

## **Leighton Holdings 40<sup>th</sup> Annual General Meeting**

### **8 November 2001**

*Speaker: Tim Besley*

Good morning ladies and gentlemen, my name is Tim Besley and I am your Chairman. On behalf of the Board of Directors I am pleased to welcome you to the 40<sup>th</sup> Annual General Meeting of Leighton Holdings Limited and to report to you on the companies results for the year ended 30 June 2001. As it is 10am (past in fact) and we have a chorum I declare the meeting open.

Before we commence the business of the meeting I would like to introduce to you the companies directors and the company secretary, I will ask each of them to stand as I introduce them, commencing on my left we have David Mortimer, thank you David, Achim Drescher thank you Achim, Ian Johnson thank you Ian, Dr Busso Peus thank you Busso, Dieter Adamsas, Deputy Chief Executive Officer and Chief Financial Officer, Wal King - Managing Director and Chief Executive Officer thank you Wal. Next to my vacant chair we have John Morschel Deputy Chairman thank you John, Dr Hans Peter Keitel , Deputy Chairman, Ashley Moir, our Company Secretary thank you Ashley, David Robinson thank you David, Geoff Ashton thank you Geoff and Geoff Dixon thank you Geoff.

Details of each of the directors qualifications, experience and special responsibilities are include in the resumes which appear on pages 47 of the 2001 Leighton Concise Annual Report. Whilst the resumes also include listing of each directors membership of other prominent local and international boards I would point out that these listings of other directorships are not intended to be exhaustive. The resumes do however include directorships on all listed public companies Comprehensive listings of each of the directors Australian board positions are available from the Australian Securities and Investments Commission. I would advise that notice of this meeting has been given to shareholders in accordance with the requirements of the Corporations Act. Copies of the notices have been posted to shareholders. I have signed the minutes of the 39<sup>th</sup> Annual General Meeting held in November 2000 as a correct record of the proceedings at the meeting. Having dealt with the formalities I would now like to proceed with the business of the meeting. The first item on the agenda is to receive and consider the financial report and the reports of the directors and auditors for the year ended 30 June 2001. Before moving their adoption however I would like to make some comments on the state of your company and its progress commencing with the results for the 2000/2001 year.

On behalf of the Board of directors I am pleased to report that 2001 fiscal period was an exceptionally successful year for the Leighton Group despite a downturn of some 12% on our traditional construction markets in Australia during the year, the Leighton Group continued to record strong growth and improved profit result. The success of the Group strategy of diversification within its core contracting activities while at the same time using its financial strength and cash reserves to build a pipeline of investments it's reflected on the record results achieved during the year. Total revenue increased by 22.8% to a record level of \$4.4bn. A significant increase in forward orders, in work in Asia, telecommunications activity and the base load of our long term mining contracts work boosted work at hand at 30 June 2001 to an all time record level of \$7.8bn this is up by 26% on the previous year. Organic growth, disciplined acquisitions and the realisation of selected equity stakes on development projects successfully lifted operating profit before tax by \$19m to \$197m up 10.9%. Operating profit after tax increased by \$22m to an all time record level of \$156m and this was up 17%. The Group's balance sheet remains strong with \$400m in net cash and shareholders funds 12% higher at \$740m. Leighton's return on shareholders funds at 21.1% in 2000/2001 achieved a ranking of 11<sup>th</sup> out of the top 100 companies listed on the Australian Stock Exchange. This return is around 300% better than last years 10 year bond rate and more than 90% higher than the average return achieved by the ASX's top 100 companies. Over a 10 year period the company has recorded an annualised shareholder rate of return of 31.8%. We are pleased to observe the performance in Leighton shareprice since last years collapse of the dot com infatuation with investors now returning to good long term yielding stocks.

Our Australian Pacific operations made another good contribution to the Group's performance in the past year. Profit before tax of \$115m and total revenue of \$3bn were both up slightly on the previous years result.

Thiess recorded a very good year making a substantial contribution to profitability and again increased its level of uncompleted work in Hand. Leighton Contractors produced a credible performance by continuing to develop its telecommunications business. John Holland continued the recovery process producing a positive profit contribution for the year. Leighton Properties produced a satisfactory profit and the strategies it has put in place over recent years are now beginning to yield results. Revenue from telecommunications was up 23% to \$376m last year contributing 10% of the Group's revenue for the period and recording an increase in uncompleted work in hand of \$1bn. Visionstream completed the privately owned 80 million cable network stretching from Brisbane to Cairns during the year and commenced construction of the fully financed \$800m Nextgen network fibre optic network which links Perth, Adelaide, Melbourne, Canberra, Sydney and Brisbane. While telecommunications is currently experiencing some uncertainty we maintain a positive outlook for the long term future of this sector. Engineering and infrastructure remain the Group's largest source of revenue in Australia generating 34% of revenue despite the current downturn in the civil

engineering market. Uncompleted works levels were successfully maintained at \$1.2bn at year end.

A highlight during the year was the successful finalisation of the design and construct contract for the Alice Springs to Darwin Railway by AdRail consortium of which John Holland is a member. John Holland has commenced work on its share of the project which is worth \$219m. Road projects continue to provide the most activity in the engineering market. Thiess completed the Kwinana freeway extension in Western Australia and Leighton Contractors was awarded a contract to extend Perth's Roe Highway. Leighton Contractors made excellent progress on a construction of Brisbane's Inner City Bypass during the year. It also continued to work on 2 sections of the Geelong Road in Victoria. John Holland were successful in securing a contract to construct another section of the Geelong Road. While revenue from mining and resources were down slightly at \$685m, uncompleted work in hand increased by 50% to \$2.35bn.

Thiess has continued to consolidate its position in the mining market as Australia's leading service provider. New work won at North Goonyella Coal Mine in Queensland and Southland Colliery in New South Wales demonstrate Thiess success in securing significant new long term coal mining contracts through its ability to both add value and invest in the projects.

Work continued on Leighton Contractors major mining contractors and Yarrie Nimingarra Iron Ore mine in Western Australia and the Coppabella Coal Mine in Queensland.

Revenue from building and property activity was up 24% to \$715m despite a subdued market. Uncompleted work in hand was up 35% to \$614m.

Leighton Properties had a profitable year completing the sale of 80 Pacific Highway, North Sydney and acquiring a 50% stake in a nearby development site at 100 Pacific Highway. The refurbishment and conversion of Axis existing city carpark at 383 Kent Street into a 100 million office tower has advanced and are due for completion in 2002. In August 2001 Leighton Properties entered into a strategic partnership with PA Property Trusts aimed at jointly developing property opportunities and providing a retail investment vehicle for some of their completed developments.

New building projects for Leighton Contractors included Amcor's new wine bottling plant in South Australia. While work on existing projects in Sydney at St Vincent's Hospital and the new ABC building progressed well.

Thiess was awarded contracts for the construction of apartments in both Victoria and New South Wales as well as the design and construct of St Kilda Station development in Melbourne.

New building work for John Holland included a research complex for CSIRO in Sydney, a shopping centre at Maitland in New South Wales and two new hospitals in Queensland.

Revenue from environmental services were down 9% to \$185m as a result of tight conditions in the waste market. Thiess Services operations and maintenance work for sewerage, water and gas utilities, provided a good contribution during the year and new work was won in Victoria for the provision of services to an electricity distributor.

An excellent result was recorded from our Asian operations with revenue up 70% to \$1.3bn and profit before tax improving by 51% to \$83m. Contract mining in Indonesia and a strong performance from Malaysia were keen contributors to this result. Thiess contracting operations in Indonesia performed well with production on a number of contracts lifted in response to increases in demand. New contracts were awarded to Thiess at Prima coal by PT Prima Coal at Musang in Telundak Coal Mines in East Kalimantan. Leighton Asia was also successful in securing \$107m coal mining contract Lowjaman at Kalimantan it's first new project since establishing operation in Indonesia in May 2000. A large increase in activity in Malaysia an excellent performance on major construction contracts at Manjung Power Station and the Teachers Housing project delivered a strong result for Leighton Asia.

Hong Kong continued to provide Leighton Asia with a good level of infrastructure work. During the year Leighton Asia was awarded a large contract to upgrade and extend the existing light railway system from Kowloon Canton Railway Corporation. Other contracts underway include 3 major rail projects for civil infrastructure for the high tech multimedia cyber port development, apron works at the Hong Kong Airport and the building of a new Australian International School.

In South America Thiess has increased its presence in the resources sector it was successful in securing \$55m in new work in Peru and contracts for earthworks at BHP Billiton's Tintaya Oxide plant and for mining services at a lead, zinc and silver mine for a local mining company.

Based on the results achieved in 2001 Directors were pleased to announce a 25% increase in the final ordinary dividend up 5 cents to 25 cents per share. This dividend was franked to the extent of 50% and was paid to shareholders on the 28 December 2001. When added to the ordinary dividend of 14 cents per share paid in March 2001 the total ordinary dividend for the year rose by 18% to 39 cents per share. The total dividend payment was \$103.5m at 2001 and the payout ratio was 66%.

In view of the continuing strength of the Group's balance sheet and its surplus cash position the Board has decided not to proceed with an issue of shares under the companies share purchase plan in the current financial year. This position will however be reviewed again by the Board next year.

The Group's record level of work in hand across Australia and Asia should translate into increased revenue and profitability next year. Activity in the mining and resource sector should stay strong on the back of Thiess long term coal contracts. Group companies now have over \$1bn of uncompleted work from operation and maintenance contracts spread across our key markets. This work is long term and adds further sustainability to our earnings. The traditional construction markets of engineering and non-residential building will remain relatively tight but preparatory work is underway for a number of very large infrastructure projects. Leighton Properties will continue to progress a number of development opportunities along Australia's eastern seaboard and we expect to see an improved contribution from our property activity in the future. The Asian operations should have another good year. Indonesia, Malaysia and Hong Kong will continue to be the major areas of activity with an enhanced performance expected in the Philippines.

In conclusion I'd like to say to you that the Group is well positioned to continue to delivering enhanced returns for shareholders in the medium term. Revenue should remain strong due to the Group's record uncompleted work in hand, a good level of long term contracts and an improving outlook for the construction and property markets in Australia. The Group's existing pipeline of investments and its capacity to further invest in projects and make acquisitions should underpin growth. In conclusion on behalf of the Board I would like to thank our shareholders for their continued support. I also express the Boards appreciation to members of the Leighton Group's management team for their excellent work during the year. I will now hand over to the Group's Chief Executive Mr Wal King who will give you more details of the Group's strategies and prospects for growth and while that happens the directors and I will sit in the front seats where we'll better be able to share that presentation with you.

*Speaker: Wal King*

Thank you Tim, good morning ladies and gentlemen. As the Chairman has discussed we are very proud of the Group's performance this year. 2001 has been another challenging year but we have again delivered a strong result for shareholders. Today I want to talk about how we will continue to grow the Leighton Group. I will tell you about some of the opportunities we see and why we believe that our recent strong performance can be sustained. But first I will talk about our strengths and our strategies. Most businesses profess to have a strategy, both good and bad performance but it's people and leadership which determine success. The Leighton

Group strategy has been one of evolution, flexibility and focus. Diversity is central to our strategy and our evolution. Our strategic triangle which is up on the slides there captures the Group's diverse nature. By geography, by market and by delivery type. Each operating company has its own distinct culture and branding, delivering projects and services through a very flexible range of delivery systems. We also leverage our financial strength to invest, develop and grow the business. The Group's diversity helps counteract cyclical downturns that occur in particular markets. Our geographic presence in Asia has made a significant contribution to our overall performance, particularly in recent years when some markets in Australia have been difficult. Diversity also creates new growth opportunities where we can develop and apply core skills, taking communication skills into Asia is a natural evolution of our core competencies. The capability of our people is critical to our success. We have some of the best people in the business, they implement the strategy, work with clients and develop projects. We have strength of leadership and experienced management throughout our decentralised organisation. Long term service is not uncommon, many highly skilled employees have been with the Group for over 15 years. A core value is rewarding for performance, I certainly believe that people perform best when they have clearly defined goals and are allowed to operate subject to defined guidelines with the freedom to pursue those goals.

We encourage autonomous operations and have a competitive spirit, but the ethical behaviour of our employees is central to our common framework of values. Our code of ethics demonstrates our commitment, health, safety and the well-being of our employees is of paramount importance and safety remains a critical issue. We recognise our responsibility to the communities surrounding our various projects. We adopt a consultative approach and work to ensure that the quality of life, integrity of the environment is maintained wherever we operate. We also give back to the community through our various sponsorships and donations.

A key element of the Group's strategy is our financial strength, it allows us to take selective equity stakes, make acquisitions and fund capital intensive activities such as mining. Our partners understand that the ability to deliver goes hand in hand with financial support. We believe that reinvesting in the business is more efficient than one off special dividends or share buy back programs. We will continue to acquire skills that facilitate our core contracting activities and we will continue to see opportunities to invest in transport, mining, telecommunications and property projects.

A great deal has been written and said about the tragic events of September 11 in the USA. Whatever the outcome of the attack and the subsequent war on tourism, Australia is well placed to ride through what will be an uncertain period. The Australian economy is in a relatively good shape and the Group has huge momentum across Australia with work in hand in Australia maintained in excess of \$5.5bn and spread

across most major markets. We have a broad footprint in this country and we should continue to win our fair share of work in the future.

Growth in the telecommunications market has slowed from the record levels of the 90's. The next few years should see moderate but still relatively high growth. Growth driven by new technology such as WAP, 3<sup>rd</sup> generation mobile phones, new digital broadbanding applications and increasing cable TV penetration rates. Vytel has a good level of work for the next few years rolling out Nextgen network and other network and upgrades and maintenance work. All operating companies continue to develop their telecommunications capabilities.

Our traditional civil engineering construction market has slowed and is moving through the bottom of the cycle, we believe growth will resume in 02/03. Group companies are working on a number of projects around the country. The major project mentioned by the Chairman of course is the John Holland involvement in the Darwin to Alice Springs Railway probably in the world is the longest railway being built at this point in time. And I'm also very pleased to say that Janet Holmes a Court, Chairman of John Holland is here today and we continue to have a very strong and positive relationship with Janet who is the minority owner of the John Holland Group and we have made great progress with the John Holland Group.

Moving onto other projects there are some large transportation projects in planning and our companies are shortlisted for bidding some \$3bn to \$4bn worth of projects here in Sydney. In Sydney there's the Cross City Tunnel, the Epping-Chatswood Railway Line and the Western Sydney Orbital. In Melbourne there's regional Fast Trains, Eastern Freeway, Spencer Street Station Redevelopment and there will be other major projects in the next few years like the \$1.5bn Scoresby Bypass and the \$750m Lane Cove Tunnel.

Whilst overall activity in mining and resources is flat we see continuing good opportunities in coal, Australia's exchange rate, a new coal fired power stations in Asia will underpin growth. Thiess retains its leadership position as the 3<sup>rd</sup> largest coal miner in the region producing something like 70 million tonnes of coal per annum. A large proportion of Thiess work is long term contracts called life of mine. An emerging sector is the oil and gas sector here in Australia with major expansions in the North West shelf and perhaps in the longer term the Timor gap. Also major greenfield iron ore projects in Western Australia offer opportunity for mine development, process engineering and contract mining.

We anticipate an upturn in the non-residential property market by the middle of the decade. The commercial office market is solid, vacancy rates falling, rental rates growing. Leighton Properties has redefined its approach to property emphasising on

partnerships, specialised developments and leveraging investment. It's gearing up for an expected demand with a number of developments underway or in planning.

The contract building market will also start to grow again. Health, defence and education have good potential particularly if the various governments around Australia pursue public private participation schemes.

The environmental services market continues to grow at or around GDP rates, whilst it remains very competitive, there is a trend towards further outsourcing of waste management services to specialist contractors, there will continue to be selective opportunities for site remediation particularly in the major capital cities as former industrial properties are redeveloped for other use such as residential. The maintenance of utilities such as water, sewer, gas and electricity also holds promise for our Group companies.

The Group currently has over \$800m of work in operations and maintenance providing a stable long term earnings base. We have operations and maintenance contracts in telecommunications, rail and road infrastructure, defence facilities, waste management and utilities. The outsourcing of non-core activities is expected to continue. Both business and government seek to reduce costs and to improve service delivery through the use of specialist private sector service providers.

Turning to Asia, the economic outlook for Asia is linked to the global outlook. This appears to be less certain than what might have been a few months ago. While exports have driven improved performance in Asia over recent years, economic growth is now slowing. We believe that Asia is in better shape now to weather any global downturn than it was going into the 1997/98 financial crisis. Selected opportunities remain across the region and we have maintained record levels of work in hand in Asia. In Indonesia the resource sector in Indonesia remains attractive due to huge reserves and cost competitiveness. Indonesia is the worlds third largest supplier of thermal coal with over 80% going to other Asian markets. The Group has a strong presence in coal in the industry we're working on 7 mines in Kalimantan. Thiess has over \$1bn worth of work in hand in Indonesia primary on the large mines in Kalimantan, Satui and Senakin Coal mines. There are further opportunities to provide coal mining services in Indonesia, however we remain cautious about increasing our investment in plant and equipment in these current uncertain times.

Hong Kong remains a large and important economy despite the opening up of places like Shanghai. Increased trade between Hong Kong and the mainland is driving infrastructure investment, Hong Kong's Chief Executive, Tung Chi-Hwa recently announced a 15 year Australian dollar \$150bn infrastructure program. This includes extensions to the existing infrastructure, new rail links and a proposed high speed line from Hong Kong to Cheng Zen. Leighton Asia is in a strong position in the Hong Kong

market and has 4 rail projects in construction and is well positioned to win further work. Increasingly the world is focused on the potential of China, Leighton Asia recently opened an office in Shanghai, but China still remains a big but difficult market.

Malaysia is also a very strong performer for the Group last year a large increase in work was driven by the project of Manjung Power Station and the Teachers Housing project. The Teachers Housing project is truly a remarkable project with the construction of some 10,000 apartments across Malaysia. I am very pleased also to see our Chairman of our Malaysian company Asgari Stevens here today and I welcome him to Australia and also acknowledge his contribution to our work in Malaysia. In Malaysia the economy is expected to slow but prospects are being pursued for power generation and telecommunications infrastructure.

In other countries Leighton Asia has been bolstered in the Philippines by the recent awarding of new projects including the manufacturing facilities for Philip Morris these projects should provide a base load of work for the next few years.

Thailand recorded a profitable year based on rail maintenance work and expects to win further rail work in the near future. And also Leighton Asia recently won a civil contract for a power station in Vietnam and we're pursuing other selected opportunities in Indo-China.

The Asian telecommunication market is a potential growth area for the Group. Some telecommunication projects have been undertaken in the Philippines and Malaysia. We are focussed on building a strong presence across the region through Vytel Asia. It will seek to leverage skills acquired in Australia, and with our local knowledge in Asia should take advantage of all available opportunities. Vytel is optimistic that there will be significant demand for the provision of infrastructure such as the fibre cable and wireless networks, similar to those already constructed in Australia.

In South America the major international resource houses are increasingly turning their attention to this area of South America. South America now receives the biggest proportion of the world's minerals exploration budget. It should become a much larger player on the world stage in the future. Thiess sees good opportunities to provide contracting services in the region. This year Thiess was awarded a mining and resource related work in Peru and is encouraged by a number of other prospects.

Turning to the summary of the whole situation, we see Australia is in a relatively strong position and is well placed to ride out any global downturn. Diversity has insulated the Group from Australia's construction downturn and should provide significant upside when the market recovers. The record level of work \$7.8bn of work in hand has been maintained at the end of the first quarter for this year, and we would expect revenues to increase from around \$4.4bn last year to in excess of \$5bn this year. We would also

expect that over the next couple of months there will be in excess of \$1bn worth of work will be awarded to the Group hence keeping up the momentum that we do have throughout. This momentum will translate into improved financial performance for the year ahead. Our financial position you might say is rock solid and with \$400m in net cash the group is well placed to invest and further develop the business. We are confident that we have the people, the management team and the strategy to provide sustainable growth for shareholders in the future and we believe we can produce an improved result next year.

I thank you very much and I'd invite my fellow directors to return to the stage and if we could have the lights up please.

For those shareholders that have been here for many years over the years we've had a colourful character called Jack the Terminator, harass us, praise us, I'm not sure what Jack's going to do today but today we'd like Jack who's been with us for many, many years dear to our hearts, some of us anyhow. We'd like Jack to do a special presentation, Jack can you rise to your feet there.

*Speaker: Jack Tilburn*

Thank you Mr Wal King, I've known Wal for 11 years as a competent shareholder with him and the Board, but I have to be very friendly today, or try to be very friendly today. I have a small honour to do today, the Board in their wisdom, I hope and the management have asked me to come forward and do the honours for our retiring chairman and very, very grand chairman Mr Tim Besley AO. Thank you.

[presentation to Tim Besley]

*Speaker: Wal King*

Use the knife on the cake Jack.

*Speaker: Tim Besley*

The cake will be cut into at least 450 pieces and you'll be able to enjoy that a little later. But I now should move onto the business of the meeting which is the financial report and the reports of the directors and auditors for the year ended 30 June 2001. Submitted to this meeting be in hereby received and adopted and I call on Mr Wal King, Chief Executive Officer to second the motion. Thank you.

The Corporations Act specifies that a reasonable opportunity must be given to members at an Annual General Meeting to ask questions and make comments on the management of the company. Also a reasonable opportunity must be given to members at an Annual General Meeting to ask the Auditor questions relevant to the conduct of the audit and the preparation and the content of the Auditors Report. Mr Stewart Marshall representing our Auditors KPMG is present at the meeting today and

will be available to answer any such questions. Questions should however be initially addressed to the Chair and I will determine whether the question is appropriate for the Auditor or whether the Directors are better positioned to address the issue. I would remind members that the responsibility for preparation and content of the financial report is that of directors and not the auditor. The auditors responsibility is to conduct an audit for the purpose of providing an independent opinion to the members on the financial reports. I would also remind members that as reported in the Concise Annual Report an audit committee is in operation and has met with the auditors on 3 occasions during the past year.

In keeping with the spirit of the Corporations Act and in view of the fact that the company's required to advise details of proxies to the Australian Stock Exchange and record those details in the minutes of the meeting, I will advise the meeting prior to the vote on each resolution details of valid proxies received for that resolution.

If you wish to ask a question or comment please raise your hand showing your voting card, when you have been acknowledged would you please wait until a microphone is brought to you, I would also ask that only 1 question be asked at a time to allow as many questions as possible. Please be brief and identify yourself before asking a question.

Are there any questions?

Mr Tilburn.

*Question: Jack Tilburn*

*Thank you. Ladies and Gentlemen it wouldn't be my role if I did not get up to ask the question, sorry as many questions at Annual General Meetings because I firmly believe in shareholder democracy which is the right of any shareholder and owner to get up and question the Board and Management and as Mr Tim Besley has mentioned the right to do that now is an Corporations Law since the 1<sup>st</sup> July 1998 section 250S which is burnt into my brain. I wish to make a comment first Mr Besley please and then to ask my first question, thank you very much. I am very, very pleased with the 2001 results they are absolutely splendid and they're all in a concise and succinct way on page 61 the Statistical Summary. Nothing excites my genuine satisfaction and appreciation when you can see on page 61 that the earnings per share are a very high figure of 59 cents when the return on equity is a high 21%, when the dividend payout ratio is a very high 66% and lastly ladies and gentlemen for our pockets the dividend per share is a very high 39 cents. I would like to give as I generally do to companies my overall assessment and evaluation of the annual report, it's getting up towards a 9 out of 10 splendid, wonderful and to Mr Wal King whom I've known for 11 years, we've had many battles Wal King and I over disclosure, information, accountability,*

*answerability you name it but he's been a very, very wonderful Managing Director of Leighton Holdings Limited. Thank you.*

*And I would just ask my first question now please Mr Tim Besley it is always a concern of mine and a commitment of mine to ask what are the directors doing in regard to their ploughing back of their fees and remuneration into shares in to company. I must say that looking at page 50 section 9, I was a little bit taken aback to find that there is a low figure of roughly on average 2,000 to 2,5000 shares per director. Now one always has got to be factual so I wish to say that Mr Ashton has got 2,500, Dixon 2,000, Drescher 2,000, Johnston 2,000, Keitel 1,560 and Peus 2,300, Robinson 1,250. My question would be to you Mr Tim Besley I would like to see some type of policy to come in like I saw at the NRMA insurance company where I battled against the new chairman Strong but I was on his side because Mr Strong bought forward a requirement state and quote non-executive directors to receive at least 20% and allow them to receive up to 90% of their fees and remuneration in shares rather than in cash. So that's the big policy question I put to you this morning thank you Mr Tim Besley.*

*Speaker: Tim Besley*

Thank you Mr Tilburn. The issue of directors owning shares of course is a matter for their personal choice, there is a requirement in the company that there is a threshold one needs to own to be a director which is 1,000 only, the point you raised right at the end is something that has been in the air for some time but many of the institutions are not keen on James Strong's proposal, personally I don't think it's a bad one but it isn't in force in this company at the moment and directors of course can only buy shares during that window of opportunity just after the results are released either half yearly or yearly, so no one can rush out today and buy some, but I think that the important point is that all the directors do own shares they are all dedicated to your company, they work hard for it and I think you have to agree that this year with the leadership given by the management and the guidance provided by the board has been a pretty good year I don't think owning anymore shares would make a huge difference, but I take your point nevertheless. Next question please.

Next question please.

*Question: William Bell*

*My name is William Bell I'm a shareholder for about 10 or 12 years. I'd like to congratulate the Board first for the annual report for the inclusion of the CD it shows innovation and that's what Leighton have always been about. The question I have for the Board is I heard that Leighton is in a consortium to buy National Rail & Freight Corp which is I believe the consortium is based on Thiess Grand Corp and Linfox, could you tell me where that's at?*

*Speaker: Tim Besley*

I think that's probably a mis-reporting of some interest that Thiess has in maintaining rail tracks but Dieter may be able to give you a better answer.

*Speaker: Dieter Adamsas*

We are in a consortium and like a lot of other opportunities at any particular point in time we find partners which are relevant to I suppose various opportunities around the place and this is one that we'll have a look at and see if it pans out.

*Speaker: Tim Besley*

Do we have another question please. Mr Tilburn.

*Question: Jack Tilburn*

*Ladies and gentlemen as the owners of the company I draw your attention to page 44 in the very splendid annual report entitled Directors' and Executives Benefits, I refer to footnotes a, b, c and d for your location which is about halfway down the page Mr Besley and just underneath footnote (d) I quote "no options to acquire shares in the company were issued to employees during the year". I would ask you Sir to explain that policy whereas I have a little footnote of my own here because I would have thought that positive policy to take up shares would have been fostering employer and employee relationships much better and is a furtherance of dividing up the wealth of the company to those very hard and long working people. Thank you.*

*Speaker: Tim Besley*

Mr Tilburn there are two share option schemes in the company both of which have been approved by shareholders the one to which you refer has not had any shares issued under it since I think 96 and that's a matter which will receive further consideration, the company the board and the senior management has a view that it's appropriate to encourage people who work for the company to own shares either by purchasing them or through options and that's why we have the two option schemes but that's just a fact the way it is at the moment that doesn't mean we won't be issuing options in the future, it's not a policy decision against such a thing.

Next question please. Mr Tilburn.

*Question: Jack Tilburn*

*Ladies and gentlemen you'll be pleased I'm cutting it short this is a final comment and I do believe that it is better to do it now than at the finish when sometimes people have to go for business and other purposes. My final comment in this item of the financial statements, of course I have a couple of other questions later. I wish to state my overall appreciation of the very long period of services rendered by Mr Rod Wylie to the Board and company of Leighton Holdings Limited, I believe Rod is there in the audience, thank you Mr Rod Wylie. Some 16 long, long years of service he has given*

*to Leighton Holdings Limited, this is surely dedication and devotion of a very, very high standard in corporate governance throughout Australia. Finally on that sentimental note, the same sentiments are expressed to Mr Tim Besley who has also rendered outstanding services covering 11 long years, being elected Chairman in February 1990 when he had to put up with me for the first year and I would ask all of you to give acclamation for Mr Rod Wyle and Mr Tim Besley. Thank you.*

*Speaker: Tim Besley*

Thank you Mr Tilburn and I am sure I thank you also on behalf of Rod who's sitting just in front of me.

Ladies and gentlemen if there are no further questions I will now put the motion to the meeting, the motion is that the financial reports and the reports of the directors and of the auditor for the year ended 30 June 2001 be received and adopted. The total value of valid proxies received for resolution 1 is 174,881,131 being 167,940,128 for the resolution 5,943 against the resolution 6,237,657 to be voted at the proxies discretion and there are 697,403 abstentions. For all of those in favour of the resolution please raise your hand showing your voting cards. Anyone against. Thank you, I declare the motion carried unanimously.

Item no. 2 is the re-election of directors and the first motion in this regard is that Dr Hans Peter Keitel who retires by rotation in accordance with clause 18 of the company's constitution be re-elected a director of the company. May I have a shareholder move this motion, thank you do I have a seconder. Thank you very much. Are there any questions on this resolution. If there are no questions I put the resolution the total of valid proxies received for resolution 2.1 is 174,242,957 being 159,549,367 for the resolution, 8,138,646 against the resolution, 6,272,531 to be voted at the proxies discretion and there were 282,413 abstentions. Would all those in favour of the resolution please raise your hand showing your voting card. Against. Thank you I declare the resolution carried unanimously congratulations to you Peter.

The second motion in this regard is that Mr David Paul Robinson who retires by rotation in accordance with clause 18 of the company's constitution be re-elected a director of the company. May I have a shareholder move this motion, thank you, do I have a seconder, thank you very much. Are there any questions regarding this resolution? If there are no questions I will put the resolution to the meeting. The total of valid proxies received for resolution 2.2 is 174,881,131 being 168,320,424 for the resolution, 26,165 against the resolution, 6,273,529 to be voted at the proxies discretion and there were 261,013 abstentions. Would all those in favour please raise your hand showing your voting card. Against. Thank you I declare the resolution carried unanimously congratulations to you David.

The third motion under this item of business is for the election of Mr John Powell Morschel who having been appointed a non-Executive director and a Deputy Chairman by the Board on the 16 August 2001, retires at this meeting in accordance with clause 17.2 of the company's institution. Before I put the motion however I would first like to provide the meeting with some details of Mr Morschel's background and experience. Mr Morschel was educated at Manly Boys High School and the University of New South Wales. His early career commenced with the Lend Lease Group when in 1969 he joined the property and construction division Civil and Civic. After serving in various management and senior executive roles within Lend Lease Mr Morschel became Managing Director in 1988 and was ultimately appointed Chief Executive of Lend Lease in an outstanding career spanning 25 years of that company. Mr Morschel resigned from Lend Lease in 1995 to take up a position as Executive Director of Westpac's retail banking division and while he stepped down from this executive role in late 1997, he remained on the Westpac board in a non-executive capacity until earlier this year. Mr Morschel is Chairman of CSR Limited, he is a director of Rio Tinto Plc and Rio Tinto Limited, Singapore Telecommunications Limited and Tenix Pty Limited. He is a fellow of the Australian Institute of Management and of the Australian Institute of Company Directors, Patron of the Property Industry Foundation and a trustee of the Art Gallery of New South Wales. Ladies and gentlemen as previously announced Mr Morschel is to take over from me as Chairman of the Board following my retirement which takes effect at the conclusion of today's Annual General Meeting, and I am confident that he will bring to the role a wealth of experience which he has gained in the Australian and international construction property and finance sectors. Accordingly I have much pleasure in moving that John Powell Morschel who retires in accordance with clause 17.2 of the company's constitution be elected as a director of the company. May I have a shareholder to second this motion. Thank you very much, are there any questions regarding this motion. Mr Tilburn.

*Question:*

*Thank you Mr Besley, ladies and gentlemen I'd like to throw my weight behind the new Chairman of Leighton Holdings Limited Mr John Morschel, he's got a soft spot for me and I've got a soft spot for him, because it says in his profile he's a member of the Manly Boys High School, many years before John Morschel attended Manly Boys High School I attended Manly Boys Intermediate High School and graduated with 6 P's and 2 A's which started me off somehow, somewhere. I recently met John Morschel as a sterling and grand Chairman when he was taking the chair at Colonial Sugar Refinery Company Limited last July. I also knew John Morschel for over 10 years when he was a top manager there and I was just a humble shareholder owner in Lend Lease Corporation Limited. So I know his track record, I know his personality and I know what a sterling job he's going to do to take over the shoes of Mr Tim Besley. I ask you all to vote for Mr John Morschel for the next 3 years as the director of Leighton*

*Holdings Limited and perhaps more importantly as the new Chairman of our very, very great company.*

*Speaker: Tim Besley*

Thank you Mr Tilburn very much, are there any other comments on this resolution? If there are none I will put the resolution the total number of valid proxies received for 2.3 is 174,881,131 being 168,289,261 for the Resolution, 38,148 against the Resolution, 6,284,489 to be voted at the proxies discretion and there were 269,233 abstentions. Could all those in favour of the please raise your hand showing your voting card. Anyone against. Thank you I declare the motion carried unanimously and my heartiest congratulations John.

Ladies and gentlemen Resolution number 3 is an ordinary resolution which seeks shareholder approval for KPMG to be reappointed as the company's auditor. Under section 327 (15) of the corporations act KPMG is required to retire as the company's auditor at today's annual general meeting as a consequence of Hochtief Limited increasing its shareholding in the company about 50% during the 2001 financial year. As is permitted by that same section however KPMG being eligible offer themselves for reappointment as the company auditor, the Board recommends that you vote in favour of this resolution the motion for which KPMG are hereby appointed as the company's auditors. May I have a shareholder move this motion, thank you and a seconder. Thank you sir. Is there any discussion on this resolution? If there is no discussion let me put the resolution informing you first that the total of valid proxies received for resolution number 3 is 174,881,131 being 168,245,071 for the resolution, 27,479 against the resolution, 6,312,135 to be voted at the proxies discretion and there were 304,446 abstentions. Would all those in favour please raise your hand showing your voting card, anyone against the motion? Thank you I declare the motion carried Unanimously.

Resolution number 4 is also an ordinary resolution under which approval is sought for the issue of options for the company's present executive directors Mr W M King and Mr D S Adams as the non- executive directors consider it appropriate that the 2 executive directors in the interest of all the shareholders are properly motivated to maximise the value of the company's shares, it is proposed that 600,000 options be issued to Mr WM King and 400,000 to Mr DS Adams. The options would be issued under the Leighton Executive Share Option Plan which was approved by shareholders in November 1998. According to the options would be issued subject to the pre-conditions to offer the exercise vesting conditions, the performance hurdles and the pricing formula set out in the plan and summarised in the explanatory notes accompanying the notice of meeting. The options may be granted at any time before the company's 2002 Annual General Meeting. The non-executive directors recommend the passing of the resolution so that the company may be permitted to include options under the plan as part of the total remuneration package for an

executive director. In making this recommendation the non-executive directors have had the benefit of external expert advice that such a proposal would satisfy the reasonable remuneration tests under the Corporations Act. The motion for this ordinary resolution is that approval is given for the company to grant under the Leighton Executive Share Option Plan at any time before the company's next annual general meeting 600,000 options to acquire shares from the company to Mr WM King and 400,000 options to acquire shares in the company to Mr DS Adams. May I have a shareholder move this motion, thank you, do I have a seconder. Thank you very much. Is there any question regarding this resolution? If there are no questions then I put the resolution, would you let me inform you that the total of valid proxies received for resolution 4 is 174,881,131 being made of 166,807,853 for the resolution 995,821 against the resolution, 6,282,611 at the proxies discretion and there were 794,846 abstentions. Would all those in favour please raise your hands showing your voting cards. Against. Thank you I declare the motion passed carried unanimously.

The fifth and final item of business on today's agenda is an ordinary resolution seeking approval to increase the maximum yearly sum available to remunerate the company's non-executive directors by an additional \$350,000. As stated in the explanatory notes this amount was last increased in 1998. Since that time the number of non-executive directors has increased from 9 to 10, the proposed \$350,000 increase in the aggregate limit of non-executive directors fees is considered necessary to allow the company to maintain the flexibility to recruit and retain experienced and talented non-executive directors recognising the additional responsibility assumed by directors under the Corporations Act and the increase in the Group's activities over recent years. The motion is that the maximum aggregate yearly sum which may be paid by the company to its non-executive directors as remuneration for their services be increased by \$350,000 from \$950,000 to \$1,300,000 with effect on and from 1 July 2001. May I have a shareholder move this motion, thank you, do I have a seconder? Thank you very much. Is there any discussion on this motion? Mr Tilburn.

*Question: Jack Tilburn*

*Fellow owners and shareholders and stockholders of this very great company I think that this resolution will be today quite well carried because the company has such a well proven track record. The slides earlier showed the progress over the last 5 years and we just keep on going up and up like a rocket towards the moon, and that's because Mr Wal King and his management are doing the great work on the ground. It's 3 years since they've had a rise 1998 was the last time that we met and agreed to an increase in directors fees. Well this time around 3 years later I am sure that all of us can get behind this resolution to help the management and the board of directors. I feel that it's a very modest amount to have an increase of \$350,000 which is only just over \$100,000 a year the last 3 years and I think that's in line with the corporation governance requirements and the culture of this*

*company. So I am sure and I ask you to vote as I am for this resolution, it's a very moderate amount of money and I can't see that the owners could feel that it's not the right and proper thing to do on this occasion. Thank you very much ladies and gentlemen.*

*Speaker: Tim Besley*

Thank you Mr Tilburn are there any further questions on this resolution? If there are none then let me put the resolution having informed you that there were 174,865,131 valid proxies received in respect of it of which 166,542,044 are for the resolution, 1,182,807 are against the resolution, 6,309,988 to be voted at the proxies discretion and there were 830,292 abstentions. Would all those in favour please raise your hand showing your voting card. Against the motion, thank you. I declare that motion carried unanimously. As the business of the meeting has now been concluded ladies and gentlemen I'd like to thank you for your attendance here today.

*Speaker: Wal King*

Ladies and gentlemen, obviously before we close this meeting I think I on behalf of the management of the Group would like to acknowledge the significant role played by our Chairman, Tim Besley. I can in sense of humour say quite remarkable for a kiwi, he doesn't admit to being a kiwi, think in the last 15 years or so he's continued to support Australia in the football, so he's really swapped over from New Zealand. Tim has had a remarkable career as a business person coming from New Zealand starting with the Snowy Mountains, rising through the Snowy Mountains making great contribution, then on to being a government bureaucrat for many years in Canberra and then even more remarkable moving from being a government bureaucrat back into private enterprise being the Chief Executive of Monier, then moving into his professional career as a director becoming Chairman of a number of companies including his great contribution to the Commonwealth Bank which under Tim's Chairmanship went from being a fully government owned organisation to a fully private organisation. I guess the most remarkable thing about Tim the person with his business career, his contribution but also Tim as a person, Tim has been around the company now for a long period of time fitted in very well and he clearly knew the distinction between what we would say as management work and board work. Tim was very able to move between one and the other, always being around the office not interfering being there to support the organisation at every turn. So quite a remarkable character, for a New Zealander, quite a remarkable character in a business sense what he's achieved and also as a person, he has been a close friend of mine over the years providing lots of support, he has many, many friends in the company, we will miss you Tim and I would like everyone to thank Tim for his contribution in the company. Thank you very much Tim.

*Speaker: Tim Besley*

Thank you very much, I think there was a gentlemen over here wanted to talk was it on the last motion, if it was and I missed your hand I'm sorry.

*Question:*

*No Tim. I think it would be remiss of the shareholders if we didn't formally record our thanks to both Tim and Rod for the outstanding leadership they've provided this company over the last many years. I therefore would like to propose a motion of thanks which records our appreciation and respect for the contribution they've made and the leadership, not only have we been very well rewarded, in fact I think when Tim joined the share price was less than 70 cents, it's now over \$10, we had a market capitalisation of less than \$100m going to \$2.7bn, regular dividends and as Tim said I think a 30% compound annual return to shareholders is outstanding. I think importantly not only leaving a legacy of a very strong financial organisation, they've left a legacy of the company which is now recognised as one of the leaders of corporate governance and in business ethics and I think that is remarkable and for that I would ask shareholders to join me in once again thanking Tim and Rod for their contribution.*

**Speaker: Tim Besley**

Well thank you, I don't want to turn this into a mutual love society but I do want to say also that it's been a great privilege and pleasure for me to work in such a great company over this last decade particularly where it's come so far under the leadership of the very good executive team that it has and with the strong support I've always had and with wise counsel from my broad colleagues, and of course importantly the great support from you the shareholders the owners of the company. I will miss the company very much but I will be able to look back and say how much fun it was, and it really has been fun to work in such an outfit and to see it go ahead as I'm sure it will from strength to strength. So thank you all now, let me close the meeting and have a cup of tea and a bit of that cake.

**End of Transcript**

---

This document has been transcribed from the 2001 Annual General Meeting Webcast. Whilst all care has been taken, the content should not be relied upon for any investor decisions. Refer to the Chairman Address and Chief Executive's Presentation to receive a true and accurate statement of the AGM.