Following a period of stabilisation, the Leighton Group reported a solid result in 2013.

Revenue for the 2013 Financial Year was $24.4 billion with 81% earned from the Australia/Pacific region and 19% from the Group’s international operations. The Group earned a profit after tax of $509 million and an underlying 1 net profit after tax (UNPAT) of $584 million. A 45 cent per share interim dividend, franked at 50%, was paid in October 2013 and a 60 cent per share final dividend, 50% franked, will be paid on 4 April 2014. This represents a payout ratio of 61% of underlying profits after tax. Work in hand stood at $42.2 billion as at 31 December 2013, with $23.0 billion of new work, extensions and variations awarded. The diversity of our portfolio provided resilience against the headwinds experienced in contract mining. The number of direct employees decreased to 55,990 at year-end.

1 UNPAT is net profit after tax adjusted for non-underlying items including gains/losses on sale/acquisition of assets, impairments and restructuring costs.
**Profit after tax** for the 2013 Financial Year

$508.7M

**Work in hand** as at 31 December 2013

$42.2B

**Dividend** for the 2013 Financial Year

105¢

**Interim** 45¢

**Final** 60¢

**Direct employees** as at 31 December 2013

55,990

<table>
<thead>
<tr>
<th>Month</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>41.5</td>
<td>46.2</td>
<td>44.6</td>
<td>42.2</td>
</tr>
<tr>
<td>Dec 2011</td>
<td>45,340</td>
<td>51,075</td>
<td>53,141*</td>
<td>55,990</td>
</tr>
<tr>
<td>Dec 2012</td>
<td>56,323</td>
<td>56,323</td>
<td>56,323</td>
<td>56,323</td>
</tr>
<tr>
<td>Dec 2013</td>
<td>56,323</td>
<td>56,323</td>
<td>56,323</td>
<td>56,323</td>
</tr>
</tbody>
</table>

* The December 2011 Transitional Financial Year was the 6 month period from 1 July 2011 to 31 December 2011, and as such the information presented above is not entirely comparable.
Who we are

What we do

The Leighton Group is one of the world’s leading international contractors. We operate in 22 countries in Asia, the Middle East, Southern Africa, and throughout Australia and New Zealand. We aim to be renowned for excellence, delivering through our operating brands and the empowerment of our people.
Who we are

Leighton was founded in 1949, listed on the Australian Securities Exchange (ASX) in 1962 and is based in Sydney, Australia. The Group owns and operates through a number of diverse and independent Operating Companies: Leighton Contractors; Thiess; John Holland; Leighton Asia, India and Offshore (LAIO); and Leighton Properties. Some of these Operating Companies have been in existence since the 1930s. The Leighton Group also has a 45% investment in the Habtoor Leighton Group (HLG).

Our people are our business and we employ almost 56,000 people whose activities are underpinned by our values of discipline, integrity, safety and success. To attract, retain and motivate the best people they must be empowered. People perform their best when they are provided with realistic goals and a clear framework in which to operate. When empowered and accountable, people step up, accepting responsibilities and delivering results. This is the Leighton way. This empowerment occurs within a corporate governance framework defined by Leighton Holdings, which sets standards for ethical and financial performance; health and safety; and diversity, community and environmental matters.

What we do

As a strategic management company, Leighton Holdings provides a robust corporate governance structure, strategic leadership and the financial strength to enable our Operating Companies to compete effectively in the global market place. This role includes:

• setting the vision, values and strategic direction;
• setting Group policies and operating guidelines;
• maintaining the highest standards of discipline, integrity, safety and success;
• ensuring strict adherence to our Code of Business Conduct;
• reviewing risk management and performance; and
• approving acquisitions, investments and development initiatives.

The leadership of an experienced management team and a strong balance sheet support the growth of our Operating Companies. The Operating Companies offer a broad range of contracting and project development services and skills to public and private sector clients across a wide range of industries and geographic locations. These skills include construction, contract mining, operations and maintenance, and development services to the infrastructure, resources and property markets. Leighton Holdings is focused on:

• sustainability and the pursuit of excellence in creating solutions for our clients;
• providing safe, rewarding and fulfilling careers for our people; and
• delivering sustainable returns for our shareholders.

Where we are

The Leighton Group's Operating Companies conduct business in 22 countries. While the listed entity is based in Australia, our Operating Companies have been operating internationally for many years. A strategic move into Asia culminated in the formation of Leighton Asia in 1975. Through the 1980s, 1990s and 2000s, Leighton Asia continued to diversify throughout East and South-East Asia.

In 2004, we opened offices in India and the Middle East. The Group took a major step in 2007 with the acquisition of a 45% stake in the United Arab Emirates (UAE) and Qatar-based Al Habtoor Engineering, one of the largest contractors in the Middle East. This was renamed HLG in 2007 and has since expanded to Saudi Arabia, Oman, Kuwait and Bahrain.

In 2007, Leighton Asia opened its first office in Mongolia and by 2011 the Group had ventured into Southern Africa. Today, Leighton Asia is part of the broader LAIO Group. Leighton’s strategy has positioned the Group in prime locations – Australia, Asia, the Middle East and Southern Africa – through operating brands that are highly regarded. Today, the Leighton Group has the broadest footprint of any international contractor in the regions that are poised to provide the greatest share of the world’s economic growth over the next 20 years.

How we operate

The Leighton Group’s success over many years has been built on a foundation of values - discipline, integrity, safety and success - and we revisited these values in 2011 to ensure they are aligned with the needs of our shareholders, clients and employees. We recommitted to our four values and these have been consistently applied across the Group, but we have refreshed the behaviours that underpin these values to more clearly define what is expected of our people and the way they should conduct themselves.

Having strong values provides a framework within which our people can operate and make sensible decisions. Our values go hand-in-hand with the concept of empowerment, a fundamental principle of the Leighton way.

While we can set policies, guidelines, frameworks and codes, ultimately our people need a set of values to guide their thinking; to help them make the right decisions and, ultimately, to create the right outcomes.

A company with a strong and clearly defined set of values means that its people have alignment and consistency with the direction of the business. In Leighton’s case, this has developed a culture that is performance and results oriented. As we continue to grow, the embedding of our values will be critical to ensuring that we can operate in diverse markets with employees of different religions, ethnicity, political persuasion and gender. Our values provide a common unifying bond as we deliver our vision to be renowned for excellence.

Our people are our business and we employ almost 56,000 people whose activities are underpinned by our values of discipline, integrity, safety and success. To attract, retain and motivate the best people they must be empowered. People perform their best when they are provided with realistic goals and a clear framework in which to operate. When empowered and accountable, people step up, accepting responsibilities and delivering results. This is the Leighton way. This empowerment occurs within a corporate governance framework defined by Leighton Holdings, which sets standards for ethical and financial performance; health and safety; and diversity, community and environmental matters.

What we do

As a strategic management company, Leighton Holdings provides a robust corporate governance structure, strategic leadership and the financial strength to enable our Operating Companies to compete effectively in the global market place. This role includes:

• setting the vision, values and strategic direction;
• setting Group policies and operating guidelines;
• maintaining the highest standards of discipline, integrity, safety and success;
• ensuring strict adherence to our Code of Business Conduct;
• reviewing risk management and performance; and
• approving acquisitions, investments and development initiatives.

The leadership of an experienced management team and a strong balance sheet support the growth of our Operating Companies. The Operating Companies offer a broad range of contracting and project development services and skills to public and private sector clients across a wide range of industries and geographic locations. These skills include construction, contract mining, operations and maintenance, and development services to the infrastructure, resources and property markets. Leighton Holdings is focused on:

• sustainability and the pursuit of excellence in creating solutions for our clients;
• providing safe, rewarding and fulfilling careers for our people; and
• delivering sustainable returns for our shareholders.

Where we are

The Leighton Group's Operating Companies conduct business in 22 countries. While the listed entity is based in Australia, our Operating Companies have been operating internationally for many years. A strategic move into Asia culminated in the formation of Leighton Asia in 1975. Through the 1980s, 1990s and 2000s, Leighton Asia continued to diversify throughout East and South-East Asia.

In 2004, we opened offices in India and the Middle East. The Group took a major step in 2007 with the acquisition of a 45% stake in the United Arab Emirates (UAE) and Qatar-based Al Habtoor Engineering, one of the largest contractors in the Middle East. This was renamed HLG in 2007 and has since expanded to Saudi Arabia, Oman, Kuwait and Bahrain.

In 2007, Leighton Asia opened its first office in Mongolia and by 2011 the Group had ventured into Southern Africa. Today, Leighton Asia is part of the broader LAIO Group. Leighton’s strategy has positioned the Group in prime locations – Australia, Asia, the Middle East and Southern Africa – through operating brands that are highly regarded. Today, the Leighton Group has the broadest footprint of any international contractor in the regions that are poised to provide the greatest share of the world’s economic growth over the next 20 years.

How we operate

The Leighton Group’s success over many years has been built on a foundation of values - discipline, integrity, safety and success - and we revisited these values in 2011 to ensure they are aligned with the needs of our shareholders, clients and employees. We recommitted to our four values and these have been consistently applied across the Group, but we have refreshed the behaviours that underpin these values to more clearly define what is expected of our people and the way they should conduct themselves.

Having strong values provides a framework within which our people can operate and make sensible decisions. Our values go hand-in-hand with the concept of empowerment, a fundamental principle of the Leighton way.

While we can set policies, guidelines, frameworks and codes, ultimately our people need a set of values to guide their thinking; to help them make the right decisions and, ultimately, to create the right outcomes.

A company with a strong and clearly defined set of values means that its people have alignment and consistency with the direction of the business. In Leighton’s case, this has developed a culture that is performance and results oriented. As we continue to grow, the embedding of our values will be critical to ensuring that we can operate in diverse markets with employees of different religions, ethnicity, political persuasion and gender. Our values provide a common unifying bond as we deliver our vision to be renowned for excellence.
Leighton Group Annual Review for the 12 months to 31 December 2013

Financial Performance
I’m pleased to report that the Group reported a profit after tax attributable to members of $509 million for 2013, a 13% improvement on the prior year. Even more pleasing is that Leighton recorded an Underlying Net Profit After Tax (UNPAT)\(^1\) of $584 million, which is a 30% increase on 2012.

Recognising this performance, the Board has determined to pay out 61% of UNPAT as dividends resulting in a total dividend of 105 cents per share. This is made up of a final dividend of 60 cents per share, franked at 50%, to be paid in April 2014 and an interim dividend of 45 cents per share, franked at 50%, which was paid on 3 October 2013.

A detailed overview of the company’s performance in 2013 is set out in the Operating and Financial Review on pages 45 to 62 of the Annual Report. This new requirement has been introduced by the Australian Securities and Investments Commission (ASIC) to better meet the information needs of shareholders and to set out information that would reasonably be required to assess the company’s operations, financial position, and business strategies and prospects for future financial years.

Financial Strength
A highlight of 2013 was the sale of the Group’s non-core telecommunications assets, which helped to strengthen our balance sheet. As at 31 December 2013, the Group’s gearing had improved to 29%, well within the Board’s target gearing range for 2013 of 25 – 35%. Having a strong balance sheet is essential for a contractor and we are focused on having the financial resources and capacity to fund and grow the business in the future.

The ratings agencies have recognised the Group’s balance sheet strength. During the year, Standard & Poor’s affirmed its ‘BBB-/A-3’ rating of our company with a ‘Stable’ outlook while Moody’s Investors Service also reiterated its ‘Baa2 issuer’ rating with a ‘Stable’ outlook.

The Board and major shareholder
In June 2013, the Board appointed three independent, Non-executive Directors – Russell Higgins AO, Mike Hutchinson and Vickki McFadden. Their varied talents have helped to refresh the Board and I thank them sincerely for the contributions they have made to-date, particularly given some of the recent challenges the Board has dealt with.

During the year, HOCHTIEF increased its stake in Leighton from 53.41% (as at 13 March 2013) to 58.77% (as at 17 March 2014), which was subject to the relevant ‘creep’ provisions of the Corporations Act 2001 (Cth).

On 10 March 2014, HOCHTIEF announced its intention to make a $22.15 cash per share proportional offer for Leighton, to increase its stake to a maximum of 73.8% and to make Leighton Board changes.

On 14 March 2014, Leighton and HOCHTIEF entered into a Bid Implementation Agreement, under which HOCHTIEF increased its offer to Leighton shareholders to $22.50 per share for three out of eight shares (the ‘Improved Offer’). The Improved Offer is the outcome of negotiations between HOCHTIEF and Leighton’s independent Directors. During the negotiations, the independent Directors pressed HOCHTIEF to make a takeover offer for all shares (rather than a proportional offer), however HOCHTIEF has declined to do so.

The Improved Offer is unconditional, other than a requirement for Foreign Investment Review Board (FIRB) approval. Full details of HOCHTIEF’s Improved Offer were set out in HOCHTIEF’s Bidder’s Statement, which was released to the ASX on 14 March 2014 and is expected to be dispatched to shareholders at the end of March.

Leighton shareholders on the Leighton Register on 21 March 2014 will be entitled to a 50% franked dividend of 60 cents per share. This dividend will not be deducted from the Improved Offer price payable to Leighton Shareholders who accept the Improved Offer.

The independent Directors’ recommendation in relation to the Improved Offer will be provided in a Target’s Statement, which will also include an Independent Expert’s Report. The independent Directors recommend that minority shareholders accept the Improved Offer in the absence of a superior proposal. Shareholders are encouraged to read both of these documents and, if they consider it appropriate, to seek professional advice before deciding how to respond to HOCHTIEF’s Improved Offer.

Following HOCHTIEF’s announcement, both ratings agencies have placed Leighton on a negative review for a potential downgrade.

In its initial proposal, HOCHTIEF stated that it intended to increase its representation on the Board to reflect its shareholding, irrespective of the outcome of the offer. Recognising that HOCHTIEF could achieve Board and management control at our forthcoming Annual General Meeting (AGM) on 19 May 2014, the independent Directors also agreed to HOCHTIEF’s request to make the following changes to its management and Board:

• The employment of Chief Executive Officer (CEO) Hamish Tyrwhitt and Deputy CEO and Chief Financial Officer Peter Gregg was terminated and they both resigned from the Board.

• Marcelino Fernández Verdes, the current CEO of HOCHTIEF, has been appointed as CEO of Leighton.

• Two Directors nominated by HOCHTIEF, Pedro López Jiménez and José Luis del Valle Pérez have been appointed.

Looking forward:
• Paula Dwyer will resign as a Director by no later than the conclusion of the AGM;

• Russell Higgins AO and Vickki McFadden will resign or retire as Directors by no later than the conclusion of the AGM, and will not stand for election at the AGM; and

• Mike Hutchinson will stand for election at the AGM and I intend to continue as Chairman after the AGM.

I thank the independent Directors for their support and counsel, particularly during the trying circumstances of the recent offer, and especially Paula, Russell and Vickki who will be leaving the Board. I also welcome the new Directors and look forward to the Board focusing on creating value for all shareholders.

With respect to our departing executives, Hamish and Peter have both been outstanding leaders of our business, having successfully brought Leighton through a period of stabilisation and set the company on a pathway to growth by substantially rebasing our operations. Employees, clients and shareholders have, and will continue to, benefit from the value they have created, and the Board and I sincerely thank them both for their contribution.

---

\(^1\) UNPAT is net profit after tax adjusted for non-underlying items including gains/losses on sale/acquisition of assets, impairments and restructuring costs.
The Leighton Group has dealt with a number of challenges in 2013 to deliver a positive result for shareholders. Good progress has been made on our strategies to improve the performance of the business and to deliver long-term, sustainable growth.
Chairman’s Review continued

I am personally grateful for the dedication, drive and leadership Hamish has shown during his 28 years of distinguished service with the Group. I also recognise Peter’s excellent contribution to our financial and strategic direction through a challenging time in the company’s history. I am proud to have worked with them and I wish them every success.

Remuneration
The company’s approach to responsible remuneration has been further embedded during the year. The Board believes that its remuneration framework enhances the alignment between shareholder and executive interests, and rewards performance that supports the Group’s business plans and our values of discipline, integrity, safety and success.

I am pleased to note that the non-binding vote on the Group’s Remuneration Report at the 2013 AGM was overwhelmingly supported by a ‘For’ vote of 98.9%. The support we have received, both at the AGM and via shareholder feedback, indicates that we are on the right track with our approach to remuneration.

Media Allegations
I also want to acknowledge the allegations made in the media in late 2013 about the Group’s international business, our culture and the performance of individual Directors and management.

Whilst we are deeply concerned about the suggestions of impropriety, the Board and management believe these media reports have been sensationalist in their representation of the matters. The allegation relating to Iraq was self-reported to the Australian Federal Police (AFP) over two years ago, reflecting the seriousness with which we took the matter. The AFP investigation continues and the company is cooperating.

In an unrelated matter, a possible fraud has led to us taking court proceedings against an ex-employee.

It is important to note that no charges have been laid against any person or entity, nor has the AFP investigation concluded. The management personnel reported in the press as connected to these two matters are no longer with the Group.

Subject to market conditions and unforeseen circumstances, we expect to deliver an underlying net profit after tax in the range of $540 million to $620 million in 2014.

Class Actions
Two class actions were lodged against Leighton during the year. The first, by Maurice Blackburn, was filed in the NSW Registry of the Federal Court. The claim relates to the 11 April 2011 disclosure by Leighton of a revision of our profit forecast for the six month financial period ended 31 December 2011. Leighton denies the claim and is defending the action.

The second, filed by solicitor Mark Elliot, alleges that Leighton breached its continuous disclosure obligations by failing to disclose allegations relating to Iraq and the possible fraud (referred to above). On 31 January 2014, Mr Elliot’s amended Statement of Claim was struck out and he was ordered to pay Leighton’s costs. Leighton denies there is a proper basis for the alleged claim and will continue to defend the action, if it proceeds.

People and Safety
Our 55,990 people drive the performance of the Group. It is their hard work, commitment, innovation and integrity that generate our results and, ultimately, our returns to shareholders. I thank our employees for their contribution in delivering projects that provide solutions for clients. It is with great sadness, however, that I report that five of our colleagues lost their lives in work-related fatalities in 2013.

Any fatality is one too many. The Board is working closely with management to eliminate fatalities and permanent disabling injuries.

Sustainability
This year, the company has produced a standalone Sustainability Report detailing our commitment to the integration of environmental, social and governance factors into our decision-making and our performance in this area. The 2013 Sustainability Report is available on our website at www.leighton.com.au

I am pleased to report that in 2013, Leighton’s sustainability performance was recognised by its inclusion in two Dow Jones Sustainability Indices (DJSI), the ‘DJSI Asia Pacific’ and the ‘DJSI Australia’. Launched in 1999, the DJSI is a preeminent index that tracks the leading sustainability-driven companies worldwide. The rating system provides a third party assessment of our corporate practices and utilises a ‘best in class’ approach to benchmark us against our industry peers. Inclusion in the DJSI acknowledges the quality of the Group’s sustainability practices across a range of different factors.
Conclusion

I conclude by thanking my fellow Directors for their hard work and valued counsel during the year. The independent Directors believe that we have secured, under difficult circumstances, an Improved Offer which is the best outcome for Leighton’s shareholders and employees. The Improved Offer price and removal of all conditions other than FIRB approval are important enhancements for minority shareholders.

I also thank you, our shareholders for your patience and support. 2013 was a year that presented a number of challenges; however we achieved a solid result and made good progress with strategies to further improve our operating performance. I look forward to updating you further at the AGM on 19 May 2014. •
The Board

During 2013, three new Independent Non-executive Directors with varied talents were appointed to the Board. In 2014, further changes were made with two new HOCHTIEF representatives appointed.

Robert Douglas Humphris OAM (71)
Chairman, ARSM, BSc (Eng) (Hons), CEng, FIMMM, FAIMM

An independent Non-executive Director since September 2004, Mr Humphris OAM was elected Chairman on 24 March 2013. Mr Humphris OAM is an Honours graduate in Mining Engineering from the Royal School of Mines, Imperial College, London University. He has 50 years of global construction and mining experience, including 10 years as Managing Director of Peabody Resources Pty Limited (previously Costain Australia Limited). Mr Humphris is Chairman of mining services company Ampcontrol Pty Limited.

Paula Jane Dwyer (53)
Non-executive Director and Deputy Chairman, BCom, FCA, FAICD, FFin

An independent Non-executive Director since January 2012, Ms Dwyer has been Deputy Chairman since 24 March 2013. She is a graduate of the University of Melbourne - Bachelor of Commerce. Ms Dwyer had an executive career in finance working with Ord Minnett (now JP Morgan) and PricewaterhouseCoopers. Ms Dwyer is a member of the Takeovers Panel, Chairman of Tabcorp Holdings Limited, a Director of Australia and New Zealand Banking Group Limited (ANZ) and a Director of Lion Pty Ltd.

Marcelino Fernández Verdes (58)
Managing Director and Chief Executive Officer

A Non-executive Director since October 2012, until he became Managing Director in March 2014. Mr Fernández Verdes is a member of the Executive Board and was appointed Chief Executive Officer of HOCHTIEF AG in Essen in November 2012. He was the Chief Operating Officer of HOCHTIEF from April to November 2012. Mr Fernández Verdes studied civil engineering at the University of Barcelona and has held a variety of positions in the construction industry since 1984.

Russell Allan Higgins AO (64)
Non-executive Director, BEc FAICD

An independent Non-executive Director since June 2013, Mr Higgins AO has extensive experience both locally and internationally in the resources and energy sectors and in economic and fiscal policy. During his executive career, he was Secretary and Chief Executive Officer of the Department of Industry, Science and Resources from 1997 to 2002 and Executive Chairman of the Australian Government’s Energy Task Force from 2003 to 2004. Mr Higgins AO is a Director of the St James Ethics Foundation (since 2010).
Michael James Hutchinson (67)
Non-executive Director, Bsc (CivEng Hons I)

An independent Non-executive Director since June 2013, Mr. Hutchinson is a chartered professional engineer in the United Kingdom and Australia. He was formerly an international transport engineering consultant specialising in the assessment and planning of public sector infrastructure projects in Europe, Asia, Africa and Australia. He has extensive experience in the transport and communications sectors, including as a senior official with the Australian Government in the Transport, Communications, and Finance portfolios.

Pedro López Jiménez (71)
Non-executive Director

A Non-executive Director since 13 March 2014, Mr. López Jiménez is a civil engineer with an MBA. He has extensive construction experience in government and has participated as a shareholder, board member or manager in a range of companies. Mr. López Jiménez has been a member of the Board of Directors of the ACS Group since 1989, is the Vice Chairman of Dragados S.A., Chairman of the TERRATEST GROUP and has been a Supervisory Board Member of HOCHTIEF AG since 2011.

Vickki Anne McFadden (54)
Non-executive Director, BComm, LLB

An independent Non-executive Director since June 2013, Ms. McFadden has experience in corporate finance transactions and the skilled labour market across most industry sectors. Previously, Ms. McFadden was employed as a Director/Principal of Centaurus Corporate Finance and Managing Director, Investment Banking, at Merrill Lynch in Australia. Ms. McFadden is President (appointed 2013) of The Takeovers Panel and has been a member of the Panel since 2008.

David Paul Robinson (58)
Non-executive Director, MCom, BEc, FCA, CTA

A Non-executive Director since December 1990, Mr. Robinson is a graduate of the University of Sydney and a registered company auditor and tax agent. He is a chartered accountant and principal of the firm Harveys Chartered Accountants in Sydney. Mr. Robinson is also adviser to local and overseas companies with interests in Australia.
In reviewing the year, I am reporting on the hard work of the previous executives. Hamish and Peter leave the Group in a significantly enhanced position and well placed to grow as we leverage our footprint across Asia. I thank them for their great contribution to the Group and wish them well in the future.

2013 was a successful year for the Group. We reported an UNPAT of $584 million; our core markets are continuing to offer a good range of new project opportunities and our $42.2 billion of work in hand underpins a good level of profitability for the next few years.

During the year, we made good progress on our journey to ‘stabilise, rebase and grow’ the Group. We delivered positive financial results for our shareholders, strengthened our balance sheet, advanced a number of initiatives to improve our efficiency and continued to invest in our people. The work done in 2013 has set us up for a solid 2014 and a strong future.

Performance Overview
The Group reported a 6% increase in revenue during 2013 to $24.4 billion, despite the slowdown in the mining sector. This is testament to the Group’s diversity.

We expanded our UNPAT margin to 2.4%, up from 1.9% in the prior year. Our underlying result, up 30% to $584 million, demonstrates the effectiveness of our short-term strategy to transform the business. Work in hand during the year remained above $40 billion and was $42.2 billion at year end. New awards, extensions and variations totalled $23 billion, a 5% increase on the prior year against the backdrop of the challenging contract mining environment and the sale of the Group’s telecommunications business. This solid result is a reflection of the diversity of the Group’s portfolio and how that diversity helps to offset cyclical slowdowns in certain markets.

Strategy
Our fundamental objective is to earn long-term sustainable shareholder returns by delivering value-adding construction, operations and maintenance services across six key industries: mining and metals; oil and gas; transport infrastructure; power and utilities infrastructure; social infrastructure; and complex urban property projects. Our end-game is a diversified portfolio of projects that is balanced in terms of geography, market, activity, customer, contract type and contract size. A balanced portfolio is a key part of mitigating risk and will help to optimise our growth potential, margins and returns on capital.

Over the past two and a half years, Leighton Holdings has transformed into a Strategic Management Company. We develop strategy across the Group, ensuring that we have appropriate spans of control in place and determining where we allocate our capital. The successful delivery of our more than 400 construction, mining and services projects is currently the responsibility of the Operating Companies who tender and deliver - either individually, combined or competitively where they have the capabilities and resources to do so.

I intend to work with my colleagues on the Board to complete the broad-based, general review of the Leighton’s operating model that is currently being undertaken by management. A particular focus of the review is whether the existing operating business of Leighton can be more efficiently structured. As the new CEO, I am keen to speed up the pace of change at Leighton to reduce costs, recover outstanding monies, repay debt and improve the efficiency of the company’s assets. By doing so, we will improve returns to shareholders and position the Group for sustainable growth.

I am also focused on the transfer of HOCHTIEF’s culture, business knowledge and approach to risk management, and their application to Leighton. There is much that is to be gained by applying a consistent approach to the controlling and managing of risk.

Increasingly we have been encouraging collaboration between our Operating Companies and the broader ACS/HOCHTIEF group on major projects. This was evidenced in the successful tender by Thiess, John Holland and Dragados for the $1.15 billion tunnelling package for the North West Rail project in Sydney and the formation of a consortium consisting of Leighton Contractors, John Holland, Dragados and Iridium to tender for the 18km East West Link cross-city road in Melbourne.

Our strategic focus is on delivering a better bottom line result by driving cost savings, improving efficiency and effectiveness, and harnessing the scale of the Group. We have made good progress this year on driving organisational efficiencies through strategic procurement to leverage the Group’s buying power and by the restructuring of our management teams. We established an entity (FleetCo) to centrally manage our extensive fleet of mining plant and equipment. FleetCo will coordinate the purchase and maintenance of fleet for the Group, thereby improving utilisation rates and reducing our capital intensity.

We are focused on improving margins and profitability and, in the near-term, we have a clear set of priorities to stabilise and rebase the Group. Beyond this, Leighton will seek to grow returns from existing markets and export skills to new markets, while delivering the best solutions for clients and driving sustainable growth for shareholders.

Investments
During the year, the Group sold 70.1% of its non-core telecommunications assets (consisting of Nextgen Networks, Metronode and certain Infoplex assets) to Ontario Teachers’ Pension Plan. The sale resulted in a pre tax gain of $215 million ($115 million after tax) and cash proceeds of $614 million that have been used to strengthen the Group’s balance sheet. The Group now owns 29.9% of the Nextgen Group, providing access to any upside value under the new ownership structure.
I am very proud to have recently been appointed the CEO of the Leighton Group. This is a great honour as the Group is one of the world’s leading international contractors with a heritage of successfully delivering infrastructure, resources and property projects across Australia and overseas.
“As the economies of the Asian region continue to grow, underpinned by industrialisation and urbanisation, their growth will sustain demand for transport, health and energy infrastructure, as well as energy and other commodities. The Leighton Group is in a unique position to provide the construction and mining skills to service the needs of these and other developing markets.”
The Group also agreed to purchase the Welspun Group’s 39.9% stake in Leighton Welspun, our Indian-based joint venture established in 2010, for US$99 million to achieve 100% ownership of this business. The opportunity arose from the decision by Welspun to focus on its core businesses. Leighton continues to see strong long-term prospects in the Indian market for infrastructure, especially public private partnerships, and specialised property-related projects. The move to full control of the Indian business will allow for the integration of several of our business units, resulting in both lower costs and greater business opportunities. The sale was concluded in February 2014.

We continue to be represented in the Middle East through our 45% investment in the Habtoor Leighton Group (HLG). HLG’s performance improved during the year, with a broadly break-even result and the recovery of funds from some legacy projects. No impairment was recorded during the year against the carrying value of the investment. The decision by a Qatar-based client to call performance bonds on certain legacy projects prevented HLG from making repayments on Leighton’s outstanding shareholder loans at the end of June 2013. As a result of the bond calls, additional Leighton guarantees were required to support an increased bank facility. The situation remained unresolved at the end of December 2013. However, HLG continues to believe its legal position on the matter is strong and is working to a resolution. ‘2016 IPO-ready’ remains the strategic aim for HLG, contingent upon the further recovery of outstanding receivables, the paying-down of outstanding shareholder loans from Leighton, and the ongoing award of new work.

People & Safety
As the Chairman has noted, the safety of our people is a critically important issue and one that the Board and management continue to give their full attention. Fatalities are not acceptable. We have a duty to our employees and their families to send them home safely each day, and I consider this my personal responsibility.

On a positive note, I am pleased with the work that is being undertaken to identify and foster the talent and capabilities of our people. This year, we devoted considerable time and effort to the development of the future leaders of the Leighton Group through intensive training courses. Our Leighton Masters program, conducted in conjunction with the University of New South Wales, is a good example of how we are investing in the skills and further development of our people.

We are a service-based company and those services are delivered by our people. I would like to acknowledge the efforts of those 55,990 people over the last year and thank them and their families for their contribution. Be they digging tunnels in India, driving excavators in Queensland, pouring concrete in Hong Kong or maintaining water pipes in Victoria, their efforts are valued by the company. Our employees can justifiably be proud of their role in constructing, operating and maintaining much of Australasia’s critical infrastructure and many of the region’s valuable resources projects.

Outlook
The Group is well positioned for the foreseeable future. The countries of Asia are expected to continue to grow at the same rate or faster than the rest of the world for a number of years as they continue to urbanise and industrialise. We have exposure to Asia - both directly and indirectly - and experience in operating in its various markets. No other global competitor has
A Non-executive Director since October 2012, Mr Fernández Verdes is a member of the Executive Board and was appointed Chief Executive Officer of HOCHTIEF AG in Essen in November 2012. He was the Chief Operating Officer of HOCHTIEF from April to November 2012. Mr Fernández Verdes studied civil engineering at the University of Barcelona and has held a variety of positions in the construction industry since 1984.

Malcolm joined Leighton Holdings as Acting Deputy Chief Financial Officer (CFO) in May 2012 and was appointed Deputy CFO in January 2013. He holds a Bachelor of Commerce and is a member of the Institute of Chartered Accountants Australia. Prior to joining Leighton Holdings, Malcolm was a partner at KPMG Australia where he advised clients in the property, construction and financial services sectors, working for KPMG in Australia, Asia and the USA for over 18 years.

Dharma joined the Leighton Group in October 2011 and currently has responsibility for the legal and internal communications in addition to the human resources function. Dharma previously held senior human resources roles at Ernst & Young in Hong Kong and with Suncorp Group, and several senior management roles at Westpac Banking Corporation. He has also worked for McKinsey & Company, with Hewitt Associates and for Towers Perrin, while based in Singapore and Malaysia. Dharma has both business and law degrees.

Mike was appointed Chief Risk Officer in March 2012. Prior to this he was a Director of WatermanBurns Associates Pty Limited from 2009 to 2012. Previously, Mr Rollo worked for Leighton Holdings and Leighton Contractors, and other companies including Watpac Pty Ltd, Costain Australian Limited, Citra Construction Limited and Civil and Civic. Mr Rollo is an engineer who also holds an MBA.
Adolfo Valderas (43)  
Chief Operating Officer, Leighton Holdings

Adolfo, a civil engineer, was appointed Chief Operating Officer in December 2013. Prior to this he was Chairman and CEO of Iridium Concesiones de Infraestructuras. Iridium, an ACS Group company, is the world-leading developer and manager of government concessions involving transport and public works infrastructure. Between 2000 and 2010, Mr Valderas held roles with international construction companies Dragados, Obrascón Huarte Lain and with Lain.

Vanessa Rees (44)  
Group Company Secretary, Leighton Holdings

Vanessa was appointed Group Company Secretary of Leighton Holdings in August 2013. She has a financial and legal background and has previously held Company Secretarial positions with Ascalon Capital Managers Limited and Investa Property Group. Ms Rees is a Fellow of the Governance Institute of Australia (formerly the Chartered Secretaries Australia) and is on the Governance Institute of Australia’s Legislative Review and NSW Professional Development Committees.

Craig Laslett (52)  
Managing Director, Leighton Contractors

Craig is a civil engineer with more than 30 years of service with Leighton Contractors. He was appointed Managing Director in September 2010. Craig has worked in most sectors and regions in which the company operates, including major projects, such as the Southern Cross Railway Station in Melbourne and the Inner City Bypass in Brisbane. Before becoming Managing Director, he led the company’s Resources Division through a period of significant growth.

Bruce Munro (60)  
Managing Director, Thiess

Bruce has been Managing Director of Thiess since August 2011. A civil engineer, he has worked in the construction and mining industries for 36 years and with Thiess for 27 years. His work has encompassed a range of vital infrastructure projects including roads, bridges, marine facilities and heavy civil engineering construction and industrial buildings throughout Australia, South-East Asia and India. Bruce has also worked with both Leighton Asia and Leighton Contractors.

Glenn Palin (56)  
Managing Director, John Holland Group

Glenn has over 35 years of experience in the construction industry and has been with John Holland for more than 20 years. Glenn holds a Bachelor of Applied Science in the Built Environment, a Graduate Diploma in Building, a Graduate Diploma in Applied Finance and Investment, and has also completed the Executive Development Program at Stanford University in America.

Ian Edwards (51)  
Managing Director, Leighton Asia, India and Offshore

Ian was appointed Managing Director of LAIO in 2012 after joining Leighton Asia in 2008. He has over 30 years of experience in delivering complex infrastructure projects in Europe and Asia. He holds qualifications in civil engineering and was previously an Executive General Manager for Leighton Asia with responsibility for projects in Hong Kong, Macau, China and Taiwan.

Mark Gray (61)  
Managing Director, Leighton Properties

Mark joined Leighton Properties in 1987 and was appointed Managing Director in 2007. He holds a Bachelor of Science (Architecture), a Bachelor of Architecture (Hons), and is a Chartered Architect. Mark has 30 years’ experience in the property industry in both Australia and the USA, and has held senior positions in architectural firms in Sydney, Queensland and Princeton, USA.
As at 31 December 2013, the Group’s work in hand in the Oceania infrastructure market stood at $15.5 billion and was broadly diversified across a range of sectors with transport dominating.

Construction work reached record high levels in 2012/13, following the culmination of more than a decade of consistent growth. Whilst a downward correction is now underway, led by falls in mine construction and related infrastructure, the Oceania infrastructure markets remain well above the long-term average activity levels. This downturn will be offset to some degree by an upturn in the volume of outsourced services across government and private sectors.

Australia is expected to grow positively again in the second half of the decade, largely on the back of investment in transport infrastructure. Urban transport, particularly on the east coast of Australia, has been strong and is set for a substantial increase over the next five years. 2013 was a pivotal year for commencing the planning phase for the next round of major transport projects which have progressed well and, in some cases, even accelerated. Private sector financing is returning to the economic infrastructure market strongly, however this is likely to take place within new financing structures that better address private sector risk.

The next wave of major projects will include: WestConnex in Sydney; the East-West Link in Melbourne; and the next round of motorway projects in Brisbane. These will combine with large ongoing programs, such as the Pacific Highway upgrade program in NSW, the Airport and Freight Access Project in Perth, and the North/South Corridor improvements in Adelaide.

Rail remains a major market sector for the Group and some of the larger projects awarded to the Group during the period included:

• a $650 million contract to Thiess to construct the 12.6km Moreton Bay Rail Link in Brisbane, Queensland; and
• an alliance including Leighton Contractors, which was awarded a $265 million contract ($120 million to Leighton Contractors) to deliver 6km of new track and associated infrastructure in Sydney, New South Wales.

Roads are also a significant market and, during the period, Leighton Contractors was awarded:

• a $900 million alliance (Leighton Contractors’ share is ~$600 million) to deliver the Gateway WA Perth Airport and Freight Access Project;
• in joint venture, a seven-year, road asset management contract, servicing southern Sydney valued at approximately $100 million per annum (Leighton Contractors’ share is worth ~$300 million); and
• a NZ$220 million alliance project to deliver the Auckland Causeway Upgrade in New Zealand.

Leighton Contractors was also announced as preferred tenderer for a $900 million PPP project - Transmission Gully - near Wellington in New Zealand, involving design and construction of a 27km motorway with a 25-year operations and maintenance contract.

Leighton Contractors secured a $370 million contract to construct an integrated transport facility and a new airline terminal as part of a capacity upgrade for Melbourne Airport, Victoria. A further tranche of projects later in the decade might include the new Melbourne Metro 1 in Melbourne and the Airport Rail Link in Perth.

Power and utilities construction has experienced growth for more than a decade and is now coming to the end of a long investment cycle. Declines are likely to begin in around one year’s time and are forecast to remain for around three years.

Transport infrastructure construction in the Oceania region has risen dramatically over the last decade, but is currently experiencing a modest decline largely due to a drop off in public private partnership projects post-GFC. Another upturn is forecast to begin at the start of 2016, once the next round of major projects transition into the construction phase.
Infrastructure continued

Australia’s infrastructure backlog is estimated at $300 billion. Significant investments will need to be made in transport infrastructure which should offer the Leighton Group a range of opportunities over the next few years.
Water and wastewater construction has already declined significantly, mainly because good rainfall in recent years has alleviated the need for water security investments such as desalination plants. In addition, a period of strong renewal and upgrading work has taken place and is now winding back.

New utilities infrastructure work included Thiess providing water operations and facilities maintenance in Sydney, New South Wales, and delivering an upgrade to Perth’s electricity network in Western Australia.

Electricity construction continued to increase in 2012/13, but is likely to decline substantially from this point forward.

Meanwhile, telecommunications expenditure is in a strong growth phase due mainly to the National Broadband Network (NBN) project and greater investments from Telstra, Optus and VHA in 4G mobile network infrastructure. The NBN project is in a state of flux, following the change of government, with the incoming government favouring a lower cost fibre-to-the-node approach. The peak in construction work, in around two to three years’ time, is likely to exceed the previous cyclical peaks of 2000 and 2006.

Telecommunications infrastructure continued to provide opportunities with construction and remediation work awarded to Leighton Contractors by Telstra, Optus and NBN Co in Australia, and by Chorus in New Zealand.

Australia’s infrastructure backlog is estimated at $300 billion. Significant investments will need to be made in transport infrastructure which should offer the Leighton Group a range of opportunities over the next few years.

Social infrastructure building activity has returned to the long-term average after strong short-term investment coming out of the GFC period. This is due largely to a number of major health projects coming to completion and the finalisation of a number of education stimulus programs. Notwithstanding, investment levels remain strong and a number of key projects are in planning or the early stages of construction.

Hospital and aged care construction has been increasing solidly over the past seven years, due to a series of major hospital projects across a number of states. Aged care construction has been particularly strong in the past two years. During the period, John Holland, in joint venture was awarded the $365 million redevelopment of the Royal Hobart Hospital in Tasmania.

Building in the education sector is returning to nearer its long-term levels, following the huge injection of Commonwealth funding through the Building the Education Revolution program. The major stimulus program aside, education building tends to follow a long-term trend increase, in real terms, and this should now resume.

John Holland was awarded a $180 million contract to build the new Business School at the University of Sydney in New South Wales. Leighton Contractors was also awarded further work to promote remote housing for indigenous people in the Northern Territory.

The entertainment and recreation building category is set to rise significantly over the next five years, with a boost from the 2018 Commonwealth Games facilities on the Gold Coast, the new Sydney International Convention and Entertainment Centre, and other new sporting stadia and facilities.

The total spend in defence has been declining in Australia over the past four years with only $18 billion committed to new defence capabilities. This has largely been associated with a general government tightening of budgetary expenditure. Over the next decade, it is reported that an additional $33 billion worth of expenditure will be required to maintain the defence force’s current aspirations.

Defence building provided John Holland with construction work at the Holsworthy Army Barracks in New South Wales and at the Robertson Barracks in the Northern Territory.
The bulk of the Group’s resources work is contract mining-related, with approximately 16% of work in hand from the construction of oil and gas infrastructure and 3% from the construction of infrastructure for bulk commodities.

Australia has played a large role in the global mining investment boom of recent years, particularly in coal and iron ore. Production and export volumes are now consequently growing strongly, and the current downturn in investment is a natural end result of this large capacity expansion.

The increase in production capacity, combined with slowing global demand growth, has resulted in softer pricing for most commodities during the past two years. The second half of 2013 saw modest price increases in some commodities signalling an early indication of potential market stabilisation.

Contract mining work, while under substantial pressure due to commodity price declines, has seen a number of contract extensions awarded, particularly in the second half of the year. The bulk of the Group’s contract mining work is coal-related.

In coal mining, Thiess was awarded a $550 million contract expansion at the Lake Vermont coal mine and a $570 million extension at the Curragh coal mine, both in Queensland. Thiess was also awarded a $230 million extension at the Mt Owen coal mine in New South Wales.

In Queensland, Leighton Contractors was awarded a three year, $249 million contract at the Isaac Plains coal mine.

Leighton Contractors was awarded a $1.3 billion contract variation to mine the Kings iron ore deposit at the Solomon Hub for Fortescue Metals Group in Western Australia. This takes the total value of work under the Solomon Hub agreement to $2.8 billion. Construction opportunities for the Group included the award to John Holland of a $257 million contract to construct 350km of heavy haulage railway track for the Roy Hill iron ore project in Western Australia. John Holland was also awarded the construction of a wharf extension for the loading of iron ore at Cape Lambert in Western Australia. In New South Wales, a joint venture between Thiess and Sedgman (35.6% owned by Leighton as at 31 December 2013) was awarded a $186 million contract to design and construct a coal handling and preparation plant at the Boggabri coal mine.

Australia is currently the dominant player in the expansion of the world’s LNG capacity, with unprecedented levels of investment, underpinned by six major LNG facilities under construction and a healthy potential project pipeline. However, a decline in construction will occur as the current projects move to completion over the next few years.

Half of all the major LNG projects currently under construction around the world are in Australia. This wave of investment features coal seam gas based LNG plants, traditional offshore/onshore facilities and floating LNG projects. The future development of shale gas has the potential to drive further expansion of Australia’s gas industry longer-term.

**Oceania is currently the dominant player** in the global expansion of LNG capacity, with unprecedented levels of investment, underpinned by six major LNG facilities under construction and a healthy potential project pipeline.
The sustained urbanisation and industrialisation of Asia will continue to underpin demand for resources and energy. This demand should continue to drive mining and construction opportunities for the Leighton Group.
The Group is currently working on all of the major gas projects around Australia, including Gorgon, Wheatstone, Ichthys, APLNG, QCLNG and GLNG. During the period, Thiess was awarded a $1.8 billion contract for construction of gas compression facilities and associated works for the QCLNG project in the Surat Basin. The new contract replaces and expands a $325 million agreement signed in February 2012.

In Western Australia, Thiess was awarded a $212 million contract to deliver further civil works on the Gorgon Project while Leighton Contractors’ contract to provide civil works for the project was expanded by $975 million to $2.1 billion. At Gorgon, Leighton Contractors is delivering the jetty project that has been subject to time and weather challenges. All 56 caissons were in place as of 31 December 2013, which substantially de-risks the construction program.

The current boom in construction is likely to peak during 2014 and 2015 and then decline substantially. The next round of projects will be fewer and smaller in size, with the value of local construction work impacted by the trend to floating LNG facilities (likely to mostly be built in Korea) rather than on-shore plants and associated infrastructure. The major risk to the longer-term outlook is whether the region can remain competitive amongst rising international production. The accelerating development of large Middle East gas reserves, the emergence of East African LNG, and the ultimate size and impact of North American shale gas exports have the potential to dampen prices, which would impact the Australian export industry.

Meanwhile, global demand for LNG remains high and a substantial portion of global LNG supply growth over the next five years will come from Australia. The abundance of both natural gas and coal seam gas reserves in Australia places it in an ideal position to take advantage of a rapidly growing Asian region whose energy consumption is steadily rising. This is most notable in Japan where demand is high, resulting from the closure of nuclear reactors that, in turn, has raised the demand for gas as a replacement form of electricity generation. Demand from China should continue to grow, as demand for gas outstrips their internal gas production.

The expected large increase in LNG capacity and production volumes will substantially increase the value of maintenance and other operational services to the sector. •
A softer Australian economy will impact on the commercial building sector, with fewer large projects currently in development. A return to growth is expected from 2015/16 as the economic outlook improves.

Office building has weakened recently, with commencements falling 15% in 2012/13. Growth in demand for office space is likely to be patchy in the short term, particularly in Queensland and Western Australia, due to the balancing of supply and demand. Nonetheless, a rise in building work is expected over the next year or two due to the commencement of some large projects.

Leighton Properties has been successful during the last year, pre-selling and commencing a $400 million office tower in North Sydney, which will accommodate Leighton Holdings and the Sydney offices of other parts of the Group.

In Melbourne, Victoria, Leighton Properties sold the 55,000m² premium grade office tower they are developing at 567 Collins Street for approximately $462 million.

In Perth, Western Australia, a joint venture including Leighton Properties is the preferred developer for the $5.2 billion Perth City Link project. It will include the regeneration of a 13.5 hectare site through a mix of new transit, office and retail zones, public spaces and living environments, creating 1,200 new apartments and approximately 150,000m² of office and retail space. In the same vicinity, Leighton Properties is developing the Kings Square project, a master planned precinct, featuring four new office towers being constructed by John Holland, Broad and Leighton Contractors.

Retail building has recovered reasonably well since the GFC, despite fairly soft consumer sales growth. A rise was observed in project commencements in 2012/13, driven by some large shopping centre expansions, which will likely be followed by a small drop in 2014, before a sustained improvement takes hold.

One sector expected to be particularly strong is accommodation building, where a number of large refurbishment and new construction projects are planned over the next few years, particularly in Sydney, Melbourne and Perth.

Leighton Properties is progressing its ‘Erko’ residential development in Sydney, New South Wales, which features 302 apartments and 16 houses and, in joint venture, the Hamilton Harbour development in Brisbane, Queensland.

Building commencements in the commercial property sector are up 30% in real terms since the GFC-induced downturn. A rise in building work is expected over the next year or two due to the commencement of some large projects.
Above: Kings Square  Western Australia
The Leighton Group has a diverse geographic presence across Asia, the most diversified of any international contractor, as shown in the Work In Hand pie chart, with a strong position in a number of the growth markets of the region.

Hong Kong's economic outlook remains strong, supported by its position as a primary regional trading hub and attractive gateway for entry into China, and construction conditions remain robust. The government remains committed to sustaining a high level of capital expenditure on infrastructure in the future.

An infrastructure upsurge in the last five years has focussed largely on high value transport infrastructure, in particular rail and road projects. During the period, Leighton Asia secured a A$656 million contract to construct a critical component of the Shatin to Central Rail Link development in Hong Kong. The project will connect several existing railway lines to form two strategic railway corridors. This is the seventh contract in the past three years to be awarded to Leighton Asia by the MTR Corporation.

Additionally, there are multiple road projects underway as part of the US$11 billion Hong Kong-Zhuhai-Macau Bridge development, which connects the western side of Hong Kong Island to Macau. This project includes the construction of several bridges, tunnels and manmade islands, and will offer Leighton Asia construction opportunities.

More recently, social infrastructure projects have started to gain interest in Hong Kong. The healthy mix of opportunities in the pipeline includes hospitals and more general healthcare facilities, sport facilities, water (Tseung Kwan O desalination plant) and sewage treatment and recycling plants. Leighton Asia, in joint venture, was awarded a A$370 million contract to design and build a new hospital in Tin Shui Wai, Hong Kong. The 12-storey complex will provide in-patient care services, including 260 beds, and various ambulatory care services.

Macau has cemented itself as the world's premier gambling location. During 2013, Macau's gaming revenues grew 19% to over US$45 billion, more than seven times that of Las Vegas. Private sector investment remains very strong and is expected to grow through a mix of new developments, including numerous new integrated gaming resorts and renovations.

Leighton Asia secured a A$2.8 billion contract to design and build a luxury integrated hotel resort in Macau for Wynn Resorts. The resort site covers a construction floor area of more than 450,000m², the size of 63 soccer fields.

Macau also has various infrastructure projects in the pipeline, including plans to expand the airport and a light rail line with 21 stations expected to be operational by 2015.

### Work In Hand

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
<th>A$bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong/Macau</td>
<td>33%</td>
<td>$4.062</td>
</tr>
<tr>
<td>Indonesia</td>
<td>30%</td>
<td>$3.639</td>
</tr>
<tr>
<td>Middle East</td>
<td>11%</td>
<td>$1.412</td>
</tr>
<tr>
<td>Mongolia</td>
<td>9%</td>
<td>$1.173</td>
</tr>
<tr>
<td>India</td>
<td>8%</td>
<td>$0.935</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
<td>$1.057</td>
</tr>
</tbody>
</table>

---

### The Asian region

The Asian region is expected to remain the world's fastest growing region in coming years. Governments are busily rolling-out ambitious initiatives to address significant infrastructure deficiencies, particularly around transport networks (roads and rail) and electricity.
Indonesia's long-term economic outlook is positive. Given its position as the fourth most populous country in the world, the country promises to deliver a strong economic dividend as urbanisation continues at pace, and its workforce grows. Over the medium term, coal production is forecast to deliver solid growth, a function of growing Indonesian domestic demand and rising India trade. A number of new coal projects are being promoted, which may offer the Group further contract mining opportunities.

Transport infrastructure is a key investment focus for the Singaporean government. Leighton Asia, in a joint venture with John Holland, has been awarded a contract worth A$329 million to construct the Thomson Line project including the Springleaf station and 2km of twin-bored tunnels. This is the second project to be awarded to a Leighton-John Holland joint venture in Singapore.

The Mongolian Government has ambitious plans to meet the considerable and growing infrastructure needs of the nation. Mongolia's medium-term infrastructure investment plans amount to around US$30 – 40 billion over the period 2011 - 2016.

The Indian government also has an ambitious infrastructure plan, which doubles the country's investment target to US$1 trillion. Power, telecommunications and roads dominate priorities with over two-thirds of investment allocated in these areas.

The opportunities in India's infrastructure market underpinned the decision to purchase the Welspun Group's 39.9% stake in the Group's Indian-based joint venture, Leighton Welspun. This opportunity arose from the decision by Welspun to reposition its infrastructure business and to focus on its core businesses. Leighton continues to see strong long-term prospects in the Indian market and the move to 100% control will lead to integrating several business units to both lower costs and provide greater business opportunities.

India's urbanisation is driving demand for quality accommodation. Leighton Asia was awarded the main contract to build a super luxury residential development in Gurgaon, India, valued at A$246m. The development includes the building of nine tower blocks of between 19 and 38 floors which, together, will house 431 apartments, including 14 penthouses.

The Middle East and North Africa (MENA) region appears to be entering another construction boom on the basis of a well-funded infrastructure pipeline. Within the Gulf Collaboration Council around US$70 billion of construction contracts were awarded in 2013, a level not seen since 2008. A further A$240 billion is out to tender or in planning and design phase. Abu Dhabi will continue its strong construction growth through government-supported transport, energy and utilities projects.

In Abu Dhabi, the Habtoor Leighton Group (HLG) was awarded a contract worth around AED600 million for the expansion of the Abu Dhabi International Airport. HLG also secured a AED250 million contract for the design and construction of an accommodation camp and associated utilities as part of an oilfield development in Abu Dhabi.

In Dubai, HLG was awarded a contract worth AED1.45 billion for the construction of a residential project featuring 2 x 75-storey towers, 1 x 52-storey tower, and a 7-storey podium including basement, ground floor and five floors of retail and parking. The project is part of the landmark AED11 billion Al Habtoor City development in Dubai where HLG is currently constructing the AED1.9 billion Al Habtoor City hotel development, which will be the Middle East's largest integrated resort when it is completed in 2016.

HLG was also awarded a AED275 million contract to construct the next phase of the Jafza One-Jafza Convention Centre complex in Dubai.

Activity in Qatar is set to accelerate following strong construction awards during the past six months. Central to Qatar's growth will be the delivery of major infrastructure and construction projects ahead of the 2022 FIFA World Cup.

Saudi Arabia has a solid growth outlook underpinned by the award of numerous transport projects over the past six months.
Corporate Governance

Our approach to governance is based on the belief that high quality corporate governance supports long-term value creation. We are committed to fostering a culture that values ethical behaviour, integrity and respect in order to ensure the sustainability of our business.

We believe that for the company to achieve its vision of being renowned for excellence, it is necessary that we meet the highest standards of governance, business conduct, safety and environmental performance, across all of our operations in Australia and internationally.

Governance influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised. Our corporate governance model is based on a system of delegated authority. In line with our vision, these delegations balance effective oversight with appropriate empowerment and accountability of management.

The Board delegates authority to our standing Board Committees for specific purposes (as mandated in the Charters of each Board Committee) and to the Chief Executive Officer (CEO) for the day-to-day management of the company. We have four standing Board Committees:

- Audit Committee;
- Ethics and Compliance Committee;
- Remuneration and Nominations Committee; and
- Tender Review and Risk Committee.

Each Committee has a charter detailing its role, duties and membership requirements. The Committee charters are reviewed at least annually and updated as required.

The Board also regularly reviews the functions delegated to management to ensure that the division of responsibilities between the Board and management remains appropriate to the needs of the Group.

Each area of business activity is supported by more detailed operational guidelines or standards that articulate the objectives, strategies for management, and control and reporting requirements, which are then incorporated into each Operating Company’s individual work procedures and practices. Procedures and practices are also regularly reviewed to monitor compliance and encourage continuous improvement.

Board meetings

The Board has 10 scheduled meetings per year (including one Board planning session), with additional meetings held as required. In 2013, the Board met 12 times and special Board Committees met on 8 occasions. The Board convenes an annual planning session to discuss and approve our overall strategic direction.

The Directors also attend project site visits and safety briefings. These activities, some of which occur at remote locations, help our Directors gain an understanding of the opportunities and challenges that can arise within our business and within the environments in which our people work.
**Independence**
The Board assesses the independence of Non-executive Directors upon appointment and subsequently continuously reviews the independence of each Non-executive Director as required. At present, five of our ten Directors are independent Directors. At the time of this Annual Review, the Chairman of the Board is an independent Director and is entitled to exercise a casting vote in the event of a deadlock.

Each of the Board’s Committees is chaired by an independent Director and has a majority of members who are independent Directors. In addition, all Directors are entitled to seek independent professional advice and Non-executive Directors confer on an as needs basis without management in attendance in order to better enable them to exercise independent judgment.

On 10 March 2014, HOCHTIEF announced its intention to make a $22.15 cash per share proportional offer for Leighton (the “Offer”) and its intention to increase its representation on the Leighton Board to reflect its majority interest in Leighton.

On 13 March 2014, Leighton and HOCHTIEF entered into a Bid Implementation Agreement, under which HOCHTIEF increased its offer to Leighton shareholders to $22.50 per share for three out of eight shares (the “Improved Offer”).

The Improved Offer was the outcome of negotiations between HOCHTIEF and an Independent Board Committee. Given the voting rights held by HOCHTIEF, and its stated intentions, the independent Directors recognised that control of the Board and management would pass to HOCHTIEF at the AGM. As part of the negotiations to secure the Improved Offer, Leighton agreed to HOCHTIEF’s request to make changes to its management and Board.

The independent Directors believe they have secured an Improved Offer which is the best outcome for Leighton’s shareholders and employees. The independent Directors intend to recommend that minority shareholders accept the Improved Offer in the absence of a superior proposal.

**Risk Management**
Effective risk management is fundamental to our core objective of delivering superior and sustainable returns for shareholders. At Leighton, effective risk management means rigorous and timely identification, assessment, treatment and reporting of key risks (threats and opportunities) that have the potential to materially impact our operations, our people, our reputation, the environment and communities in which we work, and the financial outcomes of the Group.

The Leighton Group Risk Management Framework is based on the relevant International Standard – ISO 31000:2009 Risk Management – Principles and Guidelines, and forms the basis for Leighton’s risk management activities. Our approach to risk is mandated at the highest level through the Leighton Group Risk Management Policy and is supported by associated policies and minimum requirements, which our Operating Companies are required to comply with.

Consistent with our operating model, each Operating Company incorporates the Group standards into its own internal systems and controls, supplementing the Group standards where necessary (but not derogating from them) to align them with the individual Operating Company’s culture, operating framework and commercial context.

Responsibility for control and risk management is delegated to the appropriate level of management within the Group, with the Chief Executive Officer, Chief Financial Officer, and Chief Risk Officer having ultimate accountability to the Board for the risk management and control framework. This requirement cascades down to each Operating Company Managing Director, who has direct accountability for effective implementation of risk management within their company.

Leighton’s Risk Management Framework is tailored to our business, embedded largely within existing processes and aligned to our objectives, both short- and longer-term. Key categories of risk where Leighton seeks to identify, aggregate, assess and manage risks to our objectives on a whole of business basis include strategic, financial and operational management.

Whilst no risk management framework can absolutely guarantee risk-related issues will not arise, and that on occasion they may be significant, the Group Risk Management Framework is intended to minimise the likelihood of significant downside risk whilst also enabling the capture and execution of opportunities as they arise.

The Leighton Board is ultimately responsible for oversight of the Group’s risk management and control framework. The Tender Review and Risk Committee and Audit Committee assists the Board in fulfilling their responsibilities in this regard by reviewing and monitoring the financial and reporting aspects of the Group’s Risk Management framework.
Sustainability

We recognise that the sustainability of our operations has a direct influence on our future, and we have been building a Group-wide systematic approach to leadership, stakeholder engagement, governance and performance to better enable our Operating Companies to share knowledge and expertise. This will underpin our Group-wide approach to sustainability and ensure we are well positioned for future challenges and opportunities.

Sustainability is the integration of environmental, social and governance factors into our decision-making to create short- and long-term shareholder value. The sustainability of our operations has a direct influence on our future. As a result, our Operating Companies have long pursued sustainability strategies and prepared sustainability reports for employees and stakeholders.

In 2013, Leighton’s sustainability performance and our environmental reporting initiatives were recognised with inclusion in two Dow Jones Sustainability Indices (DJSI), the ‘DJSI Asia Pacific’ and the ‘DJSI Australia’. We received an overall score of 76, six points higher than last year, and well ahead of the average industry score of 53. The higher score was due to improvements across all three categories assessed to determine the final result - Economic, Social and Environment - with the most significant improvement in our environmental response. We were ranked higher than the industry average for all three categories. We were also recognised in the Carbon Disclosure Project, with Leighton being once again listed in the ASX 200/NZ 50 Carbon Disclosure Leadership Index.

During 2013, the Leighton Group was externally recognised for our sustainability achievements in health and safety, diversity, environmental and community engagement practices, as well as for the sustainable delivery of significant infrastructure.

Environment

In 2013, we had no serious environmental incidents - for the second year in a row - and the Group recorded a continued improvement in our performance, reflecting a strong commitment to protecting the quality of the natural and built environment in which we operate. While we logged an increase in low impact environmental incidents, we believe this is reflective of the emphasis the Group has placed on improving transparent and open communication - rather than a deterioration in performance.

With the collection of our Group whole-of-business data on energy consumption, greenhouse gas emissions, water use and waste generation, we can now develop a strategic approach towards resource efficiency. We will establish a strong baseline to better understand and manage our use of, and impact on, natural resources.

It is important to note that, as contractors, rather than asset owners, our resource profile varies each year according to the type and scale of work we are contracted to perform. This presents a challenge as it means absolute values are not reflective of our resource efficiency performance. For this reason, we are developing intensity metrics that normalise our data.

Environmental Incident Frequency Rate (EIFR)

Frequency of Level 1 and 2 environmental incidents per million hours worked

<table>
<thead>
<tr>
<th></th>
<th>June 10</th>
<th>June 11</th>
<th>Dec 11*</th>
<th>Dec 12</th>
<th>Dec 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFR</td>
<td>0.10</td>
<td>0.15</td>
<td>0.20</td>
<td>0.25</td>
<td>0.30</td>
</tr>
<tr>
<td>Level 1 and 2 environmental incidents</td>
<td>28</td>
<td>54</td>
<td>18</td>
<td>34</td>
<td>20</td>
</tr>
</tbody>
</table>

*The December 2011 Transitional Financial Year represents the 6 month period from 1 July 2011 to 31 December 2011, and as such the information presented above is not entirely comparable across periods.
In 2013, we started data analysis at the activity and regional level and the relationship with revenue, full-time equivalent employees and hours worked. From this information we will identify performance indicators that are aligned to these sustainability objectives for:

- Waste – the percentage diverted from landfill compared with total waste generated;
- Energy and emissions – the total abated compared with total consumed or produced respectively; and
- Water – the percentage of non-potable consumption compared with total water use.

In 2014, we will continue this work with the aim to set targets by 2015. In 2013, our Operating Companies continued to demonstrate their strength and ability in delivering iconic and award-winning green buildings, with Leighton Properties leading the charge in Australia by registering the most Green Star projects for the year – seven in total. Leighton Properties developed and Thiess constructed King George Central in Brisbane, which achieved a six star Green Star (Office Design) and 5 star NABERS1 (energy) rating – this is the first building in Australia to be publicly supported by Australia’s Heart Foundation and includes the Heart Foundation’s Healthy by Design features. Eclipse Tower at Parramatta in New South Wales, developed by Leighton Properties and built by John Holland, achieved a 5 star Green Star (Office Design and As Built) and 5 Star NABERS rating. The project was awarded Best Commercial Development in 2013 at the Urban Taskforce Development Excellence Awards and Best Commercial Building (A$50 million) at the MBA Excellence in Construction Awards.

Across the Group we have more than 70 of our people trained and accredited as certified professionals against various green building and infrastructure rating systems, and over 40 completed projects have been certified against these rating systems. Ten projects were delivered during 2013. We are currently developing more than 200,000m² of green buildings with another 300,000m² planned.

**Community Engagement and Investment**

The Group understands that wherever we operate we potentially impact the local community. We are committed to building relationships and working collaboratively within the communities in which we work.

We are sensitive to the different cultures, languages and religious beliefs of the communities in which we operate. We work with relevant community stakeholders, especially those most affected by our operations and seek to identify and address their concerns and expectations. We also incorporate a Community Relations Plan in the project planning process, which includes the recording and tracking of the management of community concerns.

Each Operating Company has its own community engagement policy and framework. We recognise that community relationships are enhanced through our involvement as a corporate partner or when our employees participate directly in initiatives.

We contribute money, time, products, services, leadership and other resources to the communities in which we operate. We seek lasting relationships that deliver measurable benefits to the environment or community, as well as to the Leighton Group. These benefits include: a stronger social licence to operate; deeper employee engagement; improved corporate capabilities; and benefits to shareholders.

In the 2013 Financial Year, the Group contributed A$6.94 million to the community through partnerships, sponsorships, donations and workplace giving. Our partnership focus for 2013 was across six priority areas: Indigenous, education, disadvantaged youth, health, the environment, and arts and culture. We support local charities and community groups through sponsorships and donations provided they comply with local laws and meet the ethical standards of the Leighton Group.

The Group and our individual Operating Companies offer workplace giving programs that allow our employees to donate a nominated amount from their pre-pay tax, which is matched to a capped amount. In 2013, employees participated in workplace giving programs contributing to charities ranging from Amnesty International to Make-A-Wish Foundation, World Vision and Youngcare, to name a few.

**Political Expenditure**

The Group does not make direct political donations. However we do attend functions and participate in policy dialogue. In the interests of transparency, the Group reports its expenditure to the Australian Electoral Commission over and above the legal requirement to do so. The expenditure reflected in the table at right includes payment for membership of business forums and attendance at budget speeches, and policy discussion or announcement events. •

1National Australian Built Environment Rating System
People

Creating a rewarding, challenging and safe workplace for all our people is one of our highest priorities. Every day our operating companies are engaged in complex and difficult activities, hence the importance we place on safety. We foster a performance-driven culture throughout the Group and reward performance against agreed objectives.

Health & Safety

We are committed to providing a safe and healthy workplace for every one of our people. Our commitment is consistent where ever we operate.

Internal verification of the performance of all Operating Companies against our Group Health and Safety Policy and minimum standards is undertaken annually with assistance and input from external experts. Our Operating Companies’ management systems comply with externally verified Australian and international health and safety standards.

All senior leaders with responsibility for our people have safety linked to their variable remuneration. Their key performance indicators (KPIs) focus on both safety leadership in preventing injury and the overall performance of their group (through the Total Recordable Injury Frequency Rate (TRIFR)).

Tragically the Group had five fatalities in 2013. In response to each fatality, an investigation was carried out by a safety leader from a different Operating Company, and the key learnings and corrective actions were shared across the Group.

From 2012 to 2013 the Group’s TRIFR measured per million hours worked:
• reduced from 6.6 to 5.7 for the Group;
• fell from 10.5 to 8.2 in our Australian operations; and
• increased from 2.8 to 3.4 in our International Operations.

As part of our ongoing commitment to safety, the Group continues to focus on preventative measures. Strong safety awareness means that we can identify and control hazards and risks before they result in injury, and the number of reported incidents (actual and potential) are indicative of a risk aware workforce. In 2013:
• 324 potential Class 1 incidents were reported in our Australian operations, compared with 464 in 2012; and
• 145 potential Class 1 incidents were reported in our international operations, compared with 136 in 2012.

The December 2011 Transitional Financial Year represents the 6 month period from 1 July 2011 to 31 December 2011, and as such the information presented above is not entirely comparable across periods.
Diversity
We are as committed to diversity as we are to professional excellence, which is why we take great pride in a workforce that reflects the diversity of the communities in which we operate. As at 31 December 2013, 93.5% of the staff in our international operations were local to the country where they were employed. Leighton Asia, India and Offshore has a local employment target of 96.5%.

Our Operating Companies have Diversity Councils and direct executive accountability to drive diversity initiatives. The Group’s Diversity Forum, comprises Diversity Managers from across the Operating Companies who champion initiatives at a regional and local level.

Our Strength Through Diversity Policy outlines five strategic objectives for the Group:
• Foster diverse thinking in our teams;
• Leverage a culture of inclusive practice;
• Build a diverse workforce;
• Ensure remuneration and promotion decision are equitable; and
• Ensure we are able to measure the value diversity brings.

In 2013, we undertook a pay equity review and included unconscious bias awareness training in our leadership development programs. In 2014, our Operating Companies will continue programs to drive improved diversity and inclusion outcomes and report these back through our Diversity Forum.

During 2013, we made progress in building our pipeline of women in leadership roles and remain committed to initiatives that support the ongoing development of our female employees. Female participation increased across the Group in 2013 with women comprising 12.2% of the total workforce in 2013 (12.0% in 2012). The greatest improvement was in our engineering workforce, which is 9.2% (7.1% in 2012). We also saw a small increase in the number of women in graduate programs to 19.4% (19.1% in 2012). In 2013, we established a Senior Women’s Network, which aims to be a catalyst for change by:
• promoting gender diversity through advocacy, mentoring and role modelling;
• actively supporting the initiatives of the Diversity Forum; and
• influencing and leading change.

Indigenous
In Australia, our Operating Companies work extensively with Indigenous communities to provide employment and support community programs. Through engagement and partnership we seek to integrate an understanding of Indigenous issues and culture into our business to support employment opportunities and our procurement practices, and to foster risk management and health and safety practices to provide a positive impact. All of our Australian Operating Companies have dedicated Indigenous Affairs professionals working to help both Indigenous and non-Indigenous people understand and support each other at work. In 2013, all of our Australian Operating Companies delivered cultural awareness training to their employees.

We also partner with Indigenous businesses through our supply chain, working with organisations such as Supply Nation. The Group is a founding member of Supply Nation, which supports Indigenous subcontractors and service providers, by providing a direct, business-to-business purchasing link between companies, government agencies and Indigenous-owned businesses. In 2013, Leighton Contractors was awarded Corporate Member of the Year. We also support Indigenous youth in work readiness programs such as CareerTrackers. Leighton Contractors was awarded the 2013 Corporate Plus Award for making CareerTrackers an integral part of our career recruitment and diversity strategy.

We have committed to the Australian Employment Covenant, to employ 1,000 Indigenous job seekers. As at 31 December 2013, we employed 821 Aboriginal & Torres Strait Islanders which equates to 2.9% of our Australian workforce.

Development and Leadership
Our ability to improve the performance and capability of our people is vitally important. Developing and retaining our talent across our Operating Companies is also critical in creating organisational resilience. A good example of additional development we provide to our project engineers is our Leighton Masters in Project Management.

Ongoing development of our senior leaders is critical to our success. Since 2012, our bespoke Group-wide leadership development program called Leighton Leaders has been consistently delivered, including a thorough evaluation process and ongoing support for our leaders to implement strategically aligned individual development plans.

In 2013, an Inaugural Leighton Leaders Summit was held to build collaboration, connectivity and capability across the 80+ strong Leighton Leader Community. In 2014, we will also be launching an Executive Masters in Business Administration to support our talented business leaders in pursuing careers in general management.

In 2013, we launched a structured redeployment process aimed at retaining our people from across our Operating Companies. This initiative has created the foundation for a more extensive redeployment and Talent Management Framework to be completed in 2014.

While some of our Operating Companies have been conducting engagement surveys for a number of years, in 2013 we conducted the first Group-wide Employee Engagement Survey. The survey was well received, with 71% of employees responding. We achieved an overall engagement score of 85% and received particularly positive feedback in areas such as our people: reporting they get along well with others they work with; often work beyond what is required; and believe in the goals of the company. The results will be used to inform the development of targeted initiatives to continue to improve engagement within our workplace. The survey will take place Group-wide every two years, with some Operating Companies completing interim surveys.
We seek to align the interests of executives and shareholders by focusing on those characteristics that underpin growth in shareholder value, attract and retain key talent, and provide a balance between:

- fixed and performance-based, variable remuneration;
- remuneration paid in cash and through the issue of equity; and
- short- and long-term performance horizons.

Executive remuneration for the 2013 Financial Year was delivered as a mix of fixed and variable remuneration. Variable remuneration is remuneration that moves up or down to reflect Group and individual performance, and can be earned through the Short-Term Incentive (STI) and Long-Term Incentive (LTI) components.

### Remuneration Report

- **Fixed remuneration**
  - Base salary, non-monetary benefits and superannuation.

- **Variable remuneration**
  - **Short-Term Incentive**
    - Annual variable remuneration delivered as a combination of cash and deferred equity subject to financial and personal performance measures.
  - **Long-Term Incentive**
    - Equity based award subject to performance hurdles measured over a three-year performance period.

During 2013, we continued to embed and refine the remuneration framework that was successfully implemented in 2012.

Throughout 2013, we continued to cascade through additional levels of our senior executives, targeted financial and non-financial performance measures aligned with our strategies and business plans as part of our STI plan.

First grants under the new LTI plan were made in 2012, and this year’s grants were made on a similar basis with two performance measures applying to the share rights (relative total shareholder return and earnings per share growth targets). These LTI grants will be tested in accordance with the LTI plan rules at the end of the three-year period ending on 31 December 2015.

The Group's key remuneration principles are to ensure that executives are rewarded on the basis of performance measures that support the Group's business plans and strategy, and are consistent with our values of discipline, integrity, safety and success.
In 2013, the proportion of senior executive’s remuneration that was variable (either STI or LTI) was substantial as per the following table that reflects the Group's commitment to the principle of linking performance to reward. The policy remuneration mix for our senior executives was as follows:

<table>
<thead>
<tr>
<th>Role</th>
<th>Policy remuneration mix (% of total remuneration)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fixed remuneration</td>
</tr>
<tr>
<td>CEO and Deputy CEO &amp; CFO</td>
<td>33.3%</td>
</tr>
<tr>
<td>Managing Directors of Australian Operating Companies</td>
<td>40.0%</td>
</tr>
<tr>
<td>Managing Director of LAIO, CHR&amp;CSO and CRO</td>
<td>45.4%</td>
</tr>
</tbody>
</table>

Looking ahead, as part of our process of continuous improvement, we will introduce changes in 2014 to refine the performance measures that apply to our STI. In particular, the scorecards will place further emphasis on cash generation and debt reduction, the STI opportunity and STI deferral will be adjusted to better reflect this emphasis over the short-to medium-term while maintaining our commitment to market best practice.

The STI’s paid to senior executives for 2013 are between 26.7% and 133.3% of the target opportunity, which reflected the Group and varied levels of Operating Company performance. The Board is confident that these STIs are representative of the overall performance of our senior leaders, taking into account both the financial and non-financial performance indicators.

**Non-Executive Director Remuneration**

Remuneration for Non-executive Directors is designed to ensure that the Group can attract and retain suitably qualified and experienced Directors. Fees are based on a comparison to market for Director fees in companies of a similar size and complexity. In recognition of the additional responsibilities and time commitment of Committee Chairmen and members, additional fees are paid to Directors for Committee membership, in line with market practice. Non-executive Directors do not receive shares, options or any performance-related incentives.

Directors’ fees have not been increased since 1 July 2010, with the exception of the fees for the Deputy Chairman role, which were increased from $225,000 to $250,000 on the appointment of Ms Dwyer to the role. The aggregate annual fees payable to the Non-executive Directors for their services as Directors are limited to the maximum annual amount approved by shareholders. The maximum annual amount is currently $4.5 million (including superannuation contributions) as approved by shareholders at the 2013 Annual General Meeting.

The fees paid to Directors for the 2013 Financial Year totalled $2.15 million. In addition to these fees, superannuation contributions will be made for the benefit of all Non-executive Directors capped at the maximum amount required under the Superannuation Guarantee Legislation.

The Board has approved minimum shareholding guidelines for independent Non-executive Directors. Under these guidelines, all independent Non-executive Directors are encouraged to accumulate a minimum shareholding in Leighton Holdings shares equivalent in value to one year’s base fee after allowing for tax. The guidelines were implemented on 1 January 2013. All independent Non-executive Directors are expected to acquire the relevant number of shares over three years from the later of the date of their appointment or the date of implementation of the guidelines.

---

1 Chief Human Resources and Corporate Services Officer
2 Chief Risk Officer
### Key Statistics

**Income statement information**

<table>
<thead>
<tr>
<th></th>
<th>12 months to 31 Dec 2013</th>
<th>12 months to 31 Dec 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Group</td>
<td>22,564.7</td>
<td>20,829.7</td>
</tr>
<tr>
<td>– Joint ventures and associates</td>
<td>1,846.3</td>
<td>2,297.3</td>
</tr>
<tr>
<td><strong>Total revenue †</strong></td>
<td>24,411.0</td>
<td>23,127.0</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>1,924.8</td>
<td>1,838.3</td>
</tr>
<tr>
<td><strong>Depreciation of property, plant and equipment</strong></td>
<td>(905.4)</td>
<td>(1,033.6)</td>
</tr>
<tr>
<td><strong>Amortisation of intangibles</strong></td>
<td>(27.9)</td>
<td>(24.4)</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>991.5</td>
<td>780.3</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>(255.4)</td>
<td>(214.2)</td>
</tr>
<tr>
<td><strong>Profit / (loss) before tax</strong></td>
<td>736.1</td>
<td>566.1</td>
</tr>
<tr>
<td><strong>Income tax (expense) / benefit</strong></td>
<td>(267.2)</td>
<td>(124.0)</td>
</tr>
<tr>
<td><strong>Profit / (loss) after tax</strong></td>
<td>468.9</td>
<td>442.1</td>
</tr>
<tr>
<td><strong>Non-controlling interest</strong></td>
<td>39.8</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>Profit / (loss) attributable to members</strong></td>
<td>508.7</td>
<td>450.1</td>
</tr>
<tr>
<td><strong>EPS AND DPS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per ordinary share (basic)</td>
<td>150.9¢</td>
<td>133.5¢</td>
</tr>
<tr>
<td>Dividends per ordinary share</td>
<td>105.0¢</td>
<td>80.0¢</td>
</tr>
<tr>
<td><strong>New Contracts and Work In Hand (Backlog)</strong></td>
<td>23,096.4</td>
<td>22,053.0</td>
</tr>
<tr>
<td><strong>Value of work in hand at end of period †</strong></td>
<td>42,171.1</td>
<td>43,485.6</td>
</tr>
</tbody>
</table>
### Balance Sheet Items

<table>
<thead>
<tr>
<th>Item</th>
<th>As at 31 Dec 2013 $million</th>
<th>As at 31 Dec 2012 $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capital and reserves</td>
<td>3,246.1</td>
<td>2,916.9</td>
</tr>
<tr>
<td>Total assets</td>
<td>12,076.0</td>
<td>11,716.8</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,720.7</td>
<td>2,007.7</td>
</tr>
<tr>
<td>Interest bearing liabilities</td>
<td>2,125.1</td>
<td>2,760.5</td>
</tr>
<tr>
<td>Undrawn loan and guarantee facilities (excl. Devine)</td>
<td>1,998.8</td>
<td>1,990.9</td>
</tr>
<tr>
<td>Gearing (including operating leases)</td>
<td>29.2%</td>
<td>31.9%</td>
</tr>
</tbody>
</table>

### Safety - ^a

<table>
<thead>
<tr>
<th>Item</th>
<th>12 months to 31 Dec 2013</th>
<th>12 months to 31 Dec 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatalities (Australia)</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Fatalities (International)</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>TRIFR (Australia)</td>
<td>8.2</td>
<td>10.5</td>
</tr>
<tr>
<td>TRIFR (International)</td>
<td>3.4</td>
<td>2.8</td>
</tr>
<tr>
<td>LTIFR (Australia)</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>LTIFR (International)</td>
<td>1.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Potential class 1 (Australia)</td>
<td>324</td>
<td>464</td>
</tr>
<tr>
<td>Potential class 1 (International)</td>
<td>145</td>
<td>136</td>
</tr>
<tr>
<td>Actual class 1 (Australia)</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Actual class 1 (International)</td>
<td>7</td>
<td>6</td>
</tr>
</tbody>
</table>

### Workforce -

<table>
<thead>
<tr>
<th>Item</th>
<th>As at 31 Dec 2013</th>
<th>As at 31 Dec 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of direct employees (total)</td>
<td>55,990</td>
<td>56,323</td>
</tr>
<tr>
<td>Female participation (Australia)</td>
<td>16.8%</td>
<td>16.9%</td>
</tr>
<tr>
<td>Female participation (International)</td>
<td>7.4%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Indigenous participation (Australia)</td>
<td>2.9%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Local participation (International)</td>
<td>93.5%</td>
<td>91.7%</td>
</tr>
</tbody>
</table>

### Environment - ^a

<table>
<thead>
<tr>
<th>Item</th>
<th>12 months to 31 Dec 2013</th>
<th>12 months to 31 Dec 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental level 1 (Australia)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Environmental level 1 (International)</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

---

^a Includes the Group’s share of joint ventures and associates.
* Gearing is expressed as the ratio of net debt and operating leases to net debt, operating leases and shareholder equity.
† Re-stated to include the impact upon adoption of AASB 11 Joint Arrangements, as set out in Note 40 to the Leighton Holdings Limited Financial Report for the year ended 31 December 2013.
- Australian operations include New Zealand. International operations exclude Habtoor Leighton Group.
# International operations include Leighton Africa and Leighton Services from 1 January 2012 to 30 June 2012 only.
1 Total Recordable Injury Frequency Rate (per million hours worked), Rolling 12 month average.
2 Lost Time Injury Frequency Rate (per million hours worked), Rolling 12 month average.
3 Class 1 risks are those which could cause a fatality or permanent disabling injury.
4 Local participation refers to the percentage of locally employed full-time (or equivalent) staff in our international operations.
5 Level 1 environmental incidents are those with highly detrimental impacts on the environment, community and/or company, including irreversible and long-term environmental, cultural, heritage or reputational damage, breaches of statutory or approval conditions with serious legal or contractual consequences, or those with total cleanup costs in excess of $100,000.
## Directory and offices

### Leighton Holdings Limited
- **Principal Registered Office in Australia**
  - Leighton Holdings Limited
  - ABN 57 004 482 982
  - Head Office
  - 472 Pacific Highway
  - St Leonards NSW 2065
  - Australia
  - T: +61 2 9925 6666
  - F: +61 2 9925 6000
  - www.leighton.com.au
  - E: leighton@leighton.com.au

### Board of Directors
- Robert Douglas Humphris OAM
- Paula Jane Dwyer
- Marcelino Fernández Verdes
- Russell Allan Higgins AO
- Michael James Hutchinson
- Pedro López Jiménez
- Vicki Anne McFadden
- David Paul Robinson
- Peter-Wilhelm Sassenfeld
- José Luis del Valle Pérez
- Alternate Director
  - Robert Leslie Seidler AM

### Associate Directors
- Ian Leslie Edwards
- Mark Charles Gray
- Craig Allen Laslett
- Bruce Alwin Murro
- Glenn Michael Pain

### Group Company Secretary
- Vanessa Robyn Rees

### Principal Bankers
- **Australia and New Zealand Banking Group Limited**
  - Level 1, 20 Martin Place
  - Sydney NSW 2000 Australia
- **Commonwealth Bank of Australia**
  - 48 Martin Place
  - Sydney NSW 2000 Australia
- **National Australia Bank Limited**
  - 255 George Street
  - Sydney NSW 2000 Australia
- **Westpac Banking Corporation**
  - Level 3, Westpac Place
  - 275 Kent Street
  - Sydney NSW 2000 Australia

### Share Registry
- **Computershare Investor Services Pty Limited**
  - Level 3
  - 60 Carrington Street
  - Sydney NSW 2000 Australia
  - T: +61 3 9415 4000 (local)
  - T: +61 3 9415 4000 (international)

### Auditor
- Deloitte Touche Tohmatsu
  - Level 9, Grosvenor Place
  - 225 George Street
  - Sydney NSW 2000 Australia

### Our Brands

#### Thiess Pty Ltd
- **ABN 87 010 221 486**
- **Head Office**
  - Thiess Centre
  - Level 5, 199 Grey Street
  - South Bank QLD 4101
  - Australia
  - T: +61 7 3002 9000
  - F: +61 7 3002 9009
  - W: thiess.com.au
  - E: feedback@thiess.com.au

#### Leighton Contractors Pty Limited
- **ABN 98 000 893 667**
- **Head Office**
  - Level 8, Tower 1
  - 495 Victoria Avenue
  - Chatswood NSW 2067
  - Australia
  - T: +61 2 8668 6000
  - F: +61 2 8668 6666
  - W: leightoncontractors.com.au
  - E: enquiries@leicon.com.au

#### John Holland Group Pty Ltd
- **ABN 37 050 242 147**
- **Head Office**
  - Level 5, 380 St Kilda Road
  - Melbourne Vic 3004
  - Australia
  - T: +61 3 8698 9400
  - F: +61 3 9696 1873
  - W: jhg.com.au
  - E: johnholland@jhg.com.au

#### Leighton Asia, India and Offshore (LAIO)
- **Leighton Asia Limited**
- **Leighton India**
- **Leighton Offshore Pte Ltd**
- **Head Office**
  - Level 23, Three Pacific Place
  - 1 Queen’s Road East
  - Hong Kong
  - T: +852 3973 1111
  - F: +852 3973 1188
  - W: laio.com
  - E: info@laio.com

### Leighton Properties Pty Limited
- **ABN 41 009 765 379**
- **Head Office**
  - Level 18
  - 100 Pacific Highway
  - North Sydney NSW 2060
  - Australia
  - T: +61 2 9925 6111
  - F: +61 2 9925 6003
  - W: leightonproperties.com.au
  - E: admin@lppl.com.au

---

Designed by Frost*