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# 2001

## Leighton Holdings Limited Shareholders' Half Year Report

Highlights from the half year report for the  
six month period to 31 December 2000.



**Top Left**  
Brisbane Inner City Bypass  
Queensland, Leighton Contractors

**Top Right**  
Rosedale Landfill Environmental Monitoring  
Queensland, Thiess Services

**Below Left**  
Westrail Track Maintenance and Rehabilitation  
Western Australia, John Holland

**Below Right**  
Teachers' Housing Project  
Malaysia, Leighton Asia



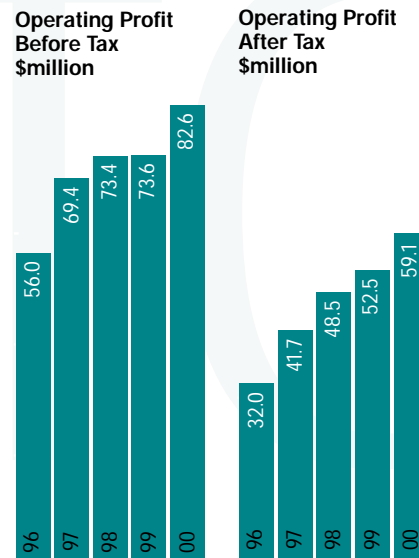
Leighton  
Holdings  
Limited

# Performance Review



“Our very strong level of work in hand underwrites the Group’s performance for the next few years” **Wal King AM** Chief Executive Officer

## Key Performance Indicators for Six Months to 31 December



### Financial Performance

The directors are pleased to report a 13% increase in Group half year profit after tax and minorities of \$59.1m from a pre-tax profit of \$82.6m.

An unfranked interim dividend of 14 cents per share (13 cents fully franked last year) was announced by the directors.

The strong half year result reflects the success of the Group’s diversification strategy. The result included an excellent performance from operations in Asia and the profitable sale of the Airport Motorway investment. Thiess maintained its position as the largest contributor to the Group, with a solid performance from its contracting operations in both Australia and Indonesia.

Principal sources of operating revenue which totalled \$1.91bn (compared with \$1.65bn in the corresponding period last year) were engineering and infrastructure \$679m, building and property development \$445m, mining and resources \$506m, telecommunications \$182m and environmental services \$100m.

The Group’s balance sheet remains strong with total assets of \$1.89bn and net assets of \$693m. Net cash also remains strong at \$276m. Undrawn facilities increased marginally to \$186m.

### Work in Hand

At 31 December 2000, the Group’s work in hand was at an all time record of \$7.57bn. This compares with \$6.21bn as at 30 June 2000 and \$4.29bn at 31 December 1999.

The strong forward order book is the result of a significant increase in telecommunications activity, the base load of long-term mining contracts and the impact of recent acquisitions including John Holland. It also highlights the importance of the Group’s presence in Asia and the diverse mix of contracting activities.

### Acquisitions, Investments and Divestments

In line with the Group’s long term strategy to use its financial capacity to grow contracting operations and extend the business into new areas, a series of acquisitions and investments have been made over the past six months.

The buy back of HOCHTIEF’s 20% interest in Leighton Asia was approved by shareholders at the 2000 Annual General Meeting. The purchase price of \$35m will be paid to HOCHTIEF in April. The increased investment in Leighton Asia will boost returns from Asian operations and complements HOCHTIEF’s strategy to work more closely with the Group in the region.

Leighton Contractors completed the sale of its 10.45% interest in Airport Motorway (which holds the concession for the Eastern Distributor) to the Macquarie Infrastructure Group for \$54.5m. The sale yielded a profit of \$29m.

Vytel, a subsidiary of Leighton Contractors, has committed to invest \$90m for a 20% stake in the \$820m Nextgen Networks, Australia’s largest privately owned optic fibre network.

Thiess has purchased a 40% stake in the North Goonyella Coal Mine from Sumisho Coal Development. The RAG Thiess Consortium (with 60/40 equity respectively) has purchased outright the mine and related assets, consolidating Thiess’ position in the Bowen Basin.

Thiess sold the operating assets of its subsidiary, Quantum Explosives, to Orica and ceased the manufacture and supply of explosives. A new supply agreement has been entered into with Orica.

Leighton Properties and ISPT Pty Ltd (as 50:50 partners) have acquired 100 Pacific Highway, North Sydney for \$26.5m. The partners plan to develop a new \$120m 20,000m<sup>2</sup> office building on the site.

### Australia/Pacific Operations

The Australia/Pacific operations contributed \$57.5m profit before tax from revenue of \$1.44bn. Both revenue and profitability increased over the previous period.

### Telecommunications

The telecommunications industry continued to provide good opportunities in both the maintenance of existing infrastructure and the development of new infrastructure. Revenue from this sector increased by 32% to \$182m.

Leighton Contractors’ multi-disciplined telecommunications service provider, Vytel, consolidated its position in the telecommunications industry. Operating through three contracting arms – Visionstream, LSE and Vytel Asia – it is well positioned to offer cable and wireless expertise and project development capabilities.

Vytel has finalised its participation in the \$820m Nextgen Networks project, an 8,400km optic fibre network linking Perth, Adelaide, Melbourne, Canberra, Sydney and Brisbane. Rollout of the network will be undertaken by Vytel subsidiary, Visionstream, and will commence in the first quarter of 2001. Network construction is valued at \$613m. Operation and maintenance of the network will also be the responsibility of Visionstream following completion of construction in 2003. This contract will cover the initial ten-year operating period and is worth approximately \$50m per year.

Construction of the Reef Networks project, Australia’s first privately owned cable network is nearing completion. Stretching from Brisbane to Cairns, this 1700 km optic fibre cable network has been leased to Cable and Wireless Optus for an initial ten-year period. Vytel retains a 30% interest in the Reef project and will commence a ten year operation and maintenance contract.

Both Visionstream and Thiess’ 50% joint venture with Siemens, were successful in securing contracts with Telstra to design, maintain and upgrade the carrier’s Customer Access Network.

### Engineering and Infrastructure

Engineering and infrastructure revenues remained at a similar level despite an easing in activity in the civil engineering market. A number of large road projects continued to dominate market activity.

In Queensland, the Group has over \$240m of road works with construction progressing well on the Inner City Bypass and both Thiess and Leighton Contractors constructing sections of the busways for Brisbane’s South East Transit Project. Work is progressing well for Thiess in Western Australia on the Kwinana Freeway Extension and Leighton Contractors has almost completed the new Narrows Bridge in Perth.

**Total Revenue  
\$million**



**Work in Hand  
\$million**



In Victoria, Leighton Contractors is progressing two contracts on the Geelong Road upgrade. John Holland was recently awarded a contract for a section of the same road.

Thiess Infracore's long term maintenance contracts for Bayside Trains and Swanston Trams in Victoria continue to progress well and its successful alliance with National Express has seen the commencement of new rail infrastructure work.

Other new engineering projects include a major contract to raise Awoonga Dam, in central Queensland awarded to Thiess and a contract to build a major earth and rock fill dam at Harvey Bay in Western Australia, awarded to Leighton Contractors.

### Mining and Resources

Thiess' solid base of long-term mining contracts has contributed to a good level of activity in the mining and resources market.

RAG Australia Coal and Thiess purchased the North Goonyella Coal Mine. Thiess will operate the mine under a life-of-mine contract with an initial value of more than \$349m. The two companies own and operate the nearby Burton open cut coal mine and expect to achieve synergistic benefits through coordinated management of both projects.

In Queensland and NSW work progressed well on the other 7 coal mines already operated by Thiess. Production at the Mt Owen Coal Mine was increased and a new mining contract was awarded at the South Walker Coal Mine. In Western Australia, Thiess continue to undertake work at the Redoubtable/ Intrepid and Lawlers gold mines.

At the Coppabella coal mine in Queensland, Leighton Contractors had its contract extended by another year and production requirements were increased. Leighton Contractors work at the Yarrrie Nimingarra iron ore mine in Western Australia progressed well and it was awarded several small contracts at the West Angeles mine site.

### Building and Property Development

Revenue from building work remained at similar levels but returns were disappointing.

New work won by Leighton Contractors includes Amcor's new wine bottle plant in South Australia.

## Financial Highlights

	31 December 2000 \$'000	31 December 1999 \$'000	% Change
Total Revenue	1,967,394	1,688,644	+17
Operating Revenue (Sales)	1,911,961	1,650,320	+16
New Contracts, Extensions & Variations	3,358,111	1,749,858	+92
Value of Work in Hand	7,569,920	4,295,045	+76
Value of Incomplete Management Contracts	443,548	363,040	+22
Operating Profit Before Tax	82,609	73,556	+12
Income Tax	(21,064)	(19,020)	+11
Operating Profit After Tax	59,107	52,509	+13
Dividends	36,974	34,072	+9
Total Capital and Reserves (excluding minorities)	693,962	633,000	+10
Total Assets	1,886,436	1,515,963	+24
Net Cash	276,406	159,051	+74
Undrawn Facilities	186,000	176,000	+6
Operating Earnings per Ordinary Share	22.5¢	20.0¢	+12
Dividends per Ordinary Share	14.0¢	13.0¢	+8

Other Leighton Contractors building work is progressing well at St Vincent's Hospital and the ABC building both in Sydney and the management of the Townsville RAAF base redevelopment.

Thiess' work on the Capricornia Correctional Centre at Rockhampton and the Holy Spirit Northside Private Hospital in Brisbane is proceeding to plan. The upgrade of Townsville's Lavarack Barracks for the Department of Defence is also progressing well.

John Holland won a contract to construct a research complex for CSIRO in Sydney and some smaller public sector building projects. Work progressed well on its largest building contract for the new Townsville Hospital in Queensland.

Leighton Properties has increased its activity with some new projects in Sydney. The development of an office tower at 383 Kent Street for AXA has commenced. Also Leighton Properties and ISPT Pty Limited plan to develop a \$120m office building at 100 Pacific Highway in North Sydney.

In Queensland, Leighton Properties is progressing the joint venture development of MacArthur Chambers in Brisbane's CBD. At the Thomastown and Mulgrave e-parks some tenants have been secured and early stages of the development sold.

### Environmental Services

Thiess' environmental business was steady, relying on its strong workload of long-term waste management and utilities maintenance contracts. Thiess has been awarded preferred contractor status for the Homebush Bay Dioxin Remediation project and was awarded a new contract to design, construct and operate a landfill in the ACT.

### Asian Operations

Profit from the Group's Asian operations increased significantly to \$22.4m before tax from revenue of \$527m, up by 55%. Both Thiess Indonesia and Leighton Asia produced an excellent result.

### Indonesia

Thiess' Indonesian operations performed extremely well despite some political instability in the country. BHP's Senakin and Satui mines made significant contributions to Thiess' revenue supplementing solid performances at the Kideco, Batu Hijau and Sangatta mines.

The awarding of a new contract for mining operations at the ABK Loajan coal mine in East Kalimantan bolstered Leighton Asia's presence in Indonesia. Other current coal mining contracts in Indonesia are the Sebuku coal mine and Malinau coal mine both in Kalimantan.

### Malaysia

Malaysia continued to be a major contributor to Leighton Asia with work progressing well on its massive Teachers Housing project and the civil works for the Manjung Power Station.

### Hong Kong

Hong Kong continued to provide Leighton Asia with a good level of construction activity, mainly derived from government funded infrastructure.

Construction is well underway on rail trackwork for Kowloon Canton Railway Corporation (KCRC) and an underground rail station and infrastructure at Tseung Kwan O. Other contracts underway include civil infrastructure for the hi-tech multimedia Cyberport Development, the New Australian International School and the Tin Shui Wai housing development.

New projects won during the period included a contract for apron works at the Hong Kong airport. In January, Leighton Asia also won a major contract for the upgrade and extension of the KCRC light rail system at Tuen Mun.

### Thailand

Leighton Asia's joint venture contract for rehabilitation of railway track is performing well and has boosted activity levels in Thailand.

### Philippines

Leighton Asia's largest project in the Philippines, the Rockwell Centre, was completed. Some advance construction work has been undertaken for the North Luzon Expressway near Manila and the recently launched Vytel Asia has secured a contract to install mobile phone base stations.

### South America

Thiess has secured another small contract at BHP's Tintaya copper mine and are continuing to pursue mining and resources opportunities.



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# Group Prospects

## Outlook for the Full Year

The directors expect an improvement in Group operating profit for the second half with another strong result for the full year.

The high level of work in hand should deliver revenue in excess of \$4bn. In Asia, revenue is expected to increase due to the strength of the order book in Indonesia, Hong Kong and Malaysia. Last year's acquisition of John Holland will also contribute significantly to revenue although profitability will remain modest in the second half. Strong performances in Asia and mining, and a good contribution from telecommunications, will drive the improvement in profit for the full year.

Work in hand should stay around \$7bn due to the high level of long-term resources work and selected major prospects in Australia and Asia.

## Long-term Outlook

The outlook for the Group in both Australia and Asia remains very positive in the long-term. The Group's strategy to expand its non-construction contracting activities, extend the business into new markets and increase project development work is providing a solid platform for growth.

The Australian telecommunication sector provides good opportunities with new technologies emerging as markets mature. Work is being generated by new entrants and growth in demand for data transmission and broad band cable access, despite reduced infrastructure spending by Telstra and Cable & Wireless Optus.

In addition to significant ongoing operation and maintenance work for the Nextgen and Reef networks, there are good opportunities in wireless applications, network upgrade services as well as associated facilities management and service provision contracts.

Mining and resources will remain a key market with over \$3bn of work in hand and a good level of long-term contracts. Thiess has successfully positioned itself as a multi-disciplined service provider in the coal market and has capacity to take equity stakes in green and brown field developments.

Whilst capital expenditure in the mining industry is unlikely to recover strongly in the short term, after a dramatic decline over the past couple of years, there are indications of new projects coming forward in the mining and the oil and gas sectors.

The downturn in the Australian construction market is expected to continue into 2001/02 with pressure on prices and reduced opportunities. The timing of the recovery is somewhat dependent on government spending.

In the engineering and infrastructure market there are a number of large transport projects planned by the Federal and State governments. Current prospects include the Cross City Tunnel in Sydney, the Perth-Mandurah rail line in WA and the Parramatta-Chatswood rail line in Sydney. Other

prospects expected to come forward include the Western Sydney Orbital Highway, the Lane Cove Tunnel in Sydney, regional high-speed rail links in Victoria and the Scoresby Freeway in Melbourne. Rail maintenance is expected to continue to offer good opportunities.

The Asia Pacific Transport Consortium, of which John Holland is a member, await finalisation of the financial package to construct and operate the 1,420km Alice Springs to Darwin Railway. The \$1.2bn project is expected to start in 2001 and be completed during 2003. John Holland's share of this project will be worth \$220m.

The building market will remain tight for the next few years with public sector opportunities in areas such as health and defence as well as selected commercial projects. Property developments along the east coast should generate a good level of activity with current projects in Sydney, Brisbane and Melbourne, and some others being planned.

Asia is showing solid signs of growth with some significant projects across the region expected to supplement a good base load of mining work in Indonesia and construction work in Hong Kong and Malaysia.

In Indonesia, further opportunities in mining and resources related infrastructure will be forthcoming as the country seeks to develop these markets in an effort to increase exports. Thiess is well positioned for further work in the country based on existing relationships with a number of international resource companies. Leighton Asia is also pursuing resources opportunities in the region.

Hong Kong's investment in infrastructure continues, offering Leighton Asia significant opportunities. Road and rail spending in Hong Kong is likely to remain strong and Leighton Asia is well placed to win further work. Public housing developments will continue to offer opportunities.

Malaysia has become an important market for Leighton Asia and the existing civil and building work being undertaken should serve as a good base to pursue further prospects. In Thailand, where Leighton Asia now has significant expertise in rail maintenance, there are opportunities to gain further track rehabilitation work and to migrate these skills to other countries in need of similar infrastructure work. The Philippines continues to offer opportunities, particularly if the North Luzon Expressway and the Tagalaoan Power Station projects proceed.

The telecommunications industry holds promise in a number of the South East Asian countries. Vytel Asia is pursuing infrastructure installation and maintenance prospects in the Philippines, Thailand and Malaysia.

In South America, Thiess is pursuing mining opportunities with multi-national clients from its Lima office in Peru.

The strategic investments made over the past few years, the focus on growth industries such as telecommunications and the strong performance in Asia and from mining activities should underwrite the Group's performance for the next few years. The Group is well positioned, with a record level of work in hand, to ride through a difficult 12 to 18 months in the Australian construction market and to capitalise on opportunities when that market turns around.

Overall, the Group should continue to generate good growth for shareholders in the medium to long term.

## Investments

**Star City Casino:** Leighton continues to hold a 15% share in the management company.

**Portman Mining Limited:** Thiess has 23.1m shares in Portman.

**Burton Coal Mine:** Thiess maintains a 5% investment in Burton Coal Mine in Queensland. The other 95% is now owned by the RAG Group.

**North Goonyella:** Thiess has acquired a 40% share of the North Goonyella Coal Mine in Queensland's Bowen Basin, in partnership with RAG Australia Coal Pty Ltd who hold the other 60%.

**Airport Motorway Limited:** Leighton Contractors' sold its 10.45% interest in Airport Motorway Limited in December.

**Renewable Energy Corporation (formerly Tanganyika Gold):** Thiess holds 2.9m ordinary shares.

**Reef Networks Pty Limited:** Leighton Contractors retains 30% of Reef Networks, the developer of a Brisbane-Cairns optic fibre cable network.

**Nextgen Networks:** Vytel Pty Limited committed to a 20% stake in Nextgen Networks, which will develop Australia's largest privately owned optic fibre network. The investment will occur at the end of construction scheduled for 2003.

## Interim Dividend

The directors have announced an unfranked interim dividend of 14.0 cents per share, payable on 30 March 2001.

## Close of Books

For the purpose of determining dividend entitlements, the Company's Share Registry Office will accept registrable transfers up to 5pm on Friday, 16 March 2001 if paper-based, or by end of day on that date if transmitted electronically on CHES. Leighton shares are expected to trade ex-dividend on the Australian Stock Exchange on 9 March 2001.