

Leighton Holdings Limited 42nd Annual General Meeting

16 November 2003

Speaker: John Morschel

Good morning ladies and gentlemen, my name is John Morschel and I am your Chairman. On behalf of the Board of Directors I am pleased to welcome you to the 42nd Annual General Meeting of Leighton Holdings Limited and to report to you on the companies results for the year ended 30 June 2003. As it is past 10am and we have a quorum 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 from my left we have David Mortimer, next to David, Achim Drescher, then Ian Johnson, Dr Busso Peus, Dieter Adamsas who is the Deputy Chief Executive Officer and Chief Financial Officer, next to Dieter we have Wal King - Managing Director and Chief Executive Officer. Next to my vacant chair is Dr Hans Peter Keitel, Deputy Chairman, Ashley Moir, the Company Secretary, then David Robinson, Geoff Ashton, Geoff Dixon and then on the end of the table we have Martin Albrecht. Thank you gentlemen.

Details of each of the directors qualifications, experience and special responsibilities are included in the resumes which appear on pages 51 and 52 of the 2003 Leighton Concise Annual Report. Whilst the resumes also include listings 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 advise that notice of this meeting has been given to shareholders in accordance with the requirements of the Corporations Act. Copies of the notice have been posted to shareholders. The minutes of the 41st Annual General Meeting held in November 2002 have been signed as a correct record of proceedings at that meeting and are available for inspection by shareholders. Having dealt with the formalities I will now 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 2003. Before moving their adoption I would like to make some comments on the state of your company and its progress commencing with the results for the 2002/2003 year.

On behalf of the Board of directors I am pleased to report that the company recorded a solid profit result during the 2003 fiscal period despite the impact of the Nextgen write

off. A record level of work was also secured which is expected to underpin growth over the next few years. The results reflect a strong underlying performance from construction activities across the Groups diversified contracting operations in Australia and Asia. And a significantly increased contribution from our property development activities. Total operating revenue including joint ventures increased by 7% to a record level of \$5.6bn. New contracts, extensions and variations secured by the Group during the year totalled \$6.8bn up 28% on last year. The Groups success in securing some large scale projects such as the Westlink M7 Motorway, the Central Reclamation project in Hong Kong, the KEN's property development project in Sydney and the acquisition of contracts from Transfield boosted work in hand at 30 June to an all time record of \$9.7bn up 15% on the previous year. Operating profit after tax of \$140m decreased by 17%. As mentioned earlier profit was impacted by the write off of Nextgen. Despite the success achieved by Leighton Contractors with the physical construction of the Nextgen fibre optic cable network, an agreement could not be reached that satisfied all the investors as to the future viability of Nextgen. This ultimately resulted in a consortium of bankers appointing a receiver to Nextgen Networks Pty Ltd in June 2003. Leighton wrote off its remaining exposure to Nextgen at year end. The Groups balance sheet remains strong with \$371m of net cash and shareholders funds 9% higher at \$856m. Leighton's return on average shareholders funds at 16.8% at 2002/03 achieved a ranking of 21st out of the top 100 companies listed on the Australian Stock Exchange.

I'd now like to review our operations during the year. Firstly Australian Pacific operations contributed \$145m profit before tax an increase of 3% on total revenue of \$4.6bn which was up 15% on the prior year.

Thiess recorded another strong contribution to profitability and again increased its forward workload. A highlight for Thiess during the year was the commencement of the \$878m Parramatta Rail Link contract in NSW which is the largest single publicly funded infrastructure contract in Australia. Thiess mining operations in Australia continued to perform strongly with work being undertaken at 8 coal mines across NSW, Queensland and Victoria.

Leighton Contractors performed well and continued to build on its reputation as a leader in the area of complex infrastructure projects, winning a number of significant new contracts which included the \$1.5bn joint venture contract to design, construct, operate and maintain the 40km Westlink M7 Motorway in Sydney which connects or will connect the M5 at Liverpool to the M2 at Blacktown.

John Holland increased contribution to Group results for the year with the most significant event being selected contracts and resources from Transfield Construction and the subsequent transfer of over 800 Transfield employees to John Holland. With operating revenue up 26% and work in hand up 16% John Holland has strengthened

its position in the market and is now one of Australia's most diversified construction contractors.

Leighton Properties also maintained a good level of activity and it to increased its contribution to Group results during the year. The highlight was the commencement of the \$630m KENS project which is a commercial office tower development in the heart of Sydney's CBD which was pre-leased and pre-sold to Westpac.

Our total Australian Pacific revenue was \$4.6bn for the 12 months to 30 June 2003. \$1.5bn of that work came from the resources sector, this represented a 52% increase on the prior corresponding period and this sector is now the Group's largest source of revenue in the Australian Pacific region. Continued investment by Governments in the private sector in roads and rail infrastructure projects such as the Parramatta Rail Link and the Westlink M7 Motorway in Sydney, the Regional Fast Rail project in Victoria and the Alice Springs to Darwin Railway have increased engineering and infrastructure sector in Australia by 24% to \$1.5bn and boosted work in hand during the year by 45% to \$3.1bn. Building and property revenue at \$910m remains steady during the year but work in hand was up strongly by 128% to \$1.43bn fuelled by the success achieved by Leighton Properties.

The Group continued to grow its presence in the operations and maintenance sector and activity for the year was up 5% to \$528m. Work in hand decreased to \$1.01bn due to the current lack of activity in the telecommunications sector.

Turning now to our Asian operations, despite the serious economic downturn experienced across most of the markets in the region and the impact of adverse currency movements during the year the Group's Asian operations reported another improved pre-tax profit contribution of \$81m which was generated from a reduced total revenue of \$996m. Contract mining in Indonesia, construction in Malaysia and rail work in Hong Kong were the major contributors to the result. While work levels in Asia fell by around 20% to \$1.6bn at year end work in hand since the 30 June has been boosted by a \$560m joint venture toll road project in Malaysia, a \$350m joint venture tunnel project in Hong Kong and around \$1.7bn of mining contracts in Indonesia. The restructure of Leighton Asia at the beginning of the year into two business entities with the formation of Leighton Asia Northern based in Hong Kong and Leighton Asia Southern based in Kuala Lumpur has progressed satisfactorily during the year and will facilitate expansion of the Groups activities throughout the region.

Moving now to dividends, Directors were pleased to announce an increased ordinary dividend a final dividend of 27 cents per share, this dividend was 100% franked and was paid to shareholders on 30 September 2003. When added to the interim ordinary dividend of 17 cents per share paid in March 2003 which was also 100% franked the total ordinary dividend for the year rose by 5% to 44 cents per share and this

represented a dividend payout ratio of 85%. 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 total shareholder return achieved over the last 10 years exceeding returns provided by the all ordinaries accumulation index by more than 360%.

As you would be aware late last month the company announced that it intends to raise up to \$200m through an issue of convertible unsecured subordinated resettable notes. The issue with these Leighton notes forms an important part of the Group's capital management program which aims to optimise the capability of the Leighton balance sheet. The Group uses its strong financial position to fund capital investments and to support guarantees, bonds and letters of credit. Proceeds raised through the issue of the Leighton Notes will be used to support the Group's ability to bid for and secure major infrastructure projects such as the \$1.8bn Mitcham to Frankston Freeway in Victoria. Leighton shareholders with registered addresses in Australia on the company share register as at 7pm on the 20th October 2003 will receive a preferential allocation over other retail applicants if there is excess demand for these Leighton Notes. A postcard outlining how shareholders can apply for the prospectus and a personalised application form have been mailed to shareholders. And an information desk will be opened in the foyer of the hotel following today's meeting to handle shareholder enquiries. So if you do have any questions on this matter please go to the information desk after the meeting.

As I mentioned at last year's AGM key amongst the Group's core values is a belief in robust corporate governance, ethical behaviour, effective communications to stakeholders, respect for the environment and work practices that keep people safe and well and as well as enthusiastic about their work. The company's focussed on being at the forefront of industry best practice for corporate governance. The Board continually monitors issues such as risk management and ethics with the intent of addressing the interests of the Group's stakeholders namely shareholders, clients, employees and the community. In advance of new ASX listing rule requirements which come into effect next year, the company has published a statement of corporate governance practice in a booklet form. This outlines Leighton's current practice in relation to the 10 core principles identified by the ASX Corporate Governance Council as underlying good corporate governance. A copy of this booklet was forwarded to shareholders with this year's concise annual report and I commend the booklet to all shareholders. For those shareholders who would like an additional copy of this publication they will be available following today's meeting at the Information Desk. A statement has also been posted on the Leighton website.

Shareholders will note from the report that there are 2 areas where Leighton does not comply with the ASX corporate governance guidelines. The first being in relation to the Board comprising a majority of independent non-executive directors. Leighton

currently has a Board of 12, 6 of whom are independent non-executive directors, the Chairman who is independent has the casting vote in the case of a deadlock. The second being the Chairman of the Audit Committee who is a non-executive director but not an independent non-executive director. The Audit Committee's Chairman has served on the Committee since 1991 and is a qualified practicing Chartered Accountant. During the year we restructured the Audit Committee so that it comprised only non-executive directors and a majority of independent non-executive directors. We also added another independent non-executive director to the Remuneration Committee so that the majority of members are independent non-executive directors.

So ladies and gentlemen I am pleased to advise that the outlook for next year is strong with a record level of work in hand which is spread across our diverse business units both within Australia and Asia. Operating revenue recorded during the first 3 months of the current financial year was \$1.3bn, whilst this was in line with last year it is expected to increase during the course of 2003/04 as major projects come on stream. An operating profit after tax unaudited of \$36.4m was generated in the first quarter which was in line with expectations. Work in hand at the 30th September stood at \$10bn, an increase of 4% for the quarter.

On behalf of the Board I would like to thank our shareholders for their continued support, I would also express the Board's appreciation to Leighton's management team and employees for their excellent work during the year. And I'd also like to thank my fellow non-executive directors for their invaluable contribution during the year. The outlook for Leighton is extremely positive. Our record work load will lead to increased revenue in the coming year and the Board is confident that the Group will achieve an after tax profit in excess of \$180m in 2003/04.

I will now hand over to the Group's Chief Executive Mr Wal King who will give you an update on our outlook for the future in his presentation on the Group's people, projects and performance.

Speaker: Wal King

Thank you John, good morning ladies and gentlemen. The Group has navigated a challenging year to post a solid profit result despite the impact of the Nextgen write off. Our underlying profitability is very strong and we have a record level of work in hand which should support growth over the next few years. Today I would like to talk to you about the themes of our people and projects and how they drive performance. In this years Annual Report we featured our people, primarily to give our shareholders and stakeholders a glimpse of what goes on behind the scenes within the Group. It was a chance for us to highlight our people skills and expertise on some of our major projects. We also wanted to showcase the diverse talent that overcomes complex challenges on a daily basis. We acknowledge that people power Leighton and we are very proud of the skilled, experienced, committed individuals who make up the

Leighton Group. Our people, all 15,000 of them across Australia and Asia are the foundation of our reputation, financial strength and continued growth. I would especially like to welcome the 800 Transfield employees who joined the John Holland Group this year. We are also proud of, all the 18,000 sub contract employees who work with us on a daily basis to deliver projects. I'm often asked how we manage our people and how we get them to perform. My belief is that people rise to the occasion and respond when given opportunity and responsibility. From Leighton Holdings perspective I'd say we set the rules of racing. These ground rules lay down such things as ethics, authority limits, geographic boundaries and risk management procedures. We then encourage and empower our people to reach their full potential by making them accountable for the business or the projects they manage and we reward their performance. Our people respond to the challenges and grasp the opportunities given to them. We are committed to creating a safe, challenging and fun workplace. We strive to create a safety conscious culture, one in which each of our employees returns home in the same health and condition as when they arrived at work. Retaining our existing employees and recruiting the next generation of people is a high priority for us. We have a number of long term employees who have been with the Group for many, many years, but we continue to invest in the training and development of our people to further their skills. Our people are loyal, hard working and honest and it is these characteristics which help set our Group apart and drive our success.

The Group's activities are structured around projects and companies. We undertake a range of projects across diverse businesses. Diverse by markets, products, by brand, by delivery system and by geography. Over time these projects are becoming larger and more complex. When I joined the Group, a large project was \$10m, now companies bid regularly for projects of up to \$1bn and we are responding to these challenges and profiting from it. We apply our peoples engineering and project management skills, our entrepreneurial approach to business and our financial strengths to achieve success in these projects.

In Australia we are experiencing a construction upswing the likes of which I have not seen at any time since I have been in the industry. The upswing is expected to run until at least 2006. People say what's going to happen after that and I say don't worry I'll think of something.

Transport infrastructure will be a key driver of this growth as a number of major projects awarded over the last 12 months begin to ramp up. Leighton Contractors is making extremely good progress on the Westlink M7 shown on the screen here, formally known as the Western Sydney Orbital, which is a 40km fully automated tollway that will link the M2, the M4 and the M5. Following on from that project is the Lane Cove Tunnel which will fill the last gap in Sydney's orbital road network. A consortium including Thiess and John Holland have recently been announced as the preferred

proponent to develop the \$1bn project. This project which features a 3.4km long tunnel will link the Gore Hill Freeway and the M2 Motorway.

Projects like these include people with the skills ranging from traditional construction skills, to environmental management, community relations, merchant banking, traffic forecasting and project management. They may also feature newly acquired skills such as the Transfield Tunnelling capability that we acquired. As we take on more of these large scale projects, our skill set broadens becoming more and more a source of competitive advantage and differentiation in a highly competitive industry.

Following the Lane Cove Tunnel we expect the NSW Government will proceed with a \$1bn road connection between the M4 at Concord near the old Olympics area and City Westlink. The project will then complete the western Sydney access to the city and you can see on the screen there that Sydney by that time will have a magnificent road system, probably choked up we'll have a ring road around the city and a road right through the middle of the city, pity it takes so long to build all these things. The Government is also evaluating the option to connect the M2 Motorway with the F3 Motorway at Hornsby and that's shown on the top of the screen there as a dotted link, so we will in fact have an excellent road system in Sydney. We expect this M2 to F3 Connector to be worth also in excess of \$1bn.

In Melbourne 2 consortium including Group companies are currently tendering for the development of the \$1.8bn tollway, it's quite often referred to as a freeway but it's actually going to be a tollway. Bids are due on this project by the end of March next year and we expect work to commence in 2005.

In Brisbane the State Government is evaluating the \$1bn Gateway Bridge Duplication and a \$900m tunnel under the city of Brisbane. Group companies will follow these projects very closely.

Rail infrastructure is also experiencing a resurgent and Group companies are participating in almost all of the rail projects undertaken in Australia at this point in time. John Holland has recently completed work on the 1420km Alice Springs to Darwin Railway line, and I must say doing a superb job completing that project some 5 months ahead of schedule. Well done to the John Holland people, a fantastic result. Thiess is working on the Parramatta Rail Link, the largest government funded infrastructure project ever awarded in NSW. Thiess is also working on 2 legs of the Regional Fast Train in Victoria and John Holland is also progressing work on the other 2 legs of the Regional Fast Trains in Victoria. In Western Australia, Leighton Contractors is the preferred bidder on 2 packages for the Perth to Mandurah Railway Line worth over \$300m in total. Leighton Contractors will undertake the bridge strengthening and widening as well as the city station and tunnel elements of the project. Another large

package is still out to tender and Group companies are well placed to win some of that work also.

I would now like to turn to resources. The Group is the largest contract miner in Australia and probably the largest contract miner in the world. With Thiess having an extremely strong position particularly in the coal market. The outlook for contract mining remains positive with growth forecast for the next few years particularly in black coal industry. Further outsourcing and continued demand for coal to fuel power stations in Asia is expected to underpin opportunities in this market. Other minerals such as gold, iron ore and nickel are likely to offer selected opportunities also for contract mining.

Our strength and capability in the contract mining market is demonstrated at mines like Mount Owen in the Hunter Valley. Thiess and BHP embarked on a unique partnering at Mt Owen in 1995 that extended beyond the traditional contractor role. Under the agreement Thiess designed and constructed the mine and infrastructure including a coal washing and processing plant. They purchased the mobile plant and equipment and will operate the mine through its program life of 15 years. Today Mt Owen is a first class facility recognised as one of the most productive coal mines in the world. Capital expenditure in the resource sector has been increasing significantly driven largely by the development of minerals processing, oil and oil and gas projects. There remains potential for further growth in the resource investment with a large number of projects in the pipeline, being some going into construction and some at the planning stage.

The outlook for the non-residential building and property market is for an investment led upswing through to at least 2007. A number of selected industrial and commercial developments continue to be pursued along the East Coast while Sydney's commercial market continues to provide opportunities. Leighton Properties is set to capitalise on this property upswing with around \$1.4bn of property developments currently underway and another \$300m-400m in the pipeline.

The KENS development here in Sydney a \$600m office block initiated by Leighton Properties is a testament to the entrepreneurial spirit and skill of our property people. This project will be Sydney's 2nd largest office tower in terms of space when completed. Leighton Properties secured a major tenant in Westpac who preleased the entire building and then pre-committed to purchase the completed development. Leighton Contractors have now commenced construction on what will be a fantastic iconic project for the Group and certainly I congratulate all of those that were involved in the project.

A range of health, education and correctional facilities have prospects across Australia arising out of the so called PPP public, private, participation partnership, there's some

good opportunities in this particular area. Real increases in investment by the Federal Government on defence spending should also offer good prospects.

In Victoria Leighton Contractors progressing a major PPP initiative the \$300m transformation of the old Spencer Street Station in Melbourne. This project features a unique roof that will cover an area more than twice the playing area of the Melbourne Cricket Ground. It will be constructed while the station continues to serve 50,000 passengers per day, just another one of the challenges that our people tackle on a daily basis.

The Group is also actively pursuing the operation and maintenance services market in Australia which is estimated to be worth more than \$20bn per year in Australia. Maintenance activity is forecast to experience growth with defence, heavy and light manufacturing, roads, mining, non-residential building expected to provide opportunities. We recently launched Leighton Services to specifically focus on the operations and maintenance market in a similar way to Thiess Services and John Holland Services.

Group companies offer a broad range of operation and maintenance services on projects including operations and maintenance on Sydney's Eastern Distributor Motorway, (I think that's only got 40 years to go so it will probably be going after I leave the company), the maintenance on tolling, telecommunications and break down services on the Eastern Distributor. We also maintain the back up power systems for Telstra at over 35,000 sites throughout Australia. We also have the maintenance of 5,600km standard and narrow gauge railway for Westnet in Western Australia, we also have waste collection and operations transfer stations, landfills up and down the East Coast. We also have the maintenance of utility services such as water, electricity and gas.

If I could now turn to Asia, the outlook for Asia the Asian region has been boosted by a number of recent major project wins which takes work in hand in Asia to more than \$4bn. The Group has 3 beachheads in Asia through Thiess, Leighton Asia North and Leighton Asia South. This structure is working well and we see new opportunities emerging from both Leighton Asia North and Leighton Asia South as they focus specifically in their own geographic areas.

Thiess has a very strong presence in the resources sector in Indonesia its position was further strengthened recently when it was awarded some \$1.7bn worth of extensions to contract mining works at Satui, Senakin and Sangatta Coal Mines. These extensions run for the life of mine the \$1.7bn in fact only values the work out for 5 years the contracts in fact at KPC Sangatta run for 18 years and past the 5 years in fact a number of billion dollars worth of work out there also. These contract extensions

secure the long term future for Thiess in Indonesia and they will be expected to expand their production up to more than 24 million tonnes of coal per year.

Leighton Asia South also has a small presence in Indonesia. Both Leighton Asia and Thiess are pursuing selected oil and gas resource related projects in Indonesia as well as civil engineering projects. In Malaysia Leighton Asia South has recently secured a share of the construction of the \$560m 26km highway between Kuala Lumpur and the new administrative capital of Putrajaya. These projects provide a solid base work load for the next 2 or 3 years in Malaysia. The company in Malaysia is also pursuing a number of power stations, transport infrastructure, dam projects, as well as building opportunities.

Our Leighton Asia North based in Hong Kong has a good level of work activity including a number of infrastructure projects. A recent award of the \$350m joint venture for a 2km tunnel called Eagle Nest Road Tunnel in the New Territories boost that level of work. The Government has committed to investing in the development of transport related infrastructure that in fact should provide continuing opportunities over the year ahead. This should continue to drive our construction activities in Hong Kong in the years ahead. We have an interesting range of projects across markets in Asia, the North Luzon Expressway which is upgrading one of the busiest roads out of Manilla will underpin level of work in the Philippines for a number of years. Demand for power generation, infrastructure and other industrial facilities may also provide opportunities in Vietnam. Taiwan continues to offer opportunities for further work on the high speed rail line while Thailand has limited but some selected prospects. The Group is evaluating rail projects, pipeline projects and building projects in Singapore, Sri Lanka and India and looking at coal mining opportunities throughout the region.

So the theme of what I've been saying is really depicted by this next slide is that ultimately the Groups results are driven by the performance of a whole lot of individuals working on a diverse range of projects some of which I have mentioned today. In order to keep growing and producing the sort of returns that we've been able to provide over recent years we must continue to execute these projects well and people are the key. The Group remains focussed on understanding its risks, bidding its projects accordingly, selecting the right people and closely monitoring project performance by ongoing reviews.

The Group now has a record level of work in hand of some \$11.5bn at the end of October and the prospects of maintaining or increasing this work level is absolutely very strong based on a whole diverse range of opportunities emerging across Australia. We believe there is further upside in the engineering, building, resource markets across Australia with a number of very large projects being pursued.

Our position in Asia has strengthened in recent months and we now have a record level of work in hand for that region. Asia remains a fundamental element of our diverse strategy.

These work levels will continue to drive, deliver revenue growth for the next few years, which I'm very confident should provide improving returns for shareholders in the future. The Group's financial strength remains a source of competitive advantage and the issue of the \$200m worth of Leighton Note will further boost our balance sheet which will continue to be used to support and grow the business.

In closing I would like to thank all of our people and I mean all of our people from the top to the bottom for their performance over the last year on all of the things that you do on our respective projects. Your efforts are recognised and they have helped our Group grow and other foundations for future growth. Thank you very much.

Speaker: John Morschel

Thank you Wal. I now move that the Financial Report and the Report of the Directors and Auditor for the year ended 30th June 2003 as submitted to the meeting be and they are hereby received and adopted and may I have a shareholder to second that 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 Doug Jukes 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 the 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 5 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 this meeting, I will advise the meeting prior to the vote on each resolution details of valid proxies received for that resolution.

Prior to asking shareholders to speak to the motion for the purposes of the Privacy Act and to broaden access to the meetings for shareholders and other interested parties, please be advised that this meeting is being webcasted live on the internet, a video recording is also being made and will be available to be viewed on the companies website for a period of at least 6 months following the meeting.

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 very much. Through you Mr Chairman, Mr John Morschel I know you from the Rinka outfit, it's going pretty good too. I know the Board but I'm looking at it as being very big and large, I might make a question a bit later on about that, it's now a soccer team plus one, it's almost a rugby lead team and not far short of a rugby union team. But maybe we're a very special and particular company especially with Hochtief on Board at 50.12% I believe so it really owns the company, congratulations Hochtief.

Mr Morschel you didn't mention comments so I have got 3 comments here and then I think there's one big question and I'll have another 1 or 2 questions later. Mr Morschel the whole emphasis on the Annual Report yourself and Mr King was on people and I applaud all of that, it's certainly the greatest asset that this company and any other company has got, people. You yourself said Mr Morschel in the Annual Report, the focus of this years Annual Report is our major asset our people their skills, experience and commitment and I don't think as a shareholder, and this is my 14th Annual General Meeting I can add to that. So congratulations on what you think is the very best asset that this company has got.

Mr Wal King in his comments in the annual report says that the combination of our record order book, a major upswing in our core Australian markets and our dedicated people gives us confidence that we can deliver strong returns for shareholders over the next few years. Congratulations again Mr Morschel and through you especially to Mr King our very, very great Managing Director.

I do believe that I have a very good compatible relationship with Mr Dieter Adamsas, our very good Chief Financial Officer and this is the question from his remarks. He says in the Annual Report that we wish to try and invest perhaps try to invest maybe in

some of the major transport infrastructure projects coming forward. Now I made a comment and then the question is arising that I thought a very wonderful entrepreneur called Mr Corrigan was almost having a monopoly of all the railway networks in Australia. Now I read that Macquarie Bank have almost a monopoly of tollways and roadways and god knows what else, so the question is Mr Morschel what is there for transport infrastructure for our company to invest in if it's a wise decision also, after all you did lose us \$100m in Next Generation Networks.

Speaker: John Morschel

Thank you Mr Tilburn for your comments and the question, in relation to investments in major infrastructure and particularly transport projects, there is the opportunity for the company to take sponsorship style investments in those projects at the very beginning. We will be surrounded by key investors such as Macquarie Bank and Mr Corrigan's organisation in taking like positions but there is always room for us as the interested contractor to take sponsorship investments. Are there any other questions. Yes the gentleman down in the third row.

Question:

Mr Chairman I've got a confession to make, I was the stupid person who stood up at the last Annual General Meeting and asked a totally irrelevant question where is the traffic on Nextgen going to come from? So if I make a few comments I trust they won't be dismissed as inspired hindsight. I feel the deal was structured wrongly if you're in the communications business you have to separate the technology from the commercial risk but the bleeding edge of technology that's just being wise, you could have well had trouble getting down the technical trouble. Well before without complicating it with the commercial risk involved. Now if you take the rather simplistic example of the Railways, you're either owning and maintaining the tracks or you're going to take the commercial risk of running the trains. In this case what you ended up with was 3 sets of tracks joining the same set of towns and the situation was inverted by the fact that the people running the trains now became the price makers instead of the price takers. It was further aggravated by the fact that the major train operator also had his own set of rather narrow gauge tracks which was fully funded out of the public purse. The other point I'd like to make is something we should have learned but didn't from the days of the gold rush and that's beware of carpet baggers particularly from United States of America.

Speaker: John Morschel

Well thank you for that statement in relation to Nextgen and I dare say that the comments that you've made if we'd have had access to your wise thinking at the time we made the decision maybe we wouldn't have made it. We made a mistake with Nextgen. The market the telco market was booming at the time the investment was made and there were many people prepared to commit to private networks outside the major telco providers. But with the advances in technology and the collapse of the

data processing market, they combined to create a great shortage of those potential customers who were accommodated on the existing networks which were expanded by the improved technology. So we got it wrong. We still have to make entrepreneurial investments in this company, they're very important to keep the company going in the future. We have strengthened our vetting procedures at Board level, they are really revolving around 3 principles, a sponsor level of equity, define constructional mining activity associated with the investment and a clear exit path. And I think in future the Nextgen lesson will be sitting there as a reminder to us all.

Any other questions. Yes the gentleman in the 4th row.

Question: John Quinn

Thank you Chairman, John Quinn from the ASA Chairman and proxy holder. I'd like to start by thanking you for the excellent CD that came out with the reports this year, it was very helpful. Thank you for your presentation, it covered off most of the questions that I had and I'm really only left with 2. The first is are there any write-offs associated with the close down of the Australian Magnesium Corporation project?

Speaker: John Morschel

We don't expect any major impact out of the AMG project. Basically there are some items of equipment which will either be incorporated into the project if it is resurrected or will be sold and as I said we don't expect any major impact on the company's results as a result of that.

Question: John Quinn

Thank you for that. The second one is last year we saw a turn around in the actual working capital of the business with a drop of \$375m against prior year, could you perhaps give us an indication of what was the cause for that.

Speaker: John Morschel

I might as the Chief Financial Officer to answer the question, Dieter Adamsas.

Speaker: Dieter Adamsas.

Thanks Chairman. 2 components there one is the payables, you'll see a significant change in the payables and the other one is the Nextgen issue, so it's a combination of the 2 in fact drove that change.

Question: John Quinn

I'm sorry could you explain what actually happened to the payables?

Speaker: Dieter Adamsas

Clearly the payables effectively we drove them down in that context that we paid more out this year than the previous year so effectively that obviously absorbed working capital.

Question: John Quinn

So it's a timing issue?

Speaker: Dieter Adamsas

It's a timing issue and at any particular point in time you take the size of this company, you take the cut off date 30th June, there's going to be a bit of a flow how much you effectively paid out versus held over, so you're always going to get a float and on this particular occasion the float was probably bigger than we would have planned for.

Question: John Quinn

So we're looking forward to an improvement this year.

Speaker: Dieter Adamsas

Yes managing cash is a very significant issue for the organisation, we do have a very strong focus on it and that's managing the debtors side as well as the creditors side, it's an ongoing situation and we expect to be able to at the very best maintain if not improve where we are at the moment.

Question: Brian Johnson

Thank you Chairman, Brian Johnson, proxy holder for the family super fund. My apologies for missing your speech but things including buses conspired to ruin my travel this morning. If I might I've got 3 short questions, but some comments first, first one a member of our super fund is a professional historian and she in particular thanks you for the time and aid that you gave to the exploration of the KENS site and its archaeology and looks forward to the display of its results, thank you very much. Next comment, was I notice you using black scrolls for auction valuations as an engineer not an accountant I can only believe that the type of accountant who debits the side nearest the window could ever see how you have the sort of valuation which doesn't apply to this company but does apply to a lot of other companies where the shares are under water by miles and they still have hundreds of thousands of dollars of value. So that's one I'll follow up personally. The other 3 questions, first one is Parramatta Rail Link is done as a JV with Hochtief, I presume there's technology transfer in that and Leighton will gain from the joint venture in terms of knowledge. Second short question on safety, Philip Morris project for Leighton Asia 11.5 million person hours without a loss time accident is a number I have never in my life seen. That can only happen when there is the most complete co-operation between the management, the people who are being trained on the job, and the customers, it is wonderful and my thanks go to every part of that organisation that can achieve that number. However as we know

there is a case before the court, the company doesn't publish overall statistics as a former QA Manager, Factory Manager and Corporate Planner to me the lost time accident frequency rate is a good indicator and any company in any line of business who has a figure worse than 3 accidents has room to improve, now I don't know what your overall figure is, I'd like to see that published and is it possible that you have that answer in front of you? Question 3 which flows from it, do you have processes to record, report and review on any need to deviate from the QA code. What I was concerned about are there parts of the organisation which are not doing as well as the ones that have been sighted in the Annual Report, to me accidents are a major indicator of co-operation in a company.

Speaker: John Morschel

Thank you Mr Johnson. On relation to Parramatta Rail Link I'll ask Wal King to respond to the question about technology transfer.

Speaker: Wal King

There is a considerable number of Hochtief staff working on the it's actually Chatswood to Epping, the Parramatta bit has been ditched by the Government. There is a number of Hochtief staff working on the particular project and yes there will be transfer of technology. We're very happy with the performance of the project, the TBN's that are working have only just got underway and we believe we're well exceeding our budget so it should be a very, very highly successful project.

Speaker: John Morschel

In relation to safety statistics, the lost time injury frequency rate for the Australian group for the 12 months to June 03 is actually 5.2 versus the ACA the Australian Contractors Association mean of 7.7. We're not happy with that performance but it is better than the industry mean, we do review safety statistics of each operating company on a quarterly basis at the Board and we have a specific presentation by one of those companies at each quarterly meeting in relation to their safety performance and their strategies going forward for improved performance. Safety is extremely important to the Board, it is extremely important to the management team and it is something that we're always striving to do better. Company performance varies John Holland in the past has had outstanding safety performance and as you mentioned the contract which was actually in Malaysia which was on the Teachers Housing project was a really outstanding effort and a credit to everybody involved. But it is something that we take extremely seriously at Board level and spend a lot of time reviewing on a quarterly basis, I hope that answers your question. Any further questions. Sorry Wal has an answer in relation to Philip Morris.

Speaker: Wal King

I think your comment on the Philip Morris project in the Philippines which is a fantastic project. But the best project that's every been recorded by a company currently we

have the Teachers Housing project in Malaysia which was the construction of 10,000 condominiums has recently received the most outstanding award it achieved 18 million man hours without a loss time injury which is for a construction project anywhere in the world is an absolute record.

Question: Anne Young

Thank you Mr Chairman, my name is Anne Young. I think I am right in saying that there have been some environmental protests over one of the Group's projects in Hong Kong on the Reclamation. I wonder if the company has a protocol, a set of procedures whereby they look at the community concern, the level of community concern and try and mitigate those sorts issues arising and what sorts of problems the company might have with other projects in that line. Thank you.

Speaker: John Morschel

I'd ask Wal to respond to that question.

Speaker: Wal King

I guess you're referring to the Central Reclamation in Hong Kong which is subject to some court action to stop the project. I think invariably wherever we build major projects there is an impact on the community, we do go to the greatest extent possible with community relations experts to keep the community informed and minimise the impact on the local community. But none the less you can't satisfy 100% of the people and there is always from time to time people that are upset because of the impact and maybe rightly so, if you have a house that you've had there for years and suddenly huge freeway comes along past your back door. No amount of managing is probably going to mitigate the impact. So it is foremost in our mind and it has been over the last 15 years or so to in fact manage as best we can the community and I think the greatest example here in Sydney is the Eastern Distributor and the Sydney Casino where we had endless meetings with the community and the projects were completed very successful.

Speaker: John Morschel

Thanks Wal. Any further questions?

Question: Ron McPhail

Ron McPhail's the name and I'm a shareholder, this is only a short question probably just an answer yes or no. There's been a lot said about the convertible notes and I'm going to go to the table about them but do they actually convert into ordinary shares some time in the future?

Speaker: John Morschel

There is a conversion facility available on the notes. There is the ability for the company to buy back the notes instead of converting them or to roll them over. So

there is a conversion option on the notes but the company has the ability to either roll over or re-purchase the notes at the time the conversion option is elected by the note holder. Does that answer your question. Any further questions? Yes Mr Tilburn.

Question: Jack Tilburn

I wish to still maintain the right to do participatory democracy here and still carry out your request requirement and ethical corporate governance contact of one question at a time, that's been well and truly laid down by our previous great Chairman Mr Tim Besley, who is here today. The question is Mr Morschel that I always here from my friend Chief Financial Officer Mr Dieter Adamsas that he maintains a huge, an enormous amount of riches called cash at bank. Now according to the Annual Report the Cash at Bank riches are an enormous \$408m. So the question is would it be possible to use a small amount of that with a special dividend to us shareholders. Now John and Dieter I worked out that with the shares that we have a 25 cent special dividend would cost us a mere \$60m and if you paid a 50 cent special dividend back it would cost double that \$120m so not wishing to speak too much about the black hole of Next Generation fibre optic cables which I don't know anything about but just because we're reaching a stage where we haven't had any bonus issue or no one for two new rights issue and so forth and we're getting a bit behind the eight ball aren't we, many other companies do the special dividends. What do you think about this Mr John Morschel.

Speaker: Wal King

I think I'll answer that Mr Chairman. I like your style Jack and we love you but the answer is no.

Speaker: John Morschel

Any other questions?

Jack you're the only questioner left so you better get them all off your chest.

Question: Mr Johnson

Hard to hear – no microphone

I disagree with Jack that it's up to the company whether they give you value at cash or value at growth and the amount of money is 2 weeks turnover, now I wouldn't think 2 weeks of my income as the amount of money that's more than adequate.....

Speaker: John Morschel

Far better technical answer

Speaker: Dieter Adamsas

We do, we have historically paid 65% of our profits out in dividends which is quite a handsome level and in more recent times as you all know that we've in fact gone out

for this note issue which is designed to enhance our balance sheet in other words to give it more capacity to raise more bonds and guarantees, so we do need to in fact retain a level of net worth in the organisation in order to allow us to generate if you like the sorts of major projects that Wal and the Chairman are talking about.

Question: Jack Tilburn

Thank you Brian Johnson or should I not thank you. I'm looking at the very good statement of Corporate Governance Practices 2003 and the company as always is best practice and benchmarking on this very, very important matter which so many other companies know nothing about. Perhaps even Sir Ron Brierly according to the Herald today. Now my brilliant suggestion through you John Morschel would be to pay quarterly dividends because you do issue out quarterly reports and I'm passionate about quarterly reports you know it's in my book the Corporate Terminator. So if you're going to do the quarterly reporting it would be very nice to have that accompanied with the quarterly payout of our very good dividends and very good payout ratio 83%. You know John that all the successful American corporations except Enron and Worldcom they do quarterly payment of dividends. Now the listed Property Trust of Australia, the GPT one I'm in, the ING office one I'm in, Mirvac I'm in and I should be up there at their AGM today and the Singapore based very good company that competes with Wal Australand Holdings Limited they pay quarterly dividends. I was just wondering if the company our entity could think about that.

Speaker: John Morschel

In all honesty Jack I don't think we will.

Speaker: Wal King

We definitely like your style Jack. Any other questions?

Question: Jackson

I noted that when Mr King was talking, one thing he didn't mention about the incentives and protection of the investment and their staff he didn't mention define career paths, I trust something like that is being done. It applies particularly from what I've read in the press the upper levels of management it's inadvisable to nominate successors, it could be counter productive, basically I think define career paths are probably more important. The other is could we be given some insurance of what sort of protection of the company's investment and its upper management is such as key man insurance and things like that.

Speaker: John Morschel

We wouldn't comment on insurance cover that we might take in relation to any member of the Board or any member of management. Second in relation to define career paths I'll ask Wal to comment about that.

Speaker: Wal King

Well my first objective is to see Jack out. So when Jack lets us know what we're doing, I expect to be around for a while so I'll keep at it, unless the Board wants to negotiate with me and I'm always very happy to do that.

Speaker: John Morschel

Any further questions?

Question: Elaine Bonner

Shareholder. I'd just like to say how marvellous I thought the concise Annual Report was for this year and especially your theme powered by the people, I thought the photographers were absolutely marvellous in making the most of this theme as well as I'd like to comment on the photograph of the Edith Cowan University in WA, I'd say that photograph is worthy of being including in any art gallery competition. So I'd be very happy if the same group does the next concise annual reports.

Speaker: John Morschel

Thank you very much for your comments and I will pass on those comments to the people responsible in the organisation for the preparation of the report. I thought it was excellent also.

Any further questions or comments? If there are no further questions I'll 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 2003 be received and adopted. The total of valid proxies received for resolution is 188,865,00 being 176,038,572 for the resolution 17,499 against the resolution 9,021,911 to be voted at the proxies discretion and 3,787,018 abstentions. For all of those in favour please raise your hand showing your voting cards. Anyone against. Thank you, I declare the motion carried.

Item no. 2 of the agenda is the re-election of directors and the first motion in this regard is that Mr Achim Drescher who retires by rotation in accordance with clause 18 of the company's constitution be re-elected a director of the company. Before I put the motion however, I would like to call on Mr Drescher to provide the meeting with some details of his background and experience.

Speaker: Achim Drescher

Thank you Mr Chairman. Ladies and Gentlemen until last year I was the Managing Director of Columbus Line which is a privately owned shipping line operating here from Australia and we also operate a back shipping operation that is based in Melbourne. It was already in 1996 that I was invited on this Board, and a little later I was invited on the Board of Austral Ships which is a company in Western Australia and it's rather unique in relative terms probably at present the most successful ship building business in the world because they specialise in fast ferry boats which are highly sought after all

over the world. The company basically sells only overseas. Another company that invited me is Epstein Marine which is by far the largest tug boat company in this region and it's one of the 3 largest tug boat companies in the world operating mainly in Europe and the Pacific. More for fun I'm also on the Board of the Sydney Maritime Museum which is the Australian Heritage most of you will know the James Craig and having the opportunity to talk about this I urge you to contribute to this association because it's totally privately funded. I'm further a director of the Young Endeavour which was the gift of the UK to Australia in 1988 and it's a wonderful ship to give young Australian's the opportunity to learn team work and to learn to have the experience of the sea. I'm further a director of the German Lloyd which is sort of an RTA for ships, classification company for ships. By my accent you know now that I am not Australian, I was born in Germany and went to school and university in Germany, however when I came here which was originally for 3 years, I married an Australian and now have 2 Australian sons, 2 Australian daughters so at home the level is a bit more on the other side.

Speaker: John Morschel

Thank you Achim. May I have a shareholder move this motion in respect to Mr Drescher's re-election, thank you do I have a seconder. Thank you. Are there any questions or any comments in relation to this resolution. Thanks Mr Johnston.

Speaker: Mr Johnston

Thank you Mr Chairman. I have investments in some of Mr Drescher's companies but a generalised question is the alignment of the interests of non-executive directors with the interest of shareholders like me Mr Drescher has 2,000 shares what has been done by a number of companies including Woolworths which is a prominent one is that non-executive directors take 25% of whatever other number probably higher of their salary as shares usually bought on market, could I have your comment on that as future practice.

Speaker: John Morschel

We are continually reviewing matters associated with Directors fees and I think it's appropriate that I advise you that the retirement benefit for Directors will be curtailed in December of next year and at that time we will review the opportunities for Directors to invest part of their fees in the company. Are there any other questions?

There being no further questions I now put the resolution to the meeting, the total of valid proxies received for resolution 2.1 is 188,865,000 being 179,370,057 for the resolution, 133,745 against the resolution, 9,025,878 to be voted at the proxies discretion and there were 355,320 have abstained. Would all those in favour of the resolution please raise your hand showing your voting card. Against. Thank you I declare the resolution carried. Congratulations Achim.

The second motion is that Mr Ian Johnson who retires by rotation in accordance with clause 18 of the company's constitution be re-elected a director of the company. And once again before I put the motion I would like to call on Mr Johnson to provide the meeting with some details of his background and experience.

Speaker: Ian Johnson

I'm a geologist with basic training, attended business skills at Melbourne University and Harvard. And I've worked all my life in the resource industry both minerals and oil and gas. Almost 30 years of that was with CRA part of the Rio Tinto Group and involved working in various parts of Australia, Asia and the Pacific. I retired from full time employment 6 or 7 years ago and have been a non-executive director in that time and within the Leighton Group I'm very proud to be a Director of John Holland with Janet and her HP people and the only directorship I have outside of the Leighton Group is with Newcrest Mining a gold mining company which I'm Chairman.

Speaker: John Morschel

Thank you Ian. Are there any questions?

If no further questions I will now put the resolution to the meeting. The total of valid proxies received for resolution 2.2 is 188,865,000 being 179,735,518 for the resolution, 56,245 against the resolution, 9,024,366 to be voted at the proxies discretion and there were 48,871 have abstained. Would all those in favour please raise your hand showing your voting card. Against. Thank you I declare the motion carried congratulations Ian.

The third motion is that David Mortimer who retires by rotation in accordance with clause 18 of the company's constitution be re-elected a director of the company. Before I put the motion however I would like to call on Mr Mortimer to provide details to the meeting of his background and experience.

Speaker: David Mortimer

My name is David Mortimer I have been a Director of Leighton since 1997, prior to becoming a Director of Leighton I was Chief Executive of TNT Group worldwide and since then I have been an investor and company Director with a wide range of companies. Currently my directorships include Deputy Chairman of Australia Post, Chairman of MIA Limited and Citec Limited, I'm a Director of Macquarie Infrastructure Group. I believe that my wide commercial experience is of some value to the company and hope to be able to continue to offer that commercial experience in the future to Leighton.

Speaker: John Morschel

Thank you David, may I have a shareholder move the motion, a seconder. Thank you. Are there any questions in relation to this resolution? Mr Tilburn.

Question: Jack Tilburn

Mr Chairman, Mr John Morschel I have read the number of directorships that Mr Mortimer has and this is the principle on which I'm standing up against that there are too many directorships on Mr Mortimer's plate of directorships and he's very thin on the ground in looking after them because of that tendency to over do it. When you start off Mr Mortimer's got one directorship in this company Leighton Holdings Limited and then he has a Chairmanship of Citek Corporation and also MIA Group Limited well that's two more directorships and then he's the Deputy Chairman of Australia Post which must be an enormous workload if you do the job properly and assist the Chair person who is a chair woman I understand. And then you move down to being a Chairman of Epstein Marine Limited so he rubs shoulders with Mr Drescher on that tug boat company that we were informed about. Then he's on the Board at Peptec Energy Company and then you move down to Macquarie Infrastructure. Now when I went to Dee Why Primary School you add up that's 7 directorships. That a Chairman these days and you would know more about that than anybody Mr Morschel, a Chairmanship of an Australian corporation is equal to 2 directorships, so he's got over 7 directorships and therefore I call these people a serial killer director, really serial killer director and I don't think it's right and proper and correct and that's the principle I stand up to enunciate and put forward to end up that there is far too much on his directorship plate for doing the work because the principle I advocate is no director should have more than 3 or 4 directorships going at one time, cross directorships, multiplicity directorships, serial directorships, far far too thin on the ground, well I make this stand here today Mr John Morschel and that's where I put it. I also had dealings with Mr Mortimer at the old GIO Insurance Holdings Company Limited and that was in 1988 and he didn't carry out the necessary corporate governance duties of the GIO Australia Holdings Limited Group to the enth degree. AMP Limited would know all about that with the re-insurance losses of \$1bn. So I have stated my claim here today in that I will not be voting for Mr Mortimer to be re-elected here, unfortunately for another 3 years unless he decides to retire earlier. Thank you very much ladies and gentlemen.

Speaker: John Morschel

Thank you Mr Tilburn. Can I just say that David Mortimer's contribution to the Board of this company is an outstanding one and one which we appreciate greatly. I can't comment on his contribution to other company that he's member of the Board but I would be very, very said if he wasn't re-elected a member of this Board. Are there any other further questions or comments? Ladies and gentlemen if there are no further questions I will now put the proxy to the meeting, the total of valid proxies received for resolution 2.3 is 89,165,000 being 179,624,754 for the resolution 436,606 against the resolution, 9,036,126 to be voted at the proxies discretion and 67,514 have abstained. For those in favour of the resolution please raise their voting cards. Thank you. Those against. I declare the motion carried.

Ladies and gentlemen it is with regret that I advise Dr Busso Peus has indicated his wish to retire as a director of the company with effect from the conclusion of today's AGM. While Dr Peus has for the past 9 years served on the Board as a non-executive Director representing our majority shareholder Hochtief. He has during this period demonstrated consummate skill in handling Board issues in the interests of all Leighton shareholders. On behalf of the Board I would like to place on record our sincere appreciation of the valuable contribution which Dr Peus has made to the tremendous growth and prosperity achieved by the company during his tenure as a director. We will all miss his friendship and wise counsel. I would like to take this opportunity on behalf of the Board to extend him our best wishes for a long and happy retirement and I would ask all present to join with me and other members of the Board in showing our appreciation by way of his outstanding service to the company by way of acclamation.

Ladies and gentlemen as the business of the meeting has concluded I would like to thank you for your attendance here today. The Board and senior executives would like to invite you to join them for light refreshments in the foyer. Thank you very much.

End of Transcript

This document has been transcribed from the 2003 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.