



CIMIC Group Limited
ABN 57 004 482 982

Level 25, 177 Pacific Highway
North Sydney, NSW 2060 Australia

PO Box 1002
Crows Nest, NSW 1585 Australia

T +61 2 9925 6666

F +61 2 9925 6000

cimic.com.au

18 July 2018

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

HALF YEAR REPORT FY2018 AND MANAGEMENT COMMENTARY

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

Yours faithfully
CIMIC GROUP LIMITED

Half Year Report (Appendix 4D) & Management Commentary

For the six months ended 30 June 2018
Issued 18 July 2018



CIMIC Group Limited
ABN 57 004 482 982



Mining services at the Curragh Coal Mine, Queensland; Thies; \$160 million

Half Year Report (Appendix 4D)

For the six months ended 30 June 2018
Issued 18 July 2018



CIMIC Group Limited
ABN 57 004 482 982

Level 25, 177 Pacific Highway,
North Sydney NSW 2060, Australia
T +61 2 9925 6666 F +61 2 9925 6000
www.cimic.com.au

Directors' Report

The Directors of CIMIC Group Limited present their report for the half-year ended 30 June 2018 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 2018 and the auditor's review report are presented on pages 5 to 39.

The lead auditor's independence declaration is set out on page 40 and forms part of the Directors' Report for the half-year ended 30 June 2018.

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 41 to 56 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 having been a Non-executive Director since October 2012 until March 2014. He was CEO and Managing Director of the Company from March 2014 until October 2016.	Michael Wright CEO and Managing Director since 1 December 2017.
Russell Chenu Independent Non-executive Director since June 2014.	José-Luis del Valle Pérez Non-executive Director since March 2014.
Trevor Gerber Independent Non-executive Director since June 2014.	Pedro López Jiménez Non-executive Director since March 2014.
David P Robinson Non-executive Director since December 1990. Previously an Alternate Director for Mr Pedro López Jiménez (from June 2014 to 31 October 2017) and Mr Peter Sassenfeld (from November 2011 to June 2013).	Peter W Sassenfeld Non-executive Director since November 2011.
Kathryn Spargo Independent Non-executive Director since September 2017.	

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. Previously an Alternate Director for Mr Sassenfeld (June 2014 to October 2017).
Adolfo Valderas Alternate Director for Mr López Jiménez since November 2017.	

RETIRED DIRECTORS	
Nil	

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:

A blue ink signature, appearing to read 'Michael Wright', written over a light blue horizontal line.

Michael Wright

Chief Executive Officer and Managing Director

A black ink signature, appearing to read 'Russell Chenu', written in a cursive style.

Russell Chenu

Director and Chairman Audit and Risk Committee

Sydney, 18 July 2018

Results for Announcement to the Market

for the six months ended 30 June 2018

Name of Entity

CIMIC GROUP LIMITED

	6 months to June 2018 \$m	6 months to June 2017 \$m	% Change
Revenue - Group	8,345.3	7,661.2	8.9%
Revenue - Joint ventures and associates	1,407.9	1,381.8	1.9%
Revenue ¹	6,937.4	6,279.4	10.5%
Profit / (loss) attributable to shareholders of the parent entity	363.0	322.9	12.4%

For a brief explanation of the figures reported above: refer to page 41 onwards.

Details of Reporting Period	
Current reporting period:	Six (6) months to 30 June 2018
Previous corresponding period:	Six (6) months to 30 June 2017

Dividends - June 2018	Amount per security	Franked amount per security	
Interim dividend	70.0¢	70.0¢	100%
Previous corresponding period	60.0¢	60.0¢	100%

Key Dividend Dates	Date
Ex-dividend date:	12 September 2018
Record date for determining entitlements to the dividend:	13 September 2018
Date for payment of interim dividend:	4 October 2018

¹ Revenue excludes revenue of joint ventures and associates.

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2018

	Note	6 months to June 2018 \$m	6 months to June 2017 \$m
Revenue	2	6,937.4	6,279.4
Expenses	3	(6,422.5)	(5,802.1)
Share of profit / (loss) of associates and joint venture entities		20.9	(15.8)
Earnings before interest and tax ("EBIT")		535.8	461.5
Finance income		25.0	35.0
Finance costs		(57.8)	(54.7)
Net finance income / (costs)	4	(32.8)	(19.7)
Profit / (loss) before tax		503.0	441.8
Income tax (expense) / benefit		(145.9)	(123.7)
Profit / (loss) for the period		357.1	318.1
(Profit) / loss for the period attributable to non-controlling interests		5.9	4.8
Profit / (loss) for the period attributable to shareholders of the parent entity		363.0	322.9
Dividends per share - Interim	6	70.0¢	60.0¢
Basic earnings per share	7	111.9¢	99.6¢
Diluted earnings per share	7	111.9¢	99.5¢

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 2018

	6 months to June 2018 \$m	6 months to June 2017 \$m
Profit / (loss) for the period attributable to shareholders of the parent entity	363.0	322.9
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)	43.7	(146.1)
• Effective portion of changes in fair value of cash flow hedges (net of tax)	(0.6)	3.6
• Change in fair value of available-for-sale assets (net of tax)	-	(0.1)
Other comprehensive income / (expense) for the period	43.1	(142.6)
Total comprehensive income / (expense) for the period attributable to shareholders of the parent entity	406.1	180.3
<i>Total comprehensive income / (expense) for the period attributable to shareholders of the parent entity:</i>		
Total comprehensive income / (expense) for the period	400.2	175.5
Total comprehensive (income) / expense for the period attributable to non-controlling interests	5.9	4.8
Total comprehensive income / (expense) for the period attributable to shareholders of the parent entity	406.1	180.3

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 2018

	Note	30 June 2018 \$m	31 December 2017 \$m
Assets			
Cash and cash equivalents ¹		2,180.9	1,813.8
Trade and other receivables	9	2,976.5	3,216.3
Current tax assets		75.7	29.0
Inventories: consumables and development properties		233.1	210.8
Assets held for sale		40.7	32.2
Total current assets		5,506.9	5,302.1
Trade and other receivables	9	646.2	1,090.8
Inventories: development properties		151.2	167.6
Investments accounted for using the equity method	11	88.4	382.7
Other investments		176.8	169.2
Deferred tax assets		103.9	145.4
Property, plant and equipment		1,262.6	1,224.0
Intangibles		1,063.0	1,089.7
Total non-current assets		3,492.1	4,269.4
Total assets		8,999.0	9,571.5
Liabilities			
Trade and other payables		5,211.5	4,737.4
Dividend payable		243.2	-
Current tax liabilities		48.8	40.4
Provisions		323.1	311.8
Interest bearing liabilities	14	173.4	265.6
Total current liabilities		6,000.0	5,355.2
Trade and other payables		124.9	152.0
Provisions		71.6	69.3
Deferred tax liabilities		21.8	-
Interest bearing liabilities	14	708.8	637.8
Total non-current liabilities		927.1	859.1
Total liabilities		6,927.1	6,214.3
Net assets		2,071.9	3,357.2
Equity			
Share capital		1,750.3	1,750.3
Reserves		(591.3)	(554.3)
Retained earnings		954.6	2,183.0
Total equity attributable to equity holders of the parent		2,113.6	3,379.0
Non-controlling interests		(41.7)	(21.8)
Total equity		2,071.9	3,357.2

¹ As at 30 June 2018 \$416.4 million (31 December 2017: \$267.7 million) of cash at bank in relation to the sale of receivables and contract milestone receipts during the reporting period and \$24.2 million (31 December 2017: \$33.7 million) of cash reserved for warranties is classified as restricted cash.

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 2018

	Share ¹ Capital \$m	Reserves \$m	Retained Earnings \$m	Attributable to Equity Holders \$m	Non- controlling Interests \$m	Total Equity \$m
Total equity at 1 January 2017	1,750.3	(325.6)	1,876.5	3,301.2	(9.8)	3,291.4
Profit for the period	-	-	322.9	322.9	(4.8)	318.1
Other comprehensive income	-	(142.6)	-	(142.6)	-	(142.6)
Transactions with shareholders in their capacity as shareholders:						
- Dividends	-	-	(201.0)	(201.0)	-	(201.0)
- Share based payments	-	(2.9)	-	(2.9)	-	(2.9)
- Other	-	-	-	-	(0.3)	(0.3)
Total transactions with shareholders	-	(2.9)	(201.0)	(203.9)	(0.3)	(204.2)
Total equity at 30 June 2017	1,750.3	(471.1)	1,998.4	3,277.6	(14.9)	3,262.7
	Share ¹ Capital \$m	Reserves \$m	Retained Earnings \$m	Attributable to Equity Holders \$m	Non- controlling Interests \$m	Total Equity \$m
Total equity at 31 December 2017	1,750.3	(554.3)	2,183.0	3,379.0	(21.8)	3,357.2
Opening balance adjustment on application of AASB 15 ²	-	(7.2)	(932.2)	(939.4)	(13.9)	(953.3)
Opening balance adjustment on application of AASB 9 ²	-	(72.9)	(416.0)	(488.9)	-	(488.9)
Total equity at 1 January 2018	1,750.3	(634.4)	834.8	1,950.7	(35.7)	1,915.0
Profit for the period	-	-	363.0	363.0	(5.9)	357.1
Other comprehensive income	-	43.1	-	43.1	-	43.1
Transactions with shareholders in their capacity as shareholders:						
• Dividends	-	-	(243.2)	(243.2)	-	(243.2)
• Share based payments	-	-	-	-	-	-
• Other	-	-	-	-	(0.1)	(0.1)
Total transactions with shareholders	-	-	(243.2)	(243.2)	(0.1)	(243.3)
Total equity at 30 June 2018	1,750.3	(591.3)	954.6	2,113.6	(41.7)	2,071.9

¹ On 12 December 2016, the Board of CIMIC Group Limited approved a proposal to conduct an on-market share buy-back of up to 10% of CIMIC's fully paid ordinary shares for a period of 12 months commencing on 29 December 2016. No shares were bought back under this scheme.

On 14 December 2017, the Board of CIMIC Group Limited approved a new proposal to conduct an on-market share buy-back of up to 10% of CIMIC's fully paid ordinary shares for a period of 12 months commencing on 29 December 2017. As at 30 June 2018 no shares were bought back under this scheme.

² Refer to Note 1(a) for details on opening balance adjustments made on application of new accounting standards.

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 2018

	6 months to June 2018 \$m	6 months to June 2017 \$m
Cash flows from operating activities		
Cash receipts in the course of operations (including GST)	7,456.6	6,963.7
Cash payments in the course of operations (including GST)	(6,733.0)	(6,343.3)
Cash flows from operating activities	723.6	620.4
Interest received	13.8	8.3
Finance costs paid	(63.9)	(50.3)
Income taxes (paid) / received	(37.1)	(45.0)
Net cash from operating activities	636.4	533.4
Cash flows from investing activities		
Payments for intangibles	(3.2)	(6.5)
Payments for property, plant and equipment	(246.4)	(201.5)
Proceeds from sale of property, plant and equipment	11.9	12.2
Proceeds from sale of investments	1.2	-
Income tax paid in relation to proceeds from sale of investments in controlled entities and businesses	-	(59.0)
Payment for investments	(15.4)	(13.5)
Loans to associates and joint ventures	(0.9)	(40.9)
Net cash from investing activities	(252.8)	(309.2)
Cash flows from financing activities		
Cash payments in relation to employee share plans	-	(3.4)
Proceeds from borrowings	204.3	678.5
Repayment of borrowings	(247.4)	(711.1)
Repayment of finance leases	-	(10.5)
Payments to acquire non-controlling interests	-	(29.3)
Net cash from financing activities	(43.1)	(75.8)
Net increase / (decrease) in cash held	340.5	148.4
Cash and cash equivalents at the beginning of the period	1,813.8	1,576.5
Effects of exchange rate fluctuations on cash held	26.6	(33.9)
Cash and cash equivalents at reporting date	2,180.9	1,691.0

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 2018

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 reporting date.

CIMIC Group Limited is a Company domiciled in Australia. The consolidated interim financial report for the six months ended 30 June 2018 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 2017. The Group has applied new accounting standards and their impact is disclosed in Note 1(a). In accordance with elections available under the relevant accounting standards, new accounting policies are only effective from 1 January 2018 and comparative information is still prepared under policies disclosed in the 31 December 2017 CIMIC Financial Report, although as set out below certain comparables have been re-presented to be consistent with the current period.

The consolidated interim financial report was authorised for issue by the Directors on 18 July 2018.

a) Change in accounting standards

New and amended accounting standards relevant to the Group that are effective for the period are as follows:

AASB 15: Revenue from Contracts with Customers

In the current year, the Group has applied AASB 15 *Revenue from Contracts with Customers* (as amended in April 2016) which has come into effect 1 January 2018. Details of the new requirements of AASB 15 as well as their impact on the Group's consolidated financial statements are described below.

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer.

CIMIC Group has operations across different industry sectors and geographical locations which are subject to different legal and contractual frameworks. Significant judgments and estimates are used in determining the impact of AASB 15, such as the assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project productivity. In making this assessment we have considered, for applicable contracts, the individual status of legal proceedings, including arbitration and litigation.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 1(b).

AASB 9: Financial instruments

This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and de-recognition of financial instruments from AASB 139.

Notes continued

for the six months ended 30 June 2018

a) Change in accounting standards continued

To assess for any expected credit losses under AASB 9, there is consideration around the probability of default upon initial recognition of the asset, and subsequent consideration as to whether there have been any significant increases in credit risk on an ongoing basis at each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, as far as available, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations. In particular, as far as available, the following information is taken into account when assessing significant movements in credit risk:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- external credit rating
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower
- macroeconomic information such as market interest rates and growth rates

Impact on application

The Group has applied AASB 15 and AASB 9 retrospectively with the cumulative effect of initially applying the standards as an adjustment to the opening balance of equity and comparative figures are therefore not restated. Some disclosure notes have been re-presented for comparatives under new disclosure requirements. The opening equity adjustment due to the application of the new standards is analysed by financial statement line item below.

Impact on assets, liabilities and equity at 1 January 2018

		As reported 31 December 2017 \$m	AASB 9 Transition Adjustments \$m	AASB 15 Transition Adjustments \$m	Opening Balance 1 January 2018 \$m
Current trade and other receivables	(1)	3,216.3	-	(753.1)	2,463.2
Non-current trade and other receivables	(2)	1,090.8	(488.9)	-	601.9
Investments accounted using the equity method	(3)	382.7	-	(263.3)	119.4
Deferred tax assets	(1)	145.4	-	88.8	234.2
Total assets impact			(488.9)	(927.6)	
Current trade and other payables	(1)	4,737.4	-	25.7	4,763.1
Total liabilities impact			-	25.7	
Net asset impact			(488.9)	(953.3)	
Retained earnings		2,183.0	(416.0)	(932.2)	834.8
Foreign currency translation reserve		162.3	(72.9)	(7.2)	82.2
Minority interest		(21.8)	-	(13.9)	(35.7)
Total equity impact	(4)		(488.9)	(953.3)	

Notes continued

for the six months ended 30 June 2018

a) Change in accounting standards continued

(1) Revenue recognition

The contracted terms and the way in which the Group operates its construction and services contracts results in revenue predominantly being derived from projects containing one performance obligation. Construction and services revenue will continue to be recognised over time, however the new standard provides new requirements for variable consideration such as incentives, as well as accounting for claims and variations as contract modifications which all impart a higher threshold of probability for recognition. Revenue was previously recognised when it is probable that work performed will result in revenue whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur.

Tender costs & contract costs

Under AASB 111 *Construction Contracts*, costs incurred during the tender process were capitalised within net contract debtors when it is deemed probable the contract will be won. Under the new standard costs can only be capitalised if they are both expected to be recovered and either would not have been incurred if the contract had not been won or if they are intrinsic to the delivery of the project.

Tax

Adjustments under the new standards are subject to tax effect accounting and therefore the net deferred tax position has been impacted.

- (2) The change in method from recognition of incurred losses to recognition of expected credit losses for impairment of financial assets under AASB 9 has led to an adjustment reducing non-current receivables by \$487.4 million with regards to the non-current loan receivables from a joint venture, BIC Contracting LLC "BIC" (formerly HLG Contracting LLC). In determining the estimated expected credit loss on application of AASB 9, CIMIC engaged an independent advisory expert to obtain a credit rating and applied the relevant expected credit loss rate to the loan in line with rating agency published rates and methodology.

An additional \$1.5 million expected credit loss has been recognised in relation to other non-current receivables.

- (3) As BIC is accounted for as an equity method joint venture, the book carrying value of CIMIC's investment in BIC reflects the Group's share of BIC's operating results, including BIC's recognition of construction revenue. The adjustment reflects the consistent application of CIMIC Group revenue recognition criteria as outlined in (1) Revenue recognition. The higher recognition threshold and constraint criteria in the new standard has led to a reduction in the investment of \$245.6 million. As BIC is a jointly controlled investment, CIMIC does not exert the same degree of control over BIC's implementation project as it does over its own and therefore the impact is subject to a higher degree of estimation uncertainty.

Other equity investments under AASB 15 have also been adjusted through the same process reducing investments by \$17.7 million.

- (4) The total of adjustments (1) to (3) above have been recognised in opening equity. These have been recognised between retained earnings, foreign currency translation reserve, which is a result of the cumulative effect of foreign currency fluctuations, and those balances attributable to minority interests.

There has been no material impact on cash flow or other financial statement items on transition.

Other new and amended accounting standards

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions; and
- AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

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

Notes continued

for the six months ended 30 June 2018

b) Accounting policies applied from 1 January 2018

The accounting policies and methods of computation applied by the Group in this consolidated interim financial report are the same as those applied by the Group in the financial report for the year ended 31 December 2017, except for the following amended policies for the new accounting standards effective 1 January 2018 outlined in Note 1(a). The Group has elected not to restate comparative information and as a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies outlined in the Group's 2017 Annual Report.

Revenue Recognition

Revenue was previously recognised when it is probable that work performed will result in revenue whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur.

Construction revenue

The Group derives revenue from the long-term construction of major infrastructure projects, including roads, railways, tunnels, airports, buildings, social infrastructure, water, energy and resources facilities across Australia and Asia. Contracts entered into may be for the construction of one or several separate inter-linked pieces of large infrastructure. The construction of each individual piece of infrastructure is generally taken to be one performance obligation. Where contracts are entered for the building of several projects the total transaction price is allocated across each project based on stand-alone selling prices. The transaction price is normally fixed at the start of the project. It is normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration, discussed below.

The performance obligation is fulfilled over time and as such revenue is recognised over time. As work is performed on the assets being constructed they are controlled by the customer and have no alternative use to the CIMIC Group, with the Group having a right to payment for performance to date.

Generally, contracts identify various inter-linked activities required in the construction process. Revenue is recognised on the measured output of each process based on appraisals that are agreed with the customer on a regular basis.

Revenue earned is typically invoiced monthly or in some cases on achievement of milestones or to match major capital outlay. Invoices are paid on normal commercial terms, which may include the customer withholding a retention amount until finalisation of the construction. Certain construction projects entered into receive payment prior to work being performed in which case revenue is deferred on the balance sheet.

Mining and mineral processing revenue

The Group generates revenue from the provision of mining services and mineral processing from various mine sites within Australia, Asia, the Americas and Africa. Contracts often include multiple obligations for the processes required to enable mine site development, extraction, processing and remediation. These processes can include the design and construction of mine infrastructure, construction, operation and maintenance of processing facilities, topsoil stripping, drill and blast, excavation, processing, rehabilitation and mine closure. In addition, processes may be performed by the Group or by other contractors employed by the customer and as such are accounted for as separate obligations. The transaction price is allocated to each performance obligation based on the stand-alone selling price. The total transaction price may include a variable pricing element which is accounted for in accordance with the policy on variable consideration.

Performance obligations are fulfilled over time with revenue recognised in the accounting period in which the mining or mineral processes are rendered based on the amount of the expected transaction price allocated to each performance obligation as the customer continues to control the asset as it is enhanced.

Customers are typically invoiced on a monthly basis for an amount that is calculated on a schedule of rates that is aligned with the stand alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms.

Services revenue

The Group performs maintenance and other services for a variety of different industries. Contracts entered into can cover servicing of related assets which may involve various different processes. These processes and activities tend to be highly inter-related and the Group provides a significant service of integration for these assets under contract. Where this is the case, these are taken to be one performance obligation. The total transaction price is allocated across each service or performance obligation and, where linked, the construction of the relevant asset. The transaction price is allocated to each performance obligation based on contracted prices. The total transaction price may include variable consideration.

Notes continued

for the six months ended 30 June 2018

b) Accounting policies applied from 1 January 2018 continued

Performance obligations are fulfilled over time as the Group enhances assets which the customer controls, for which the Group does not have an alternative use and for which the Group has right to payment for performance to date. Revenue is recognised in the accounting period in which the services are rendered based on the amount of the expected transaction price allocated to each performance obligation.

Customers are in general invoiced on a monthly basis for an amount that is calculated on either a schedule of rates or a cost plus basis that are aligned with the stand alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms.

Variable consideration

It is common for contracts to include performance bonuses or penalties assessed against the timeliness or cost effectiveness of work completed or other performance related KPIs. Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved, known as “constraint” requirements. The Group assesses the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise whilst also considering the constraint requirement.

Contract fulfilment costs

Costs incurred prior to the commencement of a contract may arise due to mobilisation/site setup costs, feasibility studies, environmental impact studies and preliminary design activities as these are costs incurred to fulfil a contract. Where these costs are expected to be recovered, they are capitalised and amortised over the course of the contract consistent with the transfer of service to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer represents a financing component. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Loss making contracts

A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue.

Other revenue

Property revenue is recognised when control over the property has been transferred to the customer. This is generally at the point when legal title has transferred to the customer as properties are not developed based on the specific needs of individual customers. The revenue is measured at the transaction price agreed under the contract.

Interest revenue is recognised on an accruals basis.

Dividend income is recognised when the dividend is declared.

Rental income is recognised on a straight line basis over the term of the operating lease.

AASB 15 uses the terms ‘contract asset’ and ‘contract liability’ which the Group has adopted to describe such balances which have been included in Note 9.

Notes continued

for the six months ended 30 June 2018

b) Accounting policies applied from 1 January 2018 continued

Non-derivative financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of cash and cash equivalents and trade and other receivables remains at amortised cost consistent with the comparative period.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt investment that is subsequently measured at FVOCI is recognised in other comprehensive income. None are currently held by the Group.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises. None are currently held by the Group.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other expenses in the statement of profit or loss as applicable.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, contract debtors and lease receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Notes continued

for the six months ended 30 June 2018

b) Accounting policies applied from 1 January 2018 continued

Non-derivative financial liabilities

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms in the Group's countries of operation.

Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value recognised in the statement of profit or loss. Where derivative financial instruments qualify for hedge accounting, recognition of changes in fair value depends on the nature of the item being hedged. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting.

The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other expenses.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve in equity. The changes in the time value of the option contracts that relate to the hedged item ('aligned time value') are recognised within other comprehensive income in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve in equity. The change in the forward element of the contract that relates to the hedged item is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of forward and option contracts are ultimately recognised in profit or loss as the hedged item affects profit or loss within expenses.
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance cost'.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss. Hedge ineffectiveness is recognised in profit or loss within other expenses.

Accounting policies for remaining hedges and derivatives are consistent with the comparative period.

Notes continued

for the six months ended 30 June 2018

c) 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 2017 CIMIC Annual Report, updated for the following:

- Construction, services and mining contracting projects:
 - determination of stage of completion;
 - estimation of total contract costs;
 - estimation of total contract revenue, including recognising revenue on contract variations and claims only to the extent it is highly probable that a significant reversal in the amount recognised will not occur in the future;
 - estimation of project completion date; and
 - assumed levels of project productivity.
- Estimation of provision for credit losses on financial assets.

Notes continued

for the six months ended 30 June 2018

2. REVENUE

	Note	6 months to June 2018 \$m	6 months to June 2017 \$m
Construction revenue		3,905.9	3,556.0
Mining and mineral processing revenue		1,770.5	1,515.2
Services revenue		1,230.4	1,174.0
Other revenue		30.6	34.2
Total revenue	5	6,937.4	6,279.4

3. EXPENSES

	Note	6 months to June 2018 \$m	6 months to June 2017 \$m
Materials		(1,281.0)	(1,139.2)
Subcontractors		(2,083.7)	(1,881.2)
Plant costs		(648.6)	(581.9)
Personnel costs		(1,737.3)	(1,564.4)
Depreciation of property, plant and equipment		(237.9)	(228.1)
Amortisation of intangibles		(20.6)	(23.7)
Impairment		(1.2)	(4.0)
Net gain / (loss) on sale of assets		6.7	14.6
Foreign exchange (losses) / gains		(2.5)	1.6
Operating lease payments - plant and equipment		(120.5)	(101.1)
Operating lease payments - other		(59.6)	(69.5)
Design, engineering and technical consulting fees		(17.0)	(28.2)
Other expenses		(219.3)	(197.0)
Total expenses		(6,422.5)	(5,802.1)

Notes continued

for the six months ended 30 June 2018

4. NET FINANCE INCOME / (COSTS)

	6 months to June 2018 \$m	6 months to June 2017 \$m
Finance income		
Interest		
- Related parties	11.2	17.0
- Other parties	12.4	10.7
Unwinding of discounts on receivables		
- Related parties	1.3	7.1
- Other parties	0.1	0.2
Total finance income	25.0	35.0
Finance costs		
Interest		
- Other parties	(42.0)	(39.2)
Finance charge for finance leases	-	(0.6)
Facility fees		
- Bank guarantees, insurance bonds and letters of credit	(9.0)	(8.0)
- Other	(3.0)	(2.7)
Unwinding of discounts on payables		
- Related parties	-	(0.8)
- Other	(3.8)	(3.4)
Total finance costs	(57.8)	(54.7)
Net finance income / (costs)	(32.8)	(19.7)

Notes continued

for the six months ended 30 June 2018

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 CIMIC Group is structured on a decentralised basis comprising the following main segments and a corporate head office:

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

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

The BIC segment does not meet the size threshold of a reportable segment at 30 June 2018. 2017 comparatives have been restated to include the results of the BIC segment within the Corporate segment results. Consistent with prior year, PPPs, Engineering and Commercial and Residential segments are also included within the Corporate segment results.

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.

Notes continued

for the six months ended 30 June 2018

5. SEGMENT INFORMATION CONTINUED

6 months to June 2018	Construction	Mining & Mineral Processing	Services	Corporate	Eliminations	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue						
Segment revenue	3,909.7	1,854.3	1,465.6	1,115.7	-	8,345.3
Inter-segment revenue	-	-	-	-	-	-
Segment joint venture and associate revenue	(3.8)	(83.8)	(235.2)	(1,085.1)	-	(1,407.9)
Revenue	3,905.9	1,770.5	1,230.4	30.6	-	6,937.4
Result						
Segment EBIT	322.0	197.2	75.5	(58.9)	-	535.8
Net finance income / (costs)	(4.1)	(10.4)	(1.2)	(17.1)	-	(32.8)
Segment result	317.9	186.8	74.3	(76.0)	-	503.0
Income tax (expense) / benefit						(145.9)
Profit / (loss) for the period						357.1
(Profit) / loss for the period attributable to non-controlling interests						5.9
Profit / (loss) for the period attributable to shareholders of the parent entity						363.0
Other						
Share of profit / (loss) of associates and joint venture entities	(0.7)	7.1	10.5	4.0	-	20.9
Depreciation & amortisation	(74.5)	(170.2)	(12.5)	(1.3)	-	(258.5)
Other material non-cash income / (expenses)	-	-	-	5.0	-	5.0

Notes continued

for the six months ended 30 June 2018

5. SEGMENT INFORMATION CONTINUED

6 months to June 2017	Construction	Mining & Mineral Processing	Services	Corporate	Eliminations	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue						
Segment revenue	3,561.4	1,588.3	1,350.3	1,161.8	(0.6)	7,661.2
Inter-segment revenue	(0.6)	-	-	-	0.6	-
Segment joint venture and associate revenue	(4.8)	(73.1)	(176.3)	(1,127.6)	-	(1,381.8)
Revenue	3,556.0	1,515.2	1,174.0	34.2	-	6,279.4
Result						
Segment EBIT	290.7	155.3	67.9	(52.4)	-	461.5
Net finance income / (costs)	(3.2)	(4.3)	(2.4)	(9.8)	-	(19.7)
Segment result	287.5	151.0	65.5	(62.2)	-	441.8
Income tax (expense) / benefit						(123.7)
Profit / (loss) for the period						318.1
(Profit) / loss for the period attributable to non-controlling interests						4.8
Profit / (loss) for the period attributable to shareholders of the parent entity						322.9
Other						
Share of profit / (loss) of associates and joint venture entities	0.2	5.5	6.2	(27.7)	-	(15.8)
Depreciation & amortisation	(74.9)	(158.9)	(15.8)	(2.2)	-	(251.8)
Other material non-cash income / (expenses)	-	-	-	25.1	-	25.1

Notes continued

for the six months ended 30 June 2018

6. DIVIDENDS

	Cents per share	\$m
2018 interim dividend		
Subsequent to reporting date the Company announced a 100% franked interim dividend in respect of the period ended 30 June 2018. The dividend is payable on 4 October 2018. This dividend has not been provided for in the consolidated statement of financial position. ¹	70.0	227.0
Dividends recognised in the reporting period to 30 June 2018		
31 December 2017 final dividend 100% franked payable on 4 July 2018	75.0	243.2
Dividends recognised in the reporting period to 31 December 2017		
30 June 2017 interim ordinary dividend 100% franked paid on 4 October 2017	60.0	194.6
31 December 2016 final dividend 100% franked paid on 4 July 2017	62.0	201.0
		395.6

¹ The Board has determined an interim dividend of 70 cents per share. The total dividend payable is an estimate only, based on the number of shares on issue at the date of this financial report. Due to the on-market share buy-back announced by the company on 14 December 2017, there may be fewer shares on issue on the record date for the dividend than the number of shares on issue as at the date of this financial report.

Notes continued

for the six months ended 30 June 2018

7. EARNINGS PER SHARE

	6 months to June 2018	6 months to June 2017
Basic earnings per share	111.9¢	99.6¢
Diluted earnings per share	111.9¢	99.5¢
Profit / (loss) attributable to shareholders of the parent entity used in the calculation of basic and diluted earnings per share (\$m)	363.0	322.9
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	324,254,097	324,254,097
Weighted average effect of share options on issue	119,303	141,670
Contingently issuable shares ²	-	6,279
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	324,373,400	324,402,046

¹No share buy-backs have taken place in the current or comparative period under the programmes.

²Contingently issuable shares relate to share rights under plans disclosed in the 31 December 2017 Annual Report (note 36: Employee benefits). There have been no changes to these plans since this date.

8. NET TANGIBLE ASSET BACKING

	June 2018	December 2017
Net tangible asset backing per ordinary share	\$3.11	\$6.99

Notes continued

for the six months ended 30 June 2018

9. TRADE AND OTHER RECEIVABLES

	June 2018 \$m	December 2017 ¹ \$m
Contract receivables	439.9	337.5
Contract assets ^{2,5}	1,570.1	2,006.9
Retentions and capitalised costs to fulfil contracts	159.7	151.5
Total contract debtors	2,169.7	2,495.9
Trade debtors	188.9	180.7
Other amounts receivable	533.6	479.9
Prepayments	53.4	46.2
Derivative financial assets	19.8	11.5
Amounts receivable from related parties ³	651.9	1,087.8
Non-current tax asset ⁴	5.4	5.1
Total trade and other receivables	3,622.7	4,307.1
Current ²	2,976.5	3,216.3
Non-current ^{3, 4}	646.2	1,090.8
Total trade and other receivables	3,622.7	4,307.1
Additional information on contract debtors		
Total contract debtors – trade and other receivables	2,169.7	2,495.9
Total contract liabilities – trade and other payables	(1,181.7)	(1,112.1)
Net contract debtors	988.0	1,383.8

¹ Amounts have been re-presented for 31 December 2017 in line with AASB 15 disclosure requirements for the current reporting period. No amounts have been restated as per AASB 15 transitional options discussed in note 1(a): Change in accounting standards.

² Contract assets includes an amount equal to \$1.15 billion (31 December 2017: \$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 Maritimo LDA (together 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.

Notes continued

for the six months ended 30 June 2018

9. TRADE AND OTHER RECEIVABLES CONTINUED

- *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.*
- *On 20 August 2016, in order to pursue further its entitlement under the contract, CPB commenced proceedings in the United States against Chevron Corporation and KBR Inc. The commencement of the proceedings has no effect on the contract process or CPB's entitlement to the amounts under negotiation / claimed in the arbitration.*

Since December 2016 the arbitration has continued in accordance with the contractual terms. The Arbitrators have been appointed and have made orders for the conduct of the proceedings and it is anticipated that the hearings will be in 2019 with a determination thereafter.

³*The Group has trade and other receivables relating to BIC totalling US\$445.0 million (31 December 2017: US\$816.1 million) equivalent to \$593.2 million (31 December 2017: \$1,046.3 million) with an expected repayment date of 30 September 2021. Refer to note 1(a) on impact of ECL on the loan balance at 1 January 2018.*

The repayment of the above loans is subject to certain restrictions as a result of the loans being subordinate to other external debt held by BIC, such as its syndicated loan facility. Repayment of these amounts can be subject to prior written consent from the financier, or where a permitted payment under the financing arrangement occurs.

⁴*The non-current tax asset of \$5.4 million (31 December 2017: \$5.1 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.*

⁵*Contract assets is net of \$675.0 million (31 December 2017: \$675.0 million) revenue constraint on a portfolio basis.*

Notes continued

for the six months ended 30 June 2018

10. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES

2018 Acquisitions

There were no significant acquisitions during the 6 months to 30 June 2018.

2017 Acquisitions

Bacchus Marsh JV

On 6 July 2017, Townsville City Project Trust acquired an unincorporated joint operation which is a planned residential land development project located in Bacchus Marsh Victoria. Townsville City Project Trust is 50% owned by Leighton Properties Pty Ltd and 50% by Devine Limited, controlled entities of CIMIC Group.

Devine Limited held a 50% interest in the previous unincorporated joint operation. Devine Limited's interest in the joint operation is unchanged via a 50% interest in the acquiring company Townsville City Project Trust but the CIMIC Group interest has increased from 50% to 100% interest in the joint operation. The purchase consideration was \$21.3 million cash with deferred consideration of \$9.2 million.

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

The contribution by the acquired joint operation to the Group from the acquisition date to the end of the period ended 30 June 2018 was immaterial. The business is now reported within the Corporate segment (refer to Note 5: Segment information), as such it is not possible to assess the contribution of the business to profit for the year.

Disposals

There were no disposals of controlled entities or businesses during the 6 months to 30 June 2018 (31 December 2017: \$nil).

Notes continued

for the six months ended 30 June 2018

11. 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 2018 %	December 2017 %
Canberra Metro Holdings Trust ¹	Construction	Australia	30	30
Canberra Metro Holdings Pty Ltd ¹	Construction	Australia	30	30
Canberra Metro Pty Ltd	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 Melbourne 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
Wellington Gateway General Partner No.1 Limited ²	Investment	New Zealand	15	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.

Notes continued

for the six months ended 30 June 2018

11. 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 2018 %	December 2017 %
Australian Terminal Operations Management Pty Ltd	Services	Australia	50	50
BIC Contracting LLC (formerly HLG Contracting LLC)	Construction	United Arab Emirates	45	45
Canberra Metro Operations Pty Ltd	Services	Australia	50	50
City West Property Holding Trust (Section 63 Trust)	Development	Australia	50	50
City West Property Holdings Pty Limited	Development	Australia	50	50
City West Property Investment (No.1) Trust	Development	Australia	50	50
City West Property Investment (No.2) Trust	Development	Australia	50	50
City West Property Investment (No.3) Trust	Development	Australia	50	50
City West Property Investment (No.4) Trust	Development	Australia	50	50
City West Property Investment (No.5) Trust	Development	Australia	50	50
City West Property Investment (No.6) Trust	Development	Australia	50	50
City West Property Investments (No. 1) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 2) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 3) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 4) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 5) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 6) Pty Limited	Development	Australia	50	50
Cockatoo Mining Pty Ltd ²	Contract Mining	Australia	50	50
Erskineville Residential Project Pty Ltd	Construction	Australia	50	50
Great Eastern Highway Upgrade	Construction	Australia	75	75
GSJV Guyana Inc ¹	Contract Mining	Guyana	50	50
GSJV Limited (Barbados) ¹	Contract Mining	Barbados	50	50
Kings Square No.4 Unit Trust	Development	Australia	50	50
Kings Square Pty Ltd	Development	Australia	50	50
Leighton Abigroup Joint Venture ¹	Construction	Australia	50	50
Leighton BMD JV ¹	Construction	Australia	-	50
Leighton Kumagai Joint Venture (Metrorail) ¹	Construction	Australia	55	55
Leighton Services UAE Co LLC	Services	United Arab Emirates	36	36
Leighton-Infra 13 Joint Venture ²	Construction	India	50	50
Leighton-Ose Joint Venture ²	Construction	India	50	50
Majwe Mining Joint Venture (Proprietary) Limited	Contract Mining	Botswana	60	60
Manuka Motorway Extension ¹	Construction	New Zealand	-	50
Mode Apartments Pty Ltd	Development	Australia	30	30
Mode Apartments Unit Trust	Development	Australia	30	30
Moonee Ponds Pty Ltd	Development	Australia	-	50
Mosaic Apartments Holdings Pty Ltd ¹	Development	Australia	50	50
Mosaic Apartments Pty Ltd ¹	Development	Australia	50	50

Notes continued

for the six months ended 30 June 2018

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

Name of entity	Principal activity	Country	Ownership interest	
			June 2018 %	December 2017 %
Mosaic Apartments Unit Trust	Development	Australia	-	50
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
New Future Alliance (SIHIP)	Construction	Australia	-	80
Ngarda Civil and Mining Pty Limited ¹	Contract Mining	Australia	50	50
Northern Gateway Alliance	Construction	New Zealand	50	50
RTL JV ¹	Contract Mining	Australia	44	44
RTL Mining and Earthworks Pty Ltd ¹	Construction	Australia	44	44
Sedgman Civec JV ¹	Construction	Australia	50	50
Smartree Pty Ltd	Construction	Australia	50	50
Southern Gateway Alliance (Mandurah)	Construction	Australia	69	69
Thiess Hochtief Joint Venture ¹	Construction	Australia	50	50
Thiess United Group Joint Venture ¹	Construction	Australia	50	50
Ventia Services Group Pty Limited	Investment	Australia	47	47
Viridian Noosa Pty Ltd ¹	Development	Australia	50	50
Viridian Noosa Trust ¹	Development	Australia	50	50
Wallan Project Pty Ltd ¹	Investment	Australia	30	30
Wallan Project Trust ¹	Investment	Australia	30	30
Wedgewood Road Hallam No. 1 Pty Ltd	Development	Australia	-	50
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.

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.

BIC

As described in Note 1(a): *Changes in accounting standards*, CIMIC's investment in BIC is now held at nil value due to the impact of applying AASB 15 and therefore no longer material to the Group.

The Group continues to hold a call option to purchase the remaining 55% shareholding in BIC. This option has no current impact on the control of the company. As at 30 June 2018 the fair value of the call option was determined to be US\$54.0 million (31 December 2017: US\$54.0 million), equivalent to \$72.0 million (31 December 2017: \$69.2 million). In accordance with AASB 9 the option has been classified as a financial asset held at fair value through profit or loss. No gain or loss was recognised in the period.

The Group also holds shareholder loans as outlined in Note 9: *Trade and other receivables*.

CIMIC continues to guarantee the BIC facilities with a secured and drawn amount of US\$423.2 million as at 30 June 2018 (equivalent to \$564.3 million) compared to US\$326.1 million as at 31 December 2017 (equivalent to \$418.1 million).

No amounts have been recognised in relation to these facilities at 30 June 2018 or 31 December 2017.

Notes continued

for the six months ended 30 June 2018

12. JOINT OPERATIONS

The Group has the following interest in joint operations:

Name of arrangement	Principal activity	Country	Ownership interest	
			June 2018 %	December 2017 %
Boulderstone Leighton Joint Venture	Construction	Australia	50	50
Casey Fields Joint Venture ¹	Development	Australia	33	33
CH2-UGL JV	Construction	Australia	50	50
China State - Leighton Joint Venture	Construction	Hong Kong	50	50
CHT Joint Venture	Construction	Australia	50	50
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	-
CPB Southbase JV	Construction	New Zealand	60	75
Erskineville Residential Project	Development	Australia	50	50
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 ¹	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 Trading as Malabar Alliance	Construction	Australia	50	50
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) ¹	Construction	Macao	40	40
Leighton China State Joint Venture (Wynn Resort) ¹	Construction	Macao	50	50

Notes continued

for the six months ended 30 June 2018

12. JOINT OPERATIONS CONTINUED

Name of arrangement	Principal activity	Country	Ownership interest	
			June 2018 %	December 2017 %
Leighton Contractors Downer Joint Venture ¹	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
Leighton Yongnam Joint Venture	Construction	Singapore	70	-
Leighton York Joint Venture	Construction	Australia	75	75
Leighton-Able Joint Venture	Construction	Hong Kong	51	51
Leighton-China State-Van Oord Joint Venture	Construction	Hong Kong	45	45
Leighton-Chubb E&M Joint Venture	Construction	Hong Kong	50	50
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	25	25
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
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	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 Macdow Joint Venture ¹	Construction	Australia	50	50
Thiess Wirlu-Murra Joint Venture	Contract Mining	Australia	50	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.

Notes continued

for the six months ended 30 June 2018

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the fair value hierarchy for financial assets and liabilities measured at fair value. The fair value of financial assets and liabilities has 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 by fair value hierarchy. The different levels are 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.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
30 June 2018				
Assets				
Financial assets at fair value through profit or loss				
- Unlisted	-	-	104.8	104.8
- Option to acquire shares	-	-	72.0	72.0
Derivatives	-	19.8	-	19.8
Total assets	-	19.8	176.8	196.6
Liabilities				
Derivatives	-	(0.9)	-	(0.9)
Total liabilities	-	(0.9)	-	(0.9)
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
31 December 2017				
Assets				
Equity and stapled securities available-for-sale				
- Listed	1.5	-	-	1.5
- Unlisted	-	-	5.8	5.8
Financial assets at fair value through profit or loss				
- Unlisted	-	-	92.7	92.7
- Option to acquire shares	-	-	69.2	69.2
Derivatives	-	11.5	-	11.5
Total assets	1.5	11.5	167.7	180.7
Liabilities				
Derivatives	-	(2.2)	-	(2.2)
Total liabilities	-	(2.2)	-	(2.2)

Notes continued

for the six months ended 30 June 2018

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS CONTINUED

Fair value hierarchy continued

During the period there were no transfers between 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 2018 \$m	12 months to December 2017 \$m
Unlisted equity and stapled securities available-for-sale		
Balance at beginning of reporting period	7.3	7.3
Transfer to fair value through profit or loss on transition to AASB 9 on 1 January 2018	(7.3)	-
Additions	-	0.8
Disposals	-	(0.8)
Balance at reporting date	-	7.3
	6 months to June 2018 \$m	12 months to December 2017 \$m
Financial assets at fair value through profit or loss		
Balance at beginning of reporting period	161.9	128.1
Transfer from available-for-sale on transition to AASB 9 on 1 January 2018	7.3	-
Additions	0.1	2.0
Disposals	(1.5)	-
Gains recognised through profit or loss	6.2	37.6
Foreign exchange recognised in other comprehensive income	2.8	(5.8)
Balance at reporting date	176.8	161.9

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

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.

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.

Notes continued

for the six months ended 30 June 2018

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS CONTINUED

Option to acquire shares

The Group's option to acquire shares is not related to a listed entity and as such the fair value cannot be observed from a market price. The Monte-Carlo simulation technique used incorporates market observable data including multiples of similar companies to derive a value of the company and compares this to the contractual exercise price to determine a fair value.

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 the Group's Chief Financial Officer (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.

Notes continued

for the six months ended 30 June 2018

14. INTEREST BEARING LIABILITIES

	June 2018 \$m	December 2017 \$m
<i>Current</i>		
Interest bearing loans	173.4	219.0
Interest bearing liabilities - limited recourse loans	-	46.6
Total current liabilities	173.4	265.6
<i>Non-current</i>		
Interest bearing loans	660.5	637.8
Interest bearing liabilities - limited recourse loans	48.3	-
Total non-current liabilities	708.8	637.8
Total interest bearing liabilities	882.2	903.4

Interest Bearing Loans

Syndicated Loans

On 18 September 2017, CIMIC Finance Limited, a wholly owned subsidiary of the Company, refinanced and expanded the core syndicated bank facility for \$2,600.0 million, maturing across two tranches on 18 September 2020 and 18 September 2022. Carrying amount at 30 June 2018: \$250.0 million (carrying amount at 31 December 2017: \$245.0 million). There are \$11.2 million of capitalised borrowing costs recognised against the loan facility (31 December 2017: \$12.7 million).

Guaranteed Senior Notes

CIMIC Finance Limited (2008)

On 15 October 2008, CIMIC Finance Limited, a wholly owned subsidiary of the Company, issued a total of US\$280.0 million Guaranteed Senior Notes in three series:

- Series A Notes: US\$111.0 million Guaranteed Senior Notes at the rate of 6.91% which matured on 15 October 2013
- Series B Notes: US\$90.0 million Guaranteed Senior Notes at the rate of 7.19% which matured on 15 October 2015
- Series C Notes: US\$79.0 million Guaranteed Senior Notes at the rate of 7.66% maturing on 15 October 2018

Interest on the above notes is paid semi-annually on the 15th day of April and October in each year. Carrying amount at 30 June 2018: US\$79.0 million (31 December 2017: US\$79.0 million) equivalent to \$105.3 million (31 December 2017: \$101.3 million), of which US\$79.0 million is due for repayment within twelve months from the reporting date.

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% maturing 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 2018: US\$115.0 million (31 December 2017: US\$115.0 million) equivalent to \$153.3 million (31 December 2017: \$147.4 million), of which none is due for repayment within twelve months from the reporting date.

Notes continued

for the six months ended 30 June 2018

14. INTEREST BEARING LIABILITIES CONTINUED

CIMIC Finance (USA) Pty Limited (2012)

On 13 November 2012, CIMIC Finance (USA) Pty Limited, a wholly owned subsidiary of the Company, 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 2018: US\$201.3 million (31 December 2017: US\$201.3 million) equivalent to \$268.4 million (31 December 2017: \$258.1 million).

Bilateral and Other Unsecured Loans

At 30 June 2018, bilateral and other unsecured loan facilities outstanding were \$68.1 million (31 December 2017: \$117.7 million).

Limited Recourse Loans

The Group has limited recourse property development loans secured against certain property development assets of the Group and borrowings by subsidiaries secured against the assets of the subsidiaries. Carrying amount as at 30 June 2018: \$48.3 million (31 December 2017: \$46.6 million).

Fair values of interest bearing liabilities

The fair values of interest bearing liabilities approximates carrying values, with the following exceptions:

- *Listed debt:* The fair value of the 10-Year Fixed-Rate Guaranteed notes is US\$210.9 million, equivalent to \$281.1 million (31 December 2017: fair value US\$214.3 million, equivalent to \$274.8 million).
- *Unlisted debt:* The fair value of the guaranteed senior notes is US\$208.9 million, equivalent to \$278.5 million (31 December 2017: fair value US\$210.5 million, equivalent to \$269.9 million).

Fair values of listed and unlisted debt are determined based on either the listed price or the net present value of cash flows using current market rates of interest.

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since 31 December 2017.

16. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date:

- The Group declared a 100% franked dividend of 70.0 cents per share.

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 5 to 37, 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 2018 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:



Michael Wright
Chief Executive Officer and Managing Director



Russell Chenu
Director and Chairman Audit and Risk Committee

Sydney, 18 July 2018

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 2018, 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 5 to 38.

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 2018 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.

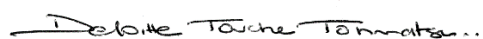
Auditor's Independence Declaration

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 2018 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



J A Leotta
Partner
Chartered Accountants
Sydney, 18 July 2018

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

18 July 2018

Dear Directors

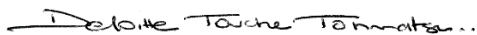
Auditor's Independence Declaration to CIMIC Group Limited

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 financial half-year ended 30 June 2018, 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



J A Leotta
Partner
Chartered Accountants

Management Commentary

For the six months ended 30 June 2018
Issued 18 July 2018



CIMIC Group Limited
ABN 57 004 482 982

Level 25, 177 Pacific Highway,
North Sydney NSW 2060, Australia
T +61 2 9925 6666 F +61 2 9925 6000
www.cimic.com.au

FINANCIAL HIGHLIGHTS

OPERATING PERFORMANCE

- Revenue of \$6.9 billion up 10.5% on HY17, with growth in all Operating Companies.
- Strong EBIT, PBT and NPAT margins of 7.7%, 7.3% and 5.2% respectively.
- EBITDA of \$794.3 million up 11.4% on HY17; PBT of \$503.0 million up 13.9% on HY17.
- NPAT of \$363.0 million up 12.4% on HY17.
- No significant one off impacts.

CASH FLOWS

- Maintained strong EBITDA conversion rate of 102.0% in LTM.
- Strong cash flows from operating activities of \$1.6 billion in LTM.
- Generated free operating cash flow of \$1.1 billion in LTM.
- Strict focus on managing working capital and generating sustainable cash-backed profits.
- Ongoing investment through capital expenditure into the growth of the business, reflecting opportunities in mining and tunnelling.

FINANCIAL POSITION

- Net cash of \$1.3 billion up \$691.2 million since HY17.
- Net contract debtors of \$988.0 million, development in line with revenue growth. The \$675.0 million contract debtors portfolio provision remains unchanged.
- \$2.5 billion of undrawn debt facility at the end of June 2018.
- Average cost of debt has decreased 50 basis points since HY17 to 3.9%.
- Standard & Poor's affirmed its strong investment grade rating of BBB and upgraded the outlook to stable.

WORK IN HAND AND PIPELINE

- Robust work in hand of \$34.8 billion, equivalent to more than two years of revenue.
- Operating Companies' work in hand in up \$2.1 billion to \$31.8 billion on HY17.
- New work of \$7.1 billion awarded in HY18; disciplined bidding maintained.
- \$80 billion of tenders relevant to CIMIC to be bid and/or awarded in 2018, and around \$330 billion of projects are coming to the market in 2019 and beyond, including about \$100 billion worth of Public Private Partnership "PPP" projects.

SHAREHOLDER RETURNS

- Interim ordinary dividend of 70 cents per share, 100% franked, up 16.7% on HY17, to be paid on 4 October 2018.
- EPS (basic) was 111.9 cents, up 12.3% on HY17 (compared to a 12.4% increase in NPAT).

GUIDANCE

- FY18 NPAT guidance confirmed to be in the range of \$720 million to \$780 million, subject to market conditions.
- Sound balance sheet provides flexibility to pursue strategic growth initiatives, capital application opportunities and to sustain shareholder returns.
- Continue to develop safety and performance culture and deliver additional client value through leveraging collaboration opportunities.

FINANCIAL HIGHLIGHTS

Financial performance \$m	HY 2018	HY 2017	chg. \$	chg. %	FY 2017
Group revenue	8,345.3	7,661.2	684.1	8.9%	16,110.7
Revenue – joint ventures and associates	(1,407.9)	(1,381.8)	(26.1)	1.9%	(2,681.2)
Revenue¹	6,937.4	6,279.4	658.0	10.5%	13,429.5
EBITDA	794.3	713.3	81.0	11.4%	1,513.7
EBITDA margin ²	11.4%	11.4%	-		11.3%
EBIT	535.8	461.5	74.3	16.1%	1,002.4
EBIT margin ²	7.7%	7.3%	40bp		7.5%
Profit before tax	503.0	441.8	61.2	13.9%	959.2
PBT margin ²	7.3%	7.0%	30bp		7.1%
NPAT	363.0	322.9	40.1	12.4%	702.1
NPAT margin ²	5.2%	5.1%	10bp		5.2%
EPS (basic)	111.9c	99.6c	12.3c	12.3%	216.5c

Financial position \$m	June 2018	June 2017	chg. \$	chg. %	December 2017
Net cash/(debt)	1,298.7	607.5	691.2	113.8%	910.4
Operating leases	(525.5)	(450.4)	(75.1)	16.7%	(538.6)
Net cash/(debt) (including operating leases)	773.2	157.1	616.1	392.2%	371.8
Net contract debtors ³ (pre transition)	-	1,238.7	-	-	1,383.8
Net contract debtors (comparable)⁴	988.0	-	-	-	717.9

Cash flows \$m	HY 2018	HY 2017	chg. \$	chg. %	FY 2017
Cash flows from operating activities⁵	723.6	620.4	103.2	16.6%	1,523.4
Interest, finance costs, taxes and dividends received	(87.2)	(87.0)	(0.2)	0.2%	(161.0)
Net cash from operating activities⁶	636.4	533.4	103.0	19.3%	1,362.4
Gross capital expenditure ⁷	(246.4)	(201.5)	(44.9)	22.3%	(424.1)
Gross capital proceeds ⁸	11.9	12.2	(0.3)	(2.5)%	118.6
Net capital expenditure	(234.5)	(189.3)	(45.2)	23.9%	(305.5)
Free operating cash flow⁹	401.9	344.1	57.8	16.8%	1,056.9

Work in hand ¹⁰ \$m	June 2018	June 2017	chg. \$	chg. %	December 2017
Work in hand beginning of period	36,009.9	34,012.0	1,997.9	5.9%	34,012.0
New work ¹¹	7,142.5	8,896.6	(1,754.1)	(19.7)%	18,369.5
Acquisitions / (divestments) ¹²	-	-	-	-	(260.9)
Executed work	(8,345.3)	(7,661.2)	(684.1)	8.9%	(16,110.7)
Total work in hand end of period	34,807.1	35,247.4	(440.3)	(1.2)%	36,009.9
Operating Companies' work in hand	31,839.7	29,695.1	2,144.6	7.2%	32,037.0
Corporate work in hand	2,967.4	5,552.3	(2,584.9)	(46.6)%	3,972.9
Total work in hand end of period	34,807.1	35,247.4	(440.3)	(1.2)%	36,009.9

¹ Revenue excludes revenue from joint ventures and associates of \$1,407.9 million (HY17: \$1,381.8 million).

² Margins are calculated on revenue as defined above.

³ Net contract debtors represents the net of amounts of total contract debtors – trade and other receivables and total contract liabilities – trade and other payables (refer to the Interim Financial Report, 'Note 9: Trade and other receivables' – 'Additional information on contract debtors').

⁴ The Group has applied AASB 15 with the cumulative effect of initially applying the standards as an adjustment to the opening balance of net contract debtors. Refer to the Interim Financial Report, 'Note 1(a): Basis of preparation – Change in accounting standards'.

⁵ Cash flows from operating activities is defined as the cash flows from operating activities before interest, finance costs, taxes and dividends received.

⁶ Net cash from operating activities is defined as the cash flows from operating activities after interest, finance costs, taxes and dividends received.

⁷ Gross capital expenditure is payments for property, plant and equipment.

⁸ Gross capital proceeds are proceeds received from the sale of property, plant and equipment.

⁹ Free operating cash flow is defined as net cash from operating activities less net capital expenditure for property, plant and equipment.

¹⁰ Work in hand includes CIMIC's share of work in hand from joint ventures and associates.

¹¹ New work includes new contracts and contract extensions and variations including the impact of foreign exchange rate movements.

¹² Relates to Macmahon work in hand at divestment date, 6 July 2017.

SHAREHOLDER RETURNS

TOTAL SHAREHOLDER RETURN

Shareholder returns	30 June 2018	30 June 2017	31 December 2017
Closing share price	\$42.30	\$38.84	\$51.45
Market capitalisation (\$m)	13,715.9	12,594.0	16,682.9
Final dividend per share	N/A	N/A	75c
Interim dividend per share	70c	60c	60c
Total dividends per share	N/A	N/A	135c
EPS (basic)	111.9c	99.6c	216.5c
Payout ratio for ordinary dividends (HY18 estimate at the time the dividend is paid)	62.5%	60.3%	62.3%

PERFORMANCE OF CIMIC SHARES

CIMIC's share performed in line with the S&P ASX 200 over the past twelve months, with the share increasing to \$42.30 (representing a market capitalisation of \$13.7 billion as at 29 June 2018), an increase of 8.9% or \$3.46 per share since 30 June 2017. By comparison the S&P/ASX 200 index increased 8.3% to 6,194.6 points during the same period.

Indexed performance of CIMIC shares



DIVIDENDS

CIMIC seeks to reward shareholders by paying dividends in line with profits. In the six months under review, CIMIC again delivered on this approach. For the six months to 30 June 2018, CIMIC declared an interim dividend of 70 cents per share, 100% franked, which will be paid on 4 October 2018.

EPS (basic) was 111.9 cents, an increase of 12.3% on HY17 (compared to a 12.4% increase in NPAT).

The total dividend payable of \$227.0 million is an estimate only, based on the number of shares on issue as at the date of the Interim Financial Report. Due to the share buy-back announced by CIMIC on 14 December 2017, which commenced on 29 December 2017, there may be fewer shares on issue on the record date for the dividend than the number of shares on issue as at the date of the Interim Financial Report.

SHARE BUY-BACK PROGRAM

On 14 December 2017, CIMIC announced another on-market share buy-back of up to 10% of its fully paid ordinary shares for a period of 12 months commencing on 29 December 2017. As at 30 June 2018, no additional shares have been bought back since the commencement of the buy-back program. The timing and number of any shares purchased will depend on CIMIC's share price and market conditions.

FINANCIAL PERFORMANCE

Financial performance \$m	HY 2018	HY 2017	chg. \$	chg. %	FY 2017
Group revenue	8,345.3	7,661.2	684.1	8.9%	16,110.7
Revenue – joint ventures and associates	(1,407.9)	(1,381.8)	(26.1)	1.9%	(2,681.2)
Revenue	6,937.4	6,279.4	658.0	10.5%	13,429.5
Expenses	(6,422.5)	(5,802.1)	(620.4)	10.7%	(12,377.2)
Share of profit/(loss) of associates and joint ventures	20.9	(15.8)	36.7	-	(49.9)
EBIT	535.8	461.5	74.3	16.1%	1,002.4
EBIT margin	7.7%	7.3%	40bp		7.5%
Net finance costs	(32.8)	(19.7)	(13.1)	66.5%	(43.2)
Profit before tax	503.0	441.8	61.2	13.9%	959.2
PBT margin	7.3%	7.0%	30bp		7.1%
Income tax	(145.9)	(123.7)	(22.2)	17.9%	(268.6)
Profit for the year	357.1	318.1	39.0	12.3%	690.6
Non-controlling interests	5.9	4.8	1.1	22.9%	11.5
NPAT	363.0	322.9	40.1	12.4%	702.1
NPAT margin	5.2%	5.1%	10bp		5.2%
EPS (basic)	111.9c	99.6c	12.3c	12.3%	216.5c

REVENUE

Revenue increased by \$658.0 million, or 10.5%, to \$6.9 billion in HY18. Revenue increases were recorded across all Operating Companies.

Revenue by segment \$m	HY 2018	HY 2017	chg. \$	chg. %	FY 2017
Construction	3,905.9	3,556.0	349.9	9.8%	7,599.1
Mining & mineral processing	1,770.5	1,515.2	255.3	16.8%	3,164.4
Services	1,230.4	1,174.0	56.4	4.8%	2,607.2
Corporate	30.6	34.2	NA	NA	58.8
Revenue	6,937.4	6,279.4	658.0	10.5%	13,429.5
Revenue – joint ventures and associates	1,407.9	1,381.8	26.1	1.9%	2,681.2
Group revenue	8,345.3	7,661.2	684.1	8.9%	16,110.7

Group revenue from the various market segments was split 72:28 between domestic and international markets, compared with 70:30 in HY17.

CONSTRUCTION REVENUE

Construction revenue was \$3.9 billion for HY18, an increase of 9.8%, or \$349.9 million, compared to HY17. This reflects a substantial contribution from a number of large scale transport infrastructure projects.

During the period, the Group's major projects included:

- rail and road developments in Australia, including Sydney Metro 'Northwest' and 'City & Southwest', WestConnex 'M4 East' and 'M5' in New South Wales, the Level Crossing Removal projects in Victoria and the Logan Enhancement Project in Queensland;
- social infrastructure projects including the Christchurch Hospital in New Zealand;
- infrastructure projects in Hong Kong including the Passenger Clearance Building for the Hong Kong Boundary Crossing Facilities, the Central Wanchai Bypass Tunnel, and the Liantang / Hueng Yuen Wai Boundary Control Point; and
- several PPP projects, including Transmission Gully in New Zealand, and Canberra Light Rail in Australia.

MINING & MINERAL PROCESSING REVENUE

Mining & mineral processing revenue was \$1.8 billion for HY18, an increase of 16.8%, or \$255.3 million, compared to HY17. The increase in revenue reflects contract extensions, increased production levels and additional mining & mineral processing contracts, as resource markets show gradually improving trends.

During the period, some of the Group's significant projects, which were diversified across commodities and geography, included:

- Lake Vermont, Mount Owen, Curragh North and Solomon mines in Australia;
- Byerwen and Woodlawn mineral processing projects in Australia;
- Kaltim Prima Coal and Melak mines in Indonesia;
- Ukhua Khudag mine in Mongolia;
- Encuentro Oxides mine in Chile; and
- Jwaneng mine in Botswana.

SERVICES REVENUE

Services revenue was \$1.2 billion for HY18, an increase of 4.8%, or \$56.4 million compared to HY17, as the Group maintained its solid position in the operations and maintenance services market.

During the period, the Group's major projects included:

- maintenance and supply chain services to over 1,200 passenger cars in Sydney's metropolitan rail fleet;
- engineering, procurement and construction of multiple solar farms in several states across Australia;
- 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, BP, BHP, Rio Tinto, Woodside and Alcoa, across Australia;
- rail rolling stock maintenance works for Pacific National and Freightliner in New South Wales; and
- designing, building, testing and commissioning new waste water treatment plants, across Australia.

REVENUE – JOINT VENTURES AND ASSOCIATES

Revenue from joint ventures and associates was \$1.4 billion for HY18, which mainly included contributions from Ventia and BIC Contracting LLC "BIC" (formerly HLG Contracting LLC).

EXPENSES

Expenses were \$6.4 billion for HY18, an increase of 10.7%, or \$620.4 million, compared to HY17, in line with the increase in revenue. The major direct expenses were materials, subcontractors, plant costs, depreciation and personnel costs.

Depreciation and amortisation

Depreciation and amortisation was \$258.5 million for HY18, an increase of 2.7%, or \$6.7 million, compared to HY17. The higher level of depreciation was driven by increased mining activity and the ramp up of tunnelling activity on large infrastructure projects.

EBIT

EBIT was \$535.8 million for HY18, an increase of 16.1% or \$74.3 million compared to HY17 with a margin of 7.7%. This strong result was driven both by growth in revenue, and continued focus on project delivery.

NET FINANCE COSTS

Net finance costs were \$32.8 million for HY18, an increase of \$13.1 million, compared to HY17. Higher net finance costs were recorded due to a reduction in shareholder loans to BIC.¹³

Finance cost detail \$m	HY 2018	HY 2017	chg. \$	chg. %	FY 2017
Debt interest expenses	(34.5)	(39.8)	5.3	(13.3)%	(80.9)
Facility fees, bonding and other costs	(23.3)	(14.9)	(8.4)	56.4%	(33.9)
Total finance costs	(57.8)	(54.7)	(3.1)	5.7%	(114.8)
Interest income	25.0	35.0	(10.0)	(28.6)%	71.6
Net finance costs	(32.8)	(19.7)	(13.1)	66.5%	(43.2)

Average cost of debt calculation \$m	HY 2018	HY 2017
Debt interest expenses (a)	(34.5)	(39.8)
Gross debt ¹⁴	882.2	1,083.5
Gross debt average (b)	1,787.7	1,818.5
Average cost of debt (-2a/b)	3.9%	4.4%

¹³ Initial application of AASB 9, refer to the Interim Financial Report, 'Note 1(a): Basis of preparation - Change in accounting standards'.

¹⁴ Total interest bearing liabilities.

PROFIT BEFORE TAX

PBT was \$503.0 million for HY18, an increase of 13.9%, or \$61.2 million, compared to HY17. The PBT margin of 7.3% reflected the solid performance from all Operating Companies.

Profit before tax by segment ¹⁵ \$m	HY 2018	HY 2017	chg. \$	chg. %	FY 2017
Construction	317.9	287.5	30.4	10.6%	623.7
Mining & mineral processing	186.8	151.0	35.8	23.7%	338.8
Services	74.3	65.5	8.8	13.4%	164.8
Corporate	(76.0)	(62.2)	NA	NA	(168.1)
Profit before tax	503.0	441.8	61.2	13.9%	959.2

INCOME TAX

Income tax expense was \$145.9 million for HY18, an increase of 17.9%, or \$22.2 million, compared to HY17. This equates to an effective tax rate of 29.0% compared with 28.0% for HY17. Influencing the effective tax rate are income tax differentials relating to profits and losses from the various overseas jurisdictions in which the Group operates.

NON-CONTROLLING INTERESTS

Non-controlling interests were \$5.9 million for HY18, an increase of 22.9%, or \$1.1 million, compared to HY17. This relates to losses attributable to the share of minority owners for the period, including the Group's investment in Devine.

NET PROFIT AFTER TAX

NPAT was \$363.0 million for HY18, an increase of 12.4%, or \$40.1 million, compared to HY17. Earnings per share (basic) were 111.9 cents, an increase of 12.3% on HY17.

¹⁵ HY17 and FY17 PBT comparative have been restated to include the results of the former BIC segment within the Corporate segment results.

FINANCIAL POSITION

CIMIC's balance sheet further strengthened during the first half of 2018, as the company maintained its focus on managing working capital and generating sustainable cash-backed profits.

Net cash/(debt) \$m	June 2018	December 2017	chg. \$	chg. %	June 2017
Cash and cash equivalents	2,180.9	1,813.8	367.1	20.2%	1,691.0
Current interest bearing liabilities	(173.4)	(265.6)	92.2	(34.7)%	(563.4)
Non-current interest bearing liabilities	(708.8)	(637.8)	(71.0)	11.1%	(520.1)
Net cash/(debt)	1,298.7	910.4	388.3	42.7%	607.5
Operating leases	(525.5)	(538.6)	13.1	(2.4)%	(450.4)
Net cash /(debt) (including operating leases)	773.2	371.8	401.4	108.0%	157.1

Net contract debtors \$m	June 2018	December 2017	chg. \$	chg. %	June 2017
Net contract debtors (pre transition)	-	1,383.8	-	-	1,238.7
Net contract debtors (comparable)	988.0	717.9	270.1	37.6%	-

Assets \$m	June 2018	December 2017	chg. \$	chg. %	June 2017
Current assets					
Cash and cash equivalents	2,180.9	1,813.8	367.1	20.2%	1,691.0
Trade and other receivables	2,976.5	3,216.3	(239.8)	(7.5)%	3,224.4
Current tax assets	75.7	29.0	46.7	161.0%	32.4
Inventories: consumables and development properties	233.1	210.8	22.3	10.6%	191.9
Assets held for sale	40.7	32.2	8.5	26.4%	45.6
Total current assets	5,506.9	5,302.1	204.8	3.9%	5,185.3
Non-current assets					
Trade and other receivables	646.2	1,090.8	(444.6)	(40.8)%	1,223.9
Inventories: development properties	151.2	167.6	(16.4)	(9.8)%	170.8
Investments accounted for using the equity method	88.4	382.7	(294.3)	(76.9)%	529.0
Other investments	176.8	169.2	7.6	4.5%	161.0
Deferred tax assets	103.9	145.4	(41.5)	(28.5)%	299.7
Property, plant and equipment	1,262.6	1,224.0	38.6	3.2%	1,275.1
Intangibles	1,063.0	1,089.7	(26.7)	(2.5)%	1,120.5
Total non-current assets	3,492.1	4,269.4	(777.3)	(18.2)%	4,780.0
Total assets	8,999.0	9,571.5	(572.5)	(6.0)%	9,965.3

Liabilities and equity \$m	June 2018	December 2017	chg. \$	chg. %	June 2017
Current liabilities					
Trade and other payables	5,211.5	4,737.4	474.1	10.0%	4,705.6
Dividend payable	243.2	-	243.2	-	201.0
Current tax liabilities	48.8	40.4	8.4	20.8%	108.8
Provisions	323.1	311.8	11.3	3.6%	331.3
Interest bearing liabilities	173.4	265.6	(92.2)	(34.7)%	563.4
Total current liabilities	6,000.0	5,355.2	644.8	12.0%	5,910.1
Non-current liabilities					
Trade and other payables	124.9	152.0	(27.1)	(17.8)%	200.5
Provisions	71.6	69.3	2.3	3.3%	71.9
Deferred tax liability	21.8	-	21.8	-	-
Interest bearing liabilities	708.8	637.8	71.0	11.1%	520.1
Total non-current liabilities	927.1	859.1	68.0	7.9%	792.5
Total liabilities	6,927.1	6,214.3	712.8	11.5%	6,702.6
Equity	2,071.9	3,357.2	(1,285.3)	(38.3)%	3,262.7

NET CASH / (DEBT)

Net cash was \$1,298.7 million at 30 June 2018, an increase of 42.7%, or \$388.3 million, compared to 31 December 2017 and an increase of 113.8%, or \$691.2 million compared to 30 June 2017. This increase is primarily a result of the strong operating cash flows during the period, less payments for capital expenditure.

Interest bearing liabilities

Current and non-current interest bearing liabilities were \$882.2 million at 30 June 2018, a reduction of 2.3%, or \$21.2 million, compared to 31 December 2017.

Bonding

CIMIC has significant bonding and guarantee facilities available which are integral to the successful delivery of existing and future work in hand. Bonds and guarantees outstanding at 30 June 2018 were \$4.0 billion (31 December 2017: \$3.6 billion). An additional \$1.7 billion (31 December 2017: \$1.6 billion) was undrawn of which \$1,016.0 million (31 December 2017: \$839.6 million) was committed and \$641.3 million (31 December 2017: \$735.1 million) was uncommitted.

CURRENT ASSETS

Trade and other receivables

Trade and other receivables were \$2,976.5 million at 30 June 2018, a decrease of 7.5%, or \$239.8 million, compared to 31 December 2017. The reduction in the balance is mainly due to the initial impact of applying AASB 15¹⁶. The figure includes \$2,169.7 million (31 December 2017: \$2,495.9 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 \$988.0 million at 30 June 2018, with their development broadly in line with revenue growth. The balance also includes the adverse effect of foreign exchange rate fluctuations in the period.

The Group's \$675.0 million contract debtors portfolio provision remains unchanged as at 30 June 2018.

NON-CURRENT ASSETS

Trade and other receivables

Trade and other receivables were \$646.2 million at 30 June 2018, a decrease of 40.8%, or \$444.6 million, compared to 31 December 2017. This figure includes \$593.2 million (31 December 2017: \$1,046.3 million) of non-current loan receivables owed by BIC, refer to the Interim Financial Report, 'Note 9: Trade and other receivables' for details.

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 \$88.4 million at 30 June 2018, a decrease of 76.9%, or \$294.3 million, compared to 31 December 2017. This is largely due to the reduction in the carrying value of the Group's investment in BIC after the initial application of AASB 15. For details on the valuation of BIC refer to the Interim Financial Report, 'Note 11: Associates and joint ventures accounted for using the equity method'.

Deferred tax assets

Deferred tax assets were \$103.9 million at 30 June 2018, a decrease of \$41.5 million, compared to 31 December 2017.

Property, plant and equipment

Property, plant and equipment was \$1,262.6 million at 30 June 2018, an increase of 3.2%, or \$38.6 million, compared to 31 December 2017. At 30 June 2018, \$525.5 million worth of equipment was financed by the Group under operating leases. Additions to property, plant and equipment during the period included investment in job-costed tunnelling machines for major road and rail projects, and capital expenditure on plant and equipment to deliver increased production on a number of mining projects. The balance also includes the effect of foreign exchange rate fluctuations in the period.

Intangibles

Intangibles were \$1,063.0 million at 30 June 2018, a decrease of 2.5%, or \$26.7 million, compared to 31 December 2017. The change during the period mainly represents the amortisation of IT software and customer contracts.

¹⁶ The Group has applied AASB 15 and AASB 9 respectively with the cumulative effect of initially applying the standards as an adjustment to the opening balance of equity and comparative figures are therefore not restated. Refer to the Interim Financial Report 'Note 1(a): Basis of preparation - Change in accounting standards' for details.

CURRENT LIABILITIES

Trade and other payables

Trade and other payables were \$5,211.5 million at 30 June 2018, an increase of 10.0%, or \$474.1 million, compared to 31 December 2017. This figure includes \$1,181.7 million (31 December 2017: \$1,112.1 million) of total contract liabilities – trade and other payables. The remaining balance includes trade creditors and accruals, joint venture payables and other creditors.

Current tax liabilities

Current tax liabilities were \$48.8 million at 30 June 2018, an increase of \$8.4 million, compared to 31 December 2017. Changes in tax liabilities are driven by the timing of income tax payments as required to be made across the various jurisdictions in which the Group operates.

Provisions

Provisions were \$323.1 million at 30 June 2018, an increase of 3.6%, or \$11.3 million, compared to 31 December 2017. The provision is for employee benefits and relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses.

NON-CURRENT LIABILITIES

Trade and other payables

Trade and other payables were \$124.9 million at 30 June 2018, a reduction of 17.8%, or \$27.1 million, compared to 31 December 2017.

Provisions

Provisions were \$71.6 million at 30 June 2018, an increase of 3.3%, or \$2.3 million, compared to 31 December 2017. This figure includes employee benefits relating to long service leave, retirement benefits and deferred bonuses.

EQUITY

Equity was \$2,071.9 million at 30 June 2018, a decrease of 38.3%, or \$1,285.3 million, compared to 31 December 2017. The reduction in equity in the period is primarily due to the initial impact of applying AASB 15 and AASB 9 as well as the dividend declared during the period, partially offset by profits earned in the period.

CASH FLOWS

Cash flows from operating activities	HY	HY	chg. \$	chg. %	FY
\$m	2018	2017			2017
Cash flows from operating activities	723.6	620.4	103.2	16.6%	1,523.4
Interest, finance costs, taxes and dividends received	(87.2)	(87.0)	(0.2)	0.2%	(161.0)
Net cash from operating activities	636.4	533.4	103.0	19.3%	1,362.4

Cash flows from investing activities	HY	HY	chg. \$	chg. %	FY
\$m	2018	2017			2017
Payments for intangibles	(3.2)	(6.5)	3.3	(50.8)%	(14.2)
Payments for property, plant and equipment	(246.4)	(201.5)	(44.9)	22.3%	(424.1)
Proceeds from sale of property, plant and equipment	11.9	12.2	(0.3)	(2.5)%	118.6
Proceeds from sale of investments in controlled entities and businesses	1.2	-	1.2	-	46.9
Income tax paid in relations to proceeds from sale of investments in controlled entities and businesses	-	(59.0)	59.0	-	(59.0)
Payments for investments	(15.4)	(13.5)	(1.9)	14.1%	(60.1)
Loans to associates and joint ventures	(0.9)	(40.9)	40.0	(97.8)%	(40.9)
Net cash from investing activities	(252.8)	(309.2)	56.4	(18.2)%	(432.8)

Cash flows from financing activities	HY	HY	chg. \$	chg. %	FY
\$m	2018	2017			2017
Cash payments in relation to employee share plans	-	(3.4)	3.4	-	(8.6)
Proceeds from borrowings	204.3	678.5	(474.2)	(69.9)%	1,517.0
Repayment of borrowings	(247.4)	(711.1)	463.7	(65.2)%	(1,705.9)
Repayment of finance leases	-	(10.5)	10.5	-	(21.2)
Dividends paid to shareholders of the Company	-	-	-	-	(395.6)
Payments to acquire non-controlling interests	-	(29.3)	29.3	-	(29.3)
Net cash from financing activities	(43.1)	(75.8)	32.7	(43.1)%	(643.6)

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were \$723.6 million for HY18. EBITDA conversion remains at a high level with a rate of 102.0% in LTM, as a result of CIMIC's continued focus on managing working capital and generating sustainable cash-backed profits.

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash outflows from investing activities were \$252.8 million for HY18.

This was mainly due to gross capital expenditure of \$246.4 million for HY18, an increase of \$44.9 million compared to HY17. This increase reflects the continuous investment into the future of the business, with higher capital expenditure levels driven by tunnelling and mining opportunities. Specifically, job-costed tunnelling machines for major road and rail projects, and capital expenditure on plant and equipment for mining projects, in line with new mining work awarded during the period.

The \$59.0 million of income taxes paid in HY17 related to the proceeds from the sale of investments in controlled entities and business from the FY16 Nextgen divestments.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash outflows from financing activities were \$43.1 million for HY18 compared to \$75.8 million in HY17. This mainly represents a reduction in the Group's net borrowings.

NEW WORK AND WORK IN HAND

CIMIC maintained its position as a leading international contractor and the world's largest mining services provider, winning \$7.1 billion worth of new work. The new work was broadly diversified by activity which supports the generation of sustainable returns to shareholders.

The Group's total work in hand was \$34.8 billion at 30 June 2018, equivalent to more than two year's of revenue. Work in hand in the Group's Operating Companies was \$31.8 billion, up 7.2%, or \$2.1 billion compared to 30 June 2017.

Work in hand \$m	June 2018	June 2017	chg. \$	chg. %	December 2017
Work in hand beginning of period	36,009.9	34,012.0	1,997.9	5.9%	34,012.0
New work	7,142.5	8,896.6	(1,754.1)	(19.7)%	18,369.5
Acquisitions / (divestments)	-	-	-	-	(260.9)
Executed work	(8,345.3)	(7,661.2)	(684.1)	8.9%	(16,110.7)
Total work in hand end of period	34,807.1	35,247.4	(440.3)	(1.2)%	36,009.9
Operating Companies' work in hand	31,839.7	29,695.1	2,144.6	7.2%	32,037.0
Corporate work in hand	2,967.4	5,552.3	(2,584.9)	(46.6)%	3,972.9
Total work in hand end of period	34,807.1	35,247.4	(440.3)	(1.2)%	36,009.9

Work in hand was split 74:26 between domestic and international markets, compared with 72:28 in HY17.

MAJOR CONTRACT AWARDS AND SCOPE INCREASES IN 2018

New work of \$7.1 billion awarded in HY18.

Work in hand by segment ¹⁷ \$m	June 2018	%	June 2017	%	chg. \$	chg. %	December 2017	%
Construction	14,687.0	42%	15,191.2	43%	(504.2)	(3.3)%	14,929.0	41%
Mining & mineral processing	10,399.7	30%	9,576.9	27%	822.8	8.6%	10,445.4	29%
Services	6,753.0	19%	4,927.0	14%	1,826.0	37.1%	6,662.6	19%
Total Operating Companies' work in hand	31,839.7	91%	29,695.1	84%	2,144.6	7.2%	32,037.0	89%
Corporate work in hand	2,967.4	9%	5,552.3	16%	(2,584.9)	(46.6)%	3,972.9	11%
Total work in hand	34,807.1	100%	35,247.4	100%	(440.3)	(1.2)%	36,009.9	100%

In Australia a number of significant projects were announced during the period, including:

- \$830 million of contract extensions at the QCoal Northern Hub, Dawson South and Curragh coal mines, Queensland;
- \$550 million to provide additional mining services at the Rocky's Reward nickel mine, and the Mt Arthur and Mt Owen coal mines, Western Australia and New South Wales respectively;
- \$260 million to construct infrastructure works for the South Flank project, Western Australia;
- \$170 million to build and maintain the Tailem Bend Solar Farm, South Australia;
- \$150 million to provide asset management and project-related services at BP fuel terminals, by Australian Terminal Operations Management, across Australia;
- \$150 million to undertake mineral processing operations at the New Century zinc mine, Queensland;
- \$139 million to provide new maintenance, project and shutdown services contracts in the resource sector, across Australia; and
- \$84 million to design and construct the Gunyama Park Aquatic and Recreation Centre, New South Wales.

Overseas projects announced during the period include:

- \$670 million of contract extensions at the Wahana, Satui and Senakin coal mines, Indonesia;
- \$380 million to design and construct the tunnel and infrastructure works as part of the North-South Transport Corridor project, Singapore;
- \$182 million to construct the Cavite Laguna Expressway project (Cavite section), Philippines; and
- confirmation as preferred partner to deliver the Waikeria Correction and Treatment Facility PPP project, New Zealand.

¹⁷ Since June 2018, the former BIC segment has been included within the Corporate segment.

STRATEGY, OPERATING ENVIRONMENT, PROSPECTS AND GUIDANCE

CIMIC is a world-leading infrastructure, mining, services and PPP group. We have businesses in construction (CPB Contractors and Leighton Asia), mining and mineral processing (Thiess and Sedgman), operation and maintenance services (UGL), PPPs (Pacific Partnerships) and engineering (EIC Activities). Our mission is to generate sustainable shareholder returns by delivering innovative and competitive solutions for clients, and safe, fulfilling careers for our people. With a history since 1899, and more than 50,000¹⁸ people in 20 countries, we strive to be known for our principles of Integrity, Accountability, Innovation and Delivery, underpinned by Safety. CIMIC is well placed in geographies and markets that should continue to grow and support a broad range of opportunities for the foreseeable future.

OPERATING MODEL AND STRATEGY

CIMIC's activity - based businesses are focused on delivering construction, mining, mineral processing, operations and maintenance, PPP and engineering services. These services are delivered 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 creates economies of scale, reduces 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 life-cycle of assets - from development and financing to engineering, construction, mining, operations and maintenance;
- to seek growth in adjacent and complementary markets, either organically or through acquisition;
- to selectively export the Group's capabilities into overseas markets which meet our governance, risk, growth and return requirements; 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 tight control of costs; and
- ensuring an uncompromising focus on safety.

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

CONSTRUCTION MARKET

Across Australia and the Asia-Pacific, Governments are expected to invest strongly in economic and social infrastructure to address growing populations, increasing levels of urbanisation, the impacts of climate change and deficits caused by historic underinvestment. This spending is expected to be complemented by ongoing private sector investment into oil and gas facilities, mining projects and commercial buildings.

In Australia, the May Federal Budget announced a continuation of the Government's commitment to the funding of nation-building roads and transport infrastructure. The Budget included \$24.5 billion¹⁹ in funding for major new transport projects and initiatives that will benefit every State and Territory. These form part of the Government's \$75 billion²⁰ commitment to transport infrastructure investment over the next decade.

In addition, the States and Territory Governments have significant investment programs in their own right. The New South Wales Government remains committed to its infrastructure agenda, with a targeted spend of \$87.2 billion²¹ over the next four years for transportation, education and health projects and other capital works. Amongst other projects, the budget includes allocations for the Metro West rail project as well as the Parramatta Light Rail.

¹⁸ Total employees includes both direct employees of CIMIC Group and a proportion of the headcount of indirect employees from investments.

¹⁹ Commonwealth of Australia, Budget Strategy and Outlook Budget Paper No. 1, 2018-19, May 2018, p. 1-18.

²⁰ Commonwealth of Australia, Budget Strategy and Outlook Budget Paper No. 1, 2018-19, May 2018, p. 1-18.

²¹ New South Wales Budget, Budget Paper No. 1, 2018-19, May 2018, p. 1-1 - 1-10.

The Queensland Budget includes more than \$45.8 billion²² dedicated to essential infrastructure and capital works including road, rail, school, and hospital projects over the next four years including a commitment to ‘fully fund’²³ the signature Cross River Rail project beyond the forward estimates. The Victorian Government is expecting to spend almost \$40.2 billion²⁴ on infrastructure over the next four years. Almost \$4.3 billion²⁵ has been identified in the 2018/2019 budget, which is expected to be spent on roads around the state, including the Suburban Roads Upgrade PPP projects in Melbourne’s northern and south-eastern suburbs. Other Australian states have also committed substantial funds to the further development of infrastructure.

Across the Group’s international markets, both in New Zealand and Asia, similar macro-economic trends underpin a sustained demand for infrastructure and therefore open up various opportunities in the Group’s core construction business. In Asia, for example, as part of a plan to significantly upgrade its infrastructure network over the next decade, the Singaporean Government is placing emphasis on partnering with private businesses across the value chain and has launched a new Rail Infrastructure Fund in order to help fund a substantial expansion of its network. In addition, Hong Kong’s strong economic growth and cooperative development with mainland China will continue to drive infrastructure spending in both the public and private sectors.

PPP MARKET

PPPs are a proven procurement method for infrastructure and associated services in our core markets. They allow for the best use of resources in both the public and private sectors, and lead to superior project innovation and delivery. As a result, they are becoming an increasingly popular method of procurement – for both state and national governments – and are providing a growing opportunity set of PPP projects for the Group – with an estimated \$100 billion pipeline of relevant tenders to be bid in the coming years.

In the Australian market, this growing demand is reflected in the National PPP Policy Framework agreed to by the Coalition of Australian Governments, where all projects valued at over \$50 million may be considered for PPP agreements.²⁶

MINING AND MINERAL PROCESSING MARKET

The Australian Government’s Resources and Energy Quarterly, March 2018, stated that “Economic growth and urban population growth will continue to drive the demand for resources. The IMF [International Monetary Fund] is projecting global GDP growth of just under 4% each year out to 2023. Much of this growth will occur in the rapidly industrialising Asia region, creating demand for industrial materials including steel, cement, coal, zinc, nickel, and copper. Commodity demand is also growing due to healthy growth in global industrial production, which is now rising at around 3.3% per year — well above its long-term trend.”²⁷

A report²⁸ on the demand outlook for thermal coal in our region – prepared for the Mineral Council of Australia and the COAL21 Fund by expert industry analysts Commodity Insights – has forecast strong appetite for thermal (energy) coal across existing and emerging Asian markets between now and 2030. Strong electricity demand growth in Southeast Asia and India driven by industrialisation and urbanisation, use of high efficiency low emission coal technology and solid population growth will drive a potential 400 million tonne increase in annual demand by 2030.

The Australian Government’s Resources and Energy Quarterly reported in March 2018 that exports, by volume, of metallurgical coal, thermal coal and iron ore are expected to grow by a CAGR²⁹ of 2.9%, 0.5% and 1.5% per annum from 2016-17 until 2022-23.³⁰

SERVICES MARKET

Following Australia’s surge of investment into infrastructure over the past decade, these assets have a growing need for maintenance services in order to keep them operational. After years of underinvestment in maintenance, there is a service backlog which is supporting demand for maintenance services in the sector. In addition, Australia’s continued investment into infrastructure will sustain the need for additional maintenance services in the future.

Specialist outsourced maintenance services, with the technical engineering capability to service assets through all phases of their life, are increasingly needed across all sectors of the market. Currently around 52% of all maintenance services are outsourced, but this is expected to grow over time.³¹ Future growth in the sector will be led primarily by the oil and gas exploration, mining, rail, roads, power, water and telecommunication sectors.³²

²² Queensland Budget, Budget Strategy and Outlook, Budget Paper No. 2, 2018-19, May 2018, p. 5.

²³ Cross River Rail project frequently asked questions page at <https://www.crossriverrail.qld.gov.au/info/#faq-top>

²⁴ Victorian Budget, Budget Overview, May 2018, p. 5.

²⁵ Victorian Budget, Budget Overview, May 2018, p. 13.

²⁶ Infrastructure Australia, Public Private Partnerships, accessed 6 June 2017 at <http://infrastructureaustralia.gov.au/policy-publications/public-private-partnerships/index.aspx>.

²⁷ Australian Government (Office of the Chief Economist) Department of Industry, Innovation and Science: Resources and Energy Quarterly, March 2018, p. 7.

²⁸ Market Demand Study: Australian Export Thermal Coal, Minerals Council of Australia, 13 June, 2018, p. 4-11.

²⁹ Compound average growth rate.

³⁰ Australian Government (Office of the Chief Economist) Department of Industry, Innovation and Science: Resources and Energy Quarterly, March 2018, p. 15.

³¹ BIS Oxford Economics, 2016.

³² BIS Oxford Economics, 2016.

GROUP PROSPECTS

CIMIC's core markets 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.

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

- WestConnex Rozelle Interchange and Iron Cove Link, New South Wales;
- Sydney Metro (construction and O&M), New South Wales;
- Parramatta Light Rail, New South Wales;
- Snowy Hydro 2.0 project, New South Wales;
- Suburban Roads Upgrade projects PPP, Victoria;
- Melbourne Metro Rail link, Victoria;
- Cross River Rail PPP project, Queensland;
- North-South Corridor, Singapore;
- Kai Tak Sports Park, Hong Kong;
- Mining and processing opportunities in New South Wales, Queensland and Western Australia; and
- Various projects in Canada and Chile including additional mining works in the oil sands and AMSA Minera Centinelas as well as the Jwaneng expansion project in Botswana.

The Group has a robust pipeline with at least \$80 billion of tenders relevant to CIMIC still to be bid and/or awarded in 2018, and around \$330 billion of projects are coming to the market in 2019 and beyond, including about \$100 billion worth of PPP projects.

CIMIC continues to consider opportunities to expand into new regions and markets by leveraging its existing capabilities and is continuing to analyse acquisition opportunities.

The Group's positive outlook has its foundations in a continued focus on sustaining a strong balance sheet, generating cash, and maintaining discipline in tendering and project delivery. This focus, combined with the Group's strong competitive position and the opportunities across core markets, provides a solid base for the generation of sustainable returns.

GUIDANCE

2018 NPAT is expected to be within the range of \$720 million to \$780 million, subject to market conditions.

GLOSSARY

TERM	DESCRIPTION
1Q18/2Q18/3Q18 or 4Q18	First, second, third or fourth quarter of the relevant year
A\$ or \$	Australian dollars
AASB	Australian Accounting Standards Board
ASX	ASX Limited
BIC	BIC Contracting LLC (previously known as HLG Contracting LLC)
BP	Basis points
CPB Contractors or CPB	CPB Contractors Pty Ltd
Devine	Devine Limited
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EPS (basic)	Earnings per share (basic)
FY18/FY17	Financial year ended 31 December 2018/2017
Group or CIMIC Group	CIMIC Group Limited and certain entities it controls
HY18/HY17	Six month period ended 30 June 2018/2017
Leighton Asia	Leighton Asia Limited
LTM	Last 12 months from 1 July 2017 to 30 June 2018
Macmahon	Macmahon Holdings Limited
Nextgen	A network and data centre telecommunication company
NPAT	Net profit after tax
PBT	Profit before tax
Period/the period	Six month period ended 30 June 2018
PPP	Public-private partnership
Sedgman	Sedgman Limited
Subsidiary	Subsidiary of the Company as defined in the Corporations Act
Thiess	Thiess Pty Ltd
UGL	UGL Limited
Ventia	50:50 Partnership for CPB Contractors' and Thiess' operations and maintenance services businesses with certain funds managed by affiliates of Apollo Global Management, LLC. Completion of the transaction occurred on 31 March 2015, with the business now operating under the name 'Ventia'
WIH	Work in hand