



CIMIC Group Limited
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27 October 2017

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

RE: STANDARD & POOR'S CONFIRMS 'BBA/A-2' RATING FOR CIMIC GROUP

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

Yours faithfully
CIMIC GROUP LIMITED

LYN NIKOLOPOULOS
Company Secretary



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25 October 2017

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

STANDARD & POOR'S CONFIRMS 'BBB/A-2' RATING FOR CIMIC GROUP

Standard & Poor's (S&P) has confirmed CIMIC Group's BBB/A-2 rating and its stand-alone credit profile of BBB+. The S&P Global Ratings announcement is appended.

In its ratings announcement, S&P stated that it continues "to assess CIMIC's liquidity as strong, reflecting its solid market position in Australia's infrastructure construction and contract mining sectors."

CIMIC Group's majority shareholder HOCHTIEF announced on 18 October 2017 its intention to make a voluntary public takeover offer to all shareholders of Abertis Infraestructuras, S.A.

S&P stated that: "If the HOCHTIEF/Abertis transaction is successful, we would view the combined entity as one of the largest groups among the transportation infrastructure and E&C sectors."

As is common in large M&A transactions, S&P has revised its ratings outlook for HOCHTIEF and, as a consequence, also placed CIMIC Group's rating on negative outlook.

S&P noted that the outlook revision on CIMIC Group "is not reflective of any change in the underlying performance of CIMIC's stand-alone credit quality".

Sincerely,

CIMIC GROUP LIMITED

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Research Update:

**Outlook On CIMIC Group Ltd. Revised
To Negative Following Similar Action
On Parent; 'BBB/A-2' Ratings Affirmed**

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Table Of Contents

Overview

Rating Action

Rationale

Outlook

Ratings Score Snapshot

Related Criteria

Related Research

Ratings List

Research Update:

Outlook On CIMIC Group Ltd. Revised To Negative Following Similar Action On Parent; 'BBB/A-2' Ratings Affirmed

Overview

- We recently placed the 'BBB/A-2' ratings on CIMIC's immediate Germany-based parent HOCHTIEF AG and its ultimate Spain-based parent ACS on negative outlook.
- We continue to consider CIMIC to be a core subsidiary of Hochtief and ACS.
- As a result, we are revising the outlook on CIMIC to negative from stable, in line with our outlook change on Hochtief and ACS.
- At the same time, we are affirming the long-term and short-term issuer credit ratings on CIMIC at 'BBB/A-2'.

Rating Action

On Oct. 24, 2017, S&P Global Ratings revised the outlook to negative from stable on CIMIC Group Ltd., an Australian engineering and construction (E&C) company. At the same time, we affirmed the long- and short-term corporate credit ratings of 'BBB/A-2' on the company.

Rationale

We revised the outlook to negative on CIMIC following the same action on the company's Germany-based parent, HOCHTIEF AG, because CIMIC remains a core subsidiary of the parent group. We continue to assess CIMIC's liquidity as strong, reflecting its solid market position in Australia's infrastructure construction and contract mining sectors. The outlook revision on CIMIC is not reflective of any change in the underlying performance of CIMIC's stand-alone credit quality.

HOCHTIEF has announced that it will launch a voluntary tender offer for all outstanding shares of Abertis Infraestructuras S.A. (Abertis), valuing the transaction at about €18.6 billion. HOCHTIEF is planning to pay Abertis shareholders a mixture of equity and cash. The voluntary tender offer is subject to some conditions, including a minimum acceptance of 50% plus one of outstanding shares, a minimum amount of 193,530,179 Abertis shares (or about 20% of total Abertis shares) that opt for the share consideration, and necessary regulatory and antitrust approvals.

Actividades de Construcción y Servicios S.A. (ACS), HOCHTIEF's majority owner,

announced that it would not subscribe its share of the HOCHTIEF capital increase. Furthermore, we understand that ACS is confident that HOCHTIEF's capital increase will be fully underwritten. HOCHTIEF's aim is to create a combined group with Abertis, where only the ultimate parent would be listed on the German stock exchange. If the Abertis transaction is successful, ACS will likely lose majority ownership of HOCHTIEF, and ultimately its control over HOCHTIEF. As such, we would expect HOCHTIEF/Abertis to be a separate group compared with ACS, for our criteria purposes.

If the HOCHTIEF/Abertis transaction is successful, we would view the combined entity as one of the largest groups among the transportation infrastructure and E&C sectors, with forecast revenues of about €28 billion-€29 billion and reported EBITDA of about €5.1 billion-€5.3 billion in 2018. It would be somewhat smaller than France-based Vinci, but much larger than HOCHTIEF currently. The addition of Abertis' concession business would provide higher and more stable profitability and cash flow generation compared with HOCHTIEF's existing engineering and construction operations, which we view as cyclical and volatile.

We estimate that the majority of the combined entity's EBITDA (about 70%-75%) would be generated by the concessions business (currently Abertis). We also believe that the combined group would achieve revenue synergies from the presence of both business segments and the ability to transfer the newly built transportation infrastructure concession assets into operation by Abertis. It would also potentially open up HOCHTIEF's attractive transportation infrastructure markets in the U.S. and Australia to Abertis.

Liquidity

We assess CIMIC's liquidity as strong. This assessment reflects our expectation that the company's liquidity sources will cover its uses by 1.5x over the next 12 months, and by more than 1x over the next 24 months. We expect its net sources and uses of liquidity are likely to remain positive even if EBITDA were to decline by 30%. In addition, we expect the CIMIC group to retain good access to the bank and debt capital markets for upcoming debt maturities.

As of Dec. 31, 2016, the CIMIC group had the following liquidity profile:

Principal liquidity sources

- Sizable cash balance of A\$1.6 billion;
- Cash funds from operations (FFO) of about A\$1.0 billion; and
- About A\$1.4 billion of undrawn bank lines beyond 12 months.

Principal liquidity uses

- Our expectation of capital expenditure being about A\$350 million;
- Debt maturities of about A\$600 million over the next 12 months; and
- Our expectation that the dividend payout will remain at about 60% of underlying net income.

Outlook

The negative outlook on CIMIC reflects that on HOCHTIEF. The negative outlook on the German parent reflects our view that the credit metrics of the combined HOCHTIEF/Abertis may not remain at a level commensurate with a 'BBB' rating in 2018-2019.

Downside scenario

We could lower the ratings if in 2018-2020 HOCHTIEF's adjusted FFO to debt falls below 13% and the adjusted FFO cash interest coverage ratio is below 3x, following the Abertis takeover. This could happen if a very high acceptance rate of Abertis shareholders and low proportion of HOCHTIEF capital increase were not sufficiently mitigated by cash from asset disposals or equity content from hybrid debt issuance. Rating pressure may also arise from lower profitability and cash generation than we forecast.

If ACS maintains majority ownership of HOCHTIEF/Abertis and controls it, we would need to reassess the enlarged group's business and financial risk profiles. In such a scenario, we anticipate we would affirm the rating or lower it by one notch.

Upside scenario

We could revise the outlook to stable if HOCHTIEF were to display an adjusted FFO to debt above 13% on a sustainable basis, and adjusted FFO cash interest coverage approaches 4x over 2018-2020. This improvement would likely be supported by the management's commitment to gradually reduce leverage and use cash flows, including proceeds from nonstrategic asset disposals, to repay debt, and to follow a cautious financial policy with a view to maintaining a 'BBB' rating.

Ratings Score Snapshot

Corporate Credit Rating: BBB/Negative/A-2

Business risk: Satisfactory

- Country risk: Very low risk
- Industry risk: Moderately high risk
- Competitive position: Satisfactory

Financial risk: Minimal

- Cash flow/Leverage: Minimal

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Liquidity: Strong (no impact)

- Financial policy: Negative (-1 notch)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb+

Group credit profile: bbb

Entity status within group: Core subsidiary

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, Sept. 21, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Corporates - Industrials: Key Credit Factors For The Engineering And Construction Industry, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Research Update: Germany-Based HOCHTIEF AG Outlook Revised To Negative Following Launch Of Friendly Takeover Of Abertis; Ratings Affirmed, Oct. 23, 2017
- Research Update: ACS, Actividades de Construcción y Servicios Outlook To Negative On Abertis Friendly Takeover Launch; Ratings Affirmed, Oct. 23, 2017

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
CIMIC Group Ltd.		
Corporate Credit Rating	BBB/Negative/A-2	BBB/Stable/A-2

CIMIC Group Ltd.	
Senior Unsecured	BBB
CIMIC Finance (USA) Pty Ltd.	
Senior Unsecured	BBB
CIMIC Finance Ltd.	
Senior Unsecured	BBB

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