



CIMIC Group Limited
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21 April 2016

Singapore Exchange (SGX)
2 Shenton Way
19-00 SGX Centre 1
Singapore 068804

RE: EXECUTIVE CHAIRMAN AND CEO'S ADDRESS TO SHAREHOLDERS

Please find attached a copy of a media release issued by CIMIC Group Limited, parent company of CIMIC Finance (USA) Pty Ltd.

Yours faithfully
CIMIC GROUP LIMITED

LOUISE GRIFFITHS
Company Secretary



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ASX Market Announcements
Australian Securities Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Re: Executive Chairman and CEO's Address to Shareholders

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

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

Yours faithfully
CIMIC Group Limited

A handwritten signature in black ink, appearing to be "L. Griffiths", written over a horizontal line.

LOUISE GRIFFITHS
Company Secretary

Address to Shareholders

21 April 2016

A presentation to the 55th Annual General Meeting of CIMIC Group Limited by the Executive Chairman and Chief Executive Officer, Mr Marcelino Fernández Verdes.

Today, I want to share with you CIMIC's future, the focus of your Board and management, and the outlook for our business.

But first, I want to highlight some of our milestone achievements during the past year.

2015 was a busy year – and a successful one!

We continued with our transformation, making great progress on developing a common culture, rolling out efficient systems and processes, and improving project delivery. More on this in a moment.

In terms of our financial performance, we achieved a net profit after tax of more than \$520 million.

This was at the top end of our guidance range and a 20 per cent increase on our comparable 2014 result¹.

This strong profit performance was driven by significant margin expansion, with our net profit after tax margin² increasing to 3.9 per cent from 2.6 per cent in 2014.

The improvement came as we reduced our overheads, simplified our systems, better managed risks and enhanced our approach to tendering.

I am especially pleased to say that margins and profit improved for both our construction and contract mining operations.

Our focus is on achieving sustainable profits which are backed by the generation of cash.

In 2015 we achieved this aim, with our operating cash flow increasing by more than \$500 million to \$1.9 billion.

This improvement in cash flow is a consequence of our efforts to improve project performance and working capital management, and to more efficiently use our plant, machinery, and equipment.

¹ Performance is for the comparable 12 month period to December 2014, which includes 50% of Ventia's profit after tax of \$76.6 million, and excludes the \$472.5 million (\$675.0 million before tax) contract debtors portfolio provision in continuing operations.

² Margin calculated on revenue excluding interest income (\$89.9 million in FY15; \$87.8 million in FY14).

To this end, we reduced gross capital expenditure by nearly \$440 million to \$266 million in 2015.

As a result, our free operating cash flow³ was almost \$1.2 billion during the year.

This is around three times the level achieved in 2014, or an increase of nearly \$750 million.

Due to this strong cash flow performance we have further strengthened our balance sheet.

Furthermore, we have reduced the level of net contract debtors⁴ by 24 per cent to \$1.5 billion.

Adjusting for foreign exchange effects, the reduction is even greater.

Our net cash, including operating leases, was \$528 million as at December.

This represents an increase of over \$500 million, compared with the beginning of 2015.

Strengthening our balance sheet and improving our margins drove a 32 per cent reduction in our net finance costs⁵.

This reinforced balance sheet is allowing us to carry out several strategic capital management initiatives.

You will have seen the transactions we announced for Devine and Sedgman, as well as the 10 per cent share buy-back program.

Through our offer for Devine, we achieved an increase in our stake in the property development company to more than 59 per cent.

A review of Devine's operations is underway, and a new CEO and CFO (both former CIMIC Group executives), and new Board members have been appointed.

The Sedgman takeover offer is complete. The company has been delisted from the ASX and we now own 100 per cent of its operations.

Sedgman provides us with valuable expertise as a leading designer, constructor and operator of mineral processing plants, covering coal, base and precious metals, industrial minerals and iron ore.

These two takeover offers are consistent with our strategy as we remain focused on maximising value.

³ Free operating cash flow is net cash from operating activities including gross capital expenditure.

⁴ Net contract debtors represents the net of amounts due from customers and amounts due to customers.

⁵ Net finance cost includes interest income \$89.9 million (FY14: \$87.8 million) and finance costs of \$193.8 million (FY14: \$240.0 million).

In 2015 our attention was on the provision of sustained returns to shareholders, and we delivered on this, paying ordinary dividends for the year of 96 cents per share.

This comprised an interim dividend of 46 cents per share paid in October last year; and a final dividend of 50 cents per share, paid in April this year; both franked at 100 per cent.

This equates to a pay-out ratio of 61.6 per cent of net profit after tax.

2015 was also a successful year for CIMIC's share price performance.

Our shares closed the year at \$24.30, a 12 month increase of 8 per cent or one dollar and 80 cents per share.

Combining the share price appreciation and dividends declared for the year, CIMIC delivered a total shareholder return of 13.1 per cent in 2015.

Since year-end, the share price has risen a further 48.7 per cent to close at \$36.13 yesterday.

Let me also elaborate a little on the share buy-back program.

In December last year, the Board approved the buy-back of up to 10 per cent of our fully paid ordinary shares over 12 months.

We currently estimate the buy-back to improve earnings per share by around 6 per cent.

It permits us to enhance our capital efficiency while maintaining sufficient balance sheet flexibility to pursue future growth, for instance through PPPs, and investment opportunities.

We have acquired approximately 8.8 million shares since January and, as per the buy-back rules in Australia, they have been automatically cancelled.

This equals 2.6 per cent of our share capital prior to the commencement of the buy-back.

The total amount paid for these shares was \$266 million and the average price per share was \$30.12.

This is a value-creating move for all CIMIC shareholders.

Turning now to the new work we won during the period.

In 2015, we were awarded more than \$14 billion of new work⁶, including several major construction projects and mining contract extensions.

Our work in hand has evolved in a stable manner during the past few quarters and was \$29 billion⁷ as at December 2015.

⁶ New work includes new contracts and contract extensions and variations including the impact of foreign exchange rate movements.

Several major construction projects were secured through CPB Contractors (which was formerly named Leighton Contractors) and also through Leighton Asia.

We were particularly successful in rail and road projects.

We won packages⁸ of:

- the New M5 Motorway (with contract revenue of \$1.5 billion);
- the M4 East Motorway in Sydney (\$900 million);
- the level crossing removals in Victoria (\$350 million);
- the Torrens Road to River Torrens motorway in Adelaide (\$225 million);
- work to expand the rail network in Hong Kong (\$475 million);
- and a contract to construct a boundary control point on the border between Hong Kong and China (\$1.2 billion).

I am pleased that since year-end, our PPP company, Pacific Partnerships, was selected with CPB Contractors and partners, to deliver the first stage of Canberra's light rail project.

We are involved in the equity, construction, operation and maintenance phases of the project.

Canberra light rail is the first major win for our integrated approach to PPPs.

While the final cost will be confirmed when contracts are signed, the capital cost for the partners included in the winning bid is around \$700 million.

We are now in a good position for other PPP projects in the pipeline including light and heavy rail, road, and social infrastructure.

We have submitted a bid for the Pūhoi to Warkworth motorway in New Zealand, and expressions of interest for Grafton Prison in New South Wales and six new schools in New Zealand.

In addition, CPB Contractors was selected last month as the preferred contractor to deliver stage two of the Gold Coast light rail project.

We had positive achievements in the mining sector too, in a challenging environment for resources.

Thiess continued to win new work and further diversified its portfolio.

⁷ Work in hand includes CIMIC's share of work in hand from Joint Ventures and Associates.

⁸ Australia dollar value as at date of announcement of the awards.

We were awarded new work at BHP Billiton's Rocky's Reward nickel mine in Western Australia and at Antofagasta Minerals' Encuentro Oxides copper mine in Chile.

The project wins extend Thiess's operations to include nickel mining and expand its global footprint to a new region: South America.

We were also awarded contract extensions at coal mines in Mongolia and New South Wales, and several in Queensland.

The awards demonstrate Thiess's continued commitment to delivering innovative and technical mining solutions for clients.

Last year I shared details of the transformation of our company as we established dedicated businesses focused on our core areas of construction, contract mining, PPPs, and engineering.

In 2015 and early 2016, we completed the structural transformation with changes to our branding symbolising our reshaped business.

Leighton Contractors has been rebranded as CPB Contractors.

The new name signifies a new company, integrating the construction experience and skills of both Leighton Contractors and Thiess.

It positions us as a strong force in the construction industry.

The name and logo draw from the heritage colours of Leighton and the capabilities that are important for a construction company: Civil, Projects, Building, and the experience and expertise of our People.

So we have CPB Contractors and Leighton Asia as our construction businesses.

Thiess is our contract miner, the world's largest.

Sedgman is our mineral processing specialist, with a focus on engineering, procurement, construction and operation of mineral processing plants.

Pacific Partnerships is our PPP or concessions company.

EIC Activities is our engineering entity.

And CIMIC steers the Group.

With a clear, activity-focused structure established, we concentrated in 2015 on developing a common culture across these companies.

This included promoting our Principles of Integrity, Accountability, Innovation and Delivery – underpinned by a continual focus on Safety. We also rolled out our refreshed Code of Conduct.

For us, Integrity means respect and honesty for ourselves, our colleagues, clients, suppliers and shareholders.

Accountability means commitment to what we are responsible for.

Innovation means adaptation and evolution.

And Delivery is the driver of our reputation and credibility.

Together our Principles and Code of Conduct set the foundation for the way we work every day.

They underpin our ability to deliver leading results for our clients and our shareholders, and safe, fulfilling careers for our people.

As well as the focus on culture, we have established simpler and more consistent governance structures and reporting.

This gives us greater clarity for accountability, and it has improved our risk management and delivered cost efficiencies.

All of this supports the delivery of sustainable shareholder returns.

Turning now to our people.

Ensuring the safety of our people is paramount.

In 2015 the average rate of injuries continued to decline.

The Group's Total Recordable Injury Frequency Rate, measured per million hours, reduced to 3.2 in 2015 from 3.8 in 2014.

Whilst this is an improvement, I will not be satisfied until all of our people are safe, every day.

It is with great sadness that I report the death of one of our colleagues due to a work-related incident during 2015, and another colleague in 2016.

On behalf of the Board and all CIMIC employees, I extend my deepest sympathies to the family and friends of our colleagues who passed away.

Reviews of each incident are assisting us to understand what happened.

We are determined to take the necessary steps to prevent similar tragedies in the future.

I am working with our leaders to strengthen our safety efforts, including through safety initiatives at each of our companies.

Sustainability and corporate responsibility are also a high priority for the Group.

In tandem with the publication of our Annual Report this year, for the first time we launched the CIMIC Group Sustainability Report.

It describes how environmental, social and governance factors come into our decision making.

In 2015 we were again recognised by the industry leading Dow Jones Sustainability Indices which tracks the performance of the companies which lead their industries in sustainability.

CIMIC was included in the Dow Jones Sustainability Australia Index, one of only two construction and engineering companies to be so recognised.

Achievements such as these, along with our sustainability commitments and performance, are set out in the Sustainability Report and I encourage all of you to review it on our website.

Now to the outlook.

Your company, our company, CIMIC, generated robust results and very positive cash flow in 2015, and we entered 2016 from a stronger base.

Our construction and contract mining operations delivered solid increases in profit and margins, and are well positioned for the future.

Overall, our markets continue to offer a range of new project opportunities and our financial strength, diverse capabilities and significant experience position us strongly for this pipeline of opportunities.

We are actively analysing around \$50 billion worth of infrastructure and mining projects relevant to CIMIC which will be awarded during the remainder of 2016.

Around 60 per cent of these projects are in Australia and New Zealand.

A further \$170 billion of addressable opportunities are expected to come to the market in the subsequent years, of which around 70 per cent will be in our domestic market.

As an example, the size of the Australian transport construction market alone is forecast to increase by more than 50 per cent between now and 2020 to \$25 billion.

Our focus remains on our core businesses of infrastructure construction, contract mining, mineral processing and PPPs.

Our strategy is to continue improving operating cash flow and further strengthen our balance sheet.

We will continue to concentrate on generating sustainable, cash-backed earnings, with an enhanced approach to risk management.

We will focus on winning our fair share of projects in Australia, given our competitive position, and on harnessing our know-how for the expanding PPP market.

We will invest in PPP opportunities and remunerate shareholders through dividends and our share buy-back program.

In addition, our improved financial position and solid balance sheet will allow us to evaluate growth opportunities in the market.

These include diversification within our existing markets as well as, for example, exporting Thiess's contract mining skills to North and South America.

We are actively shaping our own destiny in the short, medium and longer term.

In concluding my address, I note that we have made a strong start to the 2016 year.

Today we announced our financial results for the first quarter. Highlights, compared with the prior comparable period⁹, include:

- Net profit after tax of \$130 million, up 5 per cent;
- Profit before tax of \$180 million up 3.7 per cent;
- PBT and NPAT margins of 7.5 and 5.5 per cent respectively;
- An increase in net cash¹⁰ of \$341 million to \$442 million;
- An improvement in operating cash flow, up 28.5 per cent, as a result of better project performance and working capital management; and
- A positive trend in net contract debtors¹¹, with a decline of 20.4 per cent to less than \$1.8 billion.

We secured new work of more than \$3.1 billion¹² during the quarter, bringing work in hand to \$29.1 billion as at 31 March 2016. There are around \$50 billion of projects to be tendered and awarded in the remainder of the year that are relevant to CIMIC.

And, we confirmed our guidance for 2016 NPAT in the range of \$520 million to \$580 million, subject to market conditions.

Finally, I would like to thank you – our shareholders – for your continued support.

I also express my thanks to our employees, for their efforts to position the company so strongly, and to our Directors for their commitment and support.

The CIMIC team is focused on further improving our performance in 2016.

Thank you.

⁹ Performance is comparable to the three month period to 31 March 2015.

¹⁰ Net cash which excludes operating leases of \$547.3 million.

¹¹ Net contract debtors represents the net of amounts due from customers and amounts due to customers.

¹² New work includes new contracts and contract extensions and variations including the impact of foreign exchange rate movements.