

ASX ANNOUNCEMENT: 05 March 2010**CFO on Outlook**

Open Briefing with CFO Peter Gregg

Leighton Holdings Limited
Level 5
472 Pacific Highway
St Leonards NSW 2065**In this Open Briefing[®], CFO Peter Gregg discusses:**

- Confidence in full-year 2010 NPAT guidance of over \$600 million
- Strong growth prospects in diverse markets
- Balance sheet strength supports resilience in potentially volatile economic conditions

Open Briefing interview:**openbriefing.com**

Leighton Holdings Limited reported net profit after tax (NPAT) of \$289 million for the first half ended 31 December 2009, up 160 percent from \$111 million in the previous corresponding period (which included \$239 million of pre-tax investment write-downs). NPAT margin for the period was 3.2 percent, while the profit before tax margin was 4.3 percent, up from 4.2 percent. For the full year you expect NPAT in excess of \$600 million on revenue of \$19 billion, implying NPAT and NPAT margin in the current second half will hold around the level of the first half. What assumptions underlie this forecast and what is the expected trend in margins going forward?

CFO Peter Gregg

We remain confident about those figures and that we'll maintain margins at these levels. We have clear visibility through most of our projects: we review their performance quarterly and have just completed one of those reviews. That gives us confidence about the full-year NPAT figure, unless something outside our vision occurs.

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As at the end of December 2009, Leighton had work in hand of \$38.4 billion, up 2 percent from December 2008. New contracts, extensions and variations totalled \$11.7 billion, down from a record \$14.1 billion in the previous corresponding period. What is the outlook for work in hand in the nearer term in light of still relatively tight credit conditions and subdued economic indicators in some of your markets?

CFO Peter Gregg

We're seeing continuing underlying growth in our work in hand, which we expect will be in the vicinity of \$40 billion to \$42 billion by the end of June. It's worth noting that compared with the previous December, the Australian dollar moving from US\$0.81 to US\$0.90 had a \$1.5 billion negative impact on the work in hand balance. At constant exchange rates the balance would have been even stronger. Given the impact of the global financial crisis, work in hand really has held up very well and we are seeing plenty of opportunities.

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The forecast NPAT for the current year is flat compared with the 2009 result, before investment write-downs. You've previously indicated that you expect to return to earnings growth in 2011. Given the pace of new work has slowed, do you remain confident about this future growth? What will be the main growth drivers?

CFO Peter Gregg

Looking at the first half, NPAT was flat but on a constant currency basis, it would have been \$11 million higher, so there's some underlying strength.

Our confidence in the medium term outlook stems from the momentum we see building in the business, particularly in mining and infrastructure construction. We also see potentially strong upside in newer businesses such as Nextgen Networks, which has recently been awarded over \$450 million worth of contracts under the Federal Government's National Broadband Network (NBN) roll-out.

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With the first half result announcement Leighton has provided profit information by Group company for the first time, revealing a relative shift in profit contributions, with stronger earnings in Thiess and John Holland, the main contributors to pre-tax profit, offset by falls in earnings in most of the other companies. How do you expect the relative profit contributions to trend over the medium term?

CFO Peter Gregg

We'd expect that trend to continue through the rest of this fiscal year, because a lot of the projects are in place and some major ones are coming to completion between now and June. Thiess is in a particularly strong position because it's done a lot of work to reduce overheads and margins are improving. John Holland has been strong but it's got some work to do to maintain that. Leighton Contractors' result was flat year on year after adjusting for a one-off FX gain of \$49 million due to the unwinding of some hedges for the purchase of equipment. However we expect a stronger result in the second half.

It's also worth mentioning Leighton Asia, which is based in Hong Kong, because it's had a strong turn-around in profitability. We expect that trend to accelerate given the work the business is bidding on and the new work likely to come through in the region, particularly infrastructure in Hong Kong and contract mining in Mongolia.

At the other end of the spectrum, the Leighton International result of \$5.2 million, down from \$87.6 million, reflected the transition of the Indonesian business to Leighton Asia, so the year on year comparison isn't valid. Leighton International met budget but AI Habtoor was below budget mainly because of the performance of Dubai, whose problems are well known. We believe we're getting towards the back-end of those problems and AI Habtoor

Leighton is now beginning to bid for more work in Abu Dhabi, Saudi Arabia and other Middle East markets where we're seeing strong growth over the coming years.

The property market in Australia continues to be difficult, and Leighton Properties' \$18 million loss reflected this. We anticipate this market to remain subdued for the remainder of 2010, but we expect to see Leighton Properties returning to limited profitability in 2011.

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Leighton invested US\$870 million for a 45 percent stake in the Al Habtoor business in 2007. What is the outlook for returns on this investment and are you facing a potential write-down of its carrying value?

CFO Peter Gregg

No, we're not facing a write-down of the carrying value. Our discounted cash flow analysis of the business reflects risk-adjusted assumptions about the work it is undertaking and the work it will win over the coming period based on the bidding that's occurring now. While Leighton Al Habtoor has faced difficulties, we remain extremely confident about the future success of the business and its growth.

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As at the end of December Leighton had total debt (including limited recourse facilities) of \$1.6 billion, up 24 percent compared with the end of June. You also issued \$280 million of medium term notes, completed a \$670 million syndicated performance bond facility and increased undrawn cash facilities and guarantees by 50 percent to \$1.6 billion. Given a potentially slow short-term economic environment, how do you expect to deploy these funds? Is the balance sheet potentially over-resourced?

CFO Peter Gregg

In our view the balance sheet is properly resourced given the circumstances we've been in and the potential for more volatility in the financial markets as we go forward. Clearly we've come through one of the most difficult financial downturns since the Great Depression. We've come through that better than most as evidenced by our results. Our performance reflects in part the diversity of our markets and the strength of our operating companies, but also the strength of our balance sheet. We see a strong balance sheet as imperative to provide flexibility to allow this business to grow and survive in any circumstances.

Regarding the recent raisings, the \$280 million term notes refinanced a piece of maturing debt. The \$670 million syndicated bond facility allows us to increase our work in hand as we bid for more construction projects, and provides security to clients.

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Leighton had cash and cash equivalents of \$901 million as at the end of December 2009, up from \$665 million six months earlier. What do you see as the appropriate level of cash for the current scale of the Group?

CFO Peter Gregg

It comes down to the financial circumstances you find yourself in. We always need to have a substantial level of cash to cover our working capital needs, paying wages, suppliers etc. In a more volatile environment you want to keep as much cash as you can available for

circumstances that might develop. We're comfortable with our current cash position and we expect those numbers to hold through to the end of the fiscal year.

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Leighton began mining operations in Mongolia in 2009 and as at the end of December 2009 Mongolian operations represented 6 percent of work in hand in your Asia and Middle East segment. What level of growth are you expecting in the Mongolian operations? What do you see as the main risks of operating in the country and how are you seeking to mitigate them?

CFO Peter Gregg

Mongolia has vast natural resources and is also very close to one of the biggest growth markets in the world being China. Through Leighton Asia, we've been able to tap into coal mining in that region. We now have a second mine under development in Mongolia, the Khushuut coal mine, and are building a railway line between the UHG coal mine and the Chinese border.

We believe there are a number of potential opportunities to grow our work in hand in Mongolia. The Mongolian government just announced it will be opening up a new coal reserve at Toven Tolgoi and has indicated it would prefer contract miners to operate it rather than award a concession for its development. That puts us in a strong position if and when that project comes to market.

We take a number of measures to analyse and mitigate risk and do a lot of analysis of country risk. We also structure our contracts so we have confidence in being paid for services provided, and we believe we have adequate processes with the Central Bank of Mongolia for repatriating funds out of the country. The clients we work with in Mongolia are local clients but we believe counter-party risks are low: our experience has been nothing but positive in terms of payment.

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Revenue from the resources segment represented 29 percent of total revenue in the first half. You've allocated significant levels of investment to contract mining activities in Australia, Indonesia and other parts of Asia. Do you expect a greater proportion of your revenue to come from the resources sector in future? In light of the recent volatility in the resources industry, what is your ability to adjust the level of capital invested in the segment?

CFO Peter Gregg

We don't expect to see a significant increase in the proportion of revenue coming from resources. However, there's a significant stream of work coming for the provision of infrastructure to natural gas facilities such as Woodside's Pluto B site north-west of Karratha and the Devil Creek project. We're doing \$1.9 billion worth of work on the Gorgon Gas Project - our share is approximately \$1.3 billion - and would hope to get work on the Browse project as it gets underway. Beyond these projects there are many billions of dollars worth of work likely to go forward in the North-West of Western Australia, in Papua New Guinea, and in Queensland with coal seam methane.

In terms of mitigating our risk in resources, that comes down to the contracts we sign and managing our capital requirements against the revenues that will be earned through those contracts.

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Leighton announced a fully franked interim dividend of 65 cents per share. This compares with 60 cents per share fully franked for the previous corresponding period and represents a payout ratio of 67 percent compared with a payout ratio of 56 percent of full year underlying profit in 2009. Given the balance sheet strength, is there scope to increase the payout ratio going forward?

CFO Peter Gregg

If you look at the first half last year, the payout ratio was quite high once you took out the investment impairment charges. Dividend policy is a matter for the Board, but historically Leighton has paid out between 60 and 70 percent of NPAT as dividends. From a management perspective, we see the dividend per share growing, as it did at the half year, in line with the growth in profitability of the business.

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Thank you Peter.

For more information on Leighton Holdings, visit www.leighton.com.au or call Matt Sullivan, Manager Investor Relations on (+61 2) 9925 6121

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