

Shareholders' Preliminary Final Report 1999

Highlights from the Leighton Holdings Limited preliminary final report for the year ended 30 June 1999.





Performance Review

Financial Performance

The directors are pleased to report an 18% increase in Group operating profit after tax and minorities of \$121.8 million from a pre tax profit of \$181.8 million.

A fully franked final dividend of 18 cents announced by the directors will bring the full year ordinary dividend to a total of 30 cents per share, fully franked. This compares with 26 cents last year representing a 15.4% increase.

Over the past 10 years, the return on average shareholders' funds has steadily risen from 11% to 20% per annum demonstrating the Group's continued focus on generating long-term shareholder wealth.

The Group's balance sheet remained strong with total assets of \$1.57 billion and net assets of \$633 million. Net cash also was strong at \$271 million with undrawn facilities of \$176 million.

This year's profit results reflect the diversity of the Group's income streams from its contracting and project development businesses. Thiess Contractors had an outstanding year throughout its various markets, contributing a significant proportion of both revenue and profit.

Shares in Star City were sold, crystallising part of Leighton Properties' successful investment in Sydney's casino development. The resolution of outstanding claims in the USA also contributed to the result.

Principal sources of operating revenue, which totalled \$3.22 billion (up 11%), were civil engineering and infrastructure \$1,070 million, contract mining \$792 million and building \$776 million. Other major revenue sources were telecommunications \$229 million, process engineering \$147 million, environmental services \$142 million and property development \$65 million. Management contract work worth \$62 million also was completed.

At 30 June 1999, work in hand was \$4.12 billion, reducing from the record levels of \$4.37 billion at 31 December 1998 and \$4.77 billion at 30 June last year. In addition, \$322 million in management contracts were held.

Australia/Pacific Operations

The Australian operations contributed \$118 million profit before tax from revenue of \$2.6 billion. Increased revenue primarily came from civil engineering and building construction. Contract mining stayed at a similar level accounting for one third of all work done in Australia. Non-construction/mining activities accounted for over 20% of the Australian operations.

Construction

The record level of construction activity was dominated by major roadworks in NSW and Queensland, and some large private and public sector building projects.

Leighton Contractors made good progress on the \$556 million Eastern Distributor motorway in Sydney. It is nearing completion and expected to open several months ahead of schedule. Other major road projects included a \$127 million contract for Leighton Contractors and a \$113 million contract for Thiess to upgrade sections of the Pacific Motorway between Brisbane and the Gold Coast. Also in Queensland, the dedicated busway and transit lanes project in Brisbane has generated new work for Thiess and more recently Leighton Contractors.

The recent 15 year agreement for Thiess to provide services to National Express Group in Victoria includes \$35 million in capital works and approximately \$40 million per annum in maintenance work for two of Melbourne's public transport businesses privatised by the State Government. The total value of work in the first five years is estimated at \$250 million.

Significant private sector building projects include the \$202 million office tower and recital hall at Angel Place in Sydney, under construction by Leighton Contractors, and a \$132 million upgrade at Ansett's Domestic Terminal at Sydney Airport, by Thiess.

A good level of new building work was won from the public sector, particularly in health. Thiess started work on management contracts for the \$170 million redevelopment of Royal Prince Alfred Hospital in Sydney and the \$140 million redevelopment of Lavarack Barracks in Townsville, Queensland.

Contract Mining and Related Infrastructure

Mining activity remained at a high level due to the amount of a long-term coal mining contracts secured by Thiess over the past few years.

The two largest coal mines operated by Thiess, the Burton mine in Queensland and Mt Owen in NSW, have expanded or are currently expanding their operations. Other major mines in Queensland operated by Thiess include Collinsville coal mine (\$479 million), Newlands coal mine (\$185 million), Oaky Creek coal mine (\$148 million joint venture), Ernest Henry copper/gold mine (\$130 million) and South Walker Creek coal mine (\$122 million).

Another significant ongoing mining project is the Lihir gold mine in Papua New Guinea which was renegotiated by the Thiess-Roche joint venture during the year.

Leighton Contractors only have one major mine in progress, the \$197 million Yarrrie Nimingarra iron ore mine in Western Australia. Mining remains a core activity for Leighton but the tough tender market, particularly in gold, has led to a highly selective approach to new work.

Telecommunications

Leighton Contractors has consolidated its position as a multi-disciplined service provider in the expanding telecommunications industry with annual revenue of \$223 million. Visionstream, a wholly owned subsidiary, has broadened its business mix with contracts to upgrade Telstra's Customer Access Network and undertake multi-dwelling unit connections



Group Prospects

throughout Australia. Leighton also won contracts to design and construct a mobile digital network for Cable & Wireless Optus and build mobile digital radio base stations for Motorola.

Environmental Services

Thiess Environmental Services has achieved its fourth consecutive year of growth with revenue of \$142 million (\$116 million last year). The acquisition of Garrett's Waste earlier this year assisted Thiess' geographic diversification in the waste business into Victoria. The total value of long-term waste contracts in NSW, Victoria and Queensland is now around \$600 million, of which over \$250 million is work in hand.

Property

Leighton Properties performed below expectations as development income included only small sales in Brisbane and Sydney. Overall profitability was improved by the sale of property in the USA and the sale of shares in Star City. Considerable work went into new and ongoing developments. These included an office development at 80 Pacific Highway, North Sydney, a joint venture with National Mutual at 383 Kent Street in Sydney, and a resort and residential joint venture with Ariadne at Noosa, Queensland. Work also is progressing on the development of a new industrial estate in Mulgrave, Melbourne.

Asian Operations

The Asian operations contributed \$51.8 million profit before tax from operating revenue of \$693 million. This was a great result in a difficult environment.

Hong Kong

Leighton Asia's construction operations in Hong Kong remain the largest source of revenue for the Group in Asia with a number of major projects for the public sector underway. Work won included a \$225 million contract at Tseung Kwan O for the Mass Transit Rail Corporation and a \$180 million contract at Tin Shui Wai for the Hong Kong Housing Authority. Other major projects such as the Tai Po aqueducts for the Hong Kong Water Supplies Department, and the Tsz Oi Estate housing contract, progressed well.

Indonesia

Thiess' Indonesian operations had another very good year maintaining a similar level of revenue and improved profits. Having maintained a presence during the recent upheavals, Thiess is well positioned to take advantage of good opportunities particularly in the resources sector. An extension of work was negotiated at Kideco coal mine and new coal mining projects worth \$60 million were won in Kalimantan. Major infrastructure projects included construction of the Balambano dam associated with Inco's nickel mine in Sulawesi and infrastructure works at Newmont's Batu Hijau copper/gold mine on Sumbawa Island. Also, the telecommunications rollout in central Java was successfully completed.

The Philippines

Leighton Asia has established a successful business in the Philippines, its second largest area of operations. A highlight for the year was the award of a \$94 million contract for a shopping

centre development in Makati City, Manila for Rockwell Corporation. Other projects included infrastructure works at the SUAL and Pagbilao power stations and a jetty at Bataan Terminal.

Other Countries

A relatively modest loss was posted from Thailand, Malaysia and Vietnam due to the low level of activity and the costs of maintaining a presence.

Group Prospects Outlook For 1999/2000

The Directors look forward to another improvement in Group operating profit next year. The diversity of the Group's businesses means that the earnings profile will continue to change.

Work in hand of just over \$4 billion provides a solid base for operating revenue from core contracting operations next year. The realisation of profits from project development investments such as Star City casino should further add to results.

Australia and Asia have a good level of construction and mining work with the prospect of continued expansion of telecommunications and environmental services in Australia. Thiess' long-term coal projects and leadership position in this sector should ensure that the level of mining work continues. However, growth in the Australian construction market has peaked and winning quality new projects in this sector will be tough.

A record level of work in hand and some exciting opportunities should result in another good year for operations in Hong Kong, Indonesia and the Philippines.

Long-term Outlook and Strategy

The directors remain positive about the overall outlook for the longer-term.

The Group's growth strategy, developed following a review by Port Jackson Partners in 1998, is focused on maintaining the momentum of the operating companies and extending core businesses through selected investments, acquisitions and diversification.

During the year, Thiess took a number of initiatives to extend its business. A strategic alliance was formed with Portman Mining Limited to build on the successful Burton Coal project and undertake future projects together with particular focus on rationalisation in the Australia coal industry.

The recently concluded purchase of Hunter Valley Earthmoving in NSW will add \$80 million of new contracts and provide a stronger local presence in the Hunter Valley area. Similarly, the acquisition of the Garrett's Waste business enhanced Thiess Environmental Services' business in Victoria. Also in Victoria, a recent agreement with National Express Group will extend Thiess' engineering construction skills into rail maintenance operations.



and Strategy

Thiess' purchase of the assets of Australian based Total Energy Systems, from LSB Industries Inc of the USA, will provide a new diversified earnings stream and vertical integration in the resources sector.

The new business, Quantum Explosives, will supply a customised range of innovative explosive systems and introduce leading electronic detonation technology to the mining, quarrying and related industries.

Leighton Contractors has successfully developed its telecommunications capability through both its own contracting operations and Visionstream. This area of business is poised to benefit from continued growth in the sector.

Leighton Contractors is moving to develop Australia's first independently owned fibre optic network. Through its sponsorship of Reef Networks Pty Limited, it has signed a 30 year licence with Queensland Rail to utilise the railway corridor from Brisbane to Cairns and will enter into a long-term agreement with Cable & Wireless Optus for the provision of capacity on this route. Leighton will be the principal equity participant in Reef with Visionstream contracted to design, construct, operate and maintain the network.

Similar telecommunications infrastructure developments are being progressed in other parts of Australia.

Other project developments being pursued by Leighton Contractors include port infrastructure in NSW such as the Newcastle Coal Loader project being progressed in partnership with Brambles Australia. In Melbourne, development of the Viacom entertainment complex at the Docklands is expected to be finalised in the next six months. The largest potential project in which Leighton Contractors is involved is the \$3.7 billion Sydney-Canberra Very High Speed Train. It is a substantial opportunity in the medium term for both construction work and investment in a new transport business.

The outlook for Asia is encouraging with most countries in the region starting to emerge from recession.

Construction in Hong Kong should continue at a similar level over the next few years based on government infrastructure projects. Leighton Asia has recently been advised that it is the shortlisted contractor for another major rail project. In the longer-term, private sector investment will pick up again.

Geographic diversification has been difficult to achieve in the current environment although Leighton Asia's move into the Philippines a few years ago has proven a successful counter to restricted opportunities in other countries in the region. Projects are being pursued in the Philippines and also on the Indian sub-continent.

Thiess' Indonesian business is well placed to resume growth following a relatively minor slowdown in activity through recent upheavals in the country. Mining and related infrastructure projects will remain the primary focus.

The envisaged extension of Thiess' successful mining operations into South America has been impacted by low commodity prices and the downturn in exploration spending. From a representative office now being established in South America, Thiess are continuing to evaluate mining opportunities in Peru and Argentina.

In conclusion, progress has been made in implementing significant parts of the long-term growth strategy with major project investments and acquisitions being progressed. These initiatives along with the underlying strength of the contracting operations should ensure that shareholders' wealth continues to be enhanced.

Investments

Star City Casino:
25 million ordinary shares were sold to ABN AMRO for \$35.3 million realising a profit of \$10.3 million. A separate equity swap transaction was entered into with ABN AMRO enabling Leighton to participate in any movement in the economic value of the shares. Leighton continues to hold 37.45 million options and a 15% share in the casino management company.

Portman Mining Limited:
Thiess Contractors formed a strategic alliance with Portman which involved the acquisition of 276 million shares for \$20 million. Thiess maintains a 5% direct interest in Burton Coal Mine, Queensland.

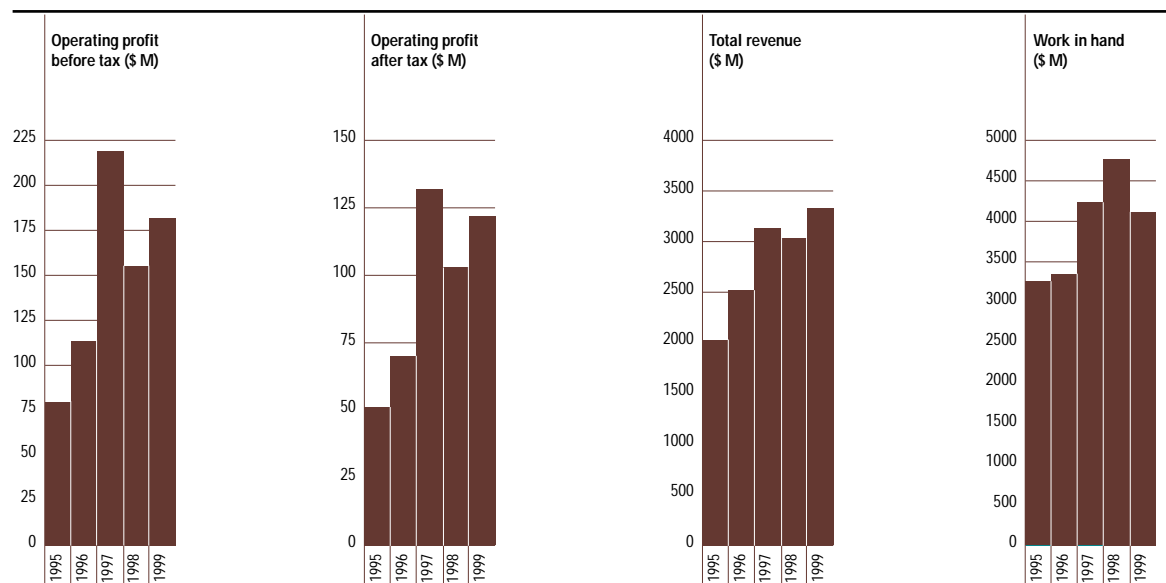
Eastern Distributor Tollroad:
No change has been made to Leighton Contractors' 11% interest in Airport Motorway Limited which holds the concession for the Eastern Distributor tollroad in Sydney.



Financial Highlights

	30 June 1999 \$'000	30 June 1998 \$'000	% Change
Total Revenue	3,327,878	3,034,546	+9.7
Operating Revenue (Sales)	3,220,545	2,906,952	+10.8
New Contracts, Extensions and Variations	2,541,050	3,294,306	-22.9
Value of Work in Hand	4,115,048	4,767,008	-13.7
Value of Incomplete Management Contracts	321,653	31,180	+931.6
Operating Profit Before Tax	181,818	155,148	+17.2
Income Tax	(50,424)	(44,981)	+12.1
Operating Profit After Tax	121,809	102,852	+18.4
Dividends	78,511	67,893	+15.6
Total Capital and Reserves (excluding minorities)	612,339	573,803	+6.7
Total Assets	1,575,994	1,506,903	+4.6
Net Cash	271,094	248,979	+8.7
Undrawn Facilities	176,000	176,000	0.0
Earnings per Ordinary Share	46.6¢	39.5¢	+18.0
Dividends per Ordinary Share (fully franked)	30.0¢	26.0¢	+15.4

Key Performance Indicators for 12 Month Period to 30 June 1999





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Additional Information

Close of Books for Final Dividend

For the purposes of determining entitlements to the final ordinary dividend of 18 cents per share, fully franked, to be paid on 30 September 1999, the Company's Share Registry office will accept registrable transfers up to 5.00 pm if paper based or by "End of Day" if proper SCH transfer, on 10 September 1999.

Leighton shares are expected to trade ex-dividend on the Australian Stock Exchange on 6 September 1999.

New Director

The Board is pleased to announce the appointment of Mr Geoff Dixon as a director of Leighton Holdings Limited.

Mr Dixon is Deputy Chief Executive Officer of Qantas Airways and is on the Board of Air Pacific.

Annual General Meeting

The Annual General Meeting of the Company is to be held in the Grand Harbour Ballroom, Star City, 80 Pyrmont Street, Pyrmont, Sydney, at 10.00 am on Thursday, 4 November 1999. The Annual Report is expected to be available late September 1999.

Tax File Numbers

From 1 July 1991 all companies have been obliged to deduct tax at the top marginal rate from unfranked dividends paid to investors, resident in Australia, who have not supplied them with a Tax File Number or Exemption particulars. Tax will not be deducted from the franked portion of a dividend.

If you have not already done so, a Tax File Number Notification form or a Tax File Number Exemption form should be completed for each holding and returned to Perpetual Registrars, Locked Bag A14, Sydney South, NSW 1232.

Please note you are not required by law to provide your Tax File Number if you do not wish to do so.

Front cover left to right:
Angel Place,
Leighton Contractors, NSW
Burton Coal Mine
Thiess Contractors,
Queensland



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recycled paper.

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