LEND LEASE CORPORATION

HALF YEAR RESULTS

26 FEBRUARY 2009

GREG CLARKE: Good morning to all present, via teleconference and the webcast. I am Greg Clarke, Managing Director of Lend Lease Corporation.

Before I turn to our result, this is my last presentation for the Corporation. I would like to thank Steve, who is the new CEO, for his support, counsel and working together with me over the last few years, the Board, the employees and the senior management at Lend Lease who I think have all done a pretty good job.

Steve will take charge. He takes over as Managing Director next week, I finish with the Corporation on Friday, at an interesting time in the market.

I think we are facing an extremely challenging market conditions, and this has impacted all areas of our Corporation. I think the one thing we all know about the property industry is it has cycles. The cycle we are at the bottom of requires one thing for future success as a pre-condition, which is to be well funded to take advantage of what comes in the future and I think we have achieved that.

However, the Group's Statutory Loss after tax for the six months ended December 31 2008 was $596.4 million and this reflects the write-downs and charges previously announced to the market.

We delivered net operating profit in the six months of $185.4 million and this represents a decline of 27% from the corresponding prior year period, due to lower profit largely resulting from capital recycling and tough market conditions in our Communities businesses.

Net Operating Profit After Tax for the full year to 2009 remains in line with previous guidance, but downside risk of around 30% remains if the capital recycling and financial close on certain projects cannot be achieved.

We continue to have a strong balance sheet with around $1.7 billion in cash after the recent capital raising.

Our strategy is to preserve our strong cash position, ensure our cost base is proportional to market conditions and to consolidate our pipeline of projects to ensure we will be in a leading position when the financial markets recover.

Let's now turn to the results in detail.

We got a strong result from Bovis, reinforcing the strength of the diversified model. As you know, throughout the world we operate up and down the supply chain and extract synergies for our business co-operating. That gives us some element of diversified protection from the market cycle.

The contribution from PPP was down as no Actus projects were scheduled to reach financial close in the first half.

Investment Management was down in total after the incentive fee from the Global Fund last half and the sale of APPF, but we saw continuing strong performance from our funds.

The Communities increased primarily due to the recognition of a profit on the sale of seven retirement villages to Lend Lease Primelife – which we'll talk about later.

We saw sales and settlement volumes decline in Australia and the UK due to weaker trading conditions.

Retail was in line with our last half.

The turbulent market conditions have resulted in a steep decline in property asset values and reflected in our accounts. This has necessitated a write-down in the Group's tangible and intangible assets.

As such, the Group reported a statutory loss for the six months of $596.4 million and this slide shows the adjustments between operating profit after tax and the statutory profit we reported in our accounts to give you some idea of where the movements happened.

I have put this chart up before. Our diversified business model is one of our key differentiators and not only gives us the ability to extract synergies from our business by our development, structured finance, investment management and construction businesses co-operating together, it gives us a degree of diversity protection, because these cycles move up and down to a degree at different times.

This is evidenced by the difficult trading conditions in the UK and Australian communities and the continuing volatility and uncertainty. We all know that the housing markets in the UK and the home markets in the UK and US are significantly challenged. The challenges in Australia are less, but they are still there.

Summarising where are operating businesses are – across our retail businesses this year, we've seen a further negative impact on the investment valuations of our centres due to weakening cap rates, particularly in the UK and the US, as their economies significantly weaken.

In addition, retail sales are slowing across all regions.

Whilst the AsiaPac business is currently undertaking $2.6 billion of development, primarily on behalf of our funds, given market conditions in the UK, we have conducted a review of the development pipeline and we have deferred or curtailed capex on certain major projects.

In the UK and US, the outlook for residential continues to remain very tough, but we believe now we have positioned our business to deal with this.

Our Communities business in Australia saw a decline in residential sales and settlements, however, profit was up, partially due to the recognition of profit on the sale of seven retirement villages and one aged care facility to Lend Lease Primelife.

In the UK, the PFI business closed one project and was appointed preferred bidder on the £1.2 billion Birmingham Schools project.

In the USA, Actus delivered lower profit as no projects reached financial close in the last six months.

Bovis delivered a very strong result. Backlog GPM closed at $774 million. This underpins Bovis' work for both 09 and financial year 10.

Investment Management and its funds continued to perform strongly, although profit was lower as there was no capital recycling from our Investment Management business in the first half.

On our retail operations, in Australia the portfolio performed well for the six months reporting NOI growth of 3.8%. However, it is clear that retail sales are slowing.

Importantly for Lend Lease, the economic downturn has had limited impact on the asset management business and we are not a significant owner of retail assets in Australia.

In Singapore, the Somerset project is progressing well, albeit we expect conditions to get tougher. The project remains on time and on budget and is expected to open pre-Christmas in 2009.

I the UK, further cap rate expansion is expected before valuations are expected to stabilise. We will see further pressure on valuations at June 2009. Trading conditions are expected to worsen in line with the broader decline in economic conditions globally.

In the US, King of Prussia reported income growth in line with the prior period. Despite a decline in valuation in US dollar terms, the trading performance of King of Prussia is holding up better than the industry, due to its sound demographics and location.

Lend Lease has three development opportunities in the UK. However, given current economic conditions, a review of the development pipeline has been conducted and capex is being slowed or deferred in line with more appropriate market timing.

On the Communities side, in Australia we acquired a 43.2% stake in Lend Lease Primelife (formerly known as Babcock & Brown Communities) and the associated management rights of that business.

As part of the transaction, the Group sold seven retirement villages and one aged care facility into Lend Lease Primelife, which contributed to the first half operating profit.

The Communities business saw a 36% decline in residential land settlements due to weaker trading conditions, particularly in NSW.

The deterioration in residential markets has necessitated a write-down in the carrying value of Communities projects in Australia and write-off of the goodwill associated with the AsiaPac Communities business.

We continue to see real momentum securing projects such as Casey 2 in Canberra, Blakes Crossing in Adelaide and commercial development of Darling Walk in Sydney.

In the UK, conditions remain very challenging and the business generated a loss due to the significant slow down in the UK market.

We took a further write-down of Crosby's inventory and wrote-off the goodwill, as the market continued to deteriorate in the first half of this financial year.

We continued to work with the ODA to achieve an outcome on the Athletes Village and in the interim, our costs are being funded by the ODA.

In the US, we have discontinued the Lowry project due to the inability to get water rights and will launch the Horizon project in 2012, subject to market conditions.

In terms of the outlook and management actions, in Australia all market sectors are weak, with expectations of continued weak outlook until at least 2010.

However, we are mitigating this by increasing the product offered to first time home buyers and adding projects and achieving re-zoning and working with builders and financiers.

Businesses are being re-sized to weak market conditions and we are focussed on preserving capital rather than growing capital invested, except for a number of key strategic deals.

In the UK, our focus is to streamline the business and minimise cash and capital requirements, while protecting established positions that allow value creation and give us option value for the future.

We will seek to clear the Crosby stock over the next twelve to eighteen months and concentrate on priority development projects, such as the Athletes Village at Stratford.

Moving to public and private partnerships, in the UK we achieved financial close on Lancashire Schools Phase 2A and achieved operational handover on three schools under the Phase 1 of the Lancashire Building Schools for the Future program.

Post balance date, the UK PPP business was selected as the preferred partner on the £1.2 billion Birmingham Schools program.

Profit for the UK for the December 2007 period was restated to a loss of $3.9 million from a profit of $4.8 to reflect the impact of adding AASB Interpretation 12 Service Concession Arrangements, which is a new accounting standard which Steve will be happy to explain to you later.

Turning to Actus in the USA, Actus reported lower profits as no projects were scheduled to reach financial close in the six months and therefore there was reduced development fees.

Asset Management Gross Profit Margin (GPM) and construction GPM remain in line with our programs and forecasts.

In terms of the outlook for Actus, there are a number of projects such as MHPI remaining to be awarded.

As we have said previously, we will continue to look at selling down our equity positions on our projects as they mature, either in the external market or to our own funds.

We will focus on closing projects at preferred bidder stage and we are still seeing significant Government support from Government stimulus packages for the PPP market and there is a good pipeline of opportunities that play to Lend Lease’s skill set in a number of countries.

On our construction and project management business, Bovis has generated a strong result due to the strong performance in Australia and continued to work out of the underperforming projects in the UK.

In Asia Pacific, the business continued to perform well, with profit up 10%. This was driven by projects such as ANZ, the Sydney Water Desalination pipeline and Somerset Central retail development in Singapore, and the telco rollout in Japan.

Looking forward, we continue to see a good pipeline of workload, particularly for social infrastructure projects such as hospitals.

In Europe, our UK business continues to return to normal levels of profit, with most problem projects having now been finished.

Conditions in the UK are expected to remain very tough for the next two years, with our traditional sectors of commercial and retail weaker.

Our focus is to cement our strong positioning in education, waste and defence and ensure we are positioned in the right sectors and geographies when the market recovers and also to secure our share of the construction from PPP infrastructure programs, which the Government is pushing ahead at the moment.

In the Americas, profit continues to be impacted by 130 Liberty Street fire last year. We continue to focus across the business on safety, people and performance and making sure that our level of overhead is proportional to the market conditions we find.

Despite the downturn in market conditions, we are well placed, given our significant geographic and sector diversity.

While top line growth will be impacted, our business is resilient and we remain focussed on ensuring that we have the right cost base and maintaining strong margins.

With backlog gross profit margin of $773.5 million, this underpins Bovis' workload for both financial year 09 and 10.

Moving to investment management, we continue to see strong performance from our funds.

Profit was lower as there was no capital recycling, as I pointed out earlier.

The net increase in funds under management was $1.9 billion, which increased funds under management to $11.2 billion.

This related primarily to the acquisition of Lend Lease Primelife management rights.

In terms of the outlook and management actions, our focus is to continue to deliver strong relative performance for our existing investor base.

In addition, our strategy is to position the investment management business as the provider of capital solutions to the wider group to ensure we optimise our investment during the life cycle of our property businesses.

Specifically in Australia, we will look to partner with funds and institutions on new opportunities, especially Barangaroo on the waterfront, on the harbour.

In Asia our priority is to deliver Somerset on time, on budget and invest the remaining capacity in ARIF.

Our focus in the UK is to deliver a capital solution on Stratford and to work on executing the sale of our PFI equity stakes to external funds or to set up our own fund.

On the subject of our Lend Lease Primelife last year we announced the acquisition of a 43.2% stake in Lend Lease Primelife, which was previously, as you know, Babcock & Brown Communities, and the associated management rights and related convertible notes.

This transaction settled on 30 December last year after Lend Lease Primelife security holders voted overwhelmingly in favour of our proposal.

As part of the transaction, Lend Lease sold seven mature retirement villages and one aged care facility into the vehicle.

We are well down the road on the integration path for Lend Lease Primelife and Lend Lease has been appointed responsible entity of the trust.

The existing banking facilities have been re-negotiated with new debt terms and a debt reduction.

We have appointed a CEP, Rod Fehring, and Paul Walsh as CFO in November 2008, and both are long term highly experienced Lend Lease executives.

Two Lend Lease employees have been appointed to the Primelife Board.

Earlier this week Lend Lease Primelife provided an update to the market, announcing a number of asset write-downs and impairment charges, and a revised net asset backing of around 60 cents a share.

This is still comfortably above Lend Lease's entry price of 52 cents per share.

The long term fundamentals of the retirement village industry remain very attractive and positive in terms of the prospects it gives us underpinned by Australia's aging population in the future.

I will now hand over to Steve McCann to take you through the Group's financial results and where he is taking the business in the future.

STEVE MCCANN: Thanks Greg.

I would just like to make a few comments firstly on my appointment as CEO in December.

It is a great privilege to be given the opportunity to become the CEO of such a great Australian company and I see my clear role to be to manage Lend Lease through one of the toughest markets and downturns we have seen in the property markets and position us to be one of the world's leading international property companies as we emerge into the next cycle.

There is no doubt that the next twelve to eighteen months will be very challenging, as the affects of the global financial crisis continue to be felt.

We are not immune from these issues, but our strong financial position means we will be able to withstand these pressures much more effectively than most of our peers.

I will now start with a couple of comments on the result break down and then spend some time on the Group's balance sheet, our cashflow, our debt covenants and our capex requirements looking forward.

Our net operating profit was down 27% on December 2007 due primarily to lower profit from capital recycling, lower trading profit from residential land settlements in Australia and in Crosby in the UK.

The six months to 31 December 2007 also included profit after tax of $40 million from the sale of a proportion of our interest in the APPF and a tax exempt dividend of $44 million from the Group's interest as the advisor company to the Global Fund in relation to incentive fees.

As Greg has taken you through the key features of the result, I will keep my comments to a couple of notes on the impact of currency on the effective tax rate and on the contribution from capital recycling.

The operating profit was positively impacted by $9.4 million due to currency as the Australian dollar continued to weaken.

The effective tax rate was 17%. There were a number of drivers of this, including use of Australian capital tax losses and further recognition of US tax losses.

Finally, capital recycling as a percentage of the net operating profit for the six months was 34%, versus 36% in the prior six months.

We have included in the definition of capital recycling the profit recognised on the sale of seven retirement villages and one aged care facility to Lend Lease Primelife, as Greg said before.

Moving now to our strong cash position, we continue to generate strong cash flows with cash of over $1.5 billion at the end of December and including the proceeds from our recent equity raising, our cash level is now above $1.7 billion.

This gives us considerable flexibility to fund our significant development pipeline.

Our operating cashflow for the six months was $195 million. This represents the underlying cash flow of our operating businesses net of continued investment in property developments.

Investing activities included the acquisition of our interest in Lend Lease Primelife and financing inflows principally relate to the drawdown on the £350 million syndicated bank facility which was fully drawn and invested in cash at 31 December 2008.

The positive $94.2 million exchange rate changes on the cashflow are due to the translation effect of converting our cash balances in overseas currencies at half year end spot rates.

Turning now to our balance sheet metrics and debt maturity, our financial metrics remain very strong.

Our investment grade credit rating remains unchanged.

Our weighted average debt maturing is 6.5 years, with the earliest material maturing being November 2010. If we remove the £350 million syndicated facility which I mentioned as fully invested in cash, then the average maturity is ten years.

54% of our debt is at fixed rates and our net borrowings at 31 December 2008 were 5.2% of total tangible assets, less cash.

Our undrawn debt is just over $60 million after the drawdown of £350 million syndicated facility and our weighted average cost of debt is around about 6%.

Turning now to our key debt covenants, in this environment we have been asked for full disclosure of our lending covenants.

We remain comfortably above all of our banking covenants. These covenants vary, but generally it is the interest coverage ratio with a minimum of 2.5 times, based on EBITDA over net interest and a gearing ratio of less than 50% of net debt to total tangible assets.

While the definitions vary across our various facilities, you can see from our headline EBITDA for the six month period, $234 million and our net interest of $14 million, that we have ample head room on all of our covenants.

Our covenants exclude any asset write-down and impairments that are included in our statutory loss of $596.4 million.

In addition, we have no market capitalisation covenants and covenants exclude all non-recourse debt.

I would like to also make a few comments on the funding of our development pipeline.

We have been asked by many shareholders and analysts why we raised equity when our balance sheet was so strong.

There has been a paradigm shift, as you know, in financial markets and debt capital is very difficult to obtain, particularly in the property sector.

The equity capital that we have raised enables us to have clear visibility of how we are going to fund our key developments over the next three year period.

We also have a clear order of prioritisation of these projects and we have got the capacity to adjust our capex to respond to changing market conditions.

We are focussed primarily on projects which play to the Group's integrated capability and provide us the opportunity to earn fees across the entire property value chain for Lend Lease.

We will undertake developments outside of our property pipeline only subject to our ability to achieve capital recycling and subject to market conditions as they improve.

In addition, we maintain the working capital and liquidity buffer and given our view that markets are likely to get worse before they get better, we are being cautious.

We intend to preserve some capital to take advantage of opportunities as they emerge as we start coming out of this cycle.

Turning now to the Group's outlook and strategy, since I was appointed as CEO in mid December, I have been working on refining our short term management actions and our organisational structure, and refining our long term strategic direction.

I have presented a number of recommendations to our Board on Group Strategy a few weeks ago and we are well advanced on implementation of our short term tactics.

Our strategy has been devised to put us in a very strong position to face the current market realities and the challenges we are facing whilst building a business platform to ensure we can generate strong future growth.

What I would like to talk to you about today are the tactical actions we have taken in the short term, which centre around cost out and capital management, to preserve our balance sheet strength, whilst still positioning us to pursue growth initiatives.

Our longer term strategy centres around positioning us for the future, focuses on our ability to deliver solutions across the property value chain in a capital efficient way, with a strong focus on collaboration across our business units and clear targets on capital allocation, risk management and return on equity.

I will talk to these issues at length at our strategy day, which we will be holding in the second quarter of this year.

Over the last three months we have largely implemented the actions we need to undertaken in the current tough economic cycle.

We have right-sized our cost base to adjust for the downturn in volumes across most of our businesses. This has been achieved through headcount reduction, de-layering of management and process efficiencies.

We have taken steps to preserve our capital, by repositioning developments in line with market conditions, targeting key strategic deals that build backlog for all of our businesses, and actively managing our existing capital invested in the business.

Finally, all of our businesses are focussed on optimising cashflows. The Group remains very focussed on its liquidity and as I mentioned earlier, the recent equity raising that we undertook was to give us a clear line of sight on the funding of our prior development projects over the next three years.

Turning now to the proactive steps in the short term, in response to slowing momentum and volumes, the Group has implemented a number of cost reduction initiatives to right-size our overhead with current market conditions.

We have focussed on targeted headcount reduction, de-layering of management and reduction of role duplication and process efficiencies.

This has included de-layering of our regional management structure and our residential development business and in parts of our construction business, and merging some business units to deliver review and cost synergies.

These changes will enhance operational performance and achieve long term sustainable 'cost out'. Our total workforce of over 12,000 people is expected to reduce to just under 10,000 as we right-size for current market conditions.

To put this into context, you should note that a large part of this is on project related staff where following completion of projects they will simply not be re-deployed.

This is the result of implementation costs of $48.9 million after tax in the first half, with a further small amount to be incurred in the second half.

Ongoing cost savings will be recognised from the year 2010 onwards and pass through of cost savings will be offset to some extent by expected declines in gross profit margin.

We have also implemented a number of senior management changes in the last month to reduce costs and to focus on collaboration between business units.

Lend Lease Investment Management and Retail & Communities has been combined under a single CEO in each region to ensure better accountability, align the businesses and create stronger collaborative links between projects and targets, driving our development focus to provide strong alignment with our investors.

Rod Leaver has been appointed CEO of Lend Lease Asia Pacific and David Hutton COO.

Dan Labbad will be the CEO of Europe and the Middle East and Gary Buechler the CEO of the Americas.

Given Government stimulus spending in several geographies, we will also have a strong focus on new Government contracting opportunities and on public to private partnerships.

Mark Menhinnitt will lead this business initiative and will also retain oversight for global project management and construction business.

Murray Coleman, who was previously running Bovis Lend Lease in the UK, has returned to Sydney and has been appointed Global CEO of Bovis Lend Lease.

To ensure we leverage our global expertise effectively and pursue a consistent strategy, each major business line will also have a dotted line to global discipline leaders.

David Hutton will be head of development; Rod Leaver will be had of investment management and Mark Menhinnitt will be head of public to private partnerships.

The role of the global heads will include oversight of global strategy, warranting the quality and the structure of the teams we have on the ground in each region and oversight of the key projects as required.

We now have very significant bench strength across the company and business units, with many decades of experience and time at Lend Lease across the management team.

Road Leaver is a thirty year veteran of the property development and funds management industries; Dan Labbad has over twelve years experience across various businesses in Lend Lease; Gary Buechler has come up through seven years in our Actus business, while Mark Menhinnitt, Murray Coleman and David Hutton all have over twenty years experience at Lend Lease.

I now want to comment on how well placed we are to benefit from the continued strong appetite from the Government to partner with the private sector.

Our PPP business today generates about 12% of the Group's operating profit. We have an established platform in the UK through our Catalyst and Vita Lend Lease businesses in the health, education and waste markets.

We have a portfolio of projects with circa £100 million of committed and invested equity and a significant pipeline of work for Bovis Lend Lease.

In the US, Actus Lend Lease remains the market leader in the US military housing market.

In Australia we have a significant presence in the health sector through Bovis Lend Lease, but we only undertake design and construction work. We do not currently take equity positions or undertake asset or facilities management.

As public to private partnerships are expected to become the preferred method of delivering infrastructure by Governments, this presents a significant opportunity for Lend Lease as it plays to the strength of our integrated capabilities.

We have the ability to leverage off our existing positions and it is counter-cyclical to our other sectors.

The market in the UK is deep and we see significant opportunities remaining in the eduction and waste sectors.

In the US, the Obama stimulus package contains a number of initiatives that play to our skill base across Bovis and Actus.

In Australia, in addition to our strong position in health, there is significant further potential from any Government stimulus package spending given the focus areas such as education, public housing and the environment.

We are also the only Australian company to be included in all three globally recognised sustainability reputation indices:

The Dow Jones World Sustainability Index; the Goldman Sachs JB Were Climate Lenders Index; and The Global 100.

Our market leadership in sustainability materially strengthens our offering to Government partners.

Turning now to our earnings guidance, we recently re-stated our earnings guidance for financial year 09 of between $380 and $400 million, representing a 10 to 15% reduction on 09 net operating profit after tax.

As previously disclosed, there are still a number of transactions that are expected to contribute to achieving this profit guidance, including capital recycling and reaching financial close on projects in which we are the preferred bidder.

Whilst some capital recycling initiatives, as I have mentioned, have been included in this year's guidance, which has already occurred, these further transactions account for approximately 30% of this year's guidance.

In light of the continuing lack of liquidity in debt markets and current economic conditions, we cannot be certain that these transactions will occur in the current financial year.

However, the Group remains in a very strong financial position with cash reserves of $1.7 billion.

We have, as I have mentioned, significant head room under our banking covenants and the ability to fund our committed development pipeline looking out at least three years.

We are very cautious of the current market outlook, but we also are very confident about the long term future of this great company.

I now hand over to questions.

SIMON THACKRAY (ABN Amro): That is a hell of a lot of cash. Is it actually possible in the climate to have too much cash? So perhaps to help me answer that question, can you give us a hand reconciling what the committed development pipeline is, what the priorities are in terms of the use of the funding going forward, so we can get a sense of it, and perhaps buried within that question is what is the importance, if at all, in terms of forward planning of Barangaroo and what that might mean for the funding?

STEVE McCANN: As I mentioned, the primary targets that we have relate to projects, such as Barangaroo and Stratford, which play across our entire delivery capability.

I don't intend to get much more specific than that on a project by project basis, but it is fair to say that we have on our priority projects list quite a number of projects. We have ordered them from top to bottom. We will pursue them as we have capital to pursue them over the next three years and if the capital becomes harder to obtain, then we'll obviously be able to pull back on some of the developments at the lower end of our priority list.

On Barangaroo, our view is we are best placed to deliver that site for the Government. We need to convince the Government of that, obviously, so we're still in a bidding process there and we're very keen to be successful in that process.

Is it critical to our future development pipeline? It's not critical. It would be a nice win, clearly at the right price, but as we mentioned earlier, our backlog of developments, we've slowed down some of our retail projects, but the overall development pipeline is still very strong.

SIMON THACKRAY (ABN Amro): Just a couple of technical ones there, just in the balance sheet and debt maturity, $729 million UK revolving credit facility, that is to be discharged, is that, from cash reserves as of 2010 or will that just be rolling over into another facility?

STEVE McCANN: In 2010?

SIMON THACKRAY (ABN Amro): In 2010.

STEVE McCANN: That is our first major maturity, which is November 010, so obviously at the time we'll assess market conditions and then our expectation is we would seek to roll over or replace that facility with a new facility.

SIMON THACKRAY (ABN Amro): I'm just trying to work it out in terms of cashflows. Just really quickly, tax rate expectation for the full year and perhaps for next year, so we can get a feel for it?

STEVE McCANN: In my time as finance director I have been asked that question every six months and I've been wrong every six months – so broadly in line with where we are. 17% has been roughly our average tax rate over the past two years and it really does depend on market conditions and where we are in our incoming in the various geographies.

SIMON THACKRAY (ABN Amro): And I guess a cheeky one, is just what the actual profit was on the sale of the retirement assets into Primelife?

STEVE McCANN: You've asked me that question more times than I've been asked about the tax rate. We are not disclosing that for commercial reasons, suffice to say it is included in the capital recycling number which we indicated, which was 34% of our operating profit after tax for the half.

ALISTAIR REID (JP Morgan): The first question is just on the Aussie communities business. I wondered if you could give us a feel of the movement in prices ex the Hyatt and Forde projects?

STEVE McCANN: It's a bit hard to do that because obviously the mix of our sales and our residential businesses across a broad range of offerings, so it's not a one size fits all product.

What I can say is that volumes have been down quite materially, probably been down just over 30% year on year.

We have seen significant recent pick up in enquiry levels and that's been partially driven by the first home buyer stimulus that has been offered by the Government. So typically our first home buyers would be circa 10% of our sales, that's increased to a level of above 20% at the moment.

We are reasonably confident that that stimulus package will keep those volumes ticking along well, but we are down about 30% year on year.

ALISTAIR REID (JP Morgan): My next one is, just in regards to the asset sales in FY09. I appreciate you can't talk about what they might be, but could you ascribe a probability term? Is it possible that you'd achieve them or is it probable that you would achieve them? What's your view on that?

STEVE McCANN: Well, we've reiterated our guidance and we wouldn't have done that if we didn't have a reasonable basis for making that statement. Having said that, we have indicated that about 30% of our four year number still remains at risk and that's a combination of asset sales, primarily PFI equity in the UK and also the financial close of some projects in Actus where we've been selected as the preferred bidder.

ALISTAIR REID (JP Morgan): One final one, just in regards to your expectations around the contribution from capital recycling, say in FY10 and beyond. I think previously before the downturn you were talking about numbers around about 25% contribution. It's up into the mid thirties now. Expectations into FY10 then?

STEVE McCANN: The first half number was about 34%, which was actually a bit down on last year's first half, which was 36%. Going forward, the 30% approximation is probably not an unreasonable one, but again it would clearly depend on the timing of recovery of the cycle. We're not going to sell assets where we think it's simply uneconomical. We're simply not a distressed seller.

ANDREW GIBSON (GSJBW): Just another question on the asset sales in the half. Were there any other material sales in that number, aside from the retirement villages?

STEVE McCANN: Good question. Nothing particularly material, it wasn't solely though.

ANDREW GIBSON (GSJBW): I just have a question on Bovis, it looks like the tail there is starting to fade away. Have you seen a material shift in levels of interest in poor construction?

STEVE McCANN: It varies again across geographies, so in Australia we're still performing extremely well. As I think is shown in our GPM number of about 780 million, that's still a very strong number, broadly in line of where we typically are and it means that for 09 and 010 we remain quite confident.

There is no doubt that the construction cycle lags the development cycle by perhaps twelve to eighteen months, so our expectation is clearly that the typical commercial projects that we pursue as our core business will tail off.

Having said, as I've been pretty keen to emphasise, there is a very material amount of stimulus spending, in the US it's about $160 billion, in Australia it's $42 billion. We've done a pretty thorough analysis of where that plays to our strengths and I think we are very well positioned to pursue a lot of that contracting work and we're hoping that that will fill the gap that's likely to emerge from our typical commercial backlog.

ANDREW GIBSON (GSJBW): Any thoughts of maybe looking into the engineering space?

STEVE McCANN: We're simply not focussed on M&A at this point. Opportunities are definitely likely to emerge over the next six to twelve months, at this point we're not focussed on M&A, so to the extent we don't already have a skill set in that space, then we're not likely to add that in the short term. We'll stick to what we've got.

ANDREW GIBSON (GSJBW): Another one on Bovis. Are you able to give any indication of the financial impact of the Deutsche Bank issue?

STEVE McCANN: Meaning 130 Liberty Street fire?

ANDREW GIBSON (GSJBW): Yes.

STEVE McCANN: I think you may have seen, there's certainly been public announcements made, about the arrangements we entered into with the DA pre-Christmas which has been factored into our numbers already, so that was covered by a contingency we set aside on that project.

ANDREW GIBSON (GSJBW): That's the extent of it I guess.

STEVE McCANN: Yes.

JOHN RICHMOND (Merrill Lynch): Firstly on the UK communities business, you posted a loss this period of about 5.6 million. I was just wondering if you could split that up between the loss made on Crosby versus the fees that you earned on Stratford?

STEVE McCANN: Very reluctant to disclose fees on Stratford for obvious reasons. We're still working towards a commercial outcome.

The loss on Crosby though was a bit above 10 million after tax.

JOHN RICHMOND (Merrill Lynch): I guess on Crosby if it's tracking 10 million, you have taken some inventory write-down before, are there likely to be more inventory write-downs taken? Is it tracking according to expectation and what level of, I suppose, number of units are unsold as inventory and also what's the revenue and cost value of that amount?

STEVE McCANN: There were a few questions in there, so I'll break them down.

In terms of unsold inventory, it's about 700 to 750 units.

In terms of sales volume since our write-down volumes have ticked up a little bit in the core sales program. What we've focussed on though is some bulk sales, which we intend to achieve over the next twelve to eighteen months.

We believe we've written down the carrying values of those assets to a level that will facilitate those bulk sales and the level of enquiry suggests that, so we are reasonably confident of meeting those sorts of numbers.

So we don't expect any further write-downs. We haven't gotten into percentages of how much we've written down in individual projects and clearly we would be sending a pretty strong signal to buyers if we did that, so we don't intend to do that.

JOHN RICHMOND (Merrill Lynch): Just onto Actus, can you just sort of remind us of the total pipeline left amongst the US military barracks lodging and family housing, sort of break it down into what's been awarded to date and what's left to come?

STEVE McCANN: Don't have that at my fingertips but we can come back to you with a more detailed breakdown. Clearly that is starting to reach a level of maturing, but we do have a very significant market share. There are a number of projects we're still pursuing and we also are very focussed on turning that skill set into new directions in terms of Government contracts.

JOHN RICHMOND (Merrill Lynch): What is the sort of quantum of annual cost savings you expect to achieve from the initiatives taken and how much of that will be sitting within the overheads, sorry, the corporate segment I guess?

STEVE McCANN: Reluctant to be drawn too much, only because with our contracting business, clearly there's a lot of overhead allocated to projects specifically, so the actual amount of overhead reduction will be quite material.

In relation to total corporate overhead, the number will be in excess of $100 million.

JOHN RICHMOND (Merrill Lynch): What's the implied cost savings?

STEVE McCANN: The cost saving number will be in excess of $100 million on our allocated overhead.

JOHN FREEDMAN (UBS): Just a couple of questions, firstly to return to Simon's question on the revolving facility. Are there any automatic roll over rights, in effect if could you satisfy conditions, does it almost automatically roll over or does it really expire?

STEVE McCANN: In November 2010?

JOHN FREEDMAN (UBS): Yes.

STEVE McCANN: November 2010 it expires, so there are automatic roll overs on anything drawn down before then, for whatever period, but at November 2010 we need to re-negotiate the facility.

JOHN FREEDMAN (UBS): Would that mean that you'd be unlikely to use the money that you're drawing down, just in case?

STEVE McCANN: Well, as I said, in terms of our forward looking program, what we've done is we've looked out over three years, we've set aside a working capital and liquidity buffer and then we've allocated targeted capex on a project by project basis.

So I've got a pretty clear visibility of how we utilise those funds over the next three years. We will be looking to refinance or replace that facility as part of that strategy.

JOHN FREEDMAN (UBS): Just on the management restructure, this is a return to where you were probably two or three years ago. Clearly you've had the benefit of Greg's experience with it. What's the difference – I mean looking at it matter for matter it looks very, very strong, but what's the difference in the structure this time as to say, three years ago?

STEVE McCANN: The most significant difference is that three years ago we had what we call the REI business back then, which included investment management and retail. The communities development business has never been part of the IM business, it's never been together as far as I'm aware, so the major difference is the entire investment management and the development platform is being merged under one CEO in each region.

It's a very significant difference because clearly we have very strong market facing businesses in those businesses. Investment management funds as one of Greg's slides showed, were the best performing funds in the market at the moment in the wholesale space and our development position is very strong globally.

What we think though is a very clear way forward for us as the cycle recovers is to align the targeted developments with what our investor appetite is and to use a combination of our own balance sheet strength and third party capital to invest in those projects and drive our return on equity.

Given that we are one of the few property companies in the world that's capable of delivering across the entire property value chain, that's a very robust financial model. What we need to do is get the execution right.

JOHN FREEDMAN (UBS): Just a final question, on Actus, in the absence of any financial closures of new projects or new wins, what is the sort of underlying run rate for EBITDA profit?

STEVE McCANN: I'll come back to you but I would say it's between 30 and 40 million a year after tax, on profit, but I'll confirm that.

REUTERS: Just wondering if you could give me a bit more detail on the head count reduction from 12,000 to 10,000, a bit of a breakdown of how many staff are full time and how many are project related, if possible?

STEVE McCANN: Very difficult to give you that answer. At 31 December our head count was still about 11,700, so the number I've indicated is the number we're expecting to get to over the next six month period.

A very large part of that will come from, as we complete projects, those project staff won't be re-deployed into other projects, unless of course our backlog picks up again.

So it's very hard to break it down along the lines you've asked for. Geographically I'd say about 20% of that is in Australia and the balance is offshore.

NATALIE CRAIG (The Age): You said that in the UK you were expecting further pressure on valuations at June 2009. Do you expect to see the sort of cap rate expansion as you have seen in the past six months and will the same go for Australia?

STEVE McCANN: In our write-downs that we declared to the market earlier, what we tried to do was to look forward to what we thought carrying values of assets were likely to be at 30 June.

If there is further material deterioration over the next six months, obviously we'll assess those carrying values again or we will assess those carrying values again regardless, but if there's further deterioration, that could lead to further write-downs, but we have already adjusted cap rates on the carrying values of our property assets by about 120 basis points in the UK.

So we're hopeful that there won't be any material further reduction in carrying values, but of course, that's subject to the market conditions.

NATALIE CRAIG (The Age): I think you have almost pre-empted further falls? Would that be correct?

STEVE McCANN: I didn't quite hear that question.

NATALIE CRAIG (The Age): So you think you have almost pre-empted further falls?

STEVE McCANN: No, we've tried to give the market very clear guidance as to where we think we're headed. We think we've got a pretty clear balance sheet, but then again, if markets continue to get worse, there could be further reductions.

Where we are pretty confident is we've taken quite an aggressive stance on the carrying value of our inventory and we've written off the goodwill in our communities business in both the UK and Australia, so there's no further expectation of impairment there.

NATALIE CRAIG (The Age): And finally, you're reasonably confident the first home buyers' stimulus is going to keep volumes ticking along but at the moment that first home buyers' boost runs out on June 30. What then?

STEVE McCANN: As I said, the volumes that we are seeing today, in terms of the proportion coming from the first home buyer's market, in our business it's up to about 20% or so, so it's not the primary source of sales in our business.

We understand the Government is considering a number of additional initiatives, whether 30 June remains the date for the first home buyer's grant to cease or not, I'm not sure, but we'll respond to whatever stimulus initiatives are taken by the Government.

CALLUM BRAMAH (Macquarie): You did all that work analysis on Government spend so I thought I'd try and tap it. Timing wise, what I'm interested in, is the fall away in development in retail, commercial, etc versus when you think you might be able to tap that Government stimulus.

STEVE McCANN: It's a difficult question to answer, although what I will say is that there is a real sense of urgency obviously across most major Governments to create some economic stimulus and so our expectation is that they will be commencing some of those projects very quickly, so we'll be positioning ourselves to take advantage of that as soon as possible.

Our expectation is that if you look at the US for example, that will play primarily to our existing contracting strength in the US, because there's quite a bit of work still to be done by the US Government on the formation of the public to private partnership model in sectors outside the military.

Our expectation is it will be firstly led through our Bovis business and then it will evolve into a broader opportunity across our PPP business.

CALLUM BRAMAH (Macquarie): Would you think though that typically the approval time for selection, tender process for a Government project of the scale that you'll get involved in is greater than twelve months. What's the lead time you typically see on those large projects?

STEVE McCANN: No doubt it will vary, but we took a view about three years ago in Australia that we should be targeting more Government work within the Bovis business and you'll see that the proportion of our earnings in the healthcare market has grown dramatically over that time frame, so that was a very sensible initiative.

Where we are today is our GPM backlog is still about $780 million, which positions Bovis well through 2009 and 2010 and so if the time frame that you've indicated on projects, if there are twelve month time lags before appointments, we are still looking pretty healthy through 2009 and 2010 and it's the 2011, 2012 and future years that we're targeting with those initiatives.

STEVEN FAHEY (Balanced Equity): You mentioned these staff reductions savings in excess of 100, is that a gross number of net of expected lower activity? I would have thought the cost of the figure would have been closer to 200 million?

STEVE McCANN: If you include some of the reduction in project allocated overheads, it is higher than 100 million, but it's difficult to be precise on how that will flow through the bottom line, because obviously there's revenue reduction as well, as we reduce spend on overheads across our project management and construction business, it is offset to some extent by decreases in revenue.

So, the 100 million I'm talking about is a net number but it's not a case that that means you would have a 100 million jump in our bottom line.

STEVEN FAHEY (Balanced Equity): The gross figure wouldn't be particularly out of line of double that?

STEVE McCANN: Yes, it's a little bit less than that I think.

STEVEN FAHEY (Balanced Equity): The second thing is, the comment that the Bovis backlog underpins fiscal year 10, does that imply that you think the profitability can be maintained in fiscal year 10?

STEVE McCANN: We're hopeful. When we look ahead to 2010 we can see that being reasonably conservative we could see a drop of 10 to 15% in the bottom line on Bovis, but the reality is there are new projects emerging which we are pursuing and the emergence of that backlog, it's spread out over about a two and a half year period roughly.

STEVEN FAHEY (Balanced Equity): Effectively Crosby has been run down, you said the objective is to exit all of the current projects. What sort of net cash flow would that mean?

STEVE McCANN: It's not that material, it's about £50 million net cashflow.

SIMON THACKRAY (ABN Amro): Just following up from questioning on PPP, pretty exciting space across the three geographies, considering everything else looks pretty cactus from a construction point of view, so it tends to make me feel as though it's going to be quite crowded space.

I hear your comment about sustainability and your position in various sustainability funds and indexes, how do we look at it in terms of the lag and the amount of competition that's going to be in that space for the work that's going on, because there's not a lot else going on. I imagine there's going to be quite a queue.

STEVE McCANN: That's not an unreasonable observation I suspect, but to be clear on what it is that we will be pursuing. A lot of spend will be directed to hard infrastructure, that's not our area of focus, we're focussed on social infrastructure, housing, education, health care, environmental spend that's going to occur.

So we will be very specific on targeting areas where we already have a very strong skill set and reputation and whilst there will no doubt be a lot of people pursuing that space, the reality is we are constantly benchmarked against the ARITE index in Australia, we are not ARITE but we seem to trade alongside the ARITE index for whatever reason, but we are the only Australian property company capable of pursuing that kind of work in the US, the UK and Australia, so whilst we might be facing stiff competition in winning that work, it's not from our peer group here.

ALISTAIR REID (JP Morgan): Just a couple of quick final ones from me. An update on the expected dividend pay out ratio for the final dividend?

STEVE McCANN: We'll obviously consider that again in the second half, so the current pay out ratio is at the bottom end of our policy, so it's 60% but it's a board question to be considered in the second half.

ALISTAIR REID (JP Morgan): Just an update on the FX hedging policy of the Group?

STEVE McCANN: Sometime ago the carrying rules changed so that we couldn't hedge across, so the general approach is to not hedge. We do from time to time hedge where we see an opportunity to lock in some profits. We have done a little bit of that this year, but not much and we're not expecting to be doing any in the future.

ALISTAIR REID (JP Morgan): Is that Actus?

STEVE McCANN: We've got natural hedges from our businesses overseas where we hedge using debt in those regions, but we did hedge out a little bit of our US profit exposure and UK profit exposure, but only a small amount.

ANTHONY CAY (Perpetual): With regards to the funds in Australia and Asia, any developments that they might be doing over the next two years, is there any planned equity call on investors from those funds and if so, what do you think the status of the interest will be?

STEVE McCANN: Rod can correct me if I'm wrong on this, but the Australian funds, I'm not aware of any equity call in the short to medium term and the two year time frame you've referred to.

In Asia, there are two major funds, the APIC fund, which is considering changing its structure to enable it to undertake further investments down the track, so it would raise capital if it did go in that direction, but it has no development assets, and then the other fund is the ARIF fund, which is developing the Somerset asset, and that still has 380 million of undrawn equity commitments.

That looks like no more questions. Thank you very much.
