

# **THIRD SUPPLEMENTARY BIDDER'S STATEMENT**

**In relation to the Offer by**

**CIMIC GROUP INVESTMENTS PTY LIMITED**

ACN 126 876 953

**to acquire fully paid ordinary shares in**

**MACMAHON HOLDINGS LIMITED**

ACN 007 634 406

# **ACCEPT**

## **THE UNCONDITIONAL**

**(OTHER THAN IN RESPECT OF A NO "PRESCRIBED OCCURRENCES" CONDITION)**

**CASH OFFER TO ACQUIRE ALL OF YOUR ORDINARY  
SHARES IN MACMAHON HOLDINGS LIMITED FOR  
\$0.145 CASH FOR EACH MACMAHON SHARE**

The Offer Price of \$0.145 for each Macmahon Share is final and cannot be increased during the Offer Period, in the absence of a competing proposal

### **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

You should read this document in its entirety. If you are in any doubt as to how to deal with it, you should consult your legal, financial or other professional adviser as soon as possible. If you have any queries about the Offer, you may also call the CIMIC 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 (AEDT) Monday to Friday.

### THIRD SUPPLEMENTARY BIDDER'S STATEMENT

This document is a supplementary Bidder's Statement under section 643 of the *Corporations Act 2001* (Cth).

It is the third supplementary Bidder's Statement (**Third Supplementary Bidder's Statement**) issued by CIMIC Group Investments Pty Limited ACN 126 876 953 (**CGI**) to the Bidder's Statement lodged with ASX, Macmahon Holdings Limited and ASIC on and dated 24 January 2017 (**Original Bidder's Statement**) as amended by the first supplementary bidder's statement dated 31 January 2017 (**First Supplementary Bidder's Statement**) and the second supplementary bidder's statement dated 9 February 2017 (**Second Supplementary Bidder's Statement**) issued by CGI in relation to its off-market takeover bid for all of the ordinary shares in Macmahon Holdings Limited ACN 007 634 406 (**Macmahon**).

This Third Supplementary Bidder's Statement supplements, and should be read together with, the Original Bidder's Statement, the First Supplementary Bidder's Statement and the Second Supplementary Bidder's Statement. This document will prevail in the event of any inconsistency with the Original Bidder's Statement as amended by the First Supplementary Bidder's Statement and the Second Supplementary Bidder's Statement. Unless the context requires otherwise, terms defined in the Original Bidder's Statement have the same meaning where used in this document.

A copy of this Third Supplementary Bidder's Statement was lodged with ASIC on and is dated 17 February 2017. Neither ASIC nor any of its officers takes any responsibility for the contents of this document.

17 FEBRUARY 2017

**KEY ISSUES FOR MACMAHON'S TARGET STATEMENT TO ADDRESS**

CIMIC Group Limited (**CIMIC**), through its wholly owned subsidiary CIMIC Group Investments Pty Limited (**CGI**) notes that CGI's final<sup>1</sup> unconditional<sup>2</sup> off-market takeover offer (**Offer**) for all Macmahon Shares that CGI does not already own at a price of **\$0.145**<sup>3</sup> in cash per Macmahon Share is **OPEN** for acceptance and encourages investors to **ACCEPT** the Offer as soon as possible<sup>4</sup>.

Macmahon is expected to release its Target Statement by no later than 25 February 2017<sup>5</sup>, which CGI expects will include an independent expert's report.

CGI considers that Macmahon's Target Statement, any independent expert's report, and Macmahon's half year results should adequately address the following issues, particularly given the reference by Macmahon to net tangible assets and net cash in its 27 January 2017 announcement.

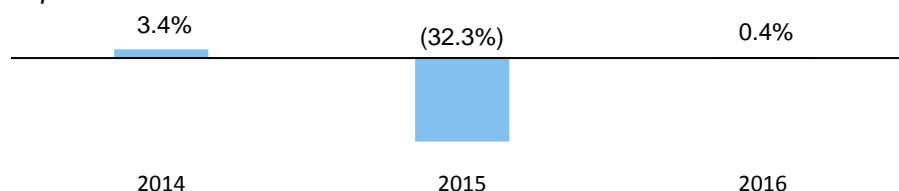
**1. What return can Macmahon shareholders expect Macmahon will generate on its assets?**

Return on assets (ROA) measures the amount of profit a company generates as a percentage of the value of its total assets. Given Macmahon has highlighted the value of Macmahon's assets, Macmahon should explain to its shareholders what profits it generates from those assets.

**Facts**

**Macmahon's reported ROA averaged negative 9.5%**<sup>6</sup> for the past three financial years.

*Reported ROA*



**Macmahon's "underlying"<sup>7</sup> ROA has declined by 76%**<sup>8</sup> since FY14.

<sup>1</sup> The Offer Price is final, and cannot be increased during the Offer Period, in the absence of a competing proposal and is subject to the Offer terms specified in the Bidder's Statement.

<sup>2</sup> Other than in respect of a no "prescribed occurrences" condition.

<sup>3</sup> The Offer Price of \$0.145 per Macmahon Share is subject to the offer terms outlined in the Bidder's Statement. If Macmahon pays any dividend or capital distribution to Shareholders between 24 January 2017 and the close of the Offer Period, CGI will deduct the value of such dividends or capital distributions (but not any franking credits) from the \$0.145 per Share to be paid under the Offer.

<sup>4</sup> If you accept the Offer and the Offer becomes unconditional, CGI will pay you the consideration under the Offer by the later of: (a) 7 business days after receipt of your valid acceptance; or (b) 7 business days after the Offer becomes unconditional.

<sup>5</sup> Despatch of the Bidder's Statement was completed on 10 February 2017, and Macmahon must send its Target Statement not later than 15 days after 10 February 2017. Also see para RG 7.15 of ASIC Regulatory Guide RG 7: Calculating Time Periods.

<sup>6</sup> Macmahon FY16 Annual Report (page 88).

<sup>7</sup> Macmahon adjusts ROA for the impact of onerous lease provisions, property plant and equipment write downs and inventory write downs. Macmahon FY16 Annual Report (page 88).

<sup>8</sup> Macmahon FY16 Annual Report (page 88).

## 2. What net cash generation can Macmahon shareholders expect?

A contractor's cash generation is critical to its ongoing operations. A number of factors have the potential to negatively impact Macmahon's net cash position:

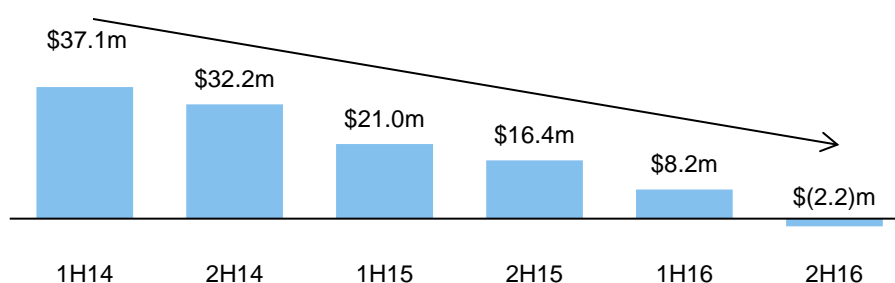
- ?** **The need to fund losses on the Telfer project:** Macmahon has incurred losses on the Telfer project since it commenced on site<sup>9</sup> and has stated it will have a negative impact on its FY17 result<sup>10</sup>.
- ?** **The need to fund the costs to exit its Nigerian operations:** Macmahon has stated that terminating its Nigerian operations will result in additional costs during the current half year<sup>11</sup>.
- ?** **Any further operating issues or contract losses:** Macmahon's cash generated from operating activities was only \$0.7 million<sup>12</sup> in second half FY16, with earnings before interest and tax of negative \$2.2 million<sup>13</sup>.

## 3. What level of earnings before interest and tax (EBIT) can Macmahon shareholders expect will be maintained?

Macmahon's earnings have been declining and it has not provided earnings guidance (beyond revenue):

- X** **Macmahon's half year EBIT has declined by 106% since the first half of 2014.**<sup>14</sup> EBIT margins<sup>15</sup> have declined from 6.7% in the first half of FY14 to negative 1.3% in the second half of FY16.<sup>16</sup>

*Macmahon's EBIT*



<sup>9</sup> Macmahon commenced on site in February 2016. Macmahon ASX Announcement, 30 November 2016: "Chairman's Address to Shareholders".

<sup>10</sup> Macmahon ASX Announcement, 30 November 2016: "Chairman's Address to Shareholders".

<sup>11</sup> Macmahon ASX Announcement, 24 October 2016: "Letter to Shareholders".

<sup>12</sup> Macmahon FY16 Investor presentation (page 12) and Macmahon Half Yearly Presentation (page 8).

<sup>13</sup> Macmahon FY16 Investor presentation (page 11) and Macmahon Half Yearly Presentation (page 7).

<sup>14</sup> Macmahon FY16 Investor Presentation (page 11), Macmahon FY15 Investor Presentation (page 7), Macmahon 1H16 Investor Presentation (page 7) and Macmahon 1H15 Investor Presentation (page 13).

<sup>15</sup> EBIT margin is calculated as EBIT from continuing operations divided by revenue from continuing operations expressed as a percentage.

<sup>16</sup> Macmahon FY16 Investor Presentation (page 11), Macmahon FY15 Investor Presentation (page 7), Macmahon 1H16 Investor Presentation (page 7) and Macmahon 1H15 Investor Presentation (page 13).

**?** **Macmahon’s recent announcement of a three year MOU<sup>17</sup> stated that there was no guarantee that a contract would eventuate and generate earnings.** Macmahon’s historical financial performance has included contracts that are loss making or have operational issues (e.g. Telfer<sup>18</sup>, Mongolia<sup>19</sup> and Nigeria<sup>20</sup>).

**?** **Macmahon’s ability to generate maintainable EBIT beyond its current projects is uncertain** in current market conditions, without significant investment and new contract wins.

**?** **Can Macmahon externally fund its future operations – and at what cost?** Macmahon’s past performance has included triggering a lender review period which could have resulted in one or more lenders requiring repayment of Macmahon’s debt<sup>21</sup>, and the subsequent repayment of that debt<sup>22</sup> through a combination of existing cash and cash generated from asset sales<sup>23</sup>.

In addition, CGI considers that Macmahon’s Target Statement, and any accompanying independent expert’s report, should adequately address the below factors in assessing whether Macmahon shareholders should **ACCEPT** the Offer, and whether Macmahon shareholders should sell their Macmahon Shares on market **now**<sup>24</sup>:

- ✓ Attractive premium:** CGI’s cash Offer Price of **\$0.145<sup>25</sup>** per Macmahon Share represents an attractive premium of:
- 31.8% to the price of Macmahon Shares on ASX at the close of trading on 23 January 2017, the Trading Day prior to the announcement of the Offer, of \$0.110 per Macmahon Share;
  - 37.6% to the Macmahon one month volume weighted average price (VWAP) as at the Trading Day prior to Announcement Date, of \$0.105 per Macmahon Share;
  - 45.6% to the Macmahon three month VWAP as at the Trading Day prior to Announcement Date, of \$0.100 per Macmahon Share; and
  - 22.1% to the Macmahon six month VWAP as at the Trading Day prior to the Announcement Date, of \$0.119 per Macmahon Share.

CIMIC considers the premia to be particularly attractive given Macmahon’s net cash balance of \$56.5 million as at 30 June 2016<sup>26</sup>.

<sup>17</sup> Macmahon ASX Announcement, 13 February 2017: “Macmahon signs MOU to become preferred mining contractor for Batu Hijau mine”.

<sup>18</sup> Macmahon ASX Announcement, 30 November 2016: “Chairman’s Address to Shareholders”.

<sup>19</sup> Macmahon ASX Announcement, 20 August 2014: “Mongolia Update” referred to operations at Tavan Tolgoi being “suspended by ETT, as part of a range of disagreements between the parties”. Macmahon sold its Mongolian business in June 2015 per Macmahon ASX Announcement, 25 June 2015: “Business update”.

<sup>20</sup> Referred to in Macmahon FY16 Results Presentation, 22 August 2016 on page 6: “Operations in Nigeria incurred losses due to low volumes, increased maintenance costs, industrial action and project closure costs at Ewekoro.”

<sup>21</sup> Macmahon 2015 Annual report (page 81).

<sup>22</sup> Macmahon ASX Announcement, 31 July 2015: “Macmahon utilises cash surplus to repay bank debt” stating that new projects will be funded using cash reserves and equipment financing.

<sup>23</sup> Macmahon ASX Announcement, 25 June 2015: “Sale of Mongolian Business”.

<sup>24</sup> Macmahon shareholders who sell on-market may need to pay brokerage. No brokerage is payable for acceptances of the Offer.

<sup>25</sup> The Offer Price of \$0.145 per Macmahon Share is subject to the offer terms outlined in the Bidder’s Statement. If Macmahon pays any dividend or capital distribution to Shareholders between 24 January 2017 and the close of the Offer Period, CGI will deduct the value of such dividends or capital distributions (but not any franking credits) from the \$0.145 per Share to be paid under the Offer.

<sup>26</sup> Macmahon FY16 Results Presentation (page 13).

- ✓ **Certain cash price:** CGI's all cash Offer provides cash certainty to Macmahon Shareholders.
- ✓ **Liquidity for all of your Macmahon Shares now:** Should CGI be successful in increasing its ownership stake in Macmahon, this may lead to reduced liquidity and make it difficult for you to sell your Macmahon Shares outside the Offer at or above the Offer Price. Alternatively Macmahon Shareholders may realise cash on a T+2 basis by selling on market **now**.
- ✓ **Macmahon's share price may fall:** The Macmahon share price may trade at levels below the Offer Price once the Offer has lapsed given the premium currently being offered to Macmahon Shareholders under the Offer.

ENDS

**Issued by CIMIC Group Limited** ABN 57 004 482 982 [www.cimic.com.au](http://www.cimic.com.au)

**Further information**

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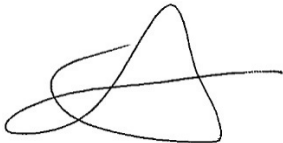
CIMIC Group Limited (ASX: CIM) is one of the world's leading international contractors and the world's largest contract miner. CIMIC Group has operations that have been in existence since 1934, was listed on the Australian Securities Exchange in 1962 and has its head office in Sydney, Australia. CIMIC provides construction, mining, mineral processing, engineering, concessions, and operation and maintenance services to the infrastructure, resources and property markets. It operates in more than 20 countries throughout the Asia Pacific, the Middle East, North America, Sub-Saharan Africa and South America and, as at 31 December 2016, employed approximately 50,500 people directly and through its investments.

**APPROVAL OF THIRD SUPPLEMENTARY BIDDER'S STATEMENT**

This Third Supplementary Bidder's Statement has been approved by a resolution of the directors of CGI.

**DATED** 17 February 2017

**SIGNED** for an on behalf of CIMIC Group Investments Pty Limited by:



Angel Muriel  
Director