

Shareholders' Preliminary Final Report 2000

Highlights from the Leighton Holdings Limited preliminary final report for the year ended 30 June 2000.



Leighton
Holdings
Limited



Wal King AM Chief Executive Officer



Manjung Power Station,
Malaysia, Leighton Asia

Performance Review

Financial Performance

The directors are pleased to report that Group operating profit after tax and minorities was up 10% to \$134.1m.

The return on average shareholders' funds at year end averaged 21.1% for the year, compared with 20.5% for the previous year. This performance continues to place the Group in the first quartile of companies listed on the Australian Stock Exchange.

An unfranked final dividend of 20 cents per share, announced by the directors, will bring the full year ordinary dividend to a total of 33 cents per share. This compares with 30 cents last year representing a 10% increase. The directors anticipate that the next interim dividend will be unfranked and then dividends will return to franking, subject to the level of overseas earnings. The directors wish to ensure that all of the appropriate deductions will be utilised at the most effective tax rate allowed, given recent changes to the tax regime.

The profit result continues to reflect a mix of contracting and project development income. Principal sources of operating revenue which totalled \$3.45bn (up 7% compared with the previous year) were engineering and infrastructure \$1,099m, contract mining and resources \$907m, building and property \$927m, telecommunications \$307m and environmental services \$205m. Management contracts worth \$107m also were completed.

Thiess had an excellent year in both Australia and Indonesia and maintained its position as the largest contributor to the Group. Improved results from Asia, telecommunications work, contract mining and environmental services offset reduced returns from the construction tender market in Australia.

The balance sheet remains solid with total assets of \$1.73bn and net assets of \$685m. Undrawn facilities stayed steady at \$176m and the Group remained positively geared. Net cash at year end was strong at \$250m compared with \$271m last year.

A strong BBB+ credit rating continues to recognise the Group's stability and financial strength. This strength enables investment opportunities to be aggressively pursued and large-scale projects to be funded. Maintaining a strong balance sheet is also vital for the provision of approximately \$600m of bank guarantees and bonds for projects undertaken by Group companies.

Acquisitions and Investments

The Group has continued to make selective acquisitions that will grow the core contracting business and to take facilitating equity positions in projects.

The acquisition of 70% of John Holland in Australia contributed \$262m revenue in the second half of the year. While no financial consideration was involved in the purchase price, Leighton Holdings is providing working capital and supplying bank guarantees and bonds.

In May, Leighton Asia paid \$7.2m to acquire selected contracts and assets from John Holland Asia which added \$282m in new work. These included a 50% stake in a rail maintenance contract in Thailand and two coal mining projects in Indonesia.

Acquisitions made by Thiess to further strengthen its position in the Australian resources sector included the purchase of 100% of Hunter Valley Earthmoving for \$48m. Through a wholly owned subsidiary Quantum Explosives, Thiess made a \$16m acquisition of the Australian assets of Total Energy Systems. Also, an additional \$8m was invested in Portman Mining by way of a rights issue.

Thiess acquired a 50% interest in Silcar Maintenance Services from Simon Engineering for \$8m. Jointly owned by Siemens Ltd, Silcar services clients in the Australian resources, telecommunications, and industrial sectors.

Thiess Environmental Services acquired a 6 year contract with extension options for the operation of transfer stations and a landfill at Rochedale in Brisbane from Pacific Waste Management. This consolidated Thiess' position as the major waste contractor in Queensland.

To enhance its position as a full service telecommunications provider, Leighton Contractors paid \$15m to acquire LSE Technology Pty Limited, a specialist contracting company with a track record in wireless, microwave radio and mobile telephone network projects.

Work in Hand

At 30 June 2000, the Group's work in hand was at an all time record \$6.21bn, well up from the previous record of \$4.77bn at June 1998 and \$4.29bn at 31 December 1999. The key reason for the substantial increase was the significant level of new work won by Thiess' Indonesian operations and Leighton Asia, and the acquisition of John Holland in Australia and selected assets from Asia.

Australia/Pacific Operations

The Australia/Pacific operations contributed \$112m profit before tax, from revenue of \$2.78bn. The acquisition of John Holland increased revenue but did not contribute to profitability.

Telecommunications

The telecommunications industry continues to experience significant growth. Leighton Contractors, Thiess and John Holland should all contribute to a further increase in work done in this market over the next few years.

Leighton Contractors recently launched its new telecommunications subsidiary, Vytel, which will provide services and infrastructure to the industry in Australia and Asia. The recent acquisition of LSE has brought wireless radio systems capability which will complement Visionstream's cabling expertise and Leighton Contractors' civil engineering capability.

Vytel will develop infrastructure such as the \$80m Reef Networks project currently under construction



South East Water Maintenance,
Victoria, Thiess Environmental Services



Bass Highway,
Tasmania, Leighton Contractors

in Queensland and the recently announced Nextgen Networks project in a business venture with Macquarie Bank. Vytel will take a sponsorship equity stake in Nextgen and Visionstream will build their \$850m network linking Brisbane and Perth via Sydney, Canberra, Melbourne and Adelaide. Together with Lucent Technologies, Visionstream will operate and maintain the network.

Vytel will also enter the telecommunications market in Asia through a 50:50 venture with Leighton Asia, utilising their local presence and contracting knowledge across the region.

Thiess has developed a strategic alliance with Siemens to pursue contracting work in the telecommunications industry. This alliance followed Thiess' investment in Silcar, a 50% joint venture with Siemens, and achieved success in securing a \$520m five year contract for Telstra's National Telepower project.

Engineering and Infrastructure
Engineering and infrastructure continued to be the Group's largest source of revenue in Australia despite a downturn in the civil construction market.

Road projects made up the largest component of work. Leighton Contractors started work on the design and construction of the Inner City Bypass in Brisbane, two contracts on the Melbourne-Geelong freeway upgrade, and a busway project in South Brisbane. The Eastern Distributor tollroad was successfully opened and a

maintenance contract commenced. Thiess started the design and construction of the Kwinana Freeway extension south of Perth.

Rail maintenance has emerged as another important sector of the infrastructure market. Thiess has a long-term agreement with National Express Group to provide maintenance services for two of Victoria's public transport businesses. John Holland has recently negotiated an extension to its contract for maintenance and rehabilitation of Westrail track in WA.

A highlight for John Holland was a joint venture to design and construct a nuclear research reactor at Lucas Heights in Sydney. Major new engineering contracts won by Thiess include the operation and maintenance of the South Johnstone sugar mill in Queensland and a joint venture to design and construct Project Waikato Pipeline and Treatment Plant in Auckland, New Zealand. Other work includes oil and gas maintenance contracts undertaken by the Silcar Joint Venture throughout Australia.

Mining and Resources Infrastructure

Thiess' long term coal projects and a reputation for performance has sustained an excellent level of work despite industry restructuring and pressure on commodity prices. Thiess has commenced mining and infrastructure work at the new Foxleigh coal mine in Queensland

and its subsidiary, Hunter Valley Earthmoving, has coal mining contracts at Liddell and Westside in the Hunter Valley in NSW.

Work progressed well on six major coal mines already operated by Thiess in Queensland and NSW. A number of these contracts have been extended and re-negotiated as a result of driving down costs to the benefit of clients. Thiess ceased work at the Lihir Gold Mine in PNG and have reached an amicable settlement following Lihir Gold's decision to take all mining activities in-house.

Work is progressing well for Leighton Contractors at BHP's Yarrie Nimingarra iron ore mine in Western Australia and at the new Coppabella coal mine in Queensland.

Building and Property Development

Revenue from building work increased over the past year primarily due to the high level of health and defence projects and some major commercial projects undertaken.

Projects secured by Leighton Contractors include management of the new ABC building at Ultimo in Sydney, construction at St Vincent's Hospital in Sydney and management of the redevelopment of a RAAF base in Townsville. Thiess won design and construct contracts for the Capricornia Correctional Centre and Holy Spirit Northside Private Hospital both in Queensland. It also secured two management contracts at the Olympic site at Homebush Bay in Sydney.

Leighton Properties completed and fully leased its landmark office development at 80 Pacific Highway, North Sydney. Four new development projects are being progressed in Queensland and in Melbourne.

Environmental Services

Thiess Environmental Services had a good year, with revenue exceeding \$200m and another improvement in profitability. Waste management remains the steady long term base of environmental work. Acquisition of the Rochedale landfill contract helped Thiess consolidate a fully integrated waste management base in Queensland. Site remediation continues to be an important market sector with two significant contracts in Sydney. The recent five year extension to a field maintenance service contract with South East Water in Melbourne, will ensure a good level of utilities operation and maintenance work going forward.

Asian Operations

In an excellent result, profit from the Group's Asian operations improved by 15% to \$55m before tax, from revenue of \$772m. Indonesia and Hong Kong continued to be the major source of both revenue and profit.

Indonesia

Thiess Indonesia's operations performed extremely well despite some political uncertainties in the country. A major highlight was the award of a \$778m coal mining contract for activities at BHP's Senakin and Satui mines in



Rail Profile Rectification,
Victoria, John Holland

Group Prospects

Kalimantan. This contract is for services ranging from mine planning to product load out, epitomising Thiess' integrated service delivery approach and its ability to increase production efficiency. Ongoing mining and infrastructure contracts at Kideco, Batu Hijau and Sangatta provided a good level of activity.

Leighton Asia also entered Indonesia during the year via the acquisition of John Holland Asia's Indonesian business. Coal contracts at the Sebuk and Malinau mines boosted Leighton Asia's work in hand by \$212m.

Hong Kong

Hong Kong remained by far the largest source of work for Leighton Asia through government funded engineering infrastructure and housing. Major projects undertaken included a joint venture contract for an underground railway station and transport interchange, construction of two water aqueducts and a high rise housing development. New contracts won included a joint venture for construction of rail trackwork, engineering infrastructure work at the multi-media Cyberport development and the design and construction of the Australian International School.

Malaysia

Leighton Asia has significantly increased its presence in Malaysia with over \$600m of new work won during the year. A contract to build 10,000 apartments for teaching staff across six states is the largest project ever awarded to Leighton Asia. In addition, four new

contracts at the Manjung Power Station include civil works, an offshore cooling water intake and a coal bulk terminal and jetty.

The Philippines

Leighton Asia's largest project in the Philippines, construction of a retail centre for Rockwell Corporation in Makati City, Manila has progressed well and is nearing completion. Leighton Asia awaits a positive decision from the client on North Luzon Expressway, after being selected as the preferred contractor. Some advance construction work has been undertaken for this major privatised tollroad north of Manila.

Thailand

Leighton Asia's business in Thailand was boosted by the acquisition of a major joint venture contract for rehabilitation of railway track from John Holland Asia. Whilst building work remains very selective, rail maintenance offers some good long term opportunities.

South America

Thiess South America has opened an office in Lima, Peru and has secured its first contracts there with long-standing client BHP. With three small contracts at the Tintaya copper mine, Thiess is now positioned to participate in BHP's planned expansion in the region. A number of mining opportunities are being pursued with multi-national clients that Thiess has worked with previously in Australia and Indonesia.

Group Prospects

Outlook for 2000/2001

The record level of work across Australia and Asia will translate into a substantial increase in revenue in the year ahead. Profitability should also increase.

Investment activity will continue with a number of new project equity commitments, small acquisitions and increased expenditure on plant and equipment in Indonesia. The sale of some property assets and other investments will contribute to overall profitability.

Telecommunications and operation and maintenance activities will provide a greater contribution to results in Australia. Mining will remain a key contributor with the focus on relationship contracting and the provision of integrated, value-added services.

Competitive pressure on prices will continue in more traditional hard tender construction markets in Australia. The challenge will be to maintain a reasonable level of work in these markets whilst focussing on securing more profitable management and development projects.

The Group's operations in Indonesia and Hong Kong are expected to have another good year with an increasing contribution from Malaysia.

Negotiations are being undertaken with HOCHTIEF to buy back their 20% interest in Leighton Asia. The purchase is to be approved by shareholders at the Annual General Meeting. HOCHTIEF will continue

to support the development of Leighton Asia and participate in its profitability through its shareholding in Leighton Holdings.

Long Term Outlook

The Group's overall strategy, including its successful diversification and investment strategies, should maintain the current momentum. There are a number of opportunities to use the Group's financial strength and reputation to facilitate major developments and build greater diversity into the business.

Telecommunications has the potential to become one of the most significant markets for the Group in the years ahead.

Leighton Contractors' new subsidiary, Vytel, brings a greater focus to its provision of integrated services and infrastructure to the telecommunications industry. The Nextgen Networks project will create a substantial workload for Vytel over the next few years as well as providing an investment opportunity. Vytel will also be developing its business into the region in joint venture with Leighton Asia.

In Australia, both Thiess and John Holland have developed a good presence in the telecommunications industry and are working with specialist partners to secure further work.

Transport infrastructure is another market with significant potential. The NSW Government is progressing a number of large road and rail projects in Sydney which should go into construction over (continued on back page)



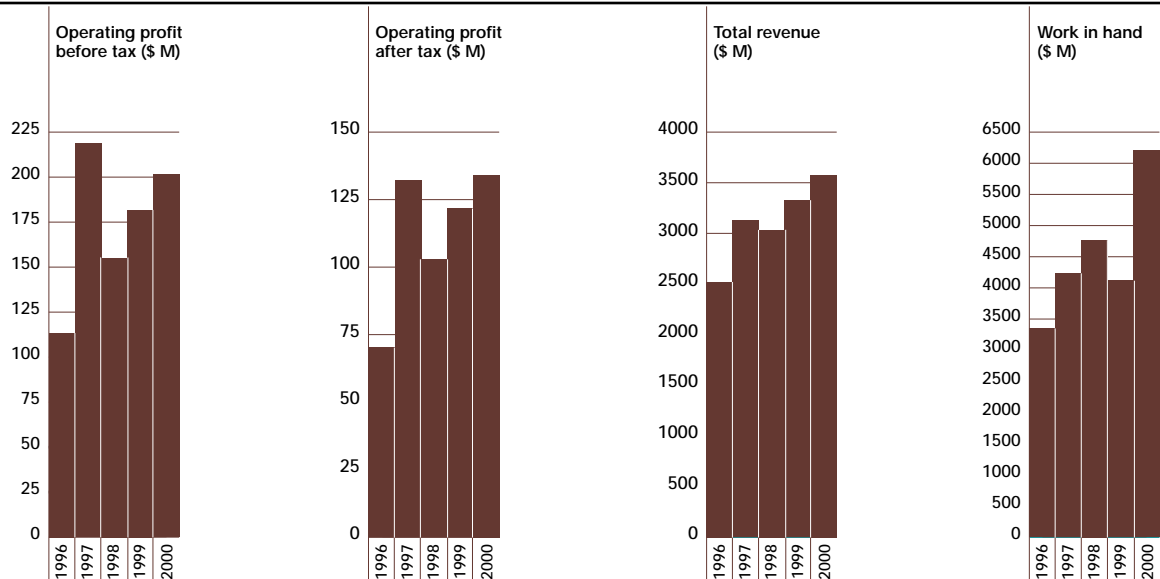
Telstra's Customer Access Network
Access Renewal,
New South Wales and Queensland, Thiess



Senakin Coal Mine,
Indonesia, Thiess

	30 June 2000 \$'000	30 June 1999 \$'000	% Change
Total Revenue	3,577,364	3,327,878	+7.5
Operating Revenue (Sales)	3,445,349	3,220,545	+7.0
New Contracts, Extensions and Variations	5,363,011	2,541,050	+111.1
Value of Work in Hand	6,205,920	4,115,048	+50.8
Value of Incomplete Management Contracts	568,038	321,653	+76.6
Operating Profit Before Tax	201,374	181,818	+10.8
Income Tax	(43,371)	(50,424)	-14.0
Operating Profit After Tax	134,080	121,809	+10.1
Dividends	86,685	78,511	+10.4
Total Capital and Reserves (excluding minorities)	660,580	612,339	+7.9
Total Assets	1,729,321	1,575,994	+9.7
Net Cash	250,250	271,094	-7.7
Undrawn Facilities	176,000	176,000	0.0
Earnings per Ordinary Share	51.1¢	46.6¢	+9.7
Dividends per Ordinary Share	33.0¢	30.0¢	+10.0

Key Performance Indicators for 12 Month Period to 30 June





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Front Cover Left
Tseung Kwan O Railway Station
Hong Kong, Leighton Asia

Front Cover Right
Reef Networks' Controlled
Environment Vault Fitout,
Queensland, Visionstream

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Group Prospects cont.

the next two years. Other public sector rail opportunities include the Mandurah extension to the Perth network and further outsourcing of rail maintenance work.

Prospects are promising for the \$4.8bn Speedrail project, the very high speed train link between Sydney and Canberra. The Leighton Contractors - ALSTOM consortium, the preferred developer, are awaiting a final decision from government.

The \$1.2bn Alice Springs to Darwin railway, of which John Holland is a consortium member, should commence later this year. John Holland's share of construction will be approximately \$200m.

In the resources sector, Thiess's presence in contract coal mining provides them with a solid base to capitalise on further industry rationalisation. This trend is set to continue and will present opportunities.

A number of resource projects in Western Australia are back in planning including the West Angelas, Kingstream and Mt Gibson iron ore projects. Oil and gas also will provide some good opportunities for both maintenance and engineering work in the medium term.

The outlook for Asia is promising with an upsurge in economic activity in most countries coinciding with record levels of work for Leighton Asia and Thiess' Indonesian operations.

With over \$1bn of work in hand, Indonesia has become the biggest Asian market for the Group. Thiess has established an excellent position in the resources sector built on long-term relationships with

clients and a track record for performance. Thiess will continue to develop further opportunities with clients like BHP in Indonesia and South America.

Hong Kong should keep providing a good work load for Leighton Asia as the Government maintains spending on road, rail and housing infrastructure. Supplementing public investment will be a series of private projects such as the Cyberport and Disney developments.

Malaysia has become a more significant part of Leighton Asia's operations and the Philippines is expected to generate a good level of activity when major prospects such as the North Luzon Expressway move into construction. Flowing from the acquisition of John Holland's rail contract, Thailand will provide some rail maintenance prospects.

Overall, the Group should continue to create value for shareholders in the medium to long term. Our strategy of diversifying by industry, service and geography is providing record levels of work and some exciting prospects. A solid performance across the recovering Asian markets is also providing a good platform for growth and the continued creation of shareholder value.

Investments

Airport Motorway Limited

Leighton Contractors has an 11% stake in Airport Motorway Limited which holds the concession for Sydney's Eastern Distributor. Leighton Contractors has entered into a Memorandum of Understanding with Macquarie Infrastructure Group for the sale of its stake in the Airport Motorway Group.

Burton Coal Mine

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

Portman Mining Limited

Thiess holds 27.6 million shares in Portman valued at \$20m, which includes 11 million shares acquired through a rights issue during the period.

Reef Networks Pty Limited

Leighton Contractors held an 80% investment in Reef Networks, the developer of a Brisbane-Cairns fibre optic cable network. In June, 50% was sold to Macquarie's Global Infrastructure Fund for \$5m. Leighton Contractors retains 30% of Reef Networks with ABN Amro holding the other 20%.

Renewable Energy Corporation (formerly Tanganyika Gold)

Thiess holds 2.5 million convertible preference shares acquired for \$2m.

Tabcorp Holdings Limited

37.45 million options in Star City Casino were converted to 4.68 million ordinary shares in Tabcorp Holdings Limited and then sold in December to Deutsche Bank for \$49.3m. Leighton entered a separate equity swap transaction with Deutsche Bank. Leighton continues to hold a 15% share in the Star City management company.

Additional Information

Close of Books for Final Dividend

For the purposes of determining entitlements to the unfranked final ordinary dividend of 20 cents per share, to be paid on 29 September 2000, 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 8 September 2000.

Leighton shares are expected to trade ex-dividend on the Australian Stock Exchange on 4 September 2000.

Annual General Meeting

The Annual General Meeting of the Company is to be held in The Ballroom, The Regent Hotel, 199 George Street, Sydney, at 10.00 am on Thursday, 2 November 2000. The Annual Report is expected to be available late September 2000.

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 ASX 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.