



Half Year Report 2020



Half Year Report (Appendix 4D) 2020

For the six months ended 30 June 2020
Issued 30 July 2020

CIMIC Group Limited
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Directors' Report

The Directors of CIMIC Group Limited present their report for the half-year ended 30 June 2020 in respect of the Consolidated Entity constituted by the Company and the entities it controlled during the half year.

The Consolidated Entity's interim financial report for the half-year ended 30 June 2020 and the auditor's review report are presented on pages 4 to 34.

The lead auditor's independence declaration is set out on page 35 and forms part of the Directors' Report for the half-year ended 30 June 2020.

A review of the operations of the Consolidated Entity and the results of those operations during the half-year (Management Commentary) are contained on pages 36 to 55 and form part of this report.

INFORMATION REGARDING DIRECTORS	
The Directors of the Company at any time during or since the end of the half-year are:	
Marcelino Fernández Verdes Executive Chairman since June 2014.	Juan Santamaria CEO and Managing Director since February 2020.
Russell Chenu Independent Non-executive Director since June 2014.	José-Luis del Valle Pérez Non-executive Director since March 2014.
David P Robinson Non-executive Director since December 1990.	Pedro López Jiménez Non-executive Director since March 2014.
Kathryn Spargo Independent Non-executive Director since September 2017.	Peter W Sassenfeld Non-executive Director since November 2011.

ALTERNATE DIRECTORS	
Ángel Muriel Alternate Director for Mr Sassenfeld since November 2017.	Robert L Seidler AM Alternate Director for Mr del Valle Pérez since June 2014.
Adolfo Valderas Alternate Director for Mr López Jiménez since November 2017.	

RETIRED DIRECTORS	
Michael Wright Former CEO and Managing Director resigned 4 February 2020	

ROUNDING OFF

As the Company is of a kind referred to in ASIC Corporations (rounding in Financial/Directors' Report) Instrument 2016/191, the Directors have chosen to round amounts in this Directors' Report and the accompanying Financial Report to the nearest hundred thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



Juan Santamaria
Chief Executive Officer and Managing Director



Russell Chenu
Chairman Audit and Risk Committee

Sydney, 30 July 2020

Results for Announcement to the Market – Appendix 4D

for the six months ended 30 June 2020

Name of Entity

CIMIC GROUP LIMITED

	6 months to June 2020 \$m	6 months to June 2019 \$m	% Change
Revenue - Group	7,374.4	8,125.6	(9.2%)
Revenue - Joint ventures and associates	1,168.1	1,170.5	(0.2%)
Revenue ¹	6,206.3	6,955.1	(10.8%)
Profit / (loss) attributable to shareholders of the parent entity	316.6	366.7	(13.7%)

For a brief explanation of the figures reported above: refer to page 36 onwards.

Details of Reporting Period

Current reporting period:	Six (6) months to 30 June 2020
Previous corresponding period:	Six (6) months to 30 June 2019

Dividends - June 2020	Amount per security	Franked amount per security	
Interim dividend	Nil	Nil	Nil
Previous corresponding period	71.0c	71.0c	100%

Key Dividend Dates	Date
Ex-dividend date:	N/A
Record date for determining entitlements to the dividend:	N/A
Date for payment of interim dividend:	N/A

¹Revenue excludes revenue from joint ventures and associates.

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2020

	Note	6 months to June 2020 \$m	6 months to June 2019 \$m
Revenue	2	6,206.3	6,955.1
Expenses	3	(5,705.3)	(6,389.0)
Share of profit / (loss) of associates and joint venture entities		33.6	2.9
Earnings before interest and tax ("EBIT")		534.6	569.0
Finance income		13.9	29.2
Finance costs		(118.9)	(94.6)
Net finance income / (costs)	4	(105.0)	(65.4)
Profit / (loss) before tax		429.6	503.6
Income tax (expense) / benefit		(115.9)	(136.0)
Profit / (loss) for the period		313.7	367.6
(Profit) / loss for the period attributable to non-controlling interests		2.9	(0.9)
Profit / (loss) for the period attributable to shareholders of the parent entity		316.6	366.7
Dividends per share - Interim	6	Nil	71.0¢
Basic earnings per share	7	98.6¢	113.1¢
Diluted earnings per share	7	98.6¢	113.1¢

The consolidated statement of profit or loss is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated Statement of Other Comprehensive Income

for the six months ended 30 June 2020

	6 months to June 2020 \$m	6 months to June 2019 \$m
Profit / (loss) for the period attributable to shareholders of the parent entity	316.6	366.7
Other comprehensive income attributable to shareholders of the parent entity:		
<i>Items that may be reclassified to profit or loss</i>		
• Foreign exchange translation differences (net of tax)	(53.3)	73.7
• Effective portion of changes in fair value of cash flow hedges (net of tax)	(63.7)	(12.2)
Other comprehensive income / (expense) for the period	(117.0)	61.5
Total comprehensive income / (expense) for the period attributable to shareholders of the parent entity	199.6	428.2
<i>Total comprehensive income / (expense) for the period attributable to shareholders of the parent entity:</i>		
Total comprehensive income / (expense) for the period	196.7	429.1
Total comprehensive (income) / expense for the period attributable to non-controlling interests	2.9	(0.9)
Total comprehensive income / (expense) for the period attributable to shareholders of the parent entity	199.6	428.2

The consolidated statement of other comprehensive income is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated Statement of Financial Position

as at 30 June 2020

	Note	30 June 2020 \$m	31 December 2019 \$m
Assets			
Cash and cash equivalents	9	3,988.7	1,750.0
Short term financial assets and investments	10	4.1	4.5
Trade and other receivables	11	3,998.5	3,554.4
Current tax assets		15.2	-
Inventories: consumables and development properties		421.0	400.1
Total current assets		8,427.5	5,709.0
Trade and other receivables	11	220.4	130.4
Inventories: development properties		101.0	114.9
Investments accounted for using the equity method		214.1	250.5
Other investments		139.7	112.2
Deferred tax assets		977.5	1,025.2
Property, plant and equipment		2,151.4	2,279.1
Intangibles		1,087.5	1,104.4
Total non-current assets		4,891.6	5,016.7
Total assets		13,319.1	10,725.7
Liabilities			
Trade and other payables		5,594.6	6,024.6
Current tax liabilities		38.5	60.3
Provisions		320.5	327.2
Financial liability		231.1	1,483.4
Interest bearing liabilities	16	264.3	164.3
Lease liabilities		274.9	277.8
Total current liabilities		6,723.9	8,337.6
Trade and other payables		196.9	200.8
Provisions		53.1	60.5
Interest bearing liabilities	16	5,026.8	758.6
Lease liabilities		534.7	624.3
Deferred tax liabilities		20.5	20.9
Total non-current liabilities		5,832.0	1,665.1
Total liabilities		12,555.9	10,002.7
Net assets		763.2	723.0
Equity			
Share capital		1,597.2	1,738.4
Reserves		(649.7)	(527.0)
Retained earnings		(137.8)	(454.4)
Total equity attributable to equity holders of the parent		809.7	757.0
Non-controlling interests		(46.5)	(34.0)
Total equity		763.2	723.0

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020

	Share Capital	Reserves	Retained Earnings	Attributable to Equity Holders	Non- controlling Interests	Total Equity
	\$m	\$m	\$m	\$m	\$m	\$m
Total equity at 1 January 2019	1,750.3	(514.3)	1,094.6	2,330.6	(44.4)	2,286.2
Profit for the period	-	-	366.7	366.7	0.9	367.6
Other comprehensive income	-	61.5	-	61.5	-	61.5
Transactions with shareholders in their capacity as shareholders:						
- Dividends	-	-	(278.9)	(278.9)	-	(278.9)
- Share buy backs	-	-	-	-	-	-
- Acquisitions	-	-	-	-	-	-
- Other	-	-	-	-	12.2	12.2
Total transactions with shareholders	-	-	(278.9)	(278.9)	12.2	(266.7)
Total equity at 30 June 2019	1,750.3	(452.8)	1,182.4	2,479.9	(31.3)	2,448.6
	Share Capital	Reserves	Retained Earnings	Attributable to Equity Holders	Non- controlling Interests	Total Equity
	\$m	\$m	\$m	\$m	\$m	\$m
Total equity at 1 January 2020	1,738.4	(527.0)	(454.4)	757.0	(34.0)	723.0
Profit for the period	-	-	316.6	316.6	(2.9)	313.7
Other comprehensive income	-	(117.0)	-	(117.0)	-	(117.0)
Transactions with shareholders in their capacity as shareholders:						
- Dividends	-	-	-	-	(8.1)	(8.1)
- Share buy backs ¹	(141.2)	(5.7)	-	(146.9)	-	(146.9)
- Acquisitions	-	-	-	-	-	-
- Other	-	-	-	-	(1.5)	(1.5)
Total transactions with shareholders	(141.2)	(5.7)	-	(146.9)	(9.6)	(156.5)
Total equity at 30 June 2020	1,597.2	(649.7)	(137.8)	809.7	(46.5)	763.2

¹On 13 December 2019 the CIMIC Group Board approved an on-market share buy-back of up to 10% of CIMIC's fully paid ordinary shares for a period of 12 months commencing 29 December 2019. As at 30 June 2020 6,274,847 shares were bought back totalling \$146.9 million. The associated par value of the shares cancelled totalling \$141.2 million have reduced share capital with the total premium paid over issue value of \$5.7 million taken to the capital redemption reserve. The shares purchased have been cancelled.

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated Statement of Cash Flows

for the six months ended 30 June 2020

		6 months to June 2020 \$m	6 months to June 2019 \$m
Cash flows from operating activities			
Cash receipts in the course of operations (including GST)		6,648.7	7,642.9
Cash payments in the course of operations (including GST)		(6,669.2)	(7,174.0)
Cash flows (used) in / from operating activities	10	(20.5)	468.9
Interest received		12.8	14.8
Finance costs paid		(91.8)	(72.1)
Income taxes (paid) / received		(104.1)	(111.4)
Net cash (used) in / from operating activities		(203.6)	300.2
Cash flows from investing activities			
Payments for intangibles		(9.8)	(1.0)
Payments for property, plant and equipment		(296.6)	(341.1)
Proceeds from sale of property, plant and equipment		10.9	14.6
Cash acquired from acquisition of investments in controlled entities and businesses		-	18.0
Payments for investments in controlled entities and businesses		(3.0)	(12.2)
Payments for investments		-	(24.1)
Loans to associates and joint ventures		-	(117.1)
Net cash (used) in investing activities		(298.5)	(462.9)
Cash flows from financing activities			
Cash payments for share buy backs		(146.9)	-
Payment of financial liability		(1,361.8)	-
Proceeds from borrowings		4,675.0	202.0
Repayment of borrowings		(250.0)	(41.7)
Repayment of leases		(157.5)	(154.4)
Dividends paid to non-controlling interests		(2.4)	-
Net cash from financing activities		2,756.4	5.9
Net increase / (decrease) in cash held		2,254.3	(156.8)
Cash and cash equivalents at the beginning of the period		1,750.0	2,141.7
Effects of exchange rate fluctuations on cash held		(15.6)	17.8
Cash and cash equivalents at reporting date	9	3,988.7	2,002.7

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated interim financial report.

Notes to the Consolidated Financial Statements

for the six months ended 30 June 2020

1. BASIS OF PREPARATION

The consolidated interim financial report is presented in Australian dollars and has been prepared on a historical cost basis, except for financial instruments that have been measured at fair value at the reporting date.

CIMIC Group Limited is a Company domiciled in Australia. The consolidated interim financial report for the six months ended 30 June 2020 comprises the Company and its controlled entities (the "Consolidated Entity" or "Group") and the Consolidated Entity's interest in associates and joint ventures. The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

The consolidated interim financial report does not include all the information required for an annual financial report and should be read in conjunction with the financial report of the Group for the year ended 31 December 2019.

While most of CIMIC's operations were classified as essential services with a focus on business continuity, the Coronavirus disease (COVID-19) pandemic led to a temporary delay in the award of new projects and slowdown of revenues across our activities, both domestic and overseas.

As the COVID-19 situation continues to evolve, CIMIC is monitoring the impact of COVID-19 on 2020 operational and financial performance. Notwithstanding the impact from the evolving COVID-19 situation, the outlook across all of CIMIC's core markets remains positive.

The consolidated interim financial report was authorised for issue by the Directors on 30 July 2020.

a) New and amended accounting standards

In the current year, the Group has applied a number of new and revised accounting standards and amendments that are mandatorily effective for an accounting period that begins on or after 1 January 2020, as follows:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions

While these standards introduce new disclosure requirements, they do not materially affect the Group's accounting policies or any of the amounts recognised in the financial statements.

b) Accounting estimates and judgements

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing the consolidated interim financial report, judgements made in the application of AASBs that could have a significant effect on the financial report and estimates with a risk of adjustment in the next year are the same as those disclosed in the 31 December 2019 CIMIC Annual Report, with the addition of COVID-19 as discussed above.

Notes continued

for the six months ended 30 June 2020

2. REVENUE

	Note	6 months to June 2020 \$m	6 months to June 2019 \$m
Construction revenue		3,195.9	3,634.3
Mining and mineral processing revenue		1,962.0	2,057.2
Services revenue		1,026.5	1,240.9
Other revenue		21.9	22.7
Total revenue	5	6,206.3	6,955.1

3. EXPENSES

		6 months to June 2020 \$m	6 months to June 2019 \$m
Materials		(1,012.7)	(1,217.1)
Subcontractors		(1,681.6)	(1,964.8)
Plant costs		(576.8)	(675.5)
Personnel costs		(1,691.8)	(1,749.0)
Depreciation and impairment of property, plant and equipment		(428.6)	(434.0)
Amortisation of intangibles		(18.9)	(20.8)
Net gain / (loss) on sale of assets		10.4	8.7
Foreign exchange (losses) / gains		(6.4)	2.7
Lease payments		(62.3)	(80.2)
Design, engineering and technical consulting fees		(17.2)	(19.5)
Other expenses		(219.4)	(239.5)
Total expenses		(5,705.3)	(6,389.0)

Notes continued

for the six months ended 30 June 2020

4. NET FINANCE INCOME / (COSTS)

	6 months to June 2020 \$m	6 months to June 2019 \$m
Finance income		
Interest		
- Related parties	-	14.1
- Other parties	13.9	13.6
Unwinding of discounts on non-current receivables		
- Related parties	-	1.5
- Other parties	-	-
Total finance income	13.9	29.2
Finance costs		
Debt interest expense	(44.1)	(30.0)
Finance charge for lease liabilities	(16.9)	(19.7)
Facility fees, bonding and other finance costs	(52.4)	(43.5)
Impact of discounting		
- Related parties	-	-
- Other	(5.5)	(1.4)
Total finance costs	(118.9)	(94.6)
Net finance income / (costs)	(105.0)	(65.4)

Notes continued

for the six months ended 30 June 2020

5. SEGMENT INFORMATION

Description of segments

Operating segments have been identified based on separate financial information that is regularly reviewed by the CIMIC Chief Executive Officer, the Chief Operating Decision Maker ("CODM"). The Group is structured on a decentralised basis comprising the following main segments and a corporate head office:

- | | |
|-------------------------------|--------------------------------------|
| ▪ Construction | ▪ Public Private Partnerships (PPPs) |
| ▪ Mining & Mineral Processing | ▪ Engineering |
| ▪ Services | ▪ Commercial and Residential |
| ▪ Corporate | |

The performance of each segment forms the primary basis for all management reporting to the CODM.

The Group's share of revenue from associates and joint ventures is included in the revenue reported to the CODM for each applicable operating segment. Performance is measured based on segment result. The Corporate segment represents the corporate head office and includes transactions relating to Group finance, taxation, treasury, corporate secretarial and certain strategic investments. Included within the Corporate segment disclosed are the results of the non-reportable segments.

Consistent with prior periods, PPPs, Engineering and Commercial and Residential segments are included within the Corporate segment results. In addition, after CIMIC's decision to exit the Middle East, the Corporate segment also includes CIMIC's non-controlling 45 % interest in BICC at nil value (refer to Note 13: *Associates and Joint Ventures accounted for using the equity method*).

Notes continued

for the six months ended 30 June 2020

5. SEGMENT INFORMATION CONTINUED

6 months to June 2020	Construction \$m	Mining & Mineral Processing \$m	Services \$m	Corporate \$m	Eliminations \$m	Total \$m
Revenue						
Segment revenue	3,202.6	1,990.6	1,313.4	867.8	-	7,374.4
Inter-segment revenue	-	-	-	-	-	-
Segment joint venture and associate revenue	(6.7)	(28.6)	(286.9)	(845.9)	-	(1,168.1)
Revenue	3,195.9	1,962.0	1,026.5	21.9	-	6,206.3
Result						
Segment EBIT	225.9	285.4	67.5	(44.2)	-	534.6
Net finance income / (costs)	(23.4)	(23.4)	(6.1)	(52.1)	-	(105.0)
Income tax (expense) / benefit						(115.9)
Profit / (loss) for the period						313.7
(Profit) / loss for the period attributable to non-controlling interests						2.9
Profit / (loss) for the period attributable to shareholders of the parent entity						316.6
Other						
Share of profit / (loss) of associates and joint venture entities	9.9	1.9	6.0	15.8	-	33.6
Depreciation & amortisation	(86.6)	(333.9)	(16.3)	(10.7)	-	(447.5)
Other material non-cash income / (expenses)	18.3	-	-	15.1	-	33.4

Notes continued

for the six months ended 30 June 2020

5. SEGMENT INFORMATION CONTINUED

6 months to June 2019	Construction	Mining & Mineral Processing	Services	Corporate	Eliminations	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue						
Segment revenue	3,643.1	2,084.3	1,531.1	867.1	-	8,125.6
Inter-segment revenue	-	-	-	-	-	-
Segment joint venture and associate revenue	(8.8)	(27.1)	(290.2)	(844.4)	-	(1,170.5)
Revenue	3,634.3	2,057.2	1,240.9	22.7	-	6,955.1
Result						
Segment EBIT	287.1	259.2	81.9	(59.2)	-	569.0
Net finance income / (costs)	(18.3)	(23.7)	(7.4)	(16.0)	-	(65.4)
Income tax (expense) / benefit						(136.0)
Profit / (loss) for the period						367.6
(Profit) / loss for the period attributable to non-controlling interests						(0.9)
Profit / (loss) for the period attributable to shareholders of the parent entity						366.7
Other						
Share of profit / (loss) of associates and joint venture entities	(0.7)	1.2	8.8	(6.4)	-	2.9
Depreciation & amortisation	(103.2)	(325.6)	(21.6)	(4.4)	-	(454.8)
Other material non-cash income / (expenses)	-	-	-	5.1	-	5.1

Notes continued

for the six months ended 30 June 2020

6. DIVIDENDS

	Cents per share	\$m
2020 interim dividend		
Subsequent to reporting date the Company announced no interim dividend would be paid in respect of the period ended 30 June 2020	-	-
Dividends recognised in the reporting period to 30 June 2020		
The Company announced no final dividend would be paid in respect of the year ended 31 December 2019	-	-
Dividends recognised in the reporting period to 31 December 2019		
30 June 2019 interim ordinary dividend 100% franked paid on 3 October 2019	71.0	230.2
31 December 2018 final dividend 100% franked paid on 4 July 2019	86.0	278.9
Total dividends recognised in reporting period to 31 December 2019		509.1

Notes continued

for the six months ended 30 June 2020

7. EARNINGS PER SHARE

	6 months to June 2020	6 months to June 2019
Basic earnings per share	98.6¢	113.1¢
Diluted earnings per share	98.6¢	113.1¢
Profit / (loss) attributable to shareholders of the parent entity used in the calculation of basic and diluted earnings per share (\$m)	316.6	366.7
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share ¹	321,189,320	324,254,097
Weighted average effect of share options on issue	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	321,189,320	324,254,097

¹During the current period 6,274,847 of fully paid ordinary shares were purchased for a consideration of \$146.9 million from the shareholders of CIMIC Group Limited and cancelled under the on-market share buy-back programme announced on 29 December 2019. No share buy-backs took place in the comparative period ended 30 June 2019. Issued and fully paid share capital at 30 June 2020 of 317,451,909 (31 December 2019: 323,726,756).

8. NET TANGIBLE ASSET BACKING

	June 2020	December 2019
Net tangible asset backing per ordinary share ¹	(\$1.01)	(\$1.18)

¹Net tangible asset backing per ordinary share includes the significant one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region as disclosed in the 31 December 2019 CIMIC Group Annual Report. Excluding this one-off item, the net tangible asset backing per ordinary share is \$4.72 (31 December 2019 is \$4.51).

Notes continued

for the six months ended 30 June 2020

9. CASH AND CASH EQUIVALENTS

	June 2020 \$m	December 2019 \$m
Funds on deposit	450.1	446.8
Cash at bank and on hand	3,538.6	1,303.2
Cash and cash equivalents	3,988.7	1,750.0

10. SHORT TERM FINANCIAL ASSETS AND INVESTMENTS

	June 2020 \$m	December 2019 \$m
Short term financial assets and investments	4.1	4.5

This balance represents liquid assets converted or readily convertible to cash subsequent to period end.

	Note	June 2020 \$m	December 2019 \$m
Additional information on cash, cash equivalents and short term financial assets and investments:			
Cash and cash equivalents	9	3,988.7	1,750.0
Short term financial assets and investments		4.1	4.5
Cash and equivalent liquid assets		3,992.8	1,754.5

	June 2020 \$m	June 2019 \$m
Cash flows from operating activities	(20.5)	468.9
Change in short term assets and investments	(0.4)	59.7
Total cash from operating activities and changes in equivalent liquid assets	(20.9)	528.6

Notes continued

for the six months ended 30 June 2020

11. TRADE AND OTHER RECEIVABLES

	June 2020 \$m	December 2019 \$m
Contract receivables	417.8	390.7
Contract assets ^{1,3}	2,632.6	2,080.1
Retentions and capitalised costs to fulfil contracts	146.0	137.1
Total contract debtors	3,196.4	2,607.9
Trade debtors	190.4	210.5
Other amounts receivable	610.0	691.0
Prepayments	155.2	102.1
Derivative financial assets	1.9	9.3
Amounts receivable from related parties	32.6	32.1
Non-current tax asset ²	32.4	31.9
Total trade and other receivables	4,218.9	3,684.8
Current ^{1, 3}	3,998.5	3,554.4
Non-current ²	220.4	130.4
Total trade and other receivables	4,218.9	3,684.8
Additional information on contract debtors		
Total contract debtors – trade and other receivables	3,196.4	2,607.9
Total contract liabilities – trade and other payables	(1,670.1)	(1,322.2)
Net contract debtors	1,526.3	1,285.7

¹Contract assets includes an amount equal to \$1.15 billion (31 December 2019: \$1.15 billion) relating to the Gorgon LNG Jetty and Marine Structures Project being undertaken by CPB Contractors Pty Ltd (CPB), a wholly owned subsidiary of CIMIC, together with its consortium partners, Saipem SA and Saipem Portugal Comercio Marítimo LDA (Saipem and CPB together referred to as the Consortium) for Chevron Australia Pty Ltd (Chevron) (Gorgon Contract).

The position is:

- In November 2009 the Consortium was announced as the preferred contractor to construct the 2.1 kilometre Chevron Gorgon LNG Jetty and Marine Structures project on Barrow Island, 70 kilometres off the Pilbara coast of Western Australia.
- The scope of work consisted of the design, material supply, fabrication, construction and commissioning of the LNG Jetty. The scope also included supply, fabrication and construction of marine structures including a heavy lift facility, tug pens and navigation aids.
- The jetty comprised steel trusses approximately 70 metres long supported by concrete caissons leading to the loading platform approximately 4 kilometres from the shore.
- Initial acceptance of the jetty and marine structures took place on 15 August 2014.
- During the project, changes to scope and conditions led to the Consortium submitting Change Order Requests (CORs). The Consortium, Chevron and Chevron's agent, entered into negotiations in relation to some of the CORs.
- On 9 February 2016 the Consortium formally issued a Notice of Dispute to Chevron in connection with the Gorgon Contract relating to the CORs. Following a period of prescribed negotiation, the parties have entered a private arbitration as prescribed by the Gorgon Contract (Chevron Arbitration).
- Since December 2016, the Chevron Arbitration in Australia has continued in accordance with the contractual terms. Closing submissions were completed on 6 – 7 November 2019 with an award from the arbitrators expected in 2020.

Notes continued

for the six months ended 30 June 2020

11. TRADE AND OTHER RECEIVABLES CONTINUED

On 20 August 2016, CIMIC Group also commenced two separate proceedings in the United States, one against Chevron Corporation and one against KBR Inc. (which acted as agent for Chevron). The commencement of these proceedings has no effect on the contract process or CIMIC's entitlement to the amounts under negotiation / claimed in the Australian arbitration.

In parallel there is an arbitration procedure against Saipem pursuant to the Consortium Agreement seeking recovery of claimed amounts, in excess of the amount recorded in contract assets. The Consortium Arbitration continues in accordance with the contractual processes; arbitrators have been appointed and orders for the conduct of the arbitration have been made. As a result of COVID-19 uncertainties, it is anticipated that hearings will commence either in 2020 or early 2021 with a determination thereafter.

² *The non-current tax asset of \$32.4 million (31 December 2019: \$31.9 million) represents the amount of income taxes recoverable from the payment of tax in excess of the amounts due to the relevant tax authority not expected to be received within twelve months after reporting date.*

³ *Contract assets are net of \$675.0 million (31 December 2019: \$675.0 million) revenue constraint on a portfolio basis.*

Notes continued

for the six months ended 30 June 2020

12. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES

2020 Acquisitions

Pekko Engineering

On 28 February 2020, CIMIC through its wholly owned subsidiary Leighton Asia Pty Ltd acquired Pekko Engineers Ltd ("Pekko Engineers"). This company is a Hong Kong based engineering company that provides electrical services on infrastructure projects. The purchase consideration was \$4.3 million cash, of which \$1.7 million was deferred. Subsequent to the acquisition, \$0.7 million of the \$1.7 million deferred amount has been paid.

The acquisition has been accounted for under AASB 3 *Business Combinations*.

The contribution by Pekko Engineers to the Group from the acquisition date to the end of the period ended 30 June 2020 was immaterial. Had the acquisition occurred on 1 January 2020, Pekko Engineers' contribution to the Group for the period ended 30 June 2020 would have been immaterial. Pekko Engineers is now reported within the Construction segment (refer to Note 5: *Segment information*).

2019 Acquisitions

Majwe Mining

On 18 March 2019, CIMIC through its wholly owned subsidiary Thiess Pty Ltd acquired a controlling interest (70%) in Majwe Mining, a joint venture which Thiess previously owned 60%. The Majwe Mining joint venture comprises of Thiess and Bothakga Burrow Botswana and provides full scope mining services, including drill and on-bench services, mine planning, equipment maintenance, load and haul and mining operations at the Debswana Diamond Company's Jwaneng Mine Cut 9 project in Botswana. The purchase consideration was \$6.0 million cash.

The acquisition has been accounted for under AASB 3 *Business Combinations*.

The contribution by Majwe Mining to the Group from the acquisition date to the end of the period ended 31 December 2019 was immaterial. Had the acquisition occurred on 1 January 2019, Majwe Mining's contribution to the Group for the period ended 31 December 2019 would have been immaterial. Majwe Mining is now reported within the Mining segment (refer to Note 5: *Segment information*).

RCR Tomlinson

On 28 February 2019, CIMIC through its wholly owned subsidiary UGL Pty Ltd acquired assets and liabilities from an incorporated company RCR Tomlinson Pty Ltd. This company is an engineering company that operates in the infrastructure, energy and resources sectors. The Group acquired assets in the form of active contracts, plant and equipment as well as liabilities assumed for employee liabilities, bank guarantees and insurance bonds. The purchase consideration was \$8.0 million cash, of which \$1.8 million was deferred and subsequently paid.

The acquisition has been accounted for under AASB 3 *Business Combinations*.

The active contracts acquired did not have a material contribution to the Group for the period ended 31 December 2019. Had the active contracts been acquired on 1 January 2019, the contribution to the Group for the period ended 31 December 2019 would have been immaterial. The company is now reported within the Services segment (refer to Note 5: *Segment Information*).

Disposals

There were no disposals of controlled entities or businesses during the 6 months to 30 June 2020 (31 December 2019: \$nil).

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for the six months ended 30 June 2020

13. ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

The Group has the following investments in associates:

Name of entity	Principal activity	Country	Ownership interest	
			June 2020 %	December 2019 %
Canberra Metro Holdings Pty Ltd ¹	Construction	Australia	30	30
Canberra Metro Holdings Trust ¹	Construction	Australia	30	30
Dunsborough Lakes Village Syndicate ¹	Development	Australia	20	20
LCIP Co-Investment Unit Trust ²	Investment	Australia	11	11
Metro Trains Australia Pty Ltd ¹	Services	Australia	20	20
Metro Trains Sydney Pty Ltd ¹	Services	Australia	20	20
On Talent Pty Ltd	Recruitment	Australia	30	30
Shaped NZ Hold GP Limited ³	Investment	New Zealand	23	23
Shaped NZ Hold LP ³	Investment	New Zealand	23	23
Wellington Gateway General Partner No.1 Limited ^{2,4}	Investment	New Zealand	-	15
Wellington Gateway Partnership No.1 Limited ^{2,4}	Investment	New Zealand	-	15

All associates have a statutory reporting date of 31 December with the following exceptions:

¹Entities have a 30 June statutory reporting date.

²The Group's investment was equity accounted as a result of the Group's active participation on the Board and the Group's ability to impact decision making, leading to the assessment that significant influence exists.

³Entities have a 31 March statutory reporting date.

⁴Entities have been transferred to other investments in the period.

Notes continued

for the six months ended 30 June 2020

13. ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD CONTINUED

The Group has the following joint venture entities:

Name of entity	Principal activity	Country	Ownership interest	
			June 2020 %	December 2019 %
Australian Terminal Operations Management Pty Ltd	Services	Australia	50	50
BIC Contracting LLC	Construction	United Arab Emirates	45	45
Canberra Metro Operations Pty Ltd	Services	Australia	50	50
CIP Holdings General Partner Limited ¹	Investment	New Zealand	40	40
Cockatoo Mining Pty Ltd	Contract Mining	Australia	50	50
Cornerstone Infrastructure Partners Holding LP ¹	Investment	New Zealand	40	40
Great Eastern Highway Upgrade	Construction	Australia	75	75
GSJV Guyana Inc ¹	Contract Mining	Guyana	50	50
GSJV SCC (former GSJV Limited (Barbados)) ¹	Contract Mining	Barbados	50	50
Kings Square No.4 Unit Trust ¹	Development	Australia	50	50
Kings Square Pty Ltd ¹	Development	Australia	50	50
Leighton Abigroup Joint Venture ¹	Construction	Australia	50	50
Leighton Kumagai Joint Venture (Metrorail) ^{1,3}	Construction	Australia	-	55
Leighton-Infra 13 Joint Venture ²	Construction	India	50	50
Leighton-Ose Joint Venture ²	Construction	India	50	50
Mode Apartments Pty Ltd	Development	Australia	30	30
Mode Apartments Unit Trust	Development	Australia	30	30
Momentum Trains Holding Pty Ltd ¹	Investment	Australia	49	49
Momentum Trains Holding Trust ¹	Investment	Australia	49	49
Mpeet Pty Limited	Services	Australia	50	50
Mulba Mia Leighton Broad Joint Venture ¹	Construction	Australia	50	50
Naval Ship Management (Australia) Pty Ltd ²	Services	Australia	50	50
Northern Gateway Alliance ³	Construction	New Zealand	-	50
Pulse Partners Agent Pty Ltd ¹	Investment	Australia	49	-
Pulse Partners Holding Pty Ltd ¹	Investment	Australia	49	49
Pulse Partners Holding Trust ¹	Investment	Australia	49	49
RTL JV ^{1,3}	Contract Mining	Australia	-	44
RTL Mining and Earthworks Pty Ltd ¹	Construction	Australia	44	44
Smartreo Pty Ltd	Construction	Australia	50	50
Southern Gateway Alliance (Mandurah) ³	Construction	Australia	-	69
Thiess United Group Joint Venture ^{1,3}	Construction	Australia	-	50
Torrens Connect Pty Ltd	Services	Australia	45	-
Ventia Services Group Pty Limited	Investment	Australia	47	47
Wallan Project Pty Ltd ¹	Investment	Australia	30	30
Wallan Project Trust	Investment	Australia	30	30
WSO M7 Stage 3 JV	Construction	Australia	50	50

All joint venture entities have a statutory reporting date of 31 December with the following exceptions as they are aligned with the joint venture partners' reporting date and / or the reporting date is prescribed by local statutory requirements:

¹Entities have a 30 June statutory reporting date.

²Entities have a 31 March statutory reporting date.

³Entities have been deregistered in the period.

Where the Group has an ownership interest in a joint venture entity greater than 50% but does not control the arrangement due to the existence of joint control, the joint venture is not consolidated.

No material joint ventures have been identified by management.

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for the six months ended 30 June 2020

13. ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD CONTINUED

BICC

As disclosed in the 31 December 2019 CIMIC Group Annual Report, on 23 January 2020 the Group announced to the ASX that it had completed an extensive strategic review of its financial investment of a non-controlling interest in BIC Contracting (BICC), a company operating in the Middle East region, with a decision to exit the region.

CIMIC's investment in BICC is held at nil value.

The Group continues to hold a call option to purchase the remaining 55% shareholding in BICC. This option has no current impact on the control of the company. Following the Group's decision to exit the Middle East as at 31 December 2019, the fair value of the call option was determined to be US\$nil for 30 June 2020 (31 December 2019: US\$nil), equivalent to \$nil (31 December 2019: \$nil).

A financial liability and other amounts payable were recognised which represent amounts expected to be paid as CIMIC's financial guarantees of certain BICC liabilities materialise.

The financial liability recorded as at 31 December 2019 of \$1,483.4 million reduced to \$231.1 million as at 30 June 2020.

The reduction in the liabilities recorded as at 31 December 2019 was due to \$1,361.8 million having been paid in respect of CIMIC's financial guarantees; as well as the impact of foreign exchange; and other operational and financial expenses netted off with reductions in certain contingent exposures being recorded by CIMIC during the period.

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for the six months ended 30 June 2020

14. JOINT OPERATIONS

The Group has the following interest in joint operations:

Name of arrangement	Principal activity	Country	Ownership interest	
			June 2020 %	December 2019 %
Boulderstone Leighton Joint Venture	Construction	Australia	50	50
Casey Fields Joint Venture ²	Development	Australia	33	33
CH2-UGL JV	Construction	Australia	50	50
CHT Joint Venture	Construction	Australia	50	50
CPB BAM Ghella UGL Joint Venture	Construction	Australia	54	54
CPB & BMD JV	Construction	Australia	50	50
CPB & Bombardier JV	Construction	Australia	50	50
CPB & JHG JV	Construction	Australia	50	50
CPB Black & Veatch Joint Venture ¹	Construction	Australia	50	50
CPB Dragados Samsung Joint Venture	Construction	Australia	40	40
CPB John Holland Dragados Joint Venture	Construction	Australia	50	50
CPB Samsung John Holland Joint Venture	Construction	Australia	33	33
CPB Seymour Whyte JV	Construction	Australia	50	50
CPB Southbase JV	Construction	New Zealand	60	60
EV LNG Australia Pty Ltd & Thiess Pty Ltd (EVT JV)	Construction	Australia	50	50
Gammon - Leighton Joint Venture	Construction	Hong Kong	50	50
Gateway WA	Construction	Australia	68	68
Henry Road Edenbrook Joint Venture ¹	Development	Australia	30	30
HYLC Joint Venture ²	Construction	Australia	50	50
JH & CPB & Ghella JV	Construction	Australia	45	45
JHCPB JV	Construction	Australia	50	50
John Holland - Leighton (South East Asia) Joint Venture	Services	Hong Kong	50	50
John Holland Pty Ltd, UGL Engineering Pty Ltd and GHD Pty Ltd	Construction	Australia	50	50
Trading as Malabar Alliance				
Leighton - China State - Van Oord Joint Venture	Construction	Hong Kong	45	45
Leighton - China State Joint Venture	Construction	Hong Kong	51	51
Leighton - China State Joint Venture	Construction	Hong Kong	51	51
Leighton - Chun Wo Joint Venture	Construction	Hong Kong	84	84
Leighton - Chun Wo Joint Venture	Construction	Hong Kong	60	60
Leighton - Chun Wo Joint Venture	Construction	Hong Kong	70	70
Leighton - Gammon Joint Venture	Construction	Hong Kong	50	50
Leighton - HEB Joint Venture	Construction	New Zealand	80	80
Leighton Abigroup Consortium (Epping to Thornleigh)	Construction	Australia	50	50
Leighton China State John Holland Joint Venture (City Of Dreams)	Construction	Macau	40	40
Leighton China State Joint Venture (Wynn Resort)	Construction	Macau	50	50
Leighton Contractors Downer Joint Venture ²	Construction	Australia	50	50
Leighton Fulton Hogan Joint Venture (Sapphire to Woolgoolga) ¹	Construction	Australia	50	50
Leighton Fulton Hogan Joint Venture (Sh16 Causeway Upgrade)	Construction	New Zealand	50	50
Leighton John Holland Joint Venture (formerly Leighton John Holland Joint Venture (Thomson Line))	Construction	Singapore	50	50
Leighton M&E – Southa Joint Venture	Construction	Hong Kong	50	50
Leighton Yongnam Joint Venture	Construction	Singapore	70	70
Leighton York Joint Venture	Construction	Australia	75	75
Leighton-Able Joint Venture	Construction	Hong Kong	51	51
Leighton-Chubb E&M Joint Venture	Construction	Hong Kong	50	50

Notes continued

for the six months ended 30 June 2020

14. JOINT OPERATIONS CONTINUED

Name of arrangement	Principal activity	Country	Ownership interest	
			June 2020 %	December 2019 %
Leighton-John Holland Joint Venture	Construction	Hong Kong	55	55
Leighton-John Holland Joint Venture (Lai Chi Kok)	Construction	Hong Kong	51	51
Leighton-Total Joint Operation	Construction	Indonesia	67	67
LLECPB Crossing Removal JV	Construction	Australia	50	50
Metropolitan Road Improvement Alliance	Construction	Australia	71	71
Murray & Roberts Marine Malaysia - Leighton Contractors Malaysia Joint Venture ¹	Construction	Malaysia	50	50
N.V. Besix S.A. & Thiess Pty Ltd (Best JV)	Construction	Australia	50	50
NRT - Design & Delivery JV	Construction	Australia	50	50
NRT - Infrastructure Joint Venture	Construction	Australia	50	50
NRT Systems JV	Services	Australia	40	40
OWP Joint Venture (Optus Wireless JV)	Services	Australia	50	50
PTA Radio	Services	Australia	44	44
Rizzani CPB Joint Venture	Construction	Australia	50	50
Swietelsky CPB Rail Joint Venture ¹	Services	Australia	50	50
Task Joint Venture (Thiess & Sinclair Knight Merz)	Construction	Australia	-	60
Thiess Balfour Beatty Joint Venture	Construction	Australia	67	67
Thiess Degremont JV	Construction	Australia	65	65
Thiess Degremont Nacap Joint Venture ¹	Construction	Australia	33	33
Thiess John Holland Joint Venture (Airport Link)	Construction	Australia	50	50
Thiess John Holland Joint Venture (Eastlink)	Construction	Australia	50	50
Thiess KMC JV	Contract Mining	Canada	51	51
Thiess Wirlu-Murra Joint Venture	Contract Mining	Australia	-	50
UGL Cape	Services	Australia	50	50
UGL Kentz	Construction	Australia	50	50
Veolia Water - Leighton - John Holland Joint Venture	Construction	Hong Kong	24	24

All joint operations have a reporting date of 31 December with the following exceptions:

¹ Arrangements have a 30 June reporting date. These entities have different statutory reporting dates to the Group as they are aligned with the joint operations partners' reporting date and / or the reporting date is prescribed by local statutory requirements.

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for the six months ended 30 June 2020

15. FINANCIAL INSTRUMENTS

a) Classification of financial assets and financial liabilities

Financial assets	June 2020 \$m	December 2019 \$m
Financial assets at amortised cost:		
Cash and cash equivalents	3,988.7	1,750.0
Short term financial assets and investments	4.1	4.5
Contract debtors	3,196.4	2,607.9
Trade debtors	190.4	210.5
Amounts receivable from related parties	32.6	32.1
Other amounts receivable	797.6	825.0
Financial assets at fair value through profit or loss	139.7	112.2
Derivative financial instruments:		
Used for hedging	1.2	9.3
Balance at reporting date	8,350.7	5,551.5
Financial liabilities	June 2020 \$m	December 2019 \$m
Financial liabilities at amortised cost:		
Trade and other payables	5,804.5	6,212.8
Financial liability	218.1	1,483.4
Interest bearing liabilities	5,291.1	922.9
Lease liabilities	809.6	902.1
Derivative financial instruments:		
Used for hedging	53.0	12.6
Balance at reporting date	12,176.3	9,533.8

The Group's financial instruments resulted in the following income, expenses and gains and losses recognised in the consolidated statement of profit or loss:

	6 months to June 2020 \$m	6 months to June 2019 \$m
Income, expenses and gains and losses recognised in the statement of profit or loss:		
Interest from assets held at amortised cost	13.9	29.2
Net fair value gain / (loss) on equity investments mandatorily measured at FVPL	17.4	1.4
Gain / (loss) on de-recognition of financial assets measured at amortised cost	(37.2)	(28.6)
Net foreign exchange gain / (losses) recognised in profit before income tax for the period	(6.4)	2.7

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for the six months ended 30 June 2020

15. FINANCIAL INSTRUMENTS CONTINUED

b) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the fair value hierarchy. The fair values of financial assets and liabilities held at fair value have been determined based on either the listed price or the net present value of cash flows using current market rates of interest.

The table below analyses other financial instruments carried at fair value, listed in order of valuation method. The different levels have been identified as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data.

30 June 2020	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets				
Financial assets at fair value through profit or loss				
- Listed	0.2	-	-	0.2
- Unlisted	-	-	139.7	139.7
Derivatives				
- Used for hedging	-	1.9	-	1.9
- Held for trading at fair value through profit or loss	-	-	-	-
Total assets	0.2	1.9	139.7	141.8
Liabilities				
Derivatives	-	(53.0)	-	(53.0)
Total liabilities	-	(53.0)	-	(53.0)
31 December 2019	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets				
Financial assets at fair value through profit or loss				
- Listed	1.0	-	-	1.0
- Unlisted	-	-	111.2	111.2
Derivatives				
- Used for hedging	-	9.3	-	9.3
- Held for trading at fair value through profit or loss	-	-	-	-
Total assets	1.0	9.3	111.2	121.5
Liabilities				
Derivatives	-	(12.6)	-	(12.6)
Total liabilities	-	(12.6)	-	(12.6)

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for the six months ended 30 June 2020

15. FINANCIAL INSTRUMENTS CONTINUED

b) Fair value hierarchy continued

During the period there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies. Level 3 instruments comprise unlisted equity and stapled securities and unlisted financial assets at fair value through profit and loss; the determination of the fair value of these securities is discussed below. The tables below analyse the changes in Level 3 instruments as follows:

	6 months to June 2020 \$m	12 months to December 2019 \$m
Financial assets at fair value through profit or loss		
Balance at beginning of reporting period	112.2	105.4
Additions	10.1	5.4
Gains recognised through profit or loss	17.4	1.4
Foreign exchange recognised in other comprehensive income	-	-
Balance at reporting date	139.7	112.2

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets, total liabilities or total equity.

c) Methods and valuation techniques

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Listed and unlisted investments

The fair values of listed investments are determined on an active market valuation basis using observable market data such as current bid prices. The fair values of unlisted investments are determined by the use of internal valuation techniques using discounted cash flows. Where practical the valuations incorporate observable market data. Assumptions are generally required with regard to future expected revenues and discount rates.

Listed and unlisted debt

Fair value has been determined based on either the listed price or the net present value of cash flows using current market rates of interest.

The fair value of interest bearing liabilities is:

- *Listed debt:* 10-Year-Fixed-Rate Guaranteed Notes fair value US\$202.0 million, equivalent to \$288.6 million; carrying value US\$201.3 million, equivalent to \$287.6 million (31 December 2019: fair value US\$214.1 million, equivalent to \$305.9 million; carrying value US\$201.3 million, equivalent to \$287.6 million).
- *Unlisted debt:* Guaranteed Senior Notes fair value US\$116.0 million, equivalent to \$165.6 million; carrying value US\$115.0 million, equivalent to \$164.3 million (31 December 2019: fair value US\$119.1 million, equivalent to \$170.1 million; carrying value US\$115.0 million, equivalent to \$164.3 million).

Cash flow hedges

The Group's foreign currency forward contracts are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates and are included in Level 2 of the fair value hierarchy.

The carrying amounts of other financial assets and liabilities in the Group's statement of financial position approximate fair values.

d) Valuation process

The internal valuation process for unlisted investments, unlisted debt and cash flow hedges is managed by a team in the Group finance department which performs the valuations required for financial reporting purposes. The valuation team reports to CIMIC's CFO. Discussions on valuation processes and outcomes are held between the valuation team and CFO as required. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

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15. FINANCIAL INSTRUMENTS CONTINUED

e) Capital Risk Management

Capital planning forms part of the business and strategic plans of the Group. Decisions relating to obtaining and investing capital are made following consideration of the Group's key financial objectives including total shareholder return and the maintenance of an investment grade credit rating. Performance measures include return on revenue, return on equity, earnings growth, liquidity and borrowing capacity. The Group has access to numerous sources of capital both domestically and internationally, including cash balances, equity, bank debt, capital markets, insurance, lease facilities and trade finance facilities.

During the period to 30 June 2020, the Group has increased its overall liquidity, with cash and equivalent liquid assets increasing to \$3,992.8 million as the Group has drawn down on committed facilities as a precautionary risk mitigation measure in light of potential COVID-19 financial market uncertainties.

Accordingly, some cash is subject to certain financial or operational restrictions of \$768.4 million (31 December 2019: \$320.6 million). Further, some cash is also restricted in relation to the non-recourse sale of certified receivables of \$230.5 million (31 December 2019: \$147.5 million). The restricted cash in relation to the non-recourse sale of certified receivables is included in the Group's overall factoring balance. The Group is not subject to any externally imposed capital requirements.

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for the six months ended 30 June 2020

16. INTEREST BEARING LIABILITIES

	June 2020 \$m	December 2019 \$m
Current interest bearing loans	264.3	164.3
Non-current interest bearing loans	5,026.8	758.6
Total interest bearing liabilities	5,291.1	922.9

Interest bearing loans

Syndicated Loans

On 30 September 2019, CIMIC Finance Limited, a wholly owned subsidiary of the Company, refinanced and expanded one tranche of its core syndicated bank debt facility. The facility now matures across three tranches:

- \$1,300.0 million maturing on 22 September 2022
- \$950.0 million maturing on 25 September 2023
- \$950.0 million maturing on 25 September 2024

Carrying amount at 30 June 2020: \$3,200.0 million (carrying amount at 31 December 2019: \$200.0 million). There are \$13.7 million of capitalised borrowing costs recognised against the loan facility (31 December 2019: \$15.9 million).

On 28 January 2020, CIMIC Finance (USA) Pty Limited, a wholly owned subsidiary of the Company, entered into a syndicated banking facility totalling US\$1,060.0 million equivalent to \$1,514.3 million, maturing on 5 August 2021. The carrying amount at 30 June 2020: \$1,514.3 million (31 December 2019: \$nil).

On 30 June 2020, CIMIC Finance Limited, a wholly owned subsidiary of the Company, entered into a syndicated facility agreement with HSBC as facility agent, across two tranches:

- US\$105.0 million equivalent to \$150.0 million maturing on 30 June 2021
- \$125.0 million maturing on 30 June 2021

Carrying amount at 30 June 2020: \$nil (carrying amount at 31 December 2019: \$nil).

Guaranteed Senior Notes

CIMIC Finance (USA) Pty Limited (2010)

On 21 July 2010, CIMIC Finance (USA) Pty Limited, a wholly owned subsidiary of the Company, issued a total of US\$350.0 million Guaranteed Senior Notes in three series:

- Series A Notes: US\$90.0 million Guaranteed Senior Notes at the rate of 4.51% which matured on 21 July 2015
- Series B Notes: US\$145.0 million Guaranteed Senior Notes at the rate of 5.22% which matured on 21 July 2017
- Series C Notes: US\$115.0 million Guaranteed Senior Notes at the rate of 5.78% which matured on 21 July 2020.

Interest on the above notes is paid semi-annually on the 21st day of January and July in each year. Carrying amount at 30 June 2020: US\$115.0 million (31 December 2019: US\$115.0 million) equivalent to \$164.3 million (31 December 2019: \$164.3 million), of which US\$115.0 million has been repaid on 21 July 2020.

CIMIC Finance (USA) Pty Limited (2012)

On 13 November 2012, CIMIC Finance (USA) Pty Limited issued US\$500.0 million of 10-Year Fixed-Rate Guaranteed Senior Notes.

The notes bear interest from 13 November 2012 at the rate of 5.95% per annum and mature on 13 November 2022. Interest on the notes will be paid semi-annually on the 13th day of May and November in each year. The Group repurchased US\$298.7 million, equivalent to \$409.2 million, of Guaranteed Senior Notes on 24 June 2015. Carrying amount at 30 June 2020: US\$201.3 million (31 December 2019: US\$201.3 million) equivalent to \$287.6 million (31 December 2019: \$287.6 million).

Bilateral loans

At 30 June 2020, bilateral and other unsecured loan facilities outstanding were \$138.6 million (31 December 2019: \$286.9 million).

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17. TRADE FINANCE ARRANGEMENTS

The Group enters into factoring agreements with banks and financial institutions. These agreements only relate to certified receivables, on a non-recourse basis, acknowledged by the client with payment only being subject to the passage of time. Under the factoring agreements:

- The certified receivables are de-recognised where the risks and rewards of the receivables have been transferred as the cash flow is only derived when there are goods or services provided or work performed by the Group for which it is entitled to be paid;
- The cash flow to the Group only arises when there is an amount certified by the client and contractually due to be paid to the Group; there are no disputes on the amounts due and the customer has acknowledged this by way of certification; and
- The receipt by the Group irrevocably removes the Group's right to the certified receivable due from the customers.

The factoring of these receivables is therefore done on a non-recourse basis. The level of non-recourse factoring across the Group was \$1,872.3 million as at 30 June 2020 (30 June 2019: \$1,994.8 million and 31 December 2019: \$1,960.3 million).

The Group enters into supply chain finance arrangements with financial institutions for suppliers which may elect to receive early payment for goods and services to improve their liquidity. The supply chain finance program is offered on a voluntary basis and suppliers can opt-in and opt-out at their discretion at any point in time. The terms of the arrangements are:

- The creditor arises from operational expenses relating to the supply of goods and services;
- They mirror normal credit terms;
- There are no additional credit enhancements; and
- They are subject to the same obligations that are customary within the industry, such as warranty for defective work.

Accordingly, the terms of the arrangement do not modify the original liability, and therefore the amounts continue to be classified within trade and other payables. The level of supply chain finance across the Group was \$360.6 million as at 30 June 2020 (30 June 2019: \$662.3 million and 31 December 2019: \$851.3 million).

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since 31 December 2019.

19. EVENTS SUBSEQUENT TO REPORTING DATE

- The Group determined no interim dividend would be paid for the period ended 30 June 2020.
- On 29 July 2020, the Group announced that it had signed an exclusivity agreement and is in advanced negotiations with funds advised by Elliott Advisors (UK) Limited (together "Elliott") regarding the potential investment by Elliott into 50% of the share capital of Thiess, which would provide joint control of Thiess to CIMIC and Elliott.

It is expected that the advanced negotiations will conclude in the coming weeks with a share purchase agreement that will be subject to customary conditions including all regulatory approvals.

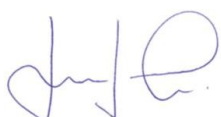
Thiess is currently presented within the Mining and Mineral Processing segment in Note 5: Segment Information.

Directors' Declaration

In the opinion of the Directors of CIMIC Group Limited ("the Company"):

- 1) the consolidated interim financial report and notes set out on pages 4 to 31, are in accordance with the *Corporations Act 2001* including:
 - a) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2020 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- 2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors:



Juan Santamaria
Chief Executive Officer and Managing Director



Russell Chenu
Chairman Audit and Risk Committee

Sydney, 30 July 2020

Independent Auditor's Review Report to the members of CIMIC Group Limited

We have reviewed the accompanying interim financial report of CIMIC Group Limited, which comprises the Consolidated Statement of Financial Position as at 30 June 2020, and the Consolidated Statement of Profit and Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 32.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CIMIC Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of CIMIC Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of CIMIC Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountants

Sydney, 30 July 2020

The Directors
CIMIC Group Limited
25/177 Pacific Highway
NORTH SYDNEY NSW 2060

30 July 2020

Dear Directors

Auditor's Independence Declaration to CIMIC Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of CIMIC Group Limited.

As lead audit partner for the review of the interim financial report of CIMIC Group Limited for the half-year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountants



Management
Commentary 2020

For the six months ended 30 June 2020
Issued 30 July 2020

CIMIC Group Limited
ABN 57 004 482 982

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North Sydney NSW 2060, Australia
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FINANCIAL OVERVIEW

OPERATING PERFORMANCE

- Revenue of \$6.2 billion in HY20 versus \$7.0 billion in HY19.
- COVID-19 leading to temporary delay in the award of new projects and slowdown of revenues across our activities, both domestic and overseas.
- Resilient operating profit, PBT and NPAT margins of 8.6%, 6.9% and 5.1% respectively; supported by business mix and cost efficiency measures.
- Operating profit of \$534.6 million in HY20 versus \$569.0 million in HY19.
- PBT of \$429.6 million in HY20 versus \$503.6 million in HY19.
- NPAT of \$316.6 million in HY20 versus \$366.7 million in HY19.
- No significant one-off impacts (excluding ongoing impacts from COVID-19).

CASH FLOWS

- Operating cash flow pre-factoring of \$1,287.3 million in LTM, an increase of \$495.3 million YOY.
- Factoring of \$1.87 billion, down \$122.5 million YOY.
- EBITDA cash conversion rate pre-factoring of 61% in LTM, up from 39% in HY19, notwithstanding impact from COVID-19.
- Maintained a disciplined focus on capital expenditure, managing working capital and generating sustainable cash-backed profits.

FINANCIAL POSITION

- Strong liquidity with cash and equivalent liquid assets of \$4.0 billion, debt repayments of only \$264.3 million due in the next 12 months to June 2021.
- Net debt of \$1,298.3 million, or net cash of \$63.5 million excluding BICC and after \$146.9 million of share buyback at 30 June 2020, with year to date variation mainly due to COVID-19 impact and H1 seasonality.
- Solid investment grade credit ratings reaffirmed by Moody's (Baa2/Stable) in June 2020 and S&P (BBB/Stable/A-2) in 1Q20.
- Net contract debtors stable versus 1Q20 at \$1.5 billion.
- \$675.0 million contract debtors provision remains unchanged.

WORK IN HAND AND PIPELINE

- Solid work in hand of \$38.1 billion.
- Ventia's acquisition of Broadspectrum added \$3.1 billion of work in hand, representing CIMIC's share.
- Operating Companies' work in hand of \$32.8 billion at 30 June 2020, equivalent to more than two years of revenue.
- \$4.9 billion of new work awarded in HY20, temporary delay in award of new projects due to COVID-19.
- Extensive project pipeline in our key markets/activities, continuing to provide a range of opportunities.
- \$70 billion pipeline for Construction, Mining and Services opportunities for the remainder of this year, subject to the COVID-19 evolution, and around \$470 billion of opportunities identified for 2021 and beyond.
- Pipeline includes \$130 billion of PPP opportunities identified for the remainder of 2020 and beyond.

SHAREHOLDER RETURNS

- Since 2015, CIMIC has returned \$2.67 billion to shareholders through dividends (\$2.1 billion) and share buyback (\$0.6 billion).
- EPS (basic) was 98.6 cents, versus 113.1 cents at HY19.
- CIMIC has not declared an interim dividend for HY20.

OUTLOOK

- We continue to monitor the impact of COVID-19 on 2020 operational and financial performance.
- Mining market is proving resilient; exclusivity agreement signed with new equity investor to support the mining growth strategy, process well advanced and targeting resolution in the coming weeks.
- Removal of tendering restrictions in Hong Kong with immediate effect.
- Numerous stimulus packages announced by governments in core Construction and Services markets with additional opportunities through strong PPP pipeline.

FINANCIAL OVERVIEW

Financial performance \$m	HY 2020	HY 2019	chg. \$	chg. %	FY 2019
Group revenue	7,374.4	8,125.6	(751.2)	(9.2)%	17,207.1
Revenue – joint ventures and associates	(1,168.1)	(1,170.5)	2.4	(0.2)%	(2,506.0)
Revenue¹	6,206.3	6,955.1	(748.8)	(10.8)%	14,701.1
Expenses	(5,705.3)	(6,389.0)	683.7	(10.7)%	(13,538.7)
Share of profit/(loss) of associates and joint ventures	33.6	2.9	30.7	-	66.7
Operating profit²	534.6	569.0	(34.4)	(6.0)%	1,229.1
Operating profit margin ³	8.6%	8.2%	40bp		8.4%
Net finance costs	(105.0)	(65.4)	(39.6)	60.6%	(129.2)
Profit before tax (excl. BICC)⁴	429.6	503.6	(74.0)	(14.7)%	1,099.9
PBT margin (excl. BICC) ³	6.9%	7.2%	(30)bp		7.5%
Income tax (excl. BICC) ⁴	(115.9)	(136.0)	20.1	(14.8)%	(297.0)
Profit for the year (excl. BICC)⁴	313.7	367.6	(53.9)	(14.7)%	802.9
Non-controlling interests	2.9	(0.9)	3.8	-	(2.6)
NPAT (excl. BICC)⁴	316.6	366.7	(50.1)	(13.7)%	800.3
NPAT margin (excl. BICC) ³	5.1%	5.3%	(20)bp		5.4%
EPS (basic) – excl. BICC	98.6c	113.1c	(14.5)c	(12.8)%	246.9c
One-off BICC item ⁵	-	-	-	-	(1,840.2)
NPAT	316.6	366.7	(50.1)	(13.7)%	(1,039.9)
NPAT margin ³	5.1%	5.3%	(20)bp		(7.1)%
EPS (basic)	98.6c	113.1c	(14.5)c	(12.8)%	(320.9)c

Financial position \$m	30 June 2020	31 December 2019	chg. \$	chg. %
Net cash/(debt) (excl. BICC)⁶	63.5	1,230.2	(1,166.7)	(94.8)%
BICC ⁷	(1,361.8)	(398.6)	(963.2)	241.6%
Net cash/(debt)	(1,298.3)	831.6	(2,129.9)	-
Lease liabilities	(809.6)	(902.1)	92.5	(10.3)%
Net cash/(debt) (including leases)	(2,107.9)	(70.5)	(2,037.4)	-
Net contract debtors⁸	1,526.3	1,285.7	240.6	18.7%

¹ Revenue excludes revenue from joint ventures and associates of \$1,168.1 million (HY19: \$1,170.5 million).

² Operating profit is EBIT adjusted for any one-off items. No one-off items in HY20 or HY19. FY19 one-off relates to the provisions and asset impairments (net of tax) of the Group's financial investment in BICC and exit from the Middle East region.

³ Margins are calculated on revenue as defined above. Margins excluding BICC are calculated net of the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.

⁴ Excludes the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.

⁵ One-off relates to the provisions and asset impairments (net of tax) of the Group's financial investment in BICC and exit from the Middle East region in FY19.

⁶ Net cash/(debt) includes cash and equivalent liquid assets (which includes cash, cash equivalents and short term financial assets investments). 31 December 2019 and 30 June 2020 net cash/(debt) excludes payments in relation to Middle East exit.

⁷ FY19 relates to funding provided to BICC. HY20 relates to repayments in relation to CIMIC's financial guarantees of certain BICC liabilities.

⁸ Net contract debtors represents the net amount of total contract debtors – trade and other receivables and total contract liabilities – trade and other payables (refer to the Interim Financial Report, 'Note 11: Trade and other receivables' – 'Additional information on contract debtors').

Cash flows \$m	Pre-factoring HY 2020	Pre-factoring HY 2019	chg. \$	Post-factoring HY 2020	Post-factoring HY 2019
Operating cash flow⁹	67.1	486.8	(419.7)	(20.9)	528.6
Interest, finance costs and taxes	(183.1)	(168.7)	(14.4)	(183.1)	(168.7)
Net operating cash flow¹⁰	(116.0)	318.1	(434.1)	(204.0)	359.9
Gross capital expenditure ¹¹	(296.6)	(341.1)	44.5	(296.6)	(341.1)
Gross capital proceeds ¹²	10.9	14.6	(3.7)	10.9	14.6
Net capital expenditure	(285.7)	(326.5)	40.8	(285.7)	(326.5)
Free operating cash flow¹³	(401.7)	(8.4)	(393.3)	(489.7)	33.4

Cash flows \$m	Pre-factoring LTM HY 2020	Pre-factoring LTM HY 2019	chg. \$	Post-factoring LTM HY 2020	Post-factoring LTM HY 2019
Operating cash flow⁹	1,287.3	792.0	495.3	1,164.8	1,778.8
Interest, finance costs and taxes	(478.2)	(231.9)	(246.3)	(478.2)	(231.9)
Net operating cash flow¹⁰	809.1	560.1	249.0	686.6	1,546.9
Gross capital expenditure ¹¹	(729.9)	(642.1)	(87.8)	(729.9)	(642.1)
Gross capital proceeds ¹²	18.8	85.3	(66.5)	18.8	85.3
Net capital expenditure	(711.1)	(556.8)	(154.3)	(711.1)	(556.8)
Free operating cash flow¹³	98.0	3.3	94.7	(24.5)	990.1
EBITDA (excl. BICC)¹⁴	2,105.0	2,049.0	56.0	2,105.0	2,049.0
EBITDA cash conversion	61%	39%	-	55%	87%

Work in hand ¹⁵ \$m	30 June 2020	30 June 2019	chg. \$	chg. %	31 December 2019
Work in hand beginning of period	37,510.7	36,706.1	804.6	2.2%	36,706.1
New work ¹⁶	4,875.1	8,264.7	(3,389.6)	(41.0)%	18,011.7
Acquisitions ¹⁷	3,072.2	-	3,072.2	-	-
Executed work	(7,374.4)	(8,125.6)	751.2	(9.2)%	(17,207.1)
Total work in hand end of period	38,083.6	36,845.2	1,238.4	3.4%	37,510.7
Operating Companies' work in hand	32,795.9	34,283.1	(1,487.2)	(4.3)%	35,316.1
Corporate work in hand	5,287.7	2,562.1	2,725.6	-	2,194.6
Total work in hand end of period	38,083.6	36,845.2	1,238.4	3.4%	37,510.7

⁹ Operating cash flow includes cash flow from operating activities and changes in short term financial assets and investments, before interest, finance costs and taxes.

¹⁰ Net operating cash flow includes operating cash flow, after interest, finance costs and taxes.

¹¹ Gross capital expenditure is payments for property, plant and equipment.

¹² Gross capital proceeds are proceeds received from the sale of property, plant and equipment.

¹³ Free operating cash flow is defined as net operating cash flow less net capital expenditure for property, plant and equipment.

¹⁴ EBITDA cash conversion and EBITDA in HY20 LTM does not include any gains/(losses) recognised as a result of the Group's financial investment in BICC and exit from the Middle East region in 4Q19.

¹⁵ Work in hand includes CIMIC's share of work in hand from joint ventures and associates.

¹⁶ New work includes new contracts and contract extensions and variations including the impact of foreign exchange rate movements.

¹⁷ CIMIC's share of work in hand in relation to Ventia's acquisition of Broadpectrum.

SHAREHOLDER RETURNS

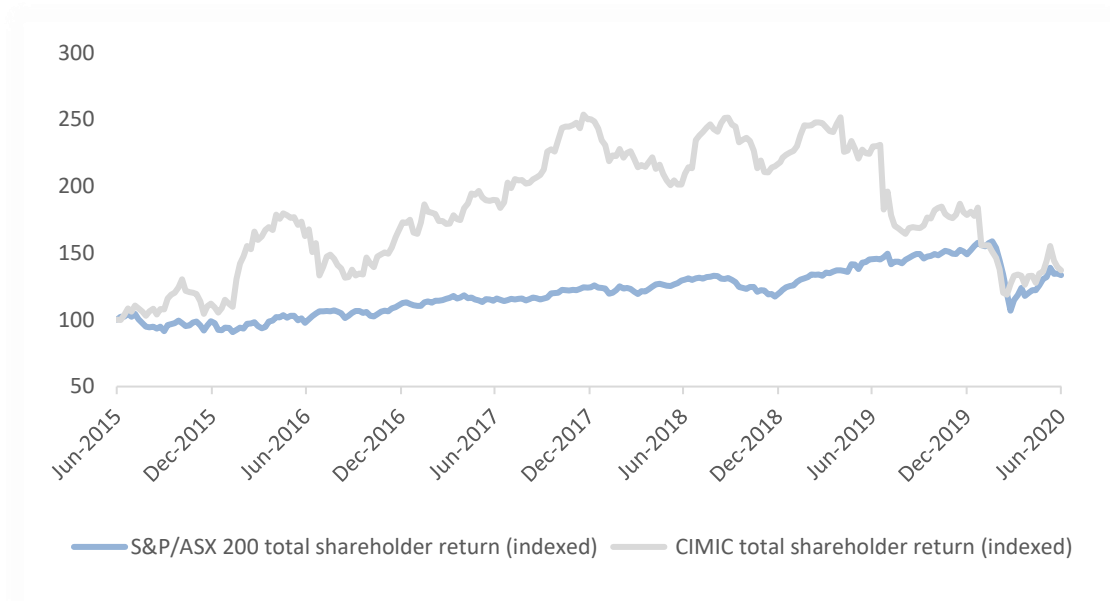
Shareholder returns	30 June 2020	31 December 2019
Closing share price	\$24.12	\$33.14
Market capitalisation (\$m)	7,656.9	10,728.3
Final dividend per share	-	-
Interim dividend per share	-	71c
Total dividends per share	-	71c
EPS (basic) – excluding BICC	98.6c	246.9c
EPS (basic)	98.6c	(320.9)c

PERFORMANCE OF CIMIC SHARES

COVID-19 has led to significant disruption in financial markets this year with CIMIC's share price also recording short-term impacts. Notwithstanding, over the past five years CIMIC's share price has outperformed the S&P/ASX 200 index. During this period CIMIC's share price increased by \$2.37, representing an increase of 10.9% since 30 June 2015, compared to the S&P/ASX 200 index which increased by 8.0% to 5,898 points. This provided a total shareholder return¹⁸ of 37.0% over a 5 year period notwithstanding the COVID-19 impact, during which the S&P/ASX 200 accumulated index returned 33.5%.

Since 2015, CIMIC has remunerated shareholders through \$2,081.3 million in dividend payments, representing \$6.36 per share, and \$589.5 million in share buyback. This totals \$2,670.8 million in total shareholder remuneration, excluding share price appreciation, since 2015. CIMIC's market capitalisation represented \$7.66 billion at 30 June 2020.

Total shareholder returns (indexed)



DIVIDENDS

CIMIC has not declared an interim dividend for HY20.

SHARE BUY-BACK PROGRAM

On 13 December 2019, CIMIC announced an on-market share buyback of up to 10% of the fully paid ordinary shares for a period of 12 months commencing on 29 December 2019. As at 30 July 2020 CIMIC has repurchased and cancelled 6,274,847 additional shares, equivalent to 1.94% of the issued share capital, for a total consideration of \$146.9 million. The timing and number of any shares purchased will depend on CIMIC's share price and market conditions.

¹⁸ Total shareholder return represents the total amount returned to investors, including change in market share price and dividends paid. The 5 year period is 30 June 2015 to 30 June 2020.

FINANCIAL PERFORMANCE

Financial performance \$m	HY 2020	HY 2019	chg. \$	chg. %	FY 2019
Group revenue	7,374.4	8,125.6	(751.2)	(9.2)%	17,207.1
Revenue – joint ventures and associates	(1,168.1)	(1,170.5)	2.4	(0.2)%	(2,506.0)
Revenue¹⁹	6,206.3	6,955.1	(748.8)	(10.8)%	14,701.1
Expenses	(5,705.3)	(6,389.0)	683.7	(10.7)%	(13,538.7)
Share of profit/(loss) of associates and joint ventures	33.6	2.9	30.7	-	66.7
Operating profit²⁰	534.6	569.0	(34.4)	(6.0)%	1,229.1
Operating profit margin ²¹	8.6%	8.2%	40bp		8.4%
Net finance costs	(105.0)	(65.4)	(39.6)	60.6%	(129.2)
Profit before tax (excl. BICC)²²	429.6	503.6	(74.0)	(14.7)%	1,099.9
PBT margin (excl. BICC) ²¹	6.9%	7.2%	(30)bp		7.5%
Income tax (excl. BICC) ²²	(115.9)	(136.0)	20.1	(14.8)%	(297.0)
Profit for the year (excl. BICC)²²	313.7	367.6	(53.9)	(14.7)%	802.9
Non-controlling interests	2.9	(0.9)	3.8	-	(2.6)
NPAT (excl. BICC)²²	316.6	366.7	(50.1)	(13.7)%	800.3
NPAT margin (excl. BICC) ²¹	5.1%	5.3%	(20)bp		5.4%
EPS (basic) – excl. BICC	98.6c	113.1c	(14.5)c	(12.8)%	246.9c
One-off BICC item ²³	-	-	-	-	(1,840.2)
NPAT	316.6	366.7	(50.1)	(13.7)%	(1,039.9)
NPAT margin ²¹	5.1%	5.3%	(20)bp		(7.1)%
EPS (basic)	98.6c	113.1c	(14.5)c	(12.8)%	(320.9)c

COVID-19 IMPACT

While most of CIMIC's operations were classified as essential services with a focus on business continuity, COVID-19 led to a temporary delay in the award of new projects and slowdown of revenues across our activities, both domestic and overseas.

We continue to monitor the impact of COVID-19 on 2020 operational and financial performance.

Notwithstanding the impact from the evolving COVID-19 situation, the outlook across all of CIMIC's core businesses remains positive. CIMIC's pipeline in all markets continues to grow and the mining market proves to be resilient. Numerous stimulus packages are being announced by governments in CIMIC's core Construction and Services markets and additional opportunities are being identified through PPP projects.

¹⁹ Revenue excludes revenue from joint ventures and associates of \$1,168.1 million (HY19: \$1,170.5 million).

²⁰ Operating profit is EBIT adjusted for any one-off items. No one-off items in HY20 or HY19. FY19 one-off relates to the provisions and asset impairments (net of tax) of the Group's financial investment in BICC and exit from the Middle East region.

²¹ Margins are calculated on revenue as defined above. Margins excluding BICC are calculated net of the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.

²² Excludes the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.

²³ One-off relates to the provisions and asset impairments (net of tax) of the Group's financial investment in BICC and exit from the Middle East region in FY19.

REVENUE AND PROFIT BEFORE TAX BY SEGMENT

Revenue was \$6.2 billion in HY20, down 10.8% compared to HY19, reflecting the impact of COVID-19 both due to a temporary delay in the award of new projects and a slowdown of revenues across the business.

The PBT margin was 6.9%, delivering a PBT of \$429.6 million for HY20.

Revenue by segment \$m	HY 2020	HY 2019	chg. \$	chg. %	FY 2019
Construction	3,195.9	3,634.3	(438.4)	(12.1)%	7,532.1
Mining & mineral processing	1,962.0	2,057.2	(95.2)	(4.6)%	4,496.9
Services	1,026.5	1,240.9	(214.4)	(17.3)%	2,626.4
Corporate	21.9	22.7	(0.8)	(3.5)%	45.7
Revenue	6,206.3	6,955.1	(748.8)	(10.8)%	14,701.1

Profit before tax by segment \$m	HY 2020	HY 2019	chg. \$	chg. %	FY 2019 (excl. BICC)
Construction	202.5	268.8	(66.3)	(24.7)%	470.4
Mining & mineral processing	262.0	235.5	26.5	11.3%	603.4
Services	61.4	74.5	(13.1)	(17.6)%	154.7
Corporate	(96.3)	(75.2)	(21.1)	28.1%	(128.6)
Profit before tax	429.6	503.6	(74.0)	(14.7)%	1,099.9

Group revenue from the various market segments was split 80:20 between domestic and international markets, compared with 79:21 in HY19.

CONSTRUCTION REVENUE

Construction revenue was \$3.2 billion for HY20, a decrease of 12.1%, or \$438.4 million, compared to HY19. The reduction was driven by COVID-19.

During the period, some of the Group's major revenue contributors included:

- rail and road developments in Australia, including Sydney Metro 'Northwest' and 'City & Southwest', West Connex 'Rozelle Interchange' and 'New M5', Paramatta Light Rail and the Woolgoolga to Ballina upgrade in New South Wales, and the West Gate Tunnel project in Victoria;
- social infrastructure projects including the Waikeria Corrections Facility and Christchurch Hospital in New Zealand, and Nepean Hospital and Campbelltown Hospital in New South Wales;
- infrastructure projects in Hong Kong and South East Asia including the Liantang/Hueng Yuen Wai Boundary Control Point, Hong Kong International Airport 'Terminal 1 Annex Building and Car Park' and 'Terminal 2 Foundation and Substructure works', Tseung Kwan O – Lam Tin Tunnel, T-09 of the Deep Tunnel Sewerage System Phase 2 project and NLEX R10 Exit Ramp; and
- several PPP projects, including Transmission Gully and New Zealand Schools in New Zealand, and the Tunnel, Stations and Development package of the Cross River Rail project in Queensland.

Construction PBT was \$202.5 million for HY20. While the PBT reflects the reductions in revenue due to COVID-19, the profitability in Construction benefitted from cost efficiency measures implemented in response to the changing circumstances.

MINING & MINERAL PROCESSING REVENUE

Mining & mineral processing revenue was \$2.0 billion for HY20, compared to \$2.1 billion in HY19. This was a resilient result despite the COVID-19 impact on selected areas of the business.

During the period, some of the Group's major revenue contributors included:

- Lake Vermont, Mount Owen, Curragh North, Mount Arthur South, Peak Downs and Caval Ridge mines in Australia;
- Byerwen mineral processing projects in Australia;
- Barquito Port Upgrade in Chile;
- Kaltim Prima Coal, Teguh Sinar Abadi Melak mines in Indonesia;
- Ukhaa Khudag mine in Mongolia;
- Encuentro Oxides mine in Chile; and
- Jwaneng mine in Botswana.

Mining & mineral processing PBT was \$262.0 million for HY20, an increase of 11.3% or \$26.5 million. Mining & mineral processing PBT and margins continue to benefit from diversification across commodities and geographic markets.

SERVICES REVENUE

Services revenue was \$1.0 billion for HY20, a decrease of 17.3%, or \$214.4 million, compared to HY19, also impacted by COVID-19.

During the period, some of the Group's major revenue contributors included:

- maintenance and supply chain services to over 1,200 passenger cars in Sydney's metropolitan rail fleet;
- mechanical and electrical works, as well as maintenance, for the Cross River Rail project in Queensland;
- provision of rail signalling systems, tunnel systems and rolling stock, as well as franchisee operations, for a period of 15 years, as part of the Operation, Trains and System contract for the Sydney Metro 'Northwest' rail project;
- heavy resource maintenance works for resource companies including Chevron, BHP, Esso Australia, Australia Terminals Operations Management, Woodside and Alcoa, across Australia;
- design, build and commissioning of high voltage substations and transmission lines that will connect the Prominent Hill electricity grid to the South Australian electricity grid;
- rail rolling stock maintenance works for Pacific National and Freightliner in New South Wales;
- provision of asset management services for up to 15 years to support the Royal Australian Navy; and
- delivery of operation and maintenance services in Australia's energy sector, for companies including AGL, Stanwell and Origin.

Services PBT was \$61.4 million for HY20 with steady margins, also supported by the implementation of cost efficiency measures in the segment.

CORPORATE

Corporate PBT was \$(96.3) million for HY20, versus \$(75.2) million for HY19. The HY20 Corporate segment mainly includes contributions from Corporate, EIC Activities, Pacific Partnerships and the commercial & residential business, as well as CIMIC's investment in Ventia.

REVENUE – JOINT VENTURES AND ASSOCIATES

Revenue from joint ventures and associates was \$1.2 billion for HY20, which includes revenue from investments such as Ventia. Ventia's acquisition of Broadspectrum was completed on 30 June 2020 with the combined group expected to generate annual revenue in excess of \$5.0 billion. Given the acquisition was completed on 30 June 2020 there was no impact on the financial performance in the period to 30 June 2020.

EXPENSES

Expenses were \$5.7 billion for HY20, a decrease of 10.7%, or \$683.7 million, compared to HY19. The major direct expenses were materials, subcontractors, plant costs, depreciation and personnel costs.

Depreciation and amortisation

Depreciation and amortisation was \$447.5 million for HY20, a decrease of \$7.3 million compared to HY19. The sustained level of mining and tunnelling activity on a number of large infrastructure projects has driven the depreciation expense in HY20.

OPERATING PROFIT

The Group's operating profit was \$534.6 million for HY20, representing a resilient margin of 8.6%, supported by cost efficiency measures in response to COVID-19.

NET FINANCE COSTS

Net finance costs were \$105.0 million for HY20, an increase of \$39.6 million compared to HY19. Total finance costs increased due to the drawdown of the US\$1,060.0 million (equivalent to \$1,514.3 million) banking facility to fund payments in relation to CIMIC's financial guarantees of certain BICC liabilities. Furthermore, CIMIC incurred additional finance costs as a consequence of a precautionary draw down on syndicated working capital facilities to mitigate the potential financial market disruption due to COVID-19, with the facility mix leading to the average cost of debt reducing 140bp to 2.2% in HY20.

Finance cost detail \$m	HY 2020	HY 2019	chg. \$	chg. %	FY 2019
Debt interest expenses	(44.1)	(30.0)	(14.1)	47.0%	(66.1)
Facility fees, bonding and other costs	(74.8)	(64.6)	(10.2)	15.8%	(119.8)
Total finance costs	(118.9)	(94.6)	(24.3)	25.7%	(185.9)
Interest income	13.9	29.2	(15.3)	(52.4)%	56.7
Net finance costs	(105.0)	(65.4)	(39.6)	60.6%	(129.2)

Average cost of debt calculation \$m	HY 2020	HY 2019
Debt interest expenses (a)	(44.1)	(30.0)
Gross debt at period end ²⁴	5,291.1	697.8
Gross debt average (b)	4,067.9	1,675.9
Average cost of debt (-2a/b)	2.2%	3.6%

²⁴ Total interest bearing liabilities.

INCOME TAX

Income tax expense was \$115.9 million for HY20. This expense equates to an effective tax rate of 27.0%, consistent with HY19. Impacting the effective tax rate are international income tax differentials and foreign currency translation, relating to profits and losses earned from the various overseas jurisdictions in which the Group operates.

NON-CONTROLLING INTERESTS

Non-controlling interests were \$2.9 million for HY20, versus \$(0.9) million for HY19. This relates to losses attributable to the shareholdings of minority owners for the period.

NET PROFIT AFTER TAX

NPAT was \$316.6 million for HY20 versus \$366.7 million for HY19, representing earnings per share (basic) of 98.6 cents.

FINANCIAL POSITION

CIMIC maintained a strong level of liquidity during the period with an ongoing disciplined focus on managing working capital and generating sustainable cash-backed profits.

Net cash/(debt) \$m	30 June 2020	31 December 2019	chg. \$	chg. %
Cash and cash equivalent liquid assets (excl. BICC)²⁵	5,354.6	2,153.1	3,201.5	148.7%
Current interest bearing liabilities	(264.3)	(164.3)	(100.0)	60.9%
Non-current interest bearing liabilities	(5,026.8)	(758.6)	(4,268.2)	562.6%
Net cash/(debt) (excl. BICC)²⁶	63.5	1,230.2	(1,166.7)	(94.8)%
BICC ²⁷	(1,361.8)	(398.6)	(963.2)	241.6%
Net cash/(debt)	(1,298.3)	831.6	(2,129.9)	(256.1)%
Lease liabilities	(809.6)	(902.1)	92.5	(10.3)%
Net cash/(debt) (including leases)	(2,107.9)	(70.5)	(2,037.4)	2,889.9%

Net contract debtors \$m	30 June 2020	31 December 2019	chg. \$	chg. %
Net contract debtors²⁸	1,526.3	1,285.7	240.6	18.7%

Assets \$m	30 June 2020	31 December 2019	chg. \$	chg. %
Current assets				
Cash and cash equivalents liquid assets	3,992.8	1,754.5	2,238.3	127.6%
Trade and other receivables	3,998.5	3,554.4	444.1	12.5%
Current tax assets	15.2	-	15.2	-
Inventories: consumables and development properties	421.0	400.1	20.9	5.2%
Total current assets	8,427.5	5,709.0	2,718.5	47.6%
Non-current assets				
Trade and other receivables	220.4	130.4	90.0	69.0%
Inventories: development properties	101.0	114.9	(13.9)	(12.1)%
Investments accounted for using the equity method	214.1	250.5	(36.4)	(14.5)%
Other investments	139.7	112.2	27.5	24.5%
Deferred tax assets	977.5	1,025.2	(47.7)	(4.7)%
Property, plant and equipment	2,151.4	2,279.1	(127.7)	(5.6)%
Intangibles	1,087.5	1,104.4	(16.9)	(1.5)%
Total non-current assets	4,891.6	5,016.7	(125.1)	(2.5)%
Total assets	13,319.1	10,725.7	2,593.4	24.2%

²⁵ Cash and equivalent liquid assets includes cash, cash equivalents and short term financial assets and investments. 31 December 2019 and 30 June 2020 Cash and cash equivalent liquid assets excludes payments in relation to Middle East exit.

²⁶ 31 December 2019 and 30 June 2020 Net cash/(debt) exclude payments in relation to Middle East exit.

²⁷ FY19 relates to funding provided to BICC. HY20 relates to repayments in relation to CIMIC's financial guarantees of certain BICC liabilities.

²⁸ Net contract debtors represents the net amount of total contract debtors – trade and other receivables and total contract liabilities – trade and other payables (refer to the Interim Financial Report, 'Note 11: Trade and other receivables' – 'Additional information on contract debtors').

Liabilities and equity \$m	30 June 2020	31 December 2019	chg. \$	chg. %
Current liabilities				
Trade and other payables	5,594.6	6,024.6	(430.0)	(7.1)%
Current tax liabilities	38.5	60.3	(21.8)	(36.2)%
Provisions	320.5	327.2	(6.7)	(2.0)%
Financial liability	231.1	1,483.4	(1,252.3)	(84.4)%
Interest bearing liabilities	264.3	164.3	100.0	60.9%
Lease liabilities	274.9	277.8	(2.9)	(1.0)%
Total current liabilities	6,723.9	8,337.6	(1,613.7)	(19.4)%
Non-current liabilities				
Trade and other payables	196.9	200.8	(3.9)	(1.9)%
Provisions	53.1	60.5	(7.4)	(12.2)%
Interest bearing liabilities	5,026.8	758.6	4,268.2	-
Lease liabilities	534.7	624.3	(89.6)	(14.4)%
Deferred tax liabilities	20.5	20.9	(0.4)	(1.9)%
Total non-current liabilities	5,832.0	1,665.1	4,166.9	250.2%
Total liabilities	12,555.9	10,002.7	2,553.2	25.5%
Equity	763.2	723.0	40.2	5.6%
One-off BICC item ²⁹	1,840.2	1,840.2	-	-
Equity excluding one-off BICC item	2,603.4	2,563.2	40.2	1.6%

NET CASH/(DEBT)

As at 30 June 2020, net debt was recorded at \$1,298.3 million, or net cash of \$63.5 million excluding BICC and after \$146.9 million of share buyback. The reduction in the year to date statutory position was mainly driven by outflows of \$1,361.8 million in relation to CIMIC's financial guarantees of certain BICC liabilities as they materialised during the period. Excluding BICC, the change in the Group's net cash position was mainly due to H1 seasonality, the impact of COVID-19 and corresponding reduction in revenues and the Group's net working capital position.

Cash and cash equivalent liquid assets

CIMIC maintained a strong level of liquidity with a gross cash balance of \$3,992.8 million. The increase year to date benefitted from CIMIC's precautionary draw down on syndicated working capital facilities to mitigate the risk of potential financial market disruption due to COVID-19.

Bonding

CIMIC has significant bonding and guarantee facilities available. These bonds and guarantees are integral to the successful tendering and delivery of projects, and the ability to provide them is an important element of the Group's competitive offering to clients.

Bonds and guarantees outstanding at 30 June 2020 were \$5.1 billion (31 December 2019: \$5.2 billion). An additional \$874.0 million (31 December 2019: \$812.2 million) was undrawn of which \$659.7 million (31 December 2019: \$753.4 million) was committed and \$214.3 million (31 December 2019: \$58.8 million) was uncommitted. The undrawn bonds and guarantees provide significant capacity for the Group to tender for, and take on, more projects in the future.

Credit ratings

CIMIC has solid investment grade credit ratings by Moody's (Baa2/Stable) and S&P (BBB/Stable/A-2) both with a stable outlook, which reflect the strength of the Group's financial position. These ratings were reaffirmed by Moody's in June 2020 and by S&P during 1Q20.

²⁹ One-off item in respect of the provisions and asset impairments (net of tax) of the Group's financial investment in BICC and exit from the Middle East region in FY19.

CURRENT ASSETS

Trade and other receivables

Trade and other receivables were \$3,998.5 million at 30 June 2020, including \$3,196.4 million of total contract debtors – trade and other receivables (refer to net contract debtors below). The remaining balance relates to sundry debtors, joint venture and other receivables.

Net contract debtors

The Group's net contract debtors were \$1,526.3 million at 30 June 2020, on a similar level to 1Q20.

The level of factoring across the Group was \$1,872.3 million as at 30 June 2020, a reduction of \$88.0 million compared to the 31 December 2019 position of \$1,960.3 million.

The Group's \$675.0 million contract debtors provision remains unchanged as at 30 June 2020.

Inventories: consumables and development properties

Inventories from consumables and development properties were \$421.0 million at 30 June 2020, mainly consisting of job-costed inventories held for large infrastructure projects.

NON-CURRENT ASSETS

Trade and other receivables

Trade and other receivables were \$220.4 million at 30 June 2020, an increase of 69.0%, or \$90.0 million, compared to 31 December 2019. The balance relates to non-current tax asset and other non-current receivables.

Investments accounted for using the equity method

Equity accounted investments include project-related associates, joint ventures and PPP projects.

Investments accounted for using the equity method were \$214.1 million at 30 June 2020, a decrease of 14.5%, or \$36.4 million compared to 31 December 2019. For further details refer to the Interim Financial Report, 'Note 13: Associates and joint ventures accounted for using the equity method.'

Deferred tax asset

Deferred tax assets were \$977.5 million at 30 June 2020, a decrease of \$47.7 million, or 4.7% compared to 31 December 2019.

Property, plant and equipment

Property, plant and equipment was \$2,151.4 million at 30 June 2020, a decrease of 5.6%, or \$127.7 million, compared to 31 December 2019. At 30 June 2020, \$809.6 million worth of equipment and property was financed by the Group through leases. Additions to property, plant and equipment during the period included investment in job-costed tunnelling machines for a number of major road and rail projects and ongoing investment in mining equipment.

Intangibles

Intangibles were \$1,087.5 million at 30 June 2020, a decrease of 1.5%, or \$16.9 million, compared to 31 December 2019. The balance mainly consists of goodwill in relation to Construction and Services businesses.

CURRENT LIABILITIES

Trade and other payables

Trade and other payables were \$5,594.6 million at 30 June 2020, a decrease of 7.1%, or \$430.0 million, compared to 31 December 2019, driven by lower revenues across the Group due to COVID-19. This figure includes \$1,670.1 million (31 December 2019: \$1,322.2 million) of total contract liabilities – trade and other payables. The remaining balance includes trade creditors and accruals, joint venture payables and other creditors.

Supply chain finance balance as at 30 June 2020 was \$360.6 million compared to \$851.3 million at 31 December 2019.

Current tax liabilities

Current tax liabilities were \$38.5 million at 30 June 2020 with changes in tax liabilities driven by the timing of the various income tax payments as required to be made across the numerous jurisdictions in which the Group operates.

Provisions

Provisions were \$320.5 million at 30 June 2020, a decrease of 2.0%, or \$6.7 million, compared to 31 December 2019. The provision is for employee benefits and relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses.

Financial liability

CIMIC's financial liability as at 30 June 2020 was \$231.1 million, compared to \$1,483.4 million as at 31 December 2019. The movement is driven by the amounts paid in respect of CIMIC's financial guarantees of certain BICC liabilities.

NON-CURRENT LIABILITIES

Trade and other payables

Trade and other payables were \$196.9 million at 30 June 2020, a decrease of \$3.9 million, compared to 31 December 2019.

Provisions

Provisions were \$53.1 million at 30 June 2020, a decrease of 12.2%, or \$7.4 million, compared to 31 December 2019. This figure includes employee benefits relating to long service leave, retirement benefits and deferred bonuses.

Interest-bearing liabilities

CIMIC's interest bearing liabilities increased during the period as a consequence of CIMIC's precautionary draw down on syndicated working capital facilities to mitigate the risk of potential financial market disruption due to COVID-19, with a corresponding increase in the Group's cash position.

EQUITY

Equity was \$763.2 million as at 30 June 2020, an increase of 5.6%, or \$40.2 million, compared to 31 December 2019. The movement in the period is primarily due to the profits earned during the period partially offset by the impact of the share buyback (and cancellation of those shares), foreign exchange and fair value of cash flow hedges.

CASH FLOWS

Cash flows \$m	Pre-factoring HY 2020	Pre-factoring HY 2019	chg. \$	Post-factoring HY 2020	Post-factoring HY 2019
Operating cash flow³⁰	67.1	486.8	(419.7)	(20.9)	528.6
Interest, finance costs and taxes	(183.1)	(168.7)	(14.4)	(183.1)	(168.7)
Net operating cash flow³¹	(116.0)	318.1	(434.1)	(204.0)	359.9
Gross capital expenditure ³²	(296.6)	(341.1)	44.5	(296.6)	(341.1)
Gross capital proceeds ³³	10.9	14.6	(3.7)	10.9	14.6
Net capital expenditure	(285.7)	(326.5)	40.8	(285.7)	(326.5)
Free operating cash flow³⁴	(401.7)	(8.4)	(393.3)	(489.7)	33.4

Cash flows \$m	Pre-factoring LTM HY 2020	Pre-factoring LTM HY 2019	chg. \$	Post-factoring LTM HY 2020	Post-factoring LTM HY 2019
Operating cash flow³⁰	1,287.3	792.0	495.3	1,164.8	1,778.8
Interest, finance costs and taxes	(478.2)	(231.9)	(246.3)	(478.2)	(231.9)
Net operating cash flow³¹	809.1	560.1	249.0	686.6	1,546.9
Gross capital expenditure ³²	(729.9)	(642.1)	(87.8)	(729.9)	(642.1)
Gross capital proceeds ³³	18.8	85.3	(66.5)	18.8	85.3
Net capital expenditure	(711.1)	(556.8)	(154.3)	(711.1)	(556.8)
Free operating cash flow³⁴	98.0	3.3	94.7	(24.5)	990.1
EBITDA (excl. BICC)³⁵	2,105.0	2,049.0	56.0	2,105.0	2,049.0
EBITDA cash conversion	61%	39%	-	55%	87%

Cash flows from investing activities \$m	HY 2020	HY 2019	chg. \$	chg. %	FY 2019
Payments for intangibles	(9.8)	(1.0)	(8.8)	-	(15.4)
Payments for property, plant and equipment	(296.6)	(341.1)	44.5	(13.0)%	(774.4)
Proceeds from sale of property, plant and equipment	10.9	14.6	(3.7)	(25.3)%	22.5
Cash acquired on business acquisition	-	18.0	(18.0)	-	18.0
Payments for investments in controlled entities and businesses	(3.0)	(12.2)	9.2	(75.4)%	(14.0)
Payments for investments	-	(24.1)	24.1	-	(29.1)
Loans to associates and joint ventures	-	(117.1)	117.1	-	-
Net cash from investing activities (excl. BICC)³⁶	(298.5)	(462.9)	164.4	(35.5)%	(792.4)
BICC ³⁷	-	-	-	-	(398.6)
Net cash from investing activities	(298.5)	(462.9)	164.4	(35.5)%	(1,191.0)

³⁰ Operating cash flow includes cash flow from operating activities and changes in short term financial assets and investments, before interest, finance costs and taxes.

³¹ Net operating cash flow is defined as operating cash flow after interest, finance costs and taxes.

³² Gross capital expenditure is payments for property, plant and equipment.

³³ Gross capital proceeds are proceeds received from the sale of property, plant and equipment.

³⁴ Free operating cash flow is defined as net operating cash flow less net capital expenditure for property, plant and equipment.

³⁵ EBITDA cash conversion and EBITDA in HY20 LTM does not include any gains/(losses) recognised as a result of the Group's financial investment in BICC and exit from the Middle East region in 4Q19.

³⁶ Excludes payments in relation to Middle East exit.

³⁷ FY19 relates to funding provided to BICC.

Cash flows from financing activities \$m	HY 2020	HY 2019	chg. \$	chg. %	FY 2019
Cash payments for share buyback	(146.9)	-	(146.9)	-	(16.7)
Proceeds from borrowings	4,675.0	202.0	4,473.0	-	1,191.8
Repayment of borrowings	(250.0)	(41.7)	(208.3)	-	(801.8)
Repayment of finance leases	(157.5)	(154.4)	(3.1)	2.0%	(320.0)
Dividends paid to non-controlling interests	(2.4)	-	(2.4)	-	(4.2)
Net cash from financing activities (excl. BICC)³⁸	4,118.2	5.9	4,112.3	-	(460.0)
BICC ³⁹	(1,361.8)	-	(1,361.8)	-	-
Net cash from financing activities	2,756.4	5.9	2,750.5	-	(1,191.0)

OPERATING CASH FLOWS

Operating cash flows pre-factoring were \$1,287.3 million in LTM, an increase of \$495.3 million compared to HY19, with \$67.1 million of operating cash flows pre-factoring being generated in HY20. Operating cash flows in HY20 were impacted by COVID-19 due to reductions in revenue and a lower net working capital position, as well as normal H1 seasonality. Notwithstanding COVID-19, CIMIC's EBITDA cash conversion rate pre-factoring was 61% in LTM, improving from 39% a year ago. CIMIC reduced its factoring balance by \$122.5 million compared to 30 June 2019, to \$1,872.3 million at 30 June 2020.

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash outflows from investing activities were \$298.5 million for HY20, compared to an outflow of \$462.9 million in HY19.

The outflow was driven by gross capital expenditure of \$296.6 million in HY20. This reflects ongoing investment to deliver mining operations and job-costed tunnelling opportunities.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash inflows from financing activities were \$2,756.4 million for HY20, mainly as a consequence of CIMIC's precautionary draw down on syndicated working capital facilities to mitigate the risk of potential financial market disruption due to COVID-19. Additionally, payments of \$1,361.8 million were made in relation to CIMIC's financial guarantees of certain BICC liabilities.

³⁸ Excludes payments in relation to Middle East exit.

³⁹ HY20 relates to repayments in relation to CIMIC's financial guarantees of certain BICC liabilities.

NEW WORK AND WORK IN HAND

CIMIC has maintained its position as a leading international contractor and the world's leading mining service provider, with a diversified portfolio of work in hand of \$38.1 billion at 30 June 2020. Operating Companies' work in hand is equivalent to more than two years' worth of revenue, providing good visibility.

The Group's Operating Companies were awarded \$4.9 billion of new work, which was impacted by a temporary delay in the award of new projects due to COVID-19.

Ventia's acquisition of Broadspectrum added \$3.1 billion to work in hand in the Corporate segment.

Work in hand \$m	June 2020	June 2019	chg. \$	chg. %	December 2019
Work in hand beginning of period	37,510.7	36,706.1	804.6	2.2%	36,706.1
New work ⁴⁰	4,875.1	8,264.7	(3,389.6)	(41.0)%	18,011.7
Acquisitions ⁴¹	3,072.2	-	3,072.2	-	-
Executed work	(7,374.4)	(8,125.6)	751.2	(9.2)%	(17,207.1)
Total work in hand end of period	38,083.6	36,845.2	1,238.4	3.4%	37,510.7
Operating Companies' work in hand	32,795.9	34,283.1	(1,487.2)	(4.3)%	35,316.1
Corporate work in hand	5,287.7	2,562.1	2,725.6	-	2,194.6
Total work in hand end of period	38,083.6	36,845.2	1,238.4	3.4%	37,510.7

In HY20, work in hand was split 86:14 between the Group's domestic and international markets, compared with 77:23 in HY19.

MAJOR CONTRACT AWARDS AND SCOPE INCREASES IN 2020

New work of \$4.9 billion was awarded in HY20 from a diverse range of Construction, Mining and Services projects.

Work in hand by segment \$m	June 2020	%	June 2019	%	chg. \$	chg. %	December 2019	%
Construction	14,236.8	37%	14,728.7	40%	(491.9)	(3.3)%	16,228.9	43%
Mining & mineral processing	10,296.3	27%	10,791.3	29%	(495.0)	(4.6)%	10,142.9	27%
Services	8,262.8	22%	8,763.1	24%	(500.3)	(5.7)%	8,944.3	24%
Total Operating Companies' work in hand	32,795.9	86%	34,283.1	93%	(1,487.2)	(4.3)%	35,316.1	94%
Corporate work in hand	5,287.7	14%	2,562.1	7%	2,725.6	-	2,194.6	6%
Total work in hand	38,083.6	100%	36,845.2	100%	1,238.4	3.4%	37,510.7	100%

A number of projects were announced, with revenues to the Group as follows:

- \$2.5 billion contract extension to continue mining services at the Lake Vermont Mine, Queensland;
- \$450 million contract extension to provide maintenance, turnarounds and project services for a number of clients across the oil and gas sector, Western Australia and Victoria;
- \$237 million to deliver three projects under the Port Wakefield to Port Augusta Regional Projects Alliance, South Australia;
- \$180 million to provide operations and maintenance of Adelaide's North-South tram and bus network and to manufacture new locomotives for Qube Logistics, South Australia and New South Wales respectively;
- \$180 million to provide maintenance, shutdown and project services in the mining sector, Western Australia and Queensland; and
- \$164 million to deliver upgrades on South Gippsland Highway and Mackay Northern Access, Victoria and Queensland respectively.

⁴⁰ New work includes new contracts and contract extensions and variations including the impact of foreign exchange rate movements.

⁴¹ CIMIC's share of work in hand in relation to Ventia's acquisition of Broadspectrum.

STRATEGY AND OPERATING ENVIRONMENT OUTLOOK

CIMIC is an engineering-led construction, mining, services and PPP leader with a history dating back to 1899 and around 35,000 people delivering services in 20 countries. Our mission is to generate sustainable shareholder returns by delivering innovative and competitive solutions for clients, and safe, fulfilling careers for our people. We strive to be known for our principles of Integrity, Accountability, Innovation and Delivery, underpinned by Safety.

OPERATING MODEL AND STRATEGY

CIMIC operates through activity-based businesses in construction, mining and mineral processing, operation and maintenance services, PPPs, and engineering. These businesses deliver services in Australia and select markets in Asia, the near Pacific, Southern Africa, and the Americas.

CIMIC's strategy has the following key elements:

- to be an engineering-led, industry-leading group with a balanced portfolio diversified by market sector, activity, geography, type of client, contract type, volume and duration. This diversification and our scale reduce earnings volatility, facilitates the management of risk and helps to create sustainable returns;
- to offer integrated solutions through a complementary suite of capabilities for the entire lifecycle of assets – from development and financing to engineering, construction, mining, and operations and maintenance;
- to selectively export the Group's capabilities and expand into other markets which meet our governance, risk, and return requirements, either organically or through acquisition; and
- to utilise common systems and processes to facilitate the sharing of innovation and knowledge.

Underpinning the strategy is the pursuit of operational excellence in terms of:

- identifying value-adding engineering solutions;
- applying a disciplined approach to risk management;
- rigorously managing cash;
- maintaining a tight control on costs; and
- ensuring an uncompromising focus on safety.

Fundamental to the delivery of the strategy is a strong balance sheet, which supports organic growth and provides flexibility in capital expenditure and investments into PPPs, as well as strategic capital allocation opportunities including acquisitions and buy-backs.

Our financial policy is to manage net debt to a level that supports a strong investment grade rating.

CONSTRUCTION MARKET

While national and state governments have implemented various responses to COVID-19, policymakers across our core markets of Australia, New Zealand and Asia have recognised the essential role that the construction sector plays in the economy. Governments at all levels are considering measures that will help stimulate their economies, and the construction market - especially in infrastructure - is set to play a significant part in these recovery efforts.

Governments are increasingly seeking to fast-track capital works projects and maintenance programs to accelerate economic growth, create jobs and address historic underinvestment. All levels of government in Australia are implementing measures to this effect, including the:

- Federal Government's commitment to provide an additional \$2.0 billion over three years for priority regional and urban transport infrastructure - which includes \$1 billion for shovel-ready projects and \$500 million for road safety works⁴²; an additional \$3.7 billion to build hospital system capacity⁴²; a targeted 50% reduction in Commonwealth assessment and approval times for major infrastructure projects⁴³; and, under a new agreement with the New South Wales Government, a further \$3.5 billion injection to help deliver the \$11 billion Sydney Metro - Western Sydney Airport project⁴⁴;
- Victorian Government's \$2.7 billion Building Works package and Planning and Acceleration fund⁴⁵;
- New South Wales Government's decision to establish a \$3 billion Infrastructure and Job Acceleration Fund⁴⁶;
- Queensland Government's \$400 million road stimulus package⁴⁷;
- South Australian Government's accelerated spending package⁴⁸; and

⁴² Commonwealth of Australia, Economic and Fiscal Outlook, July 2020, p. 13 and 5.

⁴³ Prime Minister of Australia, Media Release, "CEDA'S STATE OF THE NATION CONFERENCE", 15 June 2020.

⁴⁴ Prime Minister of Australia, Media Release, "New agreement keeps Sydney Metro (Western Sydney Airport) Jobmaker Project On-Track", 2 June 2020.

⁴⁵ Victorian State Government Media Release, "Building works more jobs for Victorians", 18 May 2020.

⁴⁶ NSW State Government Media Release, "\$3 billion boost creates \$100 billion infrastructure and jobs pipeline", 31 May 2020.

⁴⁷ Queensland State Government Media Release, "\$400m Road Stimulus Package to Supercharge Jobs QLD Economy", 19 May 2020.

⁴⁸ South Australian Government Media Release, "\$50 million for local projects to create local jobs", 16 March 2020.

- Western Australian Government's planning reform measures which will help streamline infrastructure approval and assessment⁴⁹.

In addition, the New Zealand Government has allocated a further NZ\$3 billion towards "shovel-ready" projects in its most recent budget⁵⁰.

These short-term measures are being supplemented by sustained levels of investment from the private sector and long-term spending commitments from the public sector, with government-initiated transport and social infrastructure projects expected to remain the key drivers of the Group's construction opportunities for the foreseeable future. These commitments are reflected in the most recent Federal, State and Territory government plans and budgets.

In the latest fiscal update, the Australian Federal Government reiterated its Infrastructure Investment Plan to fund \$100 billion in nation-building transport infrastructure over the next decade⁵¹. This investment will be complemented by the New South Wales Government's \$100 billion infrastructure investment program over the next four years⁵², which contains over \$57.5 billion of commitments to public transport and roads – including new investments in the Sydney Metro West, the Western Harbour Tunnel and the Warringah Freeway Upgrade projects – and \$10.2 billion for hospitals and healthcare facilities⁵³.

In Victoria, the State government is projecting \$55.6 billion of spending on public infrastructure over the next four years – including funding commitments for the North East Link, the Melbourne Airport Rail and the removal of additional level crossings⁵⁴. The Queensland State Government has outlined a \$51.8 billion capital works program over the period to 2022-23, which includes funding commitments for the Cross River Rail project, upgrades to the Bruce Highway and development of the Gold Coast Light Rail Stage 3A⁵⁵. Other Australian State and Territory governments are also expected to invest in major transport and social infrastructure projects, providing the Group with a broad range of construction opportunities.

Within these budgets, substantial investment commitments have been allocated towards hospitals and health care infrastructure, reflecting the country's growing and ageing population. In particular, through the 2020-25 National Health Reform Agreement signed by all states and territories in May 2020, \$131 billion in additional funding will be provided to public hospitals across Australia over five years from 2020–21, offering significant opportunities for the Group to deliver hospital and health care infrastructure in the coming years^{51,56}. The budgets also earmark considerable funding for water and energy projects, many of which are expected to suit the Group's capabilities and offer considerable construction opportunities.

In New Zealand, the infrastructure pipeline of the recently established Infrastructure Commission (Te Waihangā) has grown to 2,290 credibly proposed and committed infrastructure projects (up from 506 in the previous quarter) with an estimated total value of NZ\$33.2 billion (up by almost NZ\$12 billion in the last quarter)⁵⁷. This pipeline is based on submissions from government agencies and local councils, and transport is the largest sector followed by water and health.

In the Group's international markets, relatively high levels of investment in economic and social infrastructure projects, along with the removal of tendering restrictions in Hong Kong, should continue to sustain a broad range of construction opportunities.

PPP MARKET

Governments across Australia, New Zealand and Asia are increasingly embracing PPPs as a model for the financing and delivery of infrastructure projects, notably in the sectors of transport and social infrastructure. This acceptance of PPPs is reflected in Australian Coalition of Governments continued support for the National PPP Policy Framework, which established that projects valued over \$50 million should be considered for PPP procurement⁵⁸. In New Zealand, the Government is actively pursuing non-traditional procurement options, involving greater private sector involvement in the provision of both infrastructure and services, where these can demonstrate greater value for money to the public sector.

This increasing reliance on PPPs, and the Group's demonstrated track record in this market, is continuing to create a range of opportunities for CIMIC. The Group's pipeline of PPP opportunities is currently estimated to be \$130 billion, which includes a number of heavy and light rail projects, several major road projects, and a range of social infrastructure projects, including schools,

⁴⁹ Government of Western Australia, Department of Planning, Lands and Heritage, 20 May 2020 - <https://www.dplh.wa.gov.au/projects-and-initiatives/planning-reform/covid-19-planning-reforms>

⁵⁰ New Zealand Government, 2020 Budget Speech, 14 May 2020, p. 6.

⁵¹ Commonwealth of Australia, Economic and Fiscal Outlook, July 2020, p. 13 and 143.

⁵² NSW State Government Media Release, "\$3 billion boost creates \$100 billion infrastructure and jobs pipeline", 31 May 2020.

⁵³ New South Wales State Budget, 2019-20 Half-Yearly Review, December 2019, p. 25 and 44.

⁵⁴ Victoria State Budget 2019-20, Budget Update, December 2019, p. 1 and 4.

⁵⁵ Queensland State Budget, 2019-20 Mid-Year Fiscal and Economic Review, December 2019, p. 20.

⁵⁶ Prime Minister Media Release, Commonwealth and states sign \$131 billion five year hospitals agreement, 29 May 2020 - <https://www.pm.gov.au/media/commonwealth-and-states-sign-131-billion-five-year-hospitals-agreement>

⁵⁷ New Zealand Infrastructure Commission – Infracom (Te Waihangā), 18 March 2020 - <https://infracom.govt.nz/news/commission-news/infracoms-infrastructure-pipeline-reflects-additions-from-nz-upgrade-programme/>

⁵⁸ Department of Infrastructure and Regional Development, National PPP Policy Framework, October 2015, p. 7.

hospitals, utilities and prisons - with scope to provide non-custodial services. Opportunities for the Group in the PPP market are likely to include varying combinations of design, construction, finance, and operation and maintenance.

MINING & MINERAL PROCESSING MARKET

Across the Group's main markets, governments have broadly supported the continued operation of mine sites and the businesses that support them, despite the evolving COVID-19 situation. As a result, the Group's core mining and mineral processing markets have remained resilient throughout the current pandemic. On 29 July 2020, the Group announced that it had signed an exclusivity agreement and is in advanced negotiations with funds advised by Elliott Advisors (UK) Limited (together "Elliott") regarding the potential investment by Elliott into 50% of the share capital of Thiess, which would provide joint control of Thiess to CIMIC and Elliott. The introduction of an equity partner into Thiess would capitalise on the robust outlook for the mining sector and provide capital for Thiess' continued growth. We expect that the negotiations will conclude in the coming weeks with a share purchase agreement that will be subject to customary conditions, including regulatory approvals.

The demand outlook for all commodities to which the Group is exposed remains positive, as these resources are expected to continue to be vital in the recovery of the global economy, being key inputs for energy generation and industrial production, including building, construction, infrastructure and manufacturing. Limited substitutes for the major commodities mined and processed by the Group, sustained population growth, increasing urbanisation and industrialisation, and rising living standards continue to underpin a positive outlook in the longer-term for this market.

Australia's resource and energy sector has continued to perform solidly despite facing some recent global headwinds. Export earnings from resources and energy are forecast to set a new record high of almost \$293 billion in 2019-20, helped by a 4.2% increase in volumes this year⁵⁹. The Australian Treasury is forecasting mining exports growth to accelerate to 3% in 2020-21, after increasing by 0.5% in 2019-20. Ongoing demand from China will continue to support iron ore exports, driving project expansions and production volumes. However, lower global coal prices are expected to result in reduced Australian coal production in the near term⁶⁰.

Despite this, export volumes from Australia are expected to maintain a positive trajectory longer term, with the 2021-22 annual production of iron ore, metallurgical coal, thermal coal and nickel expected to grow by 7%, 3%, 1% and 35% from 2019-20 levels, respectively⁶¹.

Mining investment in Australia is expected to grow for the first time in seven years, by 4% in 2019-20 and another 9.5% in 2020-21, driven by capital expenditure in order to sustain productive capacity and maintain capital stocks⁶⁰, supporting significant opportunities for the Group. As leaders in the mining services and mineral processing sectors, Thiess and Sedgman expect to continue to benefit from this solid demand outlook.

SERVICES MARKET

CIMIC's service capability is increasingly spanning the full lifecycle of assets - from design, commissioning, and capital works to operation and maintenance, asset management, overhaul and decommissioning. This offering - either standalone or when paired with the Group's complementary capabilities, presents distinct advantages for clients and positions the Group to benefit from the growing services market.

Ageing infrastructure, a failure to invest sufficiently in maintenance over time, population growth - which is placing pressure on existing infrastructure, and - more recently - increased investment in new infrastructure, are all continuing to support a growing market for the provision of operations and maintenance services. Overlaying this market growth, asset owners are increasingly seeing the benefit of outsourcing their maintenance services to pursue operational efficiencies and to drive productivity improvements.

The Australian maintenance services market was expected to be worth approximately \$42.4 billion in 2018-19, of which some 56.4% was outsourced to the private sector. The outsourced maintenance market is forecast to increase by around 33% over the next decade with growth expected in the engineering, construction, maintenance, and operation services provided to the rail, transportation, technology, energy, resources, water, renewable energy, and defence sectors⁶².

CIMIC's strong position in the maintenance services market, and ability to deliver innovative and end-to-end construction and maintenance service solutions for clients, positions the Group to capitalise on the expanding range of opportunities.

⁵⁹ Queensland State Budget, 2019-20 Mid-Year Fiscal and Economic Review, December 2019, p. 20.

⁶⁰ Commonwealth of Australia, Economic and Fiscal Outlook, July 2020, p. 41 and 39.

⁶¹ Australian Government (Office of the Chief Economist) Department of Industry, Innovation and Science: Resources and Energy Quarterly, June 2020, p. 7 & 14.

⁶² BIS Economics, Maintenance in Australia 2019-23, February 2019, p. 8 and Appendix A.1 - Australia (Outsourced).

FUTURE DEVELOPMENTS

GROUP PROSPECTS

CIMIC's core markets – in construction, PPPs, mining and mineral processing, operations and maintenance services, and engineering – continue to offer a broad range of opportunities. CIMIC's work in hand and a substantial pipeline of future project opportunities support our positive outlook.

The capital investment and maintenance ambitions of clients have not materially changed since the beginning of COVID-19 across the Group's markets. CIMIC is encouraged by, and supportive of, the various measures introduced by governments across the Group's core markets to fast track infrastructure investment, encourage collaboration with the private sector, and implement planning and procurement reforms.

CIMIC is currently bidding on, or has been shortlisted for, projects including:

- Western Harbour Tunnel Upgrade, Transport for NSW, New South Wales;
- M6 Stage 1 (Arncliffe to Kogarah), Transport for NSW, New South Wales;
- Sydney Metro Greater West - North South Rail Link Stage 1 – Design and Construct of PPP, Transport for NSW, New South Wales;
- Regional Delivery Consortia 2020, Sydney Water Corporation, New South Wales;
- Inland Rail – Gowrie to Kogarah as a PPP, Australian Rail Track Corporation, Queensland;
- Metronet – Rolling stock procurement, Public Transport Authority, Western Australia;
- Terminal 2 Expansion Works for Airport Authority, Hong Kong;
- New Acute Hospital at the Kai Tak Development Area - Superstructure Package 1, Hospital Authority, Hong Kong;
- Relocation of Shatin Sewage Treatment Works to Caverns, Drainage Services Department, Hong Kong;
- Changi Airport Terminal 5 – Advance Works Megaspine, Changi Airport Group, Singapore;
- North-South Corridor, Land Transport Authority, Singapore;
- Karara Magnetite Mine, Western Australia;
- Satui Coal Mine Extension, Indonesia;
- Mount Pleasant Coal Extension, New South Wales;
- Magino Gold Mine, Americas;
- PEM&AM Contract for ATOM 2nd Extension, Victoria;
- Major Shutdown Extension, Rio Tinto Aluminium Limited, Queensland;
- Mount Piper Emergent Work, Energy Australia, New South Wales; and
- Various other Mining and mineral processing opportunities in New South Wales, Queensland and Western Australia and projects in Canada and Chile including additional mining works in the oil sands and AMSA Minera Centinela as well as the Jwaneng expansion project in Botswana.

The Group has an extensive pipeline with at least \$70 billion of tenders relevant to CIMIC to be bid and/or awarded for the remainder of this year, subject to the COVID-19 evolution, and \$470 billion of projects are coming to the market in 2021 and beyond, including about \$130 billion worth of PPP projects.

CIMIC continues to consider opportunities to diversify and expand into new regions and markets by leveraging its existing capabilities. The Group's positive outlook is founded on a disciplined focus of sustaining a strong balance sheet, generating cash, and rigorous approach to tendering and project delivery. This focus, combined with the Group's strong competitive position and the range of opportunities across the core markets, provides a solid base for the generation of sustainable returns.

OUTLOOK

We continue to monitor the impact of COVID-19 on 2020 operational and financial performance.

GLOSSARY

TERM	DESCRIPTION
1Q20/2Q20/3Q20 or 4Q20	First, second, third or fourth quarter of the relevant year
A\$ or \$	Australian dollars
AASB	Australian Accounting Standards Board
ASX	ASX Limited
BICC	BIC Contracting LLC
BP	Basis points
EBIT	Earnings before net finance costs and tax
EBITDA	Earnings before net finance costs, tax, depreciation and amortisation
EPS (basic)	Earnings per share (basic)
Excl	Excluding
FY20/FY19	Financial year ended 31 December 2020/2019
Group or CIMIC	CIMIC Group Limited and certain entities it controls
H1/HY20/HY19	Six month period ended 30 June 2020/2019
LTM	Last 12 months from 1 July 2019 to 30 June 2020
NPAT	Net profit after tax
PBT	Profit before tax
Period/the period	Six month period ended 30 June 2020
PPP	Public-private partnership
Ventia	Ventia Services Group Pty Limited
WIH	Work in hand
YOY	Year on year