

5 November 2009

Address to Shareholders

A presentation to the 48th 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 a successful financial year in 2008/2009 despite so much turbulence brought on by the global financial crisis.

Financial Highlights

The year's results, while below our initial expectations for profit, were solid.

Highlights for the financial year include:

- Total revenue, including joint ventures and associates, of \$18.3 billion - up by 26%.
- Work in hand at 30 June of \$37 billion - up by 22%.
- Profit after tax was \$440 million - down by 28% but still the Group's third largest profit.
- Dividends of 115 cents per share - down by 21%, with a payout ratio of 78% of the Group's reported net profit after tax.
- The Group's balance sheet remains strong with total equity of \$2.3 billion following the successful completion of the \$700 million entitlement offer. I thank shareholders for their support in participating in that 1 for 14 offer. These funds have primarily been invested in plant and equipment to grow the Group's contract mining activities.
- Our average return on equity was 23% placing the Group 28th on the list of top 100 listed Australian companies by market capitalisation.

Asset Impairments

I would like to turn now to the impact this year on our financial result of asset impairments taken on the Group's investments in listed toll roads and related entities.

For over a decade, the Group has taken investment stakes in infrastructure projects. Investing equity in projects can be a value creating strategy if applied carefully and can facilitate the securing of construction projects. These investments also allow our operating companies to have a 'seat at the table' with their clients, thereby helping to mitigate potential issues or conflicts.

Some projects, such as Sydney's M5, Eastern Distributor and M7, have proven very successful. However the latest generation of projects, like the ConnectEast Motorway in Victoria, and the RiverCity Motorway and Airport Link in Queensland, have been developed as listed companies in their own right and the Group has taken some significant losses on its investment stakes. Over the last year, the global financial crisis has exacerbated some of the inherent weaknesses of the listed infrastructure sector and this has been reflected in the poor share price performance of those investments.

The Group remains committed to taking stakes in selected infrastructure projects but on a much more risk adverse basis. Future investments will be tightly limited in terms of overall dollars and percentage commitment.

The Group has also recognised losses on its strategic investments in the listed companies Devine and Macmahon. While disappointing, we believe that both of these investments have strategic value to the Group.

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

Australia/Pacific Operations

The Australia/Pacific operations contributed \$471 million of profit before tax - down 11% - from revenue of \$14.4 billion in the 2009 financial year. This profit contribution was impacted by the asset impairments. Work in hand increased by 9% to \$25 billion.

The order book was boosted by the award of some major projects in Australia including the \$4.1 billion Airport Link Project in Brisbane and the \$722 million Royal North Shore Hospital in Sydney. Since 30 June, the AquaSure consortium, which includes Thiess, has been awarded a \$3.5 billion concession to develop the Victorian Desalination plant.

New iron ore and coal mining contracts or extensions were awarded in Queensland, New South Wales and Western Australia. The Group's companies were also awarded more than \$1 billion for works at the Gorgon LNG Project in Western Australia.

While property development and building work has been significantly impacted by the global financial crisis, the Company is continuing to develop a number of longer-term projects.

Asian and Middle East Operations

The Group's operations in Asia and the Middle East reported a profit before tax of \$256 million in the 2009 financial year from revenue of \$3.9 billion. The profit is down from last year's \$346 million which included a non-operating profit from the sale of the Group's Gulf Leighton operations into Al Habtoor Engineering. Work in hand increased by 60% to \$12.1 billion as at June 2009.

New infrastructure work included a major rail project in Malaysia, the construction of new sewerage tunnels in Hong Kong, installation of an offshore oil pipeline in India and, in July, the construction of on-shore port facilities in Abu Dhabi.

New mining contracts or extensions were awarded in Indonesia and the Group has commenced its first project in Mongolia.

New building work included the \$3 billion Dubai Pearl, which will be the world's largest building on completion, a number of new projects in Abu Dhabi, an IT Park in Chennai, India and the development of a new resort in Thailand.

Returns to shareholders

The Board is absolutely committed to the generation of value for shareholders. Our measure of value creation is Total Shareholder Return (TSR), which is a function of the dividends we pay and share price appreciation.

This year, the Board has elected to pay a final dividend of 55 cents bringing the total dividends for the year to 115 cents per share. While a reduction on last year's dividend of 145 cents per share, this represents a payout ratio of 78%, broadly in line with the practice of paying out between 60–70% of profits after tax.

Your Board believes it is important to maintain a balance between the Company's dividends and retained earnings, recognising that the desires of shareholders must be weighed against the funding needs of the business and our long term growth opportunities. And we remain positive about those long term opportunities.

Our share price has declined substantially - as have many others - over the last year which has impacted the TSR. This year's TSR is down by 50% but over a ten year period our TSR has averaged 20% per annum. This means that \$1,000 invested in your Company 10 years ago would be worth \$6,192 today.

Ernst & Young recently calculated that over a three year period from 15 December 2006 to 18 September 2009, Leighton earned a Total Shareholder Return (TSR) of 101.2%. This placed us third on the list of top 100 ASX listed companies during that period.

Whilst shareholders may be disappointed in the fall of our share price over the last twelve months, the superior performance over the last 3 years and the steep recovery this year is clear confirmation that the Company remains well placed. We expect to continue to provide good returns to shareholders in the future.

Governance and the Board

The Company remains committed to best practice corporate governance and has always sought to be at the forefront by continually seeking ways to improve its performance in what is an ever evolving area. We continue to report under the ASX Corporate Governance Council's Corporate Governance Principals and Recommendations. I am pleased to announce that this year we were awarded a distinguished achievement award for governance reporting in the Australasian Reporting Awards.

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 and on pages 18 to 26 of the 2009 Concise Annual Report.

On behalf of the Board, I would like to thank Martin Albrecht who has retired after seven years of service as a Director and, prior to that, served as Managing Director of Thiess Pty Ltd for 15 years. Martin has made a valuable contribution to the growth and prosperity of the Company during his 32 years of service with the Leighton Group.

We are pleased to welcome Wayne Osborn as a Director of the Company. Wayne was formerly Chairman and Managing Director of Alcoa of Australia Ltd and has served as a Director of Thiess since 2005.

In addition, Karl Reinitzhuber has been appointed as an Alternate Director to Peter Noé.

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

Company management

The Board is confident that your Company is well managed and it remains our responsibility to ensure that continues. We have an experienced and tested management team in place which has seen Leighton come through the global financial crisis in better shape than many of its peers.

Succession planning remains a key focus and this year a number of changes were made to further enhance the senior management of the company.

David Stewart, formerly Managing Director of the John Holland Group, was appointed as an additional Chief Operating Officer for Leighton Holdings, effective 1 July 2009.

Glenn Palin, Chief Operating Officer – Construction within the John Holland Group, was appointed Managing Director of that company, effective 1 July 2009.

Laurie Voyer, formerly Deputy Managing Director of Leighton Contractors, has relocated to Dubai as Managing Director of the Habtoor Leighton Group and has been appointed an Associated Director of the Company. Laurie has replaced David Savage who will be returning from the Middle East to take up a role within Leighton Holdings.

The Company is pleased that Peter Gregg, formerly a non executive Director of Leighton Holdings, has been appointed Chief Financial Officer following the resignation of Scott Charlton. Peter brings extensive Australian and international financial experience to the role. He was formerly Chief Financial Officer and a member of the Board of Directors of Qantas Airways Limited.

I congratulate all of these executives on their appointments.

The Directors also wish to acknowledge Scott's contribution to the Company over the past 6 years. During this time the Group has tripled in size and has successfully come through the global financial crisis. Scott has played a critical role in both contributing to this growth and ensuring that the Company's financial position remained strong.

The Board has agreed to amend Wal King's current employment contract to provide flexibility to extend his employment term beyond 30 June 2010, largely on the same contractual terms.

With executive remuneration a topical subject, you will note that the Board has, at its discretion, elected to pay Mr King a short term bonus this year. This reflects his role in successfully steering the company through an extremely turbulent year brought on by the global financial crisis. Despite this, Wal's total remuneration was down considerably when compared with the previous year.

The overriding objective of the Company's remuneration framework is that it provides executives with appropriate motivation for high performance. The framework aligns executive remuneration with achievement of strategic objectives and the creation of value for shareholders. Appropriately, this year executives have seen substantial reductions in their 'at risk' remuneration reflecting the performance of the Company.

I will address this issue in greater detail when we come to vote on the Remuneration Report.

Our people

Our people have faced a tough year in 2009, tougher than many would have ever experienced. Most have worked longer hours and contributed over and above what was

expected of them. Unfortunately we have had some people leave the Group as we restructured to suit the economic times.

To all of our 39,327 direct employees, all of our sub-contractors, all of those in associated companies and all of those people who have left our employment, I thank each of you on behalf of the Board for your efforts. You have done a sterling job this year.

As I mentioned earlier, we believe in motivating and 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

In discussing our people I cannot avoid the difficult issue of safety, particularly fatalities.

This year has been a tragic period with ten deaths reported within Group Company operations, four in Australia and six in India.

Despite the massive efforts being put into safety, and notwithstanding the steady improvement in the measures of safety performance, serious injuries and fatalities continue. For the families and workmates of killed and injured workers the situation is devastating and the Board expresses its deepest sympathy to all those impacted by these events.

Any fatality is one too many and the Board and management remain absolutely committed to providing a safe and healthy workplace wherever our people operate.

The circumstances surrounding each of the fatalities have been thoroughly investigated by the relevant operating companies. Operational procedures have been revised where appropriate and we are working collaboratively with clients to improve workplace practices.

The Board supports all of the initiatives being undertaken and believes there is the will and commitment at every level - from senior management to the individual employee - to reducing the incidence of severe and fatal accidents.

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

Conclusion

The last year has certainly been eventful. In my time in business I cannot think of a more volatile period. However the Leighton Group has – as we promised last year – a sound

foundation from which it will build. And in that context the 2010 financial year has started well for the Company.

Work in hand at 30 September stood at \$38.2 billion, up 3% since 30 June. Total revenue for the first quarter to 30 September 2009 was \$4.5 billion, up 10%.

Our core operating businesses remain strong and the Group has generated a profit after tax (unaudited) of \$131 million, an increase of 25% on the prior first quarter.

The Company's record level of work in hand will ensure a steady operating profit in 2010 before the Group returns to growth in 2011. Substantial government spending on infrastructure – across both Australia and Asia, demand for resources fuelled by the economic growth of China, and an eventual recovery in the property market augurs well for the Group's longer term prospects. In Wal's address to shareholders he will detail some of the many opportunities that the Group expects to pursue in the future.

In closing this address, I wish to again thank all of our shareholders for their continued support during the extremely turbulent 2009 financial year. We value your support and trust that after holding firm through challenging times you can again benefit from Company's positive outlook.