

LEND LEASE FULL YEAR RESULTS 2010



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MR STEVE McCANN:

Good afternoon everyone and thank you for attending our full year results release. My name is Steve McCann, Group CEO and Managing Director of Lend Lease. I'll provide an overview of the result and an operational update and then Brad Soller will take us through the financials. I'll then make some closing comments on our strategy and outlook.

This presentation is being webcast and at the end there will be the opportunity to ask questions, in person or over the teleconference facility and there's also an emailing facility through our website.

We're pleased to report an operating profit after tax for the year of AUD323.6 million, 5.2% above 2009. This was within the earnings guidance that we gave earlier in the year and despite a AUD30 million negative foreign exchange impact. Adjusting for that currency impact, the increase would have been nearly 15%. The Group statutory profit after tax for the year of AUD345.6 million includes net property investment revaluation gains of AUD22 million after tax. This includes a valuation uplift at 313 at Somerset following its opening in December 2009.

We've worked very hard to restructure the organization in response to declining volumes and it's especially pleasing to see this reflected in a 62% increase in EBITDA margins, a tremendous effort in an environment where revenues have been down almost 30%. Earnings per security were down from last year reflecting the equity raising that we undertook earlier in the year. The final dividend of AUD0.12 per share franked to 100% takes the full year dividend to AUD0.321 per share. This represents a payout ratio of 50% for the full year in the middle of our dividend payout range of between 40% to 60% of operating profit after tax.

The Group's return on equity for the year was 12.6% and we aim to drive this over 15% in the medium term. Return on equity will remain a key focus of the Group going forward.

When you consider what we've achieved, Lend Lease enjoyed its most successful year in 2010 for some time. We secured a number of significant projects or project wins. These include Barangaroo with an end value of approximately AUD6 billion, RNA in Brisbane with an end value of approximately AUD2.5 billion, the acquisition of the ING retail business at AUD1.4 billion, completion of the privatization of Primelife, as well as a number of other Australian acquisitions in the residential business including the Alkimos project in WA, Orrong Road and Richmond in Victoria.

Overseas we were successful in the bid for the Jurong Gateway projects, a significant retail and mixed use development. We secured the second stage of Stratford, a GBP1.3 billion commercial redevelopment. We secured the Elephant & Castle project, a GBP1.5 billion urban regeneration project and achieved financial close on Birmingham School's phase one. In the US we achieved financial close on phase one of the privatized Army Lodgings project.

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We now have an enviable global pipeline of opportunities which will allow the group to deliver growth over the medium term. As a development led business, the key to long term success is securing high quality projects at attractive prices at the right time in the cycle and then executing them well. Successful delivery also requires a strong balance sheet which we enhanced through our equity raising during the year. This financial strength and our access to third party capital through our investment management business gives us great flexibility to extract maximum value from these projects.

Our investment management business demonstrated once again its leadership in the Australian market and has now raised over AUD6.4 billion of capital in the last 18 months. The focus will now move onto successful delivery of all of these projects. So it's been a very important and successful year in terms of setting Lend Lease up for the future. So I'll turn now to the operational guideline.

We're well placed to capitalize on the major property trends that we've identified and talked about some time ago of urban regeneration, retirement, sustainability, public/private partnerships and growth in superannuation and sovereign wealth funds. We expect these trends to continue to underline and underpin our business internationally and our strategic plan has a strong focus on scaling up our businesses in these areas to leading positions in our core markets. We're already very well advanced in that regard.

Lend Lease has a pipeline of leading urban renewal projects in Australia, Singapore and the UK which extends out beyond 10 years and these will be a significant contributor to earnings. Through Lend Lease Primelife, Lend Lease now is the number one manager of the Senior Living villages in Australia with 70 retirement villages and over 3 aged care facilities. We expect to see continued government investment infrastructure projects under the PPP model and globally Lend Lease has 37 operational public to private partnership projects and is currently shortlisted on another eight projects. We're also looking to expand our position in this market in both Australia and Canada.

Lend Lease is a leader in sustainability and is actively focused on developing and investing in sustainable solutions through green refurbishment, green buildings, green utilities and integrated sustainable development solutions. In the last 12 months alone, Lend Lease has delivered over 100 new green buildings. In addition, we recently launched Lend Lease Solar, a dedicated renewable energy business that will seek to establish a market leading position in the delivery of solar solutions in Australia.

Finally, our investment management business, as I've already noted, gives Lend Lease market leading access to third party capital to help facilitate our growth. We will continue investing in all of these businesses to respond to these key growth drivers.

One of the significant strengths of Lend Lease is its diverse portfolio which you can see in the pie charts on the slide. Last year our construction business was the largest contributor to earnings. However, as we flagged with the downturn in construction markets offshore, Bovis Lend Lease earnings in 2010 reduced to about 20% of earnings. Despite this, with a significant government spending in Australia, Bovis Lend Lease in the Asia-Pacific region continued to perform and deliver a record year. 2010 has seen improved trading

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conditions in our residential businesses in both Australia and the UK. This was offset by a lower contribution from the PPP business, which declined in the US principally due to the impact of currency. We also had set up costs in relation to the establishment of the Capella Capital origination business in Australia and the establishment of a PPP business in Canada.

So looking at the geographical split of earnings, the 2010 year has seen a further re-weighting of earnings back to the Asia-Pacific region. This re-weighting was driven by strong results from all sectors of the business in the Asia-Pacific region and a lower contribution from the Americas due to losses in Bovis Lend Lease and additional costs in relation to the ongoing New York investigations. The contribution from Europe was higher and includes the sale in the UK of the Millennium Dome and our interest in Romford Hospital as well as the sale of the group's interest in the Eastbourne Shopping Centre.

In dollar terms, this slide shows the split of earnings delivered by the operating businesses. You can see the split of contributions moving around but with an overall increase in operating profit achieved despite varied and quite difficult conditions in many markets and sectors. We regard this as a very good result and a great endorsement for our diversification.

I'll turn now to the individual regions. Under our revised organizational structure we'll now report four regions through one CEO in each region under our integrated business. We recently appointed Rod Leaver as CEO of our Australian integrated region. Rod's a very highly regarded executive in the Australian property markets with over 35 years experience including the last three at Lend Lease. At the same time we appointed Eng Ooi as CEO of our Asian integrated business. Eng's been with Lend Lease for 28 years in both Australia and Asia and this further demonstrates the depth of experience among our senior management team.

In Asia-Pacific the conditions did remain very resilient and trading activity remained positive. The retail centers we managed continued to perform well. We saw some significant momentum in our communities business, winning a record number of projects with an end development value of over AUD10 billion, which we expected to deliver over the next 10 years. The number of land settlements in Delfin Lend Lease was up about 10% and pricing - average land prices rose about 12%. This reflects strong price growth in Victoria and South Australia and an increased number of sales in New South Wales. The result also includes a full six month contribution from Lend Lease Prime Life and the integration of Lend Lease Prime Life with our existing retirement business is progressing very well.

We bought well relative to the market in that space and we have one of the most conservative carrying values in the sector. During the year we have had success in the PPP space, being short listed on two projects with an end value of AUD2.8 billion. As I mentioned before, Bovis Lend Lease has had a record year in this region. In terms of outlook in Australia, there is a strong base of work from Government with about 50% of backlog from Government work and in addition, we have an outstanding pipeline of internal projects such as Barangaroo, RNA and Victoria Harbour. These projects alone account for well over AUD10 billion of end value and the construction work for this size of projects is not yet counted in the Bovis

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Lend Lease backlog. In Asia, there continues to be a solid pipeline of pharmaceutical work in Singapore and telecommunications work in Japan. Our investment management again had a very strong year with 20% growth in underlying funds under management excluding Prime Life.

I'd like to just spend a moment on Barangaroo. As I said earlier, we are very well positioned to capitalize on the major property trends and we expect these to underpin our growth. Our integrated capabilities, our leadership and sustainability and our regional focus allow the group to take advantage of these. This can be seen in the major wins the group has achieved during the year including in particular Barangaroo. Barangaroo will create an extremely valuable extension of Sydney's CBD, an essential transformation of the Sydney's western waterfront. It will enhance Sydney's appeal as a global destination and will provide a major stimulus to the New South Wales economy, injecting a projected AUD1.5 billion per annum when it's complete. When completed it is expected to be a workplace for 23,000 people, 6000 of these will be newly created jobs. During construction it's estimated to create 2-3000 construction jobs per year coupled with skilling and apprenticeship programs. One in five workers will be apprentices. It will demonstrate leadership in design, construction and technology. It will also be a world leader in sustainability, demonstrating what Lend Lease can deliver. We're extremely confident that this will be a fantastic outcome for Sydney.

Another opportunity, which we secured during a period which demonstrates the group's integrated capabilities was the Jurong Gateway roadside in Singapore. In late June Lend Lease and one of its managed funds, the Asian Retail Investment Fund or ARIF was the successful bidder for the Jurong site - a large scaled mixed use suburban development in Singapore. The asset will be owned 75% by ARIF and Lend Lease will have a 25% direct interest. The site has capacity for a circa 108,000 square metre development, including a regional suburban shopping center and a commercial tower. Lend Lease will provide development, design, project management, construction, retail property management and funds management services across the full property value chain.

This opportunity builds upon Lend Lease's strong existing retail capability in Singapore as well as our urban regeneration capabilities.

Turning now to Europe - our European business is also in good hands. Dan Labbad was appointed CEO of the European Integrated Business effective 1 July. Dan has been with Lend lease for over 15 years and has been instrumental in securing our urban regeneration projects in the UK.

In retail the valuation of our prime retail assets have stabilized with a firming of Cap rates during the year. During the second half of the year Lend Lease sold its interest in the Eastbourne Shopping Centre.

From a residential perspective, we have now nearly sold all of the completed Crosby units and the strong contribution to profit from the community segment relevant to the prior year reflects this as well as the sale of The Dome in the first half and development management fees from the athletes village.

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We made great progress on our urban regeneration projects, signing a conditional regeneration agreement with Suffolk Council for the redevelopment of Elephant & Castle and entering into a conditional framework agreement with London and Continental Railways to develop Stage 2 of Stratford City - which will be a 420,000 square metre commercial development that will commence immediately after the Olympics.

We are now extremely well placed to delivering to the recovery in the UK market with minimal capital spend required in the short-term.

From a PPP perspective we continue to progress the projects under construction and we will continue to recycle our equity in these projects.

Construction markets do remain tough in both the UK and Continental Europe. Our position has been strongly supported to date by our PPP projects and the athletes' village project, however it will remain challenging over the next few years until we see markets recover.

The athletes village project remains on time and on budget and you can see from this slide how much progress has been made. We were successful in securing Stage 2 during the year. The site will adjoin the athletes' village site on the slide and work on this GBP1.3 billion mixed use development is expected to start in 2013.

I'll turn now to our businesses in America. We recently announced the recruitment of Bob McNamara as CEO of our Integrated Business in the Americas. Bob has extensive construction and development experience, including 10 years as a senior member of the global management team of Fluor Corporation.

In the US the value of Lend Lease's interests in the King of Prussia shopping mall was relatively unchanged in US dollar terms from last year. In the PPP space, profit after tax was impacted by currency and the cost of entering the Canadian market.

There remain a number of air force and army lodging projects that we are bidding on and in the Canadian market we are short-listed on two projects - the St Joseph's Mental Health facility and the new Oakville Hospital in Ontario.

Our Bovis Lend Lease business in the Americas had a difficult year, reporting a loss of AUD45 million. Conditions remain very difficult in the US market, particularly in our core markets of multi-family and commercial, with very limited new work.

We incurred additional restructuring costs in the second half of the year as we downsized that business, as well as costs in relation to the New York investigation. These costs are reducing and next year we expect an improvement in earnings, albeit still subdued.

In terms of the market outlook we are not anticipating a recovery in volumes of work until at least 2012.

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As I mentioned before, Actus Lend Lease had a good year achieving financial close on Phase 1 of the privatized army lodgings or PAL projects. Actus Lend Lease remains one of our best performing businesses globally. We will continue to bid for projects under the Military Housing Privatisation Initiative and the PAL programs and we will look to leverage our Actus Lend Lease skills into the Canadian market.

I will now hand over to Brad to provide an update on the Group's financial position.

MR BRAD SOLLER:

Thank you Steve.

As I explained at our strategy day, we have deliberately created a strong but conservative balance sheet at this point in time. This has given us capacity to invest and secure the pipeline position the Group enjoys today.

We have put in place a total of AUD1.2 billion of new and refinanced debt facilities and a number of these facilities are term facilities and importantly all incorporate our standard covenants and our existing terms and conditions.

This is a clear indication of the confidence of our lenders in the financial outlook of the Group. Our managed funds platform also gives us access to third party capital to invest alongside Lend Lease on major developments such as Barangaroo and the RNA.

A further source of capital is our ongoing capital recycling. This is core to our business model and during the year the Group generated over AUD250 million from asset sales. This capital is now available for reinvestment in our pipeline.

Finally, the AUD800 million of equity we raised was a very important component of the Group's capacity to secure the attractive opportunities we have today. We now have the financial strength and flexibility to implement our strategy.

With that overview of our financial position, there was just a few points I want to make on the Group's profit and loss account. Group service costs will increase in 2011 as we invest to improve processes and achieve operational excellence. This investment is expected to deliver savings in following years.

The reduction in the Group Treasury line reflects the benefit of the equity raising and you should also remember that the UK revolver was fully drawn down for part of the prior financial year.

Property revaluations include an uplift on the Group's interest in 313@Somerset, reported in the first half.

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Our effective tax rate increased, however at 22% this is still low, principally due to the benefit from its change in tax legislation in Australia.

Finally, operating profit after tax was reduced by approximately AUD30 million due to currency movements.

Let's now look at the Group's key credit and liquidity metrics. We ended the year in a small net cash positive position and as at 30 June we had AUD1.6 billion of cash and a further AUD700 million of un-drawn committed bank facilities. We successfully renegotiated the UK revolving credit facility to earn a higher amount of GBP360 million. This facility now matures in July 2013.

Our first significant debt maturity is December 2011 and our weighted average drawn debt maturity is 5.5 years. The Group's weighted average cost of debt increased to 6.3%. At 6.7 times, the Group's interest coverage is well in excess of our banking covenants.

I would now like to spend some time talking about management financial targets for the Group. First, we are committed to maintaining an investment grade credit rating and will continue to ensure that the rating agencies metrics are appropriately monitored.

Within those parameters we have flexibility to fund our development pipeline and invest in new projects. As a result of this investment we expect our gearing to increase over the next three years, but I do not envisage gearing exceeding 20% over this period.

In relation to interest coverage our longer term target is five times, which is well above the banking covenant requirement of 2.5 times.

The proportion of earnings from annuity style income for the year was 26%. This is higher than our target of 20%, but it has been advantageous to have a strong base of passive earnings at this point in the cycle.

Looking forward we expect lower tax payments in Primelife will reduce the Group's ability to fully frank future distributions and as a result we expect the FY11 dividend to be franked to circa 50%.

The next aspect of the financials I want to comment on is the Group's cash flow. This chart shows the movement in the Group's net debt for the year. We had strong operating cash flows, net of continued investment in property developments. This includes the AUD148 million acquisition of the ING assets in New Zealand. For investing cash flows the key element to note is the acquisition of the remaining interest in Primelife and Primetrust for a total consideration of AUD255 million.

Financing cash flows include the equity raising, offset by the repayment of debt and the acquisition of Primelife and distribution payments.

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We continue to focus on capital recycling and last week we sold an office building at Greenwich Peninsula in London.

So to sum up, a key feature - the key feature of 2010, from a finance point of view, is the work we have completed in securing a very strong financial position. That position has been critical to our capacity to secure the pipeline that will drive earnings over the medium-term.

Steve will now sum up our presentation before we take any questions.

MR STEVE McCANN:

Thanks Brad.

I'll make some broad comments regarding the economic backdrop across our markets and then I'll talk about the Lend Lease position in that context.

Before I do that I'd like to just touch on safety. Unfortunately during the last 12 months we had three fatalities on projects under Lend Lease's control around the globe. I do want to make the point, when we talk about fatalities we count every person involved on our sites down to sub-contractors, sub sub-contractors, et cetera and it is a positive to see that that is the lowest fatality rate we have had in the 10 years since we have been keeping records under the incident and injury free regime under which we operate. We have also materially improved our lost time injury frequency rate around the globe, so in that regard it's been a very positive year for safety.

Having said that, three fatalities is three fatalities too many. We're not at all proud of that and we'll continue to work very very hard to achieve our incident and injury free goal. I would like to thank management though throughout the globe for the increased focus and emphasis on safety we have seen in the last 12 months - and let's keep that work up.

Back to the economic outlook - the Australian economy does remain resilient and it does remain one of the best performing western developed economies. We have been very active and we're very well placed to take advantage of this.

In the commercial development space some of our key projects are ideally placed as we develop into a cyclical recovery. On Barangaroo for example we do expect strong tenancy demand as lease expiries emerge over the next three years and Barangaroo is a project that offers both great value and a quality proposition for those tenants.

In the residential market I have mentioned we had a strong year with volumes up 10% and prices up about 12%. Victoria remains very strong. In New South Wales we're mindful of affordability risk and you will recall that five to six years ago the downturn on New South Wales residential market was largely about lack of affordability.

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In the apartment space we have now achieved a backlog of about 6000 apartments which we were targeting and pre-sales in both Sydney and Melbourne have recently been at unprecedented levels, so we remain confident about our apartments business outlook.

In construction, the government stimulus spending will slow down, but as I have mentioned, the internal backlog is extremely strong and the vast majority of that is not counted in the Bovis backlog GPM numbers that we have disclosed.

Asia is a very important market for us and for Australia. The top four trading partners for the Australian economy are all now Asian countries, so it's critical that we get our long-term strategy in Asia right.

We have been in Singapore for over 30 years now and it was very encouraging to see some significant progress being made in that market. I have mentioned we secured the Jurong site which is one of few high quality suburban retail sites left in Singapore. I'd like to also note that we have now completed three major developments or redevelopments in the retail space in Singapore - Somerset, PoMo and Parkway Parade - and each one of those has achieved a LEEDs platinum sustainability status - the first of their kind in that market.

In China and Malaysia - those markets remain very strong. Bovis remains in a strong position to continue to win foreign direct investment work into China. In Malaysia we have had some successes including the CP Setia Mall development.

In the UK Cap rates firmed during the year and this really reflects investors looking for stable income and also a significant spread between income yield on prime retail assets and the underlying bond rate.

We do think the government in the UK is showing signs of taking the necessary hard decisions and the long-term outlook for residential is particularly strong, given the shortage of supply. So we think we're very well placed to capitalize on our recovery in the UK market over time.

In the US we're very cautious. We have seen some very good signs in a private development market emerging on both the west and east coast. There is a lot more inquiry and activity than there has been for some time, but having said that, the recent economic data is obviously disconcerting and the government has recently announced that it may inject more stimulus spending to try and keep the recovery on foot.

We don't have a lot of development capital invested in the US at the moment, so we are in a position to be cautious and to wait for further signs of recovery.

So in conclusion, Lend Lease is in a very strong competitive position. We have worked extremely hard over the last 18 months to position Lend Lease for the longer term. Our strategy is clear and simple. We have

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demonstrated the strength of our integrated model in securing some superb urban regeneration projects around the world.

2010 has been a very important and successful year for Lend Lease and we're now structured to drive the best from these projects. We have a superb pipeline and we're moving to focus on executing this pipeline extremely well. We're very confident on the medium-term outlook despite some continuing volatility in some markets in the short-term.

I will now hand over to the facilitator for questions.

John Richmond - Merrill Lynch – Analyst:

I just want to get a handle on some of the non-recurring profits taken in the period. Just wondering if you can perhaps start off by saying what the percentage of operating profit you derived from non-recurring profits this period, or capital recycling profits?

Steve McCann:

I'll let Brad answer the question, but I might just pick you up on the language - you won't hear us say non-recurring and you probably won't hear us say capital recycling much going forward either, because the reality is we develop property assets and we sell them and they vary in size. So to refer to any non-recurring item in our P&L is we think a bit misleading. The reality is that is what we do as our core business. So we'll stand our bit of ground on that note.

Brad Soller:

I echo what Steve said that just as a broad indication of what some of the larger assets, it's broadly in the same level as it was in the prior years around about the 20% mark.

John Richmond - Merrill Lynch – Analyst:

And just to dig into that a fraction, on the profit made from the sell down of APPF are you able to disclose that number?

Brad Soller:

We haven't actually disclosed that number, no.

John Richmond - Merrill Lynch – Analyst:

Okay and I assume you won't also disclose further sell down of TRLP in Europe?

Brad Soller:

No we haven't no.

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John Richmond - Merrill Lynch – Analyst:

Okay fine. Just another one. Looking at the US result and Bovis, are you able to, I think in the first half you were saying that excluding the New York fire charges, the division profit there would break even, if I'm not mistaken? Was that the case this half?

Steve McCann:

Do you want to take that?

Brad Soller:

Okay. So we did actually continue to incur costs in relation to legal expenses in the US. Also volumes also came down, there were further restructuring costs as a number of project managers left the business. So if you just strip those out the performance was broadly in line with the first half.

John Richmond - Merrill Lynch – Analyst:

So roughly break even?

Brad Soller:

It was probably a small loss actually.

John Richmond - Merrill Lynch – Analyst:

Okay great. Then finally just looking at LLP. I am wondering what the contribution was from that business at the EBITDA line this half?

Brad Soller:

So it's another number that we have grouped together with the other all communities business in the Asia Pacific business. But overall when we actually acquired Primelife we said that we were actually expecting to get about a 10% or 11% return on our investment there.

We have actually incurred some costs in the current financial year in terms of restructuring that business and integrating that business in to the Australian business. So the performance was slightly below that. It's also worth noting within our operating profit results that we actually disclose, we've taken a negative revaluation position on some of those Primelife assets.

So we actually had about AUD22 million of revaluations on the Primelife portfolio and that's been reflected in the operating profit line of the Group. We have a pretty conservative discount rates and growth rates relative to our peers in respect of those valuations.

John Richmond - Merrill Lynch – Analyst:

So all of the Primelife revaluations are taken above the line and just to clarify there was a loss on those?

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Brad Soller:

There was, yes.

John Richmond - Merrill Lynch – Analyst:

Sorry, what was the number again?

Brad Soller:

It was around about AUD20 million.

John Richmond - Merrill Lynch – Analyst:

An AUD20 million loss, thank you. Sorry if I can just clarify the other point as well? Was there any uplift or devaluation on transferring - the fact that you guys bought at a discount to NTA, was there any positive or negative revaluation taken above the line for that component of LLP this period?

Brad Soller:

So accounting for the acquisition of Primelife is quite complicated. I need to take it offline, but the net impact of all the ups and downs of the accounting on acquisition was a small uplift of less than AUD2 million.

John Richmond - Merrill Lynch – Analyst:

Perfect, thank you.

Alistair Reid - JP Morgan – Analyst:

Good afternoon, Alistair Reid from JP Morgan. Just the first question on Asia Pacific investment management. The circa AUD19 million increase in NPAT in that division, could you give us, in the absence of talking specific numbers, the three main drivers behind that increase? Obviously there was the APPF partial sale, but can you just try and rank for us what drove that increase?

Steve McCann:

Yes increase in underlying funds under management so increase in the fee base from that. We did achieve some performance fees over and above the previous year and obviously the sale of APPF units at a profit.

Alistair Reid - JP Morgan – Analyst:

Is those performance fees mainly APPF or is it broad based?

Steve McCann:

APPF some.

Brad Soller:

No the performance fees weren't related to APPF.

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Alistair Reid - JP Morgan – Analyst:

Okay, thank you. So in the absence of calling them capital recycling initiatives, asset sales, I guess, I'll call them in this question. Can you outline in FY11 what are your current initiatives in that regard. Obviously you've done Pier Walk, what else is there?

I notice there seems to be an absence of commentary around the UK PFI portfolio sale. Is that still on the cards?

Steve McCann:

Yes the UK sale of PPP equity does remain a strategy for the Group and that will continue to be the case, so we do expect to sell some more of the equity positions in the UK PPP space in the coming year. That's about all that we refer to these days as capital recycling.

Alistair Reid - JP Morgan – Analyst:

What about something like Somerset? Is it too early to sell down any either indirect or direct interests there?

Steve McCann:

It's a good question; I mean we have made it clear that we're not a long term holder of those types of assets on balance sheet. We have a 25% direct interest in Somerset. There is a lot of activity in Singapore at some pretty attractive prices in the retail market so I wouldn't rule out the fact that we would consider a sale, but it's not part of our core earnings' expectations this year.

Alistair Reid - JP Morgan – Analyst:

Okay, thank you. Just two final ones to do with Bovis one in Australia. When and where do you see the bottoming of backlog gross profit margin before a lot of the internal work kicks in? Secondly, in the US, just exactly how bad does it have to get before you seriously consider drawing a line through that business given the lack of internal synergies that Bovis UK and Australia enjoy? Thank you.

Steve McCann:

So on Australia it's a bit hard to be precise on where the backlog from external work bottoms out, if that's the right word. We don't actually see a material reduction in activity in the private sector at all. There will be obviously a reduction in Government Stimulus spending.

But for example the BER program which has been a contributor to our earnings this year has contributed materially less than 10% of those earnings. So we talk about Government being circa 50% of the backlog, that's about where it sits today. The internal pipeline numbers it's very, very significant. So obviously if we hit our targets on the internal development pipeline it will more than make up for any downturn in the Government Stimulus spending.

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In the US business I think it's a fair question. Obviously the US Bovis business has had some significant issues in the last couple of years. I think a large part of that is because our construction business in certain parts of the world lacked diversification. So it was focused on the multi-family and commercial high rise markets primarily in New York and Chicago. When the market gets tough that market closes down completely and for about a two year period we saw zero private development activity in that space. So very, very hard to maintain revenue in that kind of market.

Obviously that's been exacerbated by the issues associated with our New York investigation and with restructuring costs and as Brad said that's actually been a large part of the negative AUD45 million this year. As I've said repeatedly I think that as a development led business the right thing to do in our business is to invest somewhere near the bottom of the cycle. Logic would suggest it's therefore the wrong time of the cycle to get out of businesses. That's the fundamental reason why we have no intention of getting out of the US.

We still have a very strong business there in the military housing space. We have a very strong asset in King of Prussia. We have a very strong position still as one of the leading builders in some of the key markets. We've recently appointed a CEO with a very significant amount of experience and a great reputation in the US market and hopefully we'll demonstrate over the next couple of years our capacity to diversify our risk in the US.

John Freedman - UBS – Analyst:

Good afternoon, John Freedman from UBS. Just a couple of quick ones. Firstly your target of 15% return on capital. Could you clarify when you expect to achieve that?

Steve McCann:

I am not going to be drawn on specific target dates, because we're not about to give earnings' guidance either directly or by accident. But let me say that every one of the projects that we have talked about today has been acquired we believe at returns on capital in excess of that target. So as we develop our pipeline over the next few years we certainly expect to meet our 15% target.

Obviously the markets are volatile at the moment so I'm not going to be drawn on any shorter term time horizon than that.

John Freedman - UBS – Analyst:

I guess the question, I wasn't trying to get earnings, it was more directed at when do you see the big uplift coming from the development earnings is it 2012 or 2013?

Steve McCann:

It is hard to be precise but we have said before that a lot of the returns on the development pipeline will come in that sort of time frame, 2012 and beyond. We are actually again I'll use Barangaroo as the

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example because it is probably the best project - well certainly the best project in Australia if not the best project in the world at the moment.

We are well ahead of schedule on Barangaroo in terms of tenancy interest in terms of capital interest and probably also materially in terms of rental expectations. So that project at the moment at the moment is going very well touch wood. So if momentum continues then we could see those returns coming in a little bit earlier. But at the moment we're not getting ahead of ourselves.

John Freedman - UBS – Analyst:

A final question from me just on the communities' business in Australia. Several of your peers have reported very large increases in volumes, sort of 25% plus, enormous increases in pre-sales. Does at this fixed point unit either in Delfin or the other pieces going to do that for this year or is it still in development phase as new projects come through?

Steve McCann:

I think we had a very good year in Delfin this year and a 10% increase in volumes, 12% in pricing is a pretty good result under any measure. We do have a business that has a different mix to some of our competitors and our focus over the medium-term will be to make sure that our geographic diversification works well and make sure that the unzoned projects we have in our books move into the zoned category and drive earnings.

We think we're very very well positioned in the apartments business and we have some great opportunities there, so we expect some good growth in that business over the medium-term.

Brad Soller:

On that John, it's also actually worth noting that our pre-sales actually increased from around about 1100 to 1500 units, so we have seen a significant step up in our pre-sales.

Winston Sammut - Maxim Asset Management - Managing Director:

Just in relation to your commitment to a three-stage journey of restoring, building and leading, you mention here that you've made significant progress in the restructuring - how much more restructuring do you have to do and what cost is going to be associated with that? That's the first question.

The second question is - given your position in retirement living have you had a look at Aevum? Is that something that you're interested in or not interested in?

Steve McCann:

I'll answer the first - the second question first - or maybe not answer it, but the - I mean the answer is going to be the stock standard answer to anything in the M&A area - we always look at opportunities and we'll continue to do so. Having said that, we're in a pretty strong position already in the retirement space so we don't really need to get drawn into the highly competitive process. We acquired Primelife at some pretty

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attractive pricing we believe and we're carrying those assets on our balance sheet at very conservative valuations.

On the first question on restructure, we have done a lot in the last 18 months and you know I think it was necessary to try and align our structure with our strategy and we've done that and we've made some great hires and we've put some key people in the right positions and I think that that has been a large contributor to some of our achievement.

There is still work to do and I might actually get Scott Charlton, who we recruited a few months ago from Leighton - he was the CFO at Leighton - and Scott is going to be in charge of our transformation project going forward. So I'll get him to say a few words on that.

Scott Charlton:

Thanks Steve. I think as Steve said there's been a lot of work done on (inaudible) the business and adjusting the business for what happened over the last couple of years.

Going forward, obviously positioning for growth - there's a lot of work that's going to be done around investment in IT and setting up the integrated model and driving performance around the business for the growth period to make sure that when we do grow, you know, it's what our clients want and obviously it's around efficiency and the best in class.

So, a lot of work around the integrated model, a lot of work around ICT and getting the platform right for growth going forward, and so you will see some announcements and more work come out over the next six months.

We expect in investment, majority of that will occur in 2011 and as Brad and Steve said, you'll see the rewards start coming out in 2012 and 2013 - so very short return timetable around that operational performance.

Adam Sonnabend - Macquarie – Analyst:

Couple of quick questions on the PPP - you've got two short-listed in Australia and Canada. What's the timing behind those?

Steve McCann:

Yes, they will all be named in the first half of the financial year.

Adam Sonnabend - Macquarie – Analyst:

Thank you. Another question - US legal costs, strictly speaking the vast majority have now been (inaudible) do you know if it's going to be ongoing?

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Steve McCann:

We fervently hope that our legal bill reduces dramatically this year, but you know the reality is it's a bit hard to predict where things go. We think we're getting towards the end of it, but I'm hesitant because I have said that before.

We have a question from the phone we might take. We don't have a question from the phone after all. Any others from the floor? Okay, any web cast questions? No.

Okay, well thank you very much for attending and as I said, we think we've had a very good year for Lend Lease in 2010 and we look forward to delivering on the projects we have secured.

Thanks.

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