications electronically from CIMIC; and
- send a letter or postcard, in lieu of the Target's Statement, to those CIMIC Shareholders who have not elected to receive communications electronically from CIMIC, providing details of where CIMIC Shareholders can access an electronic copy of the Target's Statement or how to request a hard copy of the Target's Statement.

11 Approval of this Target's Statement

This Target's Statement has been approved by a resolution passed by the CIMIC Independent Board Committee and the CIMIC Board.

Signed for and on behalf of CIMIC Group Limited:

Kate Spargo	Russell Chenu
Independent director	**Independent director**
28 March 2022	28 March 2022

12 Glossary and Interpretation

Glossary

The following defined terms in this Target's Statement have the meanings set out below.

Acceptance Form means the acceptance form enclosed within the Bidder's Statement.

ACS means Actividades de Construcción y Servicios, SA.

AFP Means Australian Federal Police.

Announcement Date means 23 February 2022.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning set out in section 12 of the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the "Australian Securities Exchange" operated by that entity.

BICC means BIC Contracting LLC.

Bidder's Statement means the replacement bidder's statement of HOCHTIEF Australia in relation to the Offer dated 3 March 2022 which replaced the Original Bidder's Statement.

Broad means Broad Construction Pty Ltd.

Business Day means a day other than a Saturday, Sunday or public holiday on which banks are open for general banking business in Sydney, New South Wales.

CCPP Contract has the meaning given in section 0.

CH2M means CH2M Hill Companies Limited.

CIMIC means CIMIC Group Limited (ACN 004 482 982).

CIMIC Board means the board of directors of CIMIC.

CIMIC Group means CIMIC and its Related Bodies Corporate.

CIMIC Independent Board Committee means Kate Spargo and Russell Chenu.

CIMIC Shareholder means a registered holder of CIMIC Shares.

CIMIC Shareholder Information Line means the information line established by CIMIC to answer questions from CIMIC Shareholders about the Offer.

CIMIC Shares means a fully paid ordinary share in the capital of CIMIC.

Control has the meaning given in section 50AA of the Corporations Act, disregarding subsection 50AA(4).

Corporations Act means the *Corporations Act 2001* (Cth) and any regulations made under that act.

CPB Contractors means CPB Contractors Pty Ltd.

Director means any director of CIMIC.

DOJ means the United States Department of Justice.

EIC Activities means EIC Activities Pty Ltd.

FY21 Final Dividend means the final dividend declared by the CIMIC Board on 10 February 2022 for the period ending 31 December 2021 of 36 cents (franked at 0% per CIMIC Share), with a record date of 15 June 2022 and to be paid on 5 July 2022.

HOCHTIEF AG means HOCHTIEF Aktiengesellschaft.

HOCHTIEF Australia means HOCHTIEF Australia Holdings Limited (ACN 103 181 675).

HOCHTIEF Group means HOCHTIEF AG and the entities wholly owned or Controlled by HOCHTIEF AG, including HOCHTIEF Australia and CIMIC.

Independent Expert means Grant Thornton Corporate Finance Pty Limited.

Independent Expert's Report means the report prepared by the Independent Expert, a copy of which is attached to this Target's Statement as Attachment A.

JKC means JKC Australia LNG Pty Ltd.

JV means joint venture.

Leighton Asia means Leighton Asia Limited.

Leighton Contractors means Leighton Contractors Pty Limited.

Offer means the off-market takeover offer by HOCHTIEF Australia for CIMIC Shares under the terms and conditions contained in section 7 of the Bidder's Statement.

Offer Period means the period during which the Offer will remain open for acceptance in accordance with the terms and conditions of the Bidder's Statement.

Offer Price means the price offered for CIMIC Shares under the Offer, being $22.00 cash per CIMIC Share.[8]

Original Bidder's Statement means the bidder's statement of HOCHTIEF Australia in relation to the Offer dated 23 February 2022.

Pacific Partnerships means Pacific Partnerships Pty Ltd.

Register Date means 7:00pm (Sydney time) on 24 February 2022, being the date set by HOCHTIEF Australia under section 633(2) of the Corporations Act.

Registry means Computershare Investor Services Pty Limited.

[8] The Offer Price of $22.00 is subject to the Offer terms specified in the Bidder's Statement, including in Sections 7.1, 7.9(j) and 7.9(k) in relation to Rights such as dividends and other entitlements. Under the Offer terms, if a CIMIC Shareholder accepts the Offer in respect of its CIMIC Shares, then HOCHTIEF Australia will be entitled to all Rights attaching to those CIMIC Shares, which includes the amount of any dividends declared or paid by CIMIC after the Announcement Date, including the FY21 Final Dividend.

Related Body Corporate has the same meaning given it in section 50 of the Corporations Act.

Relevant Interest has the meaning given to that term in section 608 and 609 of the Corporations Act.

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from or in respect of CIMIC Shares, whether directly or indirectly at or after the Announcement Date, including without limitation all rights to receive dividends (but excluding any attaching franking credits), to receive or subscribe for shares, units, notes, options or other securities and to receive all other distributions or entitlements declared, paid, made or issued by CIMIC or any subsidiary of CIMIC after the Announcement Date.

SALD means SALD Investment LLC.

Sedgman means Sedgman Pty Ltd.

SFU Means UK Serious Fraud Office.

Target's Statement means this document and includes the attachment to it.

Thiess means Thiess Group Holdings Pty Ltd.

UGL means UGL Pty Limited.

Ventia means Ventia Services Group Pty Limited.

VWAP means volume weighted average price.

Interpretation

(a) Words and phrases to which a meaning is given by the Corporations Act have that meaning in this Target's Statement unless that meaning is inconsistent with the context in which the word or phrase is used.

(b) Headings are for convenience only and do not affect the interpretation of this Target's Statement.

(c) The singular includes the plural and vice versa and words importing any gender include the other gender, and references to persons include corporations, other bodies corporate, unincorporated bodies, partnership, joint ventures or associations.

(d) References to sections are to sections of this Target's Statement, unless stated otherwise.

(e) Where a term is defined, its other grammatical forms have a corresponding meaning.

(f) References to time are references to the time in Sydney, Australia on the relevant date, unless stated otherwise.

(g) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

(h) "$" or "A$" or "AUD" is a reference to the lawful currency of Australia.

Attachment A Independent Expert's Report

CIMIC Group Limited

Independent Expert's Report and Financial Services Guide

28 March 2022

Grant Thornton

Independent Directors
CIMIC Group Limited
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North Sydney NSW 2060

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28 March 2022

Dear Independent Directors

Independent Expert's Report and Financial Services Guide

Introduction

CIMIC Group Limited ("CIMIC" or the "Group") is a leading engineering-led construction, services, mining services and public private partnerships ("PPP") company working across the lifecycle of assets, infrastructure and resource projects. The Group is listed on the Australian Securities Exchange ("ASX") with a market capitalisation of c. A$6.86 billion as at 18 March 2022[1].

HOCHTIEF Aktiengesellschaft ("HOCHTIEF"), through its wholly owned subsidiary HOCHTIEF Australia Holdings Limited (together with HOCHTIEF referred to as "the Bidder"), is the majority shareholder of CIMIC, holding c. 85.08% of the voting power as at 22 March 2022. On 23 February 2022, the Bidder announced its intention to make an unconditional and final off-market takeover offer[2] to acquire all CIMIC shares that it does not already own for A$22.00 cash per share ("Offer Price"). The Bidder is allowed to purchase CIMIC Shares during the bid period for prices at or below the Offer Price.

The Board of Directors of CIMIC ("Board") has appointed an Independent Board Committee ("IBC"), consisting of its current Independent Directors, Russell Chenu and Kate Spargo, to evaluate and respond to the Takeover.

Subject to no superior proposal emerging and an Independent Expert concluding and continuing to conclude that the Offer is fair and reasonable, the Independent Directors unanimously recommend that CIMIC Shareholders not associated with the Bidder ("Non-Associated Shareholders") accept the Offer and subject to the same qualifications, the Independent Directors intend to accept, or procure the acceptance of all CIMIC Shares held or controlled by them.

[1] Based on a closing share price of A$22.03 per share as at 18 March 2022.
[2] In the remainder of this document we will refer to the takeover offer as "Takeover" or "Offer" or "Takeover Offer".

Purpose of the report and approach

Immediately before launching the Takeover Offer, the Bidder held a relevant interest of 78.58% in the issued capital of the Group[3]. Accordingly, there is a legal requirement for the preparation of an independent expert's report ("IER" or "Report") in conjunction with the Takeover Offer. When preparing this Report, Grant Thornton Corporate Finance has had regard to the Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 112 *Independence of experts* ("RG 112").

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Takeover Offer is FAIR AND REASONABLE to Non-Associated Shareholders.

Fairness assessment

In forming our opinion in relation to the fairness of the Takeover Offer, Grant Thornton Corporate Finance has compared the fair market value per share of CIMIC on a controlling and 100% basis to the Offer Price of A$22.00 per CIMIC Share. The following table summarises our fairness assessment:

Fairness assessment A$ per share	*Section Reference*	Low	High
Fair market value of CIMIC Shares before the Takeover Offer	*6*	19.26	25.05
Offer Price		22.00	22.00
Premium/(discount)		**2.74**	**(3.05)**
Premium/(discount) (%)		**14.2%**	**(12.2%)**
FAIRNESS ASSESSMENT		**FAIR**	

Source: GTCF analysis

The Offer Price is within our assessed valuation range of a CIMIC Share on a 100% basis. Accordingly, we conclude that the Takeover Offer is **FAIR** to CIMIC Shareholders.

CIMIC Shareholders should be aware that our assessment of the value per CIMIC Share does not reflect the price at which CIMIC Shares will trade if the Takeover Offer lapses. The price at which CIMIC Shares will ultimately trade depends on a range of factors including the future performance of the business, the liquidity of CIMIC Shares, macro-economic conditions and other factors.

We have assessed the fair market value of CIMIC Shares based on the Sum of Parts ("SOP") approach where we have separately estimated the value of CIMIC's wholly owned subsidiaries, investments, corporate costs and other assets and liabilities as at 31 December 2021. The primary valuation approach in the assessment of the operating businesses is the EBITA[4] multiple method ("EBITA Multiple")[5]. We have cross checked our valuation assessment of the Group based on the Quoted Security Price.

[3] Which was increased to 85.08% of the voting power as at 22 March 2022.
[4] Earnings before interest tax and amortisation of acquired intangible assets.
[5] Calculated as enterprise value divided by EBITA.

SOP approach

We have estimated the value of CIMIC wholly owned subsidiaries, investments, corporate costs and other assets and liabilities as at 31 December 2021. The table below summarises our valuation assessment.

SOP Method - valuation summary A$ million (except where stated otherwise)	*Section Reference*	Low	High
Construction	*6.1.1*	4,200	5,170
Services	*6.1.2*	1,650	1,920
Corporate divisions	*6.1.3*	(479)	(345)
Thiess (50% interest)	*6.1.6*	982	1,068
Ventia (32.8% interest)	*6.1.7*	645	785
Total Enterprise Value (control basis)		**6,997**	**8,598**
Less: Net Debt as at 31 December 2021	*6.1.9*	(498)	(498)
Other adjustments	*6.1.8*	(503)	(303)
Equity value (control basis)		**5,996**	**7,797**
Number of outstanding shares (fully diluted)	*2.7*	311,296,286	311,296,286
Value per share (control basis) (A$ per share)		**19.26**	**25.05**

Source: GTCF analysis

In our valuation assessment, we have taken into account the following key factors:

Construction Segment[6]

- CPB Contractors is the main constituent of the Construction Segment and its prominence and size are critical success factors in the Australian and New Zealand markets as they confer advantages in: (a) competing for and winning large projects; (b) achieving operational and financial efficiencies; (c) absorbing volatility associated with the project-based nature of the work; and (d) achieving greater service and market mix. Further, the Construction Segment has historically achieved EBIT margins superior to those of its global listed peers.

- The Construction Segment will continue to benefit from the strong infrastructure investments in Australia with A$248.1 billion in total state and territory government funding allocated for infrastructure over the four years to 2024-25. More broadly in the Asia Pacific region, the IHS Markit Global Construction Outlook 2022 report predicts the construction industry to grow at 4.6% in CY22 and 4.5% in CY23. These market conditions will continue to support the strong work-in-hand ("WIH") of A$15.7 billion for the Construction Segment as at 31 December 2021.

- Over the last four years, the EBIT of the Construction Segment[7] has reduced from A$627 million in FY17 to A$434 million in FY21. Apart from short-term volatility associated with COVID-19, this was mainly due to more permanent reasons such as:

    - The proportion of revenue being derived from alliance arrangements ("Alliance contracts[8]") has increased from c. 15% of WIH as at December 2018 to c. 35% as at December 2021. These

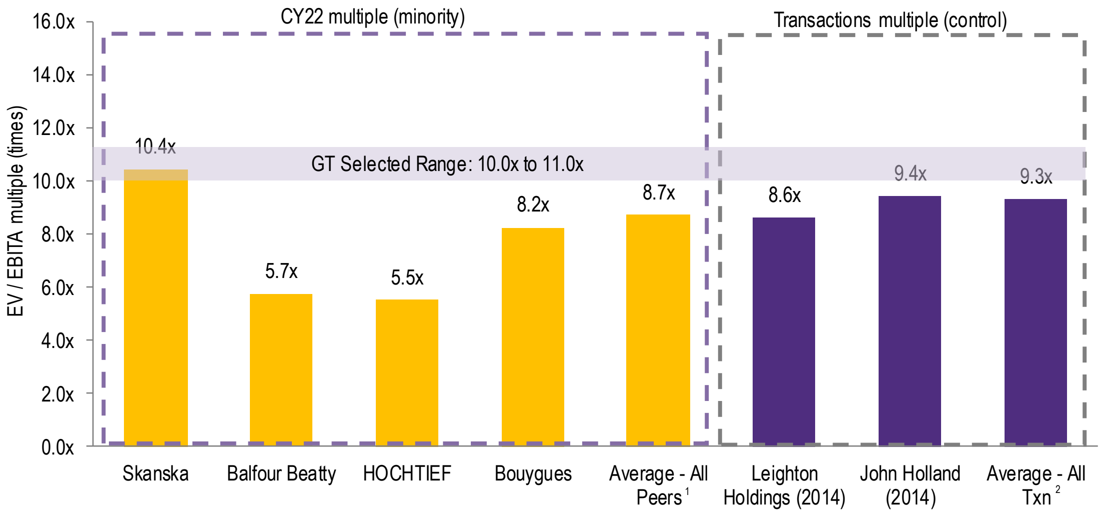
[6] Construction Segment or Division includes CPB Contractors Pty Limited ("CPB Contractors"), Leighton Asia and Broad Construction Pty Ltd ("Broad").
[7] Excluding JV&A share of profit.
[8] Alliance contracting is the term usually applied to project or service delivery where there is one contract between the owner/financier/commissioner/contractor and an alliance of parties who deliver the project or service. An alliance contract creates a collaborative environment without the need for new organisational forms.

contracts, all other things being the same, have a different risk/reward allocation than traditional agreements (lump-sum or fixed price arrangements) and generate lower margins for the Group. They are also associated with less favourable working capital terms for the business compared with fixed D&C[9] contracts. Whilst in the long-term Alliance contracts should reduce the risks and likelihood of large impairments and write-offs historically experienced on some fixed costs D&C contracts, in the short term they may affect the profitability of the segment.

- In the last few years, the financial performance of Leighton Asia has been volatile particularly after it experienced a temporary suspension for submitting tenders for some government contracts in Hong Kong for a period of up to 15 months from October 2018. Whilst the ability to participate in tenders for the Hong Kong Government has been re-instated and no-wrong-doing has been identified, the company has suffered a set-back bidding in the local market which has materially reduced its contribution to the financial performance of the Construction Segment.

For the purpose of our valuation assessment of the Construction Segment, we have adopted a maintainable EBITA between A$420 million and A$470 million. At the low-end of the range, we considered the factors outlined above, the historical performance and the FY22 Budget, whereas the high-end of the range is in line with brokers' consensus forecast[10]. The selected EBITA multiple range between 10x and 11x on a control basis relies on the trading multiples of global listed peers, the multiples implied in the proportional takeover of CIMIC by HOCHTIEF and the sale of John Holland.

EBITA Multiple Comparison



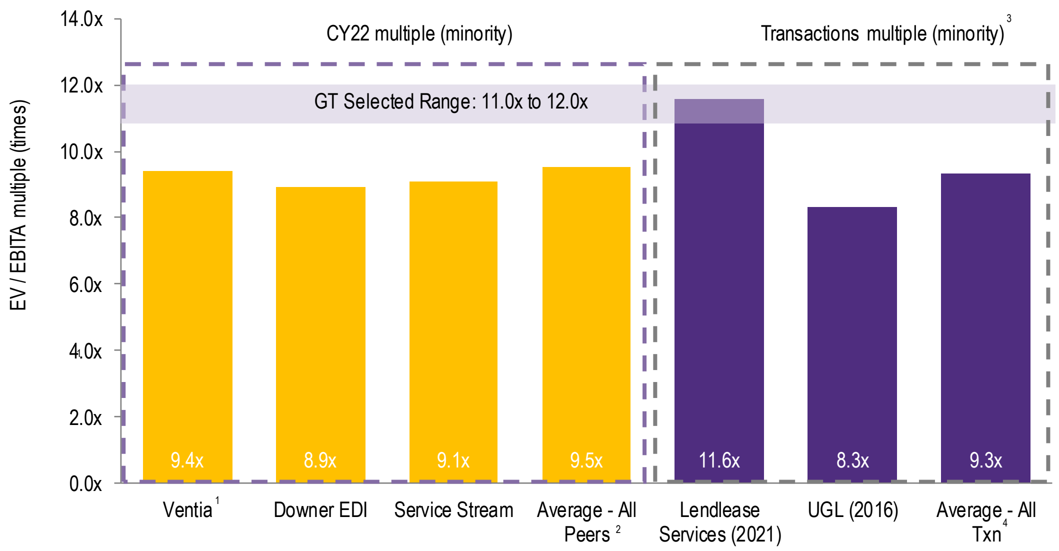
Source: GTCF analysis, S&P Global, Mergermarket, Company Filings.
Notes: (1) Average – All Peers refers to peers in addition to those presented in the graph. Refer to section 6.1.5.1 for a summary of all construction segment peers; (2) Average – All Txn refers to transactions in addition to the Leighton and John Holland transactions. Refer to section 6.1.5.2 for a summary of all construction transactions.

[9] Design and construction ("D&C").
[10] We note that only 2 brokers provide consensus information by division.

Services Segment[11]

The revenues of the Services Segment are subject to a lower operational risk than the Construction Segment as they are usually contracted over multiple years with high switching costs for the customers. Further, they are less correlated to the capital investment cycle with c. 60% of FY21 revenue (including proportionate share of Ventia) generated from maintenance services. The financial performance of the Services Segment has been quite steady over the years. Nonetheless, lockdown restrictions associated with COVID-19 caused some maintenance/shutdowns services to be deferred from FY20 to FY21. Whilst UGL represents in excess of 80% of revenue, Sedgman revenues almost halved between FY20 and FY21 due to a number of major projects terminating in FY19 and the business seeking to diversify its client base outside coal. For the purposes of our valuation assessment of the Services Segment, we have adopted a maintainable EBITA between A$150 million and A$160 million based on the historical financial performance and FY22 Budget. The selected EBITA multiple range between 11x and 12x has regard to trading multiples of Downer EDI Limited ("Downer"), Service Stream Limited ("Service Stream") and Ventia Services Group Limited ("Ventia") and the recent acquisition of the Lendlease's services business by Service Stream.

EBITA Multiple Comparison



Source: GTCF analysis, S&P Global, Mergermarket
Note: (1) Ventia multiple based on the trading price as at 18 March 2022; (2) Average – All Peers refers to peers in addition to Ventia, Downer EDI and Service Stream. Refer to section 6.1.5.3 for a summary of all services peers; (3) Transactions multiple = EV / EBIT. Given there is no disclosure regarding amortisation charges, we have assumed EBIT and EBITA have coincided in order to calculate the EBIT / EBITA multiples implied in the transactions; (4) Average – All Txn refers to transactions in addition to the Lendlease Services Txn and UGL Txn. Refer to section 6.1.5.4 for a summary of all services transactions.

Thiess (50% interest)

Thiess is one of the larger contract mining businesses, generating the majority of its revenues from operations in Australia and Indonesia. It operates across the full value chain of mining activities (excluding exploration) and is predominately focussed on coal (Thermal coal c. 40% of FY21 revenue and Metallurgical coal c. 47% of FY21 revenue).

[11] Services Segment or Division includes UGL Limited ("UGL") and Sedgman Pty Ltd ("Sedgman").

CIMIC sold a 50% interest in Thiess to funds managed by Elliott[12] in December 2020 (“Thiess Transaction”) which valued 100% of Thiess’ enterprise value at c. A$4.3 billion. The price paid by Elliott was the outcome of an extensive sale campaign undertaken by CIMIC and accordingly it is a reasonable reference point for the purpose of estimating the value of CIMIC’s 50% interest. However, in our valuation assessment, we have also considered the following:

- Since the terms of the Thiess Transaction were agreed in the second half of 2020[13], stock prices for companies exposed to coal and other fossil fuels have underperformed relative to the upward movements in the coal price and the overall market. Further, investors’ appetite for companies operating in industries directly or indirectly correlated with carbon emissions has declined. This is due to more stringent ESG policies implemented by institutional investors (including banks, super funds and large fund managers), which prevent them from investing in businesses with a high exposure[14] to fossil fuels. In our opinion, ESG thematics are now having greater influence on underlying valuations compared with the period when the Thiess Transaction was agreed.

- The terms of the Thiess Shareholders Agreement afford considerably greater protective rights to Elliott compared to CIMIC, due to the following:

  - The Shareholders Agreement caps distribution at 100% of free cash flow and prescribes a minimum distribution to each shareholder of A$180 million per annum for the first six years (“Initial Period”), with Elliott receiving preferential payment for the first A$180 million. Any cumulative shortfall in the minimum profit distributions is accrued into the following financial year, however there is no specific provision under the Shareholders Agreement to repay the shortfall ahead of a liquidity event. As set out in section 3.4.1.2, Thiess has historically generated NPAT greater than A$360 million. However, after completion of the Thiess Transaction, the company incurs additional costs related to interest expenses arising from the standalone debt structure and the amortisation of intangible assets accounted for as part of the transaction. We estimate that, on a pro-forma adjusted basis, i.e. as if the Thiess Transaction was completed on 1 January 2018, the historical NPAT would have been c. A$90 million per annum lower due to these additional expenses. This would have resulted in a pro-forma cumulative profit shortfall for CIMIC of c. A$225 million between FY18 and FY21.

  - Elliott has the option to sell its interest in Thiess back to CIMIC between four and six years from completion (“Elliott Put Option”). Exercise of the Elliott Put Option will oblige CIMIC to repurchase the interest acquired by Elliott at the lower of Elliott’s acquisition price or a price referable to movements in the S&P / ASX 200 Total Return index plus the accrued value of any shortfall in agreed minimum distributions. This provides Elliott with a liquidity window to realise its investment at the lower of the price paid and ASX 200 adjusted value.

Based on the above, we have applied a discount of c. 10%[15] to the unencumbered enterprise value of Thiess for the purpose of our valuation assessment of CIMIC’s 50% interest and we have deducted the net debt liabilities as at 31 December 2021. Our assessment of CIMIC’s 50% interest in Thiess is between A$982 million and A$1,068 million.

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[12] Elliott Advisors (UK) Ltd (“Elliott”).
[13] Completion occurred on 31 December 2020.
[14] The maximum proportion of exposure to fossil fuels which is tolerated varies across investors.
[15] We have applied a range between 8% and 12% for the purpose of our assessment.

Other key valuation assumptions

- The Corporate Segment[16] includes the valuation assessment of the overhead corporate functions (net of potential cost savings), Devine, Leighton Properties, EIC and Pacific Partnerships which currently holds investments in nine PPP[17] projects with various level of interests.

- For the valuation of Ventia, we have mainly relied on the recent trading price and the price targets of investment analysts.

Critical commercial considerations

A review of the working capital, cash required to run the business and potential contingent liabilities are critical factors in the assessment of the fair market value of a construction contracting business. In the past, the Group has incurred large losses, impairments and write-offs on some projects and in some geographies which have affected the carrying value of the related assets and triggered significant cash outflows and reduction in market capitalisation for the Group. In relation to these issues, we note the following:

- Working capital – The working capital of the Group includes total contract debtors – trade and other receivables which peaked at A$3.2 billion in June 2020 but have since reduced to A$1.6 billion as at 31 December 2021. This was mainly due to the Gorgon Jetty[18] resolution which resulted in a revenue reversal of A$(1,150.4) million and the reduction of the net debtors balance by the same amount and the sale of 50% of Thiess which led to a deconsolidation of Thiess' contract debtors. Since then, the trend in the contract debtors has been reasonably consistent with the revenue and WIH. Based on discussions with Management and a review of the information provided, nothing has come to our attention that would lead us to cast doubt on the timely conversion of receivables into cash. Accordingly, we have not allowed in the valuation for large write-off/impairment of receivables outside the ordinary course of the business.

- Cash balance – CIMIC's cash balance of A$1.9 billion as at 31 December 2021 was a substantial decline from the peak reached in June 2020 of A$4.0 billion. The reduction in the cash balance was associated with: a) the repayment of debt, which was drawn down as a security buffer during COVID-19; b) a significant decrease in the factoring balance; and c) cessation of the supply chain finance facility. A large construction contractor like CIMIC usually holds significant cash balance to fund the working capital requirements of the business and the intra-month seasonality. The net debt balance consequently fluctuates materially during the year. The average monthly net debt during FY21 was up to c. A$400 million higher than the net debt at 31 December 2021, albeit the last quarter cash flow performance was supported by advance payments in two large project mobilisations. For the purposes of our valuation assessment, we note the following:

    - In the assessment of the EBITA multiple of the listed peers, we have reflected 100% of their cash balance in the calculation of the enterprise value[19]. All the global listed construction businesses selected in our benchmark have large cash balances to support their operations. However, it is not feasible to estimate for all of them the cash required to run the business.

[16] Corporate Segment or Division includes Pacific Partnerships Pty Ltd ("Pacific Partnerships"), Devine Limited ("Devine"), Leighton Properties Pty Ltd ("Leighton Properties" or "LPPL"), EIC Activities Pty Ltd ("EIC") and the corporate cost functions of the Group.
[17] 8 active PPPs and 1 held for sale (Transmission Gully).
[18] Gorgon LNG Jetty and Marine Structures Project ("Gorgon Jetty").
[19] The cash balance reduces the enterprise value of the peers which reduces the EBITA multiple, all other things being the same.

- CIMIC had A$2.44 billion of undrawn Syndicated Loans facility as at 31 December 2021 which can be drawn down to assist in managing working capital requirements, however this would result in an increase in the annual interest expenses.

- The EBITDA cash conversion[20] of the Group has reduced over the years from over 100% in FY18 to negative cash conversion[21] (after factoring) in FY21. The reduction in the cash conversion was mainly due to the decision of the Group to reduce the use of factoring and for other working capital instruments. However, going forward, with the factoring balance being maintained to the 31 December 2021 level, the supply chain finance facility fully repaid and cancelled, and the strong WIH of the Group, it is not unreasonable to expect, all other things being the same, an improvement in the EBITDA cash conversion. This should assist in managing the cash balance movements.

- The cash balance as at 31 December 2021 includes the amount to be distributed as final dividend of 36c per share amounting to A$112.1 million. However the dividend payment date is 5 July 2022 and by that time, the business will have generated additional NPAT and cash flows.

- Disputes and litigation – CIMIC has a number of contingent liabilities associated with disputes and litigations as at 31 December 2021 (refer to section 2.5.3 for details). Disputes and litigation are to a certain extent part of the cost of doing business for a large contractor like CIMIC and accordingly the risks associated with them would normally be reflected in the EBITA multiple of the listed peers. However, the market has historically demonstrated that it does not have an ability to predict large settlement/losses in conjunction with disputes and litigations. We note that CIMIC's trading price materially reduced after the Group announced the outcome of the disputes for the Gorgon Jetty and West Gate Tunnel. Among the various disputes and litigation exercises, we note that the CCPP Contract matter[22] has a particularly wide range of potential outcomes with the consortium (of which CIMIC has a 42% interest) claiming A$741.7 million (plus additional interest after December 2020 and arbitration costs) whilst JKC has counterclaimed A$2.08 billion (plus interest and costs). The arbitration hearing in respect of the termination of the CCPP Contract is scheduled to begin shortly with a decision currently expected in 2023. Given the wide range of possible outcomes, the potential for a negative result represents a significant risk for CIMIC Shareholders and it could influence the price paid for the business by a pool of potential purchasers.

  Whilst it is not feasible to predict the outcomes of the current disputes and litigation exercises, which are to be determined on their own particular set of facts and circumstances, we note based on the information available as at the date of this Report, the Group has historically incurred losses and impairments significantly larger than its provisions, in respect of the Gorgon Jetty project, notwithstanding that its legal standing was considered strong based on independent legal advice. The reality is that the outcomes of these matters are difficult to predict and the final outcome could be materially worse or better than currently provided for by the Group.

The relevance of the above matters in the valuation of CIMIC are mitigated by the adopted valuation approach. The listed peers selected to determine the EBITA multiple applicable to the valuation of CIMIC are all large and diversified global construction businesses. Accordingly, to a certain extent, they are similarly affected by losses, write-offs, impairments and disputes in the ordinary course of business which

[20] Calculated as EBITDA divided by net operating cash flows. Net operating cash flow includes cash flows from operating activities and changes in short term financial assets and investments before interest, finance costs and taxes.
[21] This indicates that the net operating cash flows are negative.
[22] UGL and its consortium partners (UGL at 42.5%) are in a dispute with JKC in relation to the design, construction, and commissioning of a combined cycle power plant for the Ichthys LNG Project in the Northern Territory ("CCPP Contract").

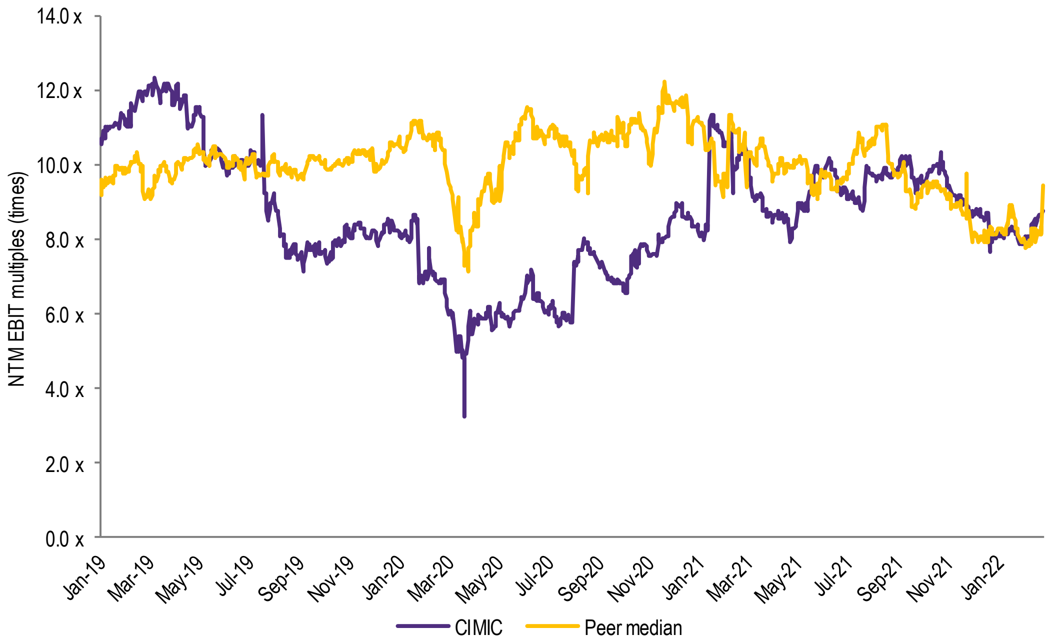
are reflected in their trading multiples. Nonetheless, based on CIMIC's track record and the magnitude of some of the issues discussed above, we have included a provision in our valuation assessment to account for some of the risks and potential cash flows fluctuations that the CIMIC Shareholders may experience. We are of the opinion that this is consistent with the approach that would be taken by a pool of potential purchasers.

Trading price

Whilst the Offer Price is at a significant premium to the trading price before the announcement, CIMIC's trading price was depressed compared with historical levels at the time of the Takeover and was significantly below the price achieved before the outbreak of COVID-19[23]. Accordingly, we are of the opinion that it is important to provide some insights into the share price movements before concluding on the fairness of the Takeover.

The graph below illustrates the rolling EBIT multiples of CIMIC and of listed peers which have followed a similar trend since 1 January 2019. This indicates that the valuation of CIMIC has not de-rated compared with peers and the industry, and the value reduction was caused by the underlying profitability of the business rather than investors changing the EBIT multiple associated with the Group.

CIMIC and listed peers[24] rolling NTM[25] EBIT multiples



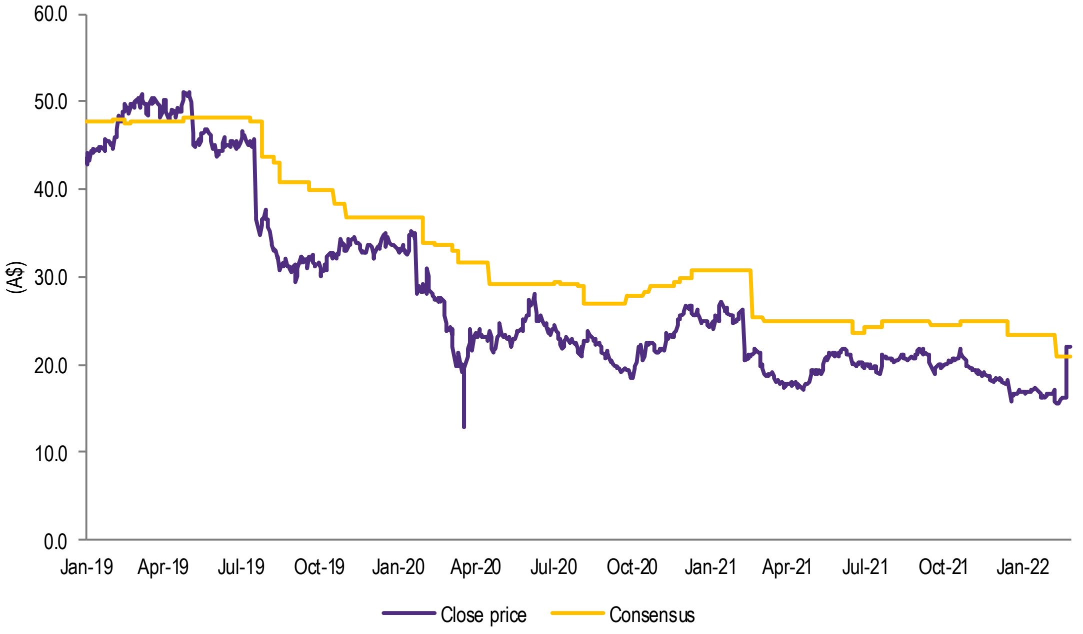
Source: S&P Global; GTCF analysis

Further, as set out in the graph below, the trading price of CIMIC has closely followed the price targets released by the investment analysts which have continued to trend downward as a result of the overall performance of the business. Profitability of the Group has reduced from A$595.6 million[26] in FY19 to

[23] The ASX 200 Index traded above the pre-COVID-19 level during the course of 2021, even if it is contracted from the peak since then.
[24] The selected peer group companies include Skanska AB, Balfour Beatty, HOCHTIEF, Bouygues, Ventia, Service Stream, Downer EDI, Monadelphous, NRW, Perenti Global, and United Tractors.
[25] Next Twelve Months
[26] Underlying and pro-forma adjusted for Thiess as 50% JV.

A$405.4 million in FY21 with underlying NPAT guidance between A$425 million and A$460 million for FY22.

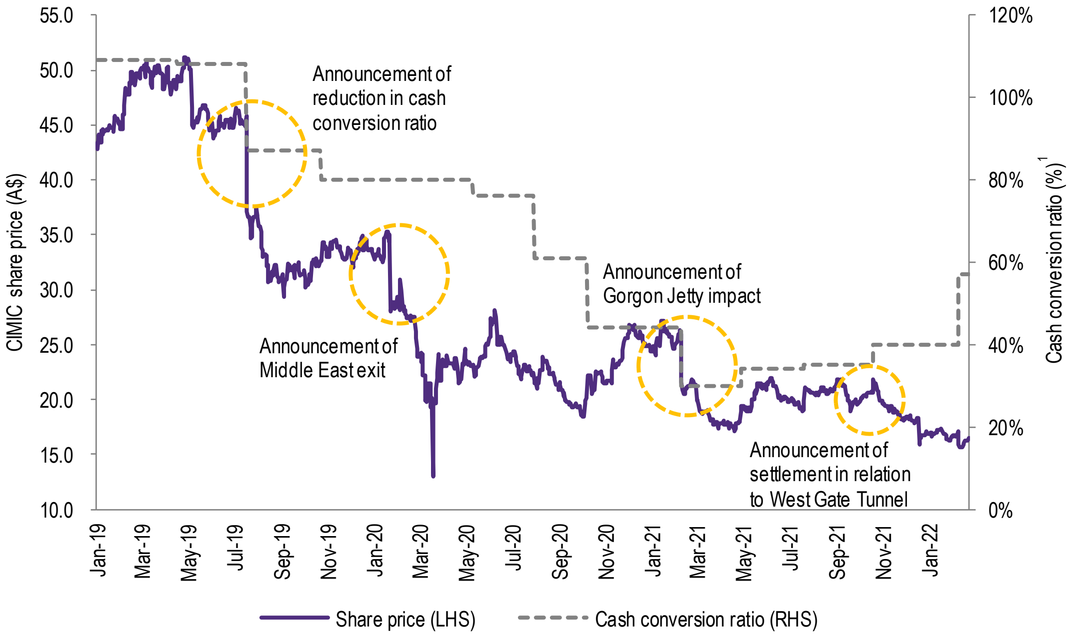
CIMIC trading price and price targets



Source: S&P Global; GTCF analysis

In conjunction with the reduction in NPAT, the trading price has also been impacted by the EBITDA cash conversion of the Group, which is a critical KPI for a contractor, as well as some large one-off impairments and write-offs announced in the last couple of years such as the exit from the Middle-East and the outcome of the Gorgon Jetty arbitration.

Trading price, cash conversion ratio and key announcements



Source: S&P Global, CIMIC quarterly Investor Presentations

Note: (1) Cash Conversion Ratio is the LTM Cash Conversion Ratio as reported in the CIMIC quarterly Investor Presentations, 2019 to 2021

Based on the analysis above, we conclude that in our opinion, the trading price before the announcement of the Takeover was not the subject of short term weakness but reflected a reset of the future underlying performance of the business to a level materially below FY19 and write-offs/impairments on large projects. Some of them, like the West Gate Tunnel, will continue to impact the profitability going forward.

In relation to the premium for control implied in the Takeover Offer, this is in line with the median premium for control of c. 35% paid historically in Australia for successful takeovers, but it is slightly lower than the median premium for control paid for the acquisition of engineering, construction and mining services businesses (refer to Appendix E). This is reasonable considering that HOCHTIEF already controlled 78.58% of the issued capital of CIMIC before the announcement of the Takeover Offer and accordingly it is unlikely that it would be prepared to pay a premium for control at the top end of the range.

The analysis above supports our opinion in relation to the FAIRNESS of the Takeover Offer.

Reasonable assessment

In accordance with ASIC RG111, if a takeover is fair it is also reasonable. Notwithstanding that we have concluded that the Takeover is fair, we have also considered the following likely advantages, disadvantages and other factors associated with the Takeover Offer.

Advantages

Premium for control

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as the ability to realise synergies, access technology, access tax benefits and control the Board of Directors of the Company. The Offer Price of A$22.0 per CIMIC Share represents a premium of:

- 33.4% to the closing share price immediately before the announcement of the Offer;
- 35.4% to the 1-month VWAP[27] up to and including 23 February 2022 before the announcement of the Offer; and
- 30.9% to the 3-month VWAP up to and including 23 February 2022 before the announcement of the Offer.

This premium for control will not be available to CIMIC Shareholders in the absence of the Offer or a superior proposal. As set out in Appendix E, we have observed that the premiums for control for successful takeovers have usually ranged in Australia between 20% and 40% with a median of around 35%. The premium for control implied in the Offer is consistent with the median premium for control paid in Australia. However, Shareholders should take into account that the application of a premium for control is an outcome of value and it is subject to the specific circumstances of the business, the level of shareholding held by the bidder and the potential for competing offers.

HOCHTIEF already owned 78.58% of the issued capital of the Group at the time of lodging the Bidder's

[27] Volume weighted average price.

Statement and it is therefore already able to exert significant influence on the business given it has appointed the Management Team and the Board of Directors comprising of five Directors who are HOCHTIEF's nominees and two Independent Directors. Nonetheless, we are of the opinion that HOCHTIEF will be able to extract additional benefits from acquiring 100% of the CIMIC Shares including the opportunity to realise operating cost savings in certain duplicated functions, cost savings from delisting the Company from the ASX by eliminating all the compliance requirements for a public listed company and unrestricted access to CIMIC's cash balance. The potential holding company discount that may be reflected in HOCHTIEF's trading price as a result of the cascading shareholding between Actividades de Construccion y Servicios, SA ("ACS") which owns 50.4%[28] of HOCHTIEF which controls 85.08% of CIMIC[29], may also be removed.

Share price in the absence of the Offer

If the Offer lapses, it is likely that CIMIC Shares will trade at a price below the Offer Price, at least in the short-term. The liquidity of CIMIC Shares may further reduce which may reduce the ability of the Non-Associated Shareholders to realise their investment in line with fair market value.

Compulsory acquisition

HOCHTIEF has stated in section 6.1 of the Bidder's Statement that, if it acquires 90% or more of CIMIC Shares and becomes entitled to do so under the Corporations Act, it intends to proceed to compulsorily acquire any outstanding CIMIC Shares. There are 2 different methods of compulsory acquisition which may be available to HOCHTIEF. The conditions that need to be satisfied for HOCHTIEF to proceed to compulsory acquisition and the different procedures that apply for each method are described in Section 5.9 of the Target's Statement. Based on statements made by HOCHTIEF in the Bidder's Statement, the consideration to be paid to the remaining CIMIC Shareholders under either of the compulsory acquisition procedures is likely to be the Offer Price. However, it can be expected that the consideration for CIMIC Shares on compulsory acquisition would be paid later than the time of payment if a CIMIC Shareholder had accepted the Offer. As such, if HOCHTIEF becomes entitled to proceed to compulsory acquisition under either method, reaches the 90% compulsory acquisition threshold, remaining CIMIC Shareholders may wish to consider accepting the Offer prior to the end of the offer period in order to expedite receipt of the cash consideration.

Further, if the Offer lapses and HOCHTIEF has not reached the 90% compulsory acquisition threshold, it has the ability to acquire 3% of the issued capital every three six months after the end of the Offer Period (and every six months after that) without making an on-market takeover offer. Under these circumstances, Non-Associated Shareholders may realise a price for their investments below the Offer Price.

Certainty of the cash consideration

CIMIC Shareholders have the opportunity to receive a certain cash amount at a premium to the trading price of CIMIC before the announcement of the Offer, and at a premium to the price that CIMIC Shares may trade in the short term in the absence of the Offer or an alternative transaction. If the Offer is accepted, CIMIC shareholders will no longer be exposed to the ongoing risks associated with holding an investment in CIMIC which are summarised in section 8 of the Target's Statement.

[28] HOCHTIEF Annual Report 2021.
[29] As at 22 March 2022.

No brokerage costs

CIMIC Shareholders will be able to realise their investment in the Group without incurring any brokerage or stamp duty costs.

Disadvantages

Key legacy issues now addressed

The business has recently addressed a number of legacy issues which historically adversely affected the trading price. In the absence of the Takeover, this may assist in reversing the historical downward trend in the trading price, all other things being the same. Specifically, over the last few years, CIMIC has resolved the following price catalyst issues:

- The reduction of the EBITDA cash conversion over the last two years which, in our opinion, materially affected the trading price and was mainly driven by the strategic decision made by the Company to substantially unwind the use of factoring and fully repay the supply finance facility. Management has announced that it intends to preserve the factoring level on or around the balance as at 31 December 2021.

- Some large problematic projects have been resolved with the outcome of the arbitration for the Gorgon Jetty and the agreed revised terms for the West Gate Tunnel now being agreed. Whilst the latter will continue to affect the profitability of the Construction Division until completion of the project, the market is fully aware of the revised terms and they are priced into the trading price.

- The business has addressed some problematic geographies with the exit from the Middle East and the recent stabilisation of the financial performance of Leighton Asia and in particular the operations in Hong Kong, which can now be leveraged off as a platform for growth.

CIMIC Shareholders accepting the Offer will not be able to participate in this potential recovery of the trading price, all other things being the same. However, in our opinion, this potential benefit is more than offset by the fact that at the end of the Offer Period, if HOCHTIEF has not reached a 90% shareholding and it is not able to compulsorily acquire the balance of the CIMIC Shares[30], the liquidity in CIMIC's shares will reduce materially. Accordingly, they may not reflect the fair market value of the underlying business.

Other factors

Share price after the announcement

As set out below, following the announcement of the Offer, the share price of CIMIC has traded substantially in line with the Offer Price which indicates good support from investors, a perceived low risk of the Offer not being accepted and limited expectations for a superior proposal.

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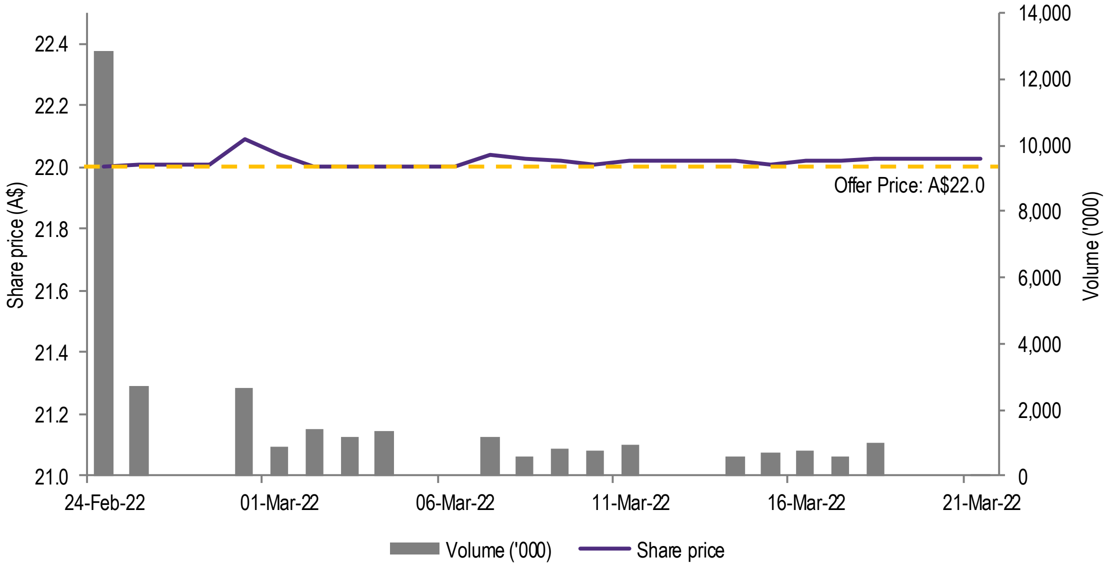
[30] In accordance with the requirements of the Corporations Act.

Trading price and volume after announcement date



Source: S&P Global; GTCF analysis

Further, after the announcement of the Offer, HOCHTIEF has increased its shareholding from 78.58% to 85.08% as at 22 March 2022 which indicates that Non-Associated Shareholders, who have already accepted the Offer, are satisfied with it.

Value of CIMIC for HOCHTIEF

The acquisition will provide an opportunity for HOCHTIEF to fully integrate CIMIC into its operations and rationalise its holding structure. HOCHTIEF is currently trading at a low EBITA multiple relative to the peer group companies based on its CY22 EBITA multiple. This is potentially attributable to its unique ownership arrangements. ACS own approximately 50.4%[31] of HOCHTIEF who in turn owns approximately 85.08% of CIMIC[32]. Rationalisation of the holding structure may result in increased investor appetite and reduce the holding company discount that the market may be currently applying to HOCHTIEF and its parent entity ACS.

Further, CIMIC currently incurs certain overhead costs for being a listed entity including but not limited to audit, directors' fees, insurance, accounting, share registry and stock exchange listing fees. Upon acquisition of 100% of the issued capital of CIMIC and de-listing from ASX, these costs will be rationalised, however they are already included in our valuation assessment.

Limited takeover contestability and prospect of a superior proposal

We note that before the announcement of the Takeover Offer, HOCHTIEF held 78.58% of the issued capital of CIMIC which has now increased to 85.08% as at 22 March 2022. As a result, the takeover contestability of the Group is limited, reducing the likelihood of any alternative transaction emerging.

Tax implications

Acceptance of the Offer may crystallise a capital gains tax liability for CIMIC Shareholders, however the taxation consequences for CIMIC Shareholders will vary according to their individual circumstances and

[31] HOCHTIEF 2021 Annual Report.
[32] As at 22 March 2022.

will be impacted by various factors. CIMIC Shareholders should read the overview of tax implications of the Offer set out in the Target Statement and also seek independent financial and tax advice.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Takeover Offer is **REASONABLE** to CIMIC Shareholders.

Overall conclusion

After considering the above mentioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Takeover Offer is **FAIR AND REASONABLE** to CIMIC Shareholders.

Each CIMIC Shareholder should decide whether or not to accept the Takeover Offer based on their own views of the value of CIMIC and expectations about future market conditions, CIMIC's performance, and their individual risk profile and investment strategy.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section. The decision as to whether or not to accept the Takeover Offer is a matter for each shareholder of CIMIC based on their own views of value of CIMIC and expectations about future market conditions, CIMIC's performance, risk profile and investment strategy. If CIMIC Shareholders are in doubt about the action they should take in relation to the Takeover Offer, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

JANNAYA JAMES
Director

28 March 2022

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by CIMIC to provide general financial product advice in the form of an independent expert's report in relation to the Takeover Offer. This report is included in the Target Statement outlining the Takeover Offer.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the report, Grant Thornton Corporate Finance's client is the Group. Grant Thornton Corporate Finance receives its remuneration from the Group. In respect of the report, Grant Thornton Corporate Finance will receive from CIMIC a fixed fee of A$385,000 plus goods and services tax ("GST"), which is based on commercial rates plus reimbursement of out-of-pocket expenses in relation to the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of CIMIC and HOCHTIEF in order to provide this report. The guidelines for independence in the preparation of an independent expert's report are set out in Regulatory Guide 112 *Independence of experts* issued by the Australian Securities and Investments Commission. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with CIMIC and HOCHTIEF (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Takeover Offer.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Takeover Offer, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Takeover Offer. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report. Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of experts" issued by ASIC.

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority who can be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this Report and FSG. Complaints or questions about the Scheme Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

Contents

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1 Purpose and scope of the report

1.1 Purpose

Section 640 of the Corporations Act requires that a target's statement made in response to a takeover offer for securities in an Australian publicly listed company must be accompanied by an independent expert's report if:

- the bidder's voting power in the target is 30% or more; and
- for a bidder who is, or includes, an individual – the bidder is a director of the target company; or
- for a bidder who is, or includes, a body corporate – a director of the bidder is a director of the target company.

The independent expert's report must state whether, in the opinion of the independent expert, the takeover offer is fair and reasonable to the target company's independent shareholders and provide the reasons for forming that opinion.

Given that HOCHTIEF held c. 78.58% of the issued capital of CIMIC immediately before the announcement of its intention to make a takeover offer[33], there is a legal requirement for the Group to commission an independent expert's report.

1.2 Basis of assessment

The Corporations Act does not define the meaning of "fair and reasonable". In preparing this report, Grant Thornton Corporate Finance has had regard to RG 111 which establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" are in the context of a takeover offer.

As the Takeover Offer is a takeover bid, Regulatory Guide 111 "*Content of expert reports*" requires the following assessment:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject to the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.
- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
  - The offeror's pre-existing entitlement, if any, in the shares of the target company.

[33] Increased voting power of 85.08% as at 22 March 2022.

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- Other significant shareholding blocks in the target company.
- The liquidity of the market in the target company's securities.
- Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
- Any special value of the target company to the offeror, such as particular technology or the potential to write off outstanding loans from the target company.
- The likely market price if the offer is unsuccessful.
- The value to an alternative offeror and likelihood of an alternative offer being made.

Grant Thornton Corporate Finance has determined whether the Takeover Offer is fair to the Non-Associated Shareholders by comparing the fair market value range of CIMIC Shares on a 100% basis with Offer Price of A$22.00 per CIMIC Share.

In considering whether the Takeover Offer is reasonable to the CIMIC Shareholders, we have considered a number of factors, including:

- Whether the Takeover Offer is fair.
- The pre-existing shareholding of the Bidder.
- The implications to CIMIC and CIMIC Shareholders if the Takeover Offer lapses.
- Other likely advantages and disadvantages associated with the Takeover Offer as required by RG111.
- Other costs and risks associated with the Takeover Offer that could potentially affect the CIMIC Shareholders.

1.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Takeover Offer with reference to the RG112.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the Takeover Offer other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of these fees is in no way contingent upon the success or failure of the Takeover Offer.

1.4 Consent and other matters

Our report is to be read in conjunction with the Target's Statement dated on or around 28 March 2022 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Takeover Offer. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Target's Statement.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Takeover Offer on the Non-Associated Shareholders as a whole. We have not considered the potential impact of the Takeover Offer on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Takeover Offer on individual shareholders.

The decision of whether or not to accept the Takeover Offer is a matter for each CIMIC Shareholder based on their own views of the value of CIMIC, expectations about future market conditions, CIMIC's performance, their individual risk profile and investment strategy. If Non-Associated Shareholders are in doubt about the action they should take in relation to the Takeover Offer, they should seek their own professional advice.

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2 Profile of CIMIC

2.1 CIMIC history

CIMIC is a leading engineering, construction and services group working across a broad spectrum of assets, predominately focused on civil, infrastructure and resources projects. Australia, New Zealand, Hong Kong and Singapore represent the key strategic markets, however the Group is also active in other regions in Asia, the near Pacific, Southern Africa and the Americas.

HOCHTIEF is currently the major shareholder of CIMIC with an interest of 85.08% in the issued capital as at 22 March 2022. HOCHTIEF is listed on the Deutsche Börse and it has a market capitalisation of c. EUR4.2 billion[34]. The largest shareholder of HOCHTIEF is ACS, a company listed on the Madrid Stock Exchange, with a market capitalisation of c. EUR7.2 billion[35]. ACS currently holds a 50.4%[36] interest in HOCHTIEF.

The Group commenced its activity more than 120 years ago with railway rolling stock production in 1899 and it has since developed and evolved into one of the largest civil construction and services businesses in Australia and globally. We have set out below a brief corporate history focussed on the key corporate transactions occurred since 2000.

Year	Comments/events
2000	HOCHTIEF acquires a controlling interest in Leighton Holdings Limited (renamed CIMIC in 2015) of 50.3%.
2007	Leighton Holdings Limited ("Leighton Holdings") acquires a 45% interest in Al Habtoor Engineering Enterprises, and later renamed it BICC Contracting LLC.
2011	ACS voting power in HOCHTIEF increases to above 50% effectively providing ACS with control over CIMIC.
2013	Leighton Holdings sells a 70% interest in its telecommunication assets to Ontario Teachers' Pension Plan.
2014	HOCHTIEF launches proportional takeover which resulted in an increase of its ownership of Leighton Holdings from 58.8% to 69.62%. Leighton Holdings's operating model is streamlined to establish dedicated businesses focused on construction, mining services, PPPs and engineering. Leighton Holdings and funds managed by affiliates of Apollo Global Management LLC ("Apollo") agree to form a 50:50 services partnership comprising the merged operations and maintenance services businesses of Thiess Services and Leighton Contractors Services called Ventia.
2015	Leighton Holdings changes its name to CIMIC Group Limited and undertakes internal restructure. CIMIC completes sale of John Holland Group to CCCC International Holdings.
2016	CIMIC acquires Sedgman and UGL in two separate transactions by way of public market takeovers.
2019	Ventia announces the acquisition of Broadspectrum.
2020	CIMIC announces completion of BICC Contracting LLC's strategic review and intention to exit the Middle East. Ventia completes the acquisition of Broadspectrum. CIMIC announces and completes the sale of a 50% interest in Thiess to funds managed by Elliott.
2021	CIMIC announces that it has entered into an agreement with SALD Investment LLC for the sale of CIMIC's 45% investment in BICC Contracting LLC in the Middle East for nominal consideration. The IPO of Ventia is completed.

[34] On or around the date of this Report.
[35] IBID.
[36] HOCHTIEF Annual Report, 2021.

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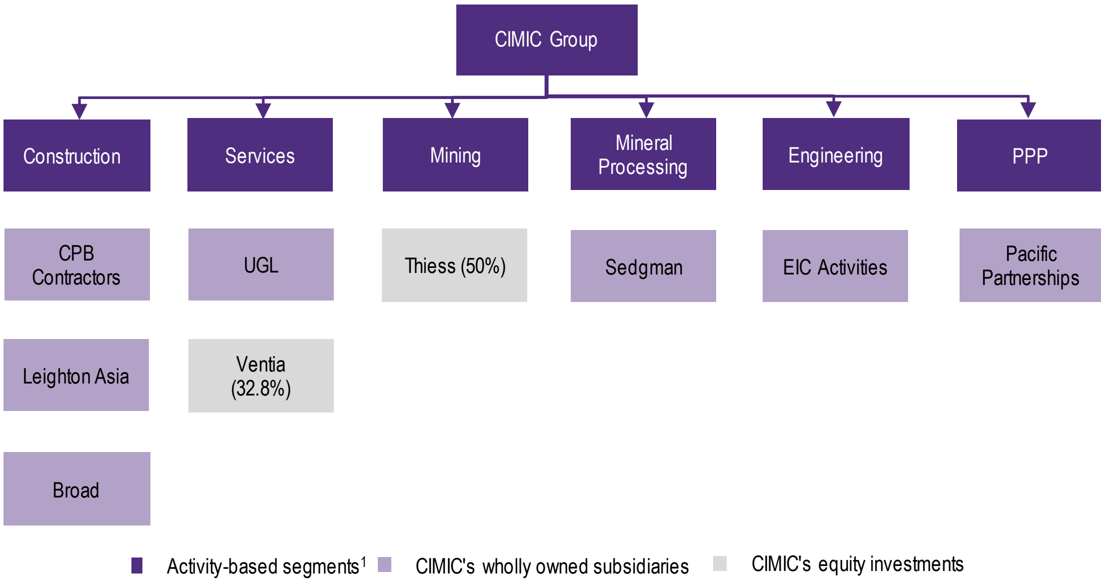
2.2 Group structure

CIMIC is listed on the ASX and operates as a holding company for a number of operating subsidiaries and investments. CIMIC services and manages its operations via centralised systems and processes which allow it to leverage its scale by centrally aggregating contract performance data from each of its operating businesses which improve tendering accuracy and streamline financial performance. The Group is structured via activity focussed businesses as outlined in the illustration below.

Simplified Group Structure



Source: CIMIC annual report; CIMIC Management
Note: (1) We have classified the segments based on their activities in the market. We note this is different from CIMIC's divisions for financial reporting purposes.

- *Construction (CPB Contractors, Leighton Asia and Broad)* – CPB Contractors is a market leading international construction contractor focussed on project development, construction and services in the civil engineering and infrastructure sectors across a multitude of different projects such as roads, rail, tunnelling, defence and social infrastructure. Leighton Asia builds high profile and complex infrastructure projects in Asia and is mainly focussed on the Hong Kong, South East Asia and Indian markets. Broad is a subsidiary of CPB Contractors. It is a managing contractor delivering new build, fit-out and refurbishment construction projects across Australia, however it predominately operates in Queensland.

- *Services (UGL and 32.8% interest in Ventia)* – UGL is a service provider for critical infrastructure in the utilities, resource, transport, defence and social infrastructure sectors. Ventia is one of the largest essential infrastructure service providers in Australia and New Zealand with primary capabilities in roads, telecommunications and utilities services. Ventia listed on the ASX in November 2021 and CIMIC currently holds a 32.8% interest. Ventia is equity accounted for financial reporting purposes.

- *Mining (50% interest in Thiess)* – Thiess is one of the largest contract mining businesses in the world and generates the majority of its revenues from operations in Australia and Indonesia across the full value chain of mining activities (excluding exploration). As at the date of this Report, CIMIC holds a 50% interest in Thiess which is equity accounted for financial reporting purposes.

- *Mineral Processing (Sedgman)* – Sedgman is a mineral processing business focussed on the design and operations of processing plants and associated mine site infrastructure in diverse and remote locations in Australia and around the world.

- *Engineering (EIC Activities)* – EIC Activities is mainly internally focussed and it assists with complex engineering projects across the various operating businesses.

- *PPP (Pacific Partnerships)* – Pacific Partnerships develops, invests in and manages social and economic infrastructure concession assets, including the design, construction, operations and maintenance of key infrastructure under PPP and build own operate transfer ("BOOT") structures. It currently holds an interest in eight PPP concessions plus one concession held for sale.

In addition to the above, CIMIC owns Devine and Leighton Properties which are relatively small businesses focussed on property developments and a number of other smaller listed and unlisted investments. An overview of the operating subsidiaries and key investments is set out in section 3 of this Report.

Over the last two years, CIMIC has undertaken a strategic refocussing of its operations in its core markets of Australia, New Zealand, Hong Kong and Singapore and a restructuring of the Group encompassing the following transactions:

- *Exit from Middle East* – In 2007, Leighton Holdings acquired a 45% interest in Al Habtoor Engineering Enterprises, later on renamed BIC Contracting LLC ("BICC"), a diversified international building and infrastructure contractor operating in the Middle East. On 23 January 2020 the Group announced that it had completed an extensive strategic review of its 45% financial investment in BICC and it had decided to exit the region. This resulted in a one-off post tax impact from provisioning and asset impairments of A$1.8 billion. On 15 February 2021, CIMIC announced it had signed a share purchase agreement with SALD Investment LLC ("SALD") for the sale of CIMIC's 45% investment in BICC for a nominal consideration. Completion of this transaction is still pending and subject to the satisfaction of certain conditions precedent and obtaining all necessary approvals. However, CIMIC transferred all beneficial rights, economic entitlements, obligations and risks, as well as management of the business to SALD effective from 15 February 2021. While CIMIC has agreed with the purchaser to contribute a certain amount of funds into BICC, the transaction does not increase CIMIC's announced financial exposure to BICC of A$1.8 billion post tax.

- *Thiess* – The sale of a 50% interest in Thiess to funds managed by Elliott completed in December 2020 which valued 100% of Thiess' enterprise value at c. A$4.3 billion.

- *Ventia* – The initial public offering ("IPO") of Ventia on the ASX in November 2021 which valued Ventia's equity at approximately A$1.45 billion[37]. In conjunction with the IPO, CIMIC's interest reduced from c. 47.1% to c. 32.8%.

2.3 Business model

CIMIC's diverse capability and breadth of operations provides the business with the ability to offer its clients integrated whole-of-project solutions across infrastructure and mining projects. Several large projects are secured as a result of the combined participation in the tender of several businesses within the Group, with CPB Contractors, UGL and Pacific Partnerships often part of the same consortium/bidding

[37] Market capitalisation based on the total number of shares on issue at completion of the IPO and the IPO price of A$1.70 per share.

vehicle. The ultimate customers benefit from the opportunity to deal with one service provider from feasibility, design, planning and investment; to manufacturing and construction (including financing solutions); to operations, maintenance, upgrades and asset management; to rehabilitation and decommissioning. This structure and one-stop shop service offerings assist the Group to win and renew contracts.

The risk management policies and framework are critical for a construction and services contractor like CIMIC to ensure there is the required oversight and guidelines in place before tendering for new projects and in the delivery of the existing projects. For the tendering phase, CIMIC's risk management governs activities involved with pursuing a prospect, preparing an offer, submitting a tender and executing a contract. The delivery phase of the framework governs activities post execution, such as establishing a risk management plan, provision of monthly updates and reporting and refining overall risk and opportunity analysis.

From a risk sharing perspective, historically, most of CIMIC's projects were delivered via a lump-sum or fixed price contract with the Group taking on substantial risks for delays and unforeseen circumstances during the delivery of the project. While this contract structure remains an important element of CIMIC's business, a substantial portion of activity is now delivered through alternative contractual forms such as construct only work, cost reimbursable work, carrying out project management, entering into Alliance contracts and participating in BOOT or PPP infrastructure schemes. Alliance contracts represented c. 35% of the Construction Division WIH in December 2021 up from c. 15% in December 2018. The reduction in the risks taken on by the Group associated with the Alliance contracts has also coincided with a decrease in the profit margin as a result of a shift in the risk/reward equation with the clients.

2.4 Financial performance

From a financial reporting perspective, CIMIC' segment split adopted in FY20 (pro-forma) and FY21 after the sale of the 50% interest in Thiess is based on the following:

- Construction Division/Segment – CPB Contractors, Leighton Asia and Broad.
- Services Division/Segment – UGL and Sedgman.
- Corporate Division/Segment – Pacific Partnerships, EIC, Devine, Leighton Properties and the corporate overhead cost functions.

In relation to the investments, the Group adopts the following accounting policies:

- Investments in joint ventures and in associates ("JV&As") in which the Group has joint control or significant influence[38] are equity accounted. This includes the 50% interest in Thiess (joint venture) and the 32.8% interest in Ventia (associate).
- Other investments over which CIMIC does not have the ability to significantly influence the operations are fair valued with changes reported through to the profit and loss.
- The Group has a number of joint operations for which its share of the financial performance is consolidated into the financial accounts.

[38] Significant influence is presumed to exist when the Group owns between 20% and 50% of the voting power of another entity.

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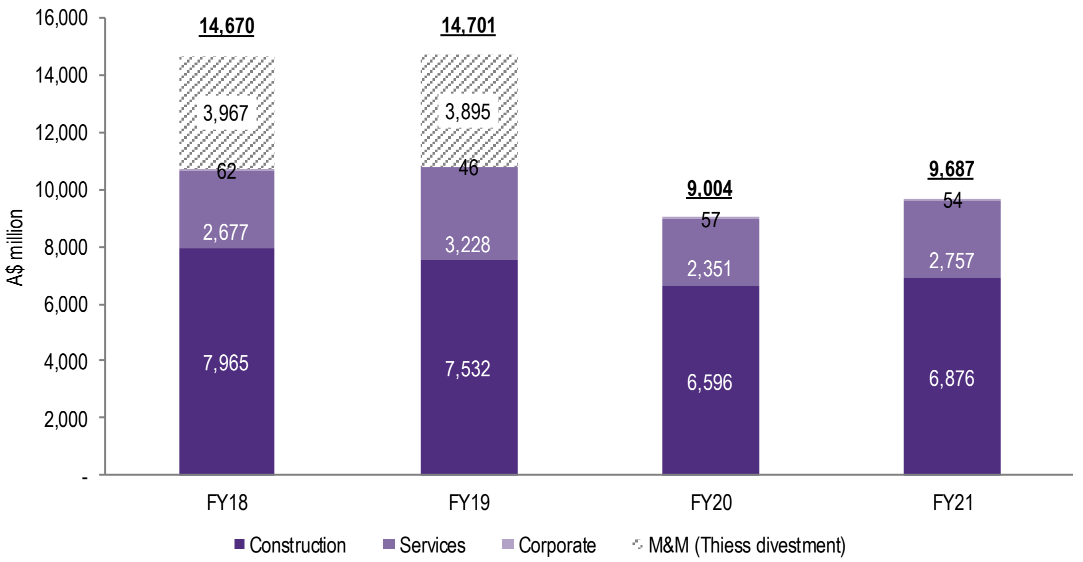
2.4.1 Historical underlying performance

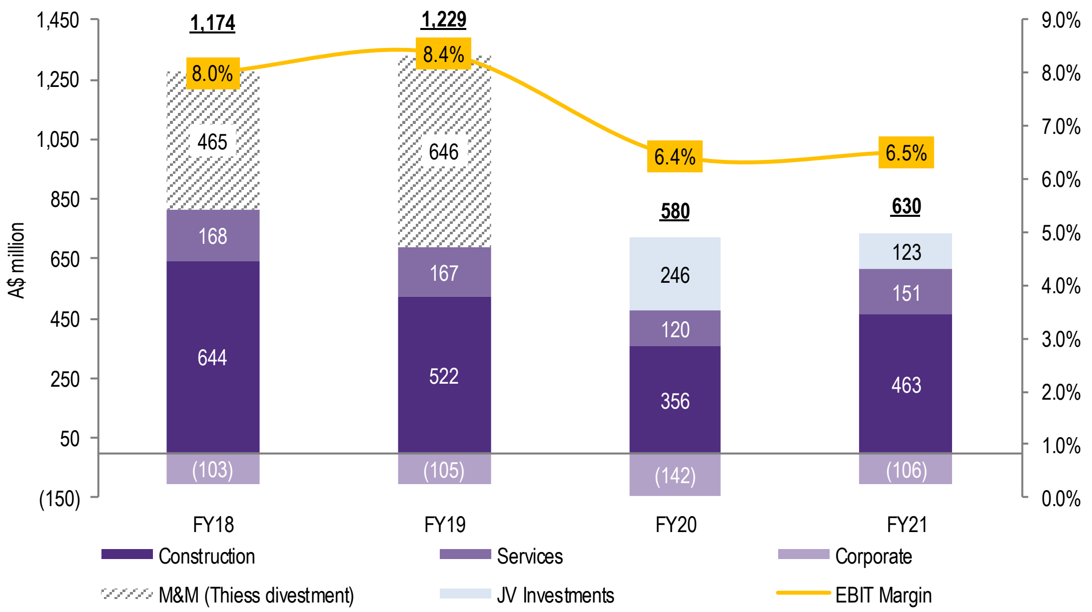
A breakdown of the underlying financial performance of the Group is set out in the graph below. Refer to Appendix D for the statutory profit and loss.

Historical Revenue of the Group broken down by Division



Sources: CIMIC financial statements, GTCF analysis
Note: In FY18 the Mining and Mineral Processing ("M&M") segment included Thiess and Sedgman. In FY19, FY20 (pro-forma comparative) and FY21, the Sedgman financial performance has been included in the Services Division while the Thiess 50% interest has been accounted for separately among other share of profit from JV and associates.

Historical underlying EBIT by division and EBIT% of the Group



Sources: CIMIC financial statements, GTCF analysis
Notes: (1) In FY18 the Mining and Mineral Processing segment included the Thiess and Sedgman financial performance. In FY19, FY20 (pro-forma restated) and FY21, the Sedgman financial performance has been included in the Services Division while the Thiess 50% interest has been accounted for separately among share of profit from JV Investments; (2) EBIT margins from FY19 have been computed excluding the share of profit from JV Investments; (3) In FY18 and FY19, the Corporate division also included the share of profit from Ventia financial performance, which from FY20 has been included in JV Investments with Thiess share of profit.

FY18 financial year overview

The Group delivered strong financial performance with the earnings at the top-end of the guidance provided to the market with robust cash conversion supported by favourable market conditions in the mining sector. The Mining Division[39] PBT was c. 27% higher than the previous corresponding period ("pcp") driven by growth in mine production activity and new contracts. The performance of the Construction Division was supported by large scale infrastructure projects at the revenue line but the PBT was substantially flat. Allegations about an ongoing inquiry in Hong Kong involving Leighton Asia's work in the platforms at Hung Hom station started to emerge which affected the performance of the operations in the Asian region (refer to section 4.1.2 for details).

Key wins for the year included:

- Sydney Metro Line Wide Works (A$1.4 billion) CPB Contractors and UGL – Design, construction and commissioning of 15 km of rail related infrastructure.

- Westconnex Rozelle Interchange (A$3.9 billion) CPB Contractors (50% share for CPB) – Design and construction of an underground motorway junction and upgrading of roads in Sydney.

- Parramatta Light Rail Stage 1 (A$840 million) CPB Contractors (50% share for CPB) – Design and construction of 12 km of two-way railway tracks and related transport interchanges in Sydney.

- Melbourne Metro Tunnel (A$1 billion) CPB Contractors (A$400 million for CPB) – Design and construction of new rail infrastructure and delivery of track enhancements.

FY19 financial year overview

Outside the post-tax provisions and impairment charges for BICC discussed in section 3.2 above, CIMIC delivered strong results in the Mining Division with PBT up by c. 40%, however the Construction Division EBIT declined materially from A$644 million in FY18 to A$522 million in FY19 due to the slowdown in the Asia market (Hong Kong in particular) and lower margins in Alliance contracts in Australia which accounted for c.25% of the Construction Division WIH. As a result of the large BICC impairment, CIMIC decided not to pay a final dividend in FY19.

The Group was awarded A$18 billion of new work with the key wins for the year summarised below:

- Cross River Rail Tunnel Stations and Development ("TSD") (A$2.73 billion) Pacific Partnerships, CPB Contractors and UGL – Design, construct and finance the tunnelling works and the new underground stations of the Cross River Rail by 2024 and provide maintenance services over 24 years in Brisbane.

- Regional Rail (A$725 million) Pacific Partnerships, CPB Contractors and UGL – Design, construct and commission a new maintenance facility at Dubbo and maintain a fleet of 117 rail cars and the facility over an initial period of 15 years in NSW.

- Jwaneng Cut 9 Diamond Mine (A$1.7 billion) Thiess – Nine year extension to provide full scope mining services until 2028 in Botswana.

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[39] Before the sale of the 50% interest in Thiess, Thiess and Sedgman formed the Mining and mineral processing division ("Mining Division"). Once Thiess was de-consolidated from the accounts, Sedgman was included in the Services Division with UGL.

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- Cross River Rail Integration and Systems Package (“RIS”) (A$900 million) CPB Contractors and UGL – Design, supply and install supporting rail systems and brownfield work up to 2024 in Brisbane.

- Curragh Contract Extension (A$1.3 billion) Thiess – Contract extension to provide mining services and equipment maintenance until 2025 in Queensland.

FY20 financial year overview

The Group completed the sale of the 50% interest in Thiess on 31 December 2020. Thiess was included in discontinued operations for the year and was equity accounted in the following financial years. Accordingly the segment reporting was amended to include Sedgman in the Services Division together with UGL. With the divestment of the 50% stake in Thiess, management provided pro-forma normalised NPAT of A$371.5 million for the Group in FY20 which represented a new profitability benchmark moving forward with 50% of Thiess equity accounted.

The financial performance was affected by the outbreak of COVID-19 which impacted new projects awarded (A$7.4 billion) and activity for the Construction Division. Key wins for the year included:

- Lake Vermont contract extension (A$2.5 billion) Thiess – Contract extension to provide full-service mining operations until 2027 in Queensland.

- Field Optimisation Contract (A$570 million) Ventia (value is total amount to Ventia) – Contract with Telstra to deliver national field optimisation services until 2024.

- Oil and Gas Maintenance (A$450 million) UGL – Contracts to provide maintenance, turnarounds and project services in the oil and gas sector in WA and VIC.

FY21 financial year overview

CIMIC delivered underlying NPAT of A$405 million in FY21, which was toward the low-end of the guidance range provided to the market of between A$400-A$430 million. The performance of Thiess (equity accounted) was below expectations due to weather events that affected the east coast of Australia and Indonesia, lockdowns associated with COVID-19, amortisation of intangible assets[40] and an increase in net finance costs due to Thiess’ standalone capital structure. The Group benefited from a significant increase in new projects (A$20.4 billion) which included some catch-up from FY20. Key wins for the year included:

- Country Regional Network (A$1.5 billion) UGL – 10-year operation and maintenance contract for 2,300km of rail infrastructure of the Country Regional Network in regional NSW.

- Sydney Metro Western Sydney Airport (A$1.35 billion) CPB Contractors – Delivery of the Sydney Metro – Western Sydney Airport Station Boxes and Tunnelling Works design and construction contract. The contract includes 9.8km of twin tunnels and excavations for stations. Tunnelling is expected to begin in 2023.

- North East Link (A$3.8 billion) CPB Contractors, Pacific Partnerships and Ventia – Selected to deliver the North East Link Primary Package PPP in Melbourne, VIC. Revenue is expected to be A$3.8 billion

[40] Based on the structure of the Thiess Transaction, Thiess undertook a purchase price allocation which resulted in amortisation of intangible assets of A$19.4 million at CIMIC 50% share for the year ending 31 December 2021. Refer to section 3.4.1 for details.

(based on Ventia previous ownership of 47.1%) across the construction and operations phase (with operations running to 2053).

- M6 Motorway (A$1.95 billion) CPB Contractors and UGL – Design and construction of the A$2.5 billion M6 Stage 1 motorway in Sydney, NSW, which will generate revenue of approximately A$1.95 billion to CIMIC. Work commences in 2022 and is scheduled to be completed in 2025.

2022 Outlook

Management provided NPAT guidance for FY22 in the range of A$425 – A$460 million (subject to market conditions) driven by current WIH and strong market conditions in the infrastructure and services sectors.

In the last couple of years, the Group seems to have stabilised its operations and addressed some legacy issues and accordingly FY22 should represent a solid base and platform to grow the business. The contribution from the equity accounted investments should improve in FY22 considering the problem faced by Thiess in FY21 and the one-off costs in conjunction with the IPO that adversely affected the performance of Ventia.

2.4.2 Reconciliation between underlying and statutory NPAT

We have set out in the table below a reconciliation between the statutory and the underlying NPAT.

Reconciliation of Underlying NPAT A$ million	FY19 Audited	FY20 Audited	FY21 Audited
Reported NPAT	**(1,039.9)**	**620.1**	**402.1**
Sell down of Ventia	-	-	(42.2)
Other one offs net of provision	-	-	45.5
Divestment of Thiess	-	(1,438.2)	-
Gorgon	-	805.3	-
BICC impairment	1,840.2	-	-
Other items	-	613.3	-
Total non-recurring items	1,840.2	(19.6)	3.3
Underlying NPAT	**800.3**	**600.5**	**405.4**

Source: CIMIC annual reports; GTCF analysis

- FY19 – The one-off post-tax provision and impairment charge of A$1.8 billion for BICC included shareholder loans owed to CIMIC by BIC Contracting, the fair value of the call option to purchase the remaining 55% of BICC and debt which was guaranteed by CIMIC.

- FY20 – The Group realised a A$1.4 billion post-tax gain on sale of 50% stake in Thiess, partly offset by the Gorgon Jetty write-down of A$0.8 billion post-tax. Other items included, post-tax, project provisions for A$126 million, project settlements of A$182 million, COVID-19 productivity and restructuring costs of A$189 million, and property and marine vessel impairments of A$116 million.

- FY21 – The A$42.2 million post-tax gain from the sell down of Ventia shares in conjunction with the IPO was substantially offset by the A$45.5 million (net of provision) in relation to other one offs net of provision. Additionally, post 50% disposal of Thiess on 31 December 2020, we note the FY21 CIMIC Group NPAT only accounts for Thiess as a 50% Joint Venture, whereas in FY20 and FY19 100% of the Thiess result was included in the CIMIC Group NPAT.

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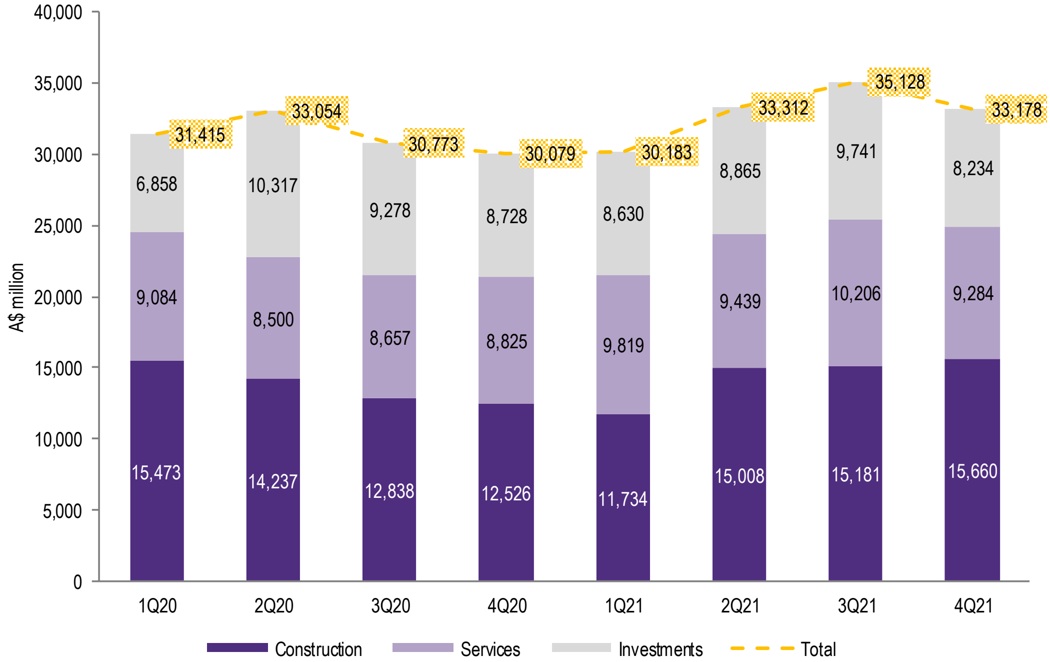
2.4.3 Work in hand and pipeline

We have set out below a summary of the historical WIH of the business since 1Q20 which reflects Thiess at 50%.

Historical WIH with breakdown by Segment[41]



Source: CIMIC

In relation to the table above, we note the following:

- The work awarded in FY20 was materially lower than the historical average due to delays associated with COVID-19 which caused the WIH at the end of FY20 and the beginning of FY21 to be below historical levels. However, this was offset by new work in FY21 which was well ahead of FY18 and FY19.

- The WIH of the Construction Division is now substantially in line with pre-COVID-19 levels where the quarterly average between 1Q19 and 4Q19 was c. A$15 billion. This is a strong indicator of future performance of the business, in particular in Australia, but it also indicates a recovery trend for Leighton Asia. The WIH of the Construction Division as at 31 December 2021 excludes A$1.4 billion in relation to the CIMIC's share of the West Gate Tunnel variation.

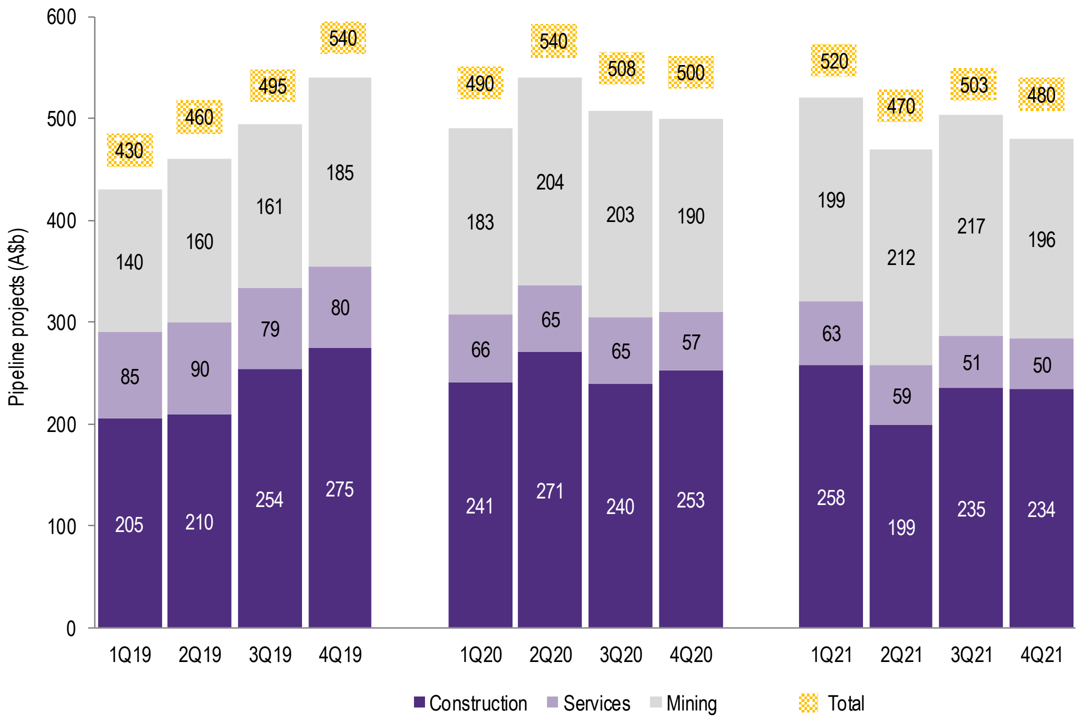
- The significant increase in the WIH of the Investments in the second quarter of 2020 was due to the acquisition of Broadspectrum by Ventia.

- Approximately 70% of WIH is attributable to government and PPP clients, an outcome of the Group successfully pivoting toward the current infrastructure focussed market cycle. In excess of 90% of the work in hand is in relation to the Group's domestic operations.

[41] Investments WIH includes CIMIC's share of investments at their ownership % including Thiess at 50% and Ventia at 47% prior to November 2021 and Ventia at 32.8% post November 2021. 4Q21 WIH excludes the variation for the West Gate Tunnel of A$1.4 billion for CIMIC's share as it is subject to final detailed legal documentation.

Similarly, the pipeline of future opportunities is strong and it has ranged between A$450 billion and A$480 billion over the last three quarters with A$115 billion of PPP opportunities currently on the agenda. The historical pipeline broken down by segments is set out in the graph below.

Breakdown of future pipeline by segment over the last three years



Source: CIMIC

2.5 Balance Sheet

The audited statements of the financial position of CIMIC as at 31 December 2019, 31 December 2020 and 31 December 2021 are set out in the table below.

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Consolidated statements of financial position as at A$ million	31-Dec-19 Audited	31-Dec-20 Audited	31-Dec-21 Audited
Assets			
Cash and cash equivalents	1,750	3,083	1,940
Short term financial assets and investments	5	5	5
Trade and other receivables	3,554	1,930	2,308
Current tax assets	-	1	127
Inventories: consumables and development properties	400	185	232
Asset held for sale	-	-	44
Total current assets	**5,709**	**5,203**	**4,656**
Trade and other receivables	130	90	124
Inventories: development properties	115	85	81
Investments accounted for using equity method	251	1,378	1,701
Other investments	112	57	84
Deferred tax assets	1,025	758	609
Property plant and equipment	2,279	814	640
Intangibles	1,104	912	915
Total non-current assets	**5,017**	**4,094**	**4,153**
Total assets	**10,726**	**9,297**	**8,808**
Liabilities			
Trade and other payables	6,025	4,570	4,344
Current tax liabilities	60	17	64
Provisions	327	218	249
Financial liability	1,483	151	69
Interest bearing liabilities	164	210	276
Lease liabilities	278	70	70
Total current liabilities	**8,338**	**5,236**	**5,072**
Trade and other payables	201	195	254
Provisions	61	43	30
Interest bearing liabilities	759	2,687	2,166
Lease liabilities	624	245	207
Deferred tax liabilities	21	-	-
Total non-current liabilities	**1,665**	**3,170**	**2,658**
Total liabilities	**10,003**	**8,405**	**7,729**
Net assets	**723**	**892**	**1,079**

Source: CIMIC financial statements, GTCF analysis

We note the following in relation to the consolidated statement of financial position as at 31 December 2021:

- The reduction in the cash balance was driven by the repayment of debt drawn down as a security buffer during COVID-19, a significant reduction in the factoring balance and full repayment of the supply finance facility. The Group also made dividend distributions totalling A$317.5 million in FY21.

- Asset held for sale relates to the Group’s 15% interest in the Transmission Gully PPP in NZ where the terms of the deal have been agreed subject to completion. This balance sheet item also includes the sale of the 45% interest in BICC with completion subject to the fulfilment of certain conditions precedent. The carrying value of this investment is A$nil.

- Investments accounted for using the equity method includes investments in Associates (A$256.2 million), with the most significant ones being the 32.8% interest in Ventia and investments in joint ventures (A$1,444.3 million), including Thiess' 50% interest (A$1,243.3 million). Other investments includes the fair value of other listed and unlisted investments.

- Deferred tax assets include tax losses of A$232.3 million of which A$121.2 million was carried forward capital losses and A$66.5 million related to carried forward tax losses in overseas jurisdictions.

- Property plant and equipment mainly includes plant and equipment of A$406.6 million and right of use of land and buildings for A$191.6 million. The reduction in the PPE as at 31 December 2021 compared with pcp was mainly driven by reduced capital expenditure by both CPB Contractors and UGL. Specifically, CPB Contractors procured tunnel boring machines in FY20 for work in FY21. This was also reflected in higher depreciation charges in FY21.

- Intangibles mainly comprise of goodwill for A$851.3 million which is split substantially equally between the Construction and Services Divisions. The assessment of the recoverable amounts have been undertaken by the Group based on the value in use calculations and adopting a discount rate of 11% for the Construction Division and 7% for the Services Division.

- Trade and other payables (discussed in the section below) includes a liability of A$13 million which is in relation to the fair market value of the option for Elliott to sell all or part of its 50% interest in Thiess to CIMIC after the third anniversary, being between four and six years from completion on 31 December 2020. The Elliott Put Option is accounted for as a derivative financial instrument in accordance with AASB 9 and is therefore held at fair value through profit and loss in the financial statements of CIMIC.

- Provisions include an estimate of the costs yet to be incurred to fully exit BICC.

- Non-controlling interests ("NCI") refers to the minority interests in Devine, which was wholly acquired in the year, and with respect to two UGL joint ventures with minority interests which are consolidated in the financial statements.

2.5.1 Working capital

We have set out in the table below the historical net working capital of the business.

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Historical working capital[1]						
A$ million	Jun-19	Dec-19	Jun-20	Dec-20	Jun-21	Dec-21
Total contract debtors	2,759	2,608	3,196	1,322	1,452	1,642
Amount due to customers	(1,318)	(1,322)	(1,670)	(1,617)	(1,624)	(1,975)
Net contract debtors	**1,440**	**1,286**	**1,526**	**(295)**	**(172)**	**(334)**
Trade and other receivables	1,187	893	802	608	672	667
Current tax assets	-	-	15	1	1	127
Trading inventory	396	366	394	171	182	204
Asset held for dale	-	-	-	-	-	44
Working capital assets	**3,024**	**2,544**	**2,738**	**485**	**683**	**708**
Trade and other payables	(4,729)	(4,702)	(3,925)	(2,953)	(2,511)	(2,369)
Current tax liabilities	(12)	(60)	(39)	(17)	(20)	(64)
Provisions - current	(337)	(327)	(321)	(218)	(236)	(249)
Working capital liabilities	(5,077)	(5,089)	(4,284)	(3,188)	(2,767)	(2,682)
Operating working capital	**(2,054)**	**(2,545)**	**(1,546)**	**(2,703)**	**(2,084)**	**(1,974)**

Source: CIMIC annual and half-year filings
Note: (1) June 2019, December 2019, and June 2020 include Thiess balances since Thiess was a 100% subsidiary of the CIMIC Group up until the finalisation of the Thiess Transaction which occurred on the 31 December 2020. Onwards from December 2020, Thiess was deconsolidated and accounted for a 50% equity accounted investment on the balance sheet.

Net contract debtors reduced from A$1.4 billion as at 30 June 2019 to c. negative A$0.3 billion as at 31 December 2021. This was mainly due to the sale of 50% of Thiess which led to a deconsolidation of Thiess' contract debtors and the Gorgon Jetty resolution which resulted in a revenue reversal of A$(1,150.4) million which also reduced the net debtors balance by the same amount.

The negative working capital balance is driven by upfront payments for construction projects which are standard practice in the industry. A growing market, such as the current one, allows the business to sustain large negative working capital balances. Further, CIMIC can benefit from time to time from large upfront payments received on fixed price design and construct projects such as the North East Link and M6 projects. However fixed D&C style of projects are becoming less common in the industry so the working capital balance may vary over-time.

2.5.2 Net debt

We have set out in the table below the historical net debt position of the Group.

Historical net debt[1]						
A$ million	Jun-19	Dec-19	Jun-20	Dec-20	Jun-21	Dec-21
Cash	2,002.7	1,750.0	3,988.7	3,082.5	3,155.2	1,939.7
Short term financial assets and investments	63.2	4.5	4.1	4.5	4.5	4.5
Cash and cash equivalent liquid assets	**2,065.9**	**1,754.5**	**3,992.8**	**3,087.0**	**3,159.7**	**1,944.2**
Current debt	47.0	164.3	264.3	210.0	36.7	275.7
Non current debt	650.8	758.6	5,026.8	2,686.6	3,395.2	2,166.4
Total debt	**697.8**	**922.9**	**5,291.1**	**2,896.6**	**3,431.9**	**2,442.1**
Current lease liabilities	275.1	277.8	274.9	69.7	69.1	70.1
Non current lease liabilities	599.1	624.3	534.7	245.1	220.9	207.1
Total lease liabilities	**874.2**	**902.1**	**809.6**	**314.8**	**290.0**	**277.2**
Net debt	**(493.9)**	**70.5**	**2,107.9**	**124.4**	**562.2**	**775.1**

Source: CIMIC annual and half-year filings; GTCF analysis

Note: (1) June 2019, December 2019, and June 2020 include Thiess balances since Thiess was a 100% subsidiary of the CIMIC Group up until the finalisation of the Thiess Transaction which occurred on the 31 December 2020. Onwards from December 2020, Thiess was deconsolidated and accounted for a 50% equity accounted investment on the balance sheet.

As at 31 December 2021, net debt included the following:

- Syndicated Loans – The total carrying amount was A$1.13 billion with A$2.44 billion of undrawn facilities.
- Guaranteed Senior Notes – 10 year fixed rate guaranteed senior notes with a carrying value of US$201.3 million or A$275.7 million. The notes were issued in November 2012 and expire in November 2022. They bear a fixed interest rate of 5.95% per annum.
- Euro Medium Term Notes – 8 year fixed rate corporate bonds in the Euro Medium Term Note market. The notes bear an interest rate of 1.5% per annum and mature in May 2029. The carrying value was EUR625 million or A$976.9 million.
- Bilateral loan of A$75 million.

CIMIC's current credit rating according to S&P is BBB-/A-3 with stable outlook and according to Moody is Baa2 with stable outlook. We note Moody has flagged CIMIC rating for review, pending takeover.

In addition to the debt on balance sheet, CIMIC has significant bonding and guarantee facilities which are an integral part of the business and a key part of the Group's competitive offering in a tender environment. Bonds and guarantees outstanding as at 31 December 2021 were A$4.9 billion. The undrawn and uncommitted bonds and guarantees amounted to A$490.6 million at year end.

Historically, the business also made significant use of factoring. In accordance with market practice and Group accounting policies, once factored, the related amount was derecognised from the consolidated financial statements. The use of factoring financing has recently materially reduced from a balance of c. A$2 billion as at 31 December 2019 to circa A$0.5 billion as at 31 December 2021. Part of the reduction is due to the fact that from 1 January 2021, Thiess' 50% investment is equity accounted and accordingly de-consolidated (impact of A$459 million) with the balance of the decrease arising from normal operations. Going forward, the Group has indicated that it intends to preserve factoring on or around the level as at 31 December 2021 which should assist in normalising operating cash flows. We note for example that both in FY20 and FY21, the Group showed a significant variation in operating cash flows before and after factoring with FY21 operating cash flows becoming negative A$25.5 million on a post factoring basis from a positive A$516.2 million on a pre-factoring basis. Now that the Group has reached a steady state level in the factoring balance, this variation in the operating cash flows before and after factoring is expected to largely disappear.

In addition to reducing the use of factoring, by 30 September 2021, the Group fully repaid the supply finance facility which peaked at A$851 million on 31 December 2019.

2.5.3 Contingent liabilities

The Group has disclosed certain contingent liabilities as at 31 December 2021 in conjunction with litigation and disputes which are common for large construction and services businesses like CIMIC. Whilst at the date of this report it is not feasible to estimate the potential exposure for the Group, if any, to these matters, we have briefly disclosed them below as they represent a potential area of risk.

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- On 13 February 2012, CIMIC announced that it had reported to the Australian Federal Police ("AFP") a possible breach by the Leighton International business of its Code of Ethics that, if substantiated, may have contravened Australian laws. The matter is ongoing but no CIMIC company has been charged. If a CIMIC company were to be charged or a penalty raised, the impact, while uncertain, could be significant.

- In August 2020, CIMIC was served with class action proceedings that were filed in the Federal Court of Australia registry in Victorian. The class action was brought by a number of shareholders who purchased CIMIC Shares in the period between 7 February 2018 and 22 January 2020 and relates to the disclosure of the Group's non-controlling 45% investment in BICC as well as the reporting of the cash flows in the context of factoring arrangements. This matter is ongoing and CIMIC denies there is a proper basis for the claim.

- UGL and it its consortium partners[42] were contracted by JKC Australia LNG Pty Ltd ("JKC") to carry out works relating to the construction of a combined cycle power plant for the Ichthys LNG Project in the Northern Territory. In January 2017, the UGL consortium terminated the contract with JKC for the design, construction, and commissioning of the combined cycle power plant. Arbitration hearings in respect of the termination of the contract are scheduled to take place in April 2022 and a decision is currently expected in 2023. Discussions between the parties are ongoing but overall outcomes are uncertain.

- CPB Contractors, and its joint venture partner John Holland ("CPBJH JV"), are contracted to provide the West Gate Tunnel Project for Transurban Group ("Transurban") and the State of Victoria. Due to an inability to remove soil from the site as a result of soil contaminates, a dispute has arisen between the parties primarily related to the disclosure of soil contaminants and each parties' respective disposal costs and the resultant delays. Following mediation in December 2021, terms of settlement have been agreed by the parties and has been submitted for State Parliament approval.

- CPB Contractors and its joint venture partner Hansen Yuncken (50/50) were awarded the design and construction of the new Royal Adelaide Hospital for the South Australian State Government. The project experienced difficulties and delays arising from the complex interdependencies between the government works and the joint venture works and a dispute between the parties arose. An arbitration to settle the dispute between the parties has commenced but has been delayed with hearings only likely in 2022 with a decision in 2023.

2.6 Cash flows

The cash flows of CIMIC for FY20 and FY21 are set out in the table below.

[42] CH2M Hill Companies Limited (CH2M) and General Electric Company.

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Consolidated statements of cash flow A$ million	FY20 Comparable	FY21 Audited
Cash flows from operating activities		
Operating cash flow pre-factoring	(86)	516
Variation in factoring	(160)	(542)
Interest, finance costs and taxes	(133)	(112)
Net cash inflow from operating activities	**(379)**	**(138)**
Cash flows from investing activities		
Payments for intangible assets	(18)	(5)
Payments for property, plant and equipment	(160)	(63)
Payments for investments in controlled entities and businesses	(2)	-
Proceeds from sale of property, plant and equipment	24	29
Cash acquired from acquisition of investments in controlled entities and businesses	-	-
Payments for investments in controlled entities and businesses	-	(50)
Proceeds from sell down of Ventia	-	32
Proceeds from sale of Thiess	2,223	-
Cash disposed on divestment of Thiess	(128)	-
Net cash outflow from investing activities	**1,939**	**(57)**
Cash flow from financing activities		
Cash payment for share buybacks	(281)	-
Repayment of financial liability	(1,398)	(85)
Payments to acquire non-controlling interest	-	(16)
Proceeds from borrowings	4,910	2,188
Repayment of borrowings	(2,753)	(2,656)
Repayment of leases	(91)	(89)
Dividends paid to shareholders	-	(318)
Dividends paid to non-controlling interests	0	-
Amount (advanced to) / received from related entities	(463)	-
Net cash (outflow)/inflow from financing activities	**(76)**	**(974)**

Note: The FY20 cash flow has been adjusted to be on a comparable basis, to reflect Thiess as a 50% equity accounted JV.
Source: CIMIC annual report page 39, GTCF analysis

We note the following in relation to the statement of cash flows:

- The net operating cash outflow position in FY21 was impacted by the unwinding of certain large projects in Leighton Asia and by the reduction of the factoring balance by A$542 million. The Group expects to maintain this level of factoring going forward which should assist in normalising the operating cash flows.

- The Group invested c. A$63.3 million in PPE in FY21 which was a significant reduction compared with FY20 due to CPB Contractors procuring tunnel boring machines in FY20 for work in FY21. Further UGL paid A$19.3 million for a small acquisition. FY21 cash flows were also affected by the payment of outstanding transaction costs in relation to the 50% divestment of Thiess and A$32.0 million cash proceeds from the sell down of Ventia.

- The debt repayment net of drawdown was significant in FY21 in relation to working capital facilities that were previously drawn upon as a precautionary measure to support the Group during COVID-19. A$15.6 million was paid as part of the compulsory acquisition of Devine and A$84.5 million (FY20: A$1,398.4 million) payments were made in relation to CIMIC's financial guarantees of certain BICC liabilities and other expenses (these were fully provided in FY19).

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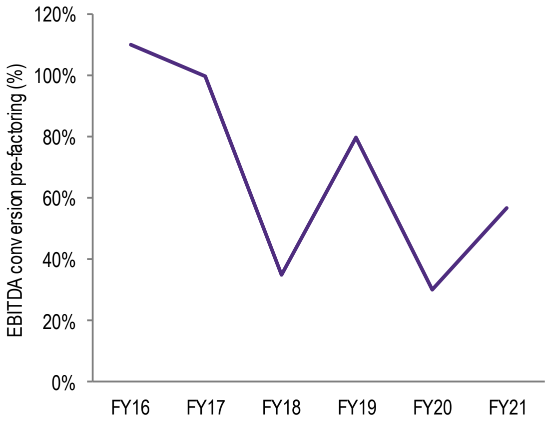
- The Group made A$317.5 million dividend payments to Shareholders, consisting of the A$186.8 million FY20 final dividend paid on 5 July 2021 and the A$130.7 million H121 interim dividend paid on 7 October 2021.

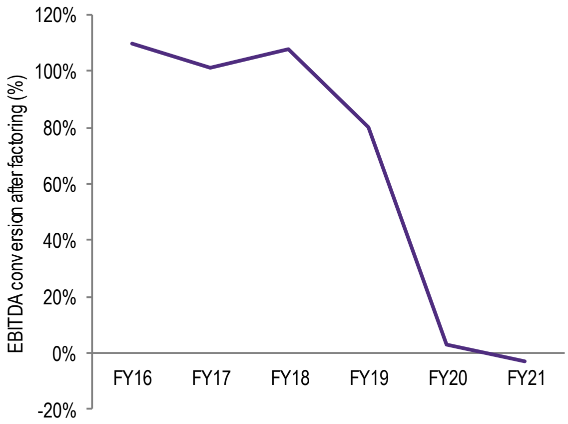
2.6.1 EBITDA cash conversion[43]

This is a critical KPI for CIMIC. In the graphs below we have set out the EBITDA cash conversion before and after factoring[44].

Cash conversion pre-factoring



Cash conversion after factoring



Note: Both pre-factoring and post-factoring cash conversion ratios in FY20 includes cash generated by Thiess during FY20. We note that the FY20 conversion ratios will be (11%) and (30%) for pre-factoring and post-factoring respectively, if the percentage is calculated on FY20 comparable figures (i.e. adjusted to reflect Thiess as a 50% equity accounted JV).
Source: CIMIC annual results announcements

The significant reduction in the cash conversion over the years was due to the decision of the Group to materially reduce the use of factoring, the full repayment of the supply finance facility and a greater use of Alliance contracts which require greater working capital investment by the contractor. The proportion of Alliance contracts has increased from 10% in FY18 to 21% in FY21 for the Group. Generally speaking, and all other things being the same, a growth cycle in the Construction Division usually assists in enhancing cash conversion of the Group given the pre-payments in conjunction with the commencement of new projects, in particular for fixed price design and construct projects.

We have set out below some high-level comments on the EBITDA cash conversion in the last four years:

- FY18 – EBITDA cash conversion inclusive of an increase in factoring was high at 108%, however it was driven by a large increase in factoring balance of c. A$1.4 billion. EBITDA cash conversion pre-factoring was 35%.

- FY19 – EBITDA cash conversion was 80% before and after factoring which was impacted by the growth in working capital intensive contract mining earnings and the shift to a greater proportion of Alliance style construction contracting. The factoring balance remained substantially flat at A$1.96 billion.

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[43] Calculated as EBITDA divided by operating cash flows. Operating cash flow includes cash flows from operating activities and changes in short term financial assets and investments before interest, finance costs and taxes.
[44] During FY19, the Group started reporting EBITDA cash conversion before and after factoring.

- FY20 – The cash flow conversion was negatively impacted by the performance of Leighton Asia, a A$526 million reduction in factoring activity and slowdown of revenues in conjunction with the outbreak of COVID-19. Excluding the impact of variation in factoring, cash conversion for the year was 30%, although it did materially improve in the 4Q20 when the Group achieved a cash conversion before factoring of 156%.

- FY21 – Operating cash flow was negative A$25.5 million driven by a reduction in debtor factoring of A$541.7 million. However, EBITDA cash conversion pre-factoring at 57% was a marked improvement compared with FY20 (negative 11% on a comparable basis for the equity accounting of Thiess) and Management indicated that factoring adjustments had completed and Leighton Asia was not expected to require further cash support. As a result, it is not unreasonable to expect that from FY22, operating cash flow and EBITDA cash conversion will return to a more normalised/maintainable level.

2.7 Capital Structure

As at the date of our report, CIMIC has 311,296,286 fully paid ordinary shares. There are no other CIMIC securities on issue.

The major shareholders of CIMIC are set out below as 10 March 2022.

Major Shareholders		
Name	No. of shares	%
HOCHTIEF Australia Holdings Limited	260,460,126	83.7%
HSBC Custody Nominees (Australia) Limited	6,584,117	2.1%
J P Morgan Nominees Australia Pty Limited	4,724,175	1.5%
Citicorp Nominees Pty Limited	2,564,713	0.8%
BNP Paribas Nominees Pty Ltd ACF Clearstream	674,471	0.2%
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd	559,789	0.2%
Broadgate Investments Pty Ltd	427,188	0.1%
National Nominees Limited	409,616	0.1%
CS Third Nominees Pty Limited	376,011	0.1%
Total major shareholders	**276,780,206**	**88.9%**
Other shareholders	**34,516,080**	**11.1%**
Total outstanding shares	**311,296,286**	**100.0%**

Source: S&P Global, GTCF analysis

The daily movements in CIMIC's share price and volumes for the period from 1 January 2021 are set out below:

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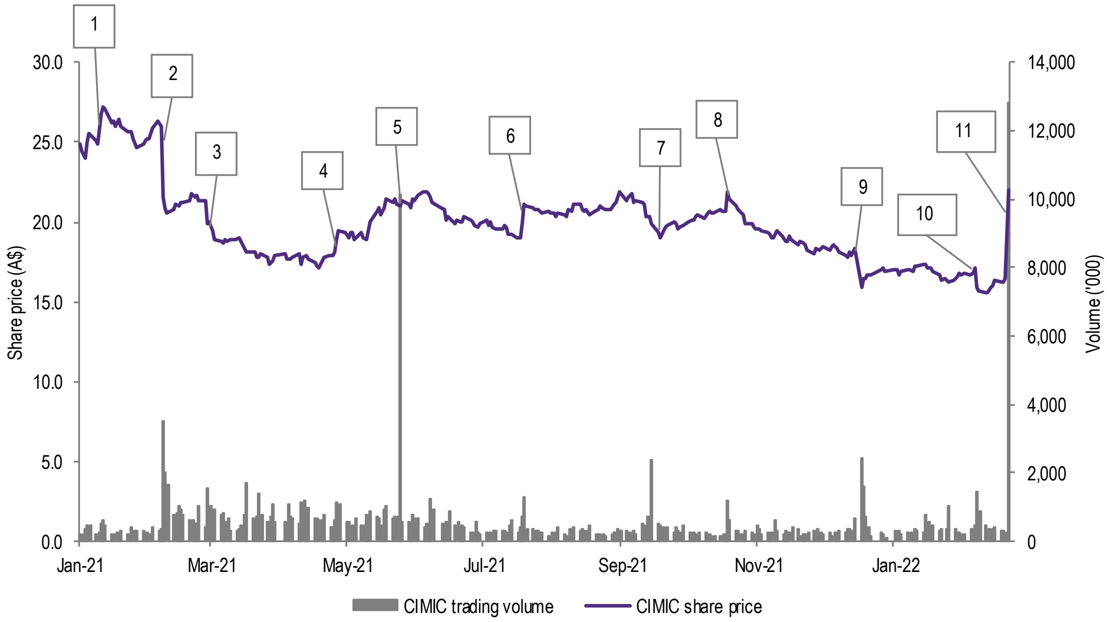
CIMIC share price analysis



Sources: S&P Capital, GTCF analysis

The following table illustrates the key events from January 2021 to February 2022, which may have impacted the share price and volume movements shown above.

Event	Date	Comment
1	11-Jan-21	Moody's affirmed CIMIC's rating following the completion of CIMIC's sale of 50% of Thiess. The outlook on all ratings was stable.
2	10-Feb-21	CIMIC released FY20 annual results to the market: - Total revenue from continuing operations declined by 20.3% from c. A$13.3 billion to c. A$10.6 billion. - Underlying EBITDA down by 11.0% from A$2.1 billion in FY19 to c. A$1.1 billion. - Underlying net profit down by c. 25% from A$800.3 million to A$600.5 million. - Work in hand decreased by 10% from A$37.5 billion to A$33.8 billion.
3	10-Mar-21	Standard and Poor has revised CIMIC Group's credit rating to BBB-/A-3 with stable outlook. S&P's action follows Moody's confirmation of rating in January 2021, following the completion of COMIC's sale of 50% of Thiess.
4	30-Apr-21	CIMIC released 1Q21 quarterly results to the market, which can be summarised as follows: - Group revenue (pre-JV and Pre-associates revenue) from continuing operations decreased slightly by 1.2% from A$3.43 billion in pcp to c. A$3.39 billion. - EBIT declined by 5.5% on pcp, however the EBIT margin increased from 6.8% to 7.0%. - Statutory NPAT decreased by 6.9% on pcp while the NPAT margin was maintained at same level.
5	25-May-21	CIMIC announced that it had, through CIMIC Residential Investments Property (CRI), made an offer to acquire shares in Devine Limited that it did not already own, at a price of A$0.24 per Devine share.
6	21-Jul-21	CIMIC released 1H21 annual results to the market, which can be summarised as follows: - Total revenue for the half year increased by 4.8% to A$4.6 billion. - EBITDA increased 5.1% on pcp to c. A$464.5 million. - Net profit slightly increased by 1.3% from A$205.3 million to A$208.0 million.
7	24-Sep-21	CIMIC announced a draft briefing presentation which had been prepared by Ventia in relation to potential IPO and Ventia's financial information. However, CIMIC indicated that no final decisions had been made.
8	26-Oct-21	CIMIC announced that a prospectus had been lodged with ASIC for the initial public offering of ordinary shares in Ventia, and the listing of Ventia on Australian Securities Exchange as well as the NZX Main Board. Eligible CIMIC shareholders could apply for shares in Ventia.
9	20-Dec-21	An article published at Australian Financial Review speculated about CIMIC's exit from the Middle East region and BICC, which may be a factor in the share price performance.

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Event	Date	Comment
10	10-Feb-22	CIMIC released FY21 annual results to the market: - Total group revenue increased by 8.3% to A$14.7 billion. - Underlying EBITDA increased by 11.5% on FY20, and EBITDA margin increased from 9.1% to 9.4%. - Underlying EBIT increased by 8.7% on FY20 to A$630.2 million.
11	23-Feb-22	Announcement of the Takeover.

Source: ASX announcements and various news articles

The volume weighted average price ("VWAP") analysis for CIMIC's shares over the last twelve months is set out in the table below.

CIMIC Group Limited	Share Price			Average
	High	Low	Close	weekly volume
	$	$	$	000'
Month ended				
Jan 2021	27.510	23.900	24.670	1,564
Feb 2021	26.480	20.360	21.290	4,205
Mar 2021	21.590	17.320	17.590	3,912
Apr 2021	19.400	16.860	19.400	3,490
May 2021	21.690	18.690	21.090	5,517
Jun 2021	22.240	19.720	19.780	2,643
Jul 2021	21.330	18.700	20.610	1,874
Aug 2021	21.440	20.040	21.150	1,331
Sep 2021	21.890	18.630	19.660	2,275
Oct 2021	22.420	19.220	19.920	1,464
Nov 2021	20.250	17.740	18.370	1,433
Dec 2021	18.700	15.280	16.900	2,092
Jan 2022	17.640	16.010	16.390	1,731
Week ended				
5 Nov 2021	20.250	19.350	19.420	1,463
12 Nov 2021	19.670	18.600	19.400	1,615
19 Nov 2021	19.430	18.680	18.860	1,428
26 Nov 2021	18.950	18.180	18.180	1,161
3 Dec 2021	18.560	17.740	18.490	1,263
10 Dec 2021	18.700	17.970	18.070	1,092
17 Dec 2021	18.550	17.750	18.330	1,976
24 Dec 2021	17.900	15.280	16.680	5,325
31 Dec 2021	17.200	16.750	16.900	603
7 Jan 2022	17.210	16.620	16.860	1,077
14 Jan 2022	17.260	16.710	17.190	1,441
21 Jan 2022	17.640	16.770	16.870	2,301
28 Jan 2022	16.880	16.010	16.260	2,077
4 Feb 2022	16.900	16.130	16.800	1,331
11 Feb 2022	17.210	15.560	15.630	3,441
18 Feb 2022	16.460	15.410	16.310	1,925

Sources: S&P Capital IQ, GTCF analysis

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3 Operating businesses and equity investments

3.1 Construction Division

3.1.1 CPB Contractors and Broad

CPB Contractors was established in 1949 and it has since then become a leading construction contractor. In January 2016, following the merger of the CIMIC Group construction businesses of Leighton Contractors and Thiess Construction, it rebranded to CPB Contractors. CPB Contractors delivers complex construction and infrastructure projects including roads, rail, tunneling, defence and social infrastructures, building and projects in the resource sector. Broad Construction is a wholly owned subsidiary of CPB Contractors and it is included in the Construction Segment reporting. Broad Construction operates as a managing contractor in the Australian building industry delivering diverse commercial construction projects and it operates predominantly in Queensland. Its contribution to the overall segment is modest, so in the remaining of this section we have focused on CPB Contractors.

CPB Contractors works across a wide range of delivery models, including design and construct, construct only and construction management, and work in Alliances contracts usually together with joint venture partners. A critical go to market strategy of CPB Contractors is to deliver projects in cooperation with UGL and Ventia, as well as PPPs with Pacific Partnerships in order to provide the final customers with an all-encompassing solution. The business leverages off the engineering and technical capabilities of EIC which provides in-house access to experienced engineers, academics and practitioners.

The business is organised around geography with management functions across each state of Australia. However, tunneling is provided by a dedicated division within CPB Contractors and it operates across the different geographies. CPB Contractors is the largest tunneling contractor in Australia and over the years it has delivered more than 300[45] linear km of tunnels. We have set out below some key projects delivered or in progress by CPB Contractors.

Project	Description	Project Value	Revenue to CIMIC Group (incl. Ventia and Thiess share)
North East Link Primary package PPP, Melbourne, VIC	Pacific Partnerships, CPB Contractors and Ventia, together with other JV partners, will deliver and then operate until 2053 the three-lane twin tunnels connecting the M80 Ring Road to an upgraded Eastern Freeway.	A$15.8 billion	A$3.8 billion
West Gate Tunnel	CPB Contractors was selected in a 50:50 joint venture with John Holland to design and construct the West Gate Tunnel.	A$8.57 billion	A$4.285 billion
Warringah Freeway	CPB Contractors, in a joint venture with Downer, has been selected by the NSW Government to deliver the Warringah Freeway Upgrade.	A$1.18 billion	A$800million
M6 Motorway, Sydney, NSW	CPB Contractors and UGL, and a JV partner, will deliver twin, 4-kilometre long tunnels linking the M8 Motorway at Arncliffe to President Avenue at Kogarah.	$2.5 billion	$1.95 billion
Cross River Rail Tunnel, Stations and Development (**TSD**) package	CPB Contractors and UGL with their design and construct JV partners are major contractors on a new 10.2km rail line, including 5.9km of twin tunnels under the Brisbane River, delivering four new underground stations	A$5.4 billion	A$2.7 billion

[45] CPB Contractors website.

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Cross River Rail (Rail Integration and Systems package (**RIS**))	UGL and CPB Contractors are delivering the design, supply and installation of the supporting rail systems and brownfield works to integrate Cross River Rail into the wider Queensland Rail train network	A$5.4 billion	A$900million
Line-Wide Works	CPB & UGL are delivering the design, construction and commissioning of: major rail systems in the new twin 15km Sydney Metro tunnels, expansion of the existing Sydney Metro Trains Facilities and delivery of the new Sydney Metro Trains Facility.	A$1.376 billion	A$1.376 billion
Sydney Metro- WSA Station Boxes and Tunnelling Works	CPB Contractors, in joint venture with Ghella, has been selected by the NSW Government to deliver the Sydney Metro - Western Sydney Airport Station Boxes and Tunnelling Works (WSA-SBT).	A$1.8 billion	A$1.35 billion

Source: CIMIC Management

In relation to the West Gate Tunnel, there are three sections of the project being the tunneling, the widening of the West Gate Freeway and the Port to City connections. The tunneling element was delayed from 2019 as a result of disputes arising between the project parties relating to changes in the requirements for disposal of potentially contaminated soil. As a result, a purpose-built soil disposal site and additional environmental and planning approvals were required. This issue together with a range of other disputed matters as well as changes in construction methodology resulting from these factors, have had a significant impact on the project. This has resulted in material delay and escalation of costs with independent analysis of the additional construction costs to complete the project in the order of A$3.3 billion, estimated in August 2021.

The three parties to the project, Transurban, the Victorian Government and CPBJH JV, have recently reached agreement on revised terms for the delivery of the West Gate Tunnel Project which are summarised below in a non-exhaustive manner[46]:

- The total contract value has increased to A$8.57 billion for CPBJH JV from the original contract value of A$4.99 billion.
- New completion date of late 2025. CPBJH JV is expected to commence tunneling work shortly.
- Additional contributions from the State Government of A$1.9 billion and from Transurban of A$2.0 billion.
- The CPBJH JV contribution will be a revenue reduction of A$600 million (A$300 million for CIMIC's share) and foregoing the profit margin on the project.

3.1.2 Leighton Asia

Leighton Asia was established in 1975 and is an international construction company which is headquartered in Hong Kong. Notwithstanding this, Leighton Asia has delivered projects throughout East and South-East Asia, as well as select projects in India. Leighton Asia's first projects included the Tuen Mun Reclamation and Discovery Bay projects, both in Hong Kong.

In the 1980s and 1990s, the company expanded into Thailand, the Philippines, Vietnam and Cambodia and, since then, into Indonesia and Singapore, with projects including the new Australian Embassy Compound in Jakarta, Indonesia. In 2014, Leighton Asia acquired Welspun Group's stake in Leighton Welspun, renaming the business Leighton India. Leighton Asia currently operates in Hong Kong,

[46] CIMIC announcement on 17 December 2021.

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Singapore, the Philippines, Indonesia, Malaysia and India following a streamlining of operations in the Asian market.

In the last few years, the financial performance of Leighton Asia has been volatile in particular after it experienced a temporary suspension for submitting tenders for government contracts in Hong Kong for a period of up to 15 months from October 2018. This was due to allegations of non-compliant works on the Sha Tin to Central Link MTRC project in Hong Kong, which was the subject of an investigation. The suspension affected the ability of the business to participate and win new tenders and caused a significant reduction in revenue and operating profit for Leighton Asia. Whilst the ability to participate to tender for the Hong Kong Government has been re-instated and no-wrong doing has been identified, the company has suffered a set-back in its local market positioning.

We have set out below some key projects of Leighton Asia.

Project	Description	Project Value	Revenue to CIMIC Group
Phoenix Equinox	Construction of Equinox, an Indian Green Building Council Platinum rated commercial complex in India.	A$140million	A$140million
East Kowloon Cultural Centre	Selected by the Government of Hong Kong to construct the East Kowloon Cultural Centre	A$436million	A$436million
Tseung Kwan O - Lam Tin Tunnel	A Leighton Asia-led JV started work in 2016 which includes the construction of a 2.2km dual two-lane highway tunnel together with associated slip roads, branch tunnels and viaducts in Hong Kong	HK$9.0 billion (A$1.58 billion)	HK$4.6 billion (A$805million)
Hong Kong International Airport 'Terminal 1 Annex Building and Car Park'	Construction of the Terminal 1 Annex Building and Carpark 4 Expansion Project at Hong Kong International Airport. The project will expand the existing T1, including the construction of a seven-storey reinforced concrete structure with steel truss roof.	A$278million	A$278million
Hong Kong International Airport 'Terminal 2 Foundation and Substructure works'	Leighton Asia, with joint venture partner Chun Wo, has been selected by the Airport Authority Hong Kong to construct the Terminal 2 foundation and substructure works at Hong Kong International Airport.	A$390million	A$273million
T-09 of the Deep Tunnel Sewerage System Phase 2 project	Design and construction of approximately 7.9km of used water tunnels, each with an internal diameter of six metres, as well as shafts, hydraulic structures and other facilities associated with the used water sewerage conveyance system.	A$470million	A$470million

Source: CIMIC Management

The operations are now largely focused on Hong Kong which accounted for c. three-quarters of revenue. However, CIMIC's strategy is to diversify across the South East Asia region and India so that going forward the contribution from the Hong Kong region is reduced relative to other geographies.

3.1.3 Segment financial performance

We have set out in the table below the Construction Division financial performance since FY17.

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Construction Division A$ million	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual
Revenues					
Total Revenues including JV&A	7,611	7,973	7,556	6,612	6,881
Less: JV&A Revenues	(11)	(7)	(24)	(16)	(5)
Total Revenues - Excl JV&A	**7,599**	**7,965**	**7,532**	**6,596**	**6,876**
Statutory EBIT	627	644	522	(1,173)	463
One-off items	-	-	-	1,529	-
Underlying EBIT	**627**	**644**	**522**	**356**	**463**
JV&A share of profit adjustment	-	-	-	(22)	(29)
Adjusted underlying EBIT - Including Division's JV&As	**627**	**644**	**522**	**334**	**434**
EBIT Margin	*8.3%*	*8.1%*	*6.9%*	*5.1%*	*6.3%*

Sources: CIMIC Management, GTCF analysis

The strong financial performance and profitability in FY17 and FY18 was supported by above market margin on certain large infrastructure projects and strong contribution from Leighton Asia. This was reversed in 2019 with a slowdown in the Hong Kong market driven by the temporary inability for the business to participate in new government tenders which caused the profitability of Leighton Asia to reduce by c. 60%.

FY20 was affected by external market factors with the outbreak of COVID-19 and the related slowdown in the progression of existing projects and in the awarding of new work. The division was also affected by the problems with the West Gate Tunnel which led the Management Team to take a conservative approach in profit recognition for FY20 and FY21 on this project. Leighton Asia also generated a loss in FY20.

The financial performance normalised in FY21 in line with market conditions and the Construction Division benefited from some non-recurring profits on certain large projects together with a marked improvement in the performance of Leighton Asia.

The transport sector remained to be the driving force behind the division and it contributed in excess of 60% of revenue in FY21. This is the result of the large number of infrastructure projects being developed by the Government mostly under PPP structures. Over the last three years, the relative contribution of rail projects to total revenue has increased partly as a result of Cross River Rail. Contribution to revenue from social infrastructure has remained substantially consistent since FY19. From a geographic perspective, Australia accounted for c. 78% of the FY21 revenue which has increased over the last three years as a result of the large number of opportunities in the market and subdued performance in some of the other geographies such as Hong Kong.

3.2 Services Division

3.2.1 UGL

UGL originated as a small engineering business in Western Australia in the late 1960s. Expanding nationally during the 1990s, UGL acquired Goninan in 1999, Australia's leading producer of railway rolling stock.

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In the following decade UGL undertook several acquisitions, further expanding its operations in Australia as well as extending into Asia and North America. In 2016, UGL was acquired by CIMIC and it currently operates in Australia and New Zealand.

UGL is a provider of end-to-end asset solutions, delivering whole-of-life operations and maintenance services for critical assets in power, water, resources, transport, defence and security and social infrastructure. From a sector perspective, UGL has a strong market positioning in rail operation and maintenance where it manufactures diesel locomotive for the coal market and it is the largest domestic provider of communications and signaling technology across the rail sector. The company is also focusing on brownfield D&C rail contracts after it recently commenced as head contractor for the Gippsland Line Upgrade and mobilisation services on the Country Regional Network project (discussed below).

Utilities and power generation remains to be a key area of leadership for the business in particular to providing maintenance and shutdown services whilst renewable energy presents strong future growth.

Presence in the resource and oil and gas sectors is mainly concentrated in coal mine maintenance services in Queensland, after the construction of mineral handling and processing facilities has faded in recent years, and conventional oil & LNG maintenance services are predominantly provided via labour hire.

UGL has capabilities that span across engineering design; construction and commissioning; manufacturing; operations and maintenance; upgrades and overhauls; asset management; and facilities management. The company is more focused on maintenance services contracts rather than one-off projects with the former accounting for c. 60% of FY21 revenue and c. 75% of WIH as at 31 December 2021.

We have set out below details of the key contracts.

Project Name	Description	Type of Contract	Project Value	Revenue to CIMIC Group
Cross River Rail Tunnel, Stations and Development (TSD) package	Delivering facility management services for over 24 years for the Tunnel, Stations and Development PPP package	Facilities maintenance (within a PPP)	A$5.4 billion	A$2.7 billion
Cross River Rail (Rail Integration and Systems package (RIS))	UGL and CPB Contractors are delivering the design, supply and installation of the supporting rail systems and brownfield works to integrate Cross River Rail into the wider Queensland Rail train network	Alliance	A$5.4 billion	A$900million
M6 Motorway	CPB Contractors, UGL, and a JV partner, will deliver twin, 4-kilometre long tunnels linking the M8 Motorway at Arncliffe to President Avenue at Kogarah.	Design and construct	A$2.5 billion	A$1.95 billion
Country Regional Network	UGL has been awarded the operation and maintenance of rail infrastructure for the Country Regional Network. The contract includes network operations, rail infrastructure maintenance and implementation of a new signalling system, asset and property management and safety,	Operations & maintenance	A$1.5 billion	A$1.5 billion over 10 years

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Project Name	Description	Type of Contract	Project Value	Revenue to CIMIC Group
	access, performance and environmental management.			
Auckland Rail O&M	UGL has secured a contract for the operations of the Auckland passenger rail network in New Zealand.	Operations & maintenance	NZ$1,040million[47]	NZ$600million over 8 years
Chevron Australia Oil & Gas Maintenance	UGL has been awarded a long-term maintenance contract with Chevron Australia for works in the Pilbara region of Western Australia.	Operations & maintenance	A$400million	$400million over 10 years
Pacific National Locomotive	UGL has been awarded a contract to design, manufacture and supply new fuel-efficient diesel electric locomotives.	Design & construct	A$297million	A$297million over 7 years

Source: CIMIC Management

3.2.2 Sedgman

Sedgman designs, constructs, operates and maintains mineral processing plants and associated mine-site infrastructure, delivering engineering solutions in diverse and remote locations globally. Founded in Brisbane in 1979 by John Sedgman, Sedgman has offices in Australia, South America, Canada and South Africa and also has a procurement hub in China. Listed on the ASX in 2006, Sedgman was acquired by CIMIC in 2016, and was subsequently delisted.

Services provided range from concept, pre-feasibility and design through to construction, commissioning, operations, maintenance and asset management which can be further broken down as outlined below:

- Project Revenue – Sedgman specialises in the delivery of a project through procurement and fabrication management, construction, commissioning and performance testing and transition to operations. These services are generally more lumpy and volatile. Sedgman also assists with the early stages of a project with resource planning and assessment, project definition, feasibility and development consulting services.

- Operations Revenue – Sedgman are more oriented around the operation and maintenance of materials handling and processing plants, with an emphasis on asset optimisation. In addition, Sedgman provides consulting service which combines engineering and operations knowledge to maximise performance of facilities.

Sedgman has expertise across a range of commodities including coal, precious metals, base metals, iron ore and industrial minerals and has delivered projects for some of the world's leading mining companies including BHP Billiton, Rio Tinto and Vale.

3.2.3 Segment financial performance

We have set out in the table below the Services Division financial performance since FY17.

[47] https://at.govt.nz/about-us/news-events/new-rail-operator-for-auckland/.

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Services Division A$ million	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual
Revenues					
Total Revenues including JV&A	2,983	3,153	3,803	2,952	3,372
Less: JV&A Revenues	(376)	(476)	(575)	(601)	(615)
Total Revenues - Excl JV&A	**2,607**	**2,677**	**3,228**	**2,351**	**2,757**
Statutory EBIT	166	168	167	35	151
One-off items	-	-	-	85	-
Underlying EBIT - Including JV&A	**166**	**168**	**167**	**120**	**151**
EBIT margin	*6.4%*	*6.3%*	*5.2%*	*5.1%*	*5.5%*

Sources: CIMIC Management. GTCF analysis.

In relation to the financial performance above, we note the following:

- Following the sale of the 50% interest in Thiess on 31 December 2020, Sedgman, which was previously accounted together with Thiess in the Mining and Mineral Processing Division, became part of the Services Division together with UGL. In the period between 2017 and 2018, the Services Division only comprised UGL.

- The reduction in revenue in FY20 is due to the outbreak of COVID-19, the completion of some large scale contracts in FY19 and Sedgman seeking to diversify into commodities other than coal. Rail projects were the greatest contributor to the FY21 revenue representing c. a third of total revenue, with UGL being a leading provider of complete rail solutions in Australia across the freight and passenger rail markets, rolling stock supply, asset management and metropolitan network operation. The services provided in the coal sector only represented a small proportion of revenue (10%), similar to the electricity and the civil infrastructure sectors. Revenue in the oil and gas industry have remained substantially steady in the last three year period.

- In FY19 and FY21, the segment benefitted from the release of a purchase price allocation provision related to a successfully completed acquisition and a revenue adjustment regarding one of UGL's joint ventures of A$16 million and A$19 million respectively.

- The Services Segment incurred amortisation of intangible assets charge of A$9 million in FY21.

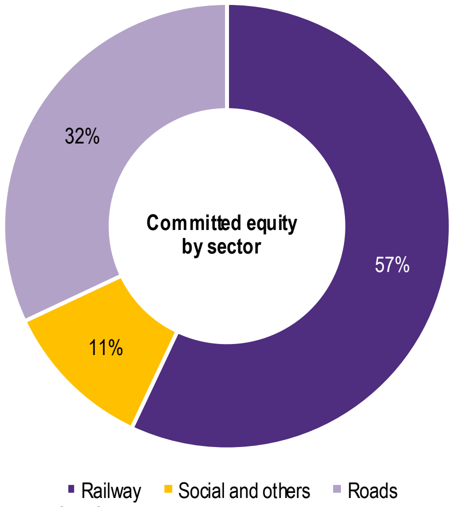
3.3 Corporate Division

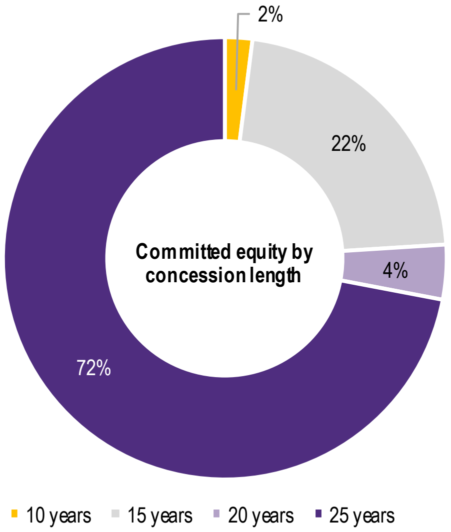
3.3.1 Pacific Partnerships

Pacific Partnerships was established by CIMIC in 2014 by combining the Group's existing PPP capabilities. Pacific Partnerships develops, invests in and manages social and economic infrastructure concession assets. This spans across finance, design, construction and long-term operations and maintenance of key infrastructure under PPP and BOOT structures. Pacific Partnerships is delivering and operating assets and infrastructure in the road, rail, health, education and corrections sectors.

As at 31 December 2021, Pacific Partnerships had a portfolio of eight concessions across Australia and New Zealand (plus one held for sale) with a total investment value greater than A$25 billion and c. A$300 million of committed equity. More than 75% of the concessions have a time frame of 20 years or longer. We have set out below a breakdown of the portfolio concessions in Australia and NZ as at 31 December 2021.

Breakdown of Pacific Partnerships' portfolio as at 31 December 2021





Source: CIMIC

The key PPPs in which Pacific Partnerships has an interest in are summarised below:

- Cross River Rail – The A$5.4 billion project will build a new 10.2 km rail line (including 5.9 km of twin tunnels under the Brisbane River) and deliver four new underground stations. CIMIC Group has led the development of the project's proposal, with lead sponsor Pacific Partnerships providing 49% of the equity finance. CPB Contractors will deliver the design and construction in a joint venture with Ghella, BAM International and UGL. UGL will also provide maintenance services for the project over 24 years. The project is expected to be completed by mid-2024.

- North East Link – Pacific Partnerships, CPB Contractors and Ventia, together with other members of the Spark consortium, have reached contractual close with the Victorian Government to deliver the North East Link Primary Package PPP in Melbourne. The Primary Package PPP provides three-lane twin tunnels that will close the missing link in Melbourne's freeway network. Pacific Partnerships has a 20% stake in the PPP and the project is expected to be completed by 2028.

- Waikeria Corrections and Treatment Facility – It will deliver accommodation for 500 prisoners, along with a secure mental health unit providing care for additional prisoners. The new facility will be operated by the Department of Corrections and is set to open in the second half of 2022. Pacific Partnerships owns a 40% stake in the PPP.

- Sydney Metro Northwest – Pacific Partnerships, CPB Contractors and UGL, as part of the Northwest Rapid Transit consortium, delivered the A$3.7 billion operations, trains and systems contract, including the delivery of eight new railway stations, more than 4,000 commuter car parking spaces, Sydney's new metro trains and upgrading the railway between Chatswood and Epping. Services for Sydney Metro Northwest commenced in May 2019. Pacific Partnerships owns a 10% stake in the PPP.

3.3.2 Other Businesses/cost centres

- *EIC* – EIC was established in 2014 and is CIMIC's engineering and technical services business providing in-depth sector experience across the Group. It is mainly internally focused.

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- *Devine* – Devine is a residential property developer operating in Queensland, Victoria and South Australia. In 2021, CIMIC acquired the balance of the shares of Devine that it did not already own and subsequently delisted the business.

- *Leighton Properties* – Leighton Properties is a property management business that manages the Group's existing property portfolio and any property related leasing/management activities.

- *Corporate overheads* – The corporate overhead functions of the Group are included in this segment

3.3.3 Segment financial performance

We have set out in the table below the Corporate Division financial performance since FY17.

Corporate Division A$ million	FY17[1] Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual
Revenues					
Total Revenues including JV&A	2,205	2,002	1,905	2,215	684
Less: JV&A Revenues	(2,146)	(1,940)	(1,859)	(2,152)	(631)
Total Revenues - Excl JV&A	**59**	**62**	**46**	**63**	**54**
Statutory EBIT[2]	(143)	(103)	(105)	(404)	(106)
One off items and other adjustments[3]	-	-	-	262	-
Underlying adjusted EBIT[4]	**(143)**	**(103)**	**(105)**	**(142)**	**(106)**

Source: CIMIC Management and GTCF analysis
Notes: (1) The FY17 result includes JV revenue and EBIT contributions from HLG as reported in FY17 statutory segment note; (2) The A$106 million statutory EBIT loss in FY21 presented in the table above is calculated based on Corporate Divisional EBIT and A$4.7 million of net one-offs. (3) In FY20, the Group performance was impacted by various one-off expenses and accordingly we have captured the shares of these expenses associated with the Corporate Division. In addition, we have removed the Ventia share of profit in line with FY21 reporting structure; (4) Between FY17 and FY19, the Corporate Division also included the Ventia share of profit, subsequently reclassified in JVs Investments.

3.4 Equity accounted investments

3.4.1 Thiess

3.4.1.1 Overview

Thiess is a large mining services business and one of the largest contract mining companies globally with operations in Asia-Pacific, the Americas and Southern Africa. The key focus of the business is contract mining and other services mainly for surface mining operations. Its current key focus is on both thermal and metallurgical coal (accounting for c. 87% of FY21 revenue). Thiess provides its services across the various stages of the mining lifecycle with Australia and Indonesia being the key markets.

In addition to contract mining services, Thiess also owns a fully integrated mining equipment hire business comprising of more than 2,200 major pieces of load, haul and ancillary equipment, to assist clients with their equipment requirements.

Thiess is deeply entrenched into the operations of the mine sites and the services and equipment provided are usually critical to the mineral production. Further, after several years of operations at the same mine site, Thiess has developed a unique knowledge and understanding of the geology of the projects which may create production setbacks in the case it is replaced as contract miner.

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The mining services agreements typically have terms of three to six years, however the company has developed longstanding relationships with many clients, with some relationships lasting greater than 40 years. The level of entrenchment is also demonstrated by the fact that over the past five years up to 31 December 2020, Thiess has achieved a renewal rate of contracts at expiry in excess of 80%. Clients with whom the company has multi-decade relationships include Mitsui & Co, BHP / BMA, Glencore, KPC, and Rio Tinto.

A key distinctive factor of the business is that it focuses on mining projects that are typically long life and competitively positioned from a cost perspective on a global scale which reduce the risks of potential closures due to commodity price volatility.

Contract mining services represented c. 99% of FY20 revenue and these services are provided across most stages of the mining lifecycle, including development, extraction, processing and rehabilitation. Thiess does not provide exploration or resource definition services. The breadth of services offered by Thiess and its experience and track-record provides a strong incentive for mining companies to outsource the contract mining component and mitigate the operational risk of the project.

The vast majority of the contracts are based on schedule of rates with contracts generally having upward/downward variation provision to reflect changes in underlying cost base such as labor and consumables costs.

The equipment hire business was launched in 2015 and provides dry hire equipment, maintenance and commercial solutions in Australia, Chile and Canada. Equipment contracts vary in terms but typically range from three months to two years. Dry hire mining equipment includes excavators, trucks, dozers, graders and support equipment. Maintenance service are also provided to support the hired fleet.

The table below provides details of some of the largest projects as at 31 December 2021.

Project name	Description	Type of Contract	Project Value	Revenue to Thiess
Mt Pleasant	In 2021, Thiess was awarded contract extension to continue providing mining services at the Mount Pleasant Operation in the Hunter Valley, Australia. Thiess will continue to provide full-scope mining services including drill and blast, overburden removal, coal mining services and rehabilitation.	Schedule of rates	A$920million extension	A$920million over 4.5 years
Lake Vermont	Thiess is providing services including mining of coking coal, clearing and grubbing, topsoil removal, drill and blast, overburden removal and rehabilitation of final landforms in Queensland. In 2020 Thiess was awarded a 5-year extension.	Schedule of rates	A$2.5 billion extension	A$2.5 billion over 5 years
Mt Owen Coal Mine	In 2020, Thiess secured a contract extension to provide mining services at Mount Owen in the Hunter Valley, Australia. Thiess will continue to provide mine planning, design and execution, drill and blast, overburden removal and coal mining services at the mine.	Schedule of rates	A$340million extension	A$340million over 1.5 years
Curragh Mine	In 2019, Thiess was awarded a contract extension to provide mining services at the Curragh Mine in Queensland, Australia. Thiess will continue to provide overburden removal and haulage, mining and run of mine rehandling services, equipment maintenance and pit dewatering.	Schedule of rates	A$1.3 billion extension	A$1.3 billion over 6 years

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Mt Arthur Coal Mine	In 2018, Thiess secured a contract to provide mining services at the Mt Arthur Coal operation in the Hunter Valley, Australia. Under the new contract, Thiess will perform mine design, planning and scheduling services, drill and blast operations, overburden and coal mining.	Schedule of rates	A$1.2 billion	A$1.2 billion over 5 years
Kaltim Prima Coal (KPC) Mine	In 2017, Thiess was awarded a contract by Kaltim Prima Coal (KPC) to expand operations at Sangatta coal mine in East Kalimantan, Indonesia. The contract will extend the current life-of-mine contract, increasing coal production at the Melawan pit by 12 million tonnes and overburden removal by 130 million bcm over four years, until December 2021. The Contract was extended while a renewal process is underway with expected award second half of 2022.	Schedule of rates	A$300 million	A$300 million over 4 years

Source: CIMIC Management

The WIH as at 31 December 2021 had an aggregated contracted value of c. A$6.8 billion on a 100% basis with a large pipeline of anticipated tendering opportunities.

3.4.1.2 Financial performance

We have set out below a summary of the historical financial performance of Thiess on a 100% basis, which is reflective of the results reported in Thiess standalone Annual Reports.

Historical financial performance of Thiess A$ million	FY18	FY19	FY20	FY21
Revenues	3,842	3,895	3,606	3,351
EBITDA	1,016	1,307	1,201	1,071
EBITDA margin	*26.4%*	*33.6%*	*33.3%*	*32.0%*
Depreciation and amortisation	*(556)*	*(684)*	*(680)*	*(590)*
Amortisation of intagible assets	-	-	-	*(29)*
EBIT	460	623	521	452
EBIT margin	*12.0%*	*16.0%*	*14.4%*	*13.5%*
Net finance costs	*(15)*	*(18)*	*(23)*	*(59)*
PBT	445	605	499	393
NPAT	330	418	331	283

Source: Thiess Pty Limited and Thiess Group Holdings Pty Limited Annual Financial Statutory Accounts, prepared by Thiess Management.

In relation to the historical financial performance, we note the following:

- The significant improvement in EBIT and EBIT margin in FY19 was due to a reduction in the material expenses and plant costs following the exit of the Thiess KMC JV in Canada[48]. FY19 was also the first year that Thiess reported under AASB16 and FY18 was restated for comparability.

- Revenue reduction in FY20 was due to lower production in the Indonesian operations and the cessation of operations at one large project in Australia. These decreases were partially offset by increases in revenue across a number of other sites in Australia, Southern Africa and Chile.

[48] Thiess established a joint venture with Edmonton-based contractor KMC Mining in Canada in 2016 to enter this new market and new industry (oil sands provides). The JV generated significant revenue over a number of years.

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- EBITA decreased from A$521 million[49] in FY20 to c.A$481 million[50] in FY21, down 8%. We note that the decrease in EBITA was primarily driven by a slowdown in activity in Australia and Indonesia due to adverse weather and the impact of COVID-19.

- Following the sale of 50% of Thiess, Thiess undertook a purchase price allocation in accordance with the requirements of AASB3 Business Combinations. As a result, the financial performance in FY21 was impacted by an amortisation charge of A$28.9 million which was finalised in December 2021.

We have set out below a summary of the balance sheet of Thiess, which is reflective of the balance sheet reported in Thiess standalone Annual Reports.

Statements of financial position	As at	31-Dec-20	31-Dec-21
A$ million		Audited	Audited
Assets			
Cash and cash equivalents		128	207
Other current asstes		606	785
Total current assets		**733**	**991**
Intangibles		3,304	3,275
Property, plant, and equipment		1,195	1,148
Other non-current assets		116	161
Total non-current assets		**4,614**	**4,584**
Total assets		**5,348**	**5,575**
Liabilities			
Trade and other payables		522	507
Other current liabilities		431	353
Total current liabilities		**953**	**860**
Interest bearing liabilities		1,614	1,597
Other liabilities		459	500
Total non-current liabilities		**2,073**	**2,097**
Total liabilities		**3,026**	**2,958**
Net assets		**2,321**	**2,617**

Source: CIMIC Management

In relation to the historical financial position, we note the following:

- As at 31 December 2021, the intangible assets include goodwill of A$2.8 billion arising from the structure of the Thiess Transaction with Elliott. Other intangible assets include IT software systems and customer contracts.

- Post the Thiess Transaction, Thiess refinanced most of its interest bearing liabilities. As at 31 December 2021, the interest bearing borrowings amounted to c. A$1.6 billion.

Refer to section 6.1.6 for the key terms of the Thiess Transaction.

We have set out below a summary of the cash flows of Thiess for FY21.

49 In FY20 EBIT and EBITA were the same.
50 A$452 million EBIT plus A$28.9 million of amortisation of intangible assets.

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Statements of cash flow A$ million	FY21 Audited
Cash flows from operating activities	
Cash receipts in the course of operations (including GST)	3,612
Cash payments in the course of operations (including GST)	(2,595)
Income tax paid	(87)
Net cash inflow from operating activities	**930**
Cash flows from investing activities	
Interest received	1
Payments for property, plant and equipment	(457)
Payments for investments	-
Proceeds from sale of property, plant and equipment	130
Cash acquired from acquisition of investments in controlled entities and businesses	-
Payments for investments in controlled entities and businesses	1
Net cash outflow from investing activities	**(326)**
Cash flow from financing activities	
Amounts advanced to related entities	(165)
Interest paid	(44)
Proceeds from issuance of shares	-
Proceeds from borrowings	-
Repayment of borrowings	(19)
Repayment of leases	(295)
Dividends paid to non-controlling interests	(6)
Net cash (outflow)/inflow from financing activities	**(529)**
Net increase / (decrease) in cash and cash equivalents	**75**
Cash and cash equivalents at the beginning of the financial year	128
Effects of exchange rate changes on cash and cash equivalents	4
Cash and cash equivalents at year end	**207**

Source: CIMIC; Thiess FY21 annual report

In relation to the cash flow, we note the following:

- Despite difficult trading conditions in FY21 and an investment in working capital arising from an increase in receivables, Thiess generated net operating cash flows of A$930 million as a result of its strong EBITDA margin of 31.1% and EBITDA cash conversion.
- Net investment in PPE was c. A$320 million.
- Cash flows from financing activities in FY21 were impacted by the repayment of loans to related parties, the repayment of leases as well as net finance costs

3.4.2 Ventia (*32.8% interest*)

3.4.2.1 Overview

Ventia provides essential infrastructure services in Australia and New Zealand across a diverse range of industries and under long term contracts. Ventia's clients are mainly government agencies and large private organisations.

Ventia has been operating since the 1950s in different forms and structures. The current corporate entity was established in 2015 through the consolidation of the infrastructure services businesses of Leighton Contractors Services, Thiess Services and Visionstream in a new entity (Ventia) and the sale of a 50% interest to funds managed by affiliates of Apollo Global Management. In June 2020, Ventia acquired Broadspectrum[51] from Ferrovial for an enterprise value of A$524 million[52] to form one of the largest infrastructure services companies in Australia and New Zealand. Ventia listed on the ASX in November 2021 at an IPO price of A$1.70 per share.

Ventia operates in all states and territories of Australia and throughout New Zealand with a large component of the revenue generated from rural and regional sites. The main services provided by Ventia are outlined below:

- Operations and Maintenance ("O&M") – O&M services includes a range of preventative and reactive maintenance services, plant shutdown maintenance and minor alterations to assets. Ventia also provides assets optimisation services.

- Soft Facility Management ("Soft FM") – Ventia provides hygiene and security services including cleaning, catering, landscaping, pest control and waste management.

- Hard Facility Management ("Hard FM") – Hard FM services are dedicated to the maintenance and upgrade of the physical elements of the buildings, plant and equipment. It includes maintenance for electrical, plumbing, HVAC planned preventative maintenance compliance and reactive maintenance services.

- Environmental services – These services relate to the remediation of contaminated land and waterways.

- Other services include minor capital work, technology solutions, property and consulting.

Ventia is structured in four divisions reverting around sector focus. The Defence and Social Infrastructure and the Infrastructure Services divisions contributed the majority of revenue in FY21, with similar expectations in FY22. The contribution of the Telecommunication division has diminished in recent years on the back of the completion of the roll-out of the NBN network in 2020. We have set out some KPIs and financial performance by division in the graphs below.

[51] Previously known as Transfield Services.
[52] Ferrovial annual report.

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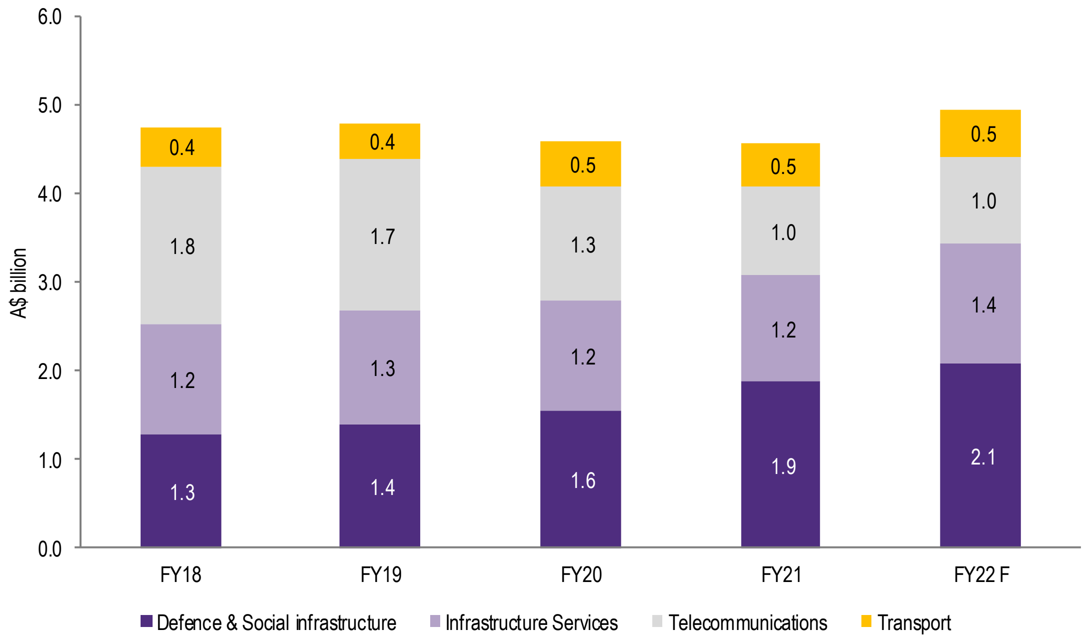
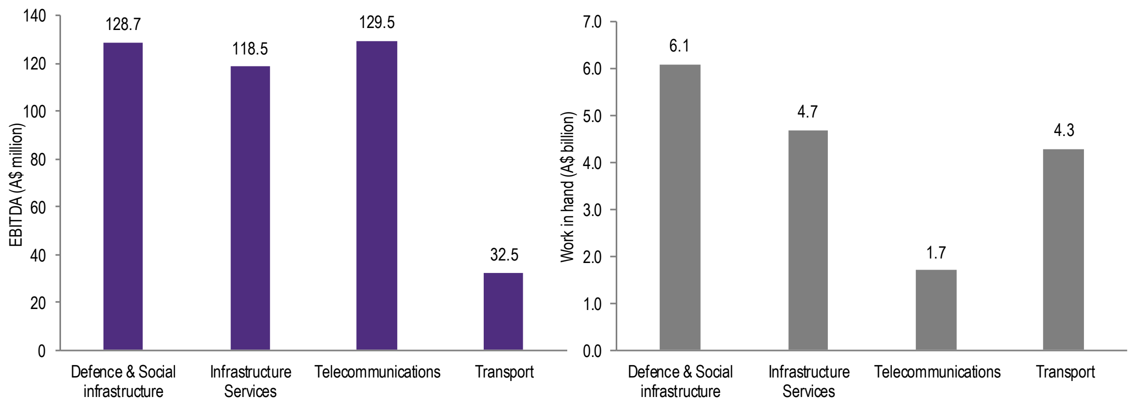
Pro-forma revenue breakdown by division[53]



Source: Ventia IPO prospectus; FY21 results presentation
Note: The breakdown for FY18 to FY20 are based on historical pro-forma numbers

Ventia EBITDA and work in hand by division in FY21



Source: Ventia FY21 results presentation

Ventia has a diverse client base with multiple contracts with individual clients and long term relationships. The average contract renewal rate with clients has been in excess of 80% since FY16. The majority of the contracts (c. 80% of FY20 revenue) are based on schedule of rates, with only 11% of FY20 revenue based on fixed pricing. Further, c. 94% of work in hand above A$50 million as at 31 December 2021 has price escalations or panel arrangements with ongoing pricing updates and limited exposure to fixed price contracts.

The portfolio of contracts held by the company has a long duration with approximately 75% of Ventia's revenue in FY20 generated by contracts with a term of three years or more since inception.

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[53] The financial information is presented on a pro-forma basis assuming that the acquisition of Broadspectrum had occurred on 1 January 2018.

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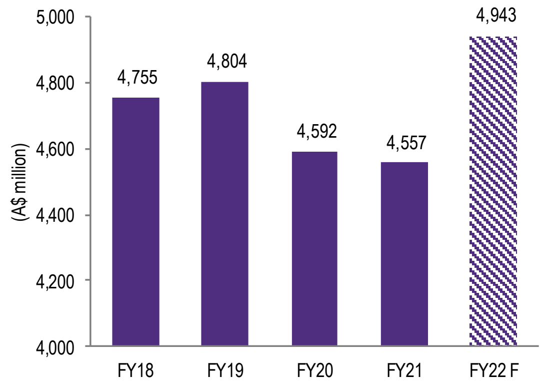
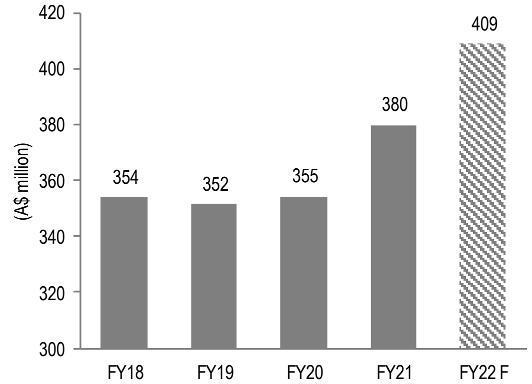
3.4.2.2 Summarised financial performance

An extract of the financial information of Ventia is set out below and it is presented on a pro-forma basis assuming that the acquisition of Broadspectrum had occurred on 1 January 2018[54].

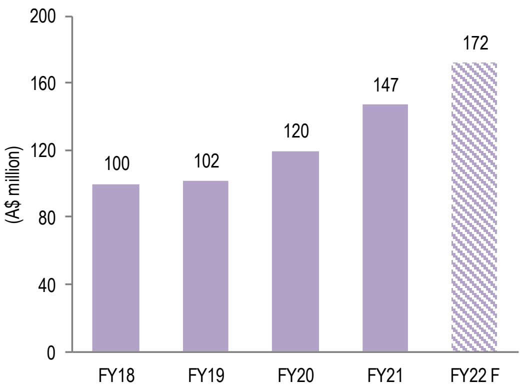
Pro-forma total revenue



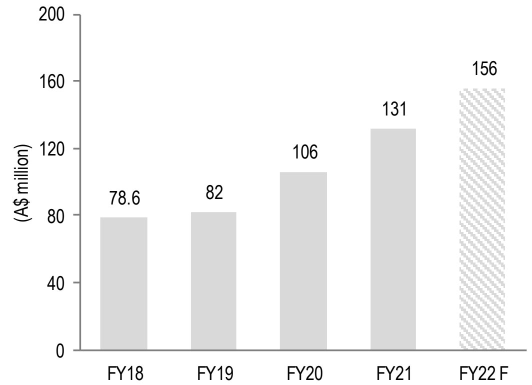
Pro-forma EBITDA



Pro-forma NPATA



Pro-forma NPAT



Source: Ventia FY21 annual report and Prospectus.

In relation to the FY21 financial performance, we note the following:

- The Defence and Social Infrastructure division generated strong revenue and EBITDA growth in FY21 driven by increasing volumes with existing contracts. Strong momentum is predicted to continue in FY22.

- The performance of the Infrastructure Services unit was substantially flat in FY21 compared with FY20 mainly due to fewer environmental remediation projects which was partially offset by new wins in the resource and industrial sectors. The performance is expected to rebound in FY22 on the back of supportive industry dynamics and demand for environmental services.

- The relative financial contribution of the Telecommunication division reduced substantially in FY21 compared with the pcp. This was in line with expectations due to completion of the initial fibre build

[54] Refer to the Ventia Prospectus available on the ASX platform for details of the pro-forma adjustments.

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program for NBN in 2020. Going forward, the acceleration of the structural migration from copper to fibre is expected to increase demand for the division.

- The Transport division experienced a mixed performance with revenue reducing due to completion of several roads and rail contracts but EBITDA increasing materially as a result of cost optmisation, operating model efficiencies and project improvements.

Ventia has provided guidance for FY22 with strong growth expected in revenue and EBITDA which is mainly driven by growth in Government spending including increasing investment in defence with the addressable market across Australia and New Zealand expected to increase at compound annual growth rate (“CAGR”) of 5.5%. Ventia is expected to benefit from other tailwinds in the industry including population growth, increasing outsourcing rates, private sector construction, increased environmental regulation, technology adoption and automation.

The FY22 guidance was re-affirmed in conjunction with the release of the full year results for FY21 and given the work in hand and the long term contracts underpinning its operations, the company has good visibility over the financial performance for the short term.

We have set out below a concise balance sheet of Ventia.

Consolidated statements of financial position	As at	31-Dec-20	31-Dec-21
A$ million		Audited	Audited
Assets			
Cash and cash equiv alents		444	180
Other current asstes		707	744
Total current assets		**1,151**	**924**
Non-current assets		1,821	1,758
Total non-current assets		**1,821**	**1,758**
Total assets		**2,973**	**2,681**
Liabilities			
Trade and other pay ables		720	848
Borrow ings		6	-
Lease liabilities		50	64
Other current liabilities		354	226
Total current liabilities		**1,130**	**1,138**
Borrow ings		1,308	743
Lease liabilities		84	78
Other current liabilities		416	332
Total non-current liabilities		**1,808**	**1,153**
Total liabilities		**2,939**	**2,291**
Net assets		**34**	**391**

Source: Ventia FY21 annual report

We have also illustrated below the movements in the proforma operating cash flow, the cash conversion ratio, the leverage ratio and the headroom on covenants in the past four years.

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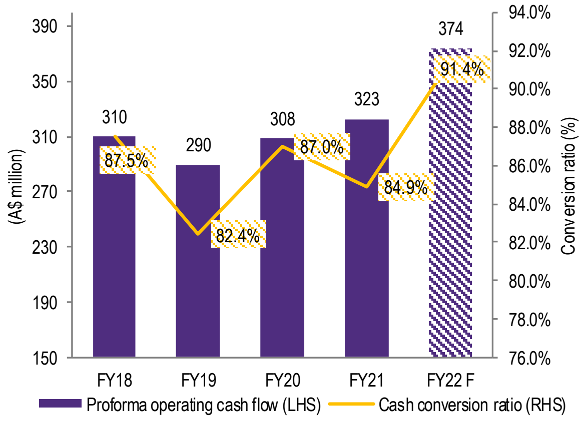
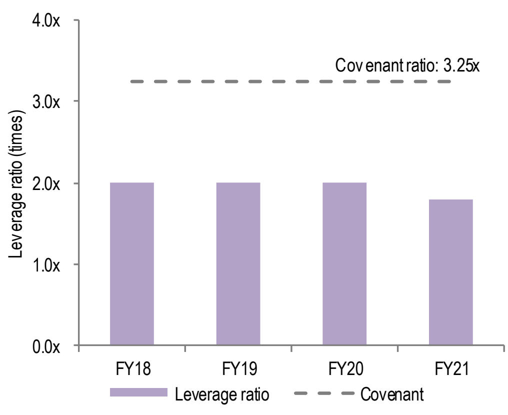
Pro-forma operating cash flow and cash conversion



Leverage ratio and covenant



Source: Ventia FY21 results presentation and Prospectus

On 23 November 2021, Ventia entered into a syndicated facility agreement which included the provision of A$750 million of syndicated term loan facility and A$400 million of revolving cash facility. Funding from the new syndicated facility plus the proceeds from the IPO of c. A$373.8 million and surplus cash were used to repay the legacy term loan facility. The weighted average interest rate for the interest bearing liabilities was 2.3% as at 31 December 2021. Ventia's credit rating is investment grade of BBB- (stable outlook) with S&P and Baa3 (stable outlook) with Moody's.

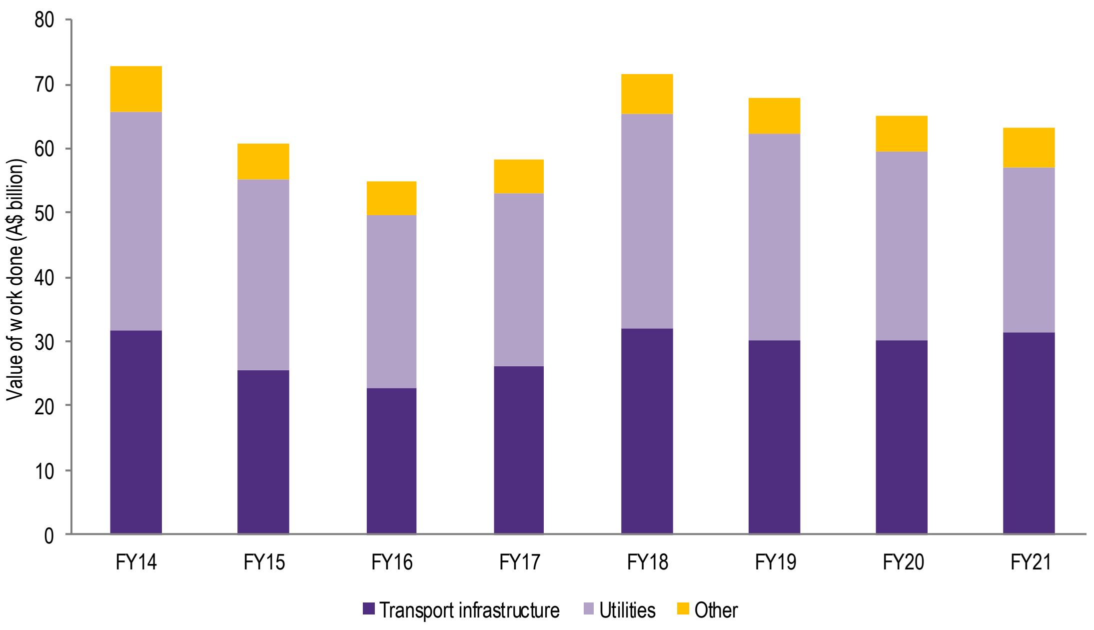
4 Industry overview

CIMIC is an ASX-listed company that offers engineering-led construction, mining and maintenance services to infrastructure, civil and resource projects, with the majority of the revenue generated in Australia. As such, we have set out below an overview of the construction services, mining services and infrastructure services sectors.

4.1 Construction services and public-private-partnerships

Demand for engineering and construction services is primarily driven by investment in, and construction of capital goods, as well as the subsequent maintenance, extension, and upgrades required to keep such capital goods operational. The following graph shows historical construction work in Australia by sector (excluding residential and mining).

Historical non-residential, non-mining[55] value of construction work done in Australia



Source: Australian Construction Outlook Overview, published by Macromonitor dated December 2021

In the 4 years to FY18, the historical value of work done reduced at a CAGR of c. 7.3%, primarily due to the subdued Australian economy and lower spending on infrastructure projects between FY15 and FY17. In conjunction with the outbreak of the COVID-19 pandemic and in order to support the economy, the Australian Government undertook steps to secure additional funding for infrastructure, seeking to accelerate projects by fast-tracking planning approvals, and implementing planning and procurement reforms. Since then, A$14 billion of new and accelerated transport infrastructure projects have been announced by the Federal Government with the aim to drive significant near-term investments in major road and rail projects, road safety and community infrastructure.

The following graph illustrates the expected infrastructure funding disclosed by State and Federal Government compared to prior funding in similar areas.

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55 We have excluded the value of work done in resources and mining sector, which was mainly driven by investment capex of BHP, RIO, Fortescue and Hancock expanding their iron ore production.

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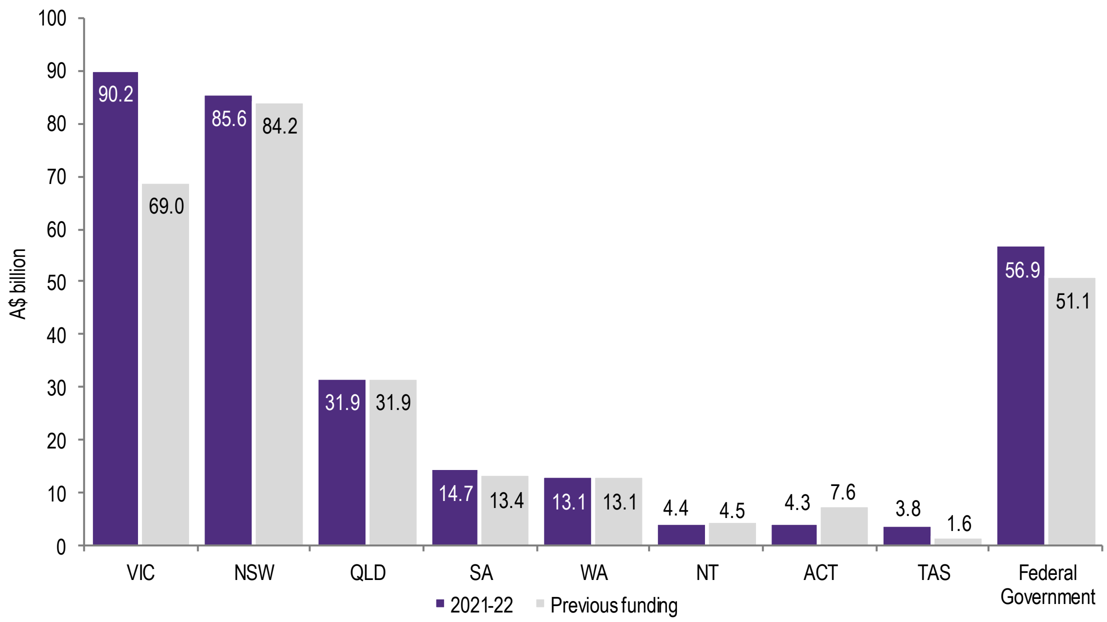
State and Federal Government committed funding to infrastructure in 2021-22 and previous Governments' Budget



Source: Australian Infrastructure Budget Monitor 2021-22, published by Infrastructure Partnerships Australia

In the 2021-22 Budget, a total of A$248.1 billion in total state and territory government funding has been allocated for infrastructure over the four years to 2024-25, being c. 10% higher than the previous budgets'. The key projects and initiatives (in a non-exhaustive manner) across the various states are discussed below:

- In New South Wales, the budget spending was primarily allocated to transport. This includes c. A$12 billion for Sydney Metro West, c. A$6.3 billion for the Western Harbour Tunnel, Beaches Link and Warringah Freeway Upgrade projects, c. A$2.1 billion for Sydney Gateway, c. A$1.7 billion for the Princes Highway Upgrade and c. A$1.3 billion for the M12 Motorway.

- Similar to New South Wales, in Victoria, the majority of the budget is allocated to transport. Key projects in this area include the Melbourne Airport Rail Link (c. A$5 billion), preconstruction of the Suburban Rail Loop (c. A$2.2 billion) and Stage 1 of the Geelong Fast Rail (c. A$2 billion).

- In Queensland, the state government focused on social infrastructure including c. A$5.9 billion for rail projects over four years, with c. A$3 billion to be spent through Queensland Rail. New road commitments in the Budget includes c. A$160 million for the Sunshine Motorway – Mooloolah River Interchange Upgrade, c. A$60 million for the Cairns Western Arterial Road and c. A$100 million for the Bruce Highway Upgrade program.

- Governments in other states and territories have also outlined major transport and infrastructure programmes in their most recent budgets. Over the next four years, the other states have major infrastructure project pipelines such as the North-South Corridor (c. A$8.9 billion) in South Australia, Transport and City Services projects in Australian Capital Territory (c. A$1 billion), roads and bridges (c. A$2 billion) in Tasmania and METRONET projects (c. A$5.7 billion) in Western Australia. The majority of those projects are across transport and social infrastructure which are likely to provide CIMIC with a broad range of opportunities.

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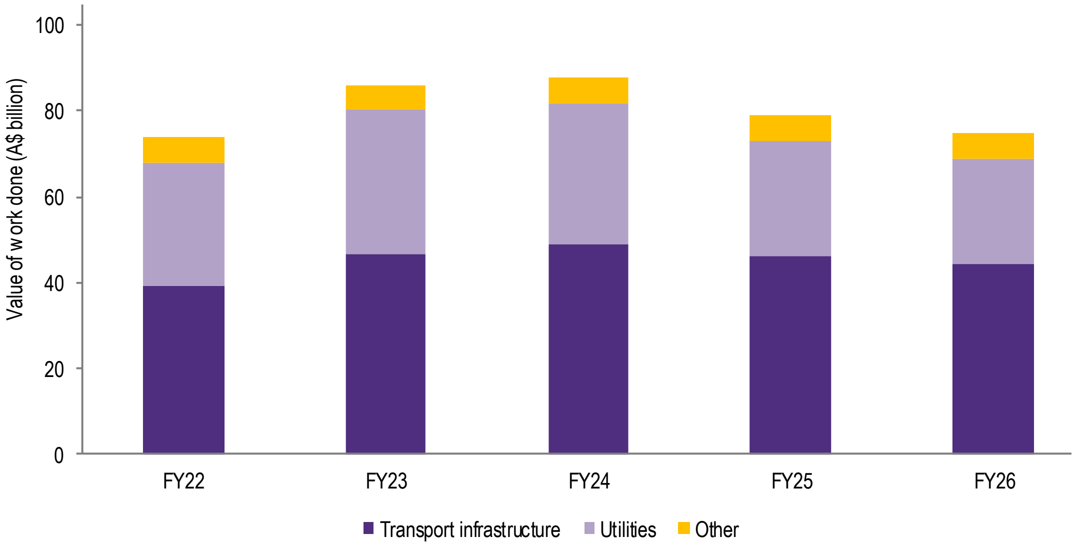
Government-initiated transport, social infrastructure and resources projects are expected to remain key drivers of the Group's growth opportunities over the medium term. We have set out below the forecast construction work done in Australia which is expected to peak in FY24 on the back of the Government spending outlined above.

Forecast non-residential, non-mining value of construction work done in Australia



Source: Australian Bureau of Statistics, Macromonitor December 2021

Over the forecast three years from FY22 to FY24, the value of work done is expected to increase at a CAGR of c. 9% to a total of A$88 billion in FY24[56] before it declines in the following two years.

The transport sector is expected to remain the key driver of infrastructure spending with major transport work done by year in Australia expected to average approximately A$20.4 billion from 2021-2025[57] as set out in the graph below.

[56] Macromonitor December 2021.
[57] CIMIC Eurobond Offering Circular, Macromonitor, Major Transport Infrastructure Chart, January 2021.

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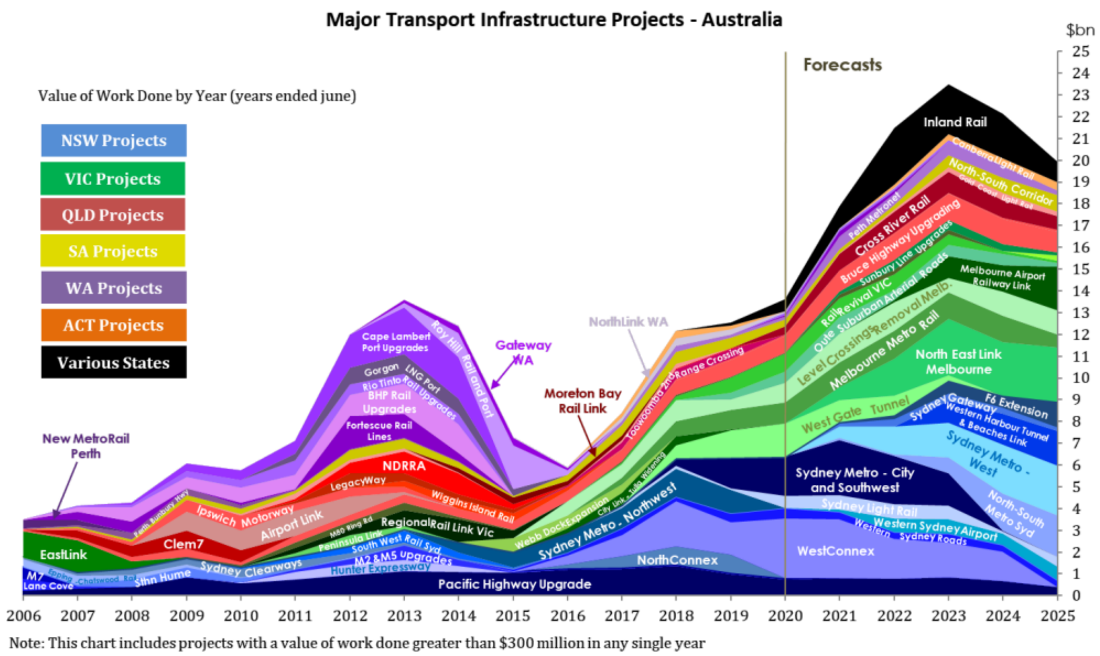
Major Transport Infrastructure Projects – Australia



Source: CIMIC Eurobond Offering Circular, Macromonitor January 2021

Hospital and healthcare infrastructure are also benefitting from significant budgetary commitments, primarily due to favourable macroeconomic tailwinds. Initiatives such as the 2020-2025 National Health Reform Agreement are expected to provide CIMIC with opportunities across the healthcare industry.

Outside Australia, New Zealand established an Infrastructure Commission in 2019 which has primary functions of long-term strategy and planning for infrastructure, as well as procurement and delivery advice and support for major projects. Under the Infrastructure Commission oversight, the committed pipeline of infrastructure projects grew from a total value of NZ$21.1 billion in November 2019 to NZ$47 billion in March 2021. These growth opportunities are expected to positively impact CIMIC's order book and therefore the Group's future performance.

Australian Government infrastructure projects have increasingly been structured as PPPs, a contract between the public and private sectors where government institutions commission private sector consortiums to deliver infrastructure, operate and maintain it to specific standards over a long period of time. PPPs have time horizons of between 15 years and 30 years, and include social sectors such as education, justice services, hospitals and public transport infrastructure such as roads, tunnels and trains.

PPP's are relatively mature in Australia and have gained popularity in New Zealand and the wider Asia Pacific region. In Australia, there is a requirement under the National PPP Policy Framework for projects over A$50 million to at least be considered for PPP structuring and funding. In New Zealand, the government is actively seeking private sector participation in social services and infrastructure development and management, and has set up the Infrastructure Commission to pursue this, amongst other opportunities.

Currently, there are a number of large engineering and construction services companies operating in Australia and competing with CIMIC including BMD, John Holland, Multiplex Australia, Downer Group, BESIX Watpac, Lendlease and Monadelphous. There are also international competitors which have a meaningful presence in the Australian market, such as Acciona, McConnell Dowell, WeBuild, Ferrovial, Ghella and Bouygues.

4.2 Mining services

Mining services refers to outsourced activities required to operate a mine. It includes mine design and planning, development, extraction, mineral processing and rehabilitation. It provides mining companies with flexibility to scale without having to train a labour force or fund a fleet of mining equipment. Demand for mining services is underpinned by a switch from owner-operated mining to outsourced mining services and growth in mining production.

Australia is a relatively mature mining services market with about 35% of surface mining and 22% of underground mining outsourced to mining services companies. One of the most serviced regions is the coal market on the East Coast of Australia which is also a Thiess' focus. In FY21, the size of the mining services market, inclusive of all commodities, was c. A$12 billion. The COVID-19 pandemic created additional difficulties for the industry, causing price volatility and leading some operators in the to scale back planned capital expenditure. However, industry players are anticipated to benefit from high iron ore prices and recovering coal, oil and gas prices over the two years through FY22. Overall, industry analysts expect that the size of the market will grow to A$13.2 billion by FY25 as mining production increases and owner-operated mines continue to shift to outsourced mining services.

Historical and forecast contract mining services sector revenues in Australia

Source: IBISWorld B1090 – Mining Support Services in Australia

Indonesia, a key overseas market for Thiess, is one of the most mature mining services markets. Contract miners play a significant role in coal extraction and overburden removal and the latter generates the most revenue for contract miners in this region. Exploration companies also rely heavily on contractors as they do not have the machinery or expertise to explore and develop the concession.

In the US and Canada, mining is heavily weighted to owner-operated models particularly in coal, copper and gold mining. As this market evolves, it is likely to shift to a contractor model, providing significant opportunities for mining services companies, including Thiess and Sedgman.

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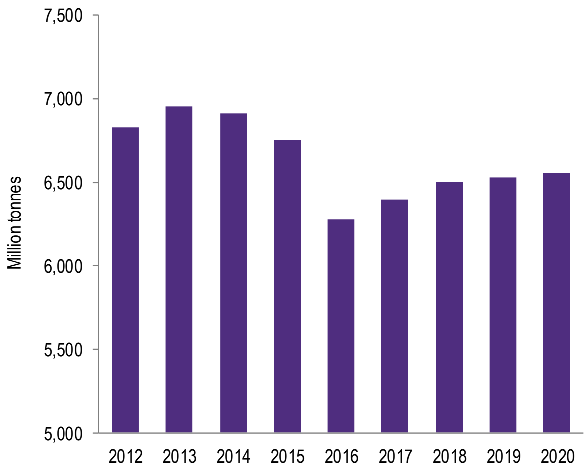
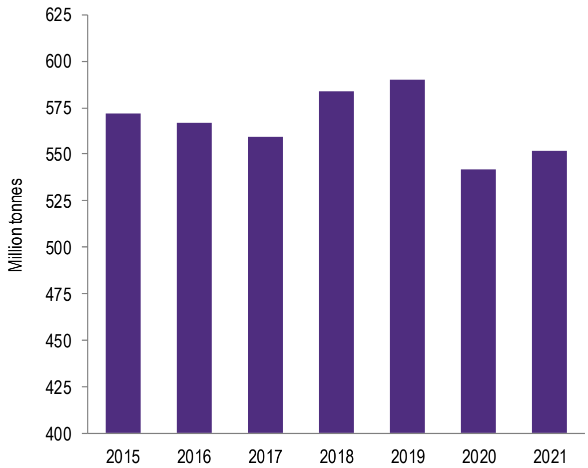
Coal production (metallurgical and thermal) is a key driver for the demand of mining services and are commodities which Thiess has exposure to, accounting for more than two-thirds of Thiess' FY21 revenue. As carbon emission regulations tighten[58], coal demand and production, in particular for thermal coal, are likely to come under increasing pressure. That said, in the short term, coal demand and supply fundamentals should benefit from a post COVID-19 global economic recovery. We highlight global and Australian annual coal production levels in the following graphs.

Global coal production 2012-2020



Australian coal production 2015-2021



Source: Department of Industries, Science, Resources and Energy

In relation to the graphs above, we note the following:

- In 2020, global coal production amounted to 6.6 billion tonnes with thermal coal production accounting for 85% of total production. The largest coal consuming countries were China and India which accounted for 53% and 12% of demand respectively. Demand for thermal coal is driven mostly by electricity generation whereas metallurgical coal is used within heavy industries as a key input to make steel.

- Global coal production is well below the 2013 decade peak of 6.95 billion tonnes, mainly due to the growing importance of renewable energy in the electricity generation mix. Supply-demand fundamentals have also improved from 2016 lows, mainly driven by increasing demand from China and India.

- In 2020, Australia accounted for 7% of global production. Australia produced mostly high-quality thermal and metallurgical coal, 86% of which was exported. Production peaked in 2019 at c. 590 million tonnes but declined a year later due to an informal ban on Australian coal exports by China, coupled with a slowdown in global GDP growth arising from COVID-19.

- In the short term, fundamentals for coal and indeed all commodities, will benefit from improving global economic conditions. We note the following, with respect to forecast coal production:

  - The Australia Office of Industry, Science, Energy and Resources expects Australian thermal production to increase by 13% from June 2021 to June 2024.

[58] Coal is responsible for generating the highest carbon dioxide emissions of all fuel types.

- The International Energy Association expects global coal production to increase by 7.7% on average between 2020 and 2024. However, production growth in Indonesia, a key market for Thiess, is expected to be softer at 1% on average over the same period.

Over the longer term, demand and supply fundamentals for thermal coal, which will impact the mining services activity of Thiess, will be determined by the extent to which countries decarbonise their energy supply. For large, fast growing economies like China and India fully decarbonising their energy supply may be challenging and require a longer period of time which is likely to continue to support the demand for thermal coal and the related contract mining services provided by Thiess.

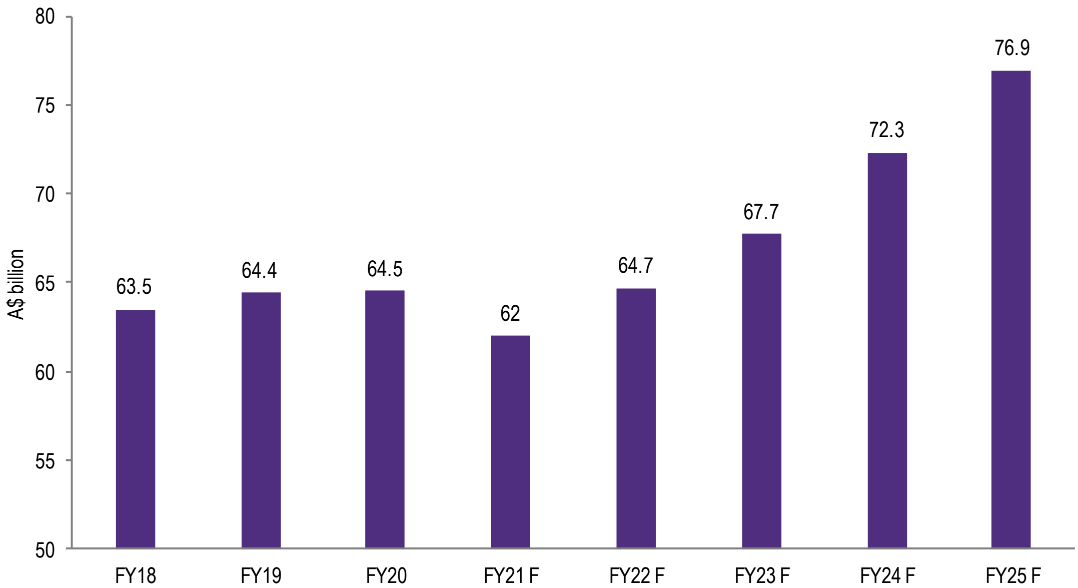
The majority of mining services companies are regionally focused. They are often specialised in a particular commodity or mining method, but lack the scale or expertise to compete globally. The larger companies tend to offer services across regions, commodities and mining depths. Global players include but are not limited to Thiess, Macmahon, PT Pamapersada Nusantara ("PAMA"), Perenti (formerly Ausdrill), NRW, PT Bukit Makmur Utama Mandiri ("BUMA") and Byrnecut. Australia and Indonesia are some of the largest markets for the larger players.

The Australian mining services market is relatively concentrated due to high capital costs and specialised skills requirements. Thiess is the largest contract mining services company in Australia and competes with companies such as MACA, NRW, and Macmahon. The Indonesian market is more fragmented, with the two largest players being PAMA and BUMA followed by Thiess, being the third largest player.

4.3 Maintenance services

This sector includes maintenance activities for various projects and facilities across a broad range of industry segments, including transport, healthcare facilities, utilities, buildings, social infrastructure, and telecommunications. According to BIS Oxford Economics, the estimated total addressable market for maintenance services in FY21 in Australia and New Zealand was expected to be c. A$62 billion and is projected to grow at a CAGR of 5.5% to A$76.9 billion in FY25 as set out in the graph below.

Total addressable market size in Australia and New Zealand for maintenance services

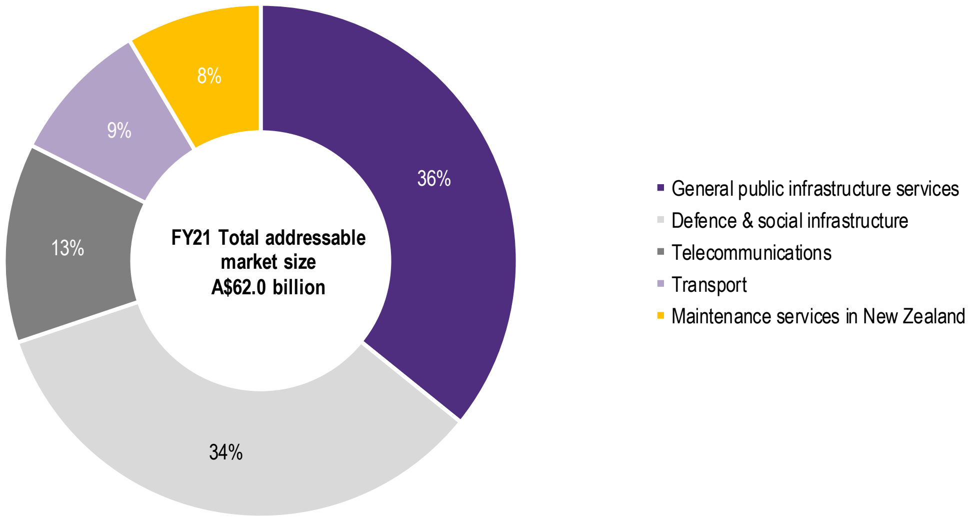


Source: Ventia prospectus

Historically from FY18 to FY21, the addressable market size decreased at a CAGR of 0.8% due to the decline in telecommunications spending on the back of the completion of the NBN rollout at the end of 2020. From FY21 onwards, the maintenance services market is projected to grow at a CAGR of c. 5.5% supported by new investments in the telecommunications industry (including upgrades of NBN and rollout of 5G networks in the near term) and increased activities in upgrades of social infrastructure, including the upgrades in water, electricity transmission and development and electricity generation.

We have illustrated a breakdown of the services provided by market below:

Types of services delivered in the maintenance services market (FY21F)



Source: Ventia Prospectus

In relation to the service segments above, we note the following[59]:

- *General public infrastructure service:* This segment has an estimated addressable market size of c. A$22.2 billion in FY21. Electricity, Gas and Water are responsible for more than 50% of the services in this segment. The segment is forecast to grow at a CAGR of c. 6.6% from FY21 to FY25, driven by the growth in Electricity T&D[60] networks, new gas connections in Western Australia and Northern Territory, development of onshore gas fields in Queensland as well as the Governments' focused water system maintenance.

- *Defence & social infrastructure:* This segment has an estimated addressable market size of c. A$21.1 billion in FY21, of which social infrastructure represents 83.4% and the balance is represented by defence. The segment is forecast to grow at a CAGR of 5.3% from FY21 to FY25, driven by the several factors, including demand for social housing maintenance, a rise in Army Sustainment expenditure[61] and an increase in capability acquisition spending from c. A$12.7 billion in 2020-21 to c. A$15.8 billion in 2021-22 and c. A$17.8 billion in 2022-23[62]

- *Telecommunications:* Estimated addressable market size of c. A$7.8 billion in FY21 with projected CAGR of 6.8% from FY21 to FY25. As the construction phase of NBN reached its completion in late

[59] According to BIS Oxford Economics as included in the Ventia IPO prospectus.
[60] Transmission and Distribution.
[61] Defence Army Sustainment expenditure in the 2021-22 Commonwealth Budget is projected to rise from A$1.8 billion to A$3.1 billion in FY25, representing a CAGR of 13.6%.
[62] Table 4b: Defence Planned Expenditure by Key Cost Category, Budget 2021-22, Defence Portfolio.

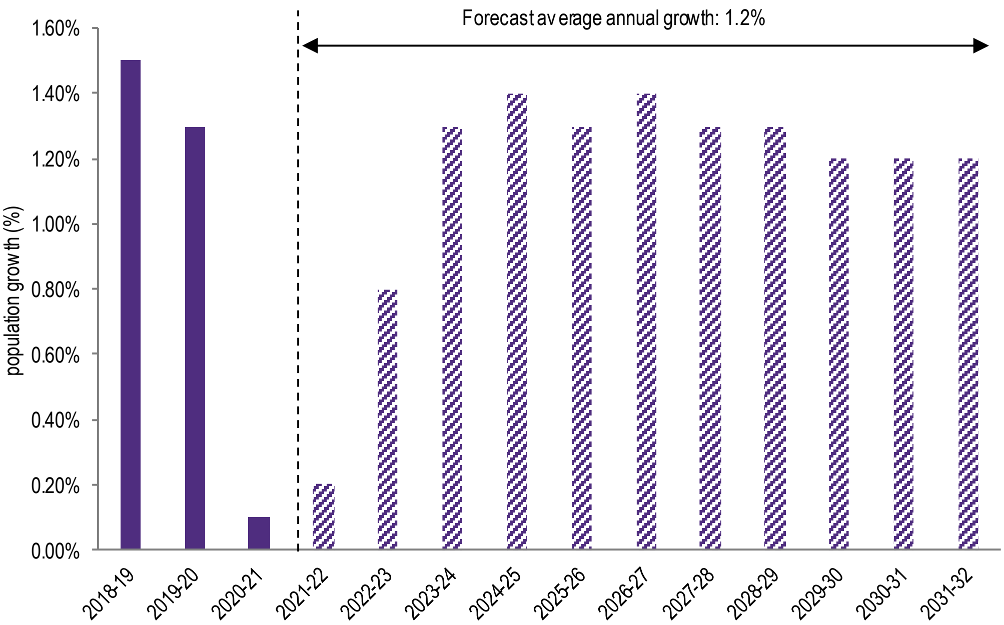
2020, the demand for enhancing the network and the need to rollout new technology by network carriers are expected to be the biggest driver of the segment growth in near term.

- *Transport*: This segment has an estimated addressable market size of c. A$5.6 billion in FY21, of which 87.5% is related to Roads and the remaining 12.5% is related to Rail. The segment is forecast to grow at a CAGR of 1.6% from FY21 to FY25.

We have summarised below the key drivers for the demand of maintenance services, in particular in the infrastructure sectors where Ventia and UGL operate.

- *Population growth and urbanisation* – Population growth is one of the key determinants for the development of infrastructure assets, as the growth of population drives an increase in the utilisation of existing assets and promote the need for additional infrastructure facilities and maintenance services.

Historical and forecast population growth



Source: Profile of Australia's Population, published by Australian Institute of Health and Welfare dated 16 September 2021.

The current reduction in the growth rate is attributed to the net negative migration due to the prolonged COVID-19 international travel restrictions and the closure of international border[63]. In the long-term, we note that population is forecast to grow at a CAGR of 1.1% to 29.1 million by 30 June 2032[64], which is lower than the historical average annual growth of 1.4%[65].

- *Current and future infrastructure asset size* – As mentioned in section 4.1, the Australian Government has been supporting ongoing investment in the infrastructure sector from the private sector and long-term spending commitments from the public sector, by introducing increasing level of stimulus funding year by year. The increase in infrastructure funding and promotion of additional infrastructure will

63 ABS Media Release, Australia's population Grew by 0.2%, published on 16 December 2021.
64 Profile of Australia's Population, published by Australian Institute of Health and Welfare.
65 Australian population as at 30 June 2020 was c. 25.7 million, representing c. 1.4% average annual growth since it was 17.1 million as at 30 June 1990. Profile of Australia's Population, published by Australian Institute of Health and Welfare.

result in greater demand of maintenance services for existing assets as well as for asset extensions and upgrades.

- *Rate of outsourcing* – Outsourcing rates of maintenance services are increasing as businesses seek to focus on their core business whilst at the same time reducing the costs to service.

- *Environmental regulation* – The sector is a beneficiary of the increasing barriers brought by environmental regulation, as the facilities and infrastructure assets nowadays will need not only the traditional periodic maintenance, but also specialised maintenance to be in compliance with environmental regulations.

5 Valuation methodologies

5.1 Introduction

As discussed in section 1, our fairness assessment involves comparing the Offer Price with the fair market value of CIMIC on a control basis.

Grant Thornton Corporate Finance has assessed the value of CIMIC using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow and the estimated realisable value of any surplus assets ("DCF Method").
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets ("FME Method").
- Amount available for distribution to security holders in an orderly realisation of assets ("NAV Method").
- Quoted price for listed securities, when there is a liquid and active market ("Quoted Security Price Method").
- Any recent genuine Schemes received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG 111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

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5.3 Selected valuation methods

In our assessment of the fair market value of CIMIC, Grant Thornton Corporate Finance has relied on a number of valuation methodologies as outlined below.

5.3.1 SOP approach

We have valued CIMIC based on the SOP approach where we have estimated the value of CIMIC wholly owned subsidiaries, investments, corporate costs and other assets and liabilities as at 31 December 2021.

In our valuation assessment of the operating businesses, we have mainly had regard to the following valuation methodologies:

- *EBITA Multiple (Construction Division and Services Divisions)* – The Services Division of CIMIC and most of the selected listed peers in Australia incur a charge for the amortisation of identified intangible assets (mainly customer's contracts) arising from acquisition. Accordingly, we have relied on EBITA in our valuation assessment. We are of the opinion that the EBITA multiples are an appropriate benchmark to assess fair market value as they are not affected by tax and accounting, adequately takes into account the capital requirements of the business and the impact of IFRS-16 is mainly removed. In addition to this we note the following:
  - The businesses comprising the Construction and Services Divisions are mature businesses with and history of profitability which are expected to continue in the future.
  - EBITA multiples are widely used and accepted valuation measures in the industry.
  - There is an availability of listed comparable companies for the calculation and analysis of implied EBITA multiples.
- *Quoted Security Price* – In the absence of the Takeover Offer or other transactions, the trading share price represents the value at which minority shareholders could realise their investment in CIMIC and accordingly it is a relevant valuation benchmark. We have also relied on this approach in the valuation assessment of CIMIC's 32.8% interest in Ventia.
- *Previous transaction* – CIMIC recently completed the sale of its 50% interest in Thiess which we have adopted as a starting point in our valuation assessment.

We have not adopted the DCF approach as we do not have long term cash flow projections which we regard as sufficiently robust to enable a DCF valuation to be undertaken. Further, we note that it is difficult to reliably predict (on a year-by-year basis) the medium term dynamic in the infrastructure market and in the contract mining sector which affect the value of CPB Contractors and Thiess.

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6 Valuation assessment of CIMIC

6.1 Valuation summary

As discussed in section 5, we have adopted the SOP approach as our primary valuation methodology. Our valuation assessment is summarised below.

SOP Method - valuation summary A$ million (except where stated otherwise)	*Section Reference*	Low	High
Construction	*6.1.1*	4,200	5,170
Services	*6.1.2*	1,650	1,920
Corporate divisions	*6.1.3*	(479)	(345)
Thiess (50% interest)	*6.1.6*	982	1,068
Ventia (32.8% interest)	*6.1.7*	645	785
Total Enterprise Value (control basis)		**6,997**	**8,598**
Less: Net Debt as at 31 December 2021	*6.1.9*	(498)	(498)
Other adjustments	*6.1.8*	(503)	(303)
Equity value (control basis)		**5,996**	**7,797**
Number of outstanding shares (fully diluted)	*2.7*	311,296,286	311,296,286
Value per share (control basis) (A$ per share)		**19.26**	**25.05**

Source: GTCF analysis

We have adopted various methodologies to assess the fair market value of CIMIC's businesses which we have outlined below.

SOP approach breakdown Segment	Section Reference	Valuation approach
Construction Division	*6.1.1*	FME approach - EBITA multiple
Services Division	*6.1.2*	FME approach - EBITA multiple
Corporate Division	*6.1.3*	FME approach - EBITA multiple and DCF
Thiess (50% interest)	*6.1.6*	Transaction evidence
Ventia (32.8% interest)	*6.1.7*	Quoted security price

Source: GTCF analysis

As discussed in section 5, we have adopted the EBITA Multiple as our valuation methodology to assess the fair value of the Construction, Services and Corporate divisions. Our valuation assessment is summarised in the table below.

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FME Method A$ million	Section Reference	Low	High
Construction Division			
Assessed maintainable EBITA	*6.1.1*	420	470
Assessed EBITA Multiple	*6.1.5.1*	10.0x	11.0x
Construction Division assessed fair value		**4,200**	**5,170**
Services Division			
Assessed maintainable EBITA	*6.1.2*	150	160
Assessed EBITA Multiple	*6.1.5.3*	11.0x	12.0x
Service Division Assessed fair value		**1,650**	**1,920**
Corporate Division			
Maintainable Corporate Costs (including synergies)	*6.1.3*	(70)	(53)
Blended Multiple of the Constuction and Services Divisions	*6.1.3*	10.3x	11.3x
Corporate Costs value		**(718)**	**(596)**
Add: PPCo, Devine, LPPL	*6.1.3*	239	252
Corporate Division assessed fair value		**(479)**	**(345)**

Source: CIMIC Management, GTCF analysis. Note 1 – The corporate division does not incur any material amortisation of intangible assets, accordingly, we have blended the EBIT of Construction Division and the EBITA of the Services Division.

For the purpose of our valuation assessment of the various segments based on the SOP approach, Grant Thornton Corporate Finance has estimated a normalised EBITA for each division, taking into account the following:

- Historical financial performance between FY17 and FY21.
- Management's high-level budget for FY22 ("FY22 Budget").
- Brokers consensus forecast for each division and for the Group as whole.
- General market conditions

6.1.1 Construction Division maintainable EBITA

The table below summarises the historical performance of the Construction Division. We have derived the EBITA for the Construction Division to be in line with the approach adopted with the Services Division. As the Construction Division does not incur amortisation related to acquired intangible assets, the EBITA and EBIT are the same.

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Construction Division A$ million	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual
Revenues					
Total Revenues including JV&A	7,611	7,973	7,556	6,612	6,881
Less: JV&A Revenues	(11)	(7)	(24)	(16)	(5)
Total Revenues - Excl JV&A	**7,599**	**7,965**	**7,532**	**6,596**	**6,876**
Statutory EBIT	627	644	522	(1,173)	463
One-off items	-	-	-	1,529	-
Underlying EBIT	**627**	**644**	**522**	**356**	**463**
JV&A share of profit adjustment	-	-	-	(22)	(29)
Adjusted underlying EBIT - Including Division's JV&As	**627**	**644**	**522**	**334**	**434**
EBIT Margin	*8.3%*	*8.1%*	*6.9%*	*5.1%*	*6.3%*
Add: Amortisation of acquired intangible assets	-	-	-	-	-
EBITA	**627**	**644**	**522**	**334**	**434**
EBITA margins	*8.2%*	*8.1%*	*6.9%*	*5.1%*	*6.3%*

Sources: CIMIC annual reports, GTCF analysis

We note the following in relation to the table above.

- We have included the share of profit from the JV&As associated with the Construction Division in the historical financial performance which is accordingly captured in the maintainable EBIT.

- The EBIT and EBIT margin in FY17 and FY18 were supported by above-market profitability on certain large infrastructure projects and strong contributions from Leighton Asia. Further, the Construction Division generated strong margins from providing services to the Energy and Resource industry, which was still in a capital investment expansionary cycle.

- In FY19, revenue decreased compared to FY18 but they remained substantially in line with FY17. However, FY19 profitability was affected by the slowdown in the Hong Kong market driven by the temporary inability for the business to participate in some new government tenders, as a result of the suspension.

- The deterioration in the FY20 financial performance was largely attributable to the outbreak of COVID-19 and the associated delay in awarding new work. The statutory financial performance was also adversely impacted by several one-off items pertinent to the Construction Division which are summarised below.

FY20 One-off costs - Construction Division A$ million	Section Reference	
Gorgon Jetty resolution	3.4.2	1,150
Property and vessel impairments	3.4.2	52
COVID-19 and restructuring costs	3.4.2	91
Project settlements	3.4.2	236
Total One-off expenses		**1,529**

Source: CIMIC FY20 annual report
Note: The above number represents the share to the Construction Division of FY20 one-off items

- In FY21, financial performance benefited from strong Government spending in the infrastructure sector, with a 25% growth in construction work in hand to A$15.7 billion as at 31 December 2021. EBIT margin normalised to be more in line with the expected level going forward.

- The FY20 and FY21 performance included the share of profit from JV&As including Pacific Partnerships which we have valued separately and accordingly removed from the EBITA adopted for the valuation.

We have also reviewed a high-level budget for the Construction Division prepared by the Group which we have not disclosed as it contains commercially sensitive information and it may not meet the disclosure requirements of ASIC RG170. Nonetheless, we have taken the FY22 Budget into account in forming our opinion on the maintainable EBITA. Notably, FY22 revenue includes a component of the West Gate Tunnel WIH which will be delivered at no margin by the Group and hence affecting the EBIT margins. In our valuation assessment, we have separately estimated the financial impact of the settlement of the West Gate Tunnel on the future financial performance of the business (up to FY25) and accordingly we have disregarded it for the purpose of assessing the maintainable EBITA.

In assessing the EBITA for the Construction Division, we have also considered the broker forecasts, which are summarised in the table below.

Broker consensus EBIT - Construction Division			
A$ million	Date	FY22	FY23
Broker 1	24-Feb-22	442	456
Broker 2	11-Feb-22	501	526
Average		**472**	**491**
Median		**472**	**491**
GT adjustment - Add back amortisation acquired intangible assets		-	-
GT adjusted EBITA average		**472**	**491**
GT adjusted EBITA median		**472**	**491**

Sources: S&P Global, GTCF analysis

Whilst approximately six brokers actively cover CIMIC, only two provide segment EBIT projections by division. Accordingly, the brokers' consensus estimates for the Construction Division above should be considered with caution due to the limited number of observations.

Based on the above analysis, we have assessed the maintainable EBITA for the Construction Division to be between A$420 million and A$470 million.

At the low-end of the range, we have taken into account the increase in Alliance contracts which has occurred over the last few years and noting that it is expected to continue in the future. These contracts have a different risk/reward allocation than the traditional agreement (lump-sum or fixed price arrangements), however they usually generate lower margins for the contractors. Alliance contracts accounted for approximately 35% of the Construction Division WIH as at December 2021, compared to approximately 15% as at December 2018 and they are expected to increase further.

At the high-end of the range, we have taken into account the consensus estimates from those investment analysts that provide segment forecast information. In our opinion, whilst it may be challenging for CIMIC to consistently deliver to this EBIT level, consensus forecast is likely to take into account the strong infrastructure investment cycle. A total of A$248.1 billion in total state and territory government funding has been allocated for infrastructure over the four years to 2024-25. The Federal Government in the 2021/2022 Budget has also increased its infrastructure funding by 11.4% compared to previous year. This is expected to continue to support strong WIH and pipeline for the Construction Division.

6.1.2 Services Division maintainable EBITA

The table below summarises the historical performance of the Services Division from FY17.

Services Division A$ million	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual
Revenues					
Total Revenues including JV&A	2,983	3,153	3,803	2,952	3,372
Less: JV&A Revenues	(376)	(476)	(575)	(601)	(615)
Total Revenues - Excl JV&A	**2,607**	**2,677**	**3,228**	**2,351**	**2,757**
Statutory EBIT	166	168	167	35	151
One-off items	-	-	-	85	-
Underlying EBIT - Including JV&A	**166**	**168**	**167**	**120**	**151**
EBIT margin	*6.4%*	*6.3%*	*5.2%*	*5.1%*	*5.5%*
Add: Amortisation of acquired intangible assets	11	10	11	8	5
EBITA	**177**	**177**	**177**	**128**	**156**
EBITA margins	*6.8%*	*6.6%*	*5.5%*	*5.5%*	*5.6%*

Source: CIMIC annual reports, GTCF analysis

As discussed in section 5, we have relied on EBITA rather than EBIT in our valuation assessment of the Services Division. The Services Division as well as three out of four of selected listed peers (refer to section 6.1.5.3) have significant amortisation expenses related to acquired intangible assets. These amortisation expenses do not really affect the underlying financial performance of the business and only those companies which have grown via acquisitions will incur this type of accounting charge. Accordingly, in the table above, we have added back the historical intangible assets amortisation to the EBIT of the Services Division to present the EBITA of the Services Division.

Regarding the historical financial performance of the Services Division, we note the following.

- We have included the share of profit from JV&As associated with the Services Division.
- In FY17 and FY18, the Services Division only included UGL, with Sedgman added from FY19 (restated) following the sale of the 50% interest in Thiess on 31 December 2020[66]. We note that in terms of contributions to the segment, UGL accounted for almost 90% of revenue in FY21.
- In FY19 and FY21, the segment benefitted from the release of a purchase price allocation provision related to a successfully completed acquisition and a revenue adjustment regarding one of UGL's joint ventures of A$16 million and A$19 million respectively. We consider these items to be non-recurring and accordingly normalised them for the purpose of our valuation assessment.
- The underperformance in FY20 was primarily attributable to the lockdown restrictions associated with COVID-19 which caused a detrimental impact on maintenance/shutdown services. These were largely

[66] Sedgman was previously included in the Mining and Mineral processing division together with Thiess.

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deferred to FY21. In addition, in FY20, the division incurred certain one-off costs associated with COVID-19 and projects settlements.

- From discussion with Management, we understand that Sedgman's revenue almost halved between FY20 and FY21 due to a number of major projects which had terminated in FY19, the impact of COVID-19 and the business seeking to diversify its clients' base outside coal.

We have also reviewed the FY22 budget for the Services Division, and from discussion with Management, we understand that it includes one-off proceeds from the sale of a 50% stake held by UGL in the Naval Ship Management JV. We have excluded these proceeds as well as the associated EBIT included in the FY22 Budget from the maintainable EBIT as we have separately accounted for them in section 6.1.8.

In assessing the maintainable EBITA for the Services Division, we have also considered the EBIT consensus forecast, which we have adjusted for the amortisation of intangible assets. The brokers do not provide an estimation of the future amortisation charges, as a result we have relied on FY21 amortisation expense as a proxy for future years.

Broker consensus EBIT - Services division			
A$ million	Date	FY22	FY23
Broker 1	24-Feb-22	165	175
Broker 2	11-Feb-22	149	161
Average		**157**	**168**
Median		**157**	**168**
GT adjustment - Add back amortisation acquired intangible assets		5	5
GT adjusted EBITA average		**162**	**173**
GT adjusted EBITA median		**162**	**173**

Sources: S&P Global, GTCF analysis

Similar to the Construction Division, the above divisional consensus should be considered with caution due to the limited number of observations.

The revenues of the Services Division are subject to a lower operational risk than the revenues stream associated with the Construction Division as they are usually contracted over multiple years with high switching costs for the customers. Further, they are less correlated to the capital investment cycle with c. 60% of FY21 revenue generated from maintenance services.

Based on the analysis above, in our valuation assessment, we have adopted a maintainable EBITA between A$150 and A$160 million. The low-end of the range is in line with the EBITA achieved in FY21 to reflect the return to normalised trading conditions following COVID-19 disruptions. The high-end of the range is slightly below FY22 brokers' consensus forecast.

6.1.3 Corporate Division

The Corporate Division comprises several CIMIC subsidiaries, including Pacific Partnerships, EIC, Devine and Leighton Properties as well as corporate overheads cost functions. We have set out below our valuation approach.

Corporate Division - Valuation approaches Segment	Section Reference	Valuation approach
Corporate Cost and EIC	*6.1.3.1*	FME approach - EBITA multiple
Pacific Partnership	*6.1.3.2*	DCF
Devine and LPPL	*6.1.3.3*	Transaction evidence

Source: GTCF analysis

6.1.3.1 Corporate Cost and EIC

Under the current CIMIC business structure, the corporate costs and EIC are mainly related to supporting the Construction and Services divisions as Ventia and Thiess are now equity accounted.

In the assessment of ongoing corporate costs, we have excluded the legal costs related to the BICC legal matter as we considered those costs as one-off. The corporate costs spiked in FY20 largely due to the transaction costs related to the divestment of Thiess. We consider corporate costs in FY21 to be more reflective of future costs as they include the efficiency improvements implemented by the Group after the outbreak of COVID-19 as well as the result of a more simplified corporate structure subsequent to the divestment of Thiess.

In reviewing the corporate costs, we have allowed for certain cost synergies that would be available to a pool of potential purchasers of CIMIC. These cost synergies are mainly associated with the gradual elimination of duplicate functions and other costs associated with being a listed company.

In addition to the corporate costs, we have included the following in our valuation assessment:

- Management Fees that the Corporate Division receives from its investments in associates and joint ventures (including Thiess) for the provision of corporate services.

- The cost structure of EIC which is mainly a cost centre with limited external revenue. In FY20, EIC went through a restructure to achieve an improved and more efficient structure which resulted in lower operating costs.

Having regard to the above, Grant Thornton has selected recurring corporate costs after estimated synergies plus EIC cost structure and management fees between A$53 million and A$73 million on an ongoing basis.

6.1.3.2 Pacific Partnerships

Pacific Partnerships currently holds investments in 9 PPP[67] projects with various level of interests. We have set out below a summary of the current PPP concessions, status and Pacific Partnerships' interest.

[67] 8 active PPPs and 1 held for sale (Transmission Gully).

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PPP summary		
Name	Status	Stake
Cross River Rail	Construction	49%
North East Link	Construction	20%
Regional Rail	Construction	49%
Waikeria Prison	Construction	40%
Sydney Metro City to SouthWest	Construction	10%
Canberra Light Rail	Operational/ Construction completed	30%
Sydney Metro North West	Operational/ Construction completed	10%
NZ Schools	Operational/ Construction completed	23%
Transmission Gully (held for sale)	Construction	15%

Sources: GTCF analysis

For both internal purposes and financial reporting purposes, Pacific Partnerships regularly undertakes and updates a valuation assessment of the PPP concessions based on the DCF approach. The DCF models are prepared during the procurement and development phase of the project and they ultimately reflect the contractual arrangements in place at financial close. In all the concessions above, Pacific Partnerships and the other private sponsors of the projects do not bear any patronage risk. Further, the financial model undergoes an audit review process to verify the mathematical accuracy and that all the key assumptions are consistent with the underlying legal documentations. As a result, the PPP financial models do provide limited subjectivity in the underlying assumptions. We have been advised that the financial models are rarely changed and CIMIC has in the past sold its interests in the PPPs at a price substantially in line with the DCF value of its financial models.

Having regard to the above, we do not consider it unreasonable to rely on the value assessed by Pacific Partnerships Management through the DCF approach for the purpose of assessing the fair value of the PPP concessions.

6.1.3.3 Devine and LPPL

- Devine – On 25 May 2021, CIMIC announced its intention to acquire the 40.89% equity interest in Devine which it did not already own at a price of A$0.24 cash per share. The transaction completed on 9 July 2021. An Independent Expert's Report was commissioned in relation to this transaction, which concluded that the offer price was fair and reasonable. Given the limited timeframe that has elapsed since the transaction and the limited changes in the underlying business of Devine, we consider it reasonable to adopt the equity value implied by the recent transaction of A$38 million for 100% of Devine for the purpose of our valuation assessment.

- LPPL – LPPL focuses on the developments of properties owned by CIMIC. From discussion with Management, we understand that LPPL is not a material contributor to the financial performance of the Group and although it sometimes achieves minimal profit, it often operates on or around breakeven. Whilst this is the case, LPPL is currently pursuing a large greenfield development for which a feasibility study has been completed and a development profit estimated. We have reviewed this estimate and incorporated it into our valuation assessment.

6.1.4 Cross check of the selected maintainable EBIT

In order to cross-check the assessed divisional EBITA, we have summarised below the implied overall EBIT[68] for the Group which we have compared with brokers' consensus estimates. We have excluded from the table below, the synergies related to the corporate cost to compare on a like for like basis with the projections prepared on minority basis by the brokers. We have also accounted for CIMIC's share of Thiess and Ventia based on FY21 NPAT for Thiess and FY22 for Ventia[69] as well as from the PPPs accounted through the equity method.

CIMIC Maintainable earnings A$ million	Low	High
Construction Division EBIT	420	470
Service Division EBIT[1]	145	155
Corporate Division (excluding synergies) and share of profit from JV Investments	93	110
GT implied EBIT	**658**	**735**

Source: GTCF analysis
Note: (1) We have deducted the amortisation related expense from the EBITA to calculate the EBIT

Brokers' consensus estimate is outlined in the table below.

Brokers Consensus - EBIT	Date	FY21	FY22	FY23	FY24
Broker 1	11-Feb-22	630	621	646	662
Broker 2	11-Feb-22	630	687	726	Na
Broker 3	2-Mar-22	630	679	709	722
Broker 4	28-Feb-22	630	659	704	711
Broker 5	15-Feb-22	630	690	749	797
Broker 6	10-Feb-22	630	658	715	763
Median		**630**	**669**	**712**	**722**
Average		**630**	**666**	**708**	**731**
GT implied EBIT			**658**	**- 735**	

Source: S&P Global, GTCF analysis

We are of the opinion that the analysis above supports our overall assessment of the divisional EBITA.

6.1.5 EBITA Multiples

6.1.5.1 Construction Division – Share market evidence

The Construction Segment is focused on all key sectors of the construction industry – including roads, rail, tunnelling, defence, building and infrastructure – across a range of delivery models. The largest contributor business within the Construction Segment is CPB Contractors[70], which is a market leader in Australia, and also active in New Zealand and Papua New Guinea. The other business is Leighton Asia, which focuses on large infrastructure projects across East and South-East Asia, as well India.

[68] We have deducted the amortisation of the Services Division from the assessed EBITA to calculate the EBIT for the division.
[69] As per the Ventia Prospectus.
[70] Broad Construction is a wholly owned subsidiary of CPB Contractors which operates predominantly in Queensland.

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The Construction Segment generated approximately A$6.9 billion in revenue in FY21 which is significantly higher than any other construction business primarily focused on Australia, or listed on the ASX[71]. In the above context, it was necessary to expand our peer group search to consider companies focused on other markets and as a by-product of this, those listed on international stock exchanges. Whilst cognisant of the influence of the local operating environment, expanding our search to include global companies allowed us to consider construction companies that were comparable to the Construction Division in prominence and size. These are critical factors in the construction sector as they are particularly important in conferring advantages in: (a) competing for and winning large projects; (b) achieving operational and financial efficiencies; (c) absorbing volatility associated with the project-based nature of the work; and (d) achieving greater service and market mix.

The table below sets out the EBITA multiples for selected peer group companies that are considered to be comparable to the Construction Segment. Given the different operating structures of the listed peers and the un-homogenous impact of IFRS-16[72] on them, we have prepared the EBITA multiples excluding the lease liabilities from the enterprise value of the listed peers.

Company	Year-end[1]	Country	Market Cap (A$m)	Enterprise Value (A$m)[2]	EV / EBITA multiple (times)[3,4] CY21 Actual[5]	CY22 Forecast	CY23 Forecast
Construction Companies							
Lendlease Group	30 Jun xx	Australia	7,544	9,265	23.5x	16.0x	10.6x
Skanska AB (publ)	31 Dec xx	Sweden	13,492	13,091	10.9x	10.4x	9.7x
Balfour Beatty plc	31 Dec xx	UK	3,023	2,069	5.8x	5.7x	5.5x
HOCHTIEF Aktiengesellschaft	31 Dec xx	Germany	6,327	7,029	6.1x	5.5x	5.1x
CCCC Limited[6]	31 Dec xx	China	25,960	121,617	13.6x	12.5x	12.3x
Bouygues SA	31 Dec xx	France	18,576	22,510	8.5x	8.2x	7.0x
Strabag SE	31 Dec xx	Austria	5,749	3,870	4.3x	4.1x	4.1x
CSCEC Limited[7]	31 Dec xx	China	44,360	172,535	7.8x	7.0x	6.4x
Low					**4.3x**	**4.1x**	**4.1x**
Mean					**10.1x**	**8.7x**	**7.6x**
Median					**8.2x**	**7.6x**	**6.7x**
High					**23.5x**	**16.0x**	**12.3x**

Source: GTCF analysis, S&P Global

Notes: (1) Financial year end for each company; (2) Enterprise Value includes net debt (interest bearing liabilities less non-restricted cash and cash equivalents and non-controlling interests); (3) In assessing the EV / EBITA multiples for the constructions peers, we have used the EBIT broker consensus estimates, which we have adjusted for the amortisation of intangibles. The brokers do not provide an estimation of future amortisation charges, and so as a result we have relied on the FY21 amortisation expenses as a proxy for future years. (4) Multiples as at 18 March 2022; (5) For CY21 we have used actual data when available otherwise we have relied on the broker consensus; (6) China Communications Construction Company Limited (7); China State Construction Engineering Corporation Limited.

In assessing the comparability between and with respect to the selected peer group companies, we have had regard to the following key factors:

- *The service mix of each of the peer group companies.* Whilst primarily focused on construction contracting, the peer group companies are invariably involved in also providing complimentary, adjacent or varied services. This can impact their profitability, risk profile and investor perception, causing corresponding influences on valuation multiples.

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71 With the exception of Lendlease which generated approximately A$6.4 billion in revenue in the construction sector.

72 The equivalent of AASB-16 for non Australian based companies.

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- *The market focus of each of the peer group companies*. The Construction Division is focused on all key sectors of the construction industry – including roads, rail, tunnelling, defence, building and infrastructure – across a range of delivery models. These areas of focus, or market mix, contribute to differing growth outlooks for each of the peer group companies and can influence valuation multiples.

- *The geographical focus and diversification of each of the peer group companies*. The geographical focus is important in assessing the growth outlook and underlying market and economic conditions for each of the peer group companies. The extensiveness of geographical diversification can provide insights into the predictability of future economic performance. These factors can influence financial performance and are relevant considerations in assessing valuation multiples.

- *The size and prominence of each of the peer group companies*. As mentioned above, construction companies can leverage their size and prominence to derive operational and financial advantages. The extent to which each of the peer group companies is able to leverage these advantages is likely to influence the multiple.

The following table, extracted from the IHS Markit, Global Construction Outlook 2022, provides insights in relation to the outlook for end markets across key global geographies. We have considered this information in reviewing the valuation multiples of the peer group companies.

Growth in Regional Construction Markets

	2021			2022			2023		
Region	Building construction[2]	Infrastructure	**Overall market**	Building construction[2]	Infrastructure	**Overall market**	Building construction[2]	Infrastructure	**Overall market**
United States	(12.4%)	(9.8%)	**(1.1%)**	5.4%	1.8%	**(2.7%)**	1.6%	8.2%	**1.4%**
Canada	(7.4%)	(0.5%)	**5.0%**	1.7%	5.1%	**(1.8%)**	3.5%	3.3%	**0.9%**
North America	**(11.9%)**	**(8.6%)**	**(0.4%)**	**4.7%**	**2.3%**	**(2.6%)**	**1.8%**	**7.5%**	**1.3%**
Australia	(0.5%)	(0.4%)	**3.3%**	4.2%	5.5%	**3.9%**	2.1%	3.7%	**2.9%**
New Zealand	2.1%	5.4%	**4.5%**	3.2%	3.9%	**4.0%**	2.5%	3.2%	**3.1%**
Southeast Asia[3]	4.9%	8.2%	**6.6%**	5.2%	7.4%	**6.0%**	5.1%	7.4%	**5.9%**
Asia-Pacific	**4.0%**	**5.1%**	**5.7%**	**5.0%**	**6.6%**	**5.4%**	**4.7%**	**6.0%**	**5.0%**
Germany	1.0%	2.1%	**1.5%**	3.1%	4.0%	**2.4%**	2.7%	2.7%	**2.9%**
Netherlands	3.3%	1.9%	**2.7%**	1.0%	0.3%	**1.0%**	1.0%	0.5%	**0.8%**
Austria	4.9%	10.0%	**6.0%**	2.4%	3.8%	**3.1%**	2.8%	3.1%	**2.6%**
Poland	1.3%	2.0%	**1.7%**	2.7%	3.4%	**2.9%**	2.2%	2.0%	**1.9%**
Scandinavia[4]	2.2%	1.6%	**2.1%**	2.6%	2.0%	**2.1%**	1.6%	1.3%	**2.1%**
Czech Republic	1.4%	2.2%	**2.3%**	3.6%	5.2%	**4.2%**	3.0%	6.1%	**4.6%**
United Kingdom	6.9%	(0.9%)	**4.2%**	2.4%	3.8%	**2.1%**	1.6%	5.8%	**2.8%**
Europe	**3.8%**	**1.7%**	**2.8%**	**2.5%**	**3.1%**	**2.2%**	**2.0%**	**3.0%**	**2.5%**

Source: GTCF analysis, IHS Markit, Global Construction Outlook, as of January 2022
Notes: (1) Percentage change on prior year, measured in 2015 USD; (2) Excludes residential construction; (3) Southeast Asia includes Indonesia, India, Philippines, Hong Kong and Singapore; (4) Scandinavia includes Sweden, Norway, Finland and Denmark.

We have set out below some key observations for the listed peers. We note the amortisation of intangible assets for the construction segment peers is trivial. Accordingly, our salient observations in relation to each of the peer group companies apply at the EBIT level, however we also consider them meaningful in relation to EBITA.

Lendlease Group

Lendlease is trading at significant premium relative to the peer group companies based on its CY22 EBITA multiple. Whilst this may, in part, reflect its position as one of the leading construction businesses in Australia, it is potentially attributable to other factors. Lendlease derived approximately 65.5% of its FY21 revenue from its construction activities, which, however, only accounted for approximately 33.6%[73] of its overall EBITA. Whilst meaningful, Lendlease also operates:

- An investment and asset management platform across the residential, office, retail, industrial and retirement sectors. At the end of FY21, the investment segment had funds under management of A$39.6 billion and assets under management of A$28.5 billion, with the former having experienced a CAGR of approximately 11.0% from FY17 to FY21.

- A development segment, focused on the creation of mixed-use precincts that comprise apartments, workplaces and associated leisure and entertainment amenity. The development segment had invested capital of approximately A$4.4 billion and had a development pipeline of c. A$113.6 billion.

The Lendlease service mix differs considerably to the peer group companies. The investment segment (an annuity-style earning stream) generated 4.0% of Lendlease's FY21 revenue[74] while the development segment, which consists of earnings from the development of apartments as well as commercial and communities globally, generated approximately 22.6% (on an EBITDA level the investment segment and development segment generated approximately 41.5% and 44.5% respectively). The market is likely to apply higher multiples in assessing the value of these businesses and by extension, in determining the overall value of Lendlease. This is especially likely with respect to the investment segment where in addition to the higher margins, the cash flows are less volatile.

Skanska AB

Skanska is concentrated on the construction, commercial property development and residential development business segments. In FY21, the construction segment contributed approximately 90% of overall revenue at an EBIT margin of approximately 3.8%, accounting for approximately 51% of overall EBIT. Skanska is trading at premium relative to the majority of the peer group companies based on its CY22 EBITA multiple. This is potentially attributable to the following factors:

- The commercial property development and residential development segments have grown rapidly in recent years at revenue CAGRs of approximately 8.2% and 4.8%, respectively, from 2010 to 2021.

- In FY21, the commercial property development and residential development segments achieved EBIT margins of approximately 24.5% and 10.3%, respectively. These FY21 EBIT margins accord with the short and medium-term margin expectations of investment analysts[75] of approximately 20.0% for the commercial development segment, and between 11.4% and 14.9% for the residential development segment.

With overall revenues of approximately A$21.9 billion in FY21 and a market capitalisation of approximately A$13.0[76] billion, Skanska is larger in size than many of the peer group companies.

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[73] Calculated by taking operating EBITDA of A$173.0 million for the construction segment less D&A of A$35.0 million for the construction segment and dividing it by A$618.0 million group EBITDA less A$207.0 million group D&A. Lendlease did not have any amortisation of intangibles for the half year ended 31 December 2021.
[74] Lendlease FY21 annual report, page 138.
[75] Equity Research, DNB Markets, 4 February 2022.
[76] As at 14 March 2022.

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Balfour Beatty

Balfour is an international contractor with operations in the UK and US construction markets, as well as a 50% stake in Gammon Construction Limited, a construction business in Hong Kong. Balfour also has an investment portfolio which includes PPPs and US military housing concessions.

Balfour is trading at a discount to the majority of the peer group companies based on its CY22 EBITA multiple. This is potentially attributable to the following factors:

- On 22 December 2021, Balfour announced that it had reached a resolution with the U.S. Department of Justice in relation to improper fees claimed on United States military housing installations. Balfour agreed to pay over US$33.6 million in criminal fines and over US$31.8 million in restitution to the U.S. military. Balfour also pleaded guilty to one count of major fraud and agreed to an independent compliance monitor for 3 years.

  In addition, Balfour recently disclosed problems at four projects in London and made a provision of GBP 42.0 million for associated rectification works, which does not include potential recoveries from third parties. This provision caused the UK construction business to incur a loss in HY21. Following these issues, Balfour has vowed not to bid for fixed-price residential jobs in central London moving forward.

- Balfour is expected to generate EBIT margins of between 2.3% and 2.6% between FY22 and FY25 according to broker[77] estimates. This is consistent with historical performance EBIT margins, however, is low relative to the peer group companies.

Bouygues

Bouygues is a diversified services group with construction, media and telecoms segments.

The construction segment is comprised of: (a) Bouygues Construction, which designs, builds and operates projects in the building, civil works, energy and services sectors; (b) Colas, which is a world leader in transport infrastructure construction and maintenance; and (c) Bouygues Immobilier, which is engaged in property development. Bouygues Construction and Colas, the businesses most comparable to the Construction Division, contributed approximately 69.1% of total sales in 2021 and were the largest contributor to operating profit, accounting for approximately 44.5% of total operating profit.

Bouygues is trading broadly in line with the peer group companies based on its CY22 EBITA multiple, however, the trading multiple may be influenced by the following factors:

- On 6 November 2021, Bouygues agreed to acquire Equans Group for EUR 7.1 billion from Engie SA. Equans Group is set up as a multi-technical service provider with expertise in the areas of electrical, heating, ventilation, and air conditioning, mechanical, digital and IT, and facility management. The Bouygues share price dropped from c. EUR 35.6 to c. EUR 33.5 following the announcement of the transaction, and continued to track downwards reaching a low of EUR 29.9 on 29 November 2021 with brokers noting the acquisition was expensive and entailed execution risk.

[77] Global Research, UBS, 23 December 2021 and Liberum, 5 January 2022.

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- Bouygues has interests in media, through its TF1 Group ("TF1")[78], as well as mobile, fixed, TV and internet services through Bouygues Telecom. In FY21, these businesses accounted for approximately 6.5% and 19.3% of group revenues, respectively, however they generated approximately 19.2% and 38.3% of the EBIT at an EBIT margin of approximately 13.7% and 9.1%, respectively. These are significantly higher than the margins achieved by Bouygues Construction and Colas of c. 2.7% and c. 3.3%, respectively.

  Across its various businesses, brokers[79] expect Bouygues to generate EBIT margins between 4.5% and 5.6% through to FY24.

- With overall revenues of approximately EUR 37.6 billion in FY21 and a market capitalisation of approximately A$19.1 billion as at 17 March 2022, Bouygues is larger in size than many of the peer group companies.

Strabag SE

Strabag is an Austrian headquartered construction company listed on the Vienna Stock Exchange. Its construction activities are centred around its building construction and civil engineering and transport infrastructure segments.

Strabag is trading at a significant discount relative to the peer group companies based on its CY22 EBITA multiple. This may be attributable to the following factors:

- Rasperia Trading, which has an interest of approximately 27.8% of Strabag, is linked to a Russian businessman previously targeted by the US. Additionally, Strabag has operational exposure to Russia, albeit this is minor.

- The free float of Strabag is low at approximately 14.0%.

In accordance with the above factors, we have placed limited reliance on the EBITA multiples of Strabag.

HOCHTIEF Aktiengesellschaft

HOCHTIEF is the holding company of CIMIC and it consolidates CIMIC's financial performance having an interest of 78.58% immediately before the announcement of the Takeover Offer. HOCHTIEF has interests across multiple geographies, including the following:

- The HOCHTIEF Americas division which pools the construction activities in the US and Canada. HOCHTIEF's subsidiaries are well-known players in the fields of building construction and infrastructure. HOCHTIEF operates in the Americas via Turner, which is the number one general builder in the United States, and Flatiron, which is a sought-after contractor for bridge and highway construction. The HOCHTIEF Americas division accounted for approximately 65.0% of overall revenue and approximately 45.0% of EBIT in FY21.

- The HOCHTIEF Asia Pacific division, which comprises of the majority stake in CIMIC, accounted for approximately 29.0% of overall revenue and approximately 52.2% of EBIT in FY21; and

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[78] TF1 is a French free-to-air television channel owned by TF1 Group. TF1 is one of the most popular domestic network.
[79] Equity Research, Barclays, 28 February 2022 and Credit Suisse, 2 March 2022.

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- The HOCHTIEF Europe division operates in the fields of infrastructure construction, building construction, and public-private partnerships, covering the transportation, social, and urban infrastructure segments. The European division accounted for c. 6.0% of overall revenue in FY21.

In addition to these segments, HOCHTIEF holds a 20.0% stake in toll road operator Abertis Infraestructuras, one of the leading international toll road operators.

HOCHTIEF is trading at low EBITA multiple relative to the peer group companies based on its CY22 EBITA multiple. This is potentially attributable to its unique ownership arrangements. In addition to cross shareholdings in Abertis Infraestructuras, Actividades de Construcción y Servicios, S.A. owns approximately 52.28%[80] of HOCHTIEF who in turn own approximately 85.08% of CIMIC[81]. Rationalisation of the holding structure may result in increased investor appetite and reduce the holding company discount that the market may be currently applying to HOCHTIEF and its parent entity ACS.

We note that the ownership dynamic described above is likely to also impact the trading price of ACS and accordingly, have omitted it from the list of peer group companies as it is further removed from CIMIC.

China State Construction Engineering Corporation Limited and China Communications Construction Company Limited

We have included China State Construction Engineering Corporation Limited ("CSCEC") and China Communications and Construction Company Limited ("CCCC") in our table setting out the EBIT multiples. Whilst these businesses are broadly comparable to the constituent businesses of CIMIC's Construction Segment, they are markedly larger and Chinese state-owned enterprises are exposed to different market dynamics. Accordingly, we have placed limited reliance on their EBITA multiples.

6.1.5.2 Construction Division - Transaction evidence

The price paid in transactions is widely considered to represent the market value of a controlling interest in a company. The difference between the value of a controlling interest and a minority interest (as implied by the share price) is referred to as a premium for control. This premium can differ from transaction to transaction and is dependent on a range of factors, including the equity share acquired, the negotiating position of the parties, competitive tension in the sales process, the availability of synergies and the extent to which a buyer would pay away these synergies to gain control of the target.

We have reviewed selected transactions announced involving the acquisition of stakes in construction companies, which in our opinion, are broadly comparable with the Construction Segment based on, inter alia, size, service mix, market focus and geographical emphasis. For the purposes of collating a list of comparable transactions, we have excluded transactions where the transaction value was less than A$250 million.

We note the number of recent transactions involving construction businesses is limited. As a consequence, we have also considered older transactions which we consider relevant, including transactions featuring CIMIC.

80 S&P Global, as at 31 December 2021.
81 As at 22 March 2022.

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Based on the above, we set out in the table below the EBITA multiples implied by the comparable transactions:

Transaction analysis Date	Target Company	Bidder Company	Stake (%)	Enterprise value (A$m)	EBITA Multiple[1]
Construction Transactions[2]					
Mar-17	The Geotech Group	ACCIONA	100%	262	10.1x
Feb-16	Higgins Group Holdings[3]	Fletcher Building	100%	315	9.0x
Dec-14	John Holland Group Pty Ltd	CCCC	100%	1,150	9.4x
Mar-14	Leighton Holdings Limited	Hochtief AG	15%[4]	7,630	8.6x
Jul-13	Clough Limited	Murray & Roberts Holdings	38%	957	9.4x
Average - Construction					**9.3x**
Median - Construction					**9.4x**

Source: GTCF analysis, Mergermarket, S&P Global
Note: (1) Given there is no disclosure regarding amortisation charges, we have assumed EBIT and EBITA have coincided in order to calculate the EBITA multiples implied in the transactions; (2) All transactions presented occurred prior to the implementation of AASB 16 on 1 July 2019; (3) Enterprise value is presented in NZD; (4) HOCHTIEF, which held a c. 58.8% stake in Leighton at the time of the transaction, made an offer for up to 15% of the share capital in Leighton. At the close of the offer on 9 May 2014, HOCHTIEF had increased its stake to c. 69.6%, an increase of c. 10.8%.

Transaction multiples are generally calculated with reference to historical earnings and, as a result, all things being equal, we would expect the transaction multiples to be higher than the unadjusted current or forecast trading multiples observed for listed comparable companies.

Salient background in relation to each of the comparable transactions is as follows:

The Geotech Group – On 8 March 2017, Acciona S.A., a Spanish listed company engaged in the development and management of infrastructure, renewable energy, water and services announced it had agreed to acquire Geotech. Geotech was an Australian based provider of complex construction services focusing on civil engineering, railway construction and industrial engineering.

Higgins Group Holdings – On 2 February 2016, Fletcher Building Limited announced that it would acquire New Zealand road construction and maintenance business, Higgins Group Holdings. The businesses acquired as part of the transaction included Higgins' road construction and maintenance operations in both New Zealand and Fiji, Higgins' aggregate business and other related activities. Higgins Group Holdings owned a property business and ready-mix concrete business which were excluded from the transaction.

John Holland – On 12 December 2014, Leighton Holdings announced that it had entered into a binding agreement for the sale of John Holland to CCCC International Holdings Limited. Headquartered in Australia at the time of the acquisition, John Holland was one of Australia's leading engineering and contracting services providers across the social infrastructure, energy, resources, industrial, water, wastewater, marine and transport sectors across Australia, New Zealand and South East Asia. For the year ended 31 December 2013, John Holland reported revenue of c. A$4.3 billion, an operating profit margin of c. 1.3% and profit after tax of c. A$112.1 million.

Leighton Holdings Limited – On 10 March 2014, HOCHTIEF announced that it proposed to make a proportional takeover offer to acquire 3 out of every 8 shares in Leighton, other than those already held by HOCHTIEF, at $22.15 cash per share. On 13 March 2014, following extensive negotiations between the independent board committee of Leighton Holdings and HOCHTIEF, it was agreed that, inter alia, the takeover offer price would be increased from $22.15 to $22.50 per share. At the time of the transaction, HOCHTIEF was Leighton's largest shareholder with a c. 58.8% equity interest which would subsequently

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increase to a maximum of c. 73.8%. The offer closed on 9 May 2014, with HOCHTIEF increasing its stake from c. 58.8% to c. 69.6%.

Clough Limited – On 31 July 2013, Clough Limited announced that it had received a conditional proposal from Murray & Roberts to acquire all of the Clough Shares not already owned for a cash payment of $1.46 per Clough Share. Clough was founded in 1919 in Perth and operated as an engineering and project services contractor, working with some of the world's largest energy and resources companies to engineer, construct, commission, maintain and optimise a comprehensive range of infrastructure for energy, chemical, mining and mineral projects. At the time of the transaction, Murray & Roberts owned 61.6% of Clough.

Selected multiple range

In determining an appropriate EBITA multiple for the Construction Division, we have considered the specific attributes of the constituent businesses in the context of market evidence from our peer group companies and comparable transactions. Our salient observations are as follows:

- For the reasons discussed in the earlier section, we consider Skanska, Balfour Beatty, HOCHTIEF and Bouygues relatively more relevant within the listed peers to assess the EBITA multiple for the Construction Division.

- In considering their EBITA multiples, we note the following:

  - According to the IHS Markit Global Construction Outlook 2022 report, the Asia Pacific construction industry is expected to grow at 4.6% in CY22 and 4.5% in CY23. This is stronger than other major geographies across the world. In particular, this growth forecast compares favourably to the geographies of the peer group companies, with Western Europe projected to grow at 3.4% in CY22 and 2.6% in CY23 and North America expected to see a decline of 2.2% in CY22 and growth of 1.5% in CY23.

  - The Construction Division business achieved an EBIT margin of 6.7% in FY21 and is expected to achieve EBIT margins of 6.4% and 6.5% in FY22 and FY23 respectively. We note the average of these EBIT margins is higher than the actual and expected EBIT margins achieved by the construction businesses of the remaining peer group companies as set out in the table below.

EBIT margin comparison (Construction division of selected construction companies)

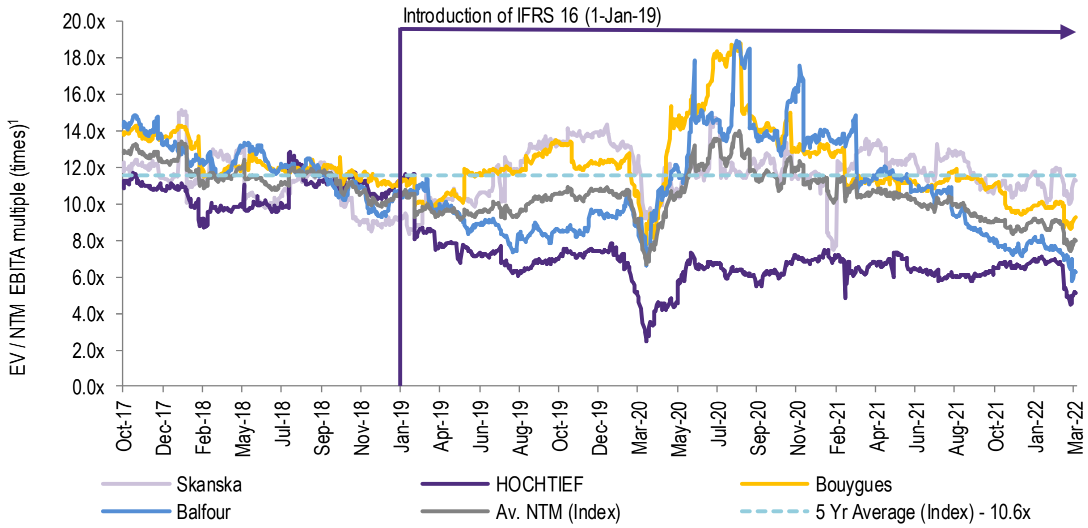
EBIT margin (%)				Average
Construction Segment	2021A	2022E	2023E	2021-2023
CIMIC Construction Segment[1]	6.7%	6.4%	6.5%	6.5%
Skanska AB[1]	3.8%	2.9%	3.3%	3.3%
Balfour Beatty plc[2]	1.1%	2.1%	2.2%	1.8%
HOCHTIEF Aktiengesellschaft[1,3]	3.5%	3.9%	4.2%	3.9%
Bouygues SA[1]	2.9%	3.2%	3.2%	3.1%

Source: GTCF analysis, Investment Research, Company Annual Reports and Investor Presentations.
Note: (1) 2022 and 2023 figures are based on broker forecast; (2) All figures are based on broker forecasts; (3) Figures presented are at the Group level.

- Among the comparable transactions, we consider the transactions involving John Holland and Leighton Holdings Limited to be the most relevant given that John Holland is one of the current key competitors of CPB Contractors and the previous transaction of Leighton Holdings provides an indication of the price that HOCHTIEF was prepared to pay for the business at the time. However, we note that the transactions involving John Holland and Leighton Holdings Limited were announced in 2014, at a different stage of the market cycle due to the prevailing economic conditions. Having investigated this, we note: (a) that these transactions occurred at a time when the Australian economy was growing slightly below trend at 2.3%, partially attributable to the mining investment boom receding. This is in contrast to the current operating environment in which, according to the Reserve Bank of Australia, GDP is forecast to grow by around 4.25% over 2022; and (b) that from a demand perspective, construction companies in the Asia Pacific region are currently benefitting from strong infrastructure spending, with the IHS Markit, Global Construction Outlook 2022 forecasting infrastructure related construction in the Asia Pacific region to grow by approximately 6.6% and 5.0% in 2022 and 2023, respectively. This is associated with far higher infrastructure spending relative to 2014.

Before reaching our conclusion on the applicable EBITA multiple and given the cyclical nature of the construction industry, we have also considered in the graph below the rolling NTM EBITA multiple of the selected listed peers. As set out in the graph below, they have been trading at an average EBITA multiple across the cycle of c. 10.6x on a minority basis. In accordance with the introduction of IFRS-16 on 1 January 2019, we note that the enterprise value figures subsequent to this date are likely to include the impact of lease liabilities. All else equal, this is likely to result in the EBITA multiples subsequent to 1 January 2019 being inflated compared with the historical level and with the EBITA multiple adopted for the purpose of our valuation assessment which exclude lease liabilities.

Rolling NTM EBITA Multiple – Selected Construction Company Peers



Source: S&P Global, GTCF analysis, Company Filings.
Note: (1) In assessing the EV / NTM EBITA multiples for the services peers, we have used the NTM EBIT broker consensus estimates, which we have adjusted for the future amortisation of intangible assets. The brokers do not provide an estimation of future amortisation charges, and so as a result we have relied on the FY21 amortisation expenses as a proxy for future years. We consider this reasonable as no material future acquisitions are included in the broker's projections and accordingly the amortisation amount should remain relatively stable.

On balance of the factors detailed above, and including a premium for control, we consider an appropriate EBITA multiple for the Construction Division to be in the range of 10.0 times to 11.0 times.

We have compared our adopted EBITA multiples for the Construction Segment against the peer group companies that are considered to be most comparable on a minority basis, as well as selected comparable transactions which expressed control multiple. Overall, the assessed EBITA multiple appears to be reasonable as illustrated in the graph below.

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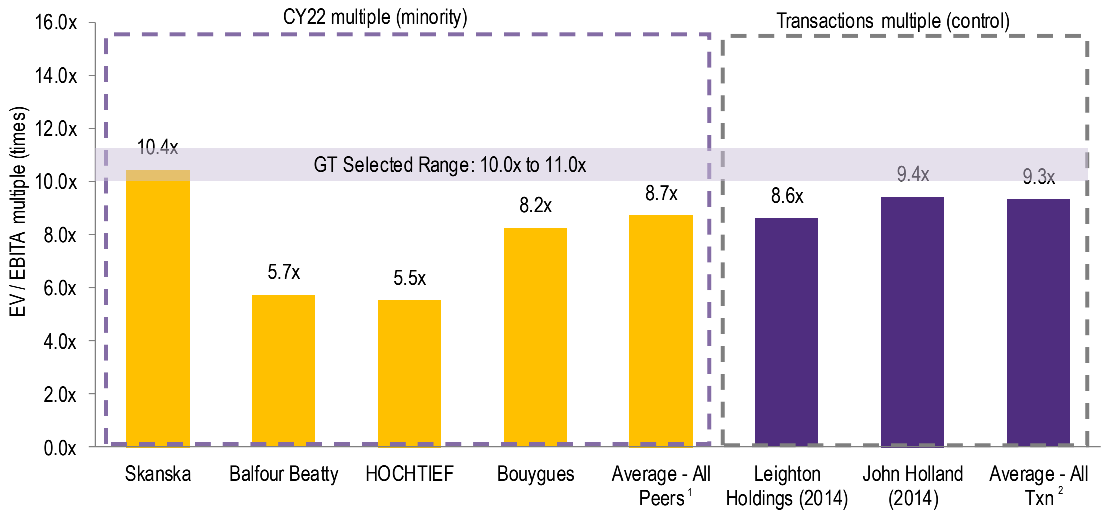
EBITA Multiple Comparison



Source: GTCF analysis, S&P Global, Mergermarket, Company Filings.
Note: (1) Average – All Peers refers to peers in addition to those presented in the graph. Refer to section 6.1.5.1 for a summary off all construction segment peers; (2) Average All Txn refers to transactions in addition to the Leighton and John Holland transactions. Refer to section 6.1.5.2 for a summary of all construction transactions.

6.1.5.3 Services Division - Share market evidence

In selecting comparable companies for inclusion in the Services Division peer group, we considered the constituent businesses of the Services Division are comprised of:

- UGL is a leading provider of engineering, construction and maintenance services with a diversified end-market exposure across the core sectors of rail, transport and communication systems, oil and gas, power, water, resources and defence. UGL operates across Australia, New Zealand and South East Asia. UGL's clients and partners include blue-chip companies, government agencies, private enterprise and public institutions. Based on FY21, c. 60% of the revenue were generated from the provision of recurring maintenance services.

- Sedgman is a designer, constructor, operator and maintainer of mineral processing plants and associated mine site infrastructure across pre-feasibility and commissioning, to operations, in diverse and remote locations globally.

Of the total Services Segment revenue, UGL contributed approximately 88.5%. Accordingly, in arriving at a comparable company peer group, we have focused on businesses that are similar to UGL. Given the presence of viable competitors across various focus business areas in Australia; and the listing status of the companies that are considered most comparable to UGL in terms of size, range of activities and target sectors, we have limited the basket of peers to various ASX listed companies for the purpose of our valuation assessment.

The table below sets out the EBITA multiples for selected peer group companies that are considered to be comparable to the Services Division:

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Company	Year-end[1]	Country	Market Cap (A$m)	Enterprise Value (A$m)[2]	EV / EBITA multiple (times)[3,4] CY21 Actual[5]	CY22 Forecast	CY23 Forecast
Services Companies							
Ventia Services Group Limited	31 Dec xx	Australia	2,021	2,585	10.8x	9.4x	8.7x
Downer EDI Limited	30 Jun xx	Australia	3,489	4,061	9.3x	8.9x	8.3x
Service Stream Limited	30 Jun xx	Australia	613	660	15.3x	9.1x	7.5x
Monadelphous Group Limited	30 Jun xx	Australia	1,017	848	10.2x	10.7x	9.3x
Low					**9.3x**	**8.9x**	**7.5x**
Mean					**11.4x**	**9.5x**	**8.4x**
Median					**10.5x**	**9.2x**	**8.5x**
High					**15.3x**	**10.7x**	**9.3x**

Source: GTCF analysis, S&P Global

Notes: (1) Financial year end for each company (2) Enterprise Value includes net debt (interest bearing liabilities less non-restricted cash and cash equivalents and non-controlling interests); (3) In assessing the EV / EBITA multiples for the services peers, we have used the EBIT broker consensus estimates, which we have adjusted for the amortisation of intangibles. The brokers do not provide an estimation of future amortisation charges, and so as a result we have relied on the FY21 amortisation expenses as a proxy for future years. We consider this reasonable as no material future acquisitions are included in the broker's projections and accordingly the amortisation amount should remain relatively stable; (4) Multiples as at 18 March 2022; (5) For CY21 we have used actual data when available otherwise we have relied on the broker consensus.

In assessing the comparability of the companies detailed above, similar to our analysis of the Construction Division, we have had regard to, *inter alia*, service mix, market focus, geographical diversification and size and profile.

The following table summarises key performance information concerning the outlook for the selected peer group companies. We have considered this information in estimating the valuation multiples of the peer group companies.

KPIs - Services Peers Analysis	Work in hand (A$m)		Cash Conversion (%)		EBITA margin (%)		Revenue CAGR (%)
	3-Yr Average	Lastest Yr	3-Yr Average	Lastest Yr	3-Yr Average	Lastest Yr	FY21-FY24
Ventia	13,900	16,800	84.8%	84.9%	4.4%	5.3%	6.1%
Downer EDI	40,633	35,400	76.4%	100.8%	3.7%	3.8%	2.2%
Service Stream			90.0%	99.0%	8.9%	7.4%	30.0%
Monadelphous			80.0%	35.0%	4.2%	3.8%	4.4%
Average	**27,267**	**26,100**	**82.8%**	**79.9%**	**5.3%**	**5.1%**	**10.7%**
Median	**27,267**	**26,100**	**82.4%**	**92.0%**	**4.3%**	**4.6%**	**5.3%**

Sources: S&P Global, GTCF analysis, Company Filings

Salient observations in relation to each of the peer group companies are as follows:

Downer EDI Limited

Downer operates via three main segments: (a) transport, which is focused on providing maintenance and other services in relation to roads, transport infrastructure and light rail and heavy rail businesses; (b) utilities, which is dedicated to providing maintenance and other services to power, gas, water, renewable energy and telecommunications businesses; and (c) facilities, which is specialised in providing outsourced facility services to customers across a diverse range of industry sectors including defence, education, government, healthcare, resources, leisure and hospitality. Alongside maintenance and other services, Downer also operates a general contracting, construction and engineering businesses.

Downer is trading marginally lower than the peer group companies based on its CY22 EBITA multiple. This is potentially attributable to the following factors:

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- Having restructured its operations and divested its last mining portfolio businesses in mid-November 2021, Downer is focussed on its core ‘Urban Services’ infrastructure businesses. The new business model is likely to provide more predictable revenues and cash flows. It is less cyclical and less capital intensive, and also lower risk, for the following reasons:

    - only approximately 9% of work in hand is related to construction;

    - only 1% of work in hand consists of lump sum/ fixed price contracts, which have historically been a major source of earnings variability; and

    - work in hand is now 91% government linked (90% as at FY21 result), and the contracts are predominantly long-term in nature[82].

  Despite a strong 1H22 result in line with the above, management removed its prior guidance for revenue and earnings in the core urban services business given the impact of the Omicron COVID-19 variant on its supply chain, work volumes and revenue mix. With this, despite the structural strength of the business, analysts have expressed some concern regarding Downer’s 2H22 result.

- The push toward ‘Urban Services’ businesses provides Downer with exposure to fiscal stimulus including in the infrastructure and services space, as well as the defence sector with demand underpinned by geopolitical tension.

- Whilst Downer is in the process of transitioning its business, it is experiencing some volatility in its overall financial performance. In its recently announced 1H22 results, Downer experienced a marginal fall in overall revenue and drop in net profit. This was attributable to multiple drivers, including loss of mining revenue, engineering run-off and asset sales, however, COVID-19 impacts were the major factor.

- In FY21, Downer achieved EBITA margins of 3.8%. Underlying EBITA margins are expected to expand out to approximately 4.2%[83] in FY24. Despite this improvement, Downer is perceived as being a low-margin contractor relative to the peer group companies.

Service Stream

Service Stream provides end-to-end design, construction, operation and maintenance services to the telecommunications, utilities and transport sectors. Service Stream reported HY22 on 24 February 2022. The results were positive, largely driven by the performance from Service Stream’s existing operations, with the recently acquired Lendlease Services business performing in line with expectations.

Service Stream is trading at the upper end of the peer group companies based on its CY21 EBITA multiple. The following factors are noteworthy:

- Service Stream completed the acquisition of Lendlease Services on 1 November 2021 for an enterprise value of A$310 million. The acquisition was undertaken to add new transportation (roads), electricity and industrial maintenance businesses whilst also deepening Service Stream existing telecommunications and water maintenance capabilities. Specifically, Service Stream is targeting approximately A$17 million in synergies from this acquisition. These synergies are expected to be

[82] Equity Research, Credit Suisse, 10 February 2022.
[83] Investment Research, Morgan Stanley, 10 February 2022.

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realised in full in the 24 months following the completion of the acquisition. The drop in the EBITA multiple in CY22 and CY23 may be attributable to the increase in profitability associated with the realisation of these synergies.

- The outcome of the lead-in component of the A$4.5 billion NBN spending package is yet to be announced and some broker[84] estimates do not appear to capture this potential revenue source. This could result in material upside for Service Stream, with one broker estimating that even before the acquisition of Lendlease Services, it could add 20.0% to its FY23 EBITDA forecast. We note that investors may be willing to pay a higher multiple on account of the possibility of this future business.

- Service Stream generated an EBITA margin of 7.4% in FY21, despite also being impacted by COVID-19. This is higher than Downer, Ventia and Monadelphous albeit is expected to reduce in forthcoming years due to the lower margin contribution from the Lendlease Services business.

Given the CY21 EBITA estimates are unlikely to capture a significant portion of the Lendlease Services acquisition synergies or the potential NBN revenue sources, we consider the CY22 EBITA multiple more reflective of normalised trading conditions.

Ventia

Ventia is a leading essential infrastructure services provider in Australia and New Zealand with extensive capabilities across the full asset lifecycle including operations and maintenance, facilities management, minor capital works, environmental services, and other solutions. The company is diversified across services, clients and geography and has a long-dated contract profile with minimal fixed-price exposure with a substantial number of long-term customers.

Ventia is trading in line with the peer group companies based on its CY22 EBITA multiple, with recent factors potentially impacting its share price including the following:

- Market participants are likely to be conscious that a substantial portion of Ventia's share register entered into voluntary escrow with regards to their shareholdings. With close to 70% of the entire share register restricted from selling until the release of Ventia's FY22 financials, it is possible that this stock 'overhang' is impairing Ventia trading multiples.

- Ventia listed on ASX in November 2021. Market participants may be relatively cautious until such time as the company can deliver on its prospectus earnings forecasts for FY22.

- Ventia generated an EBITA margin of 5.3% in FY21, however this was significantly impacted by one-off expenses incurred in conjunction with the IPO. Ventia is expected to achieve some EBITA margin expansion going forward as many of its large contracts contain some form of embedded price escalation mechanism.

Monadelphous

Monadelphous is an engineering group providing construction, maintenance and industrial services to the resources, energy and infrastructure sectors. We note that c. 96.0% of Monadelphous' FY21 revenue was derived from the mining sector, with 53.0% of total revenue specific to the iron ore sector.

[84] Investment Research, Macquarie, 15 December 2021.

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Monadelphous is currently trading at the upper end of the peer group companies based on its CY22 EBITA multiple. Key factors currently affecting its valuation may include:

- Monadelphous' management team was positive on the longer-term outlook for its various end-markets, citing capex requirements in the iron ore industry, strong demand for battery metals, Australia's transition to clean energy and the likely emergence of LNG projects in the near future. Whilst this is the case, Monadelphous have a series of projects completing in 1H22, with a number of new projects not commencing and ramping up until FY23. This accords with broker consensus estimates, with Monadelphous expected to experience the highest revenue growth of the peer group companies across its FY23 to FY24 forecast period. Given this dynamic, investors may be willing to pay a higher multiple on account of the likelihood of increased earnings going forward.

- Monadelphous' workforce is heavily concentrated on Western Australia based fly-in fly-out workers. With Western Australia's borders having recently opened and the likelihood of COVID-19 community transmission, this is likely to result in a transitory drop in EBITA. Given this is likely to be a short-term phenomenon, investors may be prepared to overlook short term impacts around EBITA.

- Whilst its EBITA margin was low at 3.8% in FY21, Monadelphous has enjoyed higher margins historically. There are expectations that the margin will expand in the future, however, this is constrained in the short term by a tight labour market and skilled resource shortages.

6.1.5.4 Services Division - Transaction evidence

We have reviewed selected transactions announced involving the acquisition of stakes in services companies, which in our opinion, are broadly comparable with the Services Division based on, inter alia, size, service mix, market focus and geographical emphasis. For the purposes of collating a list of comparable transactions, we have excluded transactions where the transaction value was less than A$100 million. We note the number of recent transactions involving construction businesses is limited. As a consequence, we have also considered older transactions which we consider relevant, including transactions featuring CIMIC.

Based on the above, we set out in the table below the EBIT multiples implied by the comparable transactions:

Transaction analysis Date	Target Company	Bidder Company	Stake (%)	Enterprise value (A$m)	EBITA Multiple[1]
Services Transactions					
Jul-21	Lendlease Services Pty Ltd[2]	Service Stream Limited	100%	310	11.6x
Jun-20	Broadspectrum Ltd (Australia and NZ)[2]	Ventia Pty Limited	100%	525	Na
Dec-18	Comdain Infrastructure Pty Ltd	Service Stream Limited	100%	162	8.6x
Jun-18	SRG Limited	Global Construction Services Limited	100%	138	11.6x
Mar-17	Spotless Group	Downer EDI Limited	85%	2,120	10.2x
Oct-16	UGL	CIMIC Group Limited	86%	760	8.3x
May-16	SMEC Holdings	Surbana Jurong Private Limited	100%	389	12.1x
Feb-16	Sedgman Pty Ltd	CIMIC Group Limited	54%	253	8.5x
Apr-16	Broadspectrum Limited	Ferrovial S.A.	100%	769	7.6x
Sep-15	Cardno Limited	Crescent Capital Investments Pty Ltd	41%	842	7.3x
Dec-14	Ventia Pty Ltd	Apollo Global Management LLC	50%	1,075	6.0x-9.0x
Average - Services[3]					**9.3x**
Median - Services[3]					**8.6x**

Source: GTCF analysis, Mergermarket, S&P Global
Note: (1) Given there is no disclosure regarding amortisation charges, we have assumed EBIT and EBITA have coincided in order to calculate the EBIT / EBITA multiples implied in the transactions; (2) With the exception of Lendlease Services and Broadspectrum Ltd (Australia and NZ), all transactions presented occurred prior to the implementation of AASB 16 on 1 July 2019; (3) Calculated using the midpoint of the EBIT / EBITA multiple range for Thiess Services and Leighton Contractor Services transaction.

Transaction multiples are generally calculated with reference to historical earnings and, as a result, all things being equal, we would expect the transaction multiples to be higher than the unadjusted current or forecast trading multiples observed for listed comparable companies.

Salient background in relation to transactions we have deemed most comparable is as follows:

Lendlease Services Pty Ltd – On 21 July 2021, Service Stream announced that it had entered into an agreement to acquire Lendlease Services to transform its business into a diverse, multi-network essential service provider, operating across the growing infrastructure services sector. Lendlease Services is a leading provider of operations and maintenance and specialist design and construction services across the telecommunications, utilities and transportation sectors. At the time of the transaction, Lendlease Services had an order book of over A$3.0 billion with approximately 90% of FY22 revenue secured. Due to the complementary nature of service offerings, the acquisition of Lendlease Services was expected to deliver cost synergies of roughly A$17.0 million per annum within two years from completion of the transaction.

Spotless Group – On 21 March 2017, Downer EDI Limited announced an offer to acquire the remaining 80.0% of Spotless that it did not already own by way of an off market takeover. Spotless was a large scale provider of facility services in Australia and New Zealand which operated through two core segments, facility services and laundry services. The facility services segment included property maintenance, management catering and cleaning whilst the laundry services involves the rental, cleaning, delivery and management of linen and work wear.

UGL – On 10 October 2016, CIMIC Group Limited announced its intention to acquire the shares in UGL Limited that it did not already own at a price of A$3.15 cash per share. At the time, CIMIC already owned 13.84% of UGL. At the time, UGL was a provider of engineering, manufacturing, construction, asset management and maintenance services with a diversified end market exposure across the core sectors of rail, transport and communications systems, oil and gas, power, water, resources and defence. UGL's

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operating model comprised of six divisions including rail and defence, asset services, technology systems, engineering and construction, Asia and Ichthys Projects.

Ventia (Thiess Services and Leighton Contractor Services) – On 17 December 2014, Leighton Holdings Limited announced it had entered into a binding agreement with funds managed by affiliates of Apollo Global Management, LLC to form a 50:50 investment partnership comprising the merged operations and maintenance services businesses of Thiess Services, Leighton Contractor Services and Visionstream. Thiess Services included communications, energy solutions, asset and infrastructure services, and environmental services whilst Leighton Contractor Services included Visionstream and infrastructure services.

Selected multiple range

In determining an appropriate EBITA multiple for the Services Division, we have considered the specific attributes of the constituent businesses being valued, in the context of market evidence from our peer group companies and comparable transactions. Our salient observations are as follows:

- Although there are differing focuses amongst the peer group companies, they share operational overlaps or adjacencies with UGL. Whilst this is the case, UGL is more comparable to Downer given its concentration in the transportation industry wherein based on FY21, UGL and Downer derived approximately 56% and 51% of their revenue, respectively.

- In FY21, the Services Division achieved an EBITA margin of 5.8%, which was higher than Ventia, Monadelphous and Downer who achieved EBITA margins of 5.3%, 3.8% and 3.8%, respectively. Whilst Service Stream achieved an EBITA margin of 7.4% in FY21, this is expected to moderate in future years. From a margin perspective, the Services Division compares favourably to the peer group companies.

- The most relevant transactions are considered to be the following:

    - The acquisition of Lendlease Services by Service Stream Limited, wherein the latter paid an EBIT/EBITA multiple of 11.6 times. Relevantly, the transaction occurred in July 2021 and involved the sale of a leading provider of operations and maintenance and specialist design and construction services across the telecommunications, utilities and transportation sectors.

    - The acquisition of UGL by CIMIC Group Limited. Given the subject matter and the transaction occurring at a multiple markedly below the trading multiples of the peer group companies, we have investigated this further and note the following:

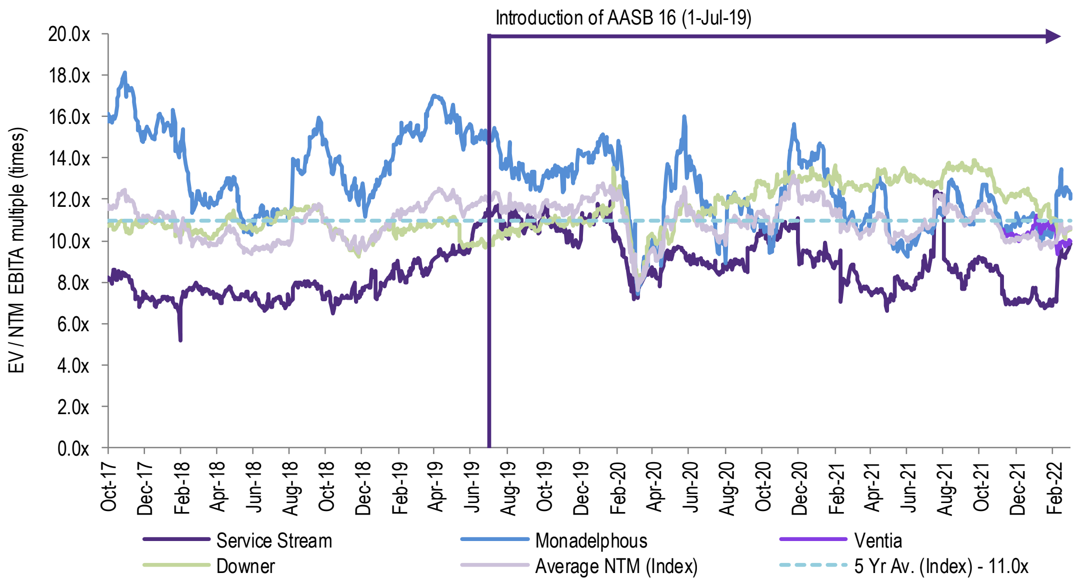
        - The transaction occurred at a time when UGL was facing significant difficulties and uncertainty in relation to the Ichthys Project, one of the world's largest LNG developments. UGL was a party to two contracts as part of the onshore construction – the installation of the LNG processing trains and the design and construction of a combined cycle power plant. UGL had made total provisions of A$375 million across both projects prior to the transaction, with fundamental uncertainty as to the future financial impacts.

        - Excepting the Ichthys Project, UGL had undergone material restructuring in the period leading up to the transaction. The restructuring followed the divestment of its DTZ business on 6 November 2014, and during FY15 entailed the reset of the business (including implementing new initiatives, restructuring divisional and corporate overheads and focusing on more effective risk management) as part of UGL's efforts to refocus as a dedicated engineering, construction and maintenance service provider.

- At the time of the transaction, UGL faced renewal risk on several significant long-term contracts. These included: (a) its interest in the Metro Trains Melbourne contract, which had an original contract value of A$1.3 billion and expired in 2017; and (b) its interest in the Sydney Trains/Transport (NSW) contract, which had an original contract value of A$1.4 billion (with a A$900 million extension option) and expired in 2019.

Similarly to our approach for the Construction Division, before reaching our conclusion on the applicable EBITA multiple, we have considered the rolling NTM EBITA multiple of the listed peers across the cycle. As set out in the graph below, they have been overall trading at an average NTM EBITA multiple across the cycle of c. 11.0x on a minority basis.

Rolling NTM EBITA Multiple – Selected Services Company Peers

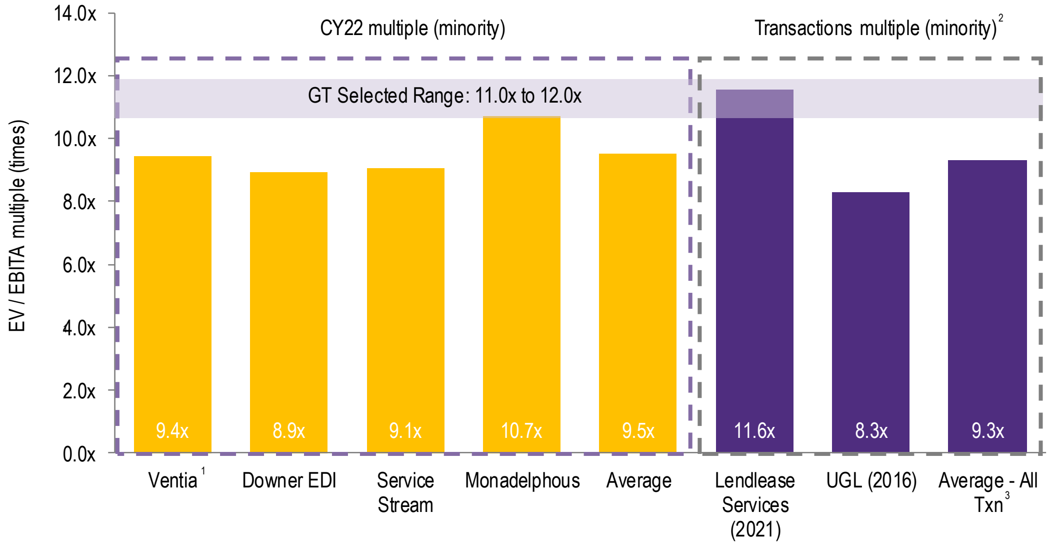


Source: S&P Global, GTCF analysis, Company Filings
Note: (1) In assessing the EV / NTM EBITA multiples for the services peers, we have used the NTM EBIT broker consensus estimates, which we have adjusted for the future amortisation of intangible assets. The brokers do not provide an estimation of future amortisation charges, and so as a result we have relied on the FY21 amortisation expenses as a proxy for future years. We consider this reasonable as no material future acquisitions are included in the broker's projections and accordingly the amortisation amount should remain relatively stable.

On balance of the factors detailed above, and including a premium for control, we consider an appropriate EBITA multiple for the Services Division to be in the range of 11.0 times to 12.0 times.

We have compared our adopted EBITA multiples for the Services Segment against the peer group companies that are considered to be most comparable on a minority basis, as well as selected comparable transactions which express a control multiple. Overall, the assessed EBITA multiple appears to be reasonable.

EBITA Multiple Comparison



Sources: GTCF analysis, S&P Global, Mergermarket
Note: (1) Ventia multiple based on the trading price as at 18 March 2022; (2) Transactions multiple = EV / EBIT. Given there is no disclosure regarding amortisation charges, we have assumed EBIT and EBITA have coincided in order to calculate the EBIT / EBITA multiples implied in the transactions; (3) Average – All Txn refers to transactions in addition to the Lendlease Services Txn and UGL Txn. Refer to section 6.1.5.4 for a summary of all services transactions.

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6.1.6 Thiess (50% Interest)

Thiess is one of the largest contract mining businesses in the world and it generates the majority of its revenues from operations in Australia, Indonesia and Americas across the full value chain of mining activities (excluding exploration). Whilst it provides its services to mines extracting different metals and commodities, its key current focus is both thermal and metallurgical coal which accounted for c. 87% of FY21 revenue.

The starting point for our valuation assessment of CIMIC's 50% interest in Thiess is the price paid by Elliott on its recently completed acquisition (31 December 2020) of the other 50% interest. We have also cross checked our valuation assessment with the current trading multiples of listed peers.

We have set out below a summary of the key commercial terms of the Thiess Transaction.

Thiess Transaction - implied multiple A$ million	
Enterprise value of Thiess	**4,300**
FY20 EBITA	521
FY21 EBITA	481
Implied EV/EBITA multiple	
EV/FY20 EBITA	8.3x
EV/FY21 EBITA	8.9x

Sources: CIMIC Management and annual report
Note: In the calculation of the implied multiple we have had regard to the historical FY21 EBITA of A$28.9 million arising from the acquisition accounting undertaken by Thiess

Before relying on the Thiess Transaction for the purpose of our valuation assessment, we have considered the sale process undertaken, the specific circumstances of the business, the changes in the market conditions and the terms of the Shareholders Agreement.

6.1.6.1 Sale process undertaken

The Thiess Transaction was the outcome of an extensive sale campaign undertaken by CIMIC over a period in excess of 12 months. The Group engaged external legal and financial advisers to assist in the sale process, with approaches made to a large number of potential interested parties, including financial investors, trade buyers and conglomerates. The Group received several non-binding indicative offers ("NBIOs") with multiple parties undertaking extensive due diligence procedures. Whilst the transaction was negotiated largely after the outbreak of COVID-19, we do not consider that this had an adverse impact on the Thiess Transaction due to the following:

- The financial performance of Thiess was not impacted in FY20 and the underlying operations of Thiess' customers were supported by buoyant metal and commodity prices.

- The commercial terms of the transaction were negotiated and agreed with Elliott in the second part of 2020[85]. At this time, financial markets had strong impetus on the back of the accommodating monetary policies and financial and fiscal support implemented by Governments around the world.

[85] The commercial terms were announced to the market in October 2020.

As a result, we are of the opinion that the price paid by Elliot was the outcome of an extensive sale campaign undertaken by CIMIC and accordingly it is a reasonable reference point for the purpose of our valuation assessment.

6.1.6.2 Specific circumstances of the business since the transaction

Since completion of the Thiess Transaction, there are some specific factors in relation to the business that we have considered in our valuation assessment:

- *2021 performance* – As discussed in section 2.2, poor weather conditions in Thiess' key markets of Australia and Indonesia as well as lockdowns associated with COVID-19[86], affected coal production for the first four months of FY21. These factors weighed heavily on the financial performance. Thiess generated an EBITA of c. A$481 million in FY21 compared with c. A$521 million in FY20 and an average EBITA for the period between FY18 and FY20 of A$554 million.

- *2022 Budget and prospects for the business* – Management anticipate a return to normal trading conditions in FY22 with Thiess benefiting from a strong WIH of A$9 billion[87] as at 31 December 2021, providing confidence in its ability to reach its budgeted FY22 revenue. This is despite heavy rainfalls in early 2022 on the East Coast of Australia causing disruption to coal production activities in New South Wales. Thiess aims to diversify from thermal coal in the medium term by increasing the proportion of revenue generated by other metals and commodities. This initiative is underway with Thiess securing a number of non-coal projects such as a long-term copper project with Antofagasta in Chile, an iron-ore contract with Fortescue Metals Group in Western Australia and the recently awarded Covalent Lithium Project at the Mount Holland Lithium Mine in Western Australia. Regions like North America, where a relatively low portion of the contract mining is outsourced, and rehabilitating end-of-life coal projects also represent opportunities to diversify away from coal. Whilst these strategic objectives appear reasonable, there are still execution risks.

- *Refinancing* – On completion of the Thiess Transaction, Thiess borrowed c. A$1.6 billion under a Bridge Credit Facility. The facility is subject to a step up in interest rates on pre-determined dates if not refinanced. The ultimate intention is to refinance the facility on more favourable terms but currently, the bridge credit facility remains in place with refinancing activity on-going. However, commercial terms (e.g. interest rates) are now expected to be less favourable than initially anticipated. This is attributable to more stringent policies and guidelines implemented by all the major financiers in relation to ESG policies and in connection with this, Thiess' coal sector concentration. Before the Thiess Transaction, as a wholly owned subsidiary of CIMIC, Thiess benefited from the Group funding status pursuant to which ESG issues were marginalised given the diluted exposure to the coal sector across the entirety of the CIMIC business. Following a step-up in the interest rate of the Bridge Credit Facility, the net interest costs increased from c. A$23 million in FY20 to c. A$60 million in FY21 and are expected to further raise in FY22. The significant increase in the interest rate is resultant of both higher interest rate and greater level of gearing.

- *Amortisation of intangible assets* – As a result of the transaction structure, new legal entities were established for the acquisition and Elliott and CIMIC were each issued equity interests in the holding companies such that each now holds a 50% interest in the overall business. Accordingly, Thiess undertook a purchase price allocation in accordance with AASB3: Business Combinations. Following from this, Thiess has recognised limited life intangible assets (mainly customer contracts and

[86] For example, in Mongolia where Thiess has exposure, coal exports to China were affected by intermittent border closures by the Chinese authorities with hampered production.
[87] This includes preferred work subsequently signed in January 2022.

relationships) of c. A$365 million which are subject to amortisation over the useful lives of up to 13 years. In FY21, Thiess incurred amortisation charge of c. A$28.9 million. Whist this is a non-cash item and accordingly has no cash flow impact on the business, it affects the NPAT which is a key metric for profit distributions under the Shareholders Agreement.

6.1.6.3 Market conditions since the transaction

Since the terms of the Thiess Transaction were agreed in the second half of 2020[88], stock prices for companies exposed to coal and other fossil fuels have underperformed relative to the upward movements in the coal price and the overall market. In our opinion, this is suggestive of the ESG thematic having a greater influence on underlying valuations. This could be due to the following:

- An expectation that global demand for coal, in particular thermal coal, will be subdued over the long term as renewable energy becomes a bigger contributor to the global energy mix.

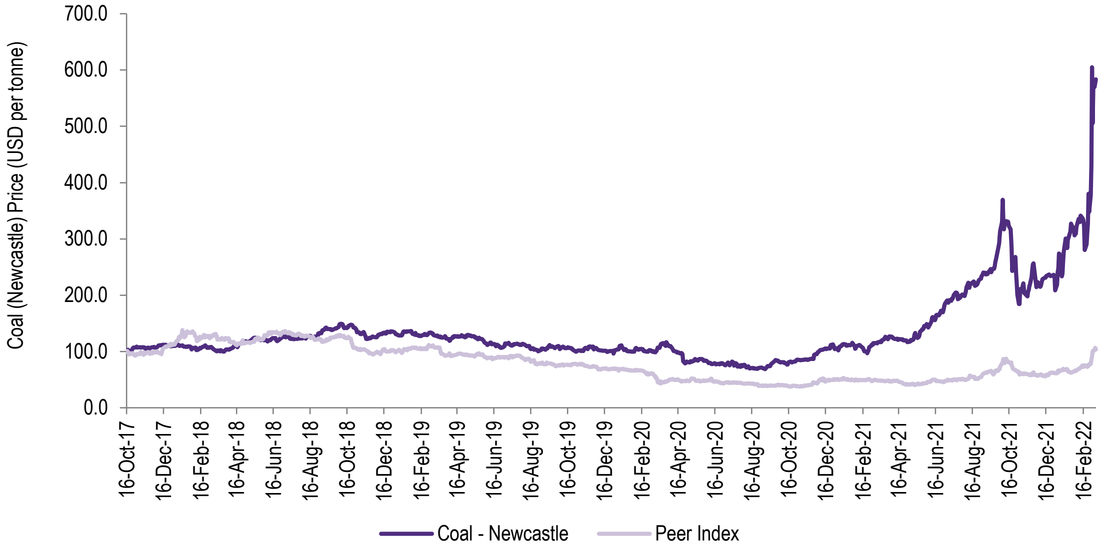
- A decline in investor appetite for companies operating in industries directly or indirectly correlated with carbon emissions due to their associated climate impact. In Australia, many Super Funds have implemented policies to mitigate against climate risk. One of these policies includes decarbonising portfolios by 2050, in-line with the Paris-Agreement commitment to achieve net zero greenhouse gas emissions by the same date[89]. Some funds have already completely disposed of their coal and other fossil fuel exposed investments such as Aware Super. As part of its Climate Change Transition Plan, Aware Super divested from companies generating more than 10% of revenues from thermal coal in 2019.[90] At least eight of Australia's largest Super Funds now have internal policies preventing them from investing in any thermal coal producers[91]. Similar policies are being implemented in other markets around the world and are likely to intensify. For example, the largest pension fund in the world, ABP[92] announced in October 2021 that it will no longer invest in fossil fuel producers and would dispose of all its shareholdings by the first quarter of 2023.

- In Australia, banks are becoming increasingly reluctant to lend to companies with significant coal and other fossil fuel exposure and many plan to have no exposure by 2030. In October 2020, ANZ announced that they would no longer fund any new thermal coal mines or expansions, and that direct lending to existing coal mines would end by 2030.[93] In 2019, Commonwealth Bank of Australia laid out plans to ensure that by 2025, it has no exposure to companies generating more than 25% of revenues from thermal coal.[94] Westpac is still supporting thermal coal customers but plans to reduce its exposure to zero by 2030.[95] In 2021, NAB updated its ESG policy which included a 50% reduction in exposure to thermal coal by 2026 and no exposure by 2030.[96]

[88] Completion occurred on 31 December 2020.
[89] Climate Change Risk: ASFA Discussion Paper October 2021.
[90] https://aware.com.au/member/forms-and-resources/supernews/2020/sept/divesting-from-thermal-coal.
[91] https://www.marketforces.org.au/super-funds-october-2020-update/.
[92] Dutch pension fund for civil servants and teachers.
[93] https://www.anz.com.au/content/dam/anzcomau/documents/pdf/aboutus/esg/responsible-business-lending/energy-policy.pdf.
[94] CBA ESG Framework: https://www.commbank.com.au/content/dam/commbank/about-us/download-printed-forms/environment-and-social-framework.pdf.
[95] Westpac Sustainability Supplement 2021 https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/2021_Sustainability_Supplement.pdf?searchsource=search-results&kw=coal&cat=documents-%26-forms&rank=10&result-type=natural.
[96] https://news.nab.com.au/news/nab-updates-esg-related-credit-policy-and-risk-settings/#:~:text=Coal%20policies&text=We%20have%20capped%20thermal%20coal,existing%20thermal%20coal%20mining%20assets.

As set out in the graph below, historically, the stock price performance of Australian listed coal producers included in the Peer Index[97] closely followed the Newcastle FOB thermal coal price, however that trend started to diverge prominently shortly after completion of the Thiess Transaction.

Index of Australian coal producers relative to Newcastle thermal coal (US$/t)



Source: S&P Global

The average NTM EV/EBIT multiples of the coal producers[98] included in the Peer Index are significantly below their 7 year average multiple, as shown in the graph below. Furthermore, they did not re-rate upwards in accordance with the general increase in thermal coal prices occurring since January 2021.

[97] This index includes Stanmore, Yan Coal, White Haven, New Hope and Coronado. It is calculated by summing the market capitalisations of these coal producers and indexing them to 100 as at the 16th October 2017.
[98] The NTM EV/EBIT multiple of the coal producers is a simple average of the Stanmore, Yan Coal, White Haven, New Hope and Coronado multiples.

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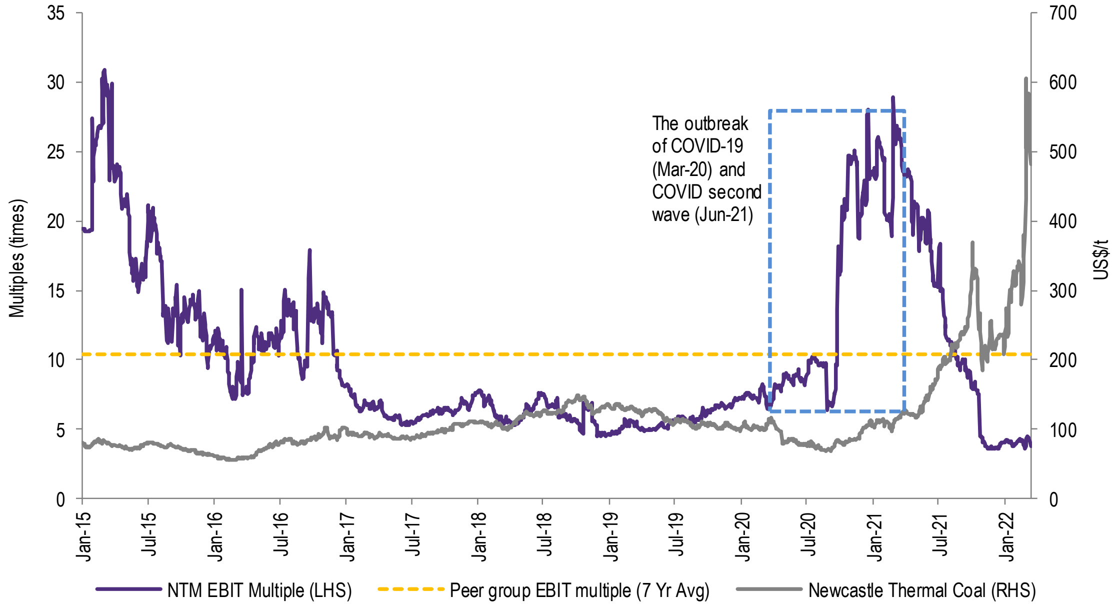
Average rolling EBIT multiple and 7 Year Average of the coal mining peer[99] group compared with Newcastle Thermal Coal (US$/t)



Source: S&P Global

6.1.6.4 Key terms of the Agreement with Elliott and how they affect value

The Shareholders Agreement contains governance arrangements, financial and dividend policies and customary future share transfer options, among other things, including a potential initial public offering or sale to a third party. Elliott also has the option to sell its interest in Thiess back to CIMIC between four and six years from completion of the sale ("Elliott Put Option"). Exercise of the Elliott Put Option will oblige CIMIC to repurchase the interest acquired by Elliott at the lower of Elliott's acquisition price or a price referable to movements in the S&P / ASX 200 Total Return index plus the accrued value of any shortfall in agreed minimum distributions to date (as discussed below). The Elliott Put Option benefits from a guarantee from CIMIC's majority shareholder HOCHTIEF.

The Thiess Shareholders Agreement prescribes a minimum distribution to each shareholder of A$180.0 million per annum for the first six years, with Elliott receiving preferential payment for the first A$180 million. Accordingly, Thiess is required to generate an aggregate NPAT of A$360 million per annum throughout the Initial Period to satisfy contractual distribution requirements to both shareholders[100].

If the annual NPAT is not sufficient to guarantee both shareholders receiving the minimum distribution, Elliott will be paid its annual minimum distribution amount first, including any accrued amount from previous years during the Initial Period. CIMIC, is not required to forfeit its right to its minimum return but rather carries that right over to the next financial year. During the Initial Period and in the absence of accrued distributions from previous financial years for Elliott, CIMIC has entitlement to a preferential return on amounts in excess of the minimum aggregate NPAT of A$360 million until such point as it receives its minimum entitlement. After this, excess profits over the minimum aggregate amount are shared equally among Elliott and CIMIC.

In FY21, Thiess generated attributable profit of A$282.1 million. Consequently, Elliott received its priority distribution of A$180 million with the balance of A$102.1 million being CIMIC's profit share for the period.

[99] This peer group EBIT multiple is an average of the NTM multiple for Stanmore, Yan Coal, White Haven, New Hope and Coronado.
[100] Distributions are also contingent on Thiess being able to pay dividends from free cash flows generated in the relevant period preserving a certain net debt/EBITDA multiple.

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Under the Shareholders Agreement, CIMIC is entitled to recover the shortfall in future periods on a preferential basis when NPAT exceeds A$360 million. Thiess has historically generated NPAT greater than A$360 million. However, after completion of the Thiess Transaction, the company incurs additional costs related to interest expenses arising from the standalone debt structure and the amortisation of intangible assets accounted for as part of the transaction.

We estimate that, on a pro-forma adjusted basis, i.e. as if the Thiess Transaction was completed on 1 January 2018, the historical NPAT would have been c. A$90 million per annum lower due to these additional expenses. This would have resulted in a pro-forma profit shortfall for CIMIC of c. A$225 million between FY18 and FY21.

Whilst the shortfall in profits can be recovered by CIMIC through future profit in excess of A$360 million[101], the Thiess Shareholders Agreement does not specifically provide for the recovery of shortfall amounts in the event of an IPO or trade sale. Whilst this is the case, we note that a shareholder can block the relevant liquidity event if a satisfactory agreement cannot be reached in relation to any accrued distributions. In our opinion, this is likely to become a negotiation item. In the case of a CIMIC shortfall, Elliott may have limited financial incentive to assist CIMIC in its recovery of shortfall entitlement.

The terms of the Thiess Shareholders Agreement, in particular the preferential profit distributions and Thiess Put Option, afford considerably greater protective rights to Elliott when compared to CIMIC which we have reflected in our valuation assessment.

6.1.6.5 Potential exit and pool of potential purchasers

As part of our analysis, we have also considered the pool of potential purchasers for Thiess as this is likely to have an impact on the value of CIMIC's 50% interest. In our opinion, the universe of exit opportunities may be limited due to the following:

- Based on the ESG policies established by large institutional investors aiming at decarbonising their portfolio, the ability of Thiess to pursue an IPO may be limited until such a time as Thiess is able to materially reduce its exposure to the coal sector. This objective may be challenging to achieve in the short to medium term.

- Thiess is the largest mining services company in Australia and one of the major contract miners in the world. The universe of potential trade buyers is limited by the transaction value. Given Thiess' strong cash flow generation, large private equity funds may consider a secondary buyout of Thiess, however they may be opportunistic in terms of value and in the absence of the protections mechanisms offered to Elliott in the Shareholders Agreement, they may not be prepared to transact at the same terms, all other things being the same.

- Thiess may be attractive to large mining and/or construction companies looking to vertically integrate their operations. Whilst this is a possibility, we consider it unlikely as many large mining companies are seeking to exit the coal sector. For example, in December 2021, BHP sold its 33% shareholding in Carrejon in Columbia to Glencore for US$294 million and in November 2021, it announced the sale of its 80% shareholding in BMC to Stanmore for up to US$ 1.35 billion. Indeed, in its June 2020 year-end results, BHP announced they would exit all their thermal coal operations.

[101] Assuming no profit shortfall for Elliott otherwise this has priority over CIMIC shortfall.

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6.1.6.6 Conclusion on value

Based on the above, we are of the opinion that it is not unreasonable to apply a discount of c. 10% (in order to assess a range of values, we have adopted between 8% and 12% in the valuation below) to the enterprise value of Thiess as at 31 December 2020 to assess the fair market value of CIMIC's 50% interest. We have set out our calculations below where we have adjusted Thiess' enterprise value for the selected discount and then we have assessed the equity value based on the net debt as at 31 December 2021. A summary of our calculations is set out below. We note that we have included liaise liabilities in the net debt in order to be consistent with the enterprise value of the Thiess Transaction which is inclusive of lease liabilities and with how the multiples of the listed peers below have been computed.

Thiess Cash proceeds A$ million	Low	High
Thiess enterprise value 100%	4,300	4,300
Selected discount	(12%)	(8%)
Discounted enterprise value	**3,784**	**3,956**
Less: Lease liabilities (31 December 2021)	(430)	(430)
Less: Net Debt (31 December 2021)	(1,391)	(1,391)
Thiess equity value adjusted (100%)	**1,963**	**2,135**
CIMIC interest in Thiess	50%	50%
Assessed CIMIC interest in Thiess	**982**	**1,068**

Source: GTCF analysis

Based on this calculation, we value CIMIC's 50% interest in Thiess between A$982 million and A$1,068 million.

6.1.6.7 Cross check valuation assessment

In order to undertake a cross check, we have calculated the EBITA[102] multiple implied in our valuation assessment and compared it with the EBIT multiple of listed peers as set out in the table and graph below.

Thiess Transaction - implied multiples with new enterprise value A$ million	Low	High
Revised Enterpirse Value after discount	3,784	3,956
Thiess EBITA		
FY19 - FY21 Average	542	542
FY21	481	481
Implied EV/EBITA multiple		
EV/FY19-FY21 EBITA	7.0x	7.3x
EV/FY21 EBITA	7.9x	8.2x

Source: GTCF analysis

Using an average EBITA from FY19 to FY21 of A$542 million, which we consider representative of the underlying financial performance of Thiess and FY21 EBITA, we have tracked the multiple implied in our valuation assessment against the listed peers.

102 We have excluded amortisation of intangible assets as this is not common among the listed peers.

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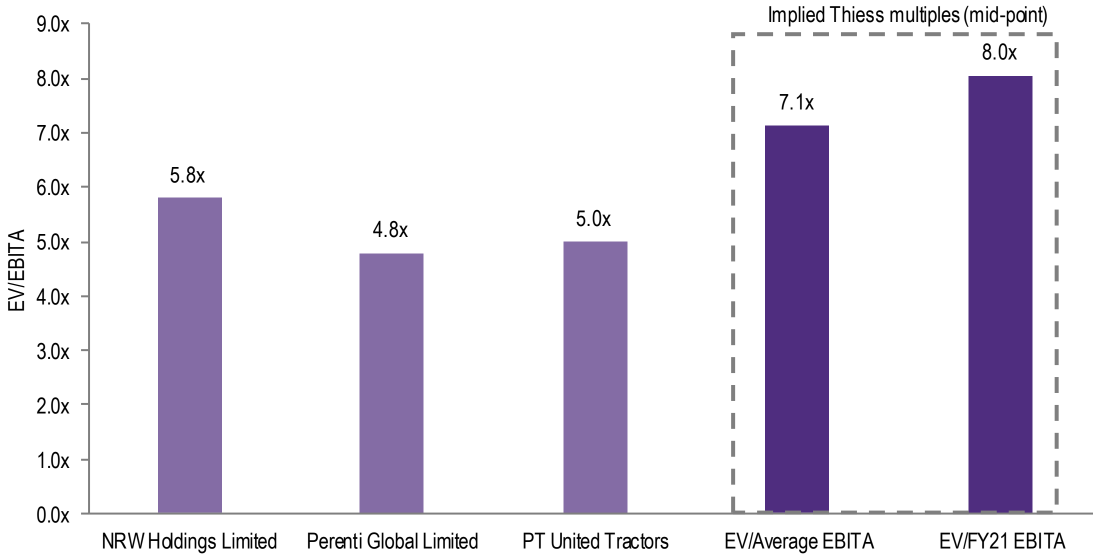
FY22 Peer group EBITA multiples versus Thiess



Sources: S&P Global, CIMIC
Notes: (1) The EV/Average EBITA is derived based on FY19 to FY21 average EBITA. Peers' multiples are their current trading multiples; (2) The multiple of the trading peers is computed by including the lease liabilities in the EV assessment to be on a like for like basis with Thiess implied multiple.

The EBITA multiple implied in our valuation assessment is at a premium to the trading multiple of the listed peers. In our opinion, this is reasonable due to the following:

- Thiess EBITA multiples include a control premium while the peer group trading multiples represent minority interests.
- Thiess is larger than its peer group with FY21revenue of A$3.4 billion versus A$2.2 billion for NRW and A$2 billion for Perenti. Thiess also generated significantly stronger free cash flows compared to its peers in FY21.
- On the flip side, in accordance with the ESG decarbonisation thematic discussed above, Thiess' coal exposure detracts from value. In FY21, Perenti's commodity mix was dominated by gold and to a less extent, base metals. In FY21, approximately half of NRW's revenues were generated from civil services to the resources and infrastructure sectors as well as materials handling services such as plant operation and maintenance and process design.

Based on the above, we are of the opinion that the EBITA multiple implied in our valuation assessment is not unreasonable.

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6.1.7 Ventia (32.8% interest)

6.1.7.1 Summary of values

Ventia was admitted to the ASX on 18 November 2021, with quotation of its shares commencing on 19 November 2021. The initial public offering raised approximately $438 million. Of the total gross proceeds, approximately $64 million was paid to the sponsors in consideration for transferring 37.6 million shares, with Ventia issuing 219.9 million new shares to raise approximately $374 million. These shares were priced at A$1.70 ("Ventia IPO Price").

As discussed in section 5, we have valued CIMIC's 32.8% interest in Ventia using the Quoted Security Price Method which we have cross-checked with the EBIT Multiple Method. The following table sets out our valuation assessment.

Valuation summary - Ventia Holdings A$ million unless stated otherwise	*Section Reference*	Low	High
No. of Ventia shares held by CIMIC (32.8% interest)		280,366,971	280,366,971
Selected trading price per share (A$/Ventia Share)		2.30	2.80
Fair market value of CIMIC's 32.8% interest in Ventia		**645**	**785**

Source: GTCF Calculations

Based on the above, we have assessed the fair market value of CIMIC's 32.8% interest in Ventia to be in the range of A$645 million to A$785 million.

6.1.7.2 Pre-IPO overview

On 26 October 2021, Ventia issued its IPO Prospectus which included an indicative price range between A$2.75 to A$3.15 per share ("Preliminary IPO Price Range"). The Prospectus referenced key competitors of Ventia including, inter alia, Downer and Service Stream, which are both ASX listed companies. Based on the Preliminary IPO Price Range, Ventia's EBITA multiple was set at a premium to the trading multiples of its listed peers. In the table below, we have also presented the trading multiples of Monadelphous as it is broadly comparable to Ventia despite a greater portion of its revenue being generated from the mining sector[103].

Ventia IPO pricing implied multiples and comparison with peers	Ventia				
As at 26-Oct-21	Low	High	Downer	Service Stream	Monadelphous
FY21 EBITA multiple as at 26 October 2021[1]	12.3x	13.6x	10.5x	9.4x	9.4x
FY22 EBITA multiple as at 26 October 2021[2]	10.2x	11.3x	10.6x	7.7x	7.0x

Source: Ventia Prospectus and Supplementary Prospectus
Notes: (1) (2) Downer Service Stream and Monadelphous have financial year end in June while Ventia has financial year end in December. In this case, in order to be consistent, we calculated the calendar year 2021 and 2022 forecast EBITA as at 26 October 2021 for peers. We also exclude the lease liabilities in EV calculations.

On 13 November 2021, Ventia issued a supplementary prospectus ("Supplementary Prospectus") re-pricing the IPO at A$1.70 per share, a discount between 38% and 46% to the Preliminary IPO Price Range. The EBITA multiple implied in the Ventia IPO Price was also at a discount to the trading price of Downer and Service Stream as summarised in the table below.

103 According to the FY21 Investor Presentation for Monadelphous, 96% of its revenue comes from providing services to mining companies whereas the balance 4% is derived from the infrastructure sector.

Ventia IPO pricing implied multiples and comparison with peers				
As at 13-Nov-21	Ventia	Downer	Service Stream	Monadelphous
FY21 EBITA multiple as 13 November 2021[1]	9.3x	9.9x	9.2x	8.3x
FY22 EBITA multiple as at 13 November 2021[2]	7.7x	10.1x	7.5x	6.2x

Source: Ventia Prospectus and Supplementary Prospectus
Note: (1) (2) Downer, Service Stream and Monadelphous have financial year end in June while Ventia has financial year end in December. In this case, in order to be consistent, we calculated the calendar year 2021 and 2022 forecast EBIT as at 13 November 2021 for peers. We also exclude the lease liabilities in EV calculations

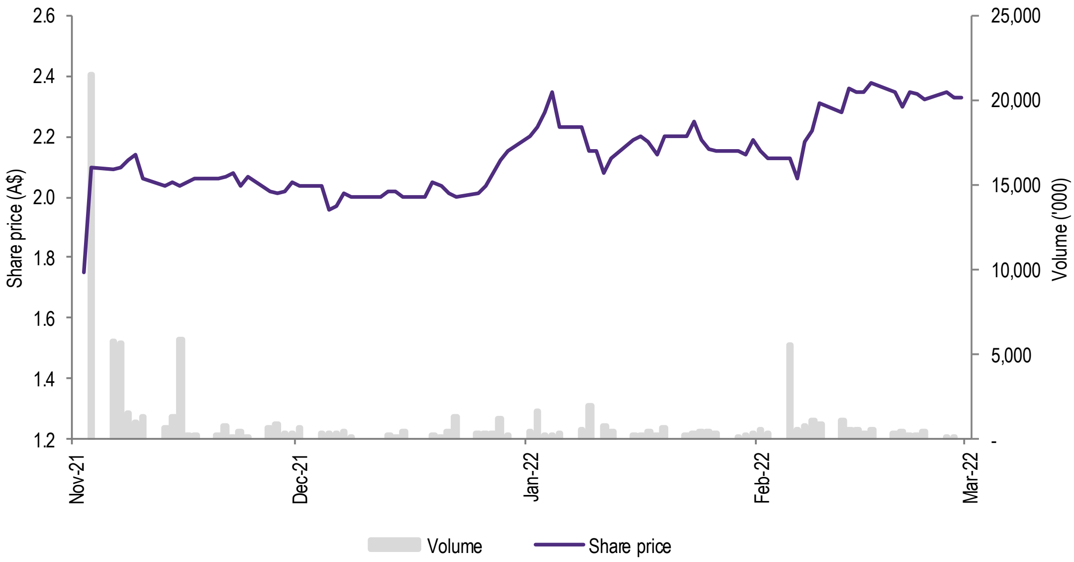
Based on discussions with Management of CIMIC and a review of the market conditions at the time of the IPO, we understand that one of the contributors to the reduction in the Ventia IPO Price was general soft demand from retail and institutional investors towards the end of the year as a result of the large number of capital raisings and IPOs completed in 2021. According to the ASX 1H22 Investor Presentation, the total capital raised was A$141 billion during 2021 which was materially higher than 2020 (A$107 billion) and 2019 (A$66 billion).

The significant reduction in the Ventia IPO Price and the relative valuation with its listed peers, are likely to have supported strong demand for the stock during initial trading. The closing share price of the first day of trading was A$2.10 per share, a 23.5% increase from the IPO Price.

6.1.7.3 Share price performance since IPO

The following graph sets out Ventia's share price performance and volume of shares traded since Ventia's IPO.

Ventia's share price performance and volume traded since IPO



Source: S&P Global

On 23 February 2022, Ventia released its FY21 results where it achieved and in some instances exceeded FY21 forecast included in the Prospectus as summarised in the table below.

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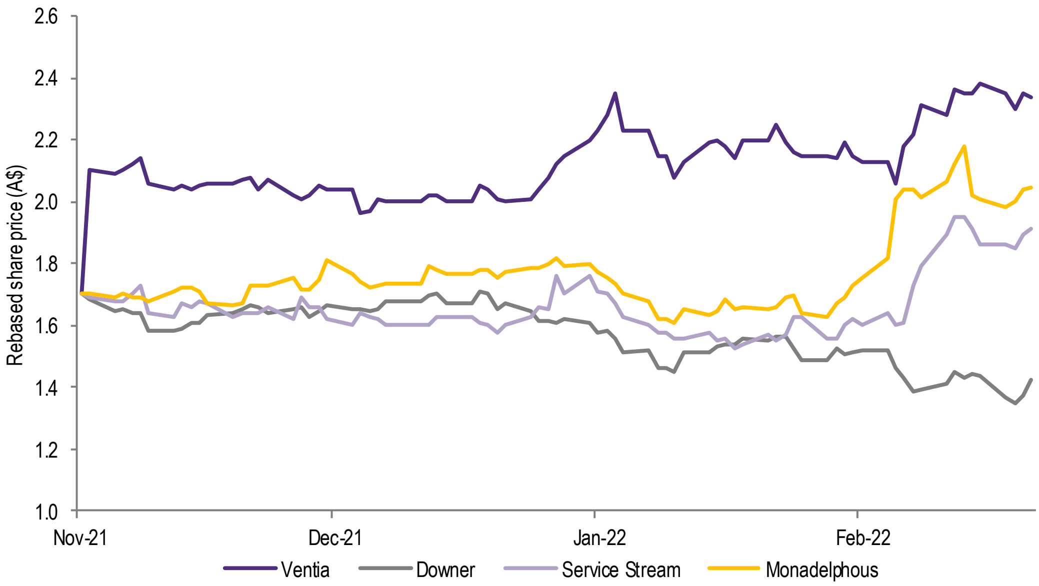
Ventia - FY21 Performance vs. Prospectus and FY22 Guidance	Actual FY21	Prospectus FY21	Change	Prospectus FY22
Total Revenue	4,557	4,502	1.2%	4,943
EBITDA	380	366	3.9%	409
Operating cash flows conversion	84.9%	84.7%	0.2%	91.40%
NPATA	146.8	139.8	5.0%	171.8

Source: Ventia Prospectus and Supplementary Prospectus
Note (1): Values highlighted in green denote performance that exceeded information included in the prospectus.

In our opinion, the significant reduction in the IPO Price, the relative valuation against its peers and the FY21 results have resulted in Ventia's shares outperforming its listed peers since the IPO as set out in the graph below.

Ventia and listed peers trading price since Ventia's IPO (rebased to A$1.70)



Source: S&P Global; GTCF analysis

6.1.7.4 Liquidity and Valuation

Prior to adopting the trading price for the purpose of the valuation, we have also considered the liquidity in the Ventia Shares in accordance with the requirements of ASIC RG111. The following table sets out the volumes traded since IPO.

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Liquidity analysis[1] Company	Country	Free float (%)	Average volume traded as a % of total shares	Average volume traded as a % of free float shares	Cumulative volume traded as a % of total shares	Cumulative volume traded as a % of free float shares
Ventia Services Group Limited	Australia	27.3%	2.3%	8.4%	9.2%	33.7%
Downer EDI Limited	Australia	99.1%	6.5%	6.5%	24.8%	25.1%
Service Stream Limited	Australia	88.5%	5.0%	5.7%	21.8%	24.7%
Monadelphous Group Limited	Australia	93.6%	11.2%	12.0%	46.3%	49.4%
Low			**2.3%**	**5.7%**	**9.2%**	**24.7%**
Average			**6.2%**	**8.1%**	**25.5%**	**33.2%**
Median			**5.7%**	**7.5%**	**23.3%**	**29.4%**
High			**11.2%**	**12.0%**	**46.3%**	**49.4%**

Source: S&P Global, GTCF analysis
Note: The liquidity analysis is based on the monthly traded volumes

With regard to the above analysis, we note that:

- The level of free float for Ventia shares is 27.3% which is low compared with the other listed peers given that c. two thirds of outstanding shares are owned by CIMIC and Apollo. These shares are also subject to escrow arrangements.
- In the absence of a takeover or alternative transactions, the trading price represents the value at which minority shareholders could realise their investment.
- Ventia provides regular updates to the market regarding its strategy and performance. In addition, the stock is covered by several investment analysts which provide regular updates to investors.
- Where a company's stock is not heavily traded or is relatively illiquid, the market typically observes a material difference between the 'bid' and 'ask' price for the stock as there may be a difference in opinion between the buyer and seller on the value of the stock. We have set out below the bid and ask price since listing.

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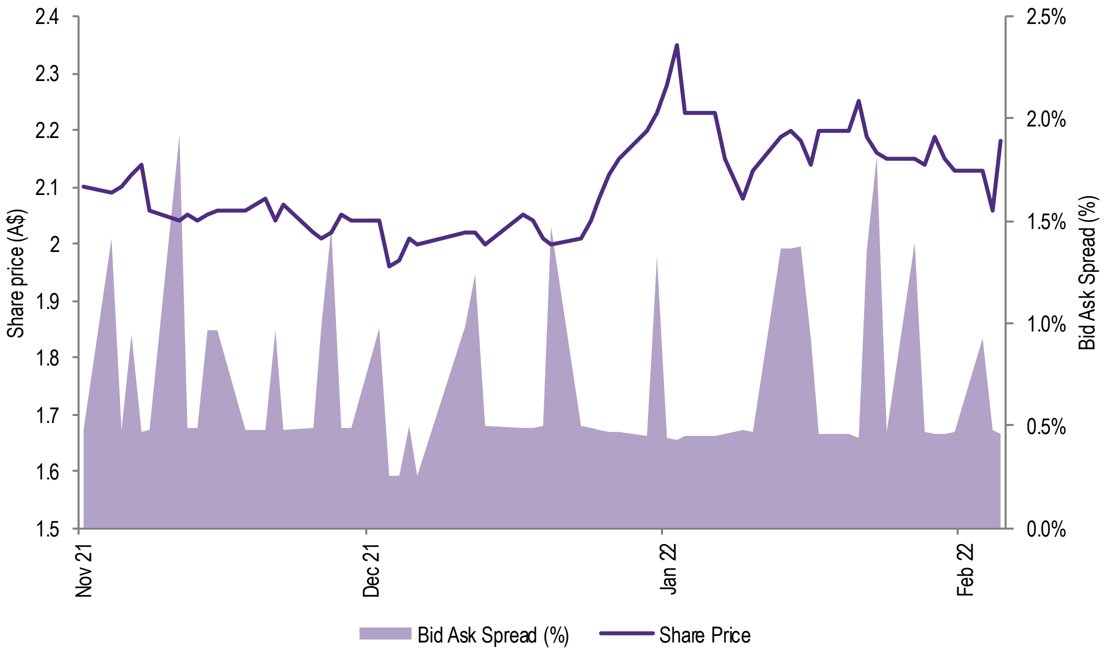
Bid/Ask spread of Ventia since listing



Sources: S&P Global and GTCF Analysis

As set out in the graph above, the historical average bid-ask spread has been low at 0.8% since listing. Based on the analysis above, we conclude that whilst the free float of Ventia Shares is limited, there is sufficient liquidity in Ventia's trading price for considering the Quoted Security Price Method for the purpose of our valuation assessment.

6.1.7.5 Conclusion on the value of Ventia

Having considered the trading price and liquidity of Ventia, we have set out below the VWAP as at 16 March 2022.

VWAP	Low	High	VWAP
Up to 16 Mar 2022			
1 day	2.320	2.360	2.337
5 day	2.280	2.380	2.333
10 day	2.280	2.410	2.343
1 month	2.060	2.410	2.208
2 month	2.060	2.410	2.198
3 month	1.937	2.410	2.159

Source: S&P Global

Based on the VWAP table, we consider a reasonable range for the valuation of Ventia Shares between A$2.30 and A$2.35 per share. However, before adopting this price range for the purpose of our valuation assessment, we have calculated the implied EBITA multiples and compared them with the listed peers.

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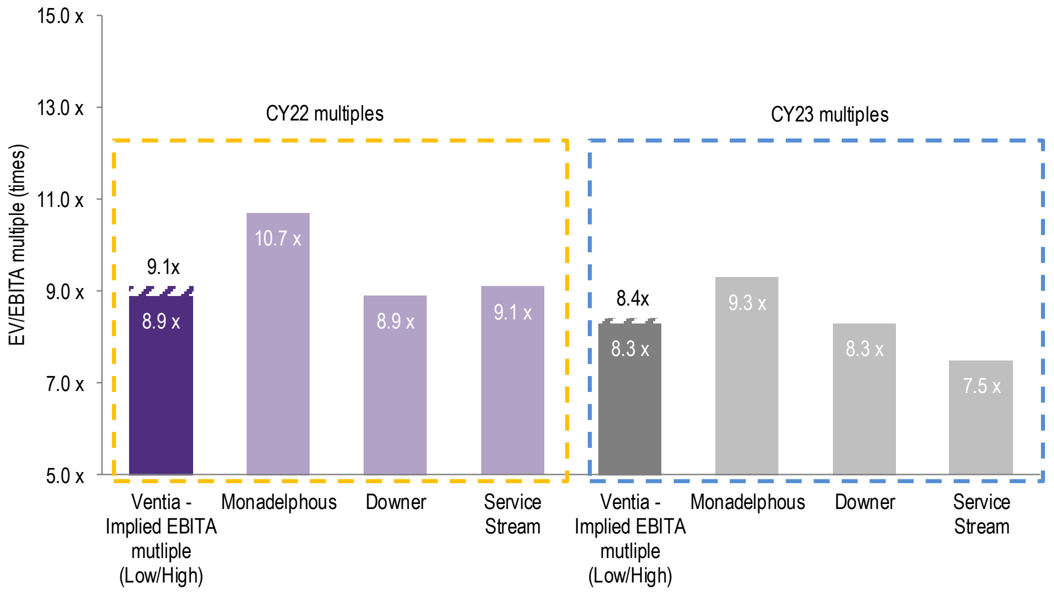
Ventia trading prices	Low	High
Trading price	2.30	2.35
Number of shares	778.8	778.8
Market cap	1,791	1,830
Net debt	675	675
Enterprise value	**2,466**	**2,505**
FY22 EBITA	276.2	276.2
FY23 EBITA	298.2	298.2
Implied EBITA multiple:		
FY22 EBITA multiple	8.9x	9.1x
FY23 EBITA multiple	8.3x	8.4x

Source: GTCF analysis
Note: (1) We considered FY22 EBITA from Ventia prospectus and FY23 EBITA from brokers' consensus forecast

We have illustrated below the implied multiples of Ventia compared to the listed peers[104]:

Implied multiples of Ventia and trading multiple of listed peers

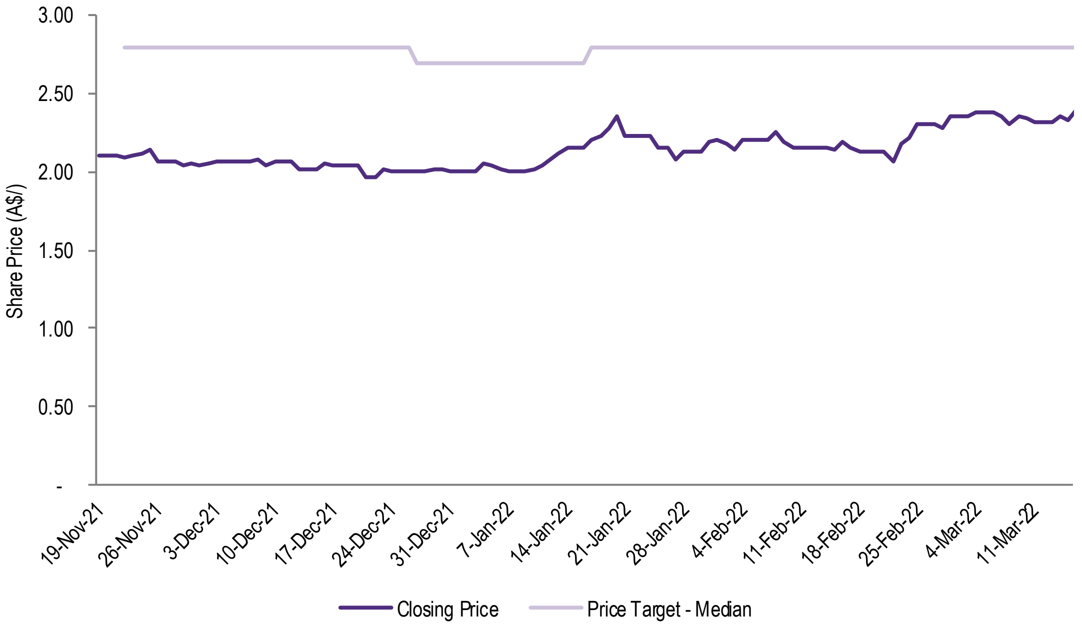


Source: GTCF analysis
Note (1): Downer, Service Stream and Monadelphous have financial year end in June while Ventia has financial year end in December. In this case, in order to be consistent, we calculated the calendar year 2022 and 2023 forecast EBITA as at Valuation Date for peers.

Before finalising our opinion on the fair market value of Ventia, we have also considered Ventia's median consensus price estimate[105] released by investment analysts covering the stock. This is also relevant as CIMIC's shares in Ventia are escrowed until the release of the FY22 results in February 2023.

[104] We have excluded the lease liabilities in our calculation of enterprise values for the peers and for Ventia.
[105] Brokers 12-month price target disclosed in their analyst reports.

Ventia trading price vs. median consensus price estimate



Source: S&P Global

Based on the above, we have adopted a valuation range for Ventia between A$2.30 to A$2.80 per share. The low-end of the range is based on the VWAP as at 16 March 2022 whereas the high-end of the range is based on the median consensus price target.

In our valuation assessment of CIMIC's 32.8% interest in Ventia, we have not applied a premium for the strategic nature of the stake as in our opinion, it is substantially offset by the following factors:

- Apollo is a financial investor and it currently holds 32.8% of the issued capital. It is not unreasonable to expect that it may seek to exit its investment after the end of the escrow period. Until this occurs, the trading price may be adversely impacted by an overhang effect.

- Ventia Shares held by Apollo and CIMIC are escrowed until the release of the FY22 annual report (expected in February 2023) and accordingly they cannot be traded except in specific circumstances outlined in the Ventia prospectus. All else being the same, the escrow arrangements impact the liquidity and hence the value of the Ventia shares held by CIMIC, at least in the short term.

- If Apollo/CIMIC seek to exit their shareholding in Ventia at the end of the escrow period, no individual investors will be able to purchase their individual or collective holdings without launching a takeover offer or seeking shareholder's approval in accordance with the requirements of Chapter 6 of the Corporations Act. Alternatively, CIMIC or Apollo may seek to sell their parcel of shares among a number of retail and institutional investors which is likely to occur at a discount to the prevailing trading price.

- If CIMIC exits its investment in Ventia, it is likely to crystallise capital gains tax liability which may affect the proceeds to be received by the Group. However, the Group has capital losses which may be utilised to offset this gain.

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6.1.8 Other adjustments

In our valuation assessment, we have also considered a number of other adjustments, with the main ones summarised below:

- BICC provisions – there are some residual provisions on the balance sheet as at 31 December 2021 in relation to the cost expected to be incurred by CIMIC to complete the exit from the Middle East. We have treated this provision as a debt like item.

- Naval Ship Management Joint Venture – In February 2022, CIMIC signed a sales and purchase agreement to sell its stake in Australia's Naval Ship Management (NSM) joint venture. We have removed this one-off gain, together with the joint venture contribution year to date, from the FY22 financial performance of UGL and we have considered it as a one-off cash adjustment.

- West Gate Tunnel Project – As articulated earlier in the report, CIMIC and its joint venture partner have reached a settlement with the Victorian Government and Transurban in relation to the various contractual disputes for this project which resulted in the CPBJH JV agreeing to a negotiated reduction of revenue of A$600 million (CIMIC's share A$300 million) and that the CPBJH JV will forego the profit margin from this project. The West Gate Tunnel Project represents a significant component of the existing WIH and it is expected to be delivered by late 2025. In our valuation assessment of the maintainable EBIT of the Construction Division, we have not taken into account the reduced margin up to completion of the project but we have treated the financial implications of the settlement above as a one-off adjustments. This has been calculated as the net present value of the difference between a normalised margin for the division and the nil margin of the West Gate Tunnel Project for the residual WIH.

- Listed investments – Based on the fair value assessment as at 31 December 2021.

- Generic provision to take into account the risks attached to some of the existing disputes and litigations currently reflected in the contingent liabilities. Refer to the executive summary for further details.

CIMIC has a number of contingent liabilities associated with disputes and litigations as at 31 December 2021 (refer to section 3.5.3. for details). Refer to our discussion in the executive summary for details of how we have treated them for the purpose of our valuation.

6.1.9 Net debt

The table below summarises the net debt position as at 31 December 2021.

Net Debt as at 31 December 2021 A$ million	*Section Reference*	
Current Interest bearing liabilities	*3.5*	276
Non-Current Interest bearing Liabilites	*3.5*	2,166
Less: Cash and equivalent liquid assets	*3.5*	(1,944)
Net debt as at 31 December 2021		**498**

Sources: CIMIC annual report

We note that we have not included the lease liabilities in the net debt computation in line with the approach adopted for the EBITA multiple for listed peers. Refer to our discussion in the executive summary for our treatment of the cash balance for the purpose of our valuation assessment.

6.2 Quoted Security Pricing Method

In our assessment of the fair market value of CIMIC Shares, we have also considered the trading price of the listed securities on the ASX in the period prior to the announcement of the Takeover Offer. The assessed value per share based on the trading price is an exercise of professional judgement that takes into consideration the depth of the market for listed securities, the volatility of the trading price, and whether or not the trading price is likely to represent the underlying value of CIMIC. The following sections detail the analysis undertaken in selecting the share price range.

6.2.1 Liquidity analysis

In accordance with the requirements of RG 111, we have analysed the liquidity of CIMIC Shares before considering them for the purpose of our valuation assessment. We have set out below the trading volume from January 2021 to January 2022 as a percentage of the total shares outstanding as well as free float shares outstanding.

CIMIC Group _ Liquidity Analysis Month end	Volume traded ('000)	Monthly VWAP ($)	Total value of shares traded ($'000)	Volume traded as % of total shares	Cumulative Volume traded as % of total shares	Volume traded as % of free float shares	Cumulative Volume traded as % of free float shares
Jan 2021	6,257	25.7028	160,830	2.0%	2.0%	9.6%	9.6%
Feb 2021	16,821	21.8706	367,896	5.4%	7.4%	25.7%	35.3%
Mar 2021	17,994	18.7565	337,501	5.8%	13.2%	27.5%	62.8%
Apr 2021	15,355	17.8909	274,723	4.9%	18.1%	23.5%	86.3%
May 2021	23,170	20.5333	475,763	7.4%	25.6%	35.4%	121.7%
Jun 2021	11,629	20.8658	242,652	3.7%	29.3%	17.8%	139.5%
Jul 2021	8,246	20.1142	165,871	2.6%	32.0%	12.6%	152.1%
Aug 2021	5,858	20.7241	121,397	1.9%	33.8%	9.0%	161.1%
Sep 2021	10,010	20.3332	203,535	3.2%	37.1%	15.3%	176.4%
Oct 2021	6,148	20.7833	127,766	2.0%	39.0%	9.4%	185.8%
Nov 2021	6,305	19.0298	119,975	2.0%	41.1%	9.6%	195.4%
Dec 2021	9,622	17.0949	164,480	3.1%	44.1%	14.7%	210.2%
Jan 2022	7,272	16.8878	122,812	2.3%	46.5%	11.1%	221.3%
Min				**1.9%**		**9.0%**	
Average				**3.6%**		**17.0%**	
Median				**3.1%**		**14.7%**	
Max				**7.4%**		**35.4%**	

Sources: S&P Global and GTCF Analysis

With regard to the above analysis, we note that:

- The level of free float for CIMIC shares is 21.01%[106]. This is low given the shareholdings held by HOCHTIEF[107] and Management.

- The free-float shares percentage of the Group is lower than all the other listed peers as set out in the table below.

Liquidity analysis[1] Company	Country	Free float (%)	Average volume traded as a % of total shares	Average volume traded as a % of free float shares	Cumulative volume traded as a % of total shares	Cumulative volume traded as a % of free float shares
CIMIC Group Limited	Australia	21.0%	3.6%	17.0%	46.5%	221.3%
Bouygues SA	France	57.2%	5.7%	11.6%	73.5%	128.6%
Skanska AB (publ)	Sweden	91.0%	4.6%	5.0%	59.5%	65.4%
Balfour Beatty plc	United Kingdom	98.6%	4.0%	4.0%	51.8%	52.5%
Downer EDI Limited	Australia	99.1%	6.2%	6.3%	81.0%	81.8%
Perenti Global Limited	Australia	88.4%	11.9%	13.5%	154.7%	175.1%
Monadelphous Group Limited	Australia	93.6%	10.8%	11.5%	140.1%	149.7%
HOCHTIEF Aktiengesellschaft	Australia	31.2%	4.9%	15.6%	63.4%	203.1%
Service Stream Limited	Australia	88.5%	12.2%	13.8%	158.6%	179.3%
PT United Tractors Tbk	Indonesia	40.5%	2.4%	6.0%	31.6%	78.0%
Ventia Services Group Limited	Australia	27.3%	1.9%	6.8%	7.4%	27.3%
Low			**1.9%**	**4.0%**	**7.4%**	**27.3%**
Average			**6.2%**	**10.1%**	**78.9%**	**123.8%**
Median			**4.9%**	**11.5%**	**63.4%**	**128.6%**
High			**12.2%**	**17.0%**	**158.6%**	**221.3%**

Source: S&P Global; GTCF analysis
Note: The liquidity analysis is based on the monthly traded volumes

- In the absence of a takeover or alternative transactions, the trading price represents the value at which minority shareholders could realise their investment.

- CIMIC provides regular updates to the market regarding its strategy and performance. In addition, the stock is covered by several investment analysts, which provide regular updates to investors.

- CIMIC is also part of the S&P ASX 200 Index and accordingly financial fund managers and institutional investors that follow passive strategies tracking the index are likely to invest in CIMIC thereby increasing the liquidity in CIMIC Shares.

- Where a company's stock is not heavily traded or is relatively illiquid, the market typically observes a material difference between the 'bid' and 'ask' price for the stock as there may be a difference in opinion between the buyer and seller. We have set out below the bid and ask price spread in the past three years (i.e. from January 2019).

[106] The free float is calculated using the number shares that were readily available in the secondary market (i.e. not held by HOCHTIEF and CIMIC Management) divided by total outstanding shares, as at 23 February 2022.
[107] HOCHTIEF held 78.58% at the end of January 2022. The shareholding increased to 81.89% on 24 February 2022.

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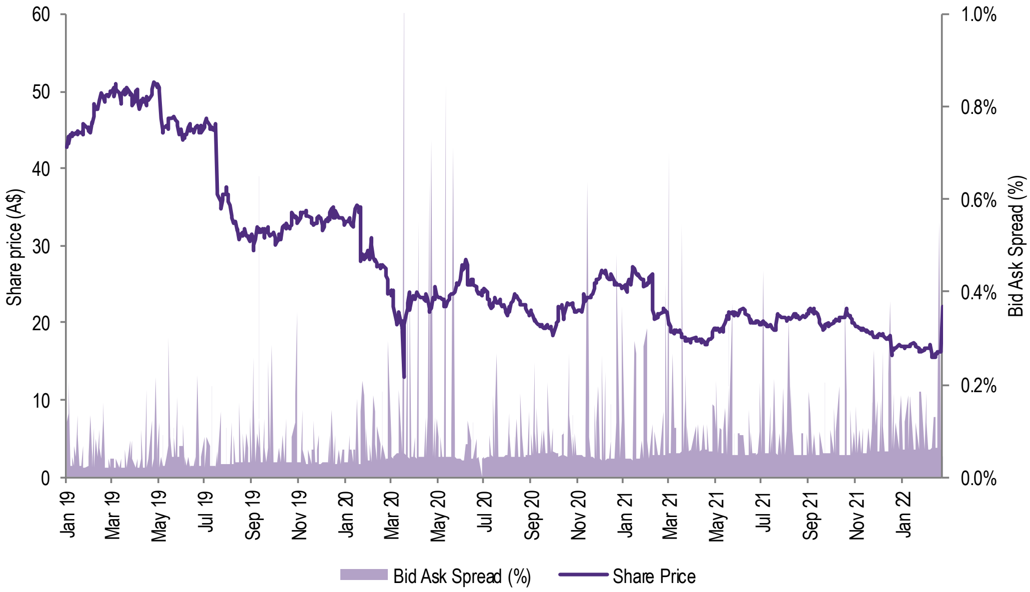
CIMIC – Bid/Ask Spread 1 January 2019 to 24 February 2022



Sources: S&P Global and GTCF Analysis

As set out in the graph above, the historical average bid-ask spread has been very low at 0.1%.

Based on the analysis above, we conclude that whilst the free float of CIMIC Shares is limited, there is sufficient liquidity in CIMIC's trading price to rely on the Quoted Security Price Method for the purpose of our valuation assessment.

6.2.2 Analysis of the trading price

The Offer is at a premium of 33.4% to the trading price of CIMIC Shares on the ASX at the close of trading on 23 February 2022, being the date HOCHTIEF announced its intention to make a takeover bid.

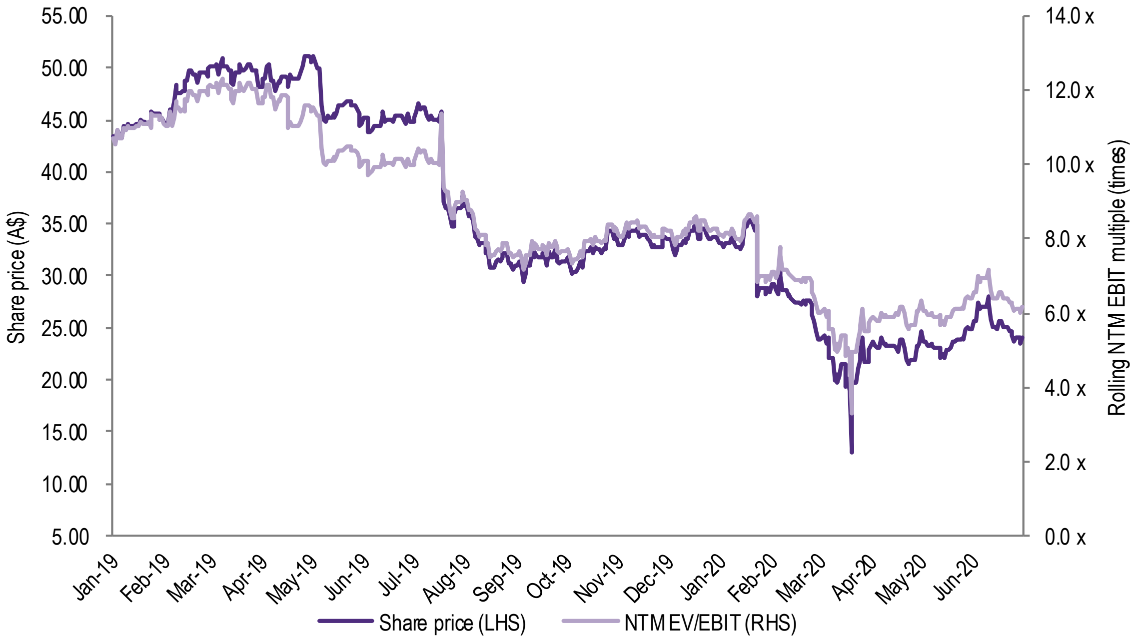
The premium for control is substantially in line with average premium paid in successful takeovers in Australia of between 20% and 40% with a median of c. 35% (refer to Appendix E for details). Nonetheless, over the last two years market conditions have been volatile due to the outbreak of COVID-19[108] and CIMIC's trading price was depressed relative to historical levels before the announcement of the Takeover.

Accordingly, we have discussed below market conditions, key events and the performance of CIMIC since 1 January 2019 to the day before the Takeover Offer was announced to gather insights into the performance of the trading price. We have undertaken our analysis over two periods from 1 January 2019 to 30 June 2020 and then up to the day before the announcement of the Takeover Offer.

[108] The ASX 200 Index traded above the pre-COVID-19 level during the course of 2021, even if it is contracted from the peak since then.

1 January 2019 to 30 June 2020

CIMIC – Historical share trading price and rolling NTM EBIT multiple[109]



Source: S&P Global, GTCF analysis

On 5 February 2019, the Group reported a strong FY18 financial performance with revenue, work-in-hand and other measures of profitability higher than FY17. The FY18 NPAT of A$781 million was marginally above the top-end of the Management's guidance of A$720 million to A$780 million. FY19 NPAT guidance was between A$790 million and A$840 million. As a result, the trading price trended higher in the period immediately after with expectations that the Group would continue to benefit from strong market conditions in the mining and infrastructure sectors. The positive momentum continued in April 2019 with the announcement of the 1Q19 results and the Group's reaffirmation of FY19 NPAT guidance.

On 6 May 2019, GMT Research[110] published a report alleging accounting irregularities in CIMIC financials, which was reported in the press. In response to the media coverage, CIMIC confirmed that it remained in compliance with its continuous disclosure obligations, along with the fact that its accounts had been audited. Nonetheless, the share price declined by c. 7%.

On 17 July 2019, the Group announced its 1H19 results. Whilst revenue and EBITDA were higher than the pcp, EBITDA cash conversion reduced from 92% in 1H18 to 52% in 1H19. CIMIC indicated that a greater proportion of revenue was based on Alliance style contracts which have less favourable working capital dynamic for the business. This impacted the EBITDA cash conversion. Following the announcement and notwithstanding that CIMIC re-affirmed its NPAT guidance for FY19, trading price declined by c. 19%. Notably, all of the investment analysts covering the Group downgraded their price targets for the business highlighting the lower cash conversion ratio. The consensus median price target from the analysts

[109] The rolling NTM EBIT multiple is calculated using the next-twelve-month consensus median EBIT forecast divided by the Enterprise Value, as at each date.
[110] GMT Research is an accounting research firm focused on Asia and regulated by Hong Kong's Securities and Futures Commission (sourced from GMT Research web site).

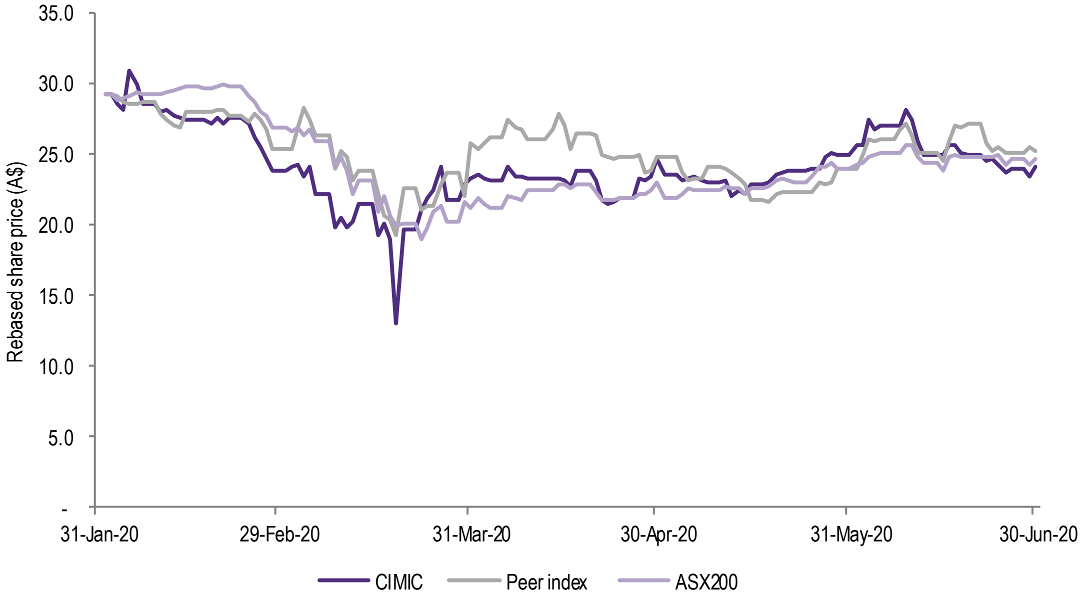
covering the Group had been lowered by 8.3%[111], compared to the price targets before the half year results.

On 23 January 2020, the Group announced that it would exit its Middle East business, BICC, and in connection with this, it disclosed one-off provisions and impairment charges of A$1.8 billion on a post-tax basis. The share price declined by c. 20% following this announcement, despite credit agencies and the investment analysts viewing this exit favourably given BICC had been unprofitable and operating in a problematic geography for the Group.

On 4 February 2020, the Group announced its FY19 results. Revenue, EBITDA and NPAT (before the impact of the BICC Impairment) were higher than FY18, with NPAT of A$800 million (before the BICC Impairment) at the low-end of guidance (A$790 million to A$840 million).

Between March 2020 and June 2020, the trading price was impacted by the outbreak of COVID-19 and the associated ongoing uncertainty in the global economy. During this period, the trading price performance of the Group moved largely in accordance with selected peer group companies[112] suggesting that, to a degree, the Group's trading price performance was impacted by macroeconomic conditions as opposed to factors specific to the Group.

Trading price performance of CIMIC Shares, Peer Index and ASX200 Index (rebased to CIMIC share price)



Source: GTCF analysis, S&P Global

From *1 July 2020 to 23 February 2022*

We have set out below the trading price of the Group from 1 July 2020 up to 23 February 2022 along with the NTM rolling EBIT multiple.

[111] S&P Global and GTCF research.
[112] The selected peer group companies include Skanska AB, Balfour Beatty, HOCHTIEF, Bouygues, Ventia, Service Stream, Downer EDI, Monadelphous, NRW, Perenti Global, and United Tractors.

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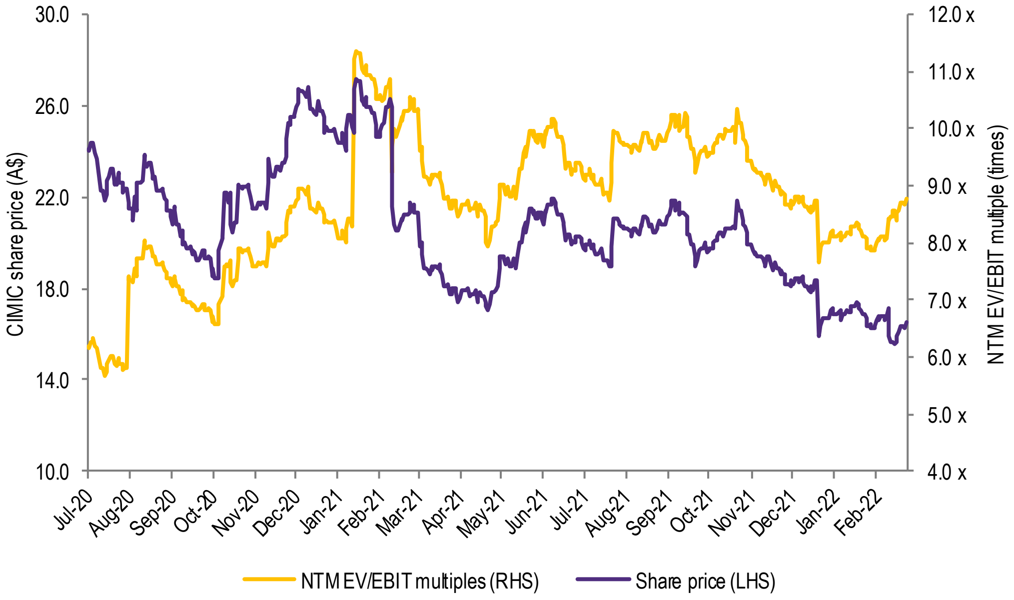
CIMIC – Historical share trading price and rolling NTM EBIT multiple



Source: S&P Global; GTCF analysis

On 29 July 2020, the Group announced that it had signed an exclusivity agreement and was in advanced negotiations with funds advised by Elliott regarding a potential investment in the share capital of Thiess to capitalise on growth opportunities in the industry by providing the necessary capital for Thiess' continued growth while enabling CIMIC to maintain a strong balance. The following day, the Group announced its 1H20 results. Due to the uncertainty associated with COVID-19, revenue, EBITDA and NPAT declined. On a post-factoring basis, cash conversion reduced from 87% in 1H19 to 55% in 1H20. As part of the results, the Group also announced that it was ramping up tendering activities in Hong Kong following a reinstatement on the approved tenderer list. Whilst there were near-term uncertainties due to COVID-19, the Group continued to win work with a strong work-in-hand balance of A$38.1 billion. The trading price increased by c. 10% following these announcements but shortly after they recommenced a downward trend which continued after the announcement of the 3Q20 results.

Further on 4 September 2020, as part of the S&P ASX100's quarterly rebalancing, CIMIC Shares were excluded from the ASX100 Index (remain in the ASX200 Index). In the following period, the trading price declined from c. A$21.3 per share to c. A$18.5 per share on 2 October 2020.

Shortly after, on 19 and 20 October 2020, the Group announced the execution of the sale of the 50% interest in Thiess to Elliott for an enterprise value of A$4.3 billion as well as an update in relation to the Australian arbitration for the Gorgon Jetty. The Arbitration Tribunal awarded A$78 million to CPB Contractors and its partner Saipem and counterclaims of A$35 million to Chevron, against a total contract value of A$1.15 billion. At the time of the announcement, the Group advised that some provisioning, together with the sale of 50% of interest in Thiess, would offset the P&L financial impact from the outcome of the arbitration. There was no cash outflow resulting from the Gorgon Jetty arbitration. The trading price experienced a steady increase from c. A$22.5 on 19 October 2020 to c. A$26.0 on 9 February 2021.

On 10 February 2021, CIMIC announced FY20 full year results. Along with COVID-19 and the impact of the Gorgon Jetty Project, the trading performance for FY20 was subdued. Revenue, EBITDA, NPAT were lower than FY19. Statutory NPAT for the year was A$620 million against FY20 guidance provided at the beginning of the year between A$810 million to A$850 million. Whilst the FY20 guidance was not withdrawn, CIMIC communicated during its Q1 2020 investor presentation that once the Group has better visibility of the consequences of COVID-19 on the business, it will provide an update to FY20 guidance if required. Cash conversion for FY20 was lower at 30% compared with 80% in FY19 both before factoring. Further, the Group provided full year FY21 NPAT guidance with modest growth on the subdued performance achieved in FY20. Following the announcement, the trading price declined by c. 20% and continued the downward trend thereafter from c. A$26 per share to c. A$17 per share on or around mid-April 2021.

In the following period, CIMIC share price benefited from positive momentum in the financial markets which was supported by improvements in the half year results announced on 21 July 2021 with revenue, EBITDA and NPAT all higher than pcp. The cash conversion ratio had also improved.

In the period between the end of October 2021 and late December 2021, the trading price reduced from c. A$21 per share to c. A$17 per share, or c. 19%. This was due to three factors:

1. Ventia IPO – On 26 October 2021, Ventia issued its prospectus which included an indicative price range between A$2.75 – A$3.15 per share and an implied market capitalisation between A$2.1 billion and A$2.4 billion. However, following market testing with institutional investors and based on the market conditions at the time, on 13 November 2021, Ventia issued a supplementary prospectus re-pricing the IPO at A$1.70 per share, a discount between 38% and 46% to the initial price range. The market capitalisation implied in the IPO price reduced to A$1.5 billion.

2. West Gate Tunnel – On 17 December 2021, the Group announced that it had reached an agreement in relation to the West Gate Tunnel Project as previously discussed.

3. Response to ASX price query – On 20 December 2021, CIMIC released its response to ASX price query regarding media allegations about Middle East exit.

At the beginning of 2022, the Group reported on the FY21 results with underlying NPAT of A$405.4 million, at the low-end of the guidance of A$400 million to A$430 million. The cash conversion ratio was 57%, a marked improvement from FY20 (-11%). The Group provided FY22 full-year NPAT guidance of A$425 million to A$460 million which was below analysts' expectations.

Conclusion on the trading price

Based on the analysis outlined above, we are of the opinion that the depressed trading price of CIMIC compared with historical levels immediately before the announcement of the Takeover Offer was attributable to market conditions as well as a re-setting of the Group's profitability at a significant lower level than historically. Refer to our analysis in the executive summary for the analysis undertaken to reach this conclusion.

6.2.3 Premium for control

Evidence from studies suggests that successful takeovers in Australia have completed based on a median premium for control in the range of 30% to 40% (see Appendix E). In addition, we have considered the premium for control paid by acquirers in the engineering and mining services sector in the past 7 years as set out below. The analysis below indicates a median control premium of 38%.

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Control premium observed in recent transactions				Deal value	Control premium	
Date	Target company	Bidder company	Stake (%)	(A$m)	1-day	1-month VWAP
Oct-21	Intega Group Limited	Kiwa Australia 2 Pty Ltd	100%	376	57.9%	59.8%
May-19	Legend Corporartion	Adamantem Capital	100%	79	17.7%	22.1%
Oct-18	Watpac Limited	BESIX Group NV	72%	121	40.5%	38.5%
May-17	Seymour Whyte Limited	Vinci Construction International Network SAS	100%	113	16.8%	35.5%
Jan-17	Macmahon Holdings Limited	CIMIC Group Limited	79%	138	31.8%	37.6%
Oct-16	UGL Pty Limited	CIMIC Group Limited	86%	631	47.2%	45.2%
Oct-16	Bradken Limited	Hitachi Construction Machinery Co., Ltd.	100%	109	34%	37.5%
Jan-16	Sedgman Limited	CIMIC Group Investments Pty Limited	63%	558	35.4%	23.3%
May-16	Ausenco Limited	Resource Capital Fund	60%	166	53.8%	62.6%
Dec-15	Broadspectrum Limited	BRS Holdco Pty Ltd	100%	45	58.8%	46.4%
Oct-15	Coffey International Limited	Tetra Tech, Inc.	100%	769	136.1%	153.1%
Mar-14	Leighton Holdings Limited[1]	HOCHTIEF Australia Holdings Limited	11%	771	20.6%	26.4%
Low					**16.8%**	**22.1%**
Average					**45.9%**	**49.0%**
Median					**38.0%**	**38.0%**
High					**136.1%**	**153.1%**

Source: Company announcements
Note: (1) We have included HOCHTIEF's acquisition of Leighton which was announced March 2014. We note that, although this was acquisition of minority stake (c. 11%), HOCHTIEF had substantial interest of c. 70% after the transaction

The premium for control implied in the Takeover Offer is in line with the median premium for control of c. 35% paid historically in Australia for successful takeovers, but it is slightly lower than the median premium for control paid for the acquisitions of engineering, construction and mining services businesses presented in the table above. This analysis should be considered with caution as the results are affected by the limited number of observations, the specific circumstances of those businesses at the time of the transaction and their level of liquidity.

Further, HOCHTIEF already controlled 78.58% of the issued capital of CIMIC before the announcement of the Takeover Offer and accordingly it is unlikely that it would be prepared to pay a premium for control at the top end of the range.

The analysis above supports our opinion in relation to the fairness of the Takeover Offer.

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7 Sources of information, disclaimer and consents

7.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Bidder's Statement
- Target's Statement
- Annual reports of CIMIC
- Quarterly reports of CIMIC
- Management accounts
- Board Reports
- Releases and announcements by CIMIC on the ASX
- IBISWorld Industry Report
- Other information provided by CIMIC
- Capital IQ
- Mergermarket
- Various broker reports
- Other publicly available information
- Discussions with Management

7.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to CIMIC and all other parties involved in the Takeover Offer with reference to the ASIC Regulatory Guide 112 "Independence of experts" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to CIMIC, its shareholders and all other parties involved in the Takeover Offer.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with CIMIC or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Takeover Offer.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Takeover Offer, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Takeover Offer. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

7.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by CIMIC and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by CIMIC through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of CIMIC.

This report has been prepared to assist the IBC in advising the CIMIC Shareholders in relation to the Takeover Offer. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Takeover Offer is fair and reasonable to the CIMIC Shareholders.

CIMIC has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by CIMIC, which CIMIC knew or should have known to be false and/or reliance on information, which was material information CIMIC had in its possession and which CIMIC knew or should have known to be material and which CIMIC did not provide to Grant Thornton Corporate Finance. CIMIC will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

7.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Target's Statement to be sent to the CIMIC Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses. This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model. Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction. Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

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Appendix B – Description of comparable companies

Company	Description
Skanska AB (publ)	Skanska AB (publ) operates as a construction and project development company in the Nordic region, Europe, and the United States. It operates through three segments: Construction, Residential Development, and Commercial Property Development. The Construction segment builds bridges, roads, harbors, quays, hospitals, residences, and schools. The Residential Development segment develops and sells residential projects, including single and multi-family housing. The Commercial Property Development segment initiates, invests in, develops, leases, and divests in commercial properties. It also produces asphalt, gravel, rock, concrete gravel, road construction materials, macadam, and concrete. In addition, the company engages in the construction and renovation of buildings; provision of infrastructure services, including operation, maintenance, and construction work; stone preservation; and rental of machines and equipment. Skanska AB (publ) was founded in 1887 and is headquartered in Stockholm, Sweden.
Balfour Beatty plc	Balfour Beatty plc finances, designs, develops, builds, and maintains infrastructure in the United Kingdom, the United States, and internationally. It operates through three segments: Construction Services, Support Services, and Infrastructure Investments. The Construction Services segment provides civil engineering, building, ground engineering, mechanical and electrical, refurbishment, fit-out, and rail engineering services. The Support Services segment designs, upgrades, manages, and maintains water, gas, and electricity networks, as well as rail and highways. The Infrastructure Investments segment is involved in the acquisition, operation, and disposal of infrastructure assets, such as roads, hospitals, student accommodation, military housing, offshore transmission networks, waste and biomass, and other concessions. This segment also develops and finances public and private infrastructure projects. The company serves government departments and agencies, regulated utilities, and private sector organizations. Balfour Beatty plc was founded in 1909 and is based in London, the United Kingdom.
HOCHTIEF Aktiengesellschaft	HOCHTIEF Aktiengesellschaft engages in the construction business worldwide. The company operates through HOCHTIEF Americas, HOCHTIEF Asia Pacific, HOCHTIEF Europe, and Abertis Investment divisions. The HOCHTIEF Americas division provides building and transportation infrastructure construction services primarily in the United States and Canada. The HOCHTIEF Asia Pacific division offers infrastructure construction, resource and mineral processing services, engineering and technical services, and maintenance services in the Asia-Pacific region. This division also undertakes public-private partnerships (PPP). The HOCHTIEF Europe division provides services primarily for infrastructure and building construction projects, as well as PPP in transportation, energy, social, and urban infrastructure. It also offers engineering services, including virtual construction, and facility management; and designs, develops, builds, operates, and manages real estate and infrastructure. The Abertis Investment segment operates toll roads in France, Spain, North America, Brazil, Chile, and Mexico. The company also provides insurance products; and reinsurance products primarily for contractors' casualty and surety, subcontractor default, liability, and occupational accident insurance. HOCHTIEF Aktiengesellschaft was founded in 1873 and is headquartered in Essen, Germany. HOCHTIEF Aktiengesellschaft is a subsidiary of ACS, Actividades de Construcción y Servicios, S.A.
Bouygues SA	Bouygues SA, together with its subsidiaries, operates in the construction, telecom, and media sectors in France and internationally. The company designs, builds, renovates, operates, and deconstructs building, infrastructure, and industrial projects; develops urban planning, residential, and commercial projects; constructs and maintains roads and motorways, airport runways, ports, industrial logistics and commercial hubs, urban roads and amenities, external works, reserved-lane public transport facilities, leisure facilities, and environmental amenities, as well as undertakes civil engineering activities; produces and recycles construction materials; and distributes bitumen. It also engages in the construction, renewal, and maintenance of rail networks; fitting of road safety and signaling equipment; and laying and maintenance of pipes and pipelines. In addition, the company produces TF1, TMC, TFX, TF1, and LCI complementary TV channels; operates TV Breizh, Histoire, Ushuaïa, and Serieclub channels; produces, broadcasts, and distributes content; produces cinemas; operates la seine musicale entertainment and concert venue; and licenses, publishes, and boards games, as well as musical and events. Further, it offers telecom services; mobile and fixed Internet services; and Bbox Miami, an Android box for TV. Bouygues SA was founded in 1952 and is based in Paris, France.

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Company	Description
Ventia Services Group Limited	Ventia Services Group Limited provides a range of maintenance services and other solutions in Australia and New Zealand. It offers asset management services, such as asset condition analysis, asset strategy and planning, asset risk optimization, and asset systems and documentation; and digital solutions, including data science and analytics, neutral network image processing, panorama property portal, drone solutions, work management systems, remote electronic verification systems, automatic meter readings, NOC services, vianet solutions, and telecommunication system integration services. The company also provides engineering and capital works comprising motorway, tunnel and road network, and electricity and gas maintenance services; sewer, water, air, surface water, petroleum, and waste monitoring services; environmental and land management, community engagement, remediation, PFAS remediation, contaminated soil, flood warning systems, and bushfire management systems and plans; and facilities management services, such as soft and hard facility management, and clothing services. In addition, it offers network design and building services, such as telecommunications network design and building, site acquisition, and telecommunication system integration; plant and equipment, and operations control room management; incident response and recovery, high voltage technical services; and property and consulting services, which include asset condition analysis, cleaning, and asset management services. The company serves defense, education, energy and electricity, health, industrial, justice, government, maritime, mining and mineral, oil and gas, property, rail, road, social housing, telecommunications, and water industries. Ventia Services Group Limited was founded in 1956 and is headquartered in North Sydney, Australia.
Service Stream Limited	Service Stream Limited engages in the access, design, build, installation, and maintenance of networks in Australia. It operates in two segments, Telecommunications and Utilities. The Telecommunications segment provides various operations, maintenance, installation, design, and construction services to owners of fixed-line and wireless telecommunication, including customer connections; service and network assurance; site acquisition; and design, construction, and installation of broadband, wireless, and fixed-line project services, as well as projects for asset remediation, augmentation, and relocation. The Utilities segment offers operations, maintenance, design, and construction services, as well as range of specialist metering, new energy, and inspection services to gas, water, and electricity network owners and other customers. Its services include asset upgrades and replacement; design, engineering, and construction services for network assets and energy-related products; and meter reading and network assurance, as well as specialist inspection, auditing, and compliance services. The company was incorporated in 1996 and is headquartered in Melbourne, Australia.
Downer EDI Limited	Downer EDI Limited operates as an integrated services provider in Australia, New Zealand, the Asia-Pacific, South America, and Southern Africa. Its Transport segment provides road network management; routine road maintenance; asset management systems; spray sealing; asphalt laying; and manufacture and supply of bitumen-based products and asphalt products. This segment also engages in the design and construction of light and heavy rail networks, signaling works, track and station works, and bridges; and provides rail safety technology, fleet maintenance, and overhaul services. The company's Utilities segment plans, designs, constructs, operates, maintains, manages, and decommissions power and gas network assets; provides water and wastewater treatment, and network construction and rehabilitation services; and designs, constructs, and maintains renewable assets in the wind, solar, and power system storage sectors. This segment also offers technology and communications solutions, including design, civil construction, network construction, operation, and maintenance services for fiber, copper, and radio networks. Its Facilities segment offers outsourced facility, catering and laundry, technical and engineering, and maintenance and asset management services, as well as refrigeration solutions, as well as building and construction solutions across various sectors. The company's Engineering, Construction and Maintenance segment provides design, engineering, construction, shutdown, turnaround and outage delivery, and operations maintenance and ongoing management services for various projects; and designs and manufactures mineral process equipment. Its Mining segment provides resource definition, exploration drilling, and mine feasibility studies; open cut and underground mining services; and drilling, explosives manufacture and supply; blasting and crushing; asset management; tire management; and mine closure and rehabilitation services. The company is headquartered in Sydney, Australia.
Monadelphous Group Limited	Monadelphous Group Limited, an engineering group, provides construction, maintenance, and industrial services to resources, energy, and infrastructure industries in Australia, New Zealand, Chile, Mongolia, and internationally. It operates through Engineering Construction, and Maintenance and Industrial Services divisions. The company offers fabrication, modularization, offsite pre-assembly, procurement, and installation of structural steel, tankage, mechanical and process equipment, piping, demolition, and remediation works; multi-disciplined construction services; plant commissioning; electrical and instrumentation services; engineering, procurement, and construction services; process and non-process maintenance services; and front-end scoping, shutdown planning, management, and execution services. It also provides water and wastewater asset construction and maintenance; transmission pipelines and facilities construction; power and water assets operation and maintenance; heavy lift and specialist transport; access solutions; dewatering services; corrosion management services; specialist coatings; and rail maintenance services. In addition, the company offers turnkey design and construction, heavy lift and crane, and civil and electrical disciplines services. Monadelphous Group Limited was founded in 1972 and is headquartered in Perth, Australia.

Company	Description
NRW Holdings Limited	NRW Holdings Limited, through its subsidiaries, provides diversified contract services to the resources and infrastructure sectors in Australia. It operates through three segments: Civil; Mining; and Minerals, Energy & Technologies. The Civil segment delivers private and public civil infrastructure, mine development, bulk earthworks, and commercial and residential subdivision projects. Its civil construction projects include roads, bridges, tailings storage facilities, rail formations, ports, renewable energy projects, water infrastructure, and concrete installations. The Mining segment engages in the mine management, contract mining, load and haul, dragline, drill and blast, and coal handling preparation plant operations; maintenance activities; and fabrication of water and service vehicles. The Minerals, Energy & Technologies segment provides materials handling, onsite maintenance, and shutdown services; industrial engineering and fabrication services; and engineering, procurement, construction, and operational services. The company also provides heat treatment services, as well as mining equipment solutions. NRW Holdings Limited was founded in 1994 and is headquartered in Belmont, Australia.
Perenti Global Limited	Perenti Global Limited operates as a mining services company worldwide. It operates through Surface Mining, Underground Mining, and Investment segments. The Surface Mining segment offers exploration drilling, production drilling, blasting, and geotechnical services, as well as end-to-end contract surface mining; and logistics management and moving mining equipment and goods. The Underground Mining segment provides underground mining services specializing in mine development, production, diamond drilling, vertical development, design planning and scheduling, and equipment supply and maintenance. The Investments segment is involved in mining supplies; and mining support services, including equipment hire, equipment parts and sales, and mineral analysis. The company was formerly known as Ausdrill Limited and changed its name to Perenti Global Limited in October 2019. Perenti Global Limited was founded in 1987 and is headquartered in Perth, Australia.
PT United Tractors Tbk	PT United Tractors Tbk, together with its subsidiaries, sells and rents heavy equipment in Indonesia. The company operates through five segments: Construction Machinery, Mining Contracting, Coal Mining, Gold Mining, and Construction Industry. The company distributes heavy equipment and spare-parts under the Komatsu, UD Trucks, Scania, Bomag, and Tadano names to mining, plantation, construction, and forestry sectors, as well as for transportation; and offers services in the areas of non-destructive test, full maintenance contract, UT PAP service, machine inspection program, service call, workshop service, tire management system, pit stop management service, fabrication and remanufacturing cylinder, and UT remanufacturing. It also transports coal through river; and distributes tractors, generators, forklifts, and mini excavators, as well as sells commodity parts, as well as operates mini hydro power plant located in Banjarnegara, Central Java. In addition, the company offers mining services that supports coal companies, such as mining design and implementation, preliminary assessment and feasibility studies, construction of infrastructure and plant, removal of overburden and waste, commercial exploitation, expansion of mine/plant, reclamation and revegetation, and transshipment and marketing, as well as owns interests in various coal mine concessions with total estimated coal reserves of 395 million tons. Further, it engages in the engineering, planning, assembling, and manufacturing components of machinery, tools, parts, and heavy equipment; provision of vessel construction and related repair services; provision of vessel charter and shipping services; construction and concrete product businesses; operating power plants; gold mining business; and fishery business. The company was founded in 1972 and is based in Jakarta Timur, Indonesia. PT United Tractors Tbk is a subsidiary of PT Astra International Tbk.

Appendix C – Description of comparable transaction targets

Company	Description
Construction Transactions	
The Geotech Group	The Geotech Group consists of Geotech Pty Ltd, an Australia-based civil engineering company, Coleman Rail Pty Ltd, an Australia-based railway construction company, and John Beever Pty Ltd, an Australia-based industrial engineering company. Geotech offers project management, engineering and construction services to local, national and international clients working throughout Australasia.
Higgins Group Holdings	Higgins Group Holdings Limited provides civil construction services and infrastructure products. It offers civil construction services in the areas of road maintenance, pavement stabilization, surfacing, site work and drainage, road profiling, traffic management, road marking, technical design, laboratory and testing, and airport and wind farm design/construct/deliver aspects. The company also manufactures construction products, such as concrete products, aggregates, bitumen products, bitumen sprayers and tankers, asphalt supply products, and road signage products to the construction industry. It serves customers in New Zealand. The company was incorporated in 1978 and is based in Palmerston North, New Zealand. As of July 29, 2016, Higgins Group Holdings Limited operates as a subsidiary of Fletcher Building Holdings Limited.
John Holland Group Pty Ltd	John Holland Group Pty Ltd provides construction-contracting services for long-term construction and engineering projects primarily in Australia, New Zealand, and South East Asia. The company offers infrastructure and property development services to rails and buildings. It also provides origination, financing, development, design and construction, and operations and maintenance services. It serves commercial development and leasing, education and research, health and aged care, industrial and resources, justice and corrections, non-process infrastructure, ports and marine, power and energy, residential, transport and rail, tunnelling, and water and wastewater sectors, and airports, as well as sports, tourism, and culture. The company was founded in 1949 and is based in Melbourne, Australia. John Holland Group Pty Ltd operates as a subsidiary of CCCC International Holding Limited.
Leighton Holdings Limited	Leighton Holdings Limited, the listed Australia based company headquartered in Sydney, New South Wales, is a holding company involved in civil engineering and infrastructure, building construction, contract mining, telecommunications, environmental services, property development and project management.
Clough Limited	Clough Limited, together with its subsidiaries, provides engineering, procurement, construction, commissioning, and asset support services for oil and gas, metals and minerals, and infrastructure and marine projects in Australia, Asia, Africa, Papua New Guinea, the United Kingdom, the United States, and Canada. It offers services for upstream, downstream, onshore, and offshore oil and gas, coal seam gas, and petrochemical facilities. The company also assists clients to extract, process, store, and export various minerals, including iron ore, coal, alumina, aluminum, copper, gold, limestone, mineral sands, nickel, pig iron, zinc, and lead. In addition, it offers public and private infrastructure projects, including water and wastewater, power, roads and bridges, and ports and harbors. The company was founded in 1919 and is headquartered in West Perth, Australia. Clough Limited is a subsidiary of Murray & Roberts Holdings Limited.
Services Transactions	
Lendlease Services Pty Ltd	Lendlease Services Pty Ltd is an Australia-based company engaged in providing Operations and Maintenance (O&M) along with Design and Construction (D&C) services for utilities, transportation and telecommunication sectors.
Broadspectrum Ltd (Australia and NZ)	Broadspectrum Ltd (Australia and New Zealand) is the Australia and New Zealand based businesses of Broadspectrum Ltd. Broadspectrum Ltd, together with its subsidiaries, provides operations and maintenance, asset management, and project management services. It operates through Australia and New Zealand Infrastructure; Australia and New Zealand Defence, Social and Property; Australia and New Zealand Resources and Industrial; and Americas segments. The company offers a range of consulting, and advisory and specialist technical services to the property and infrastructure industries across project management, urban planning, real estate, and independent assurance. It also provides contractor services in drilling, well servicing and maintenance, engineering and rig manufacturing, catering, mobile camp manufacturing, logistics, pipelines and construction, technical services, and pressure control and snubbing services, as well as support services comprising aviation, training, health, safety and environment, and corporate services. In addition, the company offers temperature inspection and repair services using patented heat-safe system; and delivers engineering and design of maintenance and brownfield projects to the hydrocarbons, processing, and related industries. Further, it delivers engineering, construction, and maintenance services to mining and mineral processing companies; operates as a roustabout and pipeline company serving the oil and gas industry; and provides environmental management services, such as horticultural management, environmental management plans, bushfire risk reduction, and weed and pest animal services. The company is based in North Sydney, Australia. As of June 30, 2020, Broadspectrum Pty Ltd operates as a subsidiary of Ventia Pty Ltd.

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Company	Description
Comdain Infrastructure Pty Ltd	Comdain Infrastructure Pty Ltd provides engineering and asset management services to utility and energy providers across Australia. The company was founded in 1962 and is based in Epping, Australia. As of January 2, 2019, Comdain Infrastructure Pty Ltd operates as a subsidiary of Service Stream Limited.
SRG Limited	SRG Limited (SRG) is a listed Australia-based company engaged in providing engineering and construction services to construction and mining industries, headquartered in Subiaco.
Spotless Group Holdings Ltd	Spotless Group Holdings Limited provides outsourced facility, laundry and linen, technical and engineering, and maintenance and asset management services to various industries in Australia and New Zealand. It offers air-conditioning, mechanical, and electrical services; and asset maintenance and management, catering and hospitality, cleaning, facilities management, laundry management, sustainability, and utility support services, as well as security and electronics, and refrigeration solutions. The company offers its services under the Spotless, AE Smith, Alliance, EPICURE, Clean Domain, Clean Event, Ensign, Nuvo, Skilltech, Taylors, TechGuard Security, Utility Asset Management, and UASG brand names. It serves business, defense, education, government, healthcare, power, resources, senior living, transportation, and public-private partnerships, as well as stadia, and venues and leisure markets. The company was formerly known as Pacific Industrial Services Pty Ltd and changed its name to Spotless Group Holdings Limited in April 2014. Spotless Group Holdings Limited was founded in 1946 and is headquartered in Melbourne, Australia. Spotless Group Holdings Limited is a subsidiary of Downer EDI Services Pty Limited.
SMEC Holdings	SMEC Holdings Pty Ltd, a professional services company, provides consultancy services to private organizations, government agencies, and international financial institutions in Australia, New Zealand, North Asia, South East Asia, the Middle East, Africa, and the Americas. Its services include master planning, economic planning, feasibility studies, and surveying; interior and landscape designing, and building information modelling, as well as concept, preliminary, and detailed and front end engineering designing; and facilities and development management, asset and integrity management, operations md maintenance, smart city solutions, and security services, as well as environment, water, and waste management services. The company also offers project management, construction supervision, quantity surveying, contract administration, and testing and commissioning services; and decommissioning and closure, rehabilitation, and demolition services. It serves customers in various industries that include infrastructure, transport, water and environment, social development and advisory, and urban development and management services, as well as energy and resources, including hydropower, mining, and oil and gas. The company was formerly known as SMEC Holdings Limited. The company was founded in 1949 and is based in Brisbane, Australia. SMEC Holdings Pty Ltd operates as a subsidiary of Surbana Jurong Holdings (Australia) Pty Ltd.
Broadspectrum Limited	Broadspectrum Pty Ltd, together with its subsidiaries, provides operations and maintenance, asset management, and project management services. It operates through Australia and New Zealand Infrastructure; Australia and New Zealand Defence, Social and Property; Australia and New Zealand Resources and Industrial; and Americas segments. The company offers a range of consulting, and advisory and specialist technical services to the property and infrastructure industries across project management, urban planning, real estate, and independent assurance. It also provides contractor services in drilling, well servicing and maintenance, engineering and rig manufacturing, catering, mobile camp manufacturing, logistics, pipelines and construction, technical services, and pressure control and snubbing services, as well as support services comprising aviation, training, health, safety and environment, and corporate services. In addition, the company offers temperature inspection and repair services using patented heat-safe system; and delivers engineering and design of maintenance and brownfield projects to the hydrocarbons, processing, and related industries. Further, it delivers engineering, construction, and maintenance services to mining and mineral processing companies; operates as a roustabout and pipeline company serving the oil and gas industry; and provides environmental management services, such as horticultural management, environmental management plans, bushfire risk reduction, and weed and pest animal services. The company is based in North Sydney, Australia. As of June 30, 2020, Broadspectrum Pty Ltd operates as a subsidiary of Ventia Pty Ltd.
Cardno Limited	Cardno Limited, a professional infrastructure and environmental services company, engages in the development and improvement of physical and social infrastructure for communities in Australia, New Zealand, the United States, the United Kingdom, Canada, Africa, Latin America, Asia, and internationally. The Asia Pacific Engineering and Environmental segment provides services in civil, structural, water, environmental, coastal, bridge, geotechnical, subsurface utility, traffic, and transport engineering, as well as environmental science, surveying, landscape architecture, planning, and asset management. The Americas Engineering and Environmental segment offers environmental, water, transportation, energy and resources, land, buildings, and management services to private and public sector clients. The International Development segment designs and implements large-scale sustainable solutions for development assistance agencies and private clients. It also engages in the engineering and consulting operations. The company serves defense, energy, government, industrial, international development, land management, mining and resources, property and buildings, transportation, utilities, and water sectors. Cardno Limited was founded in 1945 and is headquartered in Fortitude Valley, Australia.Crescent Capital Investments Pty Limited made a bid to acquire an additional 41% stake in Cardno Limited (ASX:CDD) for approximately AUD 210 million in cash on September 14, 2015.

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Appendix D – Statutory profit and loss

The audited statement of profit and loss of CIMIC for FY19, FY20 and FY21 are set out in the table below.

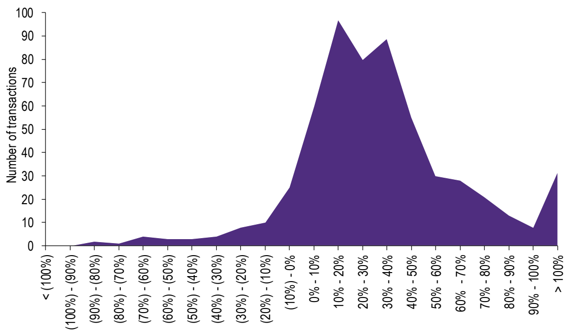
Consolidated statements of financial performance A$ million	FY19 Audited	FY20 Audited	FY21 Audited
Revenues			
Construction revenue	7,532.1	5,445.7	6,875.8
Services revenue	3,228.3	2,351.4	2,756.9
Other revenue	45.7	5.3	53.9
Total Revenues from continuing operations	**10,806.1**	**7,802.4**	**9,686.6**
Share of profits of associates and joint ventures	63.7	69.0	185.7
Other gains	-	-	60.3
Materials	(2,209.9)	(1,871.5)	(1,903.8)
Subcontractors	(4,050.0)	(3,498.0)	(3,565.5)
Plant costs	(540.7)	(511.5)	(513.3)
Personnel costs	(2,690.0)	(2,577.1)	(2,619.4)
Net gain on sale assets	0.9	8.0	8.9
Foreign exchange gains/(losses)	(18.7)	(7.0)	4.2
Lease Payments	(112.2)	(101.2)	(93.0)
Design, engineerign and technical consulting fees	(58.2)	(37.5)	(30.3)
Voluntary return of Jobkeepr subsidies	-	-	(20.5)
Other expenses	(344.2)	(524.9)	(290.7)
Total Expenses	**(10,023.0)**	**(9,120.7)**	**(9,023.4)**
EBITDA	**846.8**	**(1,249.3)**	**909.2**
EBITDA margin	7.8%	Nmf	9.2%
Depreciation and impairment of property, plant and equipment	(222.6)	(255.7)	(266.8)
Amortisation of intangibles	(40.6)	(36.4)	(16.9)
Total Depreciation and amortisation	**(263.2)**	**(292.1)**	**(283.7)**
EBIT	**583.6**	**(1,541.4)**	**625.5**
EBIT margins	*5.4%*	*Nmf*	*6.3%*
Profit for the year from discontinued operations	417.8	1,883.9	-
Provision of asset impairment in relation to middle east	(2,724.7)	-	-
Finance Income	52.8	19.8	12.7
Debt and Interest exepenses	(66.1)	(83.5)	(68.8)
Finance charge for lease liabilities	(18.2)	(18.2)	(14.6)
Facility fees, bonding and other finance costs	(50.7)	(66.9)	(46.4)
Impact of discounting	(6.5)	(11.2)	(10.7)
Profit /(loss) before tax[1]	**(1,812.0)**	**182.5**	**497.7**
Income tax benefit/ (expense)	774.7	434.2	(93.7)
Profit/Loss for the year	**(1,037.3)**	**616.7**	**404.0**
(Profit)/loss for the year attributabe to NCI	(2.6)	3.4	(1.9)
Profit for the year attributable to shareholders of the parent entity	**(1,039.9)**	**620.1**	**402.1**

Source: CIMIC CY19 – CY21 annual reports

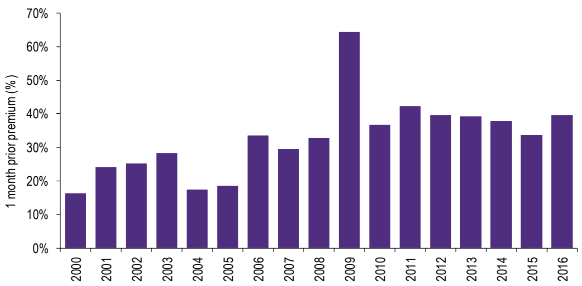
Appendix E – Control Premium

Evidence from studies indicates that the premium for control on successful takeovers has frequently been in the range of 20% to 40% in Australia, and that the premium varies significantly for each transaction.

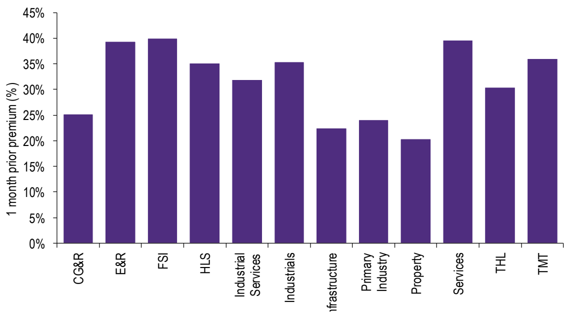
1 Month Prior Control Premium



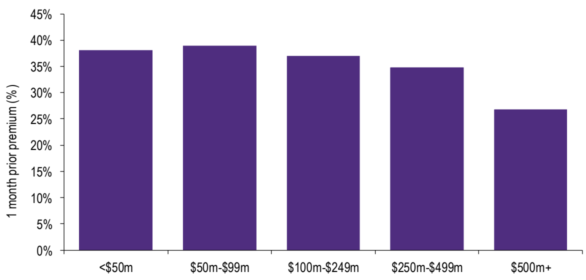
Control premium per completion date



Control premium per industry



Control premium and size



	Control premium
Average	34.33%
Median	29.34%

Source: GTCF Analysis

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Appendix F – Glossary

$ or A$	Australian Dollar
1Hxx or 2Hxx	6-month financial period ended June/ December 20xx
1Qxx or 2Qxx or 3Qxx, or 4Qxx	3-month financial period ended March/June/September/December 20xx
AASB 16	Australian Accountings Standards Board 16 – Leases
ABS	Australian Bureau of Statistics
ACS	Actividades de Construccion y Servicios, SA
AFP	Australian Federal Police
Alliance contracts	Alliance arrangements
APES	Accounting Professional and Ethical Standards
APES225	Accounting Professional and Ethical Standard 225 "Valuation Services"
Apollo	Apollo Global Management LLC
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BICC	BIC Contracting LLC
Bidder	HOCHTIEF Australia Holdings Limited and HOCHTIEF Aktiengesellschaft
Board	The Board of Directors of CIMIC
BOOT	Build own operate transfer
Broad	Broad Construction Pty Ltd
BUMA	PT Bukit Makmur Utama Mandiri
CAGR	Compound annual growth rate
CCCC	China Communications and Construction Company Limited
CCPP Contract	Contracting relating to the design, construction and commissioning of a combined cycle power plant for the Ichthys LNG Project in the Northern Territory
CIMIC or Group	CIMIC Group Limited
Corporations Act	Corporations Act 2001
COVID-19	Coronavirus pandemic
CPB Contractors	CPB Contractors Pty Limited
CPBJH JV	CPB Contractors and its joint venture partner John Holland
CSCEC	China State Construction Engineering Corporation Limited
D&C	Design and construction
DCF Method	Discounted cash flow and the estimated realisable value of any surplus assets
Devine	Devine Limited
Downer	Downer EDI Limited
EBITA	Earnings before interest, tax expenses, and amortisation of intangibles
EBITDA	Earnings before interest, tax expenses, depreciation and amortisation
EIC	EIC Activities Pty Ltd
Elliott	Elliott Advisors (UK) Ltd
Elliott Put Option	The option that Elliott has to sell its interest in Thiess back to CIMIC between four and six years from completion
Federal Government	Australian Federal Government
FME Method	Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets
FSG	Financial Service Guide
FY22 Budget	Management's high-level budget for FY22

FYXX	Financial year ending 31 December XX
Gorgon Jetty	Gorgon LNG Jetty and Marine Structures Project
GST	Goods and services tax
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
Hard FM	Hard Facility Management
HOCHTIEF	HOCHTIEF Aktiengesellschaft
IBC	Independent Board Committee
IER or Report	Independent Expert's Report
Initial Period	In Thiess Transaction, Shareholders agreement prescribes a minimum distribution to each shareholder of A$180.0 million per annum for the first six years
IPO	Initial Public Offering
JKC	JKC Australia LNG Pty Ltd
JV&As	Investments in joint ventures and in associates
KPI	Key performance indicator
Leighton Holdings	Leighton Holdings Limited
Leighton Properties, or LPPL	Leighton Properties Pty Ltd
M&M	Mining and Mineral Processing
NBIO	Non-binding indicative offers
NCI	Non-controlling interests
Non-Associate Shareholders	CIMIC Shareholders not associated with the Bidder
NPAT	Net profit after tax
O&M	Operations and Maintenance
Offer Price	A$22.00 cash per share
Pacific Partnerships	Pacific Partnerships Pty Ltd
PAMA	PT Pamapersada Nusantara
pcp	Previous corresponding period
PPP	Public private partnerships
Preliminary IPO Price Range	Ventia issued its IPO Prospectus which included an indicative price range between A$2.75 – A$3.15 per share
Quoted Security Price Method	Quoted price for listed securities, when there is a liquid and active market
RG	Regulatory Guide
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of experts"
RG60	ASIC Regulatory Guide 60 "Scheme of arrangement"
RIS	Cross River Rail Integration and Systems Package
SALD	SALD Investment LLC
Sedgman	Sedgman Pty Ltd
Service Stream	Service Stream Limited
Soft FM	Soft Facility Management
SOP	Sum of Parts
Supplementary Prospectus	On 13 November 2021, Ventia issued a supplementary prospectus which re-priced the IPO at A$1.70 per share
Takeover Offer	On 23 February 2022, the Bidder announced its intention to make an unconditional and final off-market takeover offer to acquire all CIMIC shares that it does not already own for A$22.00 cash per share

TF1	TF1 Group
Thiess Transaction	The transaction of CIMIC selling a 50% interest in Thiess to funds managed by Elliott in December 2020
Trading Multiples	The current trading multiples of broadly comparable companies
Transaction Multiples	The multiples implied by acquisitions of companies with broadly similar operations
Transurban	Transurban Group
TSD	Cross River Rail Tunnel Stations and Development
UGL	UGL Limited
Ventia	Ventia Services Group Limited
Ventia IPO Price	A$1.70 per share
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WIH	Work-in-hand