

7 NOVEMBER 2002

ADDRESS TO SHAREHOLDERS

A Presentation to the 41st Annual General Meeting Of Leighton Holdings Limited by the Chairman Mr John Morschel.

Introduction

On behalf of the Board of Directors, I am pleased to report that despite the very competitive operating environment experienced during the last year the Company has successfully delivered shareholders another strong performance.

Financial Highlights

The results achieved reflect a strong contribution from the Asian operations, an improved result from our property development activities and a solid performance across the Group's diversified contracting activities in Australia:

- Total operating revenue increased by 20 percent to a record level of \$5.2 billion.
- The Group's success in securing some large-scale projects such as the Parramatta Rail Link in Sydney and the Regional Fast Rail contracts in Victoria boosted work in hand at 30 June 2002 to an all time record level of \$8.4 billion - up by 7% on the previous year.
- Our strategy of diversification by products, geography and delivery systems continued to yield results. This diversity reduced the impact of the recent construction downturn in Australia and helped lift operating profit before tax by 15 percent to \$227 million.
- Operating profit after tax increased by 8 percent to an all time record level of \$169 million. This increase was achieved after making a provision of \$45 million against the future investment in Nextgen Networks. The Board considered this a prudent decision given the current instability in the telecommunications market.

The Group's balance sheet remained strong with \$524 million of net cash and shareholders' funds 7 percent higher at \$789 million.

Leighton's average return on shareholders' funds, at 22.1 percent in 2001/2002, achieved a ranking of 8th out of the top 100 companies listed on the Australian Stock Exchange.

Australia/Pacific Operations

Our Australia/Pacific operations made a strong contribution to the Group's performance in the past year. Profit before tax of \$141 million was up by 21% and total revenue of \$3.9 billion was 29% ahead of the previous year's result.

Thiess recorded another good performance in its mining and resources activities. It made a strong contribution to profitability whilst again increasing its level of uncompleted work in hand.

Leighton Contractors performed well and continued to broaden its skills base and engineering capabilities into complex process and heavy engineering work.

John Holland continued to meet its recovery programme targets and made an increased contribution to Group results for the year.

Leighton Properties maintained a good level of activity in its industrial and commercial markets along Australia's eastern seaboard and produced a satisfactory result after completing the sale of a number of development properties.

Engineering and infrastructure remained the Group's largest source of revenue in Australia at \$1.2 billion, which was up on last year by 19%. Increased activity in the rail sector boosted by major government initiated infrastructure projects and a continuing good level of new road construction contracts boosted work in hand by 79% to \$2.1 billion at year-end.

Mining and resources made a strong contribution to the Group's performance with revenue up 46% to \$1.0 billion. Thiess, Leighton Contractors and John Holland were all active participants in this market sector during the year with overall work in hand levels rising by 5% to \$2.5 billion at 30 June 2002.

While Thiess maintained its leading position in the coal sector, competitive pressures are making this a tough market in which to win new work.

Revenue from building and property activities was stronger with revenues up 28% to \$916 million. Uncompleted work in hand was up 2% to \$626 million although this figure has been significantly boosted by the awarding of new work post year-end.

Revenue from telecommunications was up 40% to \$619 million last year but the level of work in hand fell by 45% to \$522 million. This reflected the good progress made on the construction of the Nextgen fibre-optic cable network, which is expected to be completed ahead of schedule early next year.

While telecommunications is a market in which the Group will maintain a presence the lack of new capital expenditure in this sector is constraining opportunities for new work.

Revenue from environmental services remained steady at \$186 million. With conditions in the waste market remaining very competitive, work levels reduced by 9% to \$379 million.

Asian Operations

Another strong performance was recorded by the Group in Asia with revenue of \$1.2 billion and profit before tax of \$77 million. The results were down marginally on the previous year due to the appreciation of the Australian dollar.

Contract mining in Indonesia, construction in Malaysia and rail work in Hong Kong were the major contributors to the result.

Leighton Asia was recently restructured into two business hubs with the formation of Leighton Asia (Southern) based in Kuala Lumpur and Leighton Asia (Northern) based in Hong Kong. This restructure will facilitate the continued expansion of the Group's operations throughout the region.

Dividend

Directors were pleased to announce an increased final ordinary dividend of 26 cents per share. This dividend was franked to the extent of 70% and was paid to shareholders on 30 September 2002. When added to the interim ordinary dividend of 16 cents per share paid in March 2002, which was also franked at 70%, the total ordinary dividend for the year rose by 8 percent to 42 cents per share. The dividend payout ratio was 67 percent.

Leighton's objective is to provide superior total shareholder returns and the graph on the screen illustrates the Group's achievements in this regard with the Total Shareholder Return achieved over the last 10 years exceeding returns provided by the All Ordinaries Accumulation Index by more than 300 percent.

I would like to take a few minutes to talk about Corporate Governance.

Leighton has long recognised the need to have in place a comprehensive corporate governance policy.

Now more than ever, being ethical, acting with integrity and, above all, being accountable and transparent, are essential ingredients of any company's business policies. For this reason I would like to briefly outline some of the key elements of Leighton's corporate governance practices to demonstrate the Board's determination to ensure that appropriate and high standards are maintained in the Company.

- In Leighton, where people play such a fundamental role in ensuring the Company's success, one of the prerequisites for a good corporate governance structure is the Board's role in setting and communicating

standards for ethical behaviour. The Leighton Board is committed to maintaining a strong ethical culture throughout the Group and has had a comprehensive and realistic code of ethics in place since 1995. As ethics is an evolving discipline the code of ethics is an evolving document.

Individual Group operating companies have adapted and expanded the code of ethics into their own codes, which focus more specifically on the ethical challenges they face. The enforcement of these codes is overseen by a series of ethics committees formed at both the holding and operating company levels. Future developments to assist the Board in monitoring the Group's ethical performance include the establishment of an ethical dimension reporting system. This is being undertaken in conjunction with the St James Ethics Centre and will place Leighton at the leading edge of Australian companies in this area.

- It is Board policy that the Board should comprise a majority of Non-executive Directors. Currently 10 of the 12 Directors on the Board are Non-executive Directors. Commencing from September this year it is also Board policy that all Board Committees dealing with corporate governance matters, except the Nominations Committee, are to be constituted with a majority of Non-executive Directors.
- The Board continually monitors the business environment for best practice in corporate governance and has consistently implemented new initiatives in this regard. For example, Leighton was one of the first companies in Australia to establish an Audit Committee in 1990 to assist the Board in fulfilling its responsibilities under the Corporations Act in relation to financial reporting, risk management and internal control. More recently amendments were made to the terms of reference for the Audit Committee. Membership of the Committee now comprises a majority of Non-executive Directors and the Non-executive members of the Committee meet with the external auditors on at least two occasions each year without Management in attendance.
- KPMG is the Group's principal auditor and was reappointed to that position by shareholders at last year's annual general meeting. KPMG's engagement partner responsible for the Leighton Group audit rotates at least every seven years with the last rotation occurring in February 2001.

- KPMG has confirmed to the Board that they have maintained their independence throughout the financial year by enforcing strict internal rules and policies and that they were free from conflicts of interest when discharging their professional responsibilities as statutory auditor for the year ended 30 June 2002.
- The Board has a remuneration committee which is responsible for making recommendations to the Board on remuneration arrangements for the Executive Directors and senior executives. Our remuneration policy has been structured to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and is competitive in attracting, retaining and motivating people of the highest quality. In developing this policy the Board recognised that the construction sector, both in Australia and internationally, is an inherently volatile industry, which requires the application of exceptional skills in the successful management of risk across a broad range of disciplines. The Board also recognises that people are the Group's most valuable asset. An integrated system of training, career development and incentives has been established with the aim of retaining and motivating quality staff. This is particularly important given the large workload of over \$9 billion already secured and the emerging upswing in our traditional construction markets in Australia. The Group's incentive schemes include an annual bonus, deferred incentive and share option plans. All these components have appropriate performance hurdles in place which are closely aligned to shareholder interests to ensure that if the employees benefit from good performance so do the shareholders.
- The Company takes its continuous disclosure obligations very seriously and considers them an essential element in maintaining shareholder confidence and market trust. Accordingly the Group has detailed internal procedures in place for the gathering and release of price sensitive information to the Australian Stock Exchange. Electronic communication plays an integral part in ensuring the Group achieves its communication objectives. All releases made by the Company to the ASX are now communicated electronically and once cleared for release are immediately posted on the Leighton Holdings website. The website has become a vital point of reference for shareholders and the investment community generally in

researching information about the Group's workload, financial performance, capabilities and experience. Webcasts of events such as today's Annual General Meeting and the Group's financial results presentations are further examples of how the Company achieves wider disclosure and communication with stakeholders.

This list is not meant to be exhaustive. There are many other policies and processes in place which we believe are necessary to ensure adequate corporate governance standards at Leighton. These are continuously being improved and updated.

In concluding my remarks it is most pleasing to report that the Group has successfully navigated a substantial downturn in the industry in Australia and now has a number of excellent projects in its order book.

Group companies are presently undertaking a diverse range of billion dollar projects and management's focus will remain on obtaining successful outcomes for our clients and shareholders.

Operating revenue recorded during the first three months of the current financial year was \$1.4 billion from which an operating profit after tax (unaudited) of \$35 million has been generated. These first quarter results for the 2002/03 fiscal period are in line with budget expectations. Following the finalisation of contracts for the Stanwell Magnesium Plant and Spencer Street Station Redevelopment projects during the quarter, work in hand stood at \$9.3 billion with incomplete management contracts valued at \$553 million. This compares with \$8.4 billion of work in hand and management contracts of \$517 million at 30 June 2002.

Our financial strength remains a competitive advantage and will be used to sponsor some of the major infrastructure projects being developed, underpin capital expenditure on plant and equipment, and provide bonds and guarantees to clients.

It will also be used to take advantage of any rationalisation opportunities available in Australia and make other acquisitions or investments which will add to the Group's skill base and market presence.

As announced recently the Company has reaffirmed its commitment to Nextgen Networks by:

- Bringing forward our \$92 million commitment to contribute equity to the project to the current calendar year;
- Converting our revenue guarantee of \$50 million to a subordinated loan to be provided to Nextgen in June 2003; and
- Undertaking to provide an additional \$8 million in subordinated debt to Nextgen in January 2003

Nextgen now has increased support for the initial development of the business and the flexibility to pursue industry development opportunities.

On behalf of the Board, I would like to thank our shareholders for their continued support. I also express the Board's appreciation to members of the Leighton Group's management team and all employees for their excellent work during the year.

Work in hand is, yet again, at record levels and should translate into a strong increase in revenue. The underlying performance of the Group's operations remains strong. The Board will continue to monitor Nextgen's performance very carefully and will review the residual carrying value of our interests at December this year and at June 2003.

The outlook for the next few years is very good with a period of sustained growth forecast on the back of a higher level of activity.