

EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S ADDRESS TO SHAREHOLDERS

A presentation to the 2021 Annual General Meeting of CIMIC Group Limited by the Executive Chairman and Chief Executive Officer, Mr Juan Santamaria.

I would like to begin my comments by recognising the extraordinary efforts of our people in 2020. As shown in our opening video today, everything we achieve happens because of the dedication of our people.

I also acknowledge the enduring partnership that links our people, suppliers, partners, clients and shareholders.

This partnership has supported our navigation of COVID-19's challenges in 2020 and continues today.

Our people's fortitude and our stakeholders' commitment have kept our construction sites, mines and essential services operating. Our people stayed safe and employed, and we sustained work for our suppliers and subcontractors. This has supported our communities and generated much needed economic activity. Thank you all for your contribution.

We ended 2020 with positive results in profit, revenue and cash generation, and a confident outlook for 2021.

Our integrated capabilities, financial strength and public private partnerships expertise underpin our strategy. We are well positioned to capture opportunities in infrastructure, services and resources arising from the expenditure across our markets, including from government stimulus.

The Australian Government's economic recovery plan includes substantial investments in infrastructure construction. Spending on major projects in Australia is expected to average around \$30 billion per year for the coming years.

In services, the significant volume of assets and the trend to outsourcing increases opportunities for our end-to-end operations and maintenance capability.

The outsourced maintenance services market in Australia is expected to grow 12% in the five years to 2025, outpacing the growth of the overall maintenance market.

In resources, the Group's mining and minerals processing businesses are exposed to commodities that are expected to continue to play a major role in supporting the recovery of the global economy.

Over the next two years, export volumes of Australian major commodities are expected to grow by between 4 and 9%¹.

The fact that we are a reliable partner further strengthens our position. We have an unmatched track record for major projects and PPPs – a demonstration of our ability to effectively develop, invest in, deliver and manage assets.

This year, our key priorities are largely unchanged. These are protecting the health and safety of our people and communities. Delivering projects that meet our clients' needs and boost the economy. And generating sustainable returns for our shareholders.

¹ Australian Government (Office of the Chief Economist) Department of Industry, Innovation and Science: Resources and Energy Quarterly, December 2020, p. 7 and 15

We continue to progress our core activities of construction, mining and mineral processing, services and PPPs. We are closely managing capital expenditure and working capital. And we continue to pursue growth opportunities in our core markets.

The Board and I recognise the recent share price performance and the frustration of many of you. Our focus continues to be winning new work, delivering successful projects and generating cash-backed profits, from which we can remunerate shareholders. By doing these things well, and by continuing to reward shareholders via dividends, we expect the intrinsic value of the company to be reflected in our share price.

FY20 performance

Turning first to our 2020 performance. The past year once again showed our diversified business model is resilient and enables us to adapt to market changes. Despite the challenges of the pandemic, we achieved positive results.

Revenue² was \$11.4 billion, with COVID causing a temporary delay in the award of new projects and slowdown of revenues across our activities.

We delivered statutory net profit after tax of \$620 million, with an underlying³ NPAT of \$601 million.

Our statutory margins⁴ remained solid at 10.3% for earnings before interest and tax, 8.7% for profit before tax and 5.4% for NPAT.

An important milestone for 2020 was the completion of the sale of 50% of Thiess. This allowed us to capitalise on Thiess' strong performance and positive outlook, while retaining a strategic interest in the sector.

Thiess continues to be core to our business. Co-ownership is functioning seamlessly, and we and our partner are very much aligned on operational decisions and growing the business.

The sale generated a post-tax gain of \$1.4 billion⁵. Net cash proceeds were \$2.1 billion which enables us to strengthen our balance sheet, reduce debt and pursue future growth opportunities.

Ventia also completed the acquisition of Broadspectrum in 2020, forming one of the largest infrastructure services companies in Australia and New Zealand. With a positive industry outlook, and given the expanded size of the business, we continue assessing our strategic options for our investment in Ventia.

In 2020, one-off post tax impacts included an \$805 million non-cash loss on the Gorgon Jetty arbitration. Other items of \$613 million⁶ related to COVID, project settlements, provisions, property business writedowns and oil & gas vessel impairments.

² Revenue excludes revenue from joint ventures and associates of \$2,803.6m (FY19: \$2,506.0m). Revenue includes both continuing operations and discontinued operations

³ Excludes the FY20 one-off items (post-tax) in respect of the 50% sale of Thiess (+\$1.4bn), Gorgon Jetty resolution (\$805m) and other FY20 one-offs (\$613m) associated with COVID-19, project settlements and provisions, and property business and oil & gas vessel impairments. Refer to the 'Performance reconciliation' in the Appendices of the FY20 Analyst and Investor Presentation for further information

⁴ Margins are calculated on revenue which excludes revenue from joint ventures and associates, and includes revenue from continued and discontinued operations

⁵ The total NPAT impact of the 50% sale of Thiess includes the statutory gain of \$1,488.2m offset by \$(50)m in relation to tax losses previously recognised within continuing operations, which following the completion of the sale are no longer expected to be utilised

⁶ Refer to the 'Performance reconciliation' in the Appendices of the FY20 Analyst and Investor Presentation for further information on the FY20 one-offs

An update on some other matters which are ongoing within the business – CPB’s involvement in the new Royal Adelaide Hospital, the West Gate Tunnel in Victoria, and UGL’s termination of the Ichthys Combined Cycle Power Plant projects.

After delivering the new Royal Adelaide Hospital, which has been used by the people of South Australia for the past 3.5 years, CPB and its partner are pursuing an arbitration process to recover the final amount outstanding.

At the West Gate Tunnel, CPB and its partner John Holland are contracted to provide works for Transurban and the State of Victoria.

A dispute has emerged between the parties due to several factors, but mainly due to soil contamination. CPB and the other parties are engaged in a process to seek to resolve the matter.

As previously advised, UGL and its consortium partners Jacobs and GE are in arbitration with JKC Australia LNG in relation to the dispute under the contract for the Combined Cycle Power Plant at the Ichthys project.

The arbitration is expected to be finalised during the course of next year, with a decision thereafter.

We are also pursuing amicable resolutions of these matters.

In February 2021 we also signed a sale agreement for our BICC investment. The sale is subject to satisfaction of conditions precedent and obtaining necessary approvals. The financial impact of the transaction was already included in our 2019 financial statements.

Cash flow from operating activities⁷ pre factoring was \$579 million, supported by project performances.

Overall, our strong liquidity was boosted by proceeds from the 50% Thiess sale and we finished the year with net cash of \$190 million.

We reduced our supply chain finance balance by \$707 million year on year, from \$851 million to \$144 million.

We also reduced our factoring by \$985 million to \$976 million due to operational reductions and the Thiess deconsolidation.

Greensill was one of a range of parties supplying these products but its circumstances have no impact on CIMIC.

As of December, we had \$4.2 billion in cash and available banking lines.

Our strong credit rating was confirmed by Moody’s and Standard & Poor’s as investment grade, after the 50% sale of Thiess, and we are committed to maintaining an investment grade credit rating.

We declared a final dividend of 60 cents per share, at a payout ratio of 62% of second half NPAT. This is a return to our historical payout ratio of 60 to 65% of NPAT. The dividend is payable on the 5th of July and is franked at 20% with Conduit Foreign Income at 80%.

⁷ Operating cash flow includes cash flow from operating activities and changes in short term financial assets and investments before interest, finance costs and taxes. Operating cash flow includes the cash generated by Thiess during FY20 which was sold on 31 December 2020 (refer to the Financial report, ‘Note 32: Acquisitions, disposals and discontinued operations’)

Our decision to suspend the interim 2020 dividend was based on the need to strike a balance between rewarding shareholders and maintaining a strong balance sheet which supports growth and returns into the future.

Whilst we are still progressing through the year, we are confident about the outlook and it is our intention to continue rewarding our shareholders.

During the year we also returned \$281 million of cash to shareholders through our share buy-back.

Demonstrating our corporate responsibility, we are voluntarily deciding to return \$20 million of JobKeeper wage subsidies to the Federal Government.

JobKeeper had been received by a limited number of our smaller, eligible subsidiaries impacted by COVID. The payments were used as intended to support employment across affected entities.

Our decision illustrates that, as the largest contractor in Australia, we are willing to play our role in the economic recovery agenda.

We are proud of our significant contribution to job creation and national prosperity. Our activities support the employment of tens of thousands of employees nationwide plus job creation for many, many more employees of suppliers and subcontractors.

As Australia's largest infrastructure construction and services company, we regularly tender for government projects and understand the significance of maintaining our business reputation with governments and the public at large.

Our work in hand included \$7.4 billion of new work⁸ awarded and an additional \$3.1 billion from Ventia's acquisition of Broadspectrum in 2020. At \$30.1 billion⁹, work in hand is equivalent to approximately two years' worth of revenue, providing a positive outlook.

Organisational changes

I am pleased to have the opportunity today to recognise leaders who have shaped our business and passed on an enduring legacy.

Firstly, our thanks go to former Executive Chairman, Marcelino Fernández Verdes. As CEO from 2014 to 2016, and Executive Chairman until 2020, Marcelino re-shaped our Group to be a family of industry leading businesses. This provided a unique advantage and a strong platform for building our future.

Alternate Directors, Adolfo Valderas and Ángel Muriel, also retired from their positions. Both have been great champions of discipline, accountability and collaboration.

As a former CEO of our company, Adolfo was integral to driving our transformation to a more unified and operationally efficient Group. As a result, we are a stronger, more resilient organisation.

Ángel, a former CFO, was central to the successful acquisitions of Sedgman and UGL and the establishment of Pacific Partnerships, as well as other major strategic initiatives.

Today our diverse capabilities and provision of integrated solutions are unmatched. On behalf of the Board, I extend my thanks to Marcelino, Adolfo and Ángel for their contributions over many years.

⁸ New work includes new contracts and contract extensions and variations, including the impact of foreign exchange rate movements and other WIH adjustments

⁹ WIH includes CIMIC's share of work in hand from joint ventures and associates, adjusted for Thiess at 50%

Following Marcelino's retirement, I was pleased to accept the Board's nomination as Executive Chairman in addition to my positions as CEO and Managing Director.

We continue to promote from within and I am pleased to introduce you to Emilio Grande who is in the audience today. In January, we announced Emilio's appointment as Chief Financial Officer. Emilio's involvement with key initiatives across the Group has given him deep knowledge of our operations. He was formerly CIMIC's Deputy CFO and, more recently, CFO of UGL.

Emilio succeeded Stefan Camphausen, who made a significant contribution, having a key role in the successful completion of the sale of 50% of Thiess and the growth of Pacific Partnerships. I extend my thanks to Stefan for his achievements and many years of commitment.

Delivery

Let's look now at our current operations.

CIMIC Group is Australasia's foremost contractor in infrastructure, services and resources. The scale and diversity of our projects and operations in multiple sectors is nothing short of impressive.

Engineering and technology expertise, integrated offering and reliability are our competitive advantage. On every project, we bring a consistent approach to safety, cost, quality, innovation, community and environment to achieve sustainable outcomes.

In **transport**, CPB is the nation's leading contractor having delivered 410 kilometres of roads and more than 86.5 kilometres of rail since 2018, as well as more than 350 kilometres of next-generation tunnels in recent years.

Our most recent projects delivered, or being delivered, include:

- the WestConnex network in Sydney, covering the M4, M8 and Rozelle interchange expansions;
- Sydney Metro Northwest rail and City & Southwest;
- Cross River Rail in Brisbane;
- MetroNet in Perth;
- the Mackay Ring Road and Logan Enhancement projects in Queensland;
- Port Wakefield to Port Augusta Regional Projects Alliance in South Australia;
- the Tseung Kwan O – Lam Tin Tunnel project in Hong Kong; and
- the North-South Transportation Corridor in Singapore, to name a few.

Today we are operating 23 road headers and seven tunnel boring machines and continue to deliver some of the region's most important road projects.

In rail manufacturing and systems integration, UGL is Australia's only manufacturer and maintainer of heavy locomotives. It is also a major integrator of rail systems, providing critical operational, signalling, and other support systems for essential transport networks relied upon across the country.

It is worth mentioning that UGL has been responsible for the systems integration associated with 66 kilometres of Sydney Metro from Tallawong Station to Bankstown Station, as well as the integration on Melbourne Metro as part of the Rail Systems Alliance and the systems associated with the Cross River Rail in Brisbane.

Today, UGL is preparing for the first passenger service of the New Intercity Fleet in New South Wales and is mobilising for the operations and maintenance of the Regional Rail project in Dubbo, supported by CPB and Pacific.

In **aviation**, we've recently undertaken work in both Sydney and Brisbane. CPB delivered Brisbane Airport's new parallel runway – one of the largest aviation projects undertaken in Australia – ahead of time in 2020. And we have earthworks underway for the new Western Sydney International Airport.

In **defence**, we have provided significant contracts and services across major army, air force and naval bases throughout Australia.

CPB delivers some of Australia's most complex navy, army and air force infrastructure projects, including at HMAS Albatross, Point Wilson, and RAAF Bases Pearce and Williamtown.

UGL is one of only a handful of Australian contractors pre-qualified to provide major warship refit and repair services for the Royal Australian Navy, and is delivering major maintenance and upgrade projects on ANZAC Class Frigates and Navy's largest warships.

In **water**, CPB has delivered more than 100 dams and reservoir structures and UGL has delivered more than 50 water projects. Included in this is the essential works at Paradise Dam in Queensland, and major capital works on Tasmania's water infrastructure.

In **health**, we are a major force in the development of Australia's infrastructure. CPB is currently delivering major hospital upgrades at Nepean, Campbelltown, Wagga Wagga and Coffs Harbour, which come on the back of its delivery of 53 health projects over the last years.

Our infrastructure projects are frequently delivered by a combination of UGL, CPB, EIC and Pacific Partnerships, providing an integrated offering that distinguishes us in the market.

Pacific has continued to increase its portfolio, and through its investments, has made possible more than \$16 billion of projects, including Royal Adelaide Hospital, Canberra Light Rail and Waikeria Corrections and Treatment Facility.

In the **resources**, power and LNG sectors, our companies are delivering innovative and cost effective 'pit to port' and life-cycle solutions, adding value and winning repeat business with long term clients.

UGL is currently completing maintenance and turnaround works for clients at more than 85% of the **LNG** capacity in Australia. It is the leading provider of these services in the country.

In **energy**, UGL designed, built and commissioned high voltage substations and 300 kilometres of transmission lines connecting the Prominent Hill Mine to the South Australian electricity grid.

In **renewables**, UGL has completed nine major solar farms in recent times and is presently working on two utility scale Tesla batteries.

Thiess has commodity mining expertise throughout the world. It is currently delivering 26 projects across seven countries, and has moved 1.6 billion tonnes of material in the past 12 months.

And in minerals processing, Sedgman is behind the delivery of hundreds of processing projects. The annual total of raw material feed tonnes processed across Sedgman sites is now about 37.5 million.

All of this success continues to be recognised by ongoing work from our clients.

UGL was recently awarded a 10-year agreement to operate and maintain rail infrastructure across 2,300 kilometres for the Country Regional Network in New South Wales, delivering revenue of more than \$1.5 billion.

UGL and CPB are the preferred contractors to deliver CopperString 2.0 – a high-voltage transmission network across 1,000 kilometres in Queensland – expected to deliver \$1.7 billion in revenue.

Thiess was awarded a contract extension to continue work at Lake Vermont in Queensland – delivering \$2.5 billion in revenue.

Work winning

But the most important outcome of all this experience is yet to come.

On the back of these major projects, governments have announced numerous stimulus packages in our markets. More than \$500 billion of tenders relevant to us are to be bid and/or awarded in 2021 and beyond, including \$130 billion for PPPs.

Our aggregate repeat client rate has been more than 80% over the past five years, as we've consistently secured new contracts at progressive stages of major projects.

Many of the major packages expected in the year ahead come on the back of our work on earlier phases of the projects. This means we're ready to go with a proven track record, experienced teams and existing equipment.

Major upcoming projects include:

- M6 Stage 1, Sydney Metro West, Western Sydney Airport Station Boxes and Tunnelling, Warringah Freeway Upgrade, Western Harbour Tunnel, and the Greater Sydney Region 8 bus contract in New South Wales;
- the North East Link PPP, and Suburban Rail Loop Early Works in Victoria;
- the BMA mine extensions in Queensland;
- the Metronet Byford Rail Extension and Winu Copper Mine in Western Australia;
- Auckland Rail Franchise in New Zealand;
- the T3 Copper-Silver Project in Botswana; and
- the relocation of the Shatin Sewage Treatment Works to caverns in Hong Kong.

Our tendering priority is to price appropriately for the risks we are prepared to accept. This enables us to deliver solutions for our clients on time and on budget, and achieve returns for our shareholders.

Health and safety

The health and safety of our teams in the delivery of this work is paramount. Our goal is to eliminate fatalities and serious harm and reduce all other injuries.

- We have a mature safety system with proven practical tools;
- We work to build understanding of the hazards in our workplaces and the controls we use to mitigate them;
- We encourage our people to speak up and get involved;
- We continually measure our performance; and
- We are always driving to make our workplaces safer.

Let me share with you some recent examples of our teams meeting challenges and delivering outstanding safety outcomes.

CPB and Broad have developed new safety technology to make working at height safer. Both companies now require mobile elevated working platforms to be fitted with a secondary safety system to mitigate the risk of crush and entrapment incidents.

Leighton Asia developed technology to mitigate the risk of workers being struck by moving forklifts. The perimeter warning device has been adopted by all our projects in Hong Kong.

UGL is trialling a hands-free camera which enables those on site to share their perspective of operations with remote specialists and hold safety conversations in real time.

In a Thiess first, artificial intelligence is being used to predict the likelihood of mobile asset component failures, improving operator safety and asset reliability.

All our teams are working effectively within our COVID protocols. Since the outbreak our response has been to follow all relevant public health orders and act with an abundance of caution.

Implementing controls, sharing knowledge and quickly collecting and assessing reliable data has been vital as our controls are tailored to each project and location. They have included modifying the layout of our sites, maintaining social distance, increased cleaning, health declarations and upgrading accommodation facilities.

Amongst our employees and contractors there were 648 positive cases of COVID in 2020. Since then, we have had a further 340 cases to the end of last month. Most of these had a limited direct impact on our people and workplaces.

We will pause here.

In January this year we marked the one-year anniversary of the tragic death of one of our colleagues at the Curragh Mine in Queensland. Today we take this moment to again pay our respects. We extend our profound sympathies to his family, friends and teammates for their loss.

Our safety effort must be relentless and must continually improve.

This year we are introducing a range of new key performance indicators that guide leaders to proactively engage with their teams on critical risk controls and improve safety. These KPIs are lead indicators. They drive safety conversations and generate proactive behaviours and actions that can prevent significant incidents.

Sustainability

Now some comments on sustainability. Embedding sustainability into how we operate enables us to grow revenue, reduce costs, mitigate risk and deliver projects with the future of our communities and the environment in mind.

To give you just a couple of examples. CPB and our partners on Sydney Metro City & Southwest were awarded Major Project of the Year at the International Tunnelling Association Awards, recognising the team's sustainability performance which created a legacy of skills for thousands of people.

This is indicative of our commitment to creating education, employment and enterprise opportunities for local and Aboriginal and Torres Strait Islander people.

Outside of Australia, our training and talent programs develop local leaders and graduates to ensure our future workforce is reflective of the countries in which we operate. Local participation in our international workforce stands at 92%.

We continue to be recognised for high performance in sustainability. In 2020 and 2021 this included acknowledgment by S&P Global, the DJSI Australia Index, the FTSE4Good Index Series and the Australian Council of Superannuation Investors.

To meet our sustainability goals for our people we are committed to valuing diversity and building an inclusive workplace. We want our team members to have every opportunity to reach their potential.

In 2020, 18,000 employees completed Code of Conduct training and almost 10,000 undertook face-to-face Equal Employment Opportunity, Discrimination, Anti-Bullying and Harassment training.

On International Women's Day we announced our new global Parental Leave Policy. The policy extends the amount of paid leave and partner pay offered to our people, upon the birth, stillbirth or adoption of a child.

These initiatives make our business stronger by advancing equality, retaining and attracting high-performing people, and increasing our diversity of skills and experience.

Innovation

As well as driving sustainability, we continue to invest in innovation to improve our efficiency and the solutions we deliver.

In conjunction with ACS and HOCHTIEF we are working with the global IT industry and a network of technology partners, research centres like ASTRI in Hong Kong and universities such as MIT in the US, the University of Darmstadt in Germany and Sydney University here in Australia to develop our innovation capability.

Examples include the use of blockchain technology in the development of a subcontractor management portal. We're using artificial intelligence and drones to manage quality and measure performance. We're using digital technology, autonomous vehicles and camera vision to improve safety and productivity. And we're increasingly recycling materials such as concrete, steel, timber and bitumen, and using low-emission concrete and bitumen to reduce our environmental footprint.

Our future

Looking to the year ahead.

For 2021 we reiterate our guidance, that we provided in February, for NPAT to be in the range of \$400 to \$430 million, subject to market conditions. It represents an 8 to 16% increase on 2020 proforma underlying¹⁰ NPAT. We remain committed to rewarding shareholders through a consistent dividend payout ratio of 60 to 65% of NPAT.

The significant role of infrastructure in the economic recovery from the pandemic also supports a positive outlook and we respectfully value the opportunity to contribute to this important work.

Our positive outlook and competitive advantage are built on our track record of providing engineering-led, whole-of-life solutions that deliver quality assets and services. And it means we are positioned well in the short, medium and longer term.

We will update you with our first quarter results on the 30th of April. We are seeing opportunities starting to come to market and we are well positioned in our sectors.

We continue to focus on having the best people, systems, technology and equipment in place to deliver outstanding projects. We are known as a reliable partner, trusted for our integrity and for the standards we apply. For this reason, the valued partnerships we have with our stakeholders continues, and our company confidently evolves.

I would like to thank you for your continued support and I look forward to updating you further throughout the year.

¹⁰ Proforma underlying financial performance represents CIMIC Group's underlying result (i.e. statutory excluding one-off items) adjusted for Thiess as a 50% JV