

18 August 2014

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

Re: Moody's maintains Leighton's investment grade credit rating

Moody's Investor's Service has today downgraded the issuer rating of Leighton Holdings and senior unsecured rating of Leighton Finance (USA) Pty Ltd to Baa3 (an investment grade credit rating) from Baa2. The outlook for the rating is stable.

The Moody's press release is appended.

Yours faithfully
LEIGHTON HOLDINGS LIMITED

VANESSA REES
Group Company Secretary

Rating Action: Moody's lowers Leighton's rating to Baa3; Outlook stable

Global Credit Research - 18 Aug 2014

Approximately USD500 million of debt securities affected

Sydney, August 18, 2014 -- Moody's Investor's Service (Moody's) has downgraded the issuer rating of Leighton Holdings Limited ("Leighton") and senior unsecured rating of Leighton Finance (USA) Pty Ltd to Baa3 from Baa2. The outlook for the rating is stable.

The rating action concludes the review for downgrade initiated in March 2014 following the decision by Leighton's majority shareholder, HOCHTIEF Aktiengesellschaft ("HOCHTIEF"; unrated) to increase its stake in Leighton from 58.8% to a maximum of 73.82% and to assume Board control.

HOCHTIEF presently has 69.62% shareholding in Leighton with the majority of the Board now appointed by HOCHTIEF.

RATINGS RATIONALE

"The downgrade to Baa3 follows the assumption of effective control of Leighton by HOCHTIEF and reflects the materially weaker credit profile of HOCHTIEF on a stand-alone basis, i.e. excluding Leighton", says Maurice O'Connell, a Moody's Vice President and Senior Credit Officer. At the same time, the Baa3 rating reflects Leighton's fundamental credit profile which is of investment grade quality, but which has been impacted by a substantial increase in receivables including at one of its largest contracts on hand (Gorgon LNG). "This has weakened Leighton's credit quality", O'Connell says.

While HOCHTIEF's standalone credit profile is materially weaker than that of Leighton, the rating also takes into consideration HOCHTIEF's support for a stronger capital structure for Leighton, with a more conservative leverage policy. The rating could be pressured if these intentions change over time, leading to a more aggressive financial profile for Leighton.

On a fundamental basis, Leighton's rating reflects its strong position as the foremost engineering, contract mining, operations and building services contractor in Australia. It has over 400 current mining, infrastructure and service projects in Australia and internationally and an order book of over AUD38 billion.

The rating also considers Leighton's moderate financial leverage, with the ratio of adjusted Debt/EBITDA expected by Moody's to be around 2.0-2.5 times in the next 1-2 years.

"However, the rating also reflects the cash outflow to complete projects the subject of the increase in receivables, including Gorgon LNG, at a time that working capital is exceptionally high and there is some uncertainty around the collection of receivables", says O'Connell.

"The rating reflects our view that ongoing issues related to certain major contracts create a level of uncertainty, which is captured in the Baa3 rating", O'Connell says, adding "At the Baa3 rating level, Leighton now has more flexibility to manage the current contractual challenges".

The stable outlook reflects Moody's view that Leighton's financial profile will remain within the financial parameters for the rating, and that the level of receivables will not increase substantially from the levels seen as at 30 June 2014.

Upward rating trend could emerge if i) HOCHTIEF's credit profile continues to improve and ii) once Leighton's operating profile stabilizes following resolution of underclaims and other receivables. Financial metrics that Moody's would consider appropriate for a higher rating would be for Leighton's adjusted financial leverage to be below 2.25 times and EBITA/Interest cover of over 4 times on a consistent basis. At the HOCHTIEF level, maintaining consolidated adjusted Debt/EBITDA below 3.0x would also be supportive for a rating upgrade for Leighton.

Negative rating pressure could evolve if losses were incurred from its major projects and /or deterioration in the

outlook for receivables resulting in a reduction in cash on hand from levels consistent with the past 2-3 years and/or a ratio of adjusted debt/EBITDA of over 3.0 times, or EBITA/Interest cover of less than 2.5 times, on a sustained basis. The rating may also be pressured should HOCHTIEF seek to extract financial support from Leighton other than normal dividend distributions.

HOCHTIEF's credit profile considers its majority ownership, which is held by Actividades de Construcción y Servicios, SA (ACS; unrated), although Moody's considers that ring-fencing provisions in HOCHTIEF's finance documents provide a degree of protection for HOCHTIEF's credit profile. Leighton's rating could come under negative pressure if these ring-fencing arrangements are removed or substantially varied over time.

The principal methodology used in these ratings was Global Construction Methodology published in November 2010. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

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