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Leighton reports \$190m first half profit and \$20bn work in hand

The directors of Leighton Holdings Limited today announced a 61% increase in operating profit after tax and minorities to \$190.0m (versus \$118.1m last year) from a pre-tax profit of \$246.1m. An unfranked interim dividend of 45 cents was also announced by the directors representing an 80% increase (25 cents franked to 50% last year).

Chief Executive, Mr Wal King, said that he was very pleased with the excellent performance in the first half of the financial year and the continued strength of the outlook.

“The Group’s result reflects strong contributions from a number of large construction projects in Australia, the contract mining of iron ore and coal, and another solid performance from our property development activities. The momentum in our business means that we expect our full year profit to be up by around 45% on the previous year,” said Mr King.

Total revenue for the six months was \$5.7bn (\$4.7bn last year) with principal sources including engineering & infrastructure \$2.2bn (up 2%), mining & resources \$1.9bn (up 51%), building & property revenues \$830m (up 3%), and operations & maintenance \$853 m (up 61%).

“The Group’s order book was boosted by the award of some \$9.6bn of new work, extensions and variations during the half,” said Mr King.

Major new projects include the \$2bn North South Bypass Tunnel joint venture (JV) and \$1.4bn Gateway Upgrade JV, both in Brisbane, the \$1.1 billion Gold Coast desalination project alliance in Qld, the \$511m Perth-Bunbury Highway alliance in WA, \$800m of mining work at Prominent Hill in SA and a management contract for the \$1.7bn City of Dreams JV in Macau.

At 31 December 2006, the Group’s work in hand was \$20.1bn compared with \$16.0bn at 30 June 2006 and \$14.8bn at 31 December 2005. The Group also has management contracts totaling some \$1.5bn underway, an increase of \$1.1bn since 30 June 2006.

“The strength of the Australian infrastructure and resources markets, backed by our plans to further extend the business in Asia, underwrite a very positive outlook for the next few years. Other strategic initiatives being developed, such as residential property, provide further opportunities to continue diversifying the Group,” said Mr King.

“Ageing infrastructure, a growing population and issues such as the current drought, support a sustained demand for investment in infrastructure in Australia. The domestic construction market, which has been through a strong upswing in recent years, should therefore continue to see infrastructure spending remain at historically high levels.

“China’s demand for minerals and energy continue to drive investment in resources related infrastructure. This investment will continue to provide numerous construction and process engineering opportunities, as well as a strong market for contract mining, particularly in iron ore and coal,” he said.

“Opportunities in the non-residential property market will largely be driven by offices and the use of PPP’s to deliver social infrastructure such as hospitals, schools and defence facilities.

(continued...)

“Leighton Properties is undertaking property developments with a total end value of around \$2bn and is working on securing another \$1bn worth of projects,” he said.

“The Group recently announced its intention to enter the residential property market by acquiring a strategic 40% stake in Devine Limited. This is one of a number of strategic initiatives the Group is pursuing to grow and further diversify the business.

“We expect Asia to be an increasingly important part of the Group’s activities in the future. Macau’s gaming boom is fuelling some large construction projects, which will underwrite activity levels for a number of years,” said Mr King.

“India’s pressing need for infrastructure and energy support a positive outlook for the construction of toll roads, airports, oil and gas developments, and other building projects, as well as contract mining opportunities in the longer term. Indonesia will continue to be driven by the contract mining of coal and the development of other resources related projects, and may present toll roads opportunities.

“The balance sheet remains very strong with total assets of \$4.1bn and net cash of \$702m. This strength will support growth opportunities to further diversify the business,” said Mr King.

The Group’s record level of work in hand should result in full year revenue of approximately \$12bn. The Board is confident of reporting another strong profit in the second half and an increase in profit for the full year of approximately 45% on last year’s record of \$276m.

The Leighton Holdings Board wishes to advise some changes to the Board and management of the company. Dr Herbert Lütkestratkötter has been appointed to the Board effective today.

Mr David Saxelby, formerly CEO of Thiess’ Australian operations, has been appointed Managing Director of Thiess following Mr Roger Trundle’s decision to step down from the position due to health reasons. Wal King and the Board would like to thank Roger for his contribution to the Group and his strong leadership in the role over the last 6 years.

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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, and Leighton Properties. With over 25,000 employees, the Group’s operations are spread all around the Asia-Pacific region on projects in Australia, New Zealand, Hong Kong, Indonesia, Malaysia, Singapore, the Philippines, Thailand, Vietnam, China, Taiwan, Sri Lanka, Macau, India and the Arabian Gulf. Leighton Group companies offer a broad range of project development and contracting services and skills to public and private sector clients across a wide range of industries. Project development skills – infrastructure, property or resources based – and project management of construction and property developments complement the Group’s contracting activities. These activities include construction, mining and services. Leighton Holdings (LEI) is listed on the Australian Stock Exchange and has its head office in Sydney.