



**ASX
ANNOUNCEMENT**



30 May 2016

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Attached, in accordance with listing Rule 3.13.3, is a copy of the speech to be delivered by Devine Chairman, David Robinson, at the Company's Annual General Meeting today.

ENDS

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Introduction

Before we move to the formal part of the meeting I would like to update you on the progress we have made on the Strategic Review.

I will also address the announcement we made this morning regarding our 2016 result.

Earlier this year the Board and Management initiated a Review of Devine's operations with the express purpose of preserving shareholder value for the medium to long term.

During this challenging period for Devine, the Strategic Review is providing us with an essential framework for identifying and prioritising those areas of the business in most need of attention.

I will speak about this in more detail in a minute, but in the short term this requires us to maintain a balance between running the business, managing its cash flow and reducing debt whilst at the same time making some strategic choices that will ensure the business has a future.

There is no quick fix to the problems of Devine however the Strategic Review thus far has provided us with a clearer set of priorities and imperatives that are essential to getting this Company back on track and creating a sustainable future for the business.

Review of 2015

Our 2015 financial result reflected the underperformance of Devine Constructions as well as production delays within the land development business during the period.

We are making every effort to stabilise the construction and land development businesses and, ultimately, provide a stable platform for the Company.

Within Devine Constructions specifically, we are focused on managing costs and completing our existing projects before the end of this financial year.

Individuals with extensive construction expertise have been introduced to Devine Constructions and tasked with improving the division's performance.

Strategic Review

More broadly, through the Strategic Review, we are systematically evaluating the entire Company's operations to generate savings and efficiencies.

In Phase 1 of the Review, we have made significant steps towards rationalising overheads by reducing costs and assessing savings that can be made in our relationships with suppliers and service providers.

We have improved our approach to resourcing by streamlining our operations and management structure in line with our needs.

This has enabled us to reduce our people costs by 25 per cent.



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We are improving all aspects of the business by ensuring our governance structures are efficient and our risk framework is strong, and we are investigating asset realisation opportunities that will assist our cash flow and reduce debt. More on this in a moment.

Funding arrangements

The Review also involves addressing the Company's funding arrangements¹.

As announced on 6 May this year, ANZ Banking Group has agreed to extend the expiry date of the Multi-Option Facility to 31 October 2016 from 31 August 2016.

Testing of the relevant covenants will occur on 31 October 2016.

We continue to work with ANZ to achieve a mutually acceptable outcome in relation to the loan facilities by 31 October.

Asset sales

The Review includes reviewing our assets to identify opportunities to release value with the intention of applying sale proceeds to reduce debt.

In this regard we are working closely with ANZ and we are pursuing sales in an orderly manner with dual objectives of preserving shareholder value and co-operating with our major lender.

To date we have negotiated the sale of the Townsville City Project to the Townsville Council and we are in advanced negotiations for other asset sales.

Operational business review

Notwithstanding the Company's 2015 financial result, during the year we were able to deliver a number of operational achievements which will assist with our current efforts to stabilise the business.

We refocused the housing operations toward the design and delivery of integrated and medium density housing.

This included the completion of over 90 per cent of our project home delivery commitments.

We also announced new relationships that will assist in delivering our projects, one being with Daikyo Australia at Mode Apartments in Brisbane.

Board and management

Turning to the Board and management.

As you know, during 2015 CIMIC Group increased its shareholding in Devine to 59.11 per cent, following an off-market takeover offer.

¹ Refer to announcement to the Australian Securities Exchange on 6 May 2016.



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A number of structural changes were subsequently initiated in response to the performance of the Company.

These included reconstituting the Board and making changes to management.

At the Board level, I was appointed as Chairman and George Sassine was appointed as a Director.

Within the management team, Andrew Cooper was appointed to the role of Chief Executive Officer and James Mackay was appointed as Chief Financial Officer and Company Secretary.

Conclusion

Coming now to the announcement we made to the market this morning.

It outlines that, further to the ongoing Strategic Review:

- We have sold the Townsville project and we are in advanced negotiations for other asset sales;
- We expect impairments on certain assets;
- We have evaluated the current forecasts of the financial outcomes of projects within Devine Constructions; and
- As I mentioned, we have implemented a cost reduction plan.

We now anticipate that our 2016 full year result will be a loss of approximately \$35 million, subject to market conditions.

Proceeds from the Townsville sale have been used to reduce debt and provide working capital, as will the proceeds of other asset sales when completed.

We continue to focus on stabilising Devine Constructions and we have reduced losses from the division.

Personnel with strong construction expertise have been appointed and tasked with controlling risks, managing costs and efficiently delivering existing projects before the end of the financial year.

As I mentioned earlier there is no quick fix. The intended outcome of the Strategic Review is to provide a sustainable platform and preserve the value of the Devine business.

I hope today I have outlined the steps we are taking to deliver that outcome.

I would like to take this opportunity to thank you, our shareholders, for your support and express my gratitude to our employees and Directors for their hard work and focus.