



Eastern Harbour Crossing Site, Phase 1 Housing Project, Hong Kong Leighton Asia (Northern)

CHIEF EXECUTIVE'S REVIEW

Spencer Street Station, Hilton Hotel impact solid Leighton result

Leighton Holdings Limited announced operating profit before tax (unaudited) for the nine months to 31 March 2004 of \$120 million and operating profit after tax (unaudited) of \$77 million. The dividend for the year is expected to be maintained at 45¢ per share.

The result has been impacted by the recognition of a provision in Leighton Contractors on the Spencer Street Station project in Melbourne and the Sydney Hilton Hotel. In addition, the balance of the investment in the Southland Colliery has been written off.

The directors now expect to report a profit for the full year in line with last year's result of around \$140 million and to maintain the full year dividend at similar levels to last year. This result will have no impact on the Leighton Notes.

Leighton Holdings' Chief Executive, Mr Wal King, said the impact of these two building projects on an otherwise strong underlying performance for the Group was extremely disappointing.



We are addressing the issues in Leighton Contractors, we'll fix them over the next eighteen months and then we expect to be back on track. *Wal King AM Chief Executive*

"All Group companies are performing strongly, with the exception of the two building projects in Leighton Contractors. In the last quarter we have been awarded over \$1 billion of new work taking work in hand to a record \$12.8 billion," Mr King said.

"We are committed to delivering the Spencer Street Station project but are facing significant obstacles. The project is very complicated and is operating under a tight program on a difficult site with restricted working conditions.

"While there have been project management issues which we are addressing, we face problems such as timely access to the site, dealing with the demands of the franchisee train operators and the need to accommodate complex design variations.

"These issues are delaying the project and have had a major impact on Leighton Contractors' financial performance. We are actively working with the relevant stakeholders to address the obstacles," said Mr King.

Mr Bob Merkenhof has resigned as Leighton Contractors' Managing Director and Mr Peter McMorrow has been promoted to replace him. Responsibility for the management of the Spencer Street Station project has been taken out of the Victorian branch and been given to one of Leighton Holdings most senior executives, Mr John Faulkner.

"Changes in scope and difficulties uncovered during refurbishment of the Sydney Hilton Hotel have also affected Leighton Contractors' results. We are in negotiation with the client to resolve these issues," said Mr King.

"Within Leighton Contractors, Mr McMorrow has strengthened the risk management team to better evaluate and enforce risk management procedures. Leighton Holdings will work closely with Mr McMorrow to ensure that Group risk management procedures and tender guidelines are properly applied.

"While the performance of the two building projects in Leighton Contractors is disappointing, the rest of the Group had a strong quarter.

"Leighton Contractors' mining operations and other construction projects proceeded well, with good progress made on the \$1.5 billion Westlink M7 joint venture in Sydney. During the period, Leighton Contractors was awarded work on two packages of the Perth-Mandurah rail line, worth in excess of \$270 million," said Mr King.

"John Holland recorded a solid quarter with the award of \$250 million of new work including the design and construction of a major water infrastructure project at Rouse Hill in Sydney and a number of new building projects," he said.

"Xstrata Plc awarded Thiess a \$227 million contract to operate the Ravensworth East coal mine in the Hunter Valley and Excel Coal Ltd awarded Thiess a \$156 million contract to develop and operate the Wilpinjong Mine in New South Wales.

"In Sydney, Thiess was appointed managing contractor for the \$119 million Stage 1 redevelopment of the Westmead Hospital.

"At the Southland Colliery in the Hunter Valley, Thiess has been unable to re-open the mine, which has been placed on care and maintenance. The receivers have called for expressions of interest to purchase the mine and the Group has written-off the balance of its \$16 million before tax exposure to the investment. The full year impact is \$28 million before tax.

"In Indonesia, Thiess is increasing production at the Kaltim Prima, Senakin and Satui coal mines in Kalimantan where approximately \$1.7 billion worth of new work was awarded in October last year.

"We continue to build on our strong position in Asia. Leighton Asia (Northern) was instructed to re-mobilise equipment on the Central Reclamation project in Hong Kong worth \$260 million, following a court ruling in favour of the project.

"The Australian construction market is continuing into a strong upswing, offering the Group a number of opportunities. However, the Group will continue to be selective in tendering for future projects.

"Leighton Holdings is in a very solid position with a strong balance sheet, a diverse mix of projects and a very substantial level of work in hand. We expect to see a moderate improvement in profitability next year and a stronger performance in following years. □

Financial Summary

Key Performance Indicators for the Nine Months Ended 31 March 2004

	Nine Months Ended 31 March 04 Unaudited	Nine Months Ended 31 March 03 Unaudited
Financial performance information	\$'000	\$'000
Revenue from ordinary activities	4,095,088	3,709,876
Operating profit from ordinary activities before income tax	120,153	178,542
Income tax expense	(34,975)	(53,725)
Profit from ordinary activities after tax	85,178	124,817
Net profit attributed to outside equity interests	(7,701)	(7,514)
Net profit attributed to members	77,477	117,303
Financial position information		
Total assets	2,225,025	2,238,855
Total liabilities	1,419,175	1,374,663
Net assets	805,850	864,192
Earnings per share	28.3c	43.3c
Number of employees	15,662	15,950

PROJECT HIGHLIGHT

Thiess awarded Managing Contractor for Westmead Hospital Redevelopment Stage One

Thiess has recently been announced as the Managing Contractor for works to redevelop Sydney's Westmead Hospital for the Western Integrated Network Program (WIN Program). The \$119 million Stage 1 Redevelopment is anticipated to be completed in 2008.

The award of this significant project builds on Thiess' existing health and hospital experience, including recent construction works at the Royal Prince Alfred and Prince of Wales Hospitals. Thiess will be responsible for the confirmation of the design briefs, design documentation of the works together with the construction of individual packages of works.

The project will consist of the redevelopment of a number of departments including intensive care units, women's health and new born care, allied health areas, cancer treatment services and renal.

An extensive upgrade of the hospitals engineering plant and services will also be required. One of the key aspects of the project will be working within and around a fully operational hospital through all construction phases. In addition to this, a number of departments will be temporarily or permanently relocated and will require a precise "decant strategy" to ensure that health services are not interrupted.

A dedicated on site team throughout the design and construction phases will work closely with the WIN Program Director and the Western Sydney Area Health Service (WSAHS) to achieve the desired outcomes of the project. □

RAIL HIGHLIGHT



New rail grinder for John Holland

John Holland has recently taken delivery of a \$12 million state of the art 48-stone rail-grinding machine. This self-powered machine has 48 grinding motors of 30HP each, which can be adjusted to a variety of rail profiles. The machine is able to make single maintenance passes, with computer control of the target profile and automatic recording of completed work.

John Holland's Managing Director, Mr Bill Wild, said that rail grinding to shape the rail's head improves the ride characteristics of rolling stock. "Reflecting a trend towards more targeted and cost effective maintenance, rail grinding also helps to deliver reduced loads to the track

infrastructure by reducing dynamic effects between wheel and rail. This results in improved rail, sleeper and ballast life, as well as decreased wheel wear and fuel consumption," said Mr Wild.

Since 2000, when John Holland purchased its first 32-stone standard gauge rail-grinder, the company has also purchased a shoulder ballast cleaner and a specialist eight stone multi-gauge grinding machine. These plant purchases have extended John Holland's leading position in Australian rail track maintenance. □

PROJECT HIGHLIGHT

WestLink M7 project powers ahead

The \$1.5 billion Westlink M7 is well underway a year after the signing of the contract between the RTA and the Westlink Motorway Consortium signalled the start of the project.

Key community and business leaders recently joined the Minister for Roads and Housing, the Hon Carl Scully MP, the RTA and the Westlink M7 project team at a briefing to celebrate the first anniversary and to review project progress on the Westlink M7. Major construction began on 7 July 2003.

Mr Flan Cleary, General Manager, Westlink Motorway Limited told the gathering that tremendous progress had been made in the first 12 months of the project.

"Site offices have been established, construction milestones reached, staff employed, sub contractors hired, people inducted and communities consulted. It has required an enormous amount of team work and co-operation between stakeholders, government bodies, environmental authorities and others to achieve the progress to date," he said.

The Westlink Project team now includes a combined work force of 1500 personnel. More than 6000 people, including sub-contractors, have gone through a site safety induction. Major site compounds have been established at Eastern Creek, where there are over 400 people working; at Hoxton Park and at Dean Park. The 150 designers based at the Eastern Creek site office have completed a substantial amount of the design work with more than 450 separate design packages already completed.



Installation of a bridge segment at the Westlink M7 motorway interchange for the M5 motorway.

More than 30km of the 40km motorway is already under construction. Over 100 large earthmoving vehicles are at work in various sections of the motorway reserve.

"We have moved more than 7 million tonnes of earth since July 2003 in the first phase of building this motorway," said Mr Cleary.

Work has commenced on the three major interchanges along the Westlink M7.

Work on upgrading the 20km of local roads that are a significant aspect of the project is also well advanced. Sunnyholt Road at Glenwood has been widened from 2 to 4 lanes and is open to traffic, benefiting the local community already.

A Temporary Traffic Control Room has been established at the Eastern Creek site compound to monitor the traffic impact during the construction phase.

Major environmental safeguards, such as the construction of settlement ponds, seeding of stockpiles and relocation of endangered species has already commenced.

"We will complete major earthworks this year and will then focus on building bridges and starting on the pavement works. Three concrete batch plants will be established to provide the half a million cubic metres of concrete we will need over the next 18 months," said Mr Cleary

"Construction will begin on the major bridges, such as those at the M4 and M5 interchanges. As earthworks are completed, construction on the concrete pavement that will carry the traffic along the motorway will start in the middle of this year," he said.

Flan paid tribute to the ability, professionalism and enthusiasm of the Abigroup Leighton Joint Venture, and to all of the many people working on the project.

"The excellent progress we have made during these first 12 months on the job is the result of sound working relationships forged between the RTA, Abigroup Leighton Joint Venture, and all other members of the project team. Because of them this project is well on target for its opening in 2006," he commented.



Mr Flan Cleary, General Manager, Westlink Motorway Limited (on the left) and Minister for Roads and Housing, the Hon Carl Scully MP review progress at the Westlink M7 motorway.

Consulting the Community

Construction of the Westlink M7 motorway will impact on many people living and working in western Sydney. Westlink Motorway Limited's construction contractor, Abigroup Leighton Joint Venture (ALJV) is committed to working with the community to leave a positive legacy for western Sydney.

A number of consultative groups including five community liaison groups, a Traffic & Transport Liaison Group and an Incident Management Planning & Operations Team have been established to provide a regular forum for affected stakeholders. The ALJV meets with these stakeholder organisations on a regular basis to provide construction updates and ensure issues are being addressed in a timely manner.

A team of seven community relations officers works in the local community, ensuring the needs of the many households living in close proximity to the M7 corridor have their inquiries and complaints dealt with as a top priority.

Stakeholders are informed of progress and given advance warning of construction activities so they can plan their lives accordingly through: the distribution of a quarterly newsletter and letterbox notifications to properties surrounding the project; advertisements in local and metropolitan newspapers; a website (www.westlinkm7.com.au); and e-mails to traffic and transport stakeholders

The community can make direct contact with the construction team, 24 hours a day 7 days a week via:

- 24 hour contact line 1800 100 707
- E-mail community@wso.net.au □

PROJECT HIGHLIGHT



Central Reclamation project in Hong Kong receives go ahead

Leighton Asia (Northern) has recently been instructed to re-mobilise equipment on the Central Reclamation project in Hong Kong, following a court ruling on the project in favour of the Hong Kong Government.

Leighton received notification that the suspension of its works on the marine portion of the project, ordered by the Government in September, had been lifted, allowing a return to work to commence immediately. Leighton expected to be fully operational within three weeks of the decision.

The HK \$3.8 billion project for the Government - Leighton's largest ever project in Hong Kong - had been the subject of a judicial review following a legal challenge from a local environmental group, the Society for the Protection of the Harbour. The Society was seeking an order that the Executive Council send the plans for the project back to the Town Planning Board for further consideration.

Leighton, in joint venture with China State Construction Engineering (Hong Kong) Limited and Van Oord ACZ, was awarded the project in February last year and



expects it to be completed in 2008. The project involves the reclamation of a portion of Hong Kong Harbour to form approximately 18 hectares of land.

The massive and high profile project involves the construction of 1km of seawalls, numerous ferry piers, including the famous Star Ferry pier, a railway overrun tunnel for the Airport Railway, a three-lane road tunnel, a heliport, cooling water pumping stations and pipelines, drainage and extensive mechanical and electrical works. □

PROJECT HIGHLIGHT



Rawang - Ipoh Rail Double Tracking Project under way

Leighton Asia (Southern) is part of a joint venture responsible for this rail double-tracking contract in Malaysia for DRB-Hicom Berhad.

The contract involves the dual-tracking of an existing line between Rawang and Ipoh in Malaysia north of Kuala Lumpur. It comprises a total track length of 320 kilometres, in mainline and sidings, and includes the total replacement of the existing track as well as the laying of a second new track.

All ballast, sleepers and rail will be replaced by Leighton Asia (Southern). The new track will be laid on formations prepared by others.

Additional works include civil works and drainage to station yards.

The project commenced on 8 December 2003 and is scheduled for completion in March 2005

Survey and preliminary design are well underway and a workshop maintenance facility and materials stockpile area is being established at Leighton's Batang Kali pre-cast depot.

Hamish Tyrwhitt, Leighton's general manager of Malaysia, welcomed the new project, saying it represented Leighton's first rail project in the country.

"We have done just about every other type of work here, but this is our first rail contract. We're fortunate to be able to capitalise on Leighton's growing rail presence around the region and are confident that our success here will lead to further rail work for us in Malaysia," he said.

Leighton has undertaken numerous railway projects in Hong Kong, Thailand, Indonesia and Taiwan, and now it can add Malaysia to the list.



PROJECT HIGHLIGHT



Thiess expands presence in Hunter Valley coal

Thiess has secured in excess of \$380 million worth of new contract mining work in the Hunter Valley at the Ravensworth East Mine, located adjacent to the Mt Owen Mine and the Wilpinjong Mine, near Mudgee.

The \$227 million Ravensworth East contract, awarded by Xstrata Plc subsidiary Hunter Valley Coal Corporation Pty Limited (HVCC), will see Thiess undertake mining, coal beneficiation, stockpiling and loading of coal for both domestic and export markets.

Thiess' General Manager for NSW/ACT, Mr Rob Stewart said that Thiess was delighted to be awarded this contract, as it continues a long term and effective relationship with HVCC and Xstrata.

"We will continue to work closely with HVCC and Xstrata, to explore ways to build further value into their mining operations. The award of the Ravensworth East Mine to Thiess is a clear outcome of this process, adding value to both our organisations," said Mr Stewart.

At Mudgee, Thiess has recently been awarded \$156 million in contracts by Excel Coal Ltd to develop and operate the greenfields Wilpinjong Mine. The deposit contains quality thermal coal suitable for both domestic and export markets. Planned production is five million tonnes per annum, with opportunity for future expansion.

Thiess' contracts will involve mining, coal beneficiation and handling, design and construction of mine infrastructure and a

joint venture contract with Sedgman, for the design and construction of coal clearance and processing infrastructure.

Excel Coal will immediately commence application for approvals, whilst Thiess will commence design development of the infrastructure works. The first coal is scheduled to be delivered early in 2007.

"Thiess was delighted to be awarded this contract, the company's first with Excel Coal Ltd. We look forward to working closely with Excel Coal, continuing to build on the relationship that has developed over the past 15 months during the detailed preparation of tenders. Our goal is to ensure the timely and successful development and operation of the Mine, adding value to both our organisations," said Mr Stewart. □



STRATEGY

innovation and experience

contribute to John Holland Water's success



John Holland's acquisition of Transfield's construction contracts and resources in 2003 brought new expertise in design, construction, commissioning and operation of sewerage and water treatment plants, pump stations, pipe work and associated infrastructure.

The acquisition has seen John Holland's specialist national business unit, John Holland Water, evolve into one of Australia's leading providers of water related services. John Holland Water's vision is to enhance client relationships, through specialised delivery of construction, technical support, operations and maintenance services.

John Holland Water's use of innovative forms of contracting with clients and partners, including relationship contracting, has helped to increase the company's involvement in water infrastructure projects at the end of April to more than \$450 million.

This workload includes the \$80 million Rouse Hill Trunk Sewer, Water & Recycled Water Infrastructure Project, which is the largest single

design and construction contract that John Holland Water has won in the last four years.

John Holland has also been awarded the replacement of outlet control valves at Sydney's Warragamba Dam, and an extension of work at the Werribee Irrigation Recycled Water Scheme in Victoria.

In Canberra, the new \$35 million Mt Stromlo Water Filtration Plant Project, is being delivered by a fully integrated joint venture between John Holland Water and Thames Water Projects, in association with Sinclair Knight Merz. The joint venture team, will design, supply, construct, test and commission the 250 ML/day, dissolved air flotation water treatment plant, located on the site of Mt Stromlo's existing water treatment plant, which was constructed in 1967. The new plant will meet a significant community need, which arose after last January's bushfires damaged Canberra's main water source, the Bendora Dam.

Last September, John Holland Water was selected as part of a fully integrated alliance team including Brisbane Water, MWH Australia, John Wilson and Partners, and Aquatec Maxcon to deliver the \$150 million Brisbane Water Enviro Alliance, which involves major upgrades to Brisbane's Sandgate, Oxley Creek and Wacol Wastewater Treatment Plants.

John Holland's share of the work is approximately \$90 million.

In Western Australia, John Holland operates in joint venture with Burns Roe Worley. The John Holland BRW Joint Venture has been awarded a position on the Western Australian Water Corporation's Engineering, Procurement and Construction Panel. The Corporation has indicated it will allocate \$2 billion of works to Panel members over the next five years.

In December 2003, John Holland Water entered into a teaming agreement to pursue the emerging desalination market in Australia with Advanced Environmental Water Technologies.

John Holland Water's General Manager, Greg Taylor, said "Australia has a critical shortage of new water sources to develop and is experiencing the hardships caused by repeated drought. We are committed to develop cost effective solutions to address water demand management and augmenting our limited water resources."

'Desalted seawater together with inland water reclamation and reuse - both of which require the application of today's membrane separation technology - will play increasingly important roles in meeting Australia's future demand for high quality water resources in the domestic and industrial markets', added Mr Taylor. □

PEOPLE NEWS



New Chairman appointed

The Directors of Leighton Holdings Limited have announced that Mr Geoff Ashton has been appointed as Chairman of the company, following the resignation of Mr John Morschel. Mr Ashton has been an Independent Non-executive Director since 1996 and has served on a number of committee's including the Ethics Committee, the Nomination Committee and Special Tender Review Committees.

Mr Ashton is Chairman of the Superannuation Trust of Australia, a Director of the NSW State Transit Authority, a former Managing Director of Clyde Industries Limited and Monier Limited, and a past National President of the Australian Industry Group. He has a great knowledge of the construction industry and has the full support of the board and management to lead the company through the next stage of its development.

The Board also wishes to thank Mr Morschel for his contribution since his appointment to the Board in August 2001. □

New Director for Board of Leighton Holdings

The Directors of Leighton Holdings Limited have also announced that Mr Thomas C. Leppert has been appointed a Director of the company.

Mr Leppert is the Chairman of the Board and Chief Executive Officer of The Turner Corporation, the leading general builder in the United States. Turner recorded sales of US\$7 billion in 2003 and ranks first or second in the major segments of the US building construction field.

Mr Leppert is also a member of the Board of Directors for AECOM, Canada's largest publicly traded construction and infrastructure development company and is Chairman of the company's audit committee. □

New alternate director

The Directors of Leighton Holdings Limited have announced that Dr Herbert Lütkestratkötter has been appointed to the Board as an alternate Director for Dr Peter Noé. Dr Lütkestratkötter is a member of the Executive Board of HOCHTIEF Aktiengesellschaft with responsibility for Facility Management including project development, public-private partnership (PPP) projects in the infrastructure field, and for asset management.

He has had wide-ranging experience in the industry, having served for over 20 years with the engineering company Lahmeyer International and more recently he held senior positions in the international business of Philipp Holzmann AG and the Dussmann Group. □



Peter McMorrow appointed Managing Director of Leighton Contractors

Mr Peter McMorrow has been appointed the Managing Director of Leighton Contractors, effective 6 May 2004. Mr McMorrow moves from his current role as Deputy Managing Director and replaces Mr Bob Merkenhof who has served in the role for just over five years.

Peter has over 30 years experience in the construction industry with wide-ranging general management and project experience both in Asia and Australia.

Prior to his role as deputy Managing Director, Mr McMorrow was the General Manager of the Leighton Contractors Western Australia Branch.

Between 1990 and 2000 he worked in Hong Kong as an executive director, director and general manager of Leighton Contractors (Asia) Limited with responsibility for operations in Hong Kong, mainland China and the Philippines. □

SPONSORSHIP



Sydney Sinfonia 'on song'

The merits of classical and popular music were recently put to the test during a private concert performance by the Sydney Symphony's world class mentoring orchestra, the Sydney Sinfonia.

Around 350 guests joined CEO, Wal King, for the premier performance of 'Mozart and McCartney', an educational concert celebrating the popular origins of Mozart's serenade *Eine kleine Nachtmusik* 'a little night music', and the Beatles classic, *Yesterday*.

As part of an initial two-year partnership, Leighton Holdings is recognised as the Presenting Partner

of the Sydney Sinfonia, a specialist ensemble combining the experience of the Sydney Symphony with Australia's most accomplished tertiary musicians.

"Having built the Sinfonia's performance home, the City Recital Hall, it is very satisfying to see the connection between Leighton and the Sydney Symphony continue to grow," Wal King said.

This year, as part of the partnership, David Sanzone, son of Thiess Western Australia estimator, Armando Sanzone, has won a scholarship to spend a week learning and performing with the Sinfonia. □