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28 February 2006

Company Announcements Office
Australian Stock Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

Re: Open Briefing by CEO on Half Year Result and the Outlook

Please find attached for lodgement a Corporate File Open Briefing with Mr Wal King, CEO of Leighton Holdings Limited.

Yours faithfully,
LEIGHTON HOLDINGS LIMITED

ASHLEY MOIR
Company Secretary

**Attention ASX Company Announcements Platform
Lodgement of Open Briefing®**



Leighton Holdings Limited



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Date of lodgement: 28-Feb-2006

Title: Open Briefing®. Leighton Holdings. CEO on Outlook

Record of interview:

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Leighton Holdings Limited reported Group profit after tax of \$118.1 million for the first half ended December 2005, up 25 percent from \$94.6 million in the previous corresponding period. Total revenue was \$4.7 billion, up 34 percent. What were the main drivers of this performance?

CEO Wal King

The main drivers were our engineering and infrastructure business and our mining and resources business. That's also reflected in our uncompleted work in hand. We anticipate these same areas will be key drivers of the Group over the next two to three years, albeit the other parts of our business are important from the point of view of diversity.

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You've indicated you expect profit after tax for the full year ending June 2006 to be up by 15 percent versus the \$215 million AIFRS adjusted total for 2005. Previous guidance had been for earnings growth of about 10 percent. The new guidance implies year-on-year earnings growth will slow in the second half. Is this indicative of slower growth and therefore of the Group's growth prospects for 2007 and beyond, or are there other factors that will impact the first half/second half earnings split?

CEO Wal King

You can read too much into these six-month growth numbers. We don't believe growth is about to slow dramatically and we're very confident we'll achieve the 15 percent growth forecast for this year. More importantly, we expect to maintain return on shareholders' funds of around 25 percent after tax.

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In the first half, the Group's pre-tax profit margin fell to 3.5 percent from 3.8 percent in the corresponding period, continuing the trend of recent years. What's the outlook for margins?

CEO Wal King

We're a much more diverse company now with a different mix of earnings. We've increased our involvement in operations and maintenance, and that's more sustainable over the long term, although it carries lower margins. Looking forward, we expect margins to be better than 3.5 percent in the longer term.

We're much more focused on return on shareholders' funds and dividends, and believe we can maintain around 25 percent return on equity.

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At the end of December 2005, Leighton had work in hand of \$14.8 billion, down 4 percent from June 2005 and a decline of 1 percent compared with a year earlier. New contracts, extensions and variations totalled \$4.1 billion, down 25 percent from the previous corresponding period. What's the outlook for work in hand in the near term? Will maintenance of work in hand at current levels depend on the Group winning major new infrastructure projects?

CEO Wal King

Work comes through now in very large chunks because of the number and sheer size of large projects. But at the same time we're burning off work at a rate of around \$800 million per month. The \$14.8 billion of work in hand doesn't include a number of contracts we've won since the end of December or the \$1.6 billion of work in hand brought in when we acquired Henry Walker Eltin (HWE) in February.

We believe we'll continue to win a substantial number of the major infrastructure projects being planned in Australia, some of which are very large indeed. We also have some very long-term mining and waste management contracts that are booked on a five-year period, but there's a number of billions of dollars of work in hand associated with them sitting beyond the five year period, and some of that drops in to boost our work in hand each year. We believe the work in hand figure can be maintained somewhere around \$15 billion.

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Compared with a year earlier, the Group's work in hand is more heavily weighted toward mining and resources, which accounted for 39 percent of the total, up from 35 percent. With the acquisition of the HWE contract mining assets this exposure has increased. How do you assess the risk posed by the increased dependence on

mining and resources, particularly in relation to the Group's exposure to demand from China?

CEO Wal King

We have in place a whole series of financial strategies that mitigate the risk, particularly in terms of plant and equipment ownership. The exposure we have is foremost in our minds and in the absolutely unlikely event that demand came off suddenly, we have a lot of protection in place. We think in the next two or three years there's little likelihood this will happen.

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What's the expected impact of the HWE acquisition on Leighton's profit margins and given the greater capital intensity of mining work, what will be the impact on your capex requirements going forward?

CEO Wal King

HWE is a great acquisition for us and we're in the process of integrating the business. I don't want to comment further on HWE until the integration is complete. Obviously our capital expenditure requirements are getting heavier but we're handling that by relying on other forms of financing that are non-recourse to the company, i.e. operating leases, to mitigate our risk in the event of any downturn.

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The market remains concerned about the possible impact of materials price and labour cost increases on Leighton's contracting margins. To what extent is your current work in hand covered by cost escalators?

CEO Wal King

Some contracts are "firm price" and some are covered by escalation formulas, which are generally fully protected. When we're awarded firm basis contracts we buy the contract out as soon as possible, i.e. we buy all the required materials in advance and when we can't buy them immediately, for example with fuel, we'll use options to hedge against any price increase. Labour costs are generally factored in, and with wage increases of say 5 or 6 percent per annum in the current economic environment, it's not a show stopper; it's not like the 1970s when labour costs were increasing at 20 percent per annum.

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You've indicated the Group recognised a loss on its Perth to Mandurah Rail Link (PMRL) contract in the first half? Can you quantify the loss and comment on the project in light of the more rigorous project risk management practices introduced by the Group following the Spencer Street Station and Sydney Hilton project losses in 2004?

CEO Wal King

The PMRL contract is worth \$400 million in total and Leighton Contractors' share of the joint venture is worth \$220 million or 55 percent. It was won some years ago, before the more stringent risk management procedures we now have in place.

The project was more than 60 percent complete as of the end of December and obviously the closer you are to completion, the greater the confidence you have about the ultimate financial outcome. We're not disclosing the loss provided for in our results but we don't see any additional material exposure going forward.

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As of the end of December, the Group's work in hand in Asia stood at \$3.4 billion down 4 percent from a year earlier. You've recently established an office in India and a mining services joint venture in China. Is this an indication that you're having to tap new, higher risk markets to maintain work flow? What's your strategy in Asia?

CEO Wal King

Going into India and China is entirely consistent with the strategy we've had in place for many years of diversification by geography, products and delivery systems. We anticipate a number of opportunities in the mining markets of both India and China going forward given the forecasts of the ongoing development of those markets. We're expanding across Asia in a controlled fashion and don't see any substantial increase in business risk.

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In view of BIS Shrapnel's forecasts that 2007 would be the peak for the Australian construction market, how do you intend to manage the downturn in the cycle? What are your expectations for Group earnings as activity levels come off?

CEO Wal King

BIS Shrapnel only looks at the traditional construction market and doesn't take into account our other strong areas such as Asia, mining, and the operations and maintenance business. The building market's important to us but it's not overwhelming. Our strategy of expansion by geography, products and delivery systems produces a diversity that should mitigate the impact of a downturn in any one segment like the Australian building market.

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At the end of December 2005, Leighton had net cash of \$506.5 million down 12 percent versus six months earlier. What's the outlook for cash at the end of June 2006 and what appetite does the Group have for further acquisitions as a means to offset any impact on earnings from a construction downturn?

CEO Wal King

We aim to maintain a strong financial position. It gives us the fire power to take on big projects and to finance plant and equipment or participate in privatised projects. We've been able to absorb the "black hole" of the Spencer Street project without damaging the balance sheet. Currently we have over \$500 million of cash available to fund working capital, as well as to invest in future growth, and we'll continue to look at further acquisitions, both in Australia and overseas.

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Leighton announced a 50 percent franked interim dividend of 25 cents per share, versus 20 cents previously. What's the outlook for dividends and franking for the full year?

CEO Wal King

The full year dividend is likely to be up in a similar order to our earnings, and should remain 50 percent franked. Subject to our earnings profile, we'll move back to a fully franked dividend in the longer term.

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Thank you Wal.

For more information about Leighton Holdings, please visit www.leighton.com.au or call Justin Grogan on (+61 2) 9925 6628

For previous Open Briefings by Leighton Holdings, or to receive future Open Briefings by e-mail, please visit www.corporatefile.com.au

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