Leighton Holdings

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6 April 2005

Company Announcements Office
Australian Stock Exchange Limited
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Re: Moody's assigns Baa1 rating to Leighton, affirms positive outlook

Dear Sir

Please find attached copies of media releases to be issued today by Leighton Holdings Limited and Moody's Investors Service.

Yours faithfully
LEIGHTON HOLDINGS LIMITED

ASHLEY MOIR
Company Secretary

Media Release

6 April 2005

Moody's assigns Baa1 rating to Leighton, affirms positive outlook

Leighton Holdings Limited are pleased to advise that Moody’s Investors Service (Moody’s) has today assigned an issuer rating of Baa1 to the company and a rating of Baa2 to Leighton’s $200 million Convertible Subordinated Notes issue (Leighton Notes). This is the first time that Moody’s has assigned a credit rating to Leighton.

Moody’s Baa1 rating of the company is the equivalent of Standard & Poors’ (S&P) current BBB+ rating, while Moody’s Baa2 rating for the Leighton Notes is one notch higher than S&P’s current BBB- rating.

Chief Executive, Mr Wal King, said that he was very pleased with the outcome of the rating review, which reflects Moody’s expectation that the Leighton Group will maintain its strong position in Australia’s buoyant construction and mining market.

“The rating re-affirms the Group’s outlook, which remains very robust in the longer term, driven by a record level of work in hand, an extended construction market upturn and a strong balance sheet,” said Mr King.

“Having a strong balance sheet is a key element of our growth strategy; it facilitates the taking and securing of equity stakes in projects, it funds capital intensive activities such as mining and it provides bonding for the securing of construction projects. The balance sheet provides the backing for the Group to be able to offer more than $2.5 billion in bonds and guarantees.

“Moody’s rating of the Group, and the S&P rating, sends a very positive signal about our financial capacity to our lenders, to our Leighton Note holders, and to our clients. Note holders, in particular, stand to benefit because of the enhanced credit standing of these securities,” he said.

“Looking forward we still see a number of major construction and resources related opportunities emerging in Australia. Construction works commenced two weeks ago on Australia's largest urban road – the $2.5 billion Mitcham Frankston Project – now renamed EastLink and expressions of interest have recently been called for Brisbane’s $1.0+ billion North-South Bypass Tunnel.

“There is a large number of Build-Own-Operate-Transfer (BOOT) and Public-Private-Partnership (PPP) projects currently under consideration and their funding structures typically require one or two ratings by the major agencies. The Moody’s rating will assist consortia involving Leighton Group companies in obtaining competitively priced funds for these BOOT and PPP projects.

“The Group’s momentum, driven by some $15 billion of work in hand, and emerging opportunities, combined with our balance sheet strength, supports a very positive outlook for the next few years,” said Mr King.

(continued…)

ENDS

Issued by Leighton Holdings Limited ABN 57 004 482 982 www.leighton.com.au

Further information:

MR WAL KING AO Chief Executive Officer T (02) 9925 6912 or

MR DIETER ADAMSAS Deputy Chief Executive Officer & CFO T (02) 9925 6923

LEIGHTON HOLDINGS LIMITED is the parent company of Australia's largest project development and contracting group. Founded in 1949, the organisation has grown into a diversified group that includes Thiess, John Holland, Leighton Contractors, Leighton Asia (Northern), Leighton Asia (Southern) and Leighton Properties. Leighton Group companies undertake activity for public and private sector clients in the engineering and infrastructure, building and property, mining and resources, telecommunications and environmental services markets. A range of services are offered including project development, construction, operation and maintenance. With around 18,000 employees, the Group's operations are spread all around the Asia-Pacific region on projects in Australia, Hong Kong, Indonesia, Malaysia, the Philippines, Thailand, Vietnam, Sri Lanka, China and New Zealand. Leighton Holdings is listed on the Australian Stock Exchange and has its head office in Sydney.

Rating Action: Leighton Holdings Limited

MOODY'S ASSIGNS Baa1 ISSUER RATING TO LEIGHTON HOLDINGS; OUTLOOK STABLE

Approximately A$200 million in debt securities affected

Sydney, April 06, 2005 -- Moody's Investors Service today assigned an issuer rating of Baa1 to Leighton Holdings Limited (Leighton). At the same time, Moody's assigned a rating of Baa2 to Leighton's A$200 million Convertible Subordinated Notes issue ("the Notes"). This is the first time that Moody's has assigned ratings to Leighton, the largest construction contractor in Australia. The ratings outlook is stable.

Moody's ratings reflects the Group's: [1] Strong position in the Australian construction industry, underpinned by its ownership of three leading contractors -- Thiess, John Holland and Leighton Contractors -- which contribute to an incomparable track record in Australia for successfully completing contracts; [2] Diversity of activity -- across civil, mining, building and services sectors -- combined with a large number of "work in hand" contracts at any time provide a solid cushion against any problems being encountered in several jobs concurrently and slowdowns in any one sector or market; [3] Minimal usage of debt funding with sound cash reserves underpinning liquidity; and [4] Robust book of contracted work, as evidenced by increasing level of bank guarantee/performance bond/LCs outstanding, thereby underpinning revenue for 2005 and 2006.

At the same time, the ratings consider the following challenges: [1] Significant geographic and industry concentration risk, given material exposure to the Australian construction industry, albeit Leighton's operations in Asia provide the company with some geographic diversification; [2] Increasing operational risk, given somewhat rapid growth in recent years, and which in a fast evolving market exposes the company to new challenges, as evidenced by the problematic Spencer Street project; [3] Developing risk management systems with reliance on key individuals to overview operating risk; and [4] Evidence of shareholder friendly financial policies, with a dividend payout ratio of 60% - 70% (though this was increased to over 100% in 2004), and by the treatment of subordinated notes as equity for gearing purposes, thereby lowering its WACC.

Moody's ratings reflect an expectation that Leighton will maintain its strong position in the buoyant Australian construction market, supporting its ability to generate healthy operating cash flows. In 2004, roughly 34% of its A$6 billion in revenue was generated from engineering and infrastructure activities, 24% from building and property development, and another 25% from mining and resources contracts.

Moody's went onto say that Leighton's market position is based upon its ownership/control of three of the largest contractors in Australia, providing it with an ability to win more contracts, particularly government-sponsored work, as any of the three may bid for the same jobs. It also allows the company to market itself as a specialty provider of services in key areas, such as infrastructure, tunneling, and mining contracting. The spread, size, and number of contracts at any point in time provide the company with a strong inherent risk management tool, reducing exposure to any one sub-sector or counterparty.

The rating also considers the company's low exposure to debt markets, given its ability to negotiate contracts that are cash flow positive from commencement, and underpinned by its solid credit status and the strong availability of bank guarantees to support its contracts. Leighton maintains substantial committed bank guarantee facilities with a large group of international banks. Most are renewed annually for three years on a rolling basis.

The company also funds itself with a A$200mm subordinated note that, while considered debt-like by Moody's, provides holders with almost no ability to demand payment of interest or principal prior to maturity in 2103. Additionally, Leighton keeps large reserves of cash, providing it with the capability to fund in tandem several problematic contracts, should the need arise.

The risk associated with the rapid growth the company is experiencing is considered in Moody's rating. Management's forecast return on shareholder funds of 20% may lead it to accept additional risks. Fast growth will challenge the effectiveness of management to review work in hand. This growth will also test the group's human resources capabilities and ability to appropriately man jobs. Increasingly, the company may seek to ameliorate this risk by joint venturing, although other contractors are likely to experience similar challenges.

Leighton's risk management systems are evolving and this creates issues in allowing it to identify counterparty, industry, and regional exposures on a dynamic basis. The independence of its three contractors is a risk diversifier, yet it may also inherently contribute to the problem of quantifying exposures on a group basis. Contributing to this problem are government probity protocols and competition issues which restrict the sharing of information between group entities. Moody's does not, however, perceive limited exposure information to represent an unacceptable risk, given the inherent mitigation provided by the scope and scale of contracts in hand at any time and small individual counterparty exposures.

Moody's does not believe HOCHTIEF AG's (unrated) 53% ownership of Leighton is a key rating factor. The risk of parental interference is considered minimal as Leighton is a publicly-listed company with a board of directors currently controlled by independent directors. These directors have a duty to act in the interests of all shareholders. Moody's notes, however, the interests of minority shareholders and creditors are not perfectly aligned, particularly relative to financial policies covering return of capital. In addition, Moody's believes that should HOCHTIEF need to obtain liquidity, it could sell down listed investments.

Any change in directors, such that HOCHTIEF controlled the Board, could be a signal for reassessing the risk of interference and subsequent impact on Leighton's rating.

The ratings outlook is stable. The solid nature of Leighton's work in hand provides it with a dependable source of operating cash flow through to 2007. The rating may experience upward pressure should Leighton [1] improve profitability, as reflected by a sustained EBITA/Revenue margin above 6%, without a change in its business strategy toward higher risk contracts, and [2] sustain a track record of performance with minimal problems experienced in delivering on major projects. Moody's believes greater levels of capital retained on its balance sheet -- in the form of liquidity, underpinning its ability to withstand a number of problematic contracts -- could also be helpful.

The rating may experience downward pressure with a fall away in construction activity concurrent with problems on major contracts, thereby resulting in a reduction in cash on hand and/or a ratio of adjusted debt to EBITDAR of over 3.5x. The rating may also be pressured should HOCHTIEF seek to appoint a majority of the directors on the Board, but which is currently not expected.

Leighton Holdings Limited, based in Sydney, Australia, is the largest construction contractor in the country and has operations in Southern Asia.

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