Peak Downs Thiess, Queensland, Australia

Thiess' open cut mining services at Peak Downs deliver overburden removal, and operate and maintain three ultra-class equipment fleets.

In 2019, Thiess introduced a new state-of-the-art workshop. Similar to a large aircraft hanger, the steel structure stands seven stories high, has a double dome roof and allows up to four Caterpillar 797s to be serviced simultaneously.

Designed and built in collaboration with Sedgman and CPB Contractors, the solution integrates CIMIC Group's civil, mechanical and electrical engineering expertise.

Sustainable engineering ensures the structure is a moveable asset, that can be dismantled at project completion, and reassembled at another location or site.

Directors' Report

Directors' Report

The Directors present their report for the 2019 Financial Year in respect of the Company and certain entities it controlled. This Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the Corporations Act and is dated 4 February 2020.

DIRECTORS' RESUMÉS

The Directors as at the date of this Directors' Report are:

MARCELINO FERNÁNDEZ VERDES

Executive Chairman
MEng (Civil)
Appointed Executive Chairman in June 2014 having been a Non-executive Director from October 2012 until March 2014.
Mr Fernández Verdes was CEO and Managing Director of the Company from March 2014 until October 2016.

Mr Fernández Verdes studied construction engineering at the University of Barcelona and has held a variety of positions in the construction industry since 1984. In 1994, he became General Manager of OCP and in 1997, General Manager of ACS Proyectos, Obras y Construcciones, and then took over as Chairman and CEO in 2000. Following the merger between ACS and Dragados in 2003, Mr Fernández Verdes took office as Chairman and CEO of Dragados S.A. He served as Chairman and CEO of Construction, Environment and Concessions at ACS Actividades de Construcción y Servicios S.A. from 2006. Mr Fernández Verdes was appointed to the Executive Committee of the ACS Group in 2000, and to the Board of Directors of ACS Servicios y Concesiones, S.L. (Chairman and CEO) in 2006. Mr Fernández Verdes has been a member of the Executive Board of HOCHTIEF AG in Essen since April 2012. In November 2012, he was appointed Chairman of the Executive Board of HOCHTIEF AG and assumed responsibility for the HOCHTIEF Asia Pacific division. In May 2017, he became a member of the Board of Directors of ACS Group, as CEO. Since May 2018, he has been the President of the Board of Directors of Abertis.

MICHAEL WRIGHT

Chief Executive Officer and Managing Director
MEngSc, BEng (Civil), FIEAust
Appointed Chief Executive Officer and Managing Director on 1 December 2017.

Mr Wright has a Bachelor of Engineering (Civil) from the University of Sydney and a Master of Engineering Science from the University of New South Wales.

Mr Wright is a highly regarded leader with experience across multi-disciplinary projects in Australia, Asia, Africa and the Americas. With more than 25 years' experience across the mining, construction and services sectors, and over 20 years with the CIMIC Group, he has held senior executive positions, his last being Deputy CEO of CIMIC. Prior to that, Mr Wright held the position of Thiess Managing Director, as well as the role of Group Executive Mining and Mineral Processing for CIMIC, with oversight of both Thiess and Sedgman. Prior roles included Executive General Manager of Thiess' Australian Mining business and Thiess' Services business, General Manager of Leighton Asia's China and Mongolia operations, and General Manager of Silcar, a joint venture between Thiess and Siemens.

Mr Wright serves as a Director of the Minerals Council of Australia and is a Fellow of the Institute of Engineers Australia.

RUSSELL CHENU

Independent Non-executive Director
BCom, MBA, CPA
Appointed Independent Non-executive Director in June 2014.
Chairman of the Audit and Risk Committee. Member of the Ethics, Compliance and Sustainability Committee and the Remuneration and Nomination Committee.

Mr Chenu has a Bachelor of Commerce from the University of Melbourne and an MBA from the Macquarie Graduate School of Management. Mr Chenu is an experienced corporate and finance professional who previously held senior finance and management positions with a number of ASX-listed companies. In a number of these senior roles, he was engaged in significant strategic business planning and business change, including several turnarounds, new market expansions and management leadership initiatives.

Mr Chenu was CFO of James Hardie Industries plc from 2004 to 2013. As CFO, he was responsible for accounting, treasury, taxation, corporate finance, information technology and systems, and procurement.

Mr Chenu is a Director of the following additional ASX-listed entities: Metro Performance Glass Limited (since July 2014), James Hardie Industries plc (since August 2014) and Reliance Worldwide Corporation Limited (since April 2016).

JOSÉ-LUIS DEL VALLE PÉREZ

Non-executive Director
LLB
Appointed Non-executive Director in March 2014.
Member of the Ethics, Compliance and Sustainability Committee and the Remuneration and Nomination Committee.

Mr del Valle Pérez completed a degree in Law from the University Complutense of Madrid in 1971 and, since 1974, has been Abogado del Estado de España (State Attorney of Spain). He has been a Member of the Bar Association of Madrid since 1976. As Spanish State Attorney he performed his duties in the Delegations of the Ministry of Finance and the Courts of Justice of Burgos and of Toledo, and in the Legal Departments of the Ministry of Health and of the Ministry of Labour and Social Security. Mr del Valle Pérez was previously a Director of the legal department of the political party UCD (from 1977 to 1981) and a Member of the Parliament (Congreso de los Diputados) of Spain (from 1979 to 1982). He was also Deputy Minister for Territorial Administration from 1981 to 1982. Since 1983 Mr del Valle Pérez has been a Director of and/or legal advisor to many Spanish companies, including Banesto (merged with Banco Santander), Continental Industrias del Caucho (a subsidiary of Continental AG), Fococafé and Continental Hispánica (a subsidiary of Continental Grain Inc).

Mr del Valle Pérez is a member and Board Secretary of ACS Group and a number of its subsidiaries, is a Director and Board Secretary of Dragados, S.A., a member of Cobra Gestión de Infraestructuras, S.A. and is currently a member of the Supervisory Board of HOCHTIEF AG.

PEDRO LÓPEZ JIMÉNEZ

Non-executive Director
MEng (Civil), MBA
Appointed Non-executive Director in March 2014.
Member of the Ethics, Compliance and Sustainability Committee and the Remuneration and Nomination Committee.

Mr López Jiménez is Ingeniero de Caminos Canales y Puertos and an MBA from IESE Business School, Madrid. He has been awarded the Grand Cross of Isabel La Católica.

During his career, Mr López Jiménez has held the following positions: General Director of Ports for the Ministry of Public Works (Spain), Secretary of State of Urban Affairs and Public Works (Spain), Board Member of Instituto Nacional de Industria (State owned holding company), Manager of the Thermal Plant Constructions in Hidroelectrica Española, CEO of Empresarios Agrupados (thermal and nuclear plants engineering and construction management), Chairman and CEO of Endesa S.A., Board Member of Unión Eléctrica S.A. and Empresa Nacional Hidroelectrica de la Ribagorçana, Chairman of Unión Fenosa S.A., Vice Chairman of Indra Sistemas S.A., Board Member of CESPA, Board Member of ENCE S.A., Board Member of Keller Group plc, and Chairman of Gtceisu Construcción S.A. Additionally, he was the founder of CEOE (Confederation of Spanish Industries), and Member of its first Executive Committee, founder and first Chairman of FEIE (Federation of Spanish Utility Companies), Board Member of Club Español de Energía (Spanish Energy Association) and Board Member of the Alcala University.

Mr López Jiménez is currently a Board Member of ACS Group and Vice Chairman of its Executive Committee, Chairman of Dragados S.A., Chairman of ACS Services y Concesiones S.A. and Vice Chairman ACS Servicios Communicaniones y Energia S.A.; Chair of Supervisory Board of HOCHTIEF AG, and Board Member of Abertis.

Mr López Jiménez is also Vice Chairman of the Royal Board of the National Library of Spain and Board Member of the Malaga Picasso Musuem.

Mr López Jiménez is currently the 1st Vice Chairman of the European Club Association (E.C.A) and Vice Chairman of the Real Madrid Football Club.

DAVID ROBINSON

Non-executive Director
MCom, BEc, FCA, CTA
Appointed Non-executive Director in December 1990.
Member of the Ethics, Compliance and Sustainability Committee.
Previously an Alternate Director for Mr López Jiménez (from June 2014 to October 2017) and Mr Peter Sassenfeld (from November 2011 to June 2013).

Mr Robinson is a graduate of the University of Sydney and a registered company auditor and tax agent. He is a chartered accountant and Partner of ESV Accounting and Business Advisors, which advises local and overseas companies with interests in Australia. He is also principal of Harveys Consulting. Mr Robinson is a Director of Catholic Schools NSW Limited. Mr Robinson is a Director of HOCHTIEF Australia and was a former Director of Leighton Properties from May 2000 to August 2012. He was a Trustee of Mary Aikenhead Ministries, the responsible entity for the health, aged care and education works of the Sisters of Charity in Australia.

Mr Robinson is the Chairman of ASX listed entity Devine Limited (Chairman since January 2016 and a Director since May 2015).

PETER-WILHELM SASSENFELD

Non-executive Director
MBA
Appointed Non-executive Director in November 2011.
Member of the Audit and Risk Committee.

Mr Sassenfeld has an MBA from the University of Saarland.

Mr Sassenfeld was appointed as the CFO of HOCHTIEF AG in November 2011 and is also the CFO of HOCHTIEF Solutions AG. Mr Sassenfeld is a Director of HOCHTIEF Australia, The Turner Corporation and Flatiron Holding Inc. Mr Sassenfeld has previously worked as the CFO of Ferrostaal AG and Krauss Maffei AG and in senior finance roles at Bayer AG and the Mannesmann Group. He was a director of Abertis Infraestructuras, S.A.

KATHRYN SPARGO

Independent Non-executive Director
LLB (Hons), BA, FAICD
Appointed Non-executive Director in September 2017.
Chairman of the Ethics, Compliance and Sustainability Committee and Remuneration and Nomination Committee and Member of the Audit and Risk Committee.

Ms Spargo holds a Bachelor of Law with Honours and an Arts degree from the University of Adelaide. Ms Spargo is a fellow of the Australian Institute of Company Directors.

Ms Spargo has broad commercial experience, both in advisory roles (having worked in legal practice in the public and private sectors), and as a director of listed and unlisted companies.

Ms Spargo is a Director of the following additional ASX listed companies: Sigma Healthcare Limited (since December 2015), Sonic Healthcare Limited (since July 2010) and Adairs Limited (since May 2015). She is also a director of the Geelong Football Club, Coinvest Ltd and Future Fuels Cooperative Research Centre. Ms Spargo's previous Board positions included Chairman of UGL, as well as directorships at Fulton Hogan, SMEC Holdings, Fletcher Building (March 2012 to September 2017), Xenith IP Ltd (April 2017 to August 2019), Pacific Hydro, Suncorp Portfolio Services, IOOF, Investec Bank, and Transfield Services Infrastructure Fund.

ALTERNATE DIRECTORS' RESUMÉS

ÁNGEL MURIEL

Alternate Director
PhD in Applied Economics
Alternate Director for Mr Sassenfeld.

Mr Muriel joined the ACS group in 1995 and has held a number of global senior executive positions.

From 2002 to 2006 Mr Muriel was the CFO of Iridium in Chile. He then went on to work in North America until 2011, where he was the CFO of ACS Infrastructure Development Inc., the ACS Group's PPP operations, in North America.

In 2011 Mr Muriel was the CFO of Iridium Concesiones de Infraestructuras, S.A., in Madrid, Spain, the concession-arm of ACS Group. In 2012 he became Head of Corporate Mergers and Acquisitions at HOCHTIEF AG, in Essen, Germany, until April 2014 when he joined CIMIC Group, in Sydney, Australia, as Chief Development Officer and Managing Director of Pacific Partnerships. In addition to these roles, from June 2015 to May 2017, Mr Muriel was CIMIC's Chief Financial Officer.

Mr Muriel is currently the Deputy General Manager to the CEO of ACS in Madrid, Spain.

ROBERT SEIDLER AM

Alternate Director
LLB

Appointed Alternate Director for Mr del Valle Pérez in June 2014. Previously an Alternate Director for Mr Sassenfeld (from June 2014 to October 2017). Mr Seidler AM has served as an Alternate Director for a number of HOCHTIEF-nominated directors dating back to November 2003.

He has a degree in Law from the University of Sydney and is a former partner of Ashurst.

Mr Seidler AM has over 40 years experience as a lawyer, non-executive director on listed and unlisted companies in industries as diverse as funds management, banking, investment banking, hotel management as well as serving on government committees in both Australia and Japan.

Mr Seidler AM is the Vice President of the Australia Japan Business Cooperation Committee, Senior Regional Executive, APAC Regional Office (Australia) for Hitachi Ltd and is a member of the Business Council of Australia and Asia Society's "Asia Taskforce". Mr Seidler AM has also been made a member of the Order of the Rising Sun by the Emperor of Japan.

Mr Seidler AM was appointed as a Director of HOCHTIEF Australia in November 2011. From 2016 to 2019 Mr Seidler AM was the NSW Government's Special Envoy – Japan. He was a Director of Investa Office Fund Management (from July 2016 to December 2018) and Investa Listed Funds Management Limited (from April 2016 to December 2018). He was the Chairman of Leighton Asia (from November 2011 to September 2012) and a Director of Leighton Properties (from May 2010 to August 2012) and Leighton International (from November 2009 to November 2011).

ADOLFO VALDERAS

Alternate Director
MEng (Civil), MBA
Alternate Director for Mr López Jiménez.

Mr Valderas was previously CEO and Managing Director of CIMIC Group from October 2016 to 30 November 2017. Mr Valderas is a civil engineer with proven expertise in leading companies with complex, multinational operations across Australia, Europe, the United States, Canada, South America, Asia and China.

With more than 25 years experience, Mr Valderas has held various senior executive positions within the construction, services, mining and concessions sectors. He is currently the CEO of Dragados and was formerly the Chairman and CEO of Iridium Concesiones de Infraestructuras (Iridium), a role he held from 2010 to 2013. Iridium is an ACS Group company responsible for developing and managing all types of government concessions involving transport and public works infrastructure.

Between 2000 and 2010, Mr Valderas held roles with Dragados, including as Deputy International Manager. Prior to 2000, he held a variety of positions within the construction industry. He has direct experience in delivering projects in high speed rail, road and bridges, water treatment, construction, services, operations, maintenance and PPPs.

COMPANY SECRETARIES' RESUMÉS

LOUISE GRIFFITHS

Company Secretary
BSc, BA, AGIA

Appointed Company Secretary in January 2016. Ms Griffiths was formerly the Assistant Company Secretary of the Company, having held that role since May 2011. Ms Griffiths has a Bachelor of Science in Criminology and Criminal Justice and a Bachelor of Arts in Community Justice. She is a fellow of the Governance Institute of Australia (GIA) and holds a Graduate Diploma in Applied Corporate Governance from the GIA. Ms Griffiths served as a member of the GIA's New South Wales Professional Development Committee between February 2013 and September 2014. Ms Griffiths is also the company secretary of a number of subsidiaries of CIMIC.

LYN NIKOLOPOULOS

Company Secretary
BBus, FGIA

Appointed Company Secretary in June 2017. Prior to the CIMIC appointment, Ms Nikolopoulos was Company Secretary of UGL since October 2006. Ms Nikolopoulos has a Bachelor of Business from the University of Technology Sydney and holds a Graduate Diploma in Applied Corporate Governance from the GIA. She is a fellow of the GIA and has over 19 years experience in a company secretary role. Ms Nikolopoulos is also the company secretary of a number of subsidiaries of CIMIC.

FORMER OFFICEHOLDERS

During the 2019 Financial Year the following people ceased to be officeholders of the Company:

Name	Position	Period
Trevor Gerber	Independent Non-executive Director	11 June 2014 to 31 December 2019

BOARD MEETINGS

The number of Board and Board Committee meetings held, and the number of meetings attended by each Director, during the 2019 Financial Year are set out in the table below.

	Board		**Audit & Risk Committee**		**Ethics, Compliance & Sustainability Committee**		**Remuneration & Nomination Committee**		**Board Sub-Committee[#]**	
	H	A	H	A	H	A	H	A	H	A
Directors										
M Fernández Verdes	6	6	-	4+	-	4+	-	2+	-	-
M Wright	6	6	-	4+	-	4+	-	2+	2	2
R Chenu	6	6	4	4	4	4	2	2	2	2
J L del Valle Pérez	6	6	-	4+	4	3	2	1	-	-
P Lopéz Jiménez	6	6	-	4+	4	4	2	2	-	-
D Robinson	6	6	-	4+	4	4	-	2+	2	2
P Sassenfeld	6	6	4	4	-	1+	-	-	-	-
K Spargo	6	6	-	4+	4	4	-	2+	2	2
Alternate Directors										
Á Muriel[1]	-	6*	-	4*	-	4*	-	1*	-	-
R Seidler AM[2]	-	6*	-	4*	-	4*	-	2*	-	2*
A Valderas[3]	-	6*	-	4*	-	4*	-	2*	-	-
Former Directors										
T Gerber[4]	6	6	4	4	4	4	2	2	-	-

H The number of meetings held during the period the Director/Alternate Director was a member of the Board and/or Committee (including 2 meetings conducted via circular resolution).

A The number of meetings attended by the Director during the period the Director/Alternate Director was a member of the Board and/or Committee (including 2 meetings conducted via circular resolution).

\# Matters delegated to a sub-committee of the Board.

* The number of meetings attended by the Alternate Director in his capacity as an Alternate Director or as a standing invitee.

\+ The number of meetings attended by the Director as a standing invitee of the Committee.

1 Mr Muriel is currently an Alternate Director for Mr Sassenfeld.

2 Mr Seidler is currently an Alternate Director for Mr del Valle Pérez.

3 Mr Valderas is currently an Alternate Director for Mr López Jiménez.

4 Mr Gerber retired from the Board on 31 December 2019.

In addition to scheduled meetings, briefing sessions were held for Directors during the year.

DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

Details of the Company's remuneration policy and remuneration paid to the Group's KMP are detailed in the Remuneration Report within this Annual Report.

DIRECTORS' INTERESTS

Details of the Directors' relevant interests in the issued capital of the Company and its related body corporates as at the date of this Directors' Report are listed in the table below.

Name	Relevant interests in CIMIC		Relevant interests in ACS and/or HOCHTIEF AG	
	Ordinary shares	Options[1]	Ordinary shares	Options over shares
Directors				
M Fernández Verdes	2,745[2]	-	13,336 (ACS) 822,369 (ACS)* 12,931 (HOCHTIEF AG)	500,000 (ACS)
M Wright	10,000	23,537	-	-
R Chenu	4,085	-	-	-
J L del Valle Pérez	1,000[2]	-	286,223 (ACS)	275,000 (ACS)
P López Jiménez	1,192[2]	-	594,578 (ACS)~	-
D Robinson	1,489	-	-	-
P Sassenfeld	1,858[2]	-	15,342 (HOCHTIEF AG)	-
K Spargo	4,000	-	-	-
Alternate Directors				
Á Muriel	14,991	12,127	4,216 (ACS)	275,000 (ACS)
R Seidler AM	2,941	-	910 (ACS)	-
A Valderas	2,500	20,924	1,563 (ACS)	200,000 (ACS)
Former Director				
T Gerber	2,000	-	-	-

1 The Company has determined that all options available to be exercised will be paid in cash in lieu of an allocation of shares (refer to the Remuneration Report for a summary of our option plan and 'Note 36: Employee benefits' to the Financial Report within this Annual Report for further details).

2 These shares are held by the relevant director on trust for HOCHTIEF Australia.

* These shares are held by Gesguiver, S.L. (a closely related party to Mr Fernández Verdes).

~ These shares are held by Fapin Mobi, S.L. (a closely related party to Mr López Jiménez).

No Director held a relevant interest in Devine.

ENVIRONMENTAL REGULATION

Under section 299(1)(f) of the Corporations Act, an entity is required to provide a summary of its environmental performance in terms of compliance with Australian environmental regulations.

Within Australia, the Company is required to report under the NGER Scheme. In addition, the Operating Companies are subject to project specific regulations across the various jurisdictions in which they operate. Failure to comply with these corporate and project specific requirements may result in penalties such as remediation of damage, court injunctions, and criminal and civil penalties.

To assist the Board in discharging its responsibilities the Company has adopted a governance framework which provides for:

- the delegation of accountability for achieving compliance with regulatory requirements (and other requirements) to the most appropriate person or group within the organisation; and
- an assurance and reporting process for the evaluation and oversight of compliance with these requirements to the Board.

In the 2019 Financial Year:

- the Company submitted its NGER Scheme report with EY, our NGER Scheme external auditor, providing limited assurance; and
- across the 147.8 million hours worked on projects there were no material breaches of legislation or conditions of approval (ie, those resulting in prosecution, significant financial penalties or contractual action against the Company, executive officers or individuals). However, there were 32 breaches which involved written warnings from environmental regulators and 18 fines totalling $307,538, the detail of which is set out in the Sustainability Report.
- CPB Contractors recorded 1 Level 1 incident which related to a prosecution for the WestConnex New M5 Project. After pleading guilty in October 2018, CPB Contractors was convicted in September 2019, in the NSW Land & Environment Court, for causing offensive odours to be emitted at the WestConnex M5 St Peters Interchange. The offences were committed on four occasions in April, May and June 2017 in the course of construction activities. Steps have now been taken to prevent those incidents reoccurring.

  CPB Contractors has expressed its genuine and sincere apology to the community and residents for the odour. On 25 September 2019, CPB Contractors was ordered to pay a total of $295,000 to the Environment Trust in lieu of a fine; pay the Environmental Protection Authority's investigation and legal costs; publish a notice of apology in various media; and provide a notice to nearby residents.

For further information regarding the Company's environmental governance, management approach and performance (which expands beyond compliance), please refer to the Sustainability Report within this Annual Report.

OPTIONS

As at the date of this Directors' Report, there are 104,005 options on issue. These options were granted under the LTI plan and were made to eligible Senior Executives in February 2016 as their 2015 LTI (2015 options), the details of which are set out below.

2015 options	
Number of participants at date of grant	36
Date of grant	29 October 2015
Exercise price	$27.53
Expiry date	29 October 2020
Number of options	
Original number issued	735,636
On issue 5 Feb 2019[1]	178,513
Lapsed since 5 Feb 2019	-
Exercised since 5 Feb 2019	(74,508)
On issue 4 Feb 2020[2]	**104,005**

1 Date of the Directors' Report contained in the 2018 CIMIC Annual Report.
2 Date of this Directors' Report.

On vesting, these options may be satisfied through the issue of ordinary shares in the Company, the allocation of ordinary shares in the Company acquired on-market or in cash in lieu of an allocation of shares. On 23 October 2018, the Company determined that all remaining options be settled in cash in lieu of an allocation of shares and accordingly, during the 2019 Financial Year all vested options were satisfied in cash. Holders of these options receive no voting rights and are not entitled to participate in any share or rights issue made by the Company.

Refer to the Remuneration Report for summaries of our STI, LTI and option plans and 'Note 36: *Employee benefits*' to the Financial Report within this Annual Report for further details. Refer to the Shareholdings section of this Annual Report for details regarding the distribution of holdings of options.

INDEMNITY FOR GROUP OFFICERS AND AUDITORS

CONSTITUTION

The Constitution includes indemnities in favour of people who are, or have been, an 'Officer' of the Company. 'Officer' is defined in the Constitution as any director, alternate director, managing director, executive director, secretary or assistant secretary of the Company or its related bodies corporate.

The Constitution states that, to the full extent permitted by law, the Company indemnifies each Officer, against all losses, liabilities, costs, charges and expenses incurred while acting in that capacity.

DIRECTORS' DEED OF INDEMNITY

The Company has entered into deeds of indemnity, insurance and access with its current and former Directors. Under each director's deed, the Company indemnifies the Director to the extent permitted by law against any liability (including liability for legal defence costs) incurred by the Director as an Officer or former Officer of the Company or any Operating Company, or while acting at the request of the Company or any Operating Company as an Officer of a non-controlled entity.

DEEDS OF INDEMNITY FOR CERTAIN OFFICERS AND EMPLOYEES

The Company has entered into deeds of indemnity with particular Officers, employees or former Officers and employees of the Company and Operating Companies. These deeds of indemnity give indemnities in favour of those Officers, employees or former Officers and employees in respect of liabilities incurred by them while acting in their applicable capacities in the Company or any Operating Company, or while acting at the request of the Company or any Operating Company as an Officer or employee of a non-controlled entity.

The Officers and employees who have the benefit of a deed of indemnity are, or were at the time:

- a Director, Secretary, General Counsel or an executive (in a role that has been approved by the CEO, CFO or Company Secretary) of the Company, an Operating Company or a subsidiary of an Operating Company; or
- a Director, Company Secretary or an executive (in a role that has been approved by the CEO, CFO or Company Secretary) of a non-controlled entity at the request of the Company or an Operating Company.

INSURANCE FOR GROUP OFFICERS

During and since the end of the 2019 Financial Year, the Company has paid or agreed to pay premiums in respect of contracts insuring persons who are or have been an Officer against certain liabilities (including legal costs) incurred in that capacity.

Under the directors' deeds and the deeds of indemnity described above, the Company has undertaken to the relevant Officer, employee or former Officer or employee that it will insure the Officer or employee against certain liabilities incurred in their applicable capacity in the Company or any Subsidiary or as an Officer or employee of a non-controlled entity where the position is, or was, held at the request of the Company or any Subsidiary.

The insurance contracts entered into by the Company prohibit disclosure of the specific nature of the liabilities covered by the insurance contracts and the amount of the premiums.

AUDIT

The declaration by the Group's external auditor, Deloitte, to the Directors in relation to the auditor's compliance with the independence requirements of the Corporations Act, and any applicable code of professional conduct for external auditors, is set out in the section of this Directors' Report titled 'Lead Auditor's independence declaration under section 307C of the Corporations Act'.

No person who was an Officer of the Company during the 2019 Financial Year was a director or partner of the Group's external auditor at a time the Group's external auditor conducted the audit.

NON-AUDIT SERVICES

Details of the amounts paid or payable to our external auditor, Deloitte, for non-audit services provided during the 2019 Financial Year to entities within the Group are set out in the table below.

The Board has considered the position and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the 2019 Financial Year is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The Board is satisfied that the provision of non-audit services by Deloitte, as set out in the following table, did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit services were reviewed by the Audit and Risk Committee and the Committee believes that they do not impact the impartiality and objectivity of Deloitte because of the nature of the services provided during the 2019 Financial Year and the quantum of the fees which relate to non-audit services compared with the overall fees;
- the Directors believe that none of the services undermine the general principles relating to auditor independence, including reviewing or auditing Deloitte's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards; and
- these assignments were carried out in accordance with the External Auditor Independence Charter.

The non-audit services supplied to entities within the Group by Deloitte and the amount paid or payable by type of non-audit service during the 2019 Financial Year were as follows.

Non-audit services	**Amount paid/payable $'000**
Other assurance services	105
Taxation and other services	-
Total	**105**

ROUNDING OF AMOUNTS

As the Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) 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 indicated.

CEO AND CFO DECLARATION

The CEO and CFO have provided a declaration to the Board concerning the Group's financial records, financial statements and notes in respect of the 2019 Financial Year in accordance with section 295A of the Corporations Act.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

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 audit of the annual financial report of CIMIC Group Limited for the financial year ended 31 December 2019, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

J A Leotta
Partner
Chartered Accountants

Sydney, 4 February 2020

Operating and Financial Review

FINANCIAL OVERVIEW

OPERATING PERFORMANCE

- Revenue of $14.7 billion in FY19 with growth in Mining and Australian Construction.
- Stable operating profit[1], PBT and NPAT margins (excluding BICC)[2] of 8.4%, 7.5% and 5.4% respectively.
- Operating profit[1] of $1.2 billion, up $55.4 million on FY18.
- PBT (excluding BICC)[2] of $1.1 billion, up $28.3 million on FY18.
- NPAT (excluding BICC)[2] of $800.3 million versus $778.5 million in FY18, up 3% YOY.
- One-off post tax impact of $(1.8) billion relating to the financial investment of BIC Contracting (BICC) as a result of the decision to exit the Middle East region. Statutory NPAT of $(1.0) billion.

CASH FLOWS

- Operating cash flows of $1.7 billion, up substantially by more than $1.0 billion YOY pre-factoring.
- Factoring stable YOY at $1.96 billion.
- Delivered 80% EBITDA cash conversion (excluding BICC)[2] in FY19.
- Gross capital expenditure of $774.4 million driving growth in mining and delivering job-costed tunnelling opportunities.
- Maintained strict focus on managing working capital and generating sustainable cash-backed profits.

FINANCIAL POSITION

- Net cash of $831.6 million at December 2019.
- Ample liquidity supported by $3.0 billion of undrawn debt facilities available at 31 December 2019.
- Successfully refinanced and expanded $1.9 billion syndicated bank facility reflecting balance sheet strength.
- Solid investment grade credit ratings reaffirmed by Moody's (Baa2/Stable) and S&P (BBB/Stable/A-2) in January 2020, after the announcement to exit the Middle East.
- Cost of debt down 50 basis points to 3.3%, reduced from 3.8% at December 2018.
- Net contract debtors of $1.3 billion reflects the completion of various large infrastructure projects, the award of numerous alliance style contracts with a different working capital profile and growth in mining.

WORK IN HAND AND PIPELINE

- Work in hand of $37.5 billion, equivalent to more than two years of revenue, provides good visibility.
- New work of $18.0 billion awarded in FY19, disciplined bidding maintained.
- Operating Companies' work in hand increased by 4.4% or $1.5 billion on FY18 to $35.3 billion, with a significant number of projects announced during the year.
- Expanding project pipeline across core markets/activities, providing a range of business opportunities.
- $160 billion of tenders relevant to CIMIC to be bid and/or awarded in 2020, and around $380 billion of projects expected to come to market in 2021 and beyond, including about $130 billion worth of Public Private Partnership (PPP) projects.

SHAREHOLDER RETURNS

- Returned $525.8 million of cash to shareholders in FY19 through dividends paid ($509.1 million) and share buyback ($16.7 million).
- EPS (basic) excluding BICC one-off was 246.9c cents, up 2.8% on FY18 (in line with increase in NPAT excluding BICC).
- Paid an ordinary interim dividend of 71.0 cents per share, up 1.4% YOY, fully franked, on 3 October 2019.
- Due to the one-off BICC impairment, CIMIC has not declared a final dividend for FY19.

GUIDANCE

- FY20 NPAT expected to be in the range of $810 million to $850 million, subject to market conditions.
- Guidance supported by strong level of work in hand and positive outlook across the Group's core markets.
- Disciplined focus on sustaining a strong balance sheet, generating cash, and a rigorous approach to tendering and project delivery.

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[1] Operating profit is EBIT adjusted for the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.

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

FINANCIAL OVERVIEW

Financial performance $m	**2019**	**2018[3]**	**chg. $**	**chg. %**
Group revenue	17,207.1	17,252.8	(45.7)	(0.3)%
Revenue – joint ventures and associates	(2,506.0)	(2,582.6)	76.6	(3.0)%
Revenue[4]	**14,701.1**	**14,670.2**	**30.9**	**0.2%**
Expenses	(13,538.7)	(13,555.0)	16.3	(0.1)%
Share of profit/(loss) of joint ventures and associates	66.7	58.5	8.2	14.0%
Operating profit[5]	**1,229.1**	**1,173.7**	**55.4**	**4.7%**
Operating profit margin[6]	8.4%	8.0%	40bp	
Net finance costs	(129.2)	(102.1)	(27.1)	26.5%
Profit before tax (excl. BICC)[7]	**1,099.9**	**1,071.6**	**28.3**	**2.6%**
PBT margin (excl. BICC)[6]	7.5%	7.3%	20bp	
Income tax (excl. BICC)[7]	(297.0)	(299.9)	2.9	(1.0)%
Profit for the year (excl. BICC)[7]	**802.9**	**771.7**	**31.2**	**4.0%**
Non-controlling interests	(2.6)	6.8	(9.4)	-
NPAT (excl. BICC)[7]	**800.3**	**778.5**	**21.8**	**2.8%**
NPAT margin (excl. BICC)[6]	5.4%	5.3%	10bp	
EPS (basic) – excl. BICC	246.9c	240.1c	6.8c	2.8%
One-off BICC item[8]	(1,840.2)	-		
NPAT	**(1,039.9)**	**778.5**		
NPAT margin[6]	(7.1)%	5.3%		
EPS (basic)	(320.9)c	240.1c		

Financial position $m	**December 2019**	**December 2018[3]**	**chg. $**	**chg. %**
Net cash/(debt) (excl. BICC)[9]	**1,230.2**	**1,622.4**	**(392.2)**	**(24.2)%**
One-off BICC item 2019[10]	(398.6)	-	(398.6)	-
Net cash/(debt)	**831.6**	**1,622.4**	**(790.8)**	**(48.7)%**
Lease liabilities	(902.1)	(908.9)	6.8	(0.7)%
Net cash/(debt) (incl. leases)	(70.5)	713.5	(784.0)	-
Net contract debtors[11]	**1,285.7**	**1,098.9**	**186.8**	**17.0%**

[3] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company'* for details.

[4] Revenue excludes revenue from joint ventures and associates of $2,506.0 million (FY18: $2,582.6 million).

[5] Operating profit is EBIT adjusted for the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.

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

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

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

[9] Net cash/(debt) includes cash and equivalent liquid assets (which includes cash, cash equivalents and short term financial assets investments). 2019 Net cash/(debt) excludes the $398.6 million funded to BICC in FY19.

[10] Funding provided to BICC in FY19.

[11] Net contract debtors represents the net amount of total contract debtors–trade and other receivables and total contract liabilities–trade and other payables (refer to the Financial Report, 'Note 10: *Trade and other receivables'–'Additional information on contract debtors'*).

Cash flows $m	Pre-factoring 2019	Pre-factoring 2018[12]	chg. $	Post-factoring 2019	Post-factoring 2018[12]
Operating cash flow[13]	**1,707.0**	**658.4**	**1,048.6**	**1,714.3**	**2,053.4**
Interest, finance costs and taxes	(463.8)	(150.4)	(313.4)	(463.8)	(150.4)
Net operating cash flow[14]	**1,243.2**	**508.0**	**735.2**	**1,250.5**	**1,903.0**
Gross capital expenditure[15]	(774.4)	(547.4)	(227.0)	(774.4)	(547.4)
Gross capital proceeds[16]	22.5	82.6	(60.1)	22.5	82.6
Net capital expenditure	**(751.9)**	**(464.8)**	**(287.1)**	**(751.9)**	**(464.8)**
Free operating cash flow[17]	**491.3**	**43.2**	**448.1**	**498.6**	**1,438.2**

Work in hand[18] $m	December 2019	December 2018	chg. $	chg. %
Work in hand beginning of period	36,706.1	36,009.9	696.2	1.9%
New work[19]	18,011.7	17,949.0	62.7	0.3%
Executed work	(17,207.1)	(17,252.8)	45.7	(0.3)%
Total work in hand end of period	**37,510.7**	**36,706.1**	**804.6**	**2.2%**
Operating Companies' work in hand	35,316.1	33,833.1	1,483.0	4.4%
Corporate work in hand	2,194.6	2,873.0	(678.4)	(23.6)%
Total work in hand end of period	**37,510.7**	**36,706.1**	**804.6**	**2.2%**

[12] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company'* for details.
[13] Operating cash flow includes cash flow from operating activities and changes in short term financial assets and investments, before interest, finance costs and taxes.
[14] Net operating cash flow is defined as operating cash flow after interest, finance costs and taxes.
[15] Gross capital expenditure is payments for property, plant and equipment.
[16] Gross capital proceeds are proceeds received from the sale of property, plant and equipment.
[17] Free operating cash flow is defined as net operating cash flow less net capital expenditure for property, plant and equipment.
[18] Work in hand includes CIMIC's share of work in hand from joint ventures and associates.
[19] New work includes new contracts and contract extensions and variations, including the impact of foreign exchange rate movements.

SHAREHOLDER RETURNS

TOTAL SHAREHOLDER RETURNS

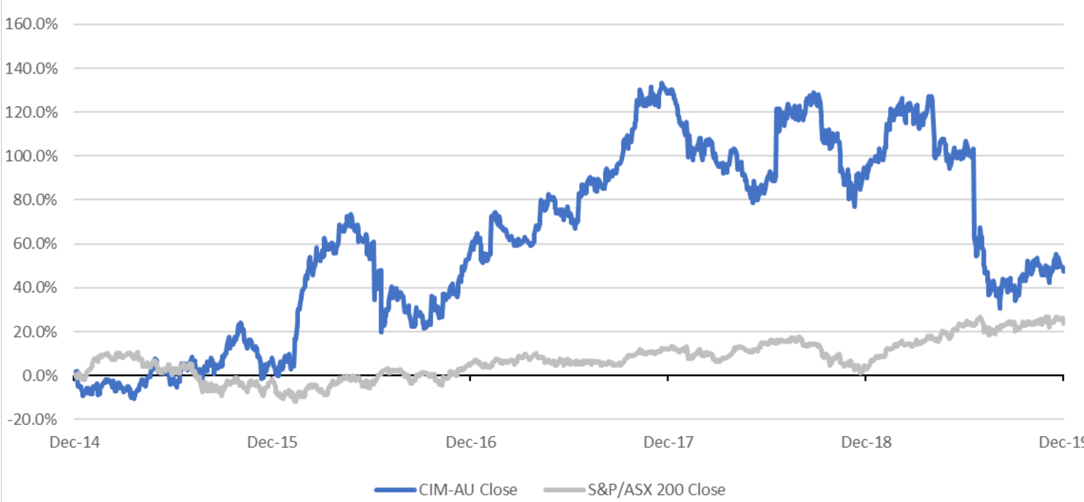
Shareholder returns	31 December 2019	31 December 2018
Closing share price	$33.14	$43.41
Market capitalisation ($m)	10,728.3	14,075.9
Final dividend per share	-	86c
Interim dividend per share	71c	70c
Total dividends per share	71c	156c
EPS (basic) – excluding BICC	246.9c	240.1c
EPS (basic)	(320.9)c	240.1c
Payout ratio for ordinary dividends*	28.8%	65.0%

** The payout ratio for ordinary dividends in 2019 was impacted by the Middle East one-off.*

PERFORMANCE OF CIMIC SHARES

In line with our commitment to create long-term shareholder value, over the past five years CIMIC's share price increased by $10.64, representing an increase of 47.3% since 31 December 2014, compared to the S&P/ASX 200 index which has increased by 23.5% to 6,684.1 points. Over this period, CIMIC has further remunerated shareholders through the payment of dividends of $6.36 per share, representing an amount of $2,081.3 million. In addition, an amount of $442.6 million has been returned to shareholders through share buybacks leading to total payments of $2,523.9 million in the form of dividends and share buybacks over the past five years. CIMIC's market capitalisation represented $10.73 billion as at 31 December 2019.

Indexed performance of CIMIC shares



DIVIDENDS

CIMIC paid an interim dividend of 71 cents per share, 100% franked, on 3 October 2019.

As a consequence of the BICC one-off impairment, CIMIC has decided not to declare a final dividend for FY19.

SHARE BUYBACK PROGRAM

On 14 December 2018, CIMIC announced an on-market share buyback of up to 10% of its fully paid ordinary shares for a period of 12 months commencing on 29 December 2018. In 2019, a total of 527,341 shares were bought back under this share buyback program for $16.7 million and the shares were subsequently cancelled.

Another on-market share buyback commenced on 29 December 2019 of up to 10% of the fully paid ordinary shares for a further 12 months. As at 4 February 2020 no additional shares have been bought back. The timing and number of any shares purchased will depend on CIMIC's share price and market conditions.

FINANCIAL PERFORMANCE

Financial performance $m	**2019**	**2018[20]**	**chg. $**	**chg. %**
Group revenue	17,207.1	17,252.8	(45.7)	(0.3)%
Revenue – joint ventures and associates	(2,506.0)	(2,582.6)	76.6	(3.0)%
Revenue[21]	**14,701.1**	**14,670.2**	**30.9**	**0.2%**
Expenses	(13,538.7)	(13,555.0)	16.3	(0.1)%
Share of profit/(loss) of joint ventures and associates	66.7	58.5	8.2	14.0%
Operating profit[22]	**1,229.1**	**1,173.7**	**55.4**	**4.7%**
Operating profit margin[23]	8.4%	8.0%	40bp	
Net finance costs	(129.2)	(102.1)	(27.1)	26.5%
Profit before tax (excl. BICC)[24]	**1,099.9**	**1,071.6**	**28.3**	**2.6%**
PBT margin (excl. BICC)[23]	7.5%	7.3%	20bp	
Income tax (excl. BICC)[24]	(297.0)	(299.9)	2.9	(1.0)%
Profit for the year (excl. BICC)[24]	**802.9**	**771.7**	**31.2**	**4.0%**
Non-controlling interests	(2.6)	6.8	(9.4)	-
NPAT (excl. BICC)[24]	**800.3**	**778.5**	**21.8**	**2.8%**
NPAT margin (excl. BICC)[23]	5.4%	5.3%	10bp	
EPS (basic) – excl. BICC	246.9c	240.1c	6.8c	2.8%
One-off BICC item[25]	(1,840.2)	-		
NPAT	**(1,039.9)**	**778.5**		
NPAT margin[23]	(7.1)%	5.3%		
EPS (basic)	(320.9)c	240.1c		

REVENUE AND PROFIT BEFORE TAX BY SEGMENT

Revenue for the year was $14.7 billion, reflecting growth in Mining and Australian Construction. PBT (excluding BICC) was $1,099.9 million for FY19, an increase of 2.6%, or $28.3 million, compared to FY18. The PBT margin (excluding BICC) of 7.5% reflects our ongoing focus on project delivery and cost discipline.

Revenue by segment $m	**2019**	**2018**	**chg. $**	**chg. %**
Construction	7,532.1	7,965.2	(433.1)	(5.4)%
Mining & Mineral Processing	4,496.9	3,966.9	530.0	13.4%
Services	2,626.4	2,676.5	(50.1)	(1.9)%
Corporate	45.7	61.6	(15.9)	(25.8)%
Revenue	**14,701.1**	**14,670.2**	**30.9**	**0.2%**

Profit before tax by segment (excl. BICC) $m	**2019**	**2018[20]**	**chg. $**	**chg. %**
Construction	470.4	621.7	(151.3)	(24.3)%
Mining & Mineral Processing	603.4	428.5	174.9	40.8%
Services	154.7	161.0	(6.3)	(3.9)%
Corporate	(128.6)	(139.6)	11.0	(7.9)%
Profit before tax (excl. BICC)	**1,099.9**	**1,071.6**	**28.3**	**2.6%**

Group revenue from the various market segments was split 78:22 between domestic and international markets, compared to 73:27 in FY18.

[20] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company*' for details.
[21] Revenue excludes revenue from joint ventures and associates of $2,506.0 million (FY18: $2,582.6 million).
[22] Operating profit is EBIT adjusted for the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.
[23] Margins are calculated on revenue as defined above. Margins excluding BICC are calculated net of the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.
[24] Excludes the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.
[25] One-off relates to the provisions and asset impairments (net of tax) of the Group's financial investment in BICC and exit from the Middle East region in FY19.

CONSTRUCTION REVENUE

Construction revenue was $7.5 billion for FY19, a decrease of 5.4% compared to FY18. The revenue reflects a decline in our Hong Kong construction activities, partially offset by substantial contributions from the delivery of a number of large-scale transport infrastructure projects in Australia.

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

- rail and road developments in Australia, including Sydney Metro 'Northwest' and 'City & Southwest', WestConnex 'M4 East', 'Rozelle Interchange' and 'New M5' and the Woolgoolga to Ballina upgrade in New South Wales, the West Gate Tunnel project in Victoria, and the Logan Enhancement Project in Queensland;
- social infrastructure projects including the Waikeria Corrections Facility and Christchurch Hospital in New Zealand, and the Junee Correctional Centre in New South Wales;
- infrastructure projects in Hong Kong including the Liantang/Hueng Yuen Wai Boundary Control Point, Hong Kong International Airport 'Terminal 1 Annex Building and Car Park' and 'Terminal 2 Foundation and Substructure works', and Black Point Power Station; and
- several PPP projects, including Transmission Gully and New Zealand Schools in New Zealand, the Canberra Light Rail in the Australian Capital Territory and the commencement of the Cross River Rail project in Queensland.

Construction PBT was $470.4 million for FY19 compared to $621.7 million for FY18. This reduced result is reflective of both the trend in the revenue as well as the ongoing change in market conditions as more projects are being procured in alliance-style contracts that have a different risk-return and also working capital profile.

MINING & MINERAL PROCESSING REVENUE

Mining & Mineral Processing revenue was $4.5 billion for FY19, an increase of 13.4%, or $530.0 million, compared to FY18. The increase in revenue reflects a number of contract extensions, increased production levels and contributions from a diverse range of Mining & Mineral Processing contracts, with the Group benefitting from its portfolio which is diversified across commodities and geographic markets.

During the period, some of the Group's most significant Mining & Mineral Processing projects included:

- Lake Vermont, Mount Owen, Curragh North, Solomon, Mount Arthur, Peak Downs and Caval Ridge mines in Australia;
- Byerwen and Mount Pleasant mineral processing projects in Australia;
- Kaltim Prima Coal, Melak and Mahakam Sumber Jaya mines in Indonesia;
- Ukhaa Khudag mine in Mongolia;
- Pumpkin Hollow processing plant in the United States;
- Encuentro Oxides mine in Chile; and
- Jwaneng mine in Botswana.

Mining & Mineral Processing PBT was $603.4 million for FY19. This strong result is benefitting from revenue growth combined with further improved margins, driven by a continued focus on leveraging efficiencies and creating value for our clients.

SERVICES REVENUE

Services revenue was $2.6 billion for FY19, a steady contribution compared to FY18, as the Group sustained its competitive position in the operations and maintenance services market.

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

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

Services PBT was $154.7 million for FY19 compared to $161.0 million for FY18, with steady margins.

CORPORATE

Corporate PBT was $(128.6) million for FY19, which is stable compared to FY18. This segment includes Corporate, EIC Activities, Pacific Partnerships and the Commercial & Residential business.

REVENUE – JOINT VENTURES AND ASSOCIATES

Revenue from joint ventures and associates was $2.5 billion for FY19, which includes revenue from investments such as Ventia.

EXPENSES

Expenses were $13.5 billion for FY19, consistent with FY18. The major direct expenses were materials, subcontractors, plant costs, depreciation and personnel costs.

Depreciation and amortisation

Depreciation and amortisation was $917.6 million for FY19, an increase of 26.2%, or $190.5 million, compared to FY18. The revenue growth in mining, as well as increases in leased mining equipment and increased tunnelling activity on a number of large infrastructure projects, has driven the higher level of depreciation.

OPERATING PROFIT

The Group's operating profit was $1,229.1 million for FY19, an increase of 4.7% or $55.4 million, compared to FY18. This strong result reflects a diligent focus on project delivery and cost discipline.

NET FINANCE COSTS

Net finance costs were $129.2 million for FY19, an increase of $27.1 million compared to FY18. Higher net finance costs were recorded due to an increase in the total level of bonding to support the growth of work in hand, mainly in Australian Construction and PPP projects, as well as additional working capital initiatives and increases in leased asset expenses.

Finance cost detail $m	**2019**	**2018[26]**	**chg. $**	**chg. %**
Debt interest expenses	(66.1)	(73.1)	7.0	(9.6)%
Facility fees, bonding and other costs	(119.8)	(84.3)	(35.5)	42.1%
Total finance costs	**(185.9)**	**(157.4)**	**(28.5)**	**18.1%**
Interest income	56.7	55.3	1.4	2.5%
Net finance costs	**(129.2)**	**(102.1)**	**(27.1)**	**26.5%**

Average cost of debt calculation $m	**2019**	**2018**
Debt interest expenses (a)	(66.1)	(73.1)
Gross debt[27]	922.9	522.8
Gross debt average (b)	2,018.4	1,938.7
Average cost of debt (-a/b)	**3.3%**	**3.8%**

INCOME TAX

The income tax expense (excluding BICC) was $297.0 million for FY19, on a similar level compared to FY18. This expense equates to an effective tax rate of 27.0%, compared with 28.0% for FY18. The reported income tax benefit of $587.5 million is a result of the one-off item relating to the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region.

NON-CONTROLLING INTERESTS

Non-controlling interests were $(2.6) million for FY19 versus $6.8 million for FY18. This relates to gains attributable to the shareholdings of minority owners for the period.

NET PROFIT AFTER TAX

NPAT (excluding BICC) was $800.3 million for FY19, an increase of 2.8%, or $21.8 million, compared to FY18. Earnings per share (basic) excluding BICC one-off were 246.9 cents, an increase of 2.8% on FY18. NPAT was impacted by the one-off post tax item of $(1.8) billion relating to the provisions and asset impairments of the Group's investment in BICC, which led to a statutory NPAT of $(1.0) billion.

[26] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company'* for details.
[27] Total interest bearing liabilities.

FINANCIAL POSITION

CIMIC's balance sheet and ample liquidity was maintained in 2019, as the company continued its strict focus on managing working capital and generating sustainable cash-backed profits.

Net cash/(debt) **$m**	**December** **2019**	**December** **2018**[28]	**chg. $**	**chg. %**
Cash and cash equivalent liquid assets (excl. BICC)[29]	**2,153.1**	**2,145.2**	**7.9**	**0.4%**
Current interest bearing liabilities	(164.3)	(50.7)	(113.6)	-
Non-current interest bearing liabilities	(758.6)	(472.1)	(286.5)	60.7%
Net cash/(debt) (excl. BICC)[30]	**1,230.2**	**1,622.4**	**(392.2)**	**(24.2)%**
One-off BICC item 2019[31]	(398.6)	-	(398.6)	-
Net cash/(debt)	**831.6**	**1,622.4**	**(790.8)**	**(48.7)%**
Lease liabilities	(902.1)	(908.9)	6.8	(0.7)%
Net cash/(debt) (incl. leases)	(70.5)	713.5	(784.0)	-

Net contract debtors **$m**	**December** **2019**	**December** **2018**	**chg. $**	**chg. %**
Net contract debtors	1,285.7	1,098.9	186.8	17.0%

Assets **$m**	**December** **2019**	**December** **2018**[28]	**chg. $**	**chg. %**
Current assets				
Cash and cash equivalent liquid assets	1,754.5	2,145.2	(390.7)	(18.2)%
Trade and other receivables	3,554.4	3,122.1	432.3	13.8%
Inventories: consumables and development properties	400.1	315.1	85.0	27.0%
Assets held for sale	-	1.5	(1.5)	-
Total current assets	**5,709.0**	**5,583.9**	**125.1**	**2.2%**
Non-current assets				
Trade and other receivables	130.4	777.6	(647.2)	(83.2)%
Inventories: development properties	114.9	111.1	3.8	3.4%
Investments accounted for using the equity method	250.5	136.6	113.9	83.4%
Other investments	112.2	105.4	6.8	6.5%
Deferred tax assets	1,025.2	69.6	955.6	-
Property, plant and equipment	2,279.1	2,068.1	211.0	10.2%
Intangibles	1,104.4	1,093.5	10.9	1.0%
Total non-current assets	**5,016.7**	**4,361.9**	**654.8**	**15.0%**
Total assets	**10,725.7**	**9,945.8**	**779.9**	**7.8%**

[28] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company'* for details.
[29] Cash and cash equivalent liquid assets includes cash, cash equivalents and short term financial assets and investments. 2019 Cash and cash equivalent liquid assets excludes the $398.6 million funded to BICC in FY19.
[30] 2019 Net cash/(debt) excludes the $398.6 million funded to BICC in FY19.
[31] Funding provided to BICC in FY19.

Liabilities and equity $m	**December 2019**	**December 2018**[32]	**chg. $**	**chg. %**
Current liabilities				
Trade and other payables	6,024.6	5,669.7	354.9	6.3%
Current tax liabilities	60.3	68.4	(8.1)	(11.8)%
Provisions	327.2	326.0	1.2	0.4%
Financial liability	1,483.4	-	1,483.4	-
Interest bearing liabilities	164.3	50.7	113.6	-
Lease liabilities	277.8	279.2	(1.4)	(0.5)%
Total current liabilities	**8,337.6**	**6,394.0**	**1,943.6**	**30.4%**
Non-current liabilities				
Trade and other payables	200.8	82.0	118.8	-
Provisions	60.5	62.4	(1.9)	(3.0)%
Interest bearing liabilities	758.6	472.1	286.5	60.7%
Lease liabilities	624.3	629.7	(5.4)	(0.9)%
Deferred tax liabilities	20.9	19.4	1.5	7.7%
Total non-current liabilities	**1,665.1**	**1,265.6**	**399.5**	**31.6%**
Total liabilities	**10,002.7**	**7,659.6**	**2,343.1**	**30.6%**
Equity	**723.0**	**2,286.2**	**(1,563.2)**	**(68.4)%**
One-off BICC item[33]	1,840.2	-	1,840.2	-
Equity excluding one-off BICC item	**2,563.2**	**2,286.2**	**277.0**	**12.1%**

NET CASH/(DEBT)

Net cash (excluding BICC) was $1,230.2 million at 31 December 2019, compared to net cash of $1,622.4 million at 31 December 2018. Operationally, the increased number of recently awarded alliance construction projects with a different working capital profile, the continued significant growth in Mining, as well as cash outflows from capital expenditure supporting the growth of the business and tax payments, were the main contributing factors to this decrease.

Net cash was $831.6 million, impacted by the liquidity injections made to BICC during FY19 of $398.6 million.

Interest bearing liabilities

Current and non-current interest bearing liabilities amounted to $922.9 million at 31 December 2019.

During FY19, CIMIC successfully refinanced its core working capital cash facility, as part of its long-term financing strategy. The new syndicated bank facility is for $1.9 billion, split equally across two tranches of four and five years. It replaced an existing tranche in CIMIC's current facility as well as some maturing US dollar debt.

Bonding

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

Bonds and guarantees outstanding at 31 December 2019 were $5.2 billion (31 December 2018: $4.5 billion). An additional $812.2 million (31 December 2018: $1.5 billion) was undrawn of which $753.4 million (31 December 2018: $1.1 billion) was committed and $58.8 million (31 December 2018: $419.3 million) was uncommitted. The undrawn and uncommitted bonds and guarantees provide significant capacity for the Group to tender for, and take on, more projects in the future.

Credit ratings

CIMIC has solid investment grade credit ratings by S&P (BBB/Stable/A-2) and Moody's (Baa2/Stable), both with a stable outlook, which reflect the strength of the Group's financial position. These ratings were reaffirmed on 23rd and 24th January 2020 after CIMIC's announcement to exit the Middle East. In the reports, which have also been released to the ASX, S&P published a bulletin titled "CIMIC's exit from the Middle East consistent with Group strategy" and Moody's published an issuer comment titled "Exit from the Middle East is credit positive".

[32] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company'* for details.
[33] One-off item in respect of the provisions and asset impairments (net of tax) of the Group's financial investment in BICC and exit from the Middle East region in FY19.

CURRENT ASSETS

Trade and other receivables

Trade and other receivables were $3,554.4 million at 31 December 2019, an increase of 13.8%, or $432.3 million, compared to 31 December 2018. The figure includes $2,607.9 million (31 December 2018: $2,297.1 million) of total contract debtors – trade and other receivables (refer to net contract debtors below). The remaining balance relates to sundry debtors, joint venture and other receivables.

Net contract debtors

The Group's net contract debtors were $1,285.7 million at 31 December 2019. The increase is partly attributable to the growth in the Mining business where advance payments are not commonly received. CIMIC has also won a number of alliance construction contracts in Australia over the past year with a different working capital profile compared to infrastructure projects.

The level of factoring across the Group was $1,960.3 million as at 31 December 2019, which is consistent with the 31 December 2018 position of $1,953.0 million.

The Group's $675.0 million contract debtors portfolio provision remains unchanged as at 31 December 2019.

Inventories: consumables and development properties

Inventories: consumables and development properties were $400.1 million at 31 December 2019, an increase of $85.0 million compared to 31 December 2018. The increase was mainly driven by job-costed inventories held for large infrastructure projects.

NON-CURRENT ASSETS

Trade and other receivables

Trade and other receivables were $130.4 million at 31 December 2019, a decrease of $647.2 million compared to 31 December 2018. Following the Group's decision to exit the Middle East, the shareholder loans relating to BICC have been fully impaired to $nil (31 December 2018: $640.7 million).

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 $250.5 million at 31 December 2019, an increase of $113.9 million compared to 31 December 2018. The movement is mainly driven by new PPP investments in the year, partially offset by successfully achieving financial close on other PPP projects. For further details refer to the Financial Report, 'Note 13: *Investments accounted for using the equity method*'.

Deferred tax asset

Deferred tax assets were $1,025.2 million at 31 December 2019, an increase of $955.6 million compared to 31 December 2018. This variation is mainly due to the tax recognition of the one-off BICC impairment.

Property, plant and equipment

Property, plant and equipment was $2,279.1 million at 31 December 2019, an increase of 10.2%, or $211.0 million, compared to 31 December 2018. At 31 December 2019, $902.1 million worth of equipment was financed by the Group through leases. Additions to property, plant and equipment during the period included investment in job-costed tunnelling machines for major road and rail projects and ongoing investment in mining equipment, driven by revenue growth.

Intangibles

Intangibles were $1,104.4 million at 31 December 2019, an increase of 1.0%, or $10.9 million, compared to 31 December 2018. The balance mainly consists of goodwill in relation to the Construction and Services businesses.

CURRENT LIABILITIES

Trade and other payables

Trade and other payables were $6,024.6 million at 31 December 2019, an increase of 6.3%, or $354.9 million, compared to 31 December 2018. This figure includes $1,322.2 million (31 December 2018: $1,198.2 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 $60.3 million at 31 December 2019, a decrease of $8.1 million compared to 31 December 2018. Changes in tax liabilities are driven by the timing of the various income tax payments as required to be made across the numerous jurisdictions in which the Group operates.

Provisions

Provisions were $327.2 million at 31 December 2019, an increase of $1.2 million compared to 31 December 2018. The provisions are for employee benefits and relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses.

Financial liability

A financial liability of $1,483.4 million has been recognised as at 31 December 2019. This represents the amounts expected to be paid in relation to BICC facilities where CIMIC provides a guarantee. Refer to the Financial Report, 'Note 4: *Significant item; Provisions and Asset Impairment in relation to Middle East exit*' for further details.

NON-CURRENT LIABILITIES

Trade and other payables

Trade and other payables were $200.8 million at 31 December 2019, an increase of $118.8 million compared to 31 December 2018.

Provisions

Provisions were $60.5 million at 31 December 2019, a decrease of 3.0%, or $1.9 million, compared to 31 December 2018. This figure includes employee benefits relating to long service leave, retirement benefits and deferred bonuses.

EQUITY

Equity (excluding BICC) was $2,563.2 million as at 31 December 2019, an increase of $277.0 million, or 12.1%, compared to 31 December 2018. This was driven by the Group's operational performance resulting in net profit (excluding BICC) of $800.3 million, offset by dividend payments of $509.1 million for the year.

Equity was $723.0 million as at 31 December 2019, a decrease of $1,563.2 million compared to 31 December 2018. The decrease is due to the one-off item in relation to the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region.

CASH FLOWS

Cash flows $m	Pre-factoring 2019	Pre-factoring 2018[34]	chg. $	Post-factoring 2019	Post-factoring 2018[34]
Operating cash flow	**1,707.0**	**658.4**	**1,048.6**	**1,714.3**	**2,053.4**
Interest, finance costs and taxes	(463.8)	(150.4)	(313.4)	(463.8)	(150.4)
Net operating cash flow	**1,243.2**	**508.0**	**735.2**	**1,250.5**	**1,903.0**
Gross capital expenditure	(774.4)	(547.4)	(227.0)	(774.4)	(547.4)
Gross capital proceeds	22.5	82.6	(60.1)	22.5	82.6
Net capital expenditure	**(751.9)**	**(464.8)**	**(287.1)**	**(751.9)**	**(464.8)**
Free operating cash flow	**491.3**	**43.2**	**448.1**	**498.6**	**1,438.2**
EBITDA (excl. BICC)[35]	**2,146.7**	**1,900.8**	**245.9**	**2,146.7**	**1,900.8**
EBITDA cash conversion[36]	**80%**	**35%**		**80%**	**108%**

Cash flows from investing activities $m	2019	2018[34]	chg. $	chg. %
Payments for intangibles	(15.4)	(5.4)	(10.0)	-
Payments for property, plant and equipment	(774.4)	(547.4)	(227.0)	41.5%
Payments for investments in controlled entities and businesses	(14.0)	(22.7)	8.7	(38.3)%
Proceeds from sale of property, plant and equipment	22.5	82.6	(60.1)	(72.8)%
Proceeds from sale of investments	-	1.2	(1.2)	-
Cash acquired from acquisition of investments in controlled entities and businesses	18.0	0.7	17.3	-
Payments for investments	(29.1)	(53.1)	24.0	(45.2)%
Loans to associates and joint ventures	-	(1.1)	1.1	-
Net cash from investing activities (excl. BICC)[37]	**(792.4)**	**(545.2)**	**(247.2)**	**45.3%**
One-off BICC item 2019[38]	(398.6)	-	(398.6)	**-**
Net cash from investing activities	**(1,191.0)**	**(545.2)**	**(645.8)**	**-**

Cash flows from financing activities $m	2019	2018[34]	chg. $	chg. %
Cash payments for share buybacks	(16.7)	-	(16.7)	-
Proceeds from borrowings	1,191.8	407.7	784.1	-
Repayment of borrowings	(801.8)	(835.6)	33.8	(4.0)%
Repayment of leases	(320.0)	(191.8)	(128.2)	66.8%
Dividends paid to shareholders of the Company	(509.1)	(470.2)	(38.9)	8.3%
Dividends paid to non-controlling interests	(4.2)	-	(4.2)	-
Net cash from financing activities	**(460.0)**	**(1,089.9)**	**629.9**	**(57.8)%**

[34] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company'* for details.

[35] 2019 EBITDA excludes the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region.

[36] 2019 EBITDA cash conversion is calculated on EBITDA excluding one-off BICC item.

[37] Excludes the $398.6 million funded to BICC in FY19.

[38] Funding provided to BICC in FY19.

OPERATING CASH FLOWS

Operating cash flows pre-factoring have improved substantially, increasing by $1,048.6 million to $1,707.0 million in FY19. This is attributable to a strict focus on managing working capital and generating sustainable cash-backed profits.

Operating cash flows were $1,714.3 million for FY19, with the change to the previous year being attributable to 2019's stable factoring balance.

The Group has maintained a solid EBITDA cash conversion rate of 80% (excluding BICC) during FY19.

Net cash from operating activities decreased by $652.5 million to $1,250.5 million in FY19. This is attributable to additional income tax payments of $292.3 million. Changes in taxes paid are impacted by the timing of payments and receipt of refunds outside of the financial year to which they relate.

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash outflows from investing activities were $1,191.0 million for FY19 compared to an outflow of $545.2 million in FY18.

The outflow of cash was mainly due to gross capital expenditure of $774.4 million for FY19, an increase of $227.0 million compared to FY18. This increase reflects a sustained level of investment in tunnelling equipment to support the delivery of large transport related infrastructure projects with ongoing investment in mining equipment driven by revenue growth in that market.

During the period the Mining & Mineral Processing business acquired a controlling interest in Majwe Mining in Botswana, and the Services business purchased an engineering company from RCR Tomlinson that operates in the infrastructure, energy and resource sectors.

Additionally, liquidity injections of $398.6 million were made to BICC in the FY19.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash outflows from financing activities were $460.0 million for FY19 compared to $1,089.9 million in FY18. This outflow mainly represents proceeds from borrowings, largely offset by repayment of leases, borrowings and dividends paid.

NEW WORK AND WORK IN HAND

CIMIC was awarded $18.0 billion worth of new work in FY19. This new work helps to maintain the Group's position as a leading international contractor and the world's largest mining service provider and supports the delivery of sustainable returns to shareholders.

The Group's total work in hand was $37.5 billion at 31 December 2019, equivalent to more than two years' worth of revenue. Work in hand in the Group's Operating Companies was $35.3 billion, up 4.4%, or $1.5 billion, compared to 31 December 2018.

Work in hand $m	December 2019	December 2018	chg. $	chg. %
Work in hand beginning of period	36,706.1	36,009.9	696.2	1.9%
New work	18,011.7	17,949.0	62.7	0.3%
Executed work	(17,207.1)	(17,252.8)	45.7	(0.3)%
Total work in hand end of period	**37,510.7**	**36,706.1**	**804.6**	**2.2%**
Operating Companies' work in hand	35,316.1	33,833.1	1,483.0	4.4%
Corporate work in hand	2,194.6	2,873.0	(678.4)	(23.6)%
Total work in hand end of period	**37,510.7**	**36,706.1**	**804.6**	**2.2%**

In FY19, work in hand was split 82:18 between the Group's domestic and international markets, compared with 78:22 in FY18.

MAJOR CONTRACT AWARDS AND SCOPE INCREASES IN 2019

CIMIC's work in hand continues to be broadly diversified by segment as well as by activity and geography.

Work in hand by segment $m	December 2019	%	December 2018	%	chg. $	chg. %
Construction	16,228.9	43%	15,254.3	42%	974.6	6.4%
Mining & Mineral Processing	10,142.9	27%	11,159.3	30%	(1,016.4)	(9.1)%
Services	8,944.3	24%	7,419.5	20%	1,524.8	20.6%
Total Operating Companies' work in hand	**35,316.1**	**94%**	**33,833.1**	**92%**	**1,483.0**	**4.4%**
Corporate work in hand	2,194.6	6%	2,873.0	8%	(678.4)	(23.6)%
Total work in hand	**37,510.7**	**100%**	**36,706.1**	**100%**	**804.6**	**2.2%**

CONSTRUCTION WORK IN HAND

Construction work in hand was $16.2 billion at 31 December 2019, an increase of 6.4%, or $974.6 million compared to 31 December 2018. Construction work in hand is broadly diversified across a range of markets and sectors in Australia, New Zealand and the Asia-Pacific region.

MINING & MINERAL PROCESSING WORK IN HAND

Mining & Mineral Processing work in hand was $10.1 billion at 31 December 2019, a decrease of 9.1%, or $1.0 billion compared to 31 December 2018. Over the course of FY19, CIMIC continued to broaden its portfolio in this segment by commodity and geography.

SERVICES WORK IN HAND

Services work in hand was $8.9 billion at 31 December 2019, up 20.6%, or $1.5 billion compared to 31 December 2018. The services work in hand is diversified across a range of markets in Australia and Asia-Pacific.

CORPORATE WORK IN HAND

Corporate work in hand was $2.2 billion at 31 December 2019, a decrease of 23.6%, or $678.4 million, compared to 31 December 2018. Corporate work in hand includes CIMIC's share of work in hand from investments such as BICC and Ventia.

NEW WORK IN 2019

In Australia and New Zealand, a number of significant projects were annouced during the year, with revenues to the Group as follows:

- $2.7 billion PPP project to deliver the Tunnel, Stations and Development package of Brisbane's Cross River Rail, Queensland;
- $1.3 billion contract extension at Curragh Mine, Queensland;
- $900 million alliance contract to deliver the Rail, Integration and Systems package of Brisbane's Cross River Rail Project, Queensland;
- $761 million to design and construct Stage 2 of the Monash Freeway upgrade, Victoria;
- $725 million PPP project to design, construct, commission and maintain the Regional Rail Project, New South Wales;
- $630 million contract extension for the delivery of maintenance services at Sydney Trains, New South Wales;
- $463 million to design and construct the new Sydney Metro City & Southwest Pitt Street Station, New South Wales;
- $424 million to deliver Stage 2 of the Campbelltown Hospital Redevelopment project, New South Wales;
- $423 million alliance contract to deliver the Yanchep Rail Extension and the Thornlie to Cockburn Link components of Perth's Metronet, Western Australia;
- $379 million to deliver Stage 1 of the Nepean Hospital Redevelopment, New South Wales;
- $366 million PPP contract extension to the existing NRT PPP contract on Sydney Metro, New South Wales;
- $331 million to deliver an upgrade to a section of Melbourne's M80 Ring Road, Victoria;
- $323 million to deliver an earthworks project for the construction of Western Sydney's International Airport, New South Wales;
- $214 million to deliver the Christchurch Metro Sports Facility, New Zealand;
- $210 million to deliver Auckland Airport's Taxiway Mike and Remote Stands Stage 2 project, New Zealand;
- $195 million to deliver the Early Works package for Melbourne's North East Link, Victoria;
- $190 million to provide implementation services on the Woodside operated Karratha Gas Plant, Western Australia;
- $158 million alliance contract to construct the next stage of works on the Sunbury Line Upgrade, Victoria;
- $155 million to provide engineering, procurement and construction services at Byerwen Mine, Queensland; and
- $110 million to deliver stages 1 & 2 of the new Inner-city South State Secondary College in Dutton Park, Queensland.

Significant overseas projects announced during the year included:

- $1.7 billion to undertake mining services at Jwaneng Cut 9 diamond mine, Botswana; and
- $172 million contract extension to expand operations at Melak coal mine, Indonesia.

RISK MANAGEMENT

CIMIC defines risk management as the identification, assessment and treatment of risks that have the potential to materially impact the Group's operations, people, and reputation, the environment and communities in which the Group works, and the financial prospects of the Group. The Group's risk management framework is continually monitored and there have been no material changes to the risks presented below since the 2018 Annual Report.

CIMIC's risk management framework is tailored to its business, embedded mostly within existing processes and aligned to the Company's objectives, both short and longer term.

Given the diversity of the Group's operations and the breadth of its geographies and markets, a wide range of risk factors have the potential to affect the achievement of business objectives. Key risks, including those arising due to externalities such as the economic, natural and social operating environments, are set out in the following table, together with the Group's approach to managing those risks.

Risk description	**Risk management approach**
The Group's operations require planning, training and supervision to manage workplace health and safety hazards.	
A workplace health and safety incident or event may put our people and the community at risk.	The Group is committed to the health, safety and security of our people and the communities in which we work. Safety policies and standards apply across the Group. Compliance is regularly reviewed. The Group seeks continual improvement in safety performance. Governance of safety is overseen by the Board and the Ethics, Compliance and Sustainability Committee.
The Group often works within, or adjacent to, sensitive environments.	
An environmental incident or unplanned event may occur that adversely impacts the environment or the communities in which we work.	The Group is committed to the highest standard of environmental performance. Operating Companies' environmental policies and procedures are aligned with the Group Policy and Standards. Should an incident occur, emergency response plans will be enacted. Governance of environmental performance is over seen by the Ethics, Compliance and Sustainability Committee.
External factors may affect the Group's markets and growth plans.	
Changes in economic, political or societal trends, or unforeseen external events and actions, may affect business development and project delivery.	The Group maintains a diverse portfolio of projects and investments across a range of markets and geographies. Regular and rigorous reviews of the Group's current and potential geographies, industries, activities and competitors are undertaken. Oversight of key risks is maintained by the Audit and Risk Committee, supported by a quarterly Risk Report that aggregates and highlights risks to the Group achieving its objectives.
Reduction in demand for global commodities and/or price may cause resource clients to curtail or cease capital investment programmes, or adjust operations, thereby impacting existing and future contracts.	The Group maintains a project, contract and investment portfolio that is diversified by geography, market, activity and client to mitigate the impact of emerging trends and market volatility. The Group continually seeks opportunities to improve its operations and thereby the value proposition it delivers to clients.
The Group's reputation is critical to securing future work and attracting and retaining quality personnel, subcontractors and suppliers.	
Issues impacting brand and reputation may affect the Group's ability to secure future work opportunities, investment, suppliers or joint venture partners.	The Group is committed to the highest standard of ethical conduct, and statutory and regulatory compliance. This is supported by a comprehensive range of Group level policies and standards, including our Code of Conduct. CIMIC promotes clear governance through the empowerment of individuals with delegated authority, appropriate segregation of duties, and clear accountability and oversight for risks.
The Group targets work that meets a defined risk appetite and appropriately balances risk and reward.	
Work procurement challenges may impact our ability to secure high-quality projects and contracts.	Application of the Group work procurement standards and approval process maximises the likelihood of securing quality work with commensurate returns for the risks taken. Pre-contracts assurance teams manage and assure the work procurement process. EIC Activities supports the Group with project design, risk identification and engineering solutions during the tender phase. The Tender Review Management Committee oversees and approves the risk profile for key tenders.
Work delivery is subject to various inherent uncertainties.	
Work delivery challenges may manifest in actual costs increasing from our earlier estimates.	Significant resources are devoted to the avoidance, management and resolution of work delivery challenges. Operating Companies provide project teams with guidance and support to achieve project and business objectives. EIC Activities also helps to identify and mitigate risk. Project oversight is maintained by regular performance reviews that involve Operating Company and CIMIC management, commensurate with the scale, complexity and status of the project.

SIGNIFICANT CHANGES

SIGNIFICANT CHANGES DURING FY19

- On 23 January 2020 the Group announced to the ASX that it had completed an extensive strategic review of its financial investment in BICC, a company operating in the Middle East. After thorough evaluation of all available options, CIMIC has decided to exit the region and to focus its resources and capital allocation on growth opportunities in its main core markets and geographies. This has resulted in a one-off post tax impact of $(1.8) billion relating to the financial investment of BICC as a result of the decision to exit the Middle East region.
- On 13 December 2019, CIMIC announced a further on-market share buyback of up to 10% of CIMIC's fully paid ordinary shares for a period of 12 months commencing 29 December 2019; no shares have been bought back under this scheme. During the previous share buyback which ended on 28 December 2019, 527,341 shares were bought back for $16.7 million and the shares were subsequently been cancelled.
- On 4 February 2020 the Group has appointed a new Chief Executive Officer and Managing Director, Juan Santamaria. The appointment is effective from 5 February 2020.

SHAREHOLDERS

The largest shareholder in CIMIC is HOCHTIEF Australia Holdings Limited, a wholly owned subsidiary of HOCHTIEF AG, which owns 72.8% of CIMIC as at 31 December 2019. HOCHTIEF AG is listed on the Frankfurt Stock Exchange. The largest shareholder in HOCHTIEF AG is Spanish based company Actividades de Construcción y Servicios, SA (ACS), which held 50.41% of the shares in HOCHTIEF as at 31 December 2019.

STRATEGY AND OPERATING ENVIRONMENT OUTLOOK

CIMIC is an engineering-led construction, mining, services and PPP leader with a history dating back to 1899 and around 40,000 people delivering services in 20 countries. Our mission is to generate sustainable shareholder returns by delivering innovative and competitive solutions for clients, and safe, fulfilling careers for our people. We strive to be known for our principles of Integrity, Accountability, Innovation and Delivery, underpinned by Safety.

CIMIC is well placed in geographies and markets that are expected to continue to grow and provide a broad range of opportunities for the foreseeable future.

OPERATING MODEL AND STRATEGY

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

CIMIC's strategy has the following key elements:

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

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

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

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

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

CONSTRUCTION MARKET

Across the Group's core construction markets of Australia, New Zealand and selected countries in the Asia-Pacific region, governments and the private sector are continuing to invest significantly to meet sustained demand for economic and social infrastructure. This investment is necessary to address historic underinvestment, support population growth and ageing populations, meet market and technological changes - such as the transition to renewables and the digital transformation - tackle climate change and to facilitate economic growth and productivity. This infrastructure investment should continue to deliver a broad and growing suite of project opportunites that underpins the Group's positive outlook for the construction market.

Australia's construction market is expected to remain strong, with transport infrastructure remaining a key contributor of opportunities. Underpinning the transport sector are a number of very substantial road and rail projects in the major capital cities, supplemented by the continued upgrading of interstate transport routes and investment to facilitate rail freight.

Federal, State and Territory Governments have all put forward substantial infrastructure programs in their most recent budgets. In the 2019-20 Budget, the Australian Federal Government outlined a $100 billion commitment to fund national building infrastructure over the next decade, with major investments in every state and territory[39]. In November 2019, the Federal Government announced that it was bringing forward $3.8 billion of infrastructure spending to provide more economic stimulus[40].

In New South Wales, the 2019-20 State Government Budget outlines a record $93 billion capital works program over the next four years, of which $55.6 billion is to be spent on transport infrastructure - including funding commitments for the delivery of Sydney Metro West, WestConnex and the Sydney Gateway project[41]. The Victorian Government's infrastructure investment is projected to be $53.7 billion from 2019-20 to 2022-23 – including funding commitments for the North East Link, Suburban Roads Upgrade, Melbourne Airport Rail and the removal of additional level crossings[42]. In the most recent Queensland State Budget, the government outlined a $49.5 billion infrastructure investment program over the next four years, which includes funding commitments for the Cross River Rail project, Bruce Highway upgrades and the M1 Pacific Motorway upgrades[43]. The other Australian State and Territory Governments are also expected to invest in transport projects, providing a broad range of construction opportunities for the Group.

Within these State Government Budgets are substantial investments on hospitals and health care, reflecting the country's ageing and growing population. This investment should sustain a range of opportunities in the capital cities and in major regional centres. The Budgets also earmark considerable funding for water and energy projects, many of which are expected to suit the Group's capabilities and offer construction opportunities.

In New Zealand, the Government remains committed to improving the nation's infrastructure, removing bottlenecks and improving productivity. As part of this commitment, New Zealand's newly established independent Infrastructure Commission, Te Waihanga, released a planned infrastructure projects pipeline of NZ$21.1 billion. The pipeline identifies over 500 credibly proposed and committed infrastructure projects from 15 government agencies and local councils that are planned for delivery over the next decade[44].

The Group's other international construction markets are expected to sustain high levels of investment in economic and social infrastructure projects which should continue to deliver a broad range of opportunities.

PPP MARKET

Governments across Australia, New Zealand and the Asia-Pacific are increasingly embracing PPPs as a model for the financing and delivery of infrastructure projects, notably in the sectors of transport and social infrastructure. PPPs are often cited as potentially providing a range of benefits that include:

- allowing governments to free up their budgets by leveraging access to private capital;
- incentivising the private sector to deliver projects on time and within budget;
- using private sector technology and innovation to provide better public services through improved operational efficiency;
- imposing budgetary certainty by setting the present and future costs of infrastructure projects over time; and
- extracting long-term value-for-money through appropriate risk transfer to the private sector over the life of a project – from design and construction to operations and maintenance[45].

In Australia, the Coalition of Governments continues to support the National PPP Policy Framework which established that projects valued over $50 million should be considered for PPP procurement[46]. In New Zealand, the Government is actively pursuing non-traditional procurement options, involving greater private sector involvement in the provision of both infrastructure and services, where these can demonstrate greater value for money to the public sector.

Growth in the PPP market - in part driven by an increasing acceptance by the public of a user-pays model - is creating a range of opportunities. CIMIC's PPP pipeline is currently estimated to be $130 billion. This pipeline includes some large heavy rail and light rail projects, numerous road projects, and a range of social infrastructure projects, including schools, prisons - with scope to provide non-custodial services, hospitals and utilities.
Our ability to provide an end-to-end service offering and strong competitive position, positions the Group to pursue the emerging prospects in this market. Opportunities in the PPP market are likely to continue to include varying combinations of design, construction, finance and operation and maintenance of infrastructure.

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[39] Commonwealth of Australia, Budget Strategy and Outlook, Budget Paper No. 1 2019-20, April 2019, p. 1-15.
[40] 'Government to bring forward infrastructure spending to help stimulate the economy', www.news.com.au, 20 November 2019.
[41] New South Wales State Budget, Infrastructure Statement 2019-20, Budget paper No. 2, 2019-20, June 2019, p. 1-1 and 2-13.
[42] Victoria State Budget 2019-20, State Capital Program, Budget Paper No. 4, 2019-20, May 2019, p. 1, 3, 21 and 81.
[43] Queensland State Budget, Capital Statement, Budget Paper No. 3, 2019-20, June 2019, p.1, 5 and 6.
[44] New Zealand Infrastructure Commission – Te Waihanga, 11 November 2019 - https://infracom.govt.nz/news/commission-news/step-closer-to-improved-infrastructure-planning.
[45] World Bank Group, Government Objectives: Benefits and Risks of PPPs, 31 October, 2016 - https://ppp.worldbank.org/public-private-partnership/overview/ppp-objectives.
[46] Department of Infrastructure and Regional Development, National PPP Policy Framework, October 2015, p. 7.

MINING & MINERAL PROCESSING MARKET

Population growth, increasing urbanisation, rising living standards and sustained economic growth are expected to continue across much of Asia for the foreseeable future and to sustain demand for energy and minerals. Additionally, limited substitutes for the major commodities mined or processed by the Group supports a positive outlook for this market.

Australia's resource and energy exports are forecast to increase to a record $281 billion in 2019–20, helped by a 5.9% rise in export volumes this year. On current forecasts, Australian exports by volume are expected to grow by 3.5% per annum for metallurgical coal, 0.9% for thermal coal, 3.0% for iron ore and 9.5% for nickel until 2020-21[47]. As leaders in the mining services and mineral processing sectors, Thiess and Sedgman will continue to benefit from this robust demand.

Outside of Australia, CIMIC will continue to selectively export the Group's mining and mineral processing capabilities and seek opportunities to expand into markets which meet our governance, risk, and return requirements.

We are seeing increased opportunities to provide value-adding services to new and existing clients domestically and abroad, particularly in coal and iron ore. Furthermore, the ongoing transition to cleaner energy sources and solutions will gradually create opportunities for the extraction and processing of minerals used in alternative technologies, such as solar and batteries.

SERVICES MARKET

Sustained investment in infrastructure - creating a larger capital stock – and a degree of underinvestment in the past on maintenance services should continue to support a growing market for the provision of operations and maintenance services. In addition, asset owners are increasingly seeing the benefit of outsourcing their maintenance services to drive productivity improvements and to pursue operational efficiencies.

The Australian maintenance services market is expected to be worth approximately $42.4 billion in 2018-19, of which 56.4% is outsourced to the private sector. The outsourced maintenance market is forecast to increase by 33% over the next decade with growth expected in the engineering, construction, maintenance, and operation services in the rail, transportation, technology, energy, resources, water, renewable energy, and defence sectors[48].

CIMIC is well positioned to benefit from this growing market, leveraging the Group's complementary suite of activities, and will continue to seek opportunities to grow its capabilities in existing and new markets.

[47] Australian Government (Office of the Chief Economist) Department of Industry, Innovation and Science: Resources and Energy Quarterly, December 2019, p. 7 & 14.
[48] BIS Economics, Maintenance in Australia 2019-23, February 2019, p. 8 and Appendix A.1 - Australia (Outsourced).

FUTURE DEVELOPMENTS

GROUP PROSPECTS

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

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

- Western Harbour Tunnel and Warringah Freeway Upgrade, Transport for NSW, New South Wales;
- M6 Stage 1 (Arncliffe to Kogarah), Transport for NSW, New South Wales;
- Sydney Metro West – Tunnels and Excavation package/s, Transport for NSW, New South Wales;
- Stage 2 of the 'More Trains More Services' program, Transport for NSW, New South Wales;
- Supply and maintenance of locomotives for 10 years, Pacific National, New South Wales;
- North East Link - Primary Package (Kempston Street to Southern Portal) as a PPP, Major Transport Infrastructure Authority, Victoria;
- Suburban Roads Upgrade projects as a PPP, Major Roads Project, Victoria;
- Inland Rail (Gowrie to Kagaru section) as a PPP, Australian Rail Track Corporation (ARTC), Queensland;
- High capacity interconnector, ElectraNet, from South Australia to New South Wales;
- Stage 1 of the Auckland Light Rail - Main Works, New Zealand Transport Agency, New Zealand;
- New elective surgery unit at Auckland North Shore Hospital, Ministry of Health, New Zealand;
- Third Runway Concourse and Apron Works, Airport Authority, Hong Kong;
- Baggage handling and people mover infrastructure, Airport Authority, Hong Kong;
- Packages of the Jurong Regional Line (stations and viaducts), Land Transport Authority, Singapore;
- Phase 1 of the Cross Island Line (rail tunnel at Changi airport), Land Transport Authority, Singapore;
- Extension at the Lake Vermont mine, Jellinbah Group, Queensland;
- Olive Downs South mine, Pembroke Resources, Queensland;
- Mining at the Eagle Downs joint venture, South 32, Queensland;
- Extension project at the Vickery mine, Whitehaven Coal, New South Wales;
- Various other mining & processing opportunities across Queensland, New South Wales and Western Australia;
- Mining at the Grassy Mountain metallurgical coal project, Riversdale Resources, Canada; and
- Various mining projects in Canada and Chile.

The Group has an extensive pipeline with at least $160 billion of tenders relevant to CIMIC to be bid and/or awarded in 2020. Around $380 billion of projects are coming to the market in 2021 and beyond, including about $130 billion worth of PPP projects.

CIMIC continues to consider opportunities to diversify and expand into new regions and markets by leveraging its existing capabilities. The Group is also continuing to analyse opportunities to make acquisitions which broaden the service offering.

The Group's positive outlook is founded on a disciplined focus of sustaining a strong balance sheet, generating cash, and rigorous approach to tendering and project delivery. This focus, combined with the Group's strong competitive position and the range of opportunities across the core markets, provides a solid base for the generation of sustainable returns.

GUIDANCE

CIMIC expects 2020 NPAT to be in the range of $810 million to $850 million, subject to market conditions.

Remuneration Report

SCOPE

The information provided in this Remuneration Report has been audited and is in accordance with the requirements of the Corporations Act.

For the purposes of this Remuneration Report, the KMP are referred to as either Senior Executives (which includes the Executive Chairman) or Non-executive Directors (including Alternate Directors). Details of the Senior Executives (as at 31 December 2019) are set out below.

SENIOR EXECUTIVE REMUNERATION – POLICY AND APPROACH

REMUNERATION PRINCIPLES

The key remuneration principles that underpin CIMIC's approach to Senior Executive remuneration are to:

- align to Group principles and business needs;
- link performance to reward; and
- promote behaviours that deliver Group sustainability and align to shareholder interests.

REMUNERATION COMPONENTS

Senior Executive remuneration for the 2019 Financial Year was delivered as a mix of fixed and variable remuneration as set out in the following table.

Fixed	Fixed remuneration	Base salary, non-monetary benefits and superannuation (as applicable).
Variable	Short-Term Incentive (STI)	Annual cash incentive paid to eligible Senior Executives for performance against approved and measurable objectives.
	Long-Term Incentive (LTI)	An option plan vesting 2 years after award and available to exercise over 3 years. Awards are provided to select Senior Executives on a periodic basis and at the discretion of the Company.

APPROACH TO SETTING REMUNERATION

Individual remuneration is determined by reference to:

- Group policy regarding the mix of fixed and variable remuneration;
- performance and experience of the individual;
- comparable jobs within the Group; and
- remuneration for comparable jobs amongst peer companies.

The Remuneration and Nomination Committee considers and proposes the remuneration of the CEO (including any incentive awards) to the Board for approval, and receives and reviews the remuneration (including any incentive awards) approved by the CEO for any other Senior Executives.

SENIOR EXECUTIVE REMUNERATION – COMPONENTS IN DETAIL

The Senior Executives as at 31 December 2019 are identified in the table below.

Executive Directors		
Marcelino Fernández Verdes	Executive Chairman	Appointed as CEO on 13 March 2014. Elected Executive Chairman on 11 June 2014. Previously a Non-executive Director from 10 October 2012 to 13 March 2014. On 18 October 2016, Mr Fernández Verdes stepped down as CEO. Mr Fernández Verdes has continued in his capacity as Executive Chairman.
Michael Wright	CEO and Managing Director	Appointed as Deputy CEO and became KMP on 24 August 2017. On 1 December 2017, Mr Wright was appointed as CEO and Managing Director.
Executives		
Ignacio Segura Suriñach	Deputy CEO and Chief Operating Officer	Commenced employment and became KMP on 9 April 2018.
Stefan Camphausen	CFO	Appointed as CFO and became KMP on 1 June 2017.

The remuneration components described in this section apply to Mr Wright, Mr Segura Suriñach and Mr Camphausen. The remuneration arrangements applicable to Mr Fernández Verdes are described separately in the 'Remuneration – Executive Chairman' section of this Remuneration Report.

FIXED REMUNERATION

Fixed remuneration received by Senior Executives comprises base salary, non-monetary benefits and superannuation (as applicable).

Non-monetary benefits included such items as fringe benefits and other salary-sacrificed benefits as agreed from time to time.

There are no changes to the fixed remuneration for senior executives for 2020.

STI

Summary of 2019 STI

Senior Executive participation	Mr Wright, Mr Segura Suriñach and Mr Camphausen participated in the 2019 STI. Mr Fernández Verdes did not participate in the STI.	
How much could Senior Executives earn under the 2019 STI?	The STI opportunity provides a reward for threshold, target and stretch performance based on performance conditions referred to below. The table reflects the potential earnings as a percentage of fixed remuneration for the relevant executive. The STI opportunities for 2019 were: **Percentage of Total Fixed Remuneration (TFR)** **Threshold**: 36% (ie, 60% of the target STI opportunity of 60% of TFR) **Target**: 60% (ie, 100% of the target STI opportunity of 60% of TFR) **Stretch**: 90% (ie, 150% of the target STI opportunity of 60% of TFR)	
Over what period was performance measured?	The 2019 Financial Year.	
What were the performance conditions?	**Financial measures** 80% of the amount that could be earned as STI was based on performance against financial measures and targets applicable to the relevant role. For Senior Executives in 2019, this financial component was based on NPAT and operating cash flow.	**Personal/Non-financial measures** 20% of the amount that could be earned as STI was based on performance against safety targets and/or other personal/non-financial measures relevant to the role.
Why were those performance measures chosen?	The financial measures are designed to encourage Senior Executives to focus on the key financial objectives of the Group consistent with the business plan for the relevant year and the Group's strategic objectives.	The personal/non-financial measures are designed to encourage a direct relationship between the individual Senior Executive's role and measures of performance set. They also ensure that contributions to critical initiatives are recognised and rewarded.
How is the STI paid?	The STI is paid in cash following finalisation of the audited financial statements for the 2019 Financial Year.	
How was performance against targets assessed?	Performance against financial and personal/non-financial key performance indicators (KPIs) was assessed following the end of the 2019 Financial Year to determine the actual STI payments. A scorecard-based calculation was made and, the resulting STI amount adjusted, if required, following a qualitative assessment. Notwithstanding any STI amount determined, the Remuneration and Nomination Committee, on the recommendation of the Executive Chairman, retains an overriding ability to adjust the STI amount before payment taking into account all relevant circumstances.	

STI outcomes for the 2019 Financial Year

The Board determined that there are no STI payments for Senior Executives for the 2019 Financial Year.

LTI

There was no LTI grant in the 2019 Financial Year. The table below provides a summary of the 2015 LTI currently on foot.

Summary of 2015 LTI grants

Senior Executive participation	Mr Wright and Mr Camphausen participated in the 2015 LTI. Mr Fernández Verdes and Mr Segura Suriñach did not participate in the LTI.
What are the vesting conditions and why were they chosen?	Options vest over a 2 year performance period, subject to the Senior Executive's continued employment with the CIMIC Group. The options have an in-built performance hurdle, being the exercise price of the options, meaning that at the time of exercise, the market price of CIMIC shares must be above the exercise price of the options before the Senior Executive can derive any benefit from the award. Details of the exercise price calculation are set out in 'Note 38: Employee benefits' to the Financial Report within this Annual Report. This structure was selected to provide participants with a clear line of sight as to the targets that must be satisfied, and a stronger alignment between individual performance and vesting outcomes, ensuring a Group-wide focus on sustained growth and Group prosperity.
When are the options available to exercise?	The options vest 2 years after the grant date and are available to be exercised for a period of 3 years subject to the discretion of the Remuneration and Nomination Committee. The Senior Executive is permitted to exercise up to 40% of their vested options in each of the first 2 years after vesting and the remaining unexercised portion in year 3 of the exercise window. Any options that remain unexercised at the end of the exercise window (ie, 5 years after the grant date) will expire. The most recent options awarded, being the 2015 awards, vested in full in November 2017, with any vested options that remain unexercised expiring on 29 October 2020.
What are the methods of exercise?	In accordance with the terms of the award, the Company determined at vesting that all options available to be exercised in the first year after vesting (ie, up to 28 October 2018) will be paid in cash in lieu of an allocation of shares based on the current market price of shares at the date of exercise, less the exercise price and all applicable taxes and levies. In October 2018, the Company determined that the vested options available to be exercised in years 2 and 3 of the exercise window will also be settled in cash in lieu of an allocation of shares as described above.
Do the options attract dividends and voting rights?	The options do not carry any rights to dividends or voting. If the Company determines that shares are to be allocated upon the exercise of options, these will rank equally with other ordinary shares on issue.
What happens if there is a change of control?	If a change of control occurs, the Company in its discretion may determine whether, and the extent to which, any unvested options will vest or cease to be subject to restrictions (as applicable), having regard to all relevant circumstances including performance to-date and the nature of the change of control.
What if a Senior Executive ceases employment?	If a Senior Executive resigns or is summarily terminated, any vested but unexercised and any unvested option grants will lapse. Generally, if a Senior Executive leaves due to any other circumstances (eg, retrenchment, genuine redundancy or other special circumstances): - a *pro rata* portion of the Senior Executive's unvested options will remain on foot following his or her termination and vest subject to the original conditions of the award (with the balance lapsing); and - any vested but unexercised options held at the date of cessation of employment will remain on foot until the expiry date, subject to the same restrictions on exercise as if the Senior Executive had remained with the Group. In these circumstances, any entitlement on exercise will be paid in cash based on the current market price of shares at the date of exercise, less the exercise price and all applicable taxes and levies. The Remuneration and Nomination Committee retains authority to exercise discretion on leaver treatment for Senior Executives.
Does the LTI plan provide for clawback?	Under the LTI plan rules the Board has the necessary discretion to withhold or vary the LTI in the event that this is needed.
Can Senior Executives hedge their risk under the option plan?	No. The Group's Securities Trading Policy prohibits Senior Executives from entering into hedging arrangements regarding both vested and unvested securities, which includes options.

REMUNERATION – EXECUTIVE CHAIRMAN

POLICY AND APPROACH

The Board approves the Executive Chairman's remuneration arrangements following consideration by the Remuneration and Nomination Committee.

The Board considered Mr Fernández Verdes' roles as Executive Chairman of CIMIC, Chairman of the Executive Board of HOCHTIEF AG and CEO of ACS Group and structured his remuneration arrangements differently from other Senior Executives, but consistent with the Group's remuneration framework and focused on achieving long-term financial returns.

COMPONENTS

In accordance with the terms of Mr Fernández Verdes' Executive Service Agreement (ESA), the key components of his remuneration are:

- an annual allowance as a contribution to his living expenses. Mr Fernández Verdes' ESA provides for the allowance amount to be indexed in line with CPI changes, however this will not be applied for 2020 and so there will be no change for the year. Prior to 2019, Mr Fernández Verdes was paid an allowance on which Fringe Benefits Tax (FBT) was payable due to his travel patterns and living away from home arrangements while in Australia. From January 2019, Pay As You Go (PAYG) withholding tax is payable rather than FBT to reflect a change in his travel patterns. This change in tax treatment results in a decrease in the gross amount payable in order to maintain the net allowance (subject to CPI changes noted above):

Year	Gross allowance amount (A$)	Reason
2018	518,124	Effective 1 January 2018 to accommodate 1.8% CPI increase
2019	475,243	Effective 1 January 2019 to accommodate 1.9% CPI increase to the net allowance amount and change to PAYG withholding tax payable. The change in tax treatment results in a lower gross allowance amount.
2020	475,243	No change.

- a one-off award of Share Appreciation Rights (SARs) in 2014; and
- the payment of a discretionary bonus at any time during the course of employment.

Mr Fernández Verdes receives remuneration from HOCHTIEF AG in consideration for his employment as Chairman of the Executive Board of HOCHTIEF AG, and from ACS Group in consideration for his employment as ACS Group CEO. Details of this remuneration are available in the HOCHTIEF AG Annual Report at http://www.reports.hochtief.com and the ACS Group Annual Report at http://www.grupoacs.com/shareholders-investors/annual-report/.

Summary of one-off award to Mr Fernández Verdes

Mr Fernández Verdes was granted a one-off award of 1,200,000 SARs in 2014 in accordance with the terms of his ESA. As the SARs form part of his remuneration, they are granted at no cost to him. The SARs do not carry any rights to dividends or voting.

The SARs entitle Mr Fernández Verdes to receive a cash payment reflecting the increase in value of the share price of CIMIC from a base price of $17.71 (being the VWAP of fully paid ordinary shares in CIMIC traded on the ASX over the 30-day period before Mr Fernández Verdes' appointment as CEO on 13 March 2014) to the price at close of trading on the last trading day before the SAR is exercised, with a maximum payment per SAR of $32.29.

The SARs vested in full on 13 March 2016 and were exercisable for 3 years from the date of vesting. No more than 40% of the SARs could be exercised each year for the first 2 years after vesting, and any remaining SARs could be exercised in the final year of the exercise period.

The SARs would have lapsed on 13 March 2019 unless they had been exercised or forfeited before that date.

Mr Fernández Verdes would have forfeited any unvested or vested but unexercised SARs if he had ceased to be the CEO of CIMIC before 31 December 2014. Further, Mr Fernández Verdes would have forfeited any unvested or vested but unexercised SARs if he did not remain a member of either the Executive Board or the Supervisory Board of HOCHTIEF AG for the period from appointment to 13 March 2017. Mr Fernández Verdes would have forfeited any unvested or vested but unexercised SARs if his employment was summarily terminated. If Mr Fernández Verdes had ceased employment with CIMIC prior to vesting but after 31 December 2014 in any other circumstance (ie, he was not summarily terminated) but remained a member of either the Executive Board or the Supervisory Board of HOCHTIEF AG, any unvested SARs would have remained on foot and vested and become exercisable in the ordinary course.

On 18 February 2019, Mr Fernández Verdes exercised 240,000 SARs (20% of the total number of SARs available to exercise in the third year after vesting, prior to the final exercise date) resulting in a gross cash payment of $7,704,000. The payment was calculated by reference to the CIMIC closing share price on 15 February 2019 of $49.81.

There are no outstanding SARs at the end of the 2019 Financial Year.

The current position with respect to the one-off award of SARs granted to Mr Fernández Verdes in the 2014 Financial Year are set out in the following table.

Grant date	Granted (number)	30-day VWAP at start of vesting period (A$)	Test date (vesting date)	Vested (%)	Forfeited (%)	Exercised (number)	Outstanding as at 31 Dec 2019 (number)	Total maximum potential value of remaining grant[1] (A$)
10 June 2014	1,200,000	17.71	13 March 2016	100	-	1,200,000[2]	-	-

1. The maximum potential value is calculated as the number of outstanding SARs multiplied by the maximum payment per SAR ($32.29).
2. 960,000 SARs were exercised in the 2017 Financial Year. Refer to page 65 of the 2017 Annual Report for further information.

COMPANY PERFORMANCE

As required by the Corporations Act, the 5 year financial performance of the Group has been set out in the following table.

Year-on-year performance snapshot

	Opening share price - Jan[1] (A$)	Closing share price - Dec[2] (A$)	Share price appreci-ation (%)	Dividend per share paid (A$)	TSR[3] (%)	EPS (A$)	PBT (A$M)	NPAT (A$M)	Return on equity (%)	Cash flow from operations (A$M)	Gross debt to equity ratio (%)
FY 2019	43.17	33.14	(23.2)	1.57	5.1	(3.21)	(1,625)	(1,040)	(69)	1,713	127.6
FY 2018	51.45	43.41	(15.6)	1.45	96.2	2.40[4]	1,072[4]	779[4]	37[4]	2,051[4]	22.9[4]
FY 2017	35.38	51.45	45.4	1.22	154.3	2.17	959	702	27[4]	1,523	26.9
FY 2016	23.93	34.94	46.0	0.98	148.0	1.77	740	580	16	1,201	35.2
FY 2015	22.51	24.30	8.0	1.14	58.2	1.54	735	520	13	1,920	25.7

1. Opening share price is determined as the market open price traded on the first trading day of the relevant financial year.
2. Closing share price is determined as the market close price traded on the last trading day of the relevant financial year.
3. TSR is determined over a rolling 3 year period.
4. For FY 2018 the metrics included here have been restated to reflect the impact of the new accounting standards on implementation of AASB 16: Leases as restated in the Financial Statements. The financial report has been restated accordingly for FY 2018 and FY 2019 has been prepared under the new accounting standards. In addition, FY 2017 equity metrics have been restated to reflect implementation of AASB 9: Financial instruments and AASB 15: Revenue from Contracts with Customers.

STATUTORY SENIOR EXECUTIVE REMUNERATION TABLE

	SHORT-TERM EMPLOYEE BENEFITS				POST-EMPLOYMENT		SUBTOTAL (A$)
	Cash salary (A$)	Cash bonuses (STI) (A$)	Non-monetary benefits (A$)[(a)]	Other (A$)[(b)(c)(d)]	Super-annuation benefits (A$)	Termination benefits (A$)	
Senior Executives							
M Fernández Verdes							
2019 Financial Year	-	-	19,103	475,243	-	-	494,346
2018 Financial Year	-	-	6,446	518,124	-	-	524,570
M Wright							
2019 Financial Year	1,332,871	-	72,788	66,000	20,767	-	1,492,426
2018 Financial Year	1,278,172	1,000,000	46,530	72,000	20,290	-	2,416,992
I Segura Suriñach*							
2019 Financial Year	1,175,819	-	-	294,087	-	-	1,469,906
2018 Financial Year[1]	866,012	500,000	-	400,000	-	-	1,766,012
S Camphausen							
2019 Financial Year	837,967	-	-	-	20,767	-	858,734
2018 Financial Year	753,743	607,500	-	-	20,290	-	1,381,533

* This table sets out the payments and benefits to each Senior Executive from the date they were appointed as a Senior Executive.

1. Mr Segura Suriñach commenced as Deputy CEO and Chief Operating Officer on 9 April 2018.

LONG-TERM EMPLOYEE BENEFITS			TOTAL PAYMENTS AND ACCRUALS (A$)	PERCENTAGE OF BONUSES (%)[(f)]	PERCENTAGE OF SHARE-BASED INCENTIVE (%)[(g)]
SARs fair value (A$)[(e)]	**Share rights fair value (LTI) (A$)[(e)]**	**Options fair value (A$)[(e)]**			
1,630,642	-	-	2,124,988	-	-
(1,281,600)	-	-	(757,030)	-	-
-	-	(210,156)	1,282,270	-	(16.4)
-	-	281,514	2,698,506	37.1	10.4
-	-	-	1,469,906	-	-
-	-	-	1,766,012	28.3	-
-	-	(11,025)	847,709	-	(1.3)
-	-	69,607	1,451,140	41.9	4.8

(a) Non-monetary benefits included such items as fringe benefits and other salary-sacrificed benefits as agreed from time to time. For Mr Fernández Verdes and Mr Wright, these amounts pertain to transport benefits considered necessary by the Company in the execution of their duties.

(b) For Mr Fernández Verdes, the 2019 and 2018 Financial Year amounts pertain to the annual allowance amount approved for 2019 and 2018 (respectively).

(c) For Mr Wright, this amount pertains to the living away from home allowance amount for 2019 and 2018 and ceased on 1 December 2019. Refer to the 'Summary of Executive Services Agreements' section of this Remuneration Report for further information.

(d) For Mr Segura Suriñach, the 2019 Financial Year amount pertains to the role allowance for a 12 month period starting from 1 April 2019. The 2018 Financial Year amount pertains to the one off relocation payment in 2018. Refer to the 'Summary of Executive Services Agreements' section of this Remuneration Report for further information.

(e) In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the 2019 Financial Year. For equity-settled awards, the fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. For cash-settled awards, the fair value is re-measured at each reporting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that Senior Executives may ultimately realise should the equity instruments vest. The fair value of equity instruments has been determined in accordance with AASB 2. Refer to the Financial Report, 'Note 38: Employee benefits' for further information.

(f) The percentage calculation is based on the cash STI received in the 2019 Financial Year as a percentage of total payments and accruals.

(g) The percentage of each Senior Executive's remuneration for the 2019 Financial Year that consisted of equity as a percentage of total payments and accruals.

SUMMARY OF EXECUTIVE SERVICE AGREEMENTS

Mr Fernández Verdes

The key terms of Mr Fernández Verdes' ESA are:

- an annual allowance as a contribution to his living expenses. Mr Fernández Verdes' ESA was re-negotiated in 2016 for 2017 and subsequent years with the same terms and conditions, but to reflect the change in his dual roles as CEO and Executive Chairman to Executive Chairman only. For 2017 and subsequent years, the allowance amount will increase in line with CPI changes;
- a one-off award of SARs in 2014 as described in the 'Remuneration – Executive Chairman' section of this Remuneration Report. Mr Fernández Verdes is not eligible to participate in the formal STI or LTI;
- provision for the payment of a discretionary bonus at any time during the course of employment, as per the variation to the ESA approved by the Board on 3 December 2016;
- either party may terminate the ESA, the period of notice being the minimum period required by applicable legislation;
- there is no specified term; and
- there are no specified payments to be made on termination (apart from any payments in lieu of notice and any payable statutory entitlements).

Other Senior Executives

Remuneration and other terms of employment for all other Senior Executives are formalised in ESAs.

The key terms of the ESAs for Senior Executives are:

Key terms of the ESA	**Senior Executives**		
	M Wright	**I Segura Suriñach**	**S Camphausen**
Annual review of remuneration	Yes	Yes	Yes
Length of notice period where either party is able to terminate the ESA	6 months	3 months	3 months
Specified term of employment	No	No	No
Specified payments on termination (apart from any payments in lieu of notice and any payable statutory entitlements)	No	No	No[1]
Any additional payments/allowances (apart from any fixed or variable remuneration)	Effective from 1 December 2017, a living away from home allowance of $72,400 per annum to cease on the earlier of 1 December 2019 or upon permanent relocation to Sydney[2]	On the commencement date of employment, a 'one off' relocation payment of $400,000 as a contribution to meeting relocation expenses	No
Restraint period to apply following termination	3 months	3 months	3 months

1. For the purposes of calculating Mr Camphausen's long service leave entitlement, his prior service at HOCHTIEF AG will be recognised.
2. Mr Wright's living away from home allowance ceased on 1 December 2019.

The ESAs also specify the remuneration mix that applies to a Senior Executive's remuneration package.

The entitlement of Senior Executives to unvested LTI awards on termination of their employment is dealt with under the plan rules and the specific terms of grant.

ENGAGEMENT OF REMUNERATION CONSULTANTS

No remuneration recommendations (as defined by the Corporations Act) were provided by any advisor.

NON-EXECUTIVE DIRECTOR REMUNERATION

The Non-executive Directors who held office during 2019 are set out in the following table.

Non-executive Directors during 2019

Name	Title (at 31 December 2019)	Change during the 2019 Financial Year
Current Non-executive Directors		
Russell Chenu	Independent Non-executive Director	
José-Luis del Valle Pérez	Non-executive Director	
Pedro López Jiménez	Non-executive Director	
David Robinson	Non-executive Director	
Peter-Wilhelm Sassenfeld	Non-executive Director	
Kathryn Spargo	Independent Non-executive Director	
Alternate Directors		
Robert Seidler AM	Alternate Director for Mr del Valle Pérez	
Adolfo Valderas	Alternate Director for Mr López Jiménez	
Ángel Muriel	Alternate Director for Mr Sassenfeld	
Former Non-executive Director		
Trevor Gerber	Independent Non-executive Director	Ceased 31 December 2019

SETTING NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration for Non-executive Directors is designed to ensure that the Group can attract and retain suitably qualified and experienced Directors. Fees are based on a comparison to the market for director fees in companies of a similar size and complexity.

In recognition of the additional responsibilities and time commitment of Committee Chairs and members, additional fees are paid to Directors for Committee membership.

With the exception of Mr Valderas and Mr Muriel, who continue to hold 2015 LTI options from their previous roles as Senior Executives, Non-executive Directors do not receive shares, options or any performance-related incentives.

Superannuation is payable to Australian-based Directors in addition to Board and Committee fees in accordance with compulsory Superannuation Guarantee requirements under Australian legislation.

FEE LEVELS AND FEE POOL

Fees have remained unchanged during 2019.

Board and Committee fees for 2019

Name	Chair[1] (A$)	Member (A$)
Board	nil	189,000
Audit and Risk Committee	56,375	31,000
Ethics, Compliance and Sustainability Committee	41,000	21,000
Remuneration and Nomination Committee	41,000	21,000
Board Sub-Committee[2]	4,000	4,000

1. Mr Fernández Verdes receives no additional remuneration from the fee pool for his duties as Executive Chairman. Details of his remuneration for his role as Executive Chairman are set out in the 'Remuneration – Executive Chairman' section of this Remuneration Report.
2. This fee is payable to all Non-executive Directors for each day of service on a Board Sub-Committee.

The aggregate annual fees payable to the Non-executive Directors for their services as Directors are limited to the maximum annual amount approved by shareholders in general meeting. The maximum annual amount is currently $4.5 million (including superannuation contributions), as approved by shareholders at the 2013 AGM.

ALTERNATE DIRECTORS

CIMIC does not pay fees for Board membership to Alternate Directors. Financial arrangements for Alternate Directors are a private matter between the Non-executive Director and the relevant Alternate Director.

NON-EXECUTIVE DIRECTOR TOTAL REMUNERATION

Details of Non-executive Directors' remuneration for the 2019 Financial Year and 2018 Financial Year are set out in the following table.

Non-executive Director Remuneration

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	TOTAL REMUNERATION FOR SERVICES AS A NON-EXECUTIVE DIRECTOR (A$)
	Board and Committee fees (A$)	Other (A$)	Extra service fees[1] (A$)	Superannuation contributions (A$)	
Current Non-executive Directors					
R Chenu					
2019 Financial Year	287,375	-	-	20,767	308,142
2018 Financial Year	287,375	-	-	20,290	307,665
J del Valle Pérez					
2019 Financial Year	231,000	-	-	-	231,000
2018 Financial Year	231,000	-	-	-	231,000
P López Jiménez					
2019 Financial Year	231,000	-	-	-	231,000
2018 Financial Year	231,000	-	-	-	231,000
D Robinson[2]					
2019 Financial Year	210,000	95,890[3]	-	29,060[4]	334,950
2018 Financial Year	210,000	95,890[3]	-	29,060[4]	334,950
P Sassenfeld[5]					
2019 Financial Year	220,000	-	-	-	220,000
2018 Financial Year	220,000	-	-	-	220,000
K Spargo					
2019 Financial Year	230,000	-	-	20,767	250,767
2018 Financial Year	230,000	-	-	20,290	250,290
Former Non-executive Director					
T Gerber[6]					
2019 Financial Year	282,000	-	-	20,767	302,767
2018 Financial Year	282,000	-	-	20,290	302,290

1. These amounts represent additional service fees payable to Non-executive Directors for service on a Board Sub-Committee.
2. Mr Robinson will receive a maximum benefit on retirement limited to his entitlement under the Non-executive Director Retirement Plan as if he had retired on 1 July 2008. This entitlement totals $363,495.
3. Mr Robinson received Director fees from a related party, Devine, in respect of his services as non-executive director of Devine.
4. These amounts are inclusive of $9,110 in 2019 and $9,110 in 2018 from Devine in respect of his services as non-executive director.
5. Mr Sassenfeld received no Director fees directly from CIMIC in respect of his services as Non-executive Director. The amounts in the table represent the payment by CIMIC to HOCHTIEF AG in respect of Mr Sassenfeld's services.
6. Mr Gerber resigned as a Non-executive Director effective 31 December 2019.

ADDITIONAL EQUITY DISCLOSURES

This section provides additional information regarding KMP equity holdings as required by the Corporations Act and applicable Australian Accounting Standards.

MOVEMENT IN KMP SHAREHOLDINGS (DIRECTORS AND SENIOR EXECUTIVES)

The following table sets out the movement in KMP shareholdings (either direct or indirect) during the 2019 Financial Year.

Name	Balance at 31 Dec 2018	Purchases	Received on exercise of options/rights	Sales	Closing Balance[1]
Directors					
M Fernández Verdes	2,745[2]	-	-	-	2,745[2]
M Wright	-	10,000	-	-	10,000
R Chenu	4,085	-	-	-	4,085
J del Valle Pérez	1,000[2]	-	-	-	1,000[2]
P López Jiménez	1,192[2]	-	-	-	1,192[2]
D Robinson	1,489	-	-	-	1,489
P Sassenfeld	1,858[2]	-	-	-	1,858[2]
K Spargo	3,000	1,000	-	-	4,000
Former Director					
T Gerber	2,000	-	-	-	2,000
Alternate Directors					
R Seidler AM	2,941	-	-	-	2,941
A Valderas	2,500	-	-	-	2,500
Á Muriel	14,991	-	-	-	14,991
Senior Executives					
I Segura Suriñach	-	-	-	-	-
S Camphausen	-	-	-	-	-

1. The closing balance is at 31 December 2019.
2. These shares are held by the relevant director on trust for HOCHTIEF Australia.

MOVEMENTS IN OPTIONS HELD BY KMP UNDER LTI

Grants of options under the LTI were approved to be made to eligible Senior Executives in February 2016 as their 2015 LTI. On 28 October 2015, the Board approved the replacement of the previous performance rights based plan with an options based plan. The 2015 award represents the first grant under the new plan.

No options under the LTI were awarded for the 2019 Financial Year.

The following table sets out the movement of options granted in previous financial years under the current LTI.

Name	Award year	Balance at 31 Dec 2018 (number)	Vested (number)	Vested (value) (A$)	Exercised (number)	Exercised[1] (value) (A$)	Lapsed (number)	Lapsed (value) (A$)	Balance at 31 Dec 2019 (number)
Senior Executives									
M Wright	2015	23,537	-	-	-	-	-	-	23,537
S Camphausen	2015	1,642	-	-	-	-	-	-	1,642
Former Senior Executives, now Alternate Directors									
A Valderas	2015	20,924	-	-	-	-	-	-	20,924
Á Muriel	2015	36,377	-	-	24,250	528,456	-	-	12,127

1. The exercised value is equivalent to the cash amount received upon the exercise of options.

SHARES PURCHASED ON MARKET

No shares were purchased on market in the 2019 Financial Year for the purpose of satisfying vested awards under the EIP.

The CIMIC Group Limited Directors' Report for the 2019 Financial Year is signed at Sydney on 4 February 2020 in accordance with a resolution of the Directors.

Marcelino Fernández Verdes
Executive Chairman

Black Point Power Station Leighton Asia, Hong Kong

Located in the New Territories region of Hong Kong, Black Point Power Station is one of the world's largest gas-fired combined cycle power stations.

Leighton Asia has been involved in the ongoing development of the station since it began operations in 1996.

Leighton Asia's civil works for the station's Combined Cycle Gas Turbine project have included delivery of a new cooling water intake and discharge facility and the construction of a turbine hall that will be used to house the power generation equipment and associated facilities.

Throughout the project, Leighton Asia has leveraged its expertise in delivering complex energy and resources infrastructure, and focused on helping the station achieve targeted operational and sustainability outcomes.