Leighton Holdings

Media Release

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Leighton reports profit of $205 million

The directors of Leighton Holdings Limited today announced an increase in operating profit after tax and minorities to $205.4 million ($110.0 million last year) from a pre-tax profit of $289.1 million. The after tax return on average shareholders' funds was 23.6% for the year (12.9% last year).

A final dividend of 30 cents per share, franked to 50%, was also announced by the directors bringing the full year ordinary dividend to a total of 50 cents per share (up 11.1% from 45 cents per share last year).

Chief Executive, Mr Wal King, said he was very pleased that the Group had bounced back this year to report a much stronger profit result.

"Both net profit after tax and revenue for the full year reflect the strength of the Group's core markets, with solid contributions from a range of infrastructure and resources related projects, particularly in Australia.

"Total operating revenue, including joint ventures, was up 28% to $7.7 billion versus $6.0 billion last year, while revenue from joint ventures increased by 23% to $1.3 billion," he said.

"Principal revenue sources were engineering and infrastructure $2.7 billion, building and property development $2.0 billion, mining and resources $1.9 billion and operations & maintenance $929 million.

"Work in hand has increased to $15.5 billion, boosted by the award of the $2.5 billion EastLink Project (formerly known as the Mitcham-Frankston Project) in Melbourne and a good mix of new contract mining and process engineering work around Australia," said Mr King.

"The outlook for the Group remains very positive, driven by a record level of work, an extended construction and resources upswing in Australia, and our strong balance sheet.

"The Australian construction market continues to expand, largely on the back of privately funded road projects; however there is also a significant investment being made in rail and port infrastructure, as well as public utilities such as electricity and water," said Mr King.

"Major road projects such as the EastLink tollroad in Melbourne and Lane Cove Tunnel in Sydney will provide strong levels of activity for the next few years, while Group companies are represented in the bidding consortiums for the $1.5 billion North-South Bypass Tunnel and the $1.5 billion Gateway Bridge duplication in Brisbane.

"Building and property activity should remain at similar levels to last year, driven in part by a solid pipeline of Leighton Properties initiated projects. Opportunities are likely to be stronger in the office, hotel and industrial sectors, while the provision of social infrastructure by state governments, particularly through Public-Private-Partnership (PPP) models, should drive a number of construction and investment opportunities," said Mr King.

(continued…)

“Demand for coal is likely to remain strong, benefiting Thiess who has a strong position as a contract miner in this market. Leighton Contractors is building its presence in the coal mining market and John Holland is looking to establish a mining operation to take advantage of the opportunities.

“Strong demand for Australia’s resources boom is also driving the development of a number of large resources and energy projects, which are expected to offer a good level of construction and process engineering opportunities over the next 2-3 years,” he said.

“The Group’s services activities, which include operations & maintenance and facilities management, remain focused on the environmental, telecommunications, rail, non-residential building, roads and mining sectors, and these should maintain a moderate level of growth.

“An increased contribution is expected from Asia going forward, with the bulk of the Group’s activities centred on Indonesian coal mining and a number of large infrastructure and building projects in Hong Kong, Macau and Malaysia. The Group has established a broad presence across other countries in Asia and will continue to selectively target opportunities.

The balance sheet remains strong with total assets of $3.0 billion, net assets of $895 million and cash net of borrowings of $400 million,” said Mr King.

“The Group’s work in hand provides significant momentum and we have the prospect of maintaining this level of work given the construction and resources opportunities still emerging in Australia. This record workload will translate into increased revenue in 2005/06 and the directors are confident of reporting a solid increase in profit for the year,” said Mr King.

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