Leighton Holdings

6 November 2008

Address to Shareholders

A Presentation to the 47th Annual General Meeting of Leighton Holdings Limited by the Chairman, Mr. David Mortimer AO.

Introduction

On behalf of the Board of Directors, I am pleased to report that your Company has recorded another strong year in 2007/08 with excellent returns for shareholders.

Financial Highlights

The year's record result was based on good contributions from a number of large construction projects in Australia and the Gulf, another solid property development performance and the contract mining of iron ore and coal in Australia and Indonesia.

Highlights for the 2008 financial year include:

- Total revenue, including joint ventures, of $14.5 billion - up by 22%.
- Work in hand at 30 June of $30.3 billion - up 44%.
- Profit after tax was an all time record $608 million - up by 35%.
- Dividends were 145 cents per share - up by 32%.
- The Group's balance sheet was further enhanced with shareholders' funds growing to $1.48 billion - up by 10%, and the gross cash position was a healthy $687 million.
- Return on total equity was 41 % and averaged 43% over the year versus 37% last year

I would now like to turn to the Group's operations.

Australia/Pacific Operations

The Australia/Pacific operations contributed $530 million of profit before tax (up 3%) from revenue of $12.4 billion in the 2008 financial year. Work in hand was up 31% to $22.8 billion.

Infrastructure was the single largest Australian market contributing revenue of $7.6 billion in 2008, up 16% while work in hand was up 22% to $11.2 billion as at

30 June 2008. Road, water and rail projects remained the major sources of infrastructure revenue and a good source of new work.

Major infrastructure projects awarded included the $1bn Sydney desalination project, the $625m Sugarloaf water pipeline project in Victoria, the $552m Ipswich Motorway Upgrade in Brisbane and the $490m Ballina Bypass in New South Wales.

Since 30 June, Thiess John Holland has been awarded the $4bn Airport Link project in Brisbane which includes a 6.7 kilometre multi lane toll road.

New resources related contracts includes the Tarong, Sonoma and Lake Vermont coal mines in Queensland. Significant extensions were also awarded at the Yandi and Area C iron ore mines in Western Australia, the South Walker Creek coal mine in Queensland and the Challenger gold mine in South Australia.

In Australia, new property construction work included a $336m office tower in Brisbane and a number of defence related projects.

Asian and Gulf Operations

The Group's operations in Asia and the Gulf region reported an improved profit before tax of $346 million in the financial year 2008, up from $65 million in the previous period, from revenue of $2.2 billion.

A major highlight of the year, which I discussed at the last AGM, was the acquisition of a 45% stake in Al Habtoor Engineering, one of the leading construction contractors in the Gulf region. The investment, which provided a substantial boost to our presence in the region, is going very well and the business is performing ahead of the acquisition plan for profit and work in hand.

The result included a gain on the sale of the Group's Gulf Leighton operations into Al Habtoor Engineering which off set write-downs on Australian investments in Connector Motorways, RiverCity Motorway, ConnectEast and JF Infrastructure.

Work in hand in Asia and the Gulf was up by 107% to $7.5 billion as at 30 June 2008, mainly in the Gulf region. Major new infrastructure projects included a $812m offshore pipeline project in India and the $609 million Saadiyat Island highway in Abu Dhabi, awarded to the Al Habtoor Leighton Group.

A major extension was awarded to Leighton International at the MSJ coal mine in Indonesia. Thiess was awarded the Group's first major resources project in India, worth $1 billion over 20 years, to develop mine infrastructure and also operate an open cut coal mine.

Major new property related work for the Al Habtoor Leighton Group in the Gulf included a number of new projects in Qatar, in Abu Dhabi, such as the $344 million Paris Sorbonne University and in Dubai, such as the new $826m Trump Tower.

Returns to shareholders

I would now like to comment on dividends, returns to shareholders and wealth creation which is an interesting topic given the recent turmoil in the financial markets.

At Leighton, we measure returns to shareholders using Total Shareholder Return (TSR), which is composed of the dividends we pay and share price appreciation.

Directors increased the final dividend to 85 cents per share, a 31% increase over the prior period's 65 cents per share. This dividend was fully franked and paid to shareholders on 30 September 2008.

When added to the 50% franked interim dividend of 60 cents per share paid on 31 March 2008, the total dividend for the year rose by 32% to 145 cents per share. This dividend resulted in a payout ratio of 66%, which is in line with the Board's policy to pay out between 60% and 70% of profits as dividends.

This year's TSR to 30 June 2008 was 27% and over a ten year period our TSR has averaged 32% per annum. This means that $1,000 invested in your Company 10 years ago would be worth $16,059 today.

This year, we reported a return on shareholders funds of 41%, placing us 9th in the top 100 largest listed Australian companies. This sort of return on shareholders funds places us in the very top league of contractors anywhere in the world.

These are results that shareholders should be very pleased with.

I recognise however that the Company's share price has declined substantially in recent months. I understand this is very disappointing to shareholders and I share your concern. I do however believe that the current price does not reflect our strengths and outlook, and I trust that the market will correct in the near future to more accurately reflect the true value of the business.

Governance and the Board

The Company has always tried to be at the forefront of corporate governance. We published our first Statement of Corporate Governance Practices in the 2003 Annual Report. This year, we have decided to adopt ahead of time the ASX Corporate Governance Council's revised version of the ASX Governance Principles.

The Council recognises that corporate governance is the framework of rules, relationships, systems and processes within, and by which, authority is exercised and controlled in corporations. It encompasses the mechanisms by which companies, and those in control, are held to account. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised.

There is no single model of good corporate governance. Corporate governance practices will evolve in light of the changing circumstances of a company and must be tailored to meet those circumstances.

This year's Corporate Governance Report outlines Leighton's main corporate governance practices under the 8 core principles of the Council and reports against the Council's recommendations. The Report is available on the Company's website at www.leighton.com.au

Central to corporate governance are the Directors of your company. This year we have again seen some changes to the Board.

On behalf of the Board I would like to thank Dr Hans-Peter Keitel for his valuable contribution to the Company over the last 15 years. Dr Keitel resigned having been a Non-executive Director since 1992 and serving with distinction as Deputy Chairman from November 1998 until May 2007.

The Board is pleased to announce that Dr Keitel's position on the Board has been filled by Dr Burkhard Lohr, who is CFO at HOCHTIEF AG and a member of that Company's Executive Board.

I also note that Mr Martin Albrecht retires as a Director at the conclusion of the meeting after 7 years of service. Martin has a total of 32 years of service with the Leighton Group, serving as Managing Director of Thiess for 15 of those and we thank him for his great contribution over many years.

I would also like to thank my colleagues on the Board for their counsel, support and contribution.

Company management

The Board remains keenly focused on ensuring that we have the right management team in place. A team that is well equipped to lead your Company into the future.

We have been active this year in terms of succession planning and have a very strong executive team in place. Leighton Asia has been restructured and I'm pleased to note that Mr Hamish Tyrwhitt has assumed the role of Managing Director from 1 January 2008. This follows the decision by Mr Joe Dujmovic to step down for health and personal reasons. Hamish has 25 years of industry experience, more than 20 of those working for the Leighton Group and I congratulate him on his appointment.

The Group has a depth of management that is unparalleled in the Australian contracting market and is the envy of many of our international peers. And we have around 40,000 direct employees who are the strength of the Company. Your Company's excellent financial results are again a credit to the company's management and its hard working employees.

The Board has confidence that the Leighton Group's inimitable culture is deeply embedded and that there is a formidable team of people in place to continue driving the Group forward.

Our people

Which leads me to our people, without doubt the Company's greatest asset.

As a contractor, the Leighton Group's business is all about people. Anyone with adequate capital can buy an excavator, a tunnel boring machine or crane, but that doesn't mean that you are guaranteed a return from that equipment. It's the driver, the supervisor, the project manager, the executive, all acting in concert, that generates the return.

We believe in rewarding the performance of our people. In keeping with that belief and recognising their contribution, the Board has again approved a free issue of $1,000 worth of Leighton shares to employees with more than three years of service. It is intended that these shares will be bought on market and therefore the issue will not have a dilutionary impact on existing shareholders.

Workplace Safety

At Leighton, because we value our people we care deeply about their welfare. Overall, I believe the Leighton group does an excellent job at managing safety. Our performance measures have improved significantly over time. However the Board deeply regrets to report that six workplace fatalities occurred on Group operating company projects or joint ventures during the year. Five of the fatalities were in our international operations and one was in Australia.

Every incident has been thoroughly investigated and the incident reported to the Board of Leighton Holdings. In each case the relevant operating companies have endeavoured to understand the causes of the incident and have reviewed their processes and procedures to ensure that they have in place occupational health and safety policies that seek to eliminate the risk of future incidents.

Each operating company reports on a quarterly basis to the Ethics and Compliance Committee of Leighton Holdings on their policies, systems, processes and safety outcomes. The operating companies are also expected to demonstrate continuous improvement through a cycle of performance review, audit and operational change.

There is evidence that these processes and protocols are having a positive impact of safety outcomes, with our Group-wide Injury Severity Rate improving by 16% during the last year. I can assure shareholders and all of our people that this Board remains absolutely committed to achieving “best practice” standards in health and safety within Group Company operations.

Let me now turn to the outlook and to our current position.

Conclusion

The last year - and particularly the recent months - have been a most extraordinary period. Share markets have collapsed, iconic firms have failed or been taken over, banks have been semi-nationalised, credit has dried up and Governments are fighting to restore confidence.

Despite all of these events the Leighton Group’s underlying position remains sound.

In September, we successfully completed our $700 million Entitlement Offer and I thank shareholders for their support in participating in that 1 for 14 offer. The funds will primarily invested in plant and equipment to grow the Group’s contract mining activities.

We also completed a US$280 million private debt placement. We’ve successfully finalised increases in our working capital facilities and increased our bonding. All of these measures substantially boosted our already strong financial position. As such, I believe the Company is extremely well placed to weather any more financial turmoil, if it occurs.

Even though there is considerable uncertainty in the stock and credit markets the financial year has started well for the Company.

Operating revenue for the first quarter to 30 September 2008 was $4.1 billion, up 32%. Work in hand at 30 September stood at $35.3 billion, up 17% since 30 June.

Our core operating businesses remain strong and the Group has generated an operating profit after tax (unaudited) of $105 million, an increase of 7% on the prior first quarter.

The first quarter results have been negatively impacted by the deterioration in listed asset values. We also expect the profit result for the 2008/09 half year to be similar to the previous period, after taking into account current asset pricing.

However we still expect an increase in revenue for the 2009 financial year of around 15% and an increase in net profit after tax for the 2009 financial year of 15%. The net result is of course subject to the vagaries of the market and the impact that could have on asset values.

The current market does not appreciate the strength of our forward order book and our own positive outlook. Whilst it is beyond our control I do hope the markets will begin to correct in the near future and that our share price will properly reflect the strong fundamentals of the Group’s businesses.

The Group’s longer term outlook is positive based on a record level of work in hand, a strong position in its core markets, continued growth in those core markets and the implementation of a range of strategic initiatives to underpin long term growth. While we expect there will be some short term impacts from the recent credit crunch, the fundamentals for Leighton remain very sound.

Infrastructure investment is forecast to stay at historically high levels fuelled by existing funding commitments from the Federal and State Governments. Spending on transport and water projects in the capital cities and on a number of major hospitals will provide a solid base for increased activity levels. We anticipate spending will be boosted by the bringing forward of many national infrastructure projects by the Federal Government.

The resources market is expected to remain strong for the Group driven by international demand for iron ore and coal, particularly from China and the rest of Asia which is urbanising and industrialising at an unprecedented rate. Export volumes are likely to continue to expand and increased work in hand, from new work awarded to the Group over the last 12 months, should see contract mining revenues grow.

Property fundamentals remain sound however credit tightening is having an effect on investor confidence and activity levels are therefore expected to slow in 2009.

The Group’s Asian markets should continue to grow. Fuelled by oil and natural gas revenues, the Gulf is enjoying a construction boom which should continue to offer the Al Habtoor Leighton Group numerous opportunities. We expect that there will be some cooling in the Dubai property market but the region still offers significant work.

Indonesia’s wealth of resources and proximity to Asia make it a natural supplier to Asia and this supports the Group’s outlook for contract mining.

In India, both Leighton International and Thiess have substantially increased their workloads which positions the Group well in the coming years. Hong Kong and Macau have a reasonable level of work but expect to see more infrastructure and building investment over the next few years.

We are confident that 2009 will be another exciting year for the Group. While it will be a more difficult environment that we operate in, we have the fundamentals in place both domestically and internationally, and we're well poised for growth in 2009 and beyond. We've got the strategy, the structure, the financial resources and the people in place to facilitate the continued growth of your Company.

In closing this address, I would again like to thank all of our shareholders for their continued support during the 2007/08 year. It has been an excellent year in terms of the Company's financial results. A year that shareholders can be proud of.