

16 August 2010

Leighton announces record profit of \$612m and work in hand of \$41.5bn

Leighton Holdings Limited today announced a 39% increase in profit after tax and minorities to \$612m (\$440m last year) and a pre-tax profit of \$843m for the 2010 financial year. The return on shareholders' funds averaged 25% for the year with a record net operating cash flow of \$1.7 billion.

A fully franked final dividend of 85 cents per share was also announced by the directors bringing the 2010 full year ordinary dividend to a total of 150 cents per share (up 30% from 115 cents per share last year).

Leighton Holdings' Chief Executive, Mr Wal King, reported that he was very pleased to report such a strong profit result which was based on a solid contribution from Australia, driven by transport infrastructure, contract mining, telecommunications and operations and maintenance, helping to offset a poor year in property markets.

"Our offshore markets, with the exception of the Middle East, also made solid contributions to the result. Highlights included infrastructure construction in Hong Kong and India, the contract mining of coal in Indonesia and Mongolia, and offshore oil and gas services," said Mr King.

"Total revenue, including joint ventures and associates, was up 2% to \$18.6bn versus \$18.3bn last year. The revenue generating markets for the Group were infrastructure \$10.4bn, resources \$6.4bn and property and building construction \$1.8bn," he said.

"The Group's work in hand at 30 June 2010 was 12% higher than last year reaching a new record high level of \$41.5bn, with 65% from Australia and 35% from offshore markets. The order book was boosted by the award of some \$23.5bn worth of new work, extensions and variations during the period.

"Since the 30 June 2010, the Group has been awarded an additional \$1.5bn worth of new contracts and we have approximately \$8bn of contracts which we are in a preferred or single negotiation position that are expected to be converted by the end of the calendar year.

"The major construction projects awarded included the \$3.5bn Melbourne Desalination Project, \$1.4bn of work at the Gorgon LNG plant in Western Australia, the M80 Ring Road alliance in Victoria and the Metro Trains Melbourne project. New mining work and extensions in Mongolia, Indonesia, Queensland, and Western Australia supported the Group's contract mining activities while services work remained at high levels with a number of telecommunications projects awarded relating to the National Broadband Network.

"The Group continues to maintain a strong balance sheet which provides the depth and flexibility necessary in tendering for large, complex projects, providing working capital, investing in plant and equipment, and pursuing new opportunities. As at 30 June 2010, total assets were \$8.8bn and net assets were \$2.6bn," said Mr King.

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“The Group’s cash flow was extremely strong with over \$1.7bn of net cash generated from operating activities helping to increase the gross cash balance to \$1.3bn. The Group’s debt profile remained in good shape with Moody’s issuing an upgraded rating to Baa1 stable (from Baa1 negative) and gearing, including off-balance sheet leases, reduced from 48% last year to 38% at 30 June 2010.

“I’m also pleased to advise that Mr David Savage has been appointed as an additional Chief Operating Officer with responsibility for Leighton International Limited, a wholly owned subsidiary of Leighton Holdings Limited. David was formerly Managing Director of Leighton International and has worked across Asia with the Leighton Group for 12 years,” said Mr King.

“David’s appointment is about getting the span of control right for the business as we continue to grow and brings more focus to India and the oil and gas business, both of which have the potential to grow into very significant markets for Leighton. I congratulate David on his appointment.

“The outlook for the Group remains positive based on a record level of work in hand, a strong competitive position and continuing economic recovery in our major markets,” said Mr King.

“In Australia, the overall infrastructure market should remain above 2010 levels as continued population growth, looming electricity and water shortages, carbon reduction related investment and sustained economic growth will necessitate ongoing investment in rail and roads, ports and freight hubs, power and energy, education, health, community facilities and the environment,” said Mr King.

“Demand for iron ore, coal, and oil and gas will increase and should remain strong as China and India urbanise and industrialise, and maintain their solid economic growth. The Group expects numerous opportunities to continue to emerge as Australian energy and minerals production is projected to increase by around 25% over the next 5 years as new mine capacity is commissioned and infrastructure expansions are completed,” he said.

“Thermal coal production in Indonesia is forecast to grow considerably over the next decade, supported by strong exports to Asia and rapidly growing domestic consumption. Mongolia is quickly becoming a major supplier of quality coking and thermal coal, aided by its close proximity to China, and Leighton Asia is very positive about the opportunities in this market.

“Hong Kong’s construction market is expected to grow solidly over the next 5 years on the back of major transport and infrastructure programs designed to encourage economic activity and forge better linkages with the mainland,” said Mr King.

“Notwithstanding the immediate challenges, the medium to long-term outlook for the Middle East is positive as oil prices remain around US\$80 per barrel and global demand for LNG continues to increase. Very substantial investments are being made, and will continue to be, in

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construction and infrastructure in the Middle East and the Al Habtoor Leighton Group is well positioned to pursue these.

“We remain positive for the 2011 financial year and expect to report an increased revenue and operating profit. Over the longer-term, based on our projections, the Group’s five-year aspirational goals of \$50bn of work in hand, \$30bn of revenue and \$900m of profit after tax can be achieved through internally generated funds.” said Mr King.

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LEIGHTON HOLDINGS LIMITED, founded in Australia in 1949, is the parent company of one of the world's major project development and contracting organisations. We are also the world's largest contract miner. Listed on the Australian Stock Exchange since 1962, Leighton Holdings is a top 25 company by market capitalisation and has its head office in Sydney, Australia. Leighton Holdings owns six diverse and independent operating companies: Leighton Contractors, Thiess, Leighton International, John Holland, Leighton Asia and Leighton Properties. These operating companies provide development, construction, contract mining, and operation and maintenance services to the infrastructure, resources and property markets. They operate in more than 20 countries throughout Australia, Asia and the Middle East from headquarters in Australia, Hong Kong, Kuala Lumpur and Dubai. These operating companies directly employ around 45,340 employees and each function autonomously with its own Board and Managing Director.