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21 May 2024

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MOODY'S RATINGS AFFIRMS CIMIC'S BAA3 RATINGS; OUTLOOK REMAINS STABLE

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

Yours faithfully
CIMIC GROUP LIMITED

Company Secretary



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MOODY'S RATINGS AFFIRMS CIMIC'S BAA3 RATINGS; OUTLOOK REMAINS STABLE

Moody's Ratings (Moody's) has affirmed the Baa3 issuer rating of CIMIC Group Limited and maintained the stable outlook.

The Moody's announcement is appended.

Sincerely,

CIMIC GROUP LIMITED

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MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms CIMIC's Baa3 ratings; outlook remains stable

13 May 2024

Sydney, May 13, 2024 -- Moody's Ratings (Moody's) has today affirmed the Baa3 issuer rating of CIMIC Group Limited and maintained the stable outlook. At the same time, the rating agency has affirmed the Baa3 backed senior unsecured notes and (P)Baa3 backed senior unsecured MTN program ratings of CIMIC Finance (USA) Pty Ltd and CIMIC Finance Limited, and maintained the stable outlook.

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RATINGS RATIONALE

CIMIC's Baa3 ratings continue to reflect its leading market position in the Australian construction and services sectors, income diversity across business lines and key joint ventures and the depth and breadth of CIMIC's technical and management capabilities that enable it to win a high level of contracts, particularly those major infrastructure projects that involve scale and complexity. It also allows the company to market itself as a specialty provider of services in key areas such as infrastructure, tunneling, operations and maintenance, and mineral processing. Through its 60% stake in Thiess (Thiess Group Holdings Pty Ltd, Ba1 stable), CIMIC also provides contract mining and mine rehabilitation services.

The rating also reflects the improvement in CIMIC's business profile, as the company continues to increase its percentage of lower-risk contracts that benefit from sharing the burden of unexpected cost increases with customers. In addition, CIMIC has reduced its exposure to future losses by exiting its troubled Middle East investments and settling legacy contingent liabilities, which reduces its exposure to future losses and limits downside risks to its financial profile.

On April 24th, CIMIC entered into an agreement with Elliott Advisors (UK) Ltd (Elliott) to acquire an additional 10% stake, taking CIMIC's ownership in Thiess to 60%, for AUD320 million, funded with CIMIC's existing liquidity comprising of cash in hand and

undrawn facilities. While CIMIC and Elliot will continue to have equal Board representation and key shareholder matters will continue to require 75% approval, CIMIC will have a casting vote over Thiess' day-to-day operational matters and will now fully consolidate Thiess in its financials accounts.

Moody's views the acquisition as a step towards Thiess becoming a wholly owned entity of CIMIC, which over the long term will improve the company's scale, diversity and leverage profile as Thiess' has stronger margins and lower leverage than CIMIC. However, the rating agency notes that a 10% increase in ownership in Thiess does not have an immediate impact in CIMIC's credit profile.

While CIMIC will fully consolidate Thiess into its accounts, CIMIC's access to cash flows at Thiess will only increase to the extent of higher dividends from increased ownership.

Moody's will now treat Elliot's portion of the preference shares in Thiess as debt at CIMIC, on full consolidation Moody's will also treat the preference dividend payable to Elliot as interest.

CIMIC sold 50% of Thiess to Elliott in 2020, with a put option back to CIMIC exercisable between January 2024 and December 2026. Following this transaction, the put option for the remaining 40% is exercisable between April 2025 and December 2026. Moody's expects that CIMIC will have sufficient available liquidity to fund the put option if Elliott decided to exercise it.

CIMIC's credit profile is constrained by the inherently cyclical nature of the construction industry, albeit mitigated by the stability of the services business as well as the strong but moderating pipeline of infrastructure construction activity, business risks around complex and remaining fixed price projects, and the link to its parent entities HOCHTIEF Aktiengesellschaft (HOCHTIEF AG) and Actividades de Construcción y Servicios SA (ACS) in terms of governance, financial policy and business strategy.

CIMIC's ratings are also balanced by its moderate financial profile. Despite the higher gross debt taken on to settle legacy claims, CIMIC reduced debt with the proceeds from the divestment of its stake in Ventia Services Group Limited (Baa2 stable), resulting in CIMIC's adjusted debt/EBITDA leverage improving to 3.6x in December 2023 from 4.2x a year ago, bringing leverage within parameters for the rating. Upon full consolidation of Thiess from FY2024, Moody's estimates that CIMIC's pro forma adjusted debt/EBITDA leverage metric will improve by around 0.5x. However, the rating agency notes that the improvement in cashflows available to CIMIC will be limited to the 10% increase in the dividend rights.

The stable rating outlook reflects Moody's expectation that CIMIC's financial profile will remain within the parameters set for its Baa3 rating over the next 12-18 months.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS (ESG)

CIMIC's Credit Impact Score is CIS-4, which means environmental, social and governance (ESG) considerations have a negative impact on CIMIC's credit ratings reflecting exposure to social and governance considerations. CIMIC's governance risks reflect its private company status and a largely non-independent board of directors. CIMIC's social considerations reflect its heavy reliance on a skilled work force and health and safety risks, as is typical for a company operating in the construction sector.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Moody's could upgrade CIMIC's rating if there is no deterioration in the current strong business profile and there is a sustained improvement in CIMIC's financial profile, such that adjusted gross debt/EBITDA is maintained below 2.75x. An upgrade would also require no material weakening in HOCHTIEF AG's credit profile.

Moody's could downgrade the ratings if (1) financial leverage deteriorates, such that adjusted gross debt/EBITDA exceeds 3.75x on a sustained basis; (2) liquidity (cash and undrawn facilities) falls below a level sufficient to meet the company's debt maturities over the next 12-18 months; (3) material disruption to cash flow from one or more major contracts occurs, such that EBITA margins fall below 5% on a sustained basis; (4) underperformance at the key joint ventures leads to a reduction in dividends received and/or require financial support from CIMIC; or (5) HOCHTIEF AG's credit quality and/or liquidity position weaken materially.

The principal methodology used in these ratings was Construction published in September 2021 and available at <https://ratings.moodys.com/rmc-documents/74957>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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