CIMIC Group Limited
ABN 57 004 482 982
Level 25, 177 Pacific Highway
North Sydney, NSW 2060 Australia
PO Box 1002
Crows Nest, NSW 1585 Australia
T +61 2 9925 6666
F +61 2 9925 6000
cimic.com.au

4 August 2017

ASX Market Announcements
Australian Securities Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

CIMIC GROUP UPGRADED TO Baa2, OUTLOOK STABLE, BY MOODY'S INVESTORS SERVICE

Moody's Investors Service (Moody's) has upgraded CIMIC Group’s long-term issuer rating to Baa2 from Baa3.

Moody's has also upgraded CIMIC Finance (USA) Pty Ltd’s notes to Baa2, from Baa3.

The outlook on all ratings remains stable.

The Moody's announcement is appended.

Sincerely,

CIMIC GROUP LIMITED
T +61 2 9925 6666
F +61 2 9925 6000

Rating Action: Moody's takes rating action on CIMIC

Global Credit Research - 03 Aug 2017

Sydney, August 03, 2017 -- Moody's Investors Service has today upgraded CIMIC Group Limited's long-term issuer rating to Baa2 from Baa3.

"IMPORTANT NOTICE: MOODY'S RATINGS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS. SUCH USE WOULD BE RECKLESS AND INAPPROPRIATE. SEE FULL DISCLAIMERS BELOW."

At the same time, Moody's has upgraded the USD500 million backed senior unsecured notes issued by CIMIC Finance (USA) Pty Ltd, to Baa2 from Baa3.

Moody's has taken the following rating actions:

CIMIC Group Limited's long-term issuer rating upgraded to Baa2, from Baa3

CIMIC Finance (USA) Pty Ltd's backed senior unsecured notes upgraded to Baa2, from Baa3

The outlook on all ratings remains stable.

RATINGS RATIONALE

"The upgrade reflects CIMIC's posting of a consistently strong credit profile, both in terms of the company's strong operating performance and balance sheet management", says Maurice O'Connell, a Moody's Vice President and Senior Credit Officer.

"The upgrade also reflects our view that the possibility of CIMIC providing financial accommodation to support parent HOCHTIEF Aktiengesellschaft is unlikely", says O'Connell.

"The upgrade also follows three years of board and management control of CIMIC by Hochtief, during which time CIMIC has entrenched its strong balance sheet, in large part through debt reduction following asset sales", says O'Connell.

Furthermore, the upgrade reflects our expectation that CIMIC will maintain a strong balance sheet, albeit with the possibility of some limited increase in financial leverage either through acquisitions or capital management initiatives.

The company's strong balance sheet is reflected in its strong financial metrics with LTM Debt/EBITDA of around 1.3x as at June 2017. Interest cover -- as measured by EBITA/Interest -- currently exceeds 6x. Cash on hand was AUD1.5 billion as at 30 June 2017 and has exceeded AUD1.3 billion at fiscal year-end for at least each of the past 5 years.

While CIMIC's large and complex engineering contracts are a core component of its business, it has a lower risk tolerance than in the past. As such, the potential for material write-downs is also lower than in the past. At the same time, the company is focused on increasing the proportion of recurrent or annuity-like revenues by placing greater emphasis on services and public private partnerships (PPPs).

In the absence of material write-downs, debt-funded acquisitions or capital management initiatives, we expect adjusted Debt/EBITDA to be around 1.2x and EBITA/Interest to exceed 6x over the next two years.

The stable rating outlook reflects Moody's view that CIMIC should maintain a solid operating profile, reflected in its solid order book, and more cautious and conservative operating platform going forward.

At the same time, the Baa2 rating takes into account the weaker credit profile of the parent with HOCHTIEF, holding 72.7% of CIMIC as at fiscal year-end 2016. Actividades de Construcción y Servicios, SA (ACS) holds 71.7% of HOCHTIEF.

HOCHTIEF's standalone profile — specifically, HOCHTIEF group entities less CIMIC — is materially weaker than the HOCHTIEF group entities including CIMIC. Nevertheless, HOCHTIEF is sufficiently strong on a standalone basis not to require financial support from CIMIC other than normal dividend flows.

One measurement of this independence is HOCHTIEF's standalone cash liquidity, which helps mitigate the company's higher standalone financial leverage.

Another level of protection for CIMIC's debt holders is in the provisions of the Corporations Act which provides a good measure of protection to the interests of minority shareholders.

Upward pressure on the rating is unlikely in the intermediate term, but would be contingent upon HOCHTIEF and ACS, excluding CIMIC, demonstrating a materially stronger financial profile.

Negative rating pressure will arise if financial leverage and liquidity deteriorated such that adjusted Debt/EBITDA exceeds 2.5x on a sustained basis. The rating could also come under downward pressure if liquidity (cash and undrawn facilities) fell below a level sufficient to meet the company's debt maturities over the next 12-18 months and a material disruption to cash flows from one or more major contracts occurs.

The incurrence of material losses on projects due to cost overruns may also place negative pressure on the rating; such a development may be evidenced by consolidated EBITA margins falling below 5% on a sustained basis. A material weakening in the credit quality and/or liquidity position of HOCHTIEF on a standalone basis could also lead to downward rating pressure.

The principal methodology used in these ratings was Construction Industry published in March 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Headquartered in Sydney, Australia, CIMIC is the largest construction and mining contractor in Australia. CIMIC provides construction, mining, mineral processing, engineering, concessions, and operation and maintenance services to the infrastructure, resources and property markets. It operates in more than 20 countries throughout the Asia Pacific, the Middle East, North and South America and Sub-Saharan Africa. The company is owned 72.7% by HOCHTIEF AG (unrated), with the balance held by public investors. HOCHTIEF is a major construction company that is publicly listed in Germany.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Maurice O'Connell
VP - Senior Credit Officer
Corporate Finance Group
Moody's Investors Service Pty. Ltd.
Level 10
1 O'Connell Street
Sydney NSW 2000
Australia
JOURNALISTS: 61 2 9270 8141
Client Service: 852 3551 3077

Patrick Winsbury
Associate Managing Director
Corporate Finance Group
JOURNALISTS: 61 2 9270 8141
Client Service: 852 3551 3077

Releasing Office:
Moody's Investors Service Pty. Ltd.
Level 10
1 O'Connell Street
Sydney NSW 2000
Australia
JOURNALISTS: 61 2 9270 8141
Client Service: 852 3551 3077

Additional terms for Japan only: Moody's Japan K.K. (“MJKK”) is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody’s Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody’s SF Japan K.K. (“MSFJ”) is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization (“NRSRO”). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.