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24 January 2020

Singapore Exchange (SGX)
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MOODY'S INVESTORS SERVICE ISSUER COMMENT

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

Company Secretary



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

MOODY'S INVESTORS SERVICE ISSUER COMMENT

Moody's Investors Service (Moody's) has released an issuer comment on CIMIC Group titled 'Exit from the Middle East is credit positive'.

This affirms CIMIC Group's strong investment grade credit rating of Baa2, with a stable outlook.

The Moody's issuer comment is appended.

Sincerely,

CIMIC GROUP LIMITED
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ISSUER COMMENT

24 January 2020



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CIMIC Group Limited

Exit from the Middle East is credit positive

On 23 January, [CIMIC Group Limited](#) (CIMIC, Baa2 Stable), Australia's largest construction and mining contractor, announced that it will exit the Middle East following a strategic review of its investment in BIC Contracting (BICC). CIMIC has initiated a sale process for its 45% stake in BICC. The announcement is credit positive because an exit from BICC will benefit CIMIC's business profile in the future.

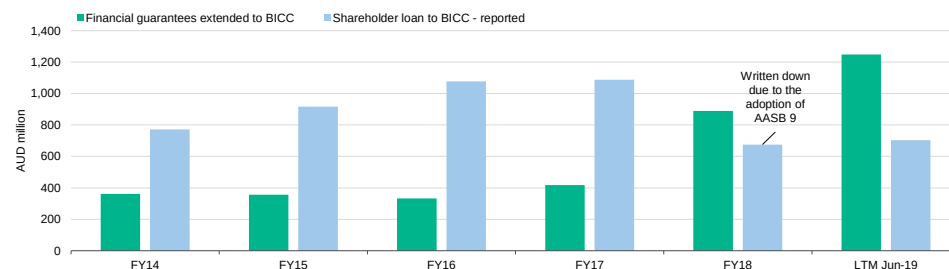
As a result of its decision to exit from BICC, CIMIC announced that it will recognize a one-off post-tax write-down of around AUD1.80 billion (\$1.23 billion) in its 2019 financial results. CIMIC indicates that the write down will represent all of its exposure to BICC. The write-down primarily reflects an impairment of CIMIC's shareholder loan to BICC, and its obligation to honour financial guarantees extended to BICC, which is expected to materialise.

Despite the large one-off write-down, the announcement is credit positive because BICC has been a troubled business that has produced consistent losses over 2015-17; from 2018, CIMIC stopped disclosing standalone results for BICC. We understand that BICC is experiencing difficult market conditions because of regional macro and geopolitical factors.

Moreover, a decision to exit BICC will avert the need for CIMIC's to provide ongoing financial support (see Exhibit) and enable CIMIC to focus its resources on core markets and geographies. CIMIC has historically had to support BICC with shareholder loans and financial guarantees, which have increased year on year (adjusting for the AASB 9 writedown in FY18), as a result of the pressures on BICC's business.

Exhibit 1

CIMIC has provided financial support to BICC and an exit will end the need for continued support



In FY18, CIMIC adopted AASB 9. The change to recognition of expected credit losses for impairment of financial assets under AASB 9, from incurred losses, led to a negative accounting adjustment that reduced the shareholder loan by AUD487.4 million.
Source: Company reports, Moody's Investors Service

CIMIC's exit will involve a large one-off write-down, even though it has already written down its 45% stake in BICC to zero and its shareholder loan to BICC by AUD487.4 million in 2018.

Nevertheless, the expected AUD700 million post-tax cash outlay required to settle the financial guarantees is manageable in light of CIMIC's strong liquidity of committed facilities and unrestricted cash on hand (AUD2.7 billion and AUD1.5 billion as of June 2019). The decision to suspend a final dividend for 2019 will also support CIMIC's liquidity. We do not see any significant impact from the announcement on the company's financial leverage as our adjusted debt/EBITDA has already incorporated the financial guarantees extended to BICC as debt. We will also treat the write-down as a non-recurring profit-and-loss item given its one-off nature.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

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