Leighton Holdings

ASX/Media Release

23 October 2014 **Leighton reports Q3 UNPAT up 21% and gearing at 33.7%**

Leighton Holdings Limited today announced its unaudited results for the nine months to 30 September 2014.

Executive Chairman and Chief Executive Officer, Mr Marcelino Fernández Verdes, said: "The Leighton Group produced a strong result in the third quarter. Underlying net profit after tax[1] (UNPAT) of $470 million was up 21% from $389 million in the previous corresponding period. With revenue broadly stable at $17.8 billion, the UNPAT margin expanded from 2.2% to 2.6%."

Reported net profit after tax (NPAT) of $430 million also compared favourably with the same period in 2013, when NPAT of $444 million included a one-off gain of $115 million from the sale of 70% of the Group's telecommunications assets.

Mr Fernández Verdes said: "Looking at the balance sheet and cash flow, it is very pleasing to note that gearing[2] has continued its positive trend this year, reducing from 38.5% in March to 37.1% in June and to 33.7% in September. This is also a significant reduction on the gearing of 39.4% as at September 2013.

"A comparison with 2013 highlights the improvement in our operating cash flow. Net debt, including operating leases, has reduced by $302 million in quarter three 2014, whereas, in the same quarter in 2013, it increased by $158 million, representing a relative improvement of $460 million.

"In quarter three 2014, the net debt reduction was driven by operating cash inflow, reduced capital expenditure and the collection of receivables, with payables remaining stable.

"We are delivering on one of the cornerstones of the Strategic Review, with a steady and sustainable improvement in our net debt and working capital positions. We aim to deliver further improvements by the year-end.

"The restructuring of the Leighton Group businesses, announced in June this year, is on track for substantial completion by the end of the year. Simplified, standardised IT systems are expected to be introduced in 2015.

"The exploration of divestment and partnering opportunities for the Services, Properties and John Holland businesses is also well progressed. If successful in the process, the proceeds will be used to further reduce gearing and strengthen the balance sheet, and to finance future growth particularly in PPPs."

At 30 September 2014, work in hand was $37.7 billion, in line with the balance at 30 June 2014. During the quarter, Leighton retained a strong market position, particularly in construction and mining in Australia, and in the Group's selected markets in Asia, the Middle East and Africa.

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[1] Underlying NPAT is NPAT adjusted for non-underlying items including gains or losses on sale, impairments and restructuring costs – refer Appendix 2.
[2] Gearing is expressed as the ratio of net debt and operating leases to net debt, operating leases and shareholder equity.

Mr Fernández Verdes said: “Within Australia, a significant overhaul of infrastructure is underway, with governments and the private sector investing in new projects and upgrading existing facilities. Much of the work is occurring in sectors where Leighton has extensive experience, and this is translating into significant contract wins for the Group.”

Awards during the quarter included the operations, trains and systems package for the North West Rail Link in Sydney, of which the Group’s share is worth around $2 billion; the NZ$1 billion Transmission Gully Motorway development, of which the Group’s share is worth around A$740 million; and the Ravenhall Prison project in Victoria, of which the Group’s share is worth $650 million.

During the quarter, Leighton also pre-qualified to tender on government-sponsored infrastructure projects, including Stage 1B of the WestConnex road project in New South Wales, which has an estimated value of $11 billion in total, and the Toowoomba Second Range Crossing in Queensland, which has an expected value of $1.5 billion.

Subject to market conditions, unforeseen circumstances and the outcomes of the Strategic Review, Leighton reiterates its market guidance to deliver UNPAT in the range of $540 million to $620 million and gearing in the range of 20% to 35% by 31 December 2014.

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LEIGHTON HOLDINGS LIMITED, founded in Australia in 1949, is the parent company of the Leighton Group, one of the world’s leading international contractors. The Group is also the world’s largest contract miner. Listed on the Australian Stock Exchange since 1962, Leighton Holdings has its head office in Sydney, Australia. The Group provides development, engineering, construction, contract mining, and operation and maintenance services to the infrastructure, resources and property markets. It operates in more than 20 countries throughout the Asia Pacific, the Middle East and Southern Africa. The Group directly employed approximately 49,800 people, as at 30 September 2014.

APPENDIX 1

KEY FEATURES OF THE PROFIT OR LOSS

Unaudited	9 months to 30 September 2014	9 months to 30 September 2013	Percentage change
	$m	**$m**	**%**
Revenue - Group	16,561.4	16,431.4	1%
- Joint Ventures and Associates	1,223.1	1,422.6	(14)%
Total Revenue	**17,784.5**	**17,854.0**	**-**
EBIT	798.0	804.7	(1)%
Profit before tax	**642.1**	**619.1**	**4%**
Income tax	(212.1)	(210.7)	(1)%
Loss attributable to non-controlling interests	0.2	35.3	n/a
NPAT (Profit after tax attributable to members)	**430.2**	**443.7**	**(3)%**
Of which – UNPAT [1]	**469.8**	**388.7**	**21%**
– Non-underlying items after tax	**(39.6)**	**55.0**	**n/a**
Net margin (UNPAT to total revenue)	2.6%	2.2%	n/a

APPENDIX 2

REPORTED TO UNDERLYING NPAT RECONCILIATION

Unaudited	9 months to 30 September 2014			
	PBT	**Tax**	**Minorities**	**NPAT**
	$m	**$m**	**$m**	**$m**
Reported	642.1	(212.1)	0.2	**430.2**
Plus:				
Restructuring costs	51.3	(15.5)	-	**35.8**
Impairments	5.5	(1.7)	-	**3.8**
Underlying	698.9	(229.3)	0.2	**469.8**

Unaudited	9 months to 30 September 2013			
	PBT	**Tax**	**Minorities**	**NPAT**
	$m	**$m**	**$m**	**$m**
Reported	619.1	(210.7)	35.3	**443.7**
Less:				
Gain on Telco sale	(215.0)	100.0	-	**(115.0)**
Plus:				
Restructuring costs	19.0	(6.0)	-	**13.0**
Impairments	99.3	(24.3)	(28.0)	**47.0**
Underlying	522.4	(141.0)	7.3	**388.7**

APPENDIX 3

KEY FEATURES OF THE BALANCE SHEET AND GEARING

Unaudited	As at 30 September 2014	As at 30 June 2014	As at 30 March 2014	As at 30 September 2013
Balance Sheet information	**$m**	**$m**	**$m**	**$m**
Total assets	11,979.0	12,341.5	11,995.7	12,141.2
Total liabilities	8,717.6	9,026.0	8,780.1	9,127.1
Net assets	**3,261.4**	**3,315.5**	**3,215.6**	**3,014.1**
Net debt	949.8	1,207.6	1,128.5	1,486.2
Operating leases	706.0	750.0	881.0	473.0[3]
Net debt (including operating leases)	**1,655.8**	**1,957.6**	**2,009.5**	**1,959.2**
Gearing	33.7%	37.1%	38.5%	39.4%
	$m	**$m**	**$m**	**$m**
Capital Expenditure	547.5	442.1	184.0	739.0

[3] The increase from September 2013 to December 2013 of approximately $0.5 billion was due to the creation of FleetCo and the conversion of certain finance leases into operating leases. Subsequently the operating leases have been amortised.