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4 August 2017

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

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



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ASX Market Announcements
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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

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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.

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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.moody.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.

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