

15 July 2014

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

**RE: Standard & Poor's affirms Leighton Holdings credit rating**

Please find attached a copy of an Australian Securities Exchange (ASX) market announcement issued yesterday by Leighton Holdings Limited, parent company of Leighton Finance (USA) Pty Ltd.

Yours faithfully  
LEIGHTON HOLDINGS LIMITED

VANESSA REES  
Group Company Secretary



**Vanessa Rees**  
Group Company Secretary

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14 July 2014

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

**Re: Standard & Poor's affirms Leighton Holdings credit rating**

Standard & Poor's Ratings Services today affirmed its credit rating of Leighton Holdings as 'BBB-/A-3' with stable outlook and removed Leighton from negative credit watch.

The S&P press release is appended.

Yours faithfully  
LEIGHTON HOLDINGS LIMITED

VANESSA REES  
Group Company Secretary

## **Leighton Holdings Ltd. 'BBB-/A-3' Ratings Affirmed And Removed From CreditWatch Negative, Outlook Stable**

MELBOURNE (Standard & Poor's) July 14, 2014--Standard & Poor's Ratings Services said today that it had affirmed its 'BBB-/A-3' ratings on Leighton Holdings Ltd. and removed them from CreditWatch with negative implications, where they were placed on March 11, 2014. The outlook is stable.

"The ratings affirmation partly reflects our assessment that there has been no change in the underlying credit quality of Leighton or its parent's (Hochtief AG) ultimate controlling shareholder, Spanish firm Actividades de Construcción y Servicios SA (Grupo ACS), " Standard & Poor's credit analyst May Zhong said. "Our credit estimate on the unrated German-based Hochtief AG takes into account the debt ring-fencing arrangements that have been implemented and remain in force, which justify a limited separation of Hochtief and Leighton's credit quality from Grupo ACS."

In addition, we have assessed the group credit profile (GCP) on the Grupo ACS group as being 'bb+', based on our credit estimate. We view Hochtief and Leighton to be partially insulated from Grupo ACS, which allows Hochtief and Leighton to be rated one notch above the GCP. We also assessed the stand-alone credit profile (SACP) of Leighton as being 'bbb'. This is line with our credit estimate on Hochtief of 'bbb', which reflects Leighton's significant contribution to Hochtief's revenues, earnings and assets, and their similar financial risk profiles.

We continue to be mindful of the potential influence that Grupo ACS could have on Leighton, particularly in the event of significant financial stress at the ultimate parent. Our assessment of the weaker credit quality of Grupo ACS will continue to be an important driver of our view on Leighton's creditworthiness. The weaker credit quality of the parentage is an important factor and a constraint on our overall rating assessment of Leighton.

We consider Leighton's business risk profile to be "satisfactory". The group benefits from: a leading market position in Australia's infrastructure construction and contract mining sectors; and significant business, industry, project, and geographic diversity. However, it has an inherent exposure to the competitive and cyclical-heavy engineering and construction (E&C) sectors.

We consider Leighton's financial risk profile to be "modest". The Leighton group's financial risk policy helps to offset the performance risks related to mining contracts and large, complex E&C projects.

Ms. Zhong added: "The stable outlook reflects our expectation that Leighton will adhere to its conservative financial policy and that this will not limit the group's ability to grow its business and successfully execute on its current strategy. We expect that the company's FFO-to-debt will be maintained at more than 45% through the economic cycle. Although the group credit profile is 'bb+', we can accommodate a limited separation from the weaker ultimate parent due to our view that Hochtief is an insulated subsidiary from Grupo ACS. Hochtief and Leighton benefit from a similar credit quality on a stand-alone basis."

We could lower the rating if we considered that Hochtief was no longer an insulated subsidiary from Grupo ACS. This would be evidenced by unexpected control by Grupo ACS over Hochtief that weakened the current protection provided to Hochtief creditors. In turn, this would lead us to treat Hochtief and Leighton as integrated subsidiaries of the Grupo ACS group. The ratings on Leighton could also be lowered if the group credit profile were to weaken from 'bb+'.

While we consider it less likely, the rating could come under pressure if the stand-alone credit quality of Leighton were to weaken to below 'BBB-'.

Given the lower credit quality of Leighton's ultimate parentage, we believe that upward rating movement is unlikely in the near term. Upward rating pressure could however occur if there was an upgrade of the GCP,

which would most likely occur from a material and sustainable improvement in the financial risk profile of Grupo ACS.

## RELATED CRITERIA AND RESEARCH

### Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Jan. 2, 2014
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Key Credit Factors For The Engineering And Construction Industry, Nov. 19, 2013
- Methodology: Industry Risk, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Corporate Methodology, Nov. 19, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008
- 2008 Corporate Criteria: Commercial Paper, April 15, 2008

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