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9 March 2011

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

Listing Rule 3.17

Further to the release of the Company's Half Yearly Report to 31 December 2010 to the Australian Securities Exchange on 14 February 2011, please find attached a copy of our Second Quarter Update Report 10/11 containing highlights from the Half Yearly Report and various feature articles. This report is now in a printed format and will be mailed to shareholders today.

Yours faithfully,

A. J. MOIR
Company Secretary

Q2

LEIGHTON HOLDINGS LIMITED

SECOND QUARTER UPDATE 10/11

Leighton Holdings Limited is the parent company of one of the world's major project development and contracting organisations. The Group's companies provide construction, mining and operation and maintenance services to the infrastructure, resources and property markets. The Group is the world's largest contract miner and its companies are active in Australia, Asia and the Middle East region.

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The Leighton Group has reported a disappointing result for the half year recording a profit attributable to members of $217m, down 25% for the 6 months to December 2010 versus $289m last year. Gains from the sale of 35% of Leighton India were overshadowed by ongoing difficult conditions in Middle East construction and Australian property markets; cost overruns at the Airport Link project in Queensland; wet weather in Queensland and Indonesia; and the high value of the Australian dollar. For the 2010/11 financial year, the Group expects to report full year revenue of almost $20bn and net profit of around $480m after tax. The final result and full year dividend are however subject to market and operating conditions, including weather, for the remainder of this financial year. Beyond 2011, the Group remains well placed with a record level of work in hand, a strong balance sheet and a solid outlook for its core markets. At 31 December, the Group's work in hand reached a new high of $45.6bn with a record $16.1bn worth of new work, extensions and variations awarded during the period. Australian infrastructure and resources, as well as most of Asia, are continuing to grow and Australian property and the Middle East have bottomed. This positive outlook should continue to support the longer term outlook for the Group.

WELCOME TO Q2

Senakin Coal Mine
Thiess
Indonesia

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587
LEIGHTON
CATERPILLAR
LEIGHTON
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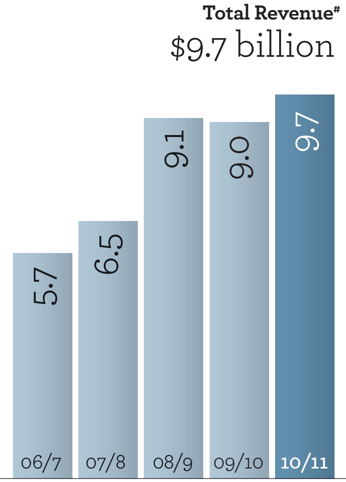
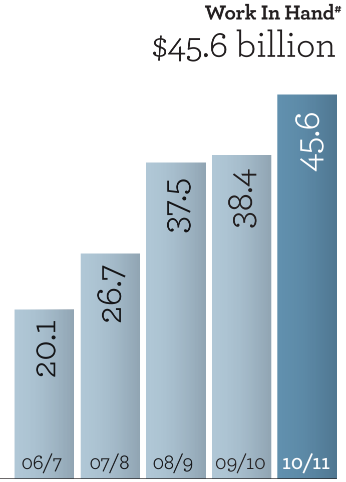
Q2 FINANCIAL HIGHLIGHTS

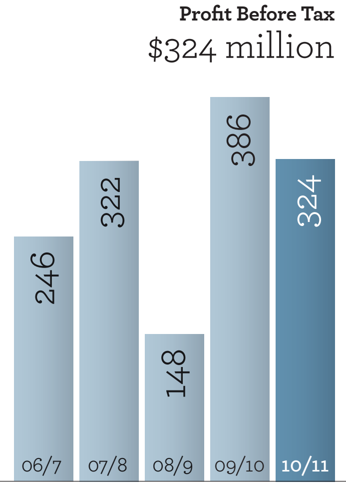
	31 Dec 2010 $'000	31 Dec 2009 $'000	% Change
Revenue – Group	**7,370,539**	7,029,888	5%
– Joint Ventures and Associates	**2,338,541**	1,982,381	18%
Total Revenue#	**9,709,080**	9,012,269	8%
New Contracts, Extensions & Variations	**16,053,823**	11,741,612	37%
Value of Work in Hand#	**45,641,461**	38,434,469	19%
Profit Before Tax	**324,492**	385,731	(16%)
Income Tax Expense	**(106,241)**	(97,024)	9%
Profit After Tax	**218,251**	288,707	(24%)
Profit Attributable to Minority Interests	**(1,547)**	175	
Profit Attributable to Members	**216,704**	288,882	(25%)
Earnings per Ordinary Share	**72.0¢**	96.9¢	(26%)
Dividends per Ordinary Share	**60.0¢**	65.0¢	(8%)

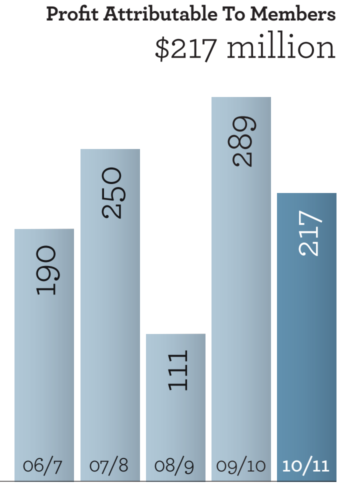
	31 Dec 2010 $'000	30 June 2010 $'000	% Change
Total Capital and Reserves	**2,421,012**	2,568,142	(6%)
Total Assets	**8,316,873**	8,765,874	(5%)
Cash and Cash Equivalents	**1,167,500**	1,313,716	(11%)
Interest Bearing Liabilities	**1,693,388**	1,670,367	1%
Undrawn Facilities and Guarantees	**1,293,818**	1,318,619	(2%)

Includes the Group's share of Joint Ventures and Associates









NEWS AND MEDIA RELEASES

5 OCTOBER 2010

HLG SECURES AED1BN PROJECT AT KPIZ IN ABU DHABI
The Al Habtoor Leighton Group secured a new project worth AED1.04Bn (A$285M) as part of the Khalifa Port and Industrial Zone in Abu Dhabi for the Abu Dhabi Ports Company. The project, known as KPIZ Industrial Zone A Infrastructure Central and South, will commence immediately and is due for completion in September 2012.

6 OCTOBER 2010

CHANGE TO THE BOARD OF LEIGHTON HOLDINGS
Leighton Holdings Limited announced that former executive and long serving Director, Mr Dieter Adamsas, would retire as a Director of the Company at the conclusion of the upcoming Annual General Meeting.

LEIGHTON ASIA SECURES ROLE IN JOINT VENTURE TO DELIVER A$660M HONG KONG SLUDGE TREATMENT FACILITY
Leighton Asia, in a joint venture with John Holland and Veolia Water SCL, secured a role in the design, construction, testing and commissioning of a new A$660M sludge treatment facility in Hong Kong. Leighton Asia and John Holland will deliver vital sludge incineration works in the construction phase of a contract valued at A$660M.

7 OCTOBER 2010

JOHN HOLLAND TO DELIVER A$348M MINING SERVICES CONTRACT IN QUEENSLAND
John Holland was awarded a A$348M contract for the provision of mining services to the 'Plains' pit of the Jellinbah Coal Mine. Mining production under the four year agreement with Jellinbah Mining Pty Ltd will commence in April 2011, with early engagement beginning immediately to ensure a smooth transition of services.

8 OCTOBER 2010

LEIGHTON ASIA HAS SECURED A RENEWED A$170M CONTRACT TO INCREASE PRODUCTION AT THE MASBATE GOLD MINE IN THE PHILIPPINES.
CGA Mining Limited has requested Leighton Asia to expand the production capacity at its Masbate gold mine in the Philippines.

13 OCTOBER 2010

LEIGHTON PROPERTIES CONTINUES MAJOR SPONSORSHIP OF THE GREEN BUILDING COUNCIL OF AUSTRALIA
Leighton Properties is proud to continue its association with the Green Building Council of Australia, signing up as major corporate sponsor for the fourth year in a row. The GBCA's mandate to develop a sustainable property industry in Australia, is closely aligned with Leighton Properties' vision of developing sustainable building renowned for their quality and timelessness.

18 OCTOBER 2010

LEIGHTON APPLIES TO ASIC FOR PROTECTION OF MINORITY SHAREHOLDERS
Leighton Holdings lodged a submission with the Australian Securities and Investments Commission to protect the interests of its minority shareholders in response to Spanish company Actividades des Construcción y Servicios' bid to takeover Leighton's major shareholder, Hochtief AG (Hochtief).

21 OCTOBER 2010

THIESS SERVICES SECURES FIVE YEAR CONTRACT WITH ENERGEX
South East Queensland electricity provider Energex has renewed a contract with Thiess Services to provide network construction and maintenance works under a five year agreement valued at up to $100M.

ASIC REJECTS FOLLOW ON BID FOR LEIGHTON
The Australian Securities and Investments Commission advised Leighton Holdings that it had made a decision not to grant the relief sought in Hochtief's application in relation to the proposed takeover bid by Spanish company for Hochtief.

25 OCTOBER 2010

LEIGHTON APPLIES TO TAKEOVERS PANEL
Leighton Holdings announced that it was making an application to the Takeovers Panel seeking a declaration of unacceptable circumstances and consequent orders in relation to the proposed takeover bid by Spanish company Actividades des Construcción y Servicios' for Hochtief AG (Hochtief).

LEIGHTON OFFSHORE AWARDED $US733M IRAQ CRUDE OIL EXPORT FACILITY PROJECT
Leighton Offshore announced the signing of an Engineering, Procurement and Construction contract with Iraq's South Oil Company to install three single point moorings and 120 kilometres of 48- inch pipelines in the Arabian Gulf, offshore Iraq.

26 OCTOBER 2010

LEIGHTON CONTRACTORS TO DELIVER HILLS M2 MOTORWAY UPGRADE
Leighton Contractors was appointed by Transurban Group as the principal contractor for the design and construction of the A$550M upgrade of the Hills M2 motorway in North West Sydney.

2 NOVEMBER 2010

SA RAIL PROJECT ON TRACK TO CONNECT FUTURE COMMUNITIES

A Thiess McConnel Dowell Joint Venture was awarded the contract to build South Australia's vital rail link connecting Seaford to Adelaide. This critical SA government transport project has a total value of A$291M.

LEIGHTON OPERATING PROFIT EXPECTED TO BE OFFSET BY INDIAN SALE

Leighton Holdings announced that for the 2010/11 financial year the Company expects to report revenue of around A$20Bn and an operating profit after tax of around $510M.

3 NOVEMBER 2010

A NEW A$1B HEART SET TO BEAT FOR IPSWICH

Leighton Properties welcomed its nomination by Ipswich City Properties' as preferred developer for the Ipswich City Centre revitalisation. The potential award of this project reinforces Leighton Properties' position as an Australian property industry leader.

4 NOVEMBER 2010

LEIGHTON AGM MARKS CAREER OF WAL KING, WELCOMES DAVID STEWART AS NEW CEO

At Leighton Holdings' 49th Annual General Meeting, Chairman, Mr David Mortimer, AO, reported that the Company had recorded another successful financial year in 2009/2010. Mr Mortimer also noted the recent management changes with the appointment of David Stewart to take over as Chief Executive Officer following the decision of Wal King, AM, to retire after nearly 24 years as CEO.

8 NOVEMBER 2010

JOHN HOLLAND SECURES ROLE IN JV TO CONSTRUCT A$812M SUPERWAY

John Holland, as part of the Urban Superway Joint Venture with Macmahon and Leed Engineering, was awarded the North-South Transport Corridor contract to construct South Australia's A$812M South Road Superway. John Holland expects revenue of approximately A$230M from its share in the project.

PANEL ACCEPTS ACS' CONFIRMATION OF LEIGHTON'S INDEPENDENCE AND DECLINES TO CONDUCT PROCEEDINGS

Leighton Holdings noted the announcement by the Takeovers Panel that it will not conduct proceedings on the application by Leighton relating to the proposed offer for Hochtief by ACS.

12 NOVEMBER 2010

LEIGHTON CONTRACTORS ALLIANCE AWARDED CONTRACT FOR THE GREAT EASTERN HIGHWAY UPGRADE PROJECT

An alliance between Leighton Contractors, NRW Holdings and GHD was awarded the contract for stage one of a A$225M (Leighton Contractors' share A$131M) Great Eastern Highway upgrade for Main Roads Western Australia.

23 NOVEMBER 2010

LEIGHTON CONTRACTORS AWARDED A$159M DAWSON MINE CONTRACT

Leighton Contractors was awarded a two-year mining services contract worth $159M at Dawson Mine by Anglo American Metallurgical Coal Pty Ltd.

29 NOVEMBER 2010

LEIGHTON AGREES TO ENSHRINE GOVERNANCE ARRANGEMENTS WITH ACS

Leighton Holdings announced that it had concluded discussions with ACS in relation to a governance framework to protect the interests of the Company's minority shareholders should ACS acquire control of Leighton's major shareholder, Hochtief.

2 DECEMBER 2010

THIESS SECURES A$5.5BN INDIAN COAL PROJECT

Australia's leading mining contractor Thiess won a landmark A$5.5Bn mine development and coal mining contract in India.

3 DECEMBER 2010

JOHN HOLLAND PREFERRED PROPONENT FOR NSW COUNTRY REGIONAL NETWORK

John Holland announced it has been selected as the Preferred Proponent for the management of the A$1.5Bn (over 10 years) Country Regional Network by the NSW Government's Country Rail Infrastructure Authority.

7 DECEMBER 2010

JOHN HOLLAND TO DELIVER WORKS FOR THE SOUTH WEST RAIL LINK PROJECT

John Holland was awarded the contract to deliver works between Glenfield South and Leppington in Sydney for the South West Rail Link project by the New South Wales Government's Transport Construction Authority. The design and construct contract is valued at approximately A$550M.

13 DECEMBER 2010

LEIGHTON CONTRACTORS CONSORTIUM SELECTED AS PREFERRED PROPONENT FOR NEW ROYAL ADELAIDE HOSPITAL PPP PROJECT

The South Australian Government announced the selection of the SA Health Partnership – a consortium comprising Leighton Contractors, Hansen Yuncken, Macquarie Capital Group and Spotless – as preferred proponent to deliver the new Royal Adelaide Hospital.

16 DECEMBER 2010

THIESS AWARDED A$1BN EXTENSION TO MT OWEN COAL MINE

Thiess was awarded a A$1Bn contract extension to operate the Mt Owen Coal Mine in the Upper Hunter Valley. The new agreement with Xstrata Coal runs from October 2011 until the end of 2015 and includes an option to extend by a further 6 months.

20 DECEMBER 2010

JOHN HOLLAND AWARDED ENHANCED LAND FORCE STAGE 2 WORKS IN SINGLETON

John Holland was awarded the contract to deliver the Enhanced Land Force Stage 2 Works at the Singleton Army Base in NSW by the Australian Department of Defence. The construct only contract is valued at approximately A$110M.

23 DECEMBER 2010

LEIGHTON FINALISES CONTRACT WITH NEW CEO, DAVID STEWART

The Board of Leighton Holdings Limited advised that it had finalised the terms of an employment contract with incoming Chief Executive Officer, Mr David Stewart.

APPOINTMENT TO THE BOARD OF LEIGHTON

The Board of Leighton Holdings Limited is pleased to advise that Mr Peter Gregg, currently Chief Financial Officer, has been appointed an Executive Director of the Company.

24 DECEMBER 2010

JOHN HOLLAND TO DESIGN AND CONSTRUCT NEW ALBANY HEALTH CAMPUS IN WESTERN AUSTRALIA

John Holland was awarded the Stage Two Contract for the design and construction of the new Albany Health Campus in Western Australia. The contract is valued at approximately A$152M.

29 DECEMBER 2010

LEIGHTON ENTERS AGREEMENT TO SELL STRATEGIC STAKE IN INDIAN BUSINESS TO WELSPUN CORP

Leighton Holdings announced that its subsidiary Leighton International had entered into an agreement to sell a strategic 35% stake in its Indian operations to Welspun Corp Limited, a leading diversified Indian conglomerate, for approximately US$104M.

PRESENTING THE HALF YEAR RESULT

New CEO, David Stewart and CFO, Peter Gregg, presented the Leighton Group's financial results for the Half Year to 31 December 2010 to media and financial analysts on Monday 14 February. Their well received presentation was webcast and is available for viewing on the Company's website at www.leighton.com.au

DECEMBER QUARTERLY RESULT

Chief Executive, Mr David Stewart, said this was a disappointing result but the Company was facing up to the challenges in the business and addressing these head on.

Financial Performance
The directors are disappointed to report that the Group's net profit after tax and minority interests for the half year was down by 25% to $217 million versus $289 million last year. Gains from the sale of 35% of our Indian business and the formation of a joint venture entity with Welspun were overshadowed by ongoing difficult conditions in Middle East construction and Australian property markets; cost overruns at the Airport Link project in Queensland and the high value of the Australian dollar.

At 31 December the Group's work in hand reached a outstanding level of $45.6 billion with a record $16.1 billion worth of new work, extensions and variations during the period.

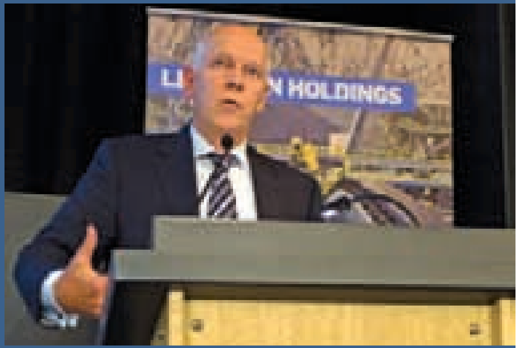
The work in hand is 10% higher than the $41.5 billion reported at 30 June 2010 and 19% higher than the $38.4 billion reported at 31 December 2009. The value of work in hand was negatively impacted by approximately $2.2 billion due to the strong Australian currency. Long term, the Group has some $10 billion worth of work extending beyond the 5 year period.

Since December we have won $2.5 billion in new contracts and, in addition, the Group currently has approximately $4 billion in contracts where it is in a preferred position. The Group also has over $8 billion worth of work which are highly likely to be awarded in the next 12 months.

In the Middle East, a slowing in the amount of new work won and delays in receiving payment for work done has impacted trading results. These difficult conditions resulted in an operating loss of $58 million and a pre-tax impairment of $100 million to the carrying value of the Group's 45% investment in the Habtoor Leighton Group.

Total Group revenue, including joint ventures and associates, was up 8% to $9.7 billion versus $9.0 billion last year. Revenue from joint ventures and associates increased by 18% to $2.3 billion due primarily to the ramp up of the Victorian Desalination Project.

The profit impact from the Queensland floods and excessive wet weather in Indonesia in the period to 31 December 2010 was approximately $40 million and, combined with other major wet »



weather events in the second half, is expected to impact on the Group's full year results by some $100 million for the full year.

During the period, the Australian dollar continued to rise against the US dollar. The average rate used at 31 December 2010 was 100 cents compared with 90 cents in the previous corresponding period and 85 cents at 30 June 2010. On an equivalent exchange rate basis total revenue would have been $180 million higher.

The Group's work in hand comprises 70% in Australia and the Pacific and 30% from other offshore markets. Major construction projects awarded included an $814 million contract at the Gorgon LNG development in Western Australia, the $757 million Hunter Expressway in New South Wales, and a US$733 million offshore Crude Oil Export Facility project in Iraq.

New mining work in Asia included a further $700 million extension at the UHG coal mine in Mongolia and a $5.5 billion, 22-year contract ($877 million over next 5 years) for mining operations at the Pakri Bawardih coal mine in India.

Services work remained at high levels with two 5-year maintenance contracts for electricity distribution networks in Queensland secured during the period.

The Group has significant tendering opportunities across all the business units. The preferred positions includes the Royal Adelaide Hospital PPP project, management of the NSW Country Link Regional Rail Network, and the Group's three Australian construction companies are separately shortlisted for the next stage of the $4.3 billion Regional Rail Link development in Victoria.

The Group's cash flow remained strong with some $830 million earned from operating activities, a substantial increase on the previous half. Net cash from operating activities was similar to the previous period at $527 million.

The Group continues to maintain a strong capital base. After asset sales and impairments, shareholders' equity was $2.4 billion, gross cash was almost $1.2 billion and available long and short term debt facilities were $725 million. Gearing, including off balance sheet leases, was steady at 39% and the Group retains sufficient capacity within its funding covenants.

The Group's major revenue-generating markets were infrastructure $5.6 billion, resources $3.4 billion and property $751 million. The Group's major activities in these markets were construction $6.1 billion, contract mining $2.5 billion and services $994 million.

A fully franked interim dividend of 60 cents per share (65 cents per share fully franked last half year) was announced by directors.

Governance

On 1 January 2011, David Stewart became CEO and a Director of Leighton Holdings Limited following the retirement of Wal King from the position and from the board. Peter Gregg, CFO, was re-appointed to the board of Leighton Holdings Limited on 23 December 2011.

During the period, the Group's 54.5% shareholder, HOCHTIEF AG, was subject to a takeover offer by Actividades de Construccion Servicios SA (ACS). On 3 February 2011, ACS announced that it had secured the necessary 30% threshold under the terms of the offer and would proceed to increase its shareholding above 50% through on-market purchases. ACS has provided Leighton Holdings with a formal undertaking which has been released to the market.

Safety

For the rolling 12 months to 31 December 2010, the Group's Total Recordable Injury Frequency Rate (TRIFR) per million man-hours worked improved from 17.1 to 15.5 in Australia and declined from 2.9 to 3.1 in our offshore operations. The Group's Lost Time Injury Severity Rate (LTISR) per million man-hours worked improved from 36.9 to 25.7 in Australia, and from 50.9 to 36.4 in our offshore operations.

Despite these generally improved statistics, and a reduction in Class 1 incidents, Directors regret to report that two fatalities occurred during the period; one in Australia and one in our offshore operations. These incidents have been fully investigated by the relevant operating companies and the Board remains committed to working with management to achieve real and sustained improvement in the Group's performance in this critical area.

RMANCE

Demand for our construction, mining and operation & maintenance services is growing. Leighton has a record $45.6bn of work in hand and most of our major markets – Australian infrastructure & resources, and most of Asia – are very positive.

The Group reported an operating result before tax for the period of $324 million, down 16% on the previous year operating result of $386 million before tax. In Australia, the operating result was adversely impacted by reduced profitability from the Airport Link project, the slower recovery of the property market, and unfavourable weather conditions in Queensland and Victoria.

In offshore markets, strong contributions from Hong Kong, and Mongolia were offset by difficult conditions in the Middle East which showed little improvement and severe wet weather in Indonesia. The overall result from our international operations was reduced by the strength of the Australian dollar.

Thiess

With the exception of the Airport Link project, Thiess' performance was generally strong across construction, services and contract mining operations. Bad weather in Indonesia and Victoria and the unprecedented flooding in Queensland adversely impacted projects. Further unseasonal heavy rains and flood events in the second half will impact full year earnings.

Thiess earned a segment result for the half year to 31 December 2010 of $101 million, down 40% from December 2009 due to weather and Airport Link. The result was earned from revenue of $3.6 billion, up 12.5% (versus $3.2 billion in the comparable half).

Thiess' work in hand rose by 1% to $16.2 billion at December 2010 versus $16.1 billion at 31 December 2009. In addition, Thiess has work in hand beyond 5 years of $6 billion from Services and mining. »

Satui Coal Mine
Thiess
Indonesia

OPERATIONAL PERFOR

OPERATIONAL PERFORMANCE
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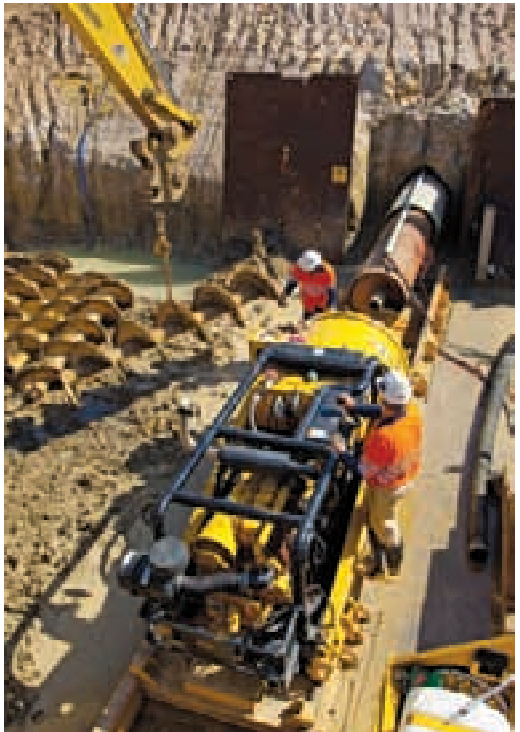
'us' Utility Services Alliance
Thiess Services
Victoria, Australia



The $4.2 billion Thiess John Holland Airport Link project experienced access, design and engineering difficulties that increased the projected cost at completion. This was the main contributor to the reduced profit guidance announced in November 2010. The JV intends to pursue claims with respect to these increased costs and delays.

In November 2010, the eastern bridge of the Airport Flyover opened to traffic a year earlier than planned, easing congestion in the airport precinct. The western end is due to open in early 2011. The project is now almost 70% complete and on track for completion in mid-2012.

The other major project being undertaken by Thiess, the $3.5 billion Victorian Desalination Plant, progressed well despite poor weather conditions and a brief industrial dispute. This complex project remains on schedule with construction, testing and handover on a tight timetable for completion by the end of 2011.

Economic and social infrastructure continues to be a significant part of Thiess' portfolio. The design and construction contract for the Hunter Expressway alliance in New South Wales was finalised at $757 million and work has now commenced on the 13.3km stretch of four-lane divided highway. Good progress was made on the $558 million M80 Ring Road upgrade in Victoria and a new $217 million contract was awarded to the Thiess McConnell Dowell JV to construct the Seaford to Adelaide rail link in South Australia. The Abigroup Thiess JV was also shortlisted for the Deer Park to West Werribee section of the $4.3 billion Regional Rail Link project in Victoria.

Despite recent heavy rainfall in Queensland and other parts of the country, the need to manage relatively scarce water resources remains a high priority. Thiess was awarded a $105 million contract to upgrade the Goodna Water Reclamation Plant in Ipswich and the $311 million Hinze Dam stage 3 project near the Gold Coast reached practical completion.

Mining operations generally performed up to expectations and a number of new contracts were secured in Australia and offshore.

In the health sector, the Royal North Shore Hospital redevelopment in Sydney made rapid progress and is now more than 38% complete. Work on the $93 million Townsville Hospital Expansion remains on track.

Construction continued on the $123 million King George Central building, a 27-storey office tower at 145 Ann Street in Brisbane's CBD for Leighton Properties and the $374 million Lotus Glen correctional centre at Mareeba, Queensland.

The provision of resources related infrastructure continues to generate a good level of opportunities. In January 2011, Thiess secured a $136 million contract for early works for QGC's Coal Stream Gas upstream infrastructure in the Surat Basin in Queensland. In Western Australia, good progress was made on the site preparation contract for the Gorgon LNG project and the construction of the Gorgon Village on Barrow Island for Chevron Australia.

Mining operations generally performed up to expectations and a number of new contracts were secured in Australia and offshore. In Australia, Thiess secured a $1 billion extension to the Mt Owen Coal Mine in New South Wales for Xstrata and, post reporting period, was awarded a $1.3 billion, 6-year extension at the Burton Coal Mine in Queensland by Peabody Energy.

In Indonesia, unseasonal heavy rains in the last few months affected production of coal which has had an adverse financial impact.

In India, the 90% owned Thiess Minecs JV won a landmark $5.5 billion, 22-year mine development and coal mining contract from NTPC, the nation's largest electricity generator. The first stage, a $67 million infrastructure contract, is underway with planning, and mining revenue over the first 5 years is expected to be over $800 million.

Thiess Services made another solid contribution with continued good performances on the Hunter River Remediation Project in New South Wales for BHP Billiton and the South East Water alliance in Victoria. New work won includes network construction and maintenance services contracts with Ergon Energy and Energex in Queensland.

Leighton Contractors

Infrastructure, contract mining and telecommunications were the main drivers of revenue and profit for Leighton Contractors to December 2010. All divisions produced a solid first half and work in hand rose to record levels.

Leighton Contractors earned a strong segment result of $128 million before tax for the half year, up 15% (versus $111 million in the half to December 2009). Revenue has increased by 7% from $2.7 billion to $2.9 billion. Leighton Contractors' work in hand rose by 39% to $12.3 billion as at December 2010 versus $8.8 billion at 31 December 2009.

Leighton Contractors was awarded a number of major highway projects during the period including the $131 million Great Eastern Highway upgrade in Western Australia, the $466 million Hills M2 Motorway upgrade in New South Wales, and a $120 million section of the M80 Ring Road upgrade in Victoria.

In Queensland, work on the Eastern Busway stage 2 proceeded according to program and the $1.7 billion upgrade of the Gateway Bridge neared completion which is expected in mid 2011. In New South Wales, the Ballina and Kempsey Bypasses achieved significant milestones. The duplication of the Pacific Highway between Sapphire and Woolgoolga is scheduled for completion in late 2013.

Although no new rail projects were awarded during the period, Leighton Contractors, in JV with Baulderstone, was shortlisted for the new section of the $4.3 billion Regional Rail Link in Victoria.

In New South Wales, work on the Hunter Valley rail corridor proceeded ahead of program and the Richmond line upgrade was on schedule. The Westall Rail Upgrade in Melbourne's outer suburbs is also proceeding according to program.

The Coal Connect rail project in Queensland's Bowen Basin continued without any major disruptions due to inclement weather. However the RGP5 rail duplication project for BHP Billiton in Western Australia's Pilbara region, »

OPERATIONAL PERFORMANCE
CONTINUED

undertaken in joint venture with Macmahon, proved to be challenging but is substantially complete.

The energy sector continues to offer good opportunities in conventional and renewable forms. Leighton Contractors was awarded an $814 million contract to deliver the civil and underground works package for the Gorgon LNG project in Western Australia, and satisfactory progress was achieved on the $768 million Gorgon jetty and marine structures project.

In Victoria, a consortium comprising Leighton Contractors and Vestas was selected to deliver the $1 billion Macarthur Wind Farm development. Project completion is scheduled for 2013 and the value to Leighton Contractors will be in the order of $290 million.

In December 2010, a Leighton Contractors-led consortium was selected as the preferred proponent for the New Royal Adelaide Hospital. The $1.7 billion state-of-the-art hospital will be delivered as a Public Private Partnership under the State Government's Partnerships SA model. The consortium will undertake the financing, design, construction and operation of the non-clinical services of the hospital for approximately 35 years. Work will commence in 2011 and completion is proposed for 2016.

The global demand for resources remains strong, especially coal and iron ore.

Brisbane remained the largest market for property related building work. Good progress was made on 111 Eagle Street with only minor delays incurred due to the recent floods. The new Science and Technology Precinct and Community Hub Project at the Queensland University of Technology was also relatively unaffected.

Leighton Contractors' Telecommunications Division reported strong operating performances from Nextgen Networks and Visionstream. The $256 million Regional Backbone Blackspots Program which is deploying nearly 6,000km of new backbone broadband infrastructure for regional Australia, is tracking well having completed 3,000km of construction. Opportunities associated with the Federal Government's NBN project, data centre development projects, and a submarine cable from Singapore to Perth are being pursued.

The global demand for resources remains strong, especially coal and iron ore. Volumes from Queensland coal operations were solid considering the high rainfall experienced during the period. A $162 million, 2-year mining contract was awarded by Anglo American at the Dawson Mine in the Bowen Basin. Under the contract, Leighton Contractors will undertake surface mining at the existing pit and a new greenfield operation at Dawson North.

Output from HWE Mining-operated iron ore mines in the Pilbara region of Western Australia increased in line with client expectations. Operations at Yandi, Area C and Orebody 23/25, all BHP Billiton projects, proceeded according to plan.

In New Zealand, work continued on the Newmarket Viaduct and the Manukau Motorway was substantially completed. Performance at the Rotowara and Favona coal mines was in line with expectations.

John Holland

John Holland secured a record level of new work and recorded good performances from all divisions, particularly construction and rail, but the results were impacted by difficulties associated with the Airport Link contract in Brisbane.

John Holland earned a segment result of $20 million for the half year to December 2010, down 82% (versus $109 million in the half to December 2009) from revenue of $1.85 billion, up 4%. John Holland's work in hand increased by 29% to a record high level of $7.1 billion at December 2010 against $5.5 billion at December 2009.

Tunnelling on the Airport Link project continued to be a key focus of the construction program. Currently, over 9,000 metres of tunnels have been excavated, which is around 75% of the total of 12,000 metres. Operations were temporarily suspended in January 2011 during the Brisbane floods, but quickly returned to work. The tunnels did not flood, although above ground operations were disrupted due to surface water.

John Holland reinforced its position as the leading rail contractor in Australia with the award of two major projects in New South Wales. The company was selected as the preferred proponent for the management of the Country Rail Network by the Country Rail Infrastructure Authority. The contract is expected to deliver revenue of approximately $1.5 billion over the next 10 years.

John Holland was also awarded a $530 million design and construction contract for the South West Rail Link between Glenfield South and Leppington in Sydney. Work on the 10.5 km of new track will commence in early 2011 and is expected to be completed in 2015. »

Northern Sewerage Project Stage 2
John Holland
Victoria, Australia

OPERATIONAL PERFORMANCE
CONTINUED

Satui Coal Mine
Thiess
Indonesia

In addition, John Holland in JV with Fulton Hogan and Coleman Rail, was shortlisted on the next section of the $4.3 billion Regional Rail Link project in Victoria. The final contract is expected to be awarded in late 2011.

Construction and maintenance on other rail projects continued to perform well. The $6 billion Metro Trains Melbourne Consortium, which operates and maintains Melbourne's metropolitan passenger train franchise, satisfied all key performance indicators. The Hunter 8 Alliance and the Middlemount Loop projects, both in New South Wales, and the South Morang Rail Extension in Victoria made solid contributions.

John Holland's broad-base of infrastructure and construction expertise helped it secure a range of new projects in ports, water treatment, roads, health and defence. Highlights include a $276 million new port facility in Western Australia; a JV to construct the $545 million North-South Transport Corridor in South Australia; a JV with Leighton Asia and Veolia for the $561 million Hong Kong Sludge Treatment Facility; a $152 million contract to design and construct the New Albany Health Campus in Western Australia; and a $109 million contract for works at the Singleton Army Base in New South Wales.

A number of projects in Melbourne made good progress during the period. Strengthening works on the Westgate Bridge neared completion, while the Melbourne Airport Terminal Expansion and the Northern Sewerage project performed as expected.

In Queensland, the Darra to Springfield contract to deliver road and rail links remained on track despite heavy rains and is expected to be completed in 2011. In Tasmania, work on the new 220KV transmission line at Wadamanna and the Brighton Bypass remained on schedule.

Opportunities in the resources market remain a key focus for John Holland. During the period, the company was awarded a $348 million mining services contract at the Jellinbah Coal Mine and a $148 million contract for mining operations at the Oak Park and Lake Lindsay coal mines in Queensland. Mining operations at the Isaac Plains Coal Mine experienced heavy rainfall. Further heavy rainfall and flooding in Queensland could impact full year contributions from these projects.

In other resources related work, construction of the new alumina refinery processing facilities for Worsley Alumina in Western Australia made good progress as did construction of the onshore processing facilities and pipelines for Apache Energy's Devil Creek Development Project, also in Western Australia.

Leighton Asia

Reflecting the high levels of work in Hong Kong, Indonesia and Mongolia, Leighton Asia made a solid contribution to revenue and profit.

The Hong Kong Government's focus on infrastructure investment is delivering a consistent pipeline of new projects.

Leighton Asia earned a segment result of $32 million for December 2010, down 27% (versus $44 million in the half to December 2009) from revenue of $458 million, which was down 11% (versus $515 million in the comparable half).

Leighton Asia's work in hand rose by 51% to $5.6 billion at December 2010 versus $3.7 billion at 31 December 2009 and the company and has an additional $1.6 billion worth of work beyond 5 years. Much of the gain was due to increased levels on long-term contract mining in Indonesia and Mongolia.

The Hong Kong Government's focus on infrastructure investment is delivering a consistent pipeline of new projects. During the half year, Leighton Asia won its second project on the Guangzhou – Shenzen – Hong Kong Express Rail Line for the MTR Corporation, a $277 million contract to construct the 311m West Kowloon Terminus Approach Tunnel and the 121m Track Fan Tunnel.

Leighton Asia, in JV with Veolia and John Holland, was awarded a $561 million contract for the design, testing and commissioning of a new sludge treatment facility in Hong Kong. This will be the biggest sewage sludge incineration facility ever built and will generate its own energy, being self-sustaining and virtually self-sufficient.

The company also secured a $167 million contract to construct the Central Interchange of the Central to Wanchai Bypass, which continues Leighton Asia's involvement along the Central-Wanchai waterfront, where the company is currently constructing the Central Reclamation Phase III project.

The Ocean Park project reached substantial completion in December and handover of the theme park to the client has been achieved. Construction of the North Lantau Hospital continues in accordance with program.

In Indonesia, the performances on most coal mines remained acceptable with heavy rainfall recorded over the period. Output levels from the Wahana coal mine were a highlight, and operations at the MSJ, Martabe and Toka Tindung mines met expectations.

Mongolia is enduring a particularly harsh winter that presents challenges to the continuous operation of plant and equipment. However, operations remained on track. The UHG coal mine achieved all coal production targets and will continue its ramp up in 2011. The Khushuut coal mine also performed well as did preliminary works at the Ulan Ovoo coal mine.

Construction of a $28 million coal haul road is expected to commence in early 2011 once design and procurement are complete. The US$298 million contract to construct the Ukhaa Khudag to Gashuun Sukhait freight railway in the South Gobi region is also expected to commence physical works in 2011. »

OPERATIONAL PERFORMANCE
CONTINUED

Mining operations at the Masbate gold mine in the Philippines performed well, as did construction of the Zuellig building project where mechanical and electrical plant installation has commenced.

Leighton International
Leighton International reported a segment result of $258 million for the half year to 31 December 2010 (versus $9 million in the previous corresponding period) from revenue of $349 million (versus $279 million in the comparable half). This was boosted by the net gain before tax of $259 million ($202 million after tax) resulting from the sale in December 2010 of 35% of Leighton India to a private company within the Welspun Group; Welspun Infra Projects Pvt Ltd. Bringing a local partner into the business is a strategic move to capitalise on the numerous PPP and infrastructure opportunities that are emerging in India. Welspun also brings significant local market knowledge and its own pipeline of construction work.

Work in hand was $1.4 billion at 31 December 2010 versus $747 million in the comparable half.

Leighton International reported a segment result of $258 million for the half year to 31 December.

In January 2011, agreement was reached to sell the stakes in two Indian toll roads to our equity partner Oriental Structural Engineers. The sale is around our current book value and will free up valuable working capital for the Leighton International and Leighton India operations.

Engineering, procurement and construction of the US$585 million Chenani – Nashri tunnel commenced, as did Season 3 of the US$673 million pipeline replacement project for Oil & Natural Gas Corp. Leighton India also secured two port projects in India with a combined value of US$81 million and work is proceeding to plan. The Ramanujan IT Park, a development project for Tata Realty and Infrastructure, is now more than 50% complete.

During the period, the offshore division secured a US$733 million engineering, procurement and construction contract to install three single point moorings and 120 km of pipeline in the Arabian Gulf off Iraq. The 18 month project has commenced and is making good progress.

In Malaysia, construction of 330km of rail double tracking between Ipoh and Padang Besar continued to perform well and is more than a third complete.

Habtoor Leighton Group
(Leighton 45% share)
Continued difficult trading conditions in the Middle East remained, resulting in a significant loss being recorded for the half year to 31 December 2010.

The Habtoor Leighton Group (HLG) reported an operating loss of $45 million which, after Leighton's carrying costs, resulted in a segment loss of $58 million for the Middle East. The lack of new work and losses on pre-acquisition projects resulted in Leighton Holdings recognising a $100 million pre-tax impairment on its 45% stake in HLG. Additionally, movements in the exchange rate and the operating losses for the period saw the carrying value of this investment reduced to $845 million.

HLG's revenue was $509 million for the half year, down 8% with work in hand at $2.1 billion, down 29%. The award of new projects by clients continues to be slow and protracted.

Although negotiations for outstanding payments on pre-acquisition projects made some progress, no significant payments were received. This resulted in further depletion of working capital over the period. HLG secured additional working capital facilities from the banking sector of US$136 million and was supported by shareholder loans.

Despite difficult trading conditions, Leighton Holdings remains committed to the business and the transformation of HLG into a multi-disciplinary contractor with a broad portfolio of markets and activities.

Bidding activity remained at high levels, but the award of new work continued to be very slow throughout the region. Only two significant new projects were secured during the half – the US$284 million Khalifa Port in Abu Dhabi, and the US$191 million Daman building project in Dubai. In January, the Qusahwira Building and Services package was awarded for $140 million.

In Abu Dhabi, the US$333 million Sorbonne University was handed over to the client on time and the Al Zayed University and the Capital Gate building projects will be completed in the next 6 months. Good progress at the St Regis Resort on Saadiyat Island was achieved. »

Ipoh to Padang Besar
Double Tracking Project
Leighton International
Malaysia

OPERATIONAL PERFORMANCE
CONTINUED

Senakin Coal Mine
Thiess
Indonesia

HLG is building a strong presence in countries surrounding the UAE, including Kuwait where an HLG consortium remains in contention for the US$2.6 billion Subiya Causeway. In Saudi Arabia, the company is completing its first project, the ITCC building, and is bidding on selected opportunities.

The world class US$756 million Al Shaqab equestrian centre in Qatar is nearing completion. The main stadium is larger than the MCG and will become one of the world's premier equestrian facilities.

The 2022 FIFA World Cup in Qatar is a promising development for the region. The World Cup is expected to generate more than US$100 billion worth of investment in infrastructure and building work, which must be completed well before the actual event. The combination of hard deadlines and high volumes of work should help drive demand for contracting services across the region and speed up the award of new work. The pipeline for these projects should begin to flow in 12-18 months time.

Leighton Properties

Leighton Properties recorded a segment loss of $20 million for the half year to 31 December 2010 versus a loss of $18 million to December 2009. The total value of Leighton Properties' portfolio has an approximate end value of $4 billion over the next 5 years.

The Group successfully completed a US$350 million private placement in July 2010.

Property markets in Australia showed signs of recovery by the end of 2010 although sales and development in the industrial and tourism sectors remained weak. The high Australian dollar compared to the US dollar, limited the amount of offshore investment and impacted tourism development.

Commercial office enquiries have improved however and Leighton Properties has secured 2 major tenants for its office development at Parramatta, NSW. The Eclipse Tower at 60 Station St commenced construction in December 2010. It will be a 19 level, 25,000sqm commercial tower targeting a 5 Star Green Star design rating.

Across the residential sector, underlying demand continues to show strength, particularly in apartments, however this is expected to be tempered by rising interest rates and recent natural disasters in Queensland and Victoria. Leighton Properties' sites and residential display suites at Hamilton Harbour and Mosaic at Fortitude Valley were not impacted by floodwaters and pre-sales for these developments are expected to remain solid.

The HQ North Tower in Brisbane is now 100% leased and operating well, with major tenants AECOM and Tech One.

Leighton Properties entered into an agreement with the Ipswich City Council for the development of the Ipswich Town Centre. Leighton Properties was also selected as the preferred developer of the Boggo Road mixed use precinct in Brisbane.

Construction of the King George Central building in Ann Street in Brisbane and the $210 million Hamilton Harbour Stages 1 & 2 residential development on the Brisbane River, in JV with Devine, were unaffected by flooding in Queensland and are progressing well. Pre-sales for Stage 3 of Hamilton Harbour are well underway.

Balance Sheet

As at 31 December 2010, total assets were $8.3 billion and net assets were $2.4 billion. During the period the Group acquired plant and equipment worth $484 million. The total book value of plant and equipment, both on and off balance sheet is approximately $3.2 billion, with $2 billion owned and $1 billion under operating leases.

Gross cash was $1.2 billion with $127 million of short term borrowings. Limited recourse borrowings stand at $117 million and undrawn cash facilities and guarantees increased to a total of $1.3 billion.

The Group successfully completed a US$350 million private placement in July 2010. The issue further diversified the Group's funding sources at lower rates. The proceeds of the placement were used to support the Group's working capital requirements.

In December, our existing $520 million Syndicated working capital facility was increased to $600 million and the maturity date was extended from October 2011 to December 2013

Investments, Acquisitions and Sales

The sale of a 35% stake in Leighton India to the Welspun Group in December 2010, delivered a pre-tax, one-off gain of US$259 million which will include US$104 million in cash. This sale was premised on building a strategic partnership that could help Leighton capitalise on the huge opportunities in the Indian infrastructure sector.

Leighton International has agreed to sell its 49% stakes in the Indore and Agra toll-roads in India to Oriental Structural Engineers for approximately US$40 million which was in line with book value.

Thiess and John Holland sold their 3.3% stake in Connecteast on market for a profit. ◘

CHANGING
OF THE GUARD

After more than 25 years with the Leighton Group, David Stewart is set to tackle the biggest challenge of his career. As the new Chief Executive Officer of Leighton Holdings Limited, he is now the driving force behind one of the world's major contracting, services and project development organisations, and indeed, the world's largest contract miner. Ensuring this great success story continues is a challenge he is ready and willing to take on.

On the 1st of January 2011, CEO elect David Stewart officially commenced his new role as Chief Executive of Leighton Holdings Limited.

Not new to the business, Mr Stewart says he remains firmly committed to the successful business strategy of diversity by markets, brands, geography and delivery systems which has served the Group well to date.

"Our companies are performing well with a combined $45 billion worth of work in hand and we see record levels of activity in the future. We see buoyant markets, both in Australia and overseas and there are numerous opportunities for Leighton," he said.

According to Mr Stewart increased infrastructure spending in Australia combined with strong growth in the mining sector will continue to provide a strong foundation for the Group. He is now focussed on identifying additional growth areas within the business and ensuring that existing operations are creating sufficient value for shareholders.

"We are in great shape, however I am committed to creating better value for our shareholders and there is still room for improvement. In the past we have made investments without clearly defining the expected return on those assets. Our focus is now on how we can extract value from these investments. We will be looking closely at all of our operating companies to make sure that they are correctly structured and are trading strongly and logically in the markets in which they operate."

Mr Stewart's other immediate priority is people and he is currently in the process of refining the Group's organisational strategy with a focus on Human Resources.

"People are fundamental to our business, they are our key and I want to ensure that regardless of which operating company a Leighton Group employee works for, that their experience is similar. This is a fantastic organisation, with intelligent, motivated people and we should be focussing on providing a rewarding working environment for everyone."

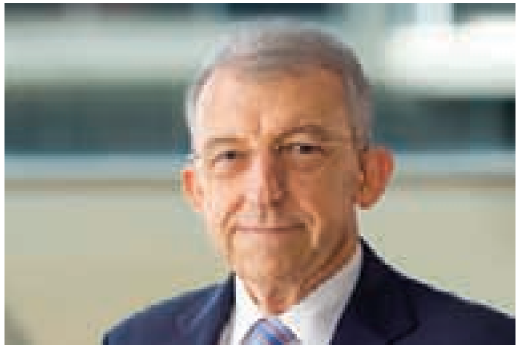
Highlighting his resolve, Mr Stewart has restructured his Executive Team and appointed Stephen Sasse as General Manager, Organisational Strategy to help reshape the Company's approach in strategic HR.

He believes good people management is fundamental to the success of any large organisation saying that it is critical that companies provide strong leadership and direction when engaging with their workforce.

"I am a firm believer in empowering people to make their own decisions and to be responsible for their actions. That's the fundamental Leighton rule of responsibility and accountability. People always add more value if you consider them to be intelligent contributors and you give them the scope to make their own decisions and get on with the job at hand."

With the Group posed for significant future growth Mr Stewart says it is important the business also maintains its focus on safety.

"It's critical that our core values permeate throughout the entire organisation and safety is fundamental. Everyone has the right to work in a safe and healthy work environment and I want to ensure that everyone goes home in the same state that they came to work." ◘



Supporting new Chief Executive David Stewart is a highly experienced Executive Management Team comprising Deputy Chief Executive, Bill Wild, Chief Financial Officer, Peter Gregg and General Manager Organisational Strategy, Stephen Sasse.

"Bill Wild will be operationally focused working with the our operating companies and will also be responsible for offshore oil and gas as well as the new joint venture in India. Peter Gregg has responsibility for finance, tax, strategy and information technology. Stephen Sasse, who is ex-John Holland, brings a strategic focus to human resources across the Group which is something we haven't done before but it is absolutely necessary," David said.

Together with Company Secretary, Ashley Moir, the Executive Team is working closely with the Group Managing Directors to implement growth strategies designed to create additional value for shareholders. Mr Stewart said the phasing out of Chief Operating Officers within Leighton Holdings had tightened reporting lines, bringing increased rigour and accountability to the Group."I am fortunate to have a very experienced management team," Mr Stewart said. "This revised management structure will enable us to refocus the organisation with a view to further enhancing the value and performance of our investments."

The Executive Management Team is supported by highly experienced Operating Company Managing Directors, who have an average tenure of 25 years with the Leighton Group.

Leighton Holdings Executive
Main Photo:
David Stewart *Chief Executive Officer*
Top to bottom:
Bill Wild *Deputy Chief Executive Officer*
Peter Gregg *Chief Financial Officer*
Stephen Sasse *General Manager, Organisational Strategy*
Ashley Moir *Company Secretary*

COMMITTED TO A SAFETY CULTURE

The Leighton Group's most fundamental ethical obligation is to provide a safe and healthy workplace for its 49,000+ employees around the globe.

Safety performance of Leighton Holdings' combined worldwide interests has improved dramatically over the last 10 years to now stand at a record low. Notwithstanding these dramatic improvements in safety outcomes, serious safety incidents have not yet been entirely eliminated from the Group's operations. Regrettably, two workplace fatalities occurred at, or in connection with, Group operating company projects or joint ventures during the first half of this financial year. Those incidents have prompted a redoubling of efforts from the top down to improve safety across the Group's operations.

The Leighton Holdings' Board has for many years sought to drive a "safety first" culture within its operating companies and across the Group. Consistent with this approach, the Board has now taken additional steps, to strengthen the linkage of remuneration of the Chief Executive Officer and operating company Managing Directors to positive safety outcomes. Long term incentives are now contingent on continuous safety improvement.

On taking up the position of CEO in January, one of David Stewart's first actions was to allocate additional resources to safety. A new audit and assurance program designed to deliver significant improvements in the management of catastrophic risk will enhance Leighton Holdings' safety performance. This will reinforce a revised safety governance system which reflects the provisions of the proposed harmonised workplace health and safety laws in Australia.

In addition, the Group's safety framework has been reviewed and updated. The key goal is to foster a culture in which fatalities and permanent disabilities do not occur and the likelihood of all other injuries is minimised. New guidelines have been put in place that require the Group's operating companies to specifically address those project risks that can result in Class 1 Damage*. Achieving a culture of focused risk management requires that hazard identification and risk assessment be integrated into the everyday workplace culture and behaviours, and across all activities of the organisation. The operating companies are developing programs to ensure safer construction through design on projects and to increase the use of engineering, elimination and substitution controls that physically eliminate risk. Much of this effort is directed at the planning and pre-mobilisation stages of projects, and the new safety framework requires that safety be considered when projects are being planned, designed and established. These measures and a number of others are specifically designed to eliminate risks that might lead to fatalities and disabling injuries.

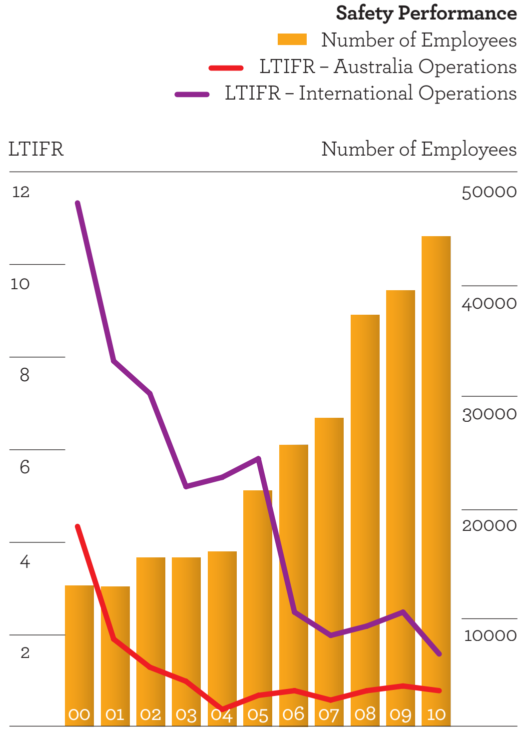
> *I want our people to have a working environment in which they can have confidence that, at the end of each working day, they will return home safely.*

In some developing countries there is a tolerance of safety standards that are lower than those generally expected and required in developed countries. This presents a challenge for project managers operating in those locations. Additional training and investment have been provided and safety standards in the Group's operations are improving.

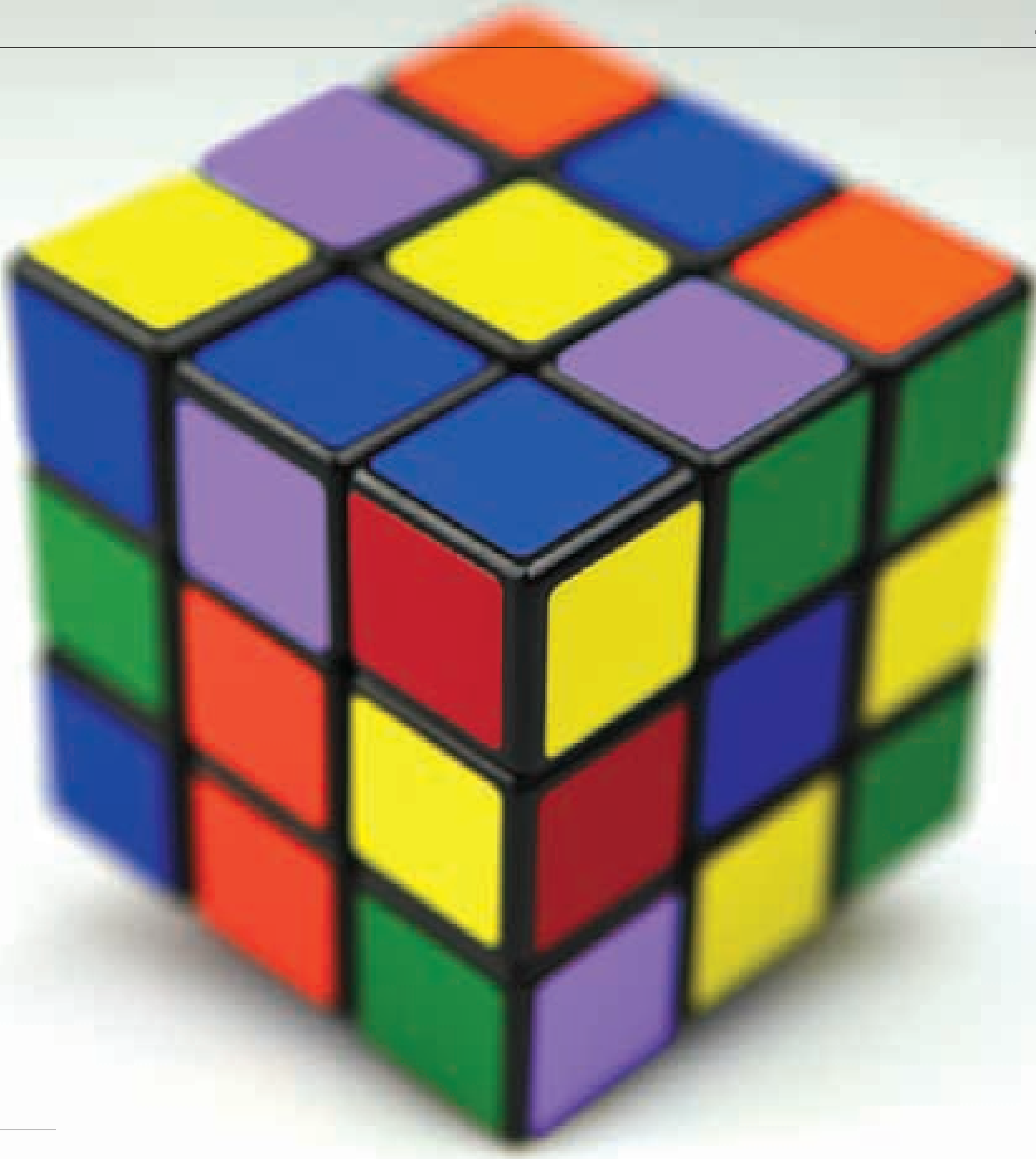
The Leighton Group's focus on safety is not compromised by geography and in recent years the performance of the Group's international operations, as measured by standardised safety metrics, has compared favourably with Australia. Last year, the Group's Lost Time Injury Frequency Rate per million man-hours worked – which measures the occurrence rate of lost time injuries or industrial disease – improved from 2.5 to 1.6 in Australia and from 0.9 to 0.8 in international operations. The Group's Lost Time Injury Severity Rate per million man hours worked decreased from 38.87 to 28.0 in Australia and from 46.3 to 43.3 offshore. LTISR is an indicator of the severity of the lost time injuries that occur.

"If people are being injured, then there is a need for further improvement," Mr Stewart said. "During my tenure as CEO I want to ensure that we create a culture that understands the need for, and actively manages, risk minimisation. I want our people to have a working environment in which they can have confidence that at the end of each working day, they will return home safely. This is a fundamental moral obligation and it underpins our right to operate." ◘

* Class 1 Damage is personal damage that permanently alters the future of an individual – such as a fatality or a permanent disability.



LTIFR – Lost Time Injury Frequency Rate per million Man-hours Worked



The Leighton Group's ability to attract and retain employees is a key factor in achieving its strategic objectives. A new Workforce Diversity Policy aims to encourage people with a wide mix of skills, experience, perspectives and style to the business.

FOCUSED ON DIVERSITY

- Perspective
- Experience
- Skills
- Age
- Ethnicity
- Gender

From 1 January 2011, publicly-listed Australian companies will be required to report on the number of women in their ranks and their seniority, or advise why they are unable to do so. Leighton Holdings is an early adopter of the new ASX Corporate Governance Principles and Recommendations on Diversity. However the company's approach to diversity is not limited to gender.

The Board approved a Group Workforce Diversity Policy in October 2010 which articulates the Company's aim to be a global organisation with a leadership and workforce that reflects the diversity of the broader communities in which the Group operates. It includes specific objectives to address the under-representation of women and Indigenous people in Australian operations and to optimise local talent in established offshore markets. But the intent is broader – to enhance productivity and team performance and ultimately underpin the sustainability of the business.

"I consider that encouraging diversity in all our workplaces will allow Leighton Holdings and all the Operating Companies to continue to be industry leaders and employers of choice," Chief Executive Officer David Stewart said.

"There is a lot of public discussion about a skills shortage in Australia and it's a simple decision to open the doors and put a sign on the building that says everyone is welcome here. Bringing people with different perspectives, skills, style and experience together makes us a smarter and more resourceful team capable of delivering superior results to clients, employees and shareholders."

The new policy includes the following objectives, which will be measured and reviewed on an annual basis:

Objective 1
Increased participation

Australia

To increase and retain the number of women and Indigenous people employed by the Group.

In addition, we will facilitate initiatives to help to increase participation of women and Indigenous people in the Australian workforce, by partnering with governments and communities to promote education, training and employment opportunities with a focus on the core technical and trades skills required for our businesses.

International

To optimise local talent in senior management and the workforce in established markets.

Objective 2
Improved human resources capabilities to manage a diverse workforce

To improve human resources practices which facilitate the attraction, retention and development of diverse individuals, encourage consideration of diversity in succession planning; and build strong teams with a balance of skills, style, experience and perspectives.

Objective 3
Acknowledged industry leadership and values-driven culture

To foster a culture where all Leighton Group employees in leadership positions behave in a manner that models Leighton Holdings' values and code of ethics. Our leaders will be acknowledged as setting the industry standard for achieving workforce diversity.

Objective 4
Establish and improve measurement and evaluation

To implement an effective measurement and reporting framework for the Workforce Diversity Policy.

Since the Group policy was adopted, Leighton Holdings and each operating company has reviewed and revised existing policies and introduced new measures to improve workforce diversity. For example:

- John Holland's workplace diversity policy outlines its approach to diversity in four key areas: gender; race and ethnicity; age; and careers. Objectives focus on attraction and retention of employees, career development and cultural awareness.
- Leighton Contractors' executive team have endorsed an Indigenous engagement strategy which aims to increase the number of Aboriginal and Torres Strait Islander employees, and engage more deeply with communities to close the gap on Indigenous disadvantage.
- Leighton Holdings has introduced a flexible work policy which aims to retain valued employees by improving job satisfaction, meeting individual professional and personal arrangements and assisting with work/life balance. Managers have the authority to tailor work arrangements to meet individual needs provided business objectives are met. ◻

Dr Bronwyn Evans Appointed to John Holland Group Board

Dr Bronwyn Evans has been appointed as a Non-Executive Director of the John Holland Group Board, replacing Ian Johnson. Dr Evans has more than 25 years' experience in engineering and management roles in power generation and distribution, engineering education and the healthcare industry. She currently holds the position of Senior Vice President, Quality, Clinical and Regulatory at Cochlear Limited and is the current Chair of the Board of Medical Technology of Australia and the National Board of Engineers Australia Centre for Engineering Leadership and Management.

"Bronwyn's appointment is an acknowledgement of her considerable achievements in engineering and her management and leadership experience at several prominent organisations in both Australia and abroad," Chairman of the John Holland Group, Janet Holmes à Court AC, said. Prior to taking her position at Cochlear Limited, Dr Evans held senior positions at GE Healthcare in both Australia and Asia. She holds a Bachelor of Engineering (Elec) (Hons I) and a PhD in Engineering from the University of Wollongong and is a Fellow of The Institution of Engineers Australia, and a Graduate of the Australian Institute of Company Directors. In 2007, Engineers Australia recognised Dr Evans as one of Australia's 25 Most Influential Women Engineers.

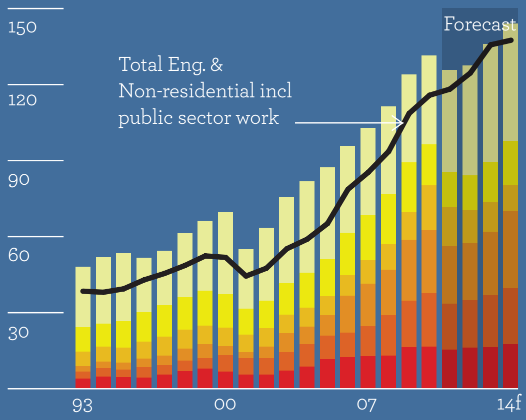
For the 2010/11 financial year the Group expects to report full year revenue of almost $20 billion and net profit after tax of around $480 million. The final result and full year dividend are however subject to market and operating conditions, including weather conditions in Australia and Overseas, for the remainder of this financial year.

LONGER TERM OUTLOOK

Total Construction Value of Work Done by Private Sector

$Bn (constant 07/08 prices)

Transport Utilities Mining & Heavy Industry Social Infrastructure Commercial /Industrial Building Residential

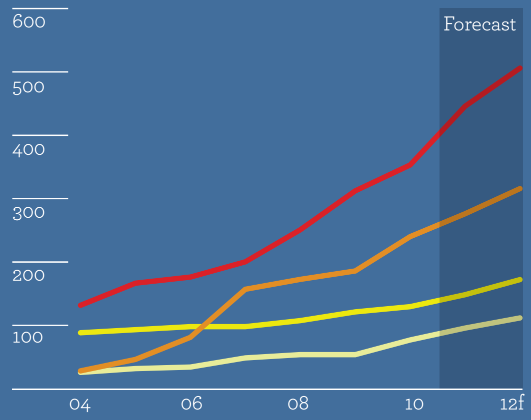


Source: Macromonitor, Jan 2011

Commodity Production Volumes

Metric Tonnes

Iron Ore (Australia)* Thermal Coal (Australia) Coking Coal (Australia) Thermal Coal (Indonesia)

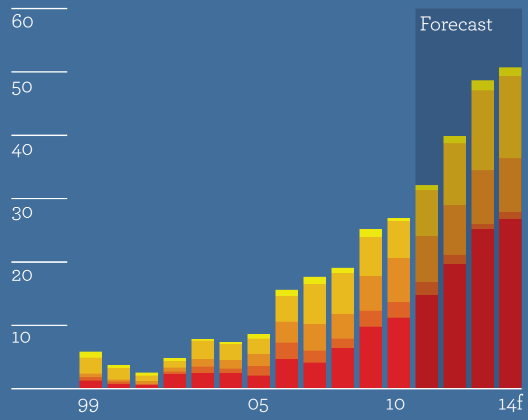


Source: ABARE, Dec 2010; Wood McKenzie, Dec 2010

Total Mining and Heavy Industry Value of Work Done

$Bn (constant 07/08 prices)

Oil & Gas Coal Iron Ore & Other Minerals Bauxite/Alumina/Aluminium Other Heavy Industry

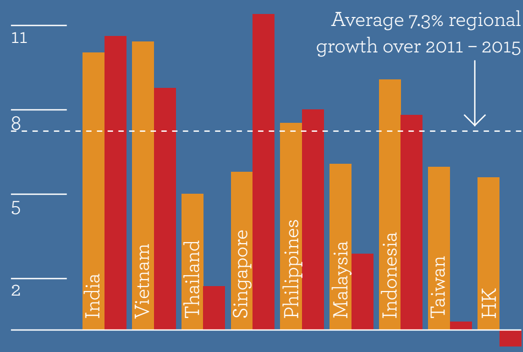


Source: Macromonitor, Dec 2010

Asian Region Construction

% Growth

Average 2011 – 2015f Average 2005 – 2010



Source: IMA Asia, Jan 2011

Markets and Outlook

The Australian economy performed well for most of 2010, but declined towards year end resulting in lower real GDP growth estimates of around 2.6% for the year. The outlook for 2011 remains positive, with GDP growth of 3% or higher generally expected. The recent cyclone and floods in Queensland will have a negative economic effect in the first quarter of 2011, but thereafter, the rebuilding, clean-up and repair activities will be a positive for the economy. However, funding for major infrastructure projects may be delayed or diverted to reconstruction programs.

Meanwhile, strong demand for commodities, notably from China and India, continues to support robust capital investment and positive growth in Australian economic output. The current unemployment rate of around 5% is lower than a year ago and well below other advanced economies. Unemployment is expected to continue falling in 2011, trending down towards 4% by early 2012, a 37-year low. The Federal Government recently relaxed restrictions around the 457 Visa program that should ease pressure on sourcing skilled labour. Inflation is currently within the RBA target range at below 3% per annum.

The world economy is forecast to continue growing solidly during 2011. Global equity markets continue to rise, bank lending conditions have become less tight and the volume of world trade has returned to pre-crisis levels. Growth in private sector demand is strengthening and is well positioned to take up the slack left by a gradual removal of Government stimulus programs.

World economic growth will continue to be led by the emerging markets. The IMF is forecasting 6.5% growth in emerging and developing economies in 2011, compared with 2.5% growth in the advanced economies. Whilst some uncertainty remains for nations suffering high sovereign debt positions, the general consensus is that the global economy will expand at around 4% in 2011.

In accordance with the overall economic outlook, the global construction market is expected to grow solidly in 2011 after a period of decline following the global financial crisis.

Australia remains the Group's predominant earnings base, however we are well positioned to access the strong growth prospects of Asia and emerging markets. The Group is also exploring contract mining opportunities in parts of Africa on a limited basis.

Infrastructure – Australia

Infrastructure construction in Australia has experienced extraordinary growth over the past decade. Increased government capital works funding, a series of large PPP road projects and big investments in minerals-related infrastructure have all contributed to the quantum leap in activity.

From the very high 2010 level, further growth is expected in transport and utilities infrastructure work during 2011 and 2012. Offsetting this however, will be a decline in public building work, mainly as a result of the conclusion of the Building the Education Revolution school building program.

Transport infrastructure is expected to rise a further 4% to 5% in 2011, from the record 2010 level, with further growth also forecast for 2012. Particularly large increases are expected in rail and port construction, with smaller percentage increases forecast for road and bridge works as some major projects wind down.

In the utilities sector, construction is set to continue its growth path in 2011, as electricity related construction keeps rising sharply, gas pipeline construction enters a very strong period and telecommunications work climbs sharply from a cyclical low. Water and wastewater construction should remain quite high for another year or so before some large projects are completed.

The main drivers of growth in infrastructure construction during 2011 will be:

- A multi-billion dollar reconstruction and repair program following the Queensland and Victorian floods,
- Continued large Government road programs, including the next phase of projects on the Pacific Highway and the Hunter Expressway in New South Wales, the M80 Ring Road upgrade in Melbourne and major motorway projects in Queensland,
- An increased level of funding for passenger rail projects, including the $2.4 billion Gold Coast Light Rail and the $1 billion Springfield line in Queensland, the $4.3 billion Regional Rail Link in Victoria, the $2.1 billion South West Rail Link and the ongoing $2 billion Clearways program in Sydney,
- Large scale investments in iron ore and coal rail and port infrastructure planned for the Pilbara and Mid-West regions of Western Australia and in the Queensland coal fields. Major projects include, Rio Tinto's $3.1 billion Cape Lambert port and rail upgrade the $1 billion LNG jetty for the Gorgon LNG project, the $4 billion Oakajee Port and Rail project in WA, the $3.6 billion Abbot Point X110 expansion in Queensland; and the new coal terminal at Wiggins Island, at the Port of Gladstone.
- A large rise in gas pipeline construction driven by the development of coal seam gas, major new offshore gas developments and additions to the national pipeline network,
- Rising telecommunications construction, as a result of the $36 billion National Broadband Network and the return of other delayed investment.
- Education building, which increased more than three-fold over the last two years (2009 and 2010) is now dropping back sharply as the BER program is completed. Other areas of public building work however, are expected to increase in 2011, including health facilities. Health sector opportunities over the coming few years include:
- Gold Coast University Hospital ($1.6 billion),
- Fiona Stanley Hospital, Perth ($1.7 billion),
- New Queensland Children's Hospital ($1.4 billion),
- New Royal Adelaide Hospital ($1.6 billion),
- Sunshine Coast University Hospital ($1.8 billion), and
- New Children's Hospital – Western Australia ($1.1 billion).

A sustained level of infrastructure spending over the next few years should provide a good level of construction opportunities for the Group's Australian based operating companies.

Resources

The boom in Australia's mining sector has entered a period of renewed strength, which is expected to continue throughout 2011 and beyond. »

LONGER TERM OUTLOOK
CONTINUED

Global commodity demand and prices have surged since mid-2009, interrupted by a modest set-back in mid-2010. The outlook for global industrial production and construction remains positive for the next few years. Strong growth is forecast to continue in the developing world, which now drives the majority of growth in commodities demand. As a result, the demand side of commodity markets will remain supportive of further large increases in commodity production and investment in new capacity.

Iron ore demand continues to increase strongly, as a result of a large increase in steel production in China, the United States, Europe and Japan. Consequently, 2011 is expected to see strong growth in demand for iron ore and coking coal. A 10% rise in Australia's iron ore export volumes is expected in 2011, with further growth in the year following. This underpins strong prospects for contract mining work in the iron ore sector.

In the short term, coal exports from Queensland will likely be around 15 million tonnes lower than previously anticipated between December 2010 and March 2011, as a result of the floods, and metallurgical coal prices will react by increasing significantly. This drop in production will be temporary however and does not affect the strong medium and long term outlook for production and contract mining activity in the coal sector.

Thermal coal production in Australia is also forecast to rise sharply in 2011, boosted by the completion of new coal mines, expanded port capacity in New South Wales and strong increases in demand from China and India.

The strength of commodity demand and prices has driven an unprecedented surge in new resources sector construction, and associated infrastructure works over the past decade. This boom in resources construction is expected to continue throughout 2011 and beyond.

The value of new construction work commenced in the resources sector increased more than three-fold in the 2009/10 financial year, helped by the commencement of the $40 billion Gorgon LNG project. The value of resources sector construction work done is expected to rise, in real terms, by 20% in 2011 and by a total of 70% over the next three years.

This next phase of the Australian mining investment boom is expected to feature the following major areas of construction:

- Development of major offshore gas fields in Western Australia plus new LNG processing plants,
- The continued development of coal seam gas fields, plus multi-billion dollar plants converting coal seam gas to LNG, based in Gladstone in Queensland,
- The development of new thermal coal operations in Queensland, combined with big investments in additional coking coal capacity,
- A large phase of Western Australian iron ore development, in the Pilbara and also in the rapidly developing Mid-West region, and
- Development of uranium mines in South Australia (most notably the $9 billion Olympic Dam expansion) and in Western Australia.

Property

Commercial and industrial property construction is expected to continue to improve during 2011/12. Absorption of office space, guest arrivals in the hotel sector and retail turnover are all now rising and will set the scene for a rebound in building commencements during 2011 and the following two years. A real increase of 13% in the value of commercial and industrial building commencements is expected in 2011.

Residential building commencements rebounded by 20% in 2010, as a result of two Commonwealth Government stimulus measures; the First Home Owners Grant Boost Scheme, and the Social Housing Initiative. In 2011, housing starts are expected to decline by 8 or 9% as a result of the completion of these schemes. Thereafter, two years of growth are expected during 2012 and 2013, driven by the need for additional housing and growth in investor and changeover buyer demand for dwellings.

Asia and the Gulf

The Asia-China driven commodity price boom will continue to be a driver of new resource linked infrastructure. In addition ,the growing middle class populations in India and China will stimulate demand for other infrastructure and social facilities.

In Hong Kong, the construction industry was estimated to be worth US$6.6bn in 2010 and is forecast to rise to US$8.4bn by 2014. Infrastructure spending in Hong Kong is Government driven with a key objective to enhance transport links with mainland China. »

Recently awarded projects include, for example, the Mass Transit Railway, a Sludge Treatment Facility, the MTR Express Rail Link and the Central Wanchai bypass. Upcoming projects to be bid include the Hong Kong – Macau bridge and the Kai Tai Airport expansion. Leighton Asia is a major competitor in Hong Hong's infrastructure market.

The Indian economy grew at 8.4% in 2010 and is expected to grow at 8.5% in 2011. The need for infrastructure to support this growing economy is recognised by Government and is a key priority. A variety of government policy initiatives are underway and are expected to support additional investment in India. Construction is forecast to account for over 8% of GDP by 2012. Leighton International recently created a Joint Venture with the Welspun Group which will further enhance its capability to grow the business in India. The ongoing development of oil and gas projects in India continues to provide opportunities.

Indonesia provides a solid activity base for the group primarily in the contract mining of coal. Indonesia's coal exports are estimated to have increased by 11% in 2010 and are forecast to rise by a further 4% in 2011. This growth is expected to be driven by strong demand from India and also from other parts of Asia.

The Leighton Group remains well placed with a record level of work in hand, a strong balance sheet and a solid outlook for its core markets.

Indonesia's surprisingly strong GDP growth in 2010 is expected to continue in 2011, with expansion forecast at 8%. This growth will give the government more resources to invest in infrastructure. The government is promoting investment in utilities, especially electricity.

Another growth area is green industries, particularly geothermal energy. The Indonesian Government is planning US$20 billion of investment in this sector by 2025 and has improved regulations to attract other investors.

Mongolia sits on vast quantities of untapped mineral wealth and mining is set to transform the economy with significant activity already underway. The Mongolian Government is currently exploring options for the development of part of the Tavan Tolgoi reserves which will require significant infrastructure to allow the coal to be exported. Tavan Tolgoi is estimated to hold between 5 billion and 6.5 billion tonnes of coal. Mongolian Mining Corporation (MMC) is the biggest exporter of coking coal and raised US$650 million in a Hong Kong initial public offering in October 2000. It was the first Mongolian-owned company to float in Hong Kong. Leighton Asia has been awarded additional contract extensions at MMC's UHG mine.

Economic growth in the Middle East is linked closely to the oil market which, in turn, helps to fuel the level of construction activity. The West Texas Intermediate oil price rebounded from a low of less than US$40/bbl in early 2009 to well over US$80/bbl in early 2010. Oil prices fell back in mid-2010, but have now rebounded. World oil prices are expected to rise steadily over 2011, average around US$95/bbl, as a result of growth in world oil demand, slower growth in non-OPEC oil supply, and continued production restraint by members of OPEC.

Middle East economic growth rebounded in 2010 to around 4% on average across the region (up from around 2% in 2009). The positive outlook for oil prices and demand underpin healthy prospects for the oil exporting economies of this region during 2011.

Qatar's construction sector holds substantial potential over the medium term, catalysed by projects related to the hosting of the 2022 FIFA World Cup. Strong potential is expected in Saudi Arabia and this market is estimated to be in excess of $20 billion in 2010 growing to $30 billion by 2014. The Government is committed to upgrading infrastructure which will also stimulate the addition of new jobs. The Government awarded $16 billion of new construction work in the first half of 2010 and the Ninth Development Plan includes around $400 billion of construction funding between 2010 and 2014.

Summary

The Leighton Group remains well placed with a record level of work in hand, a strong balance sheet and a solid outlook for its core markets. Australian infrastructure and resources, as well as most of Asia, are continuing to grow and Australian property and the Middle East have bottomed. This positive outlook should continue to support the longer term outlook for the Group. ◘

Ipoh to Padang Besar Double Tracking Project
Leighton International
Malaysia