

**LEND LEASE
STRATEGY DAY****27 MAY 2010**

MR BRAD SOLLER: Thanks Steve. Good morning everybody. This morning what I actually want to focus on is the group's strong financial position and how this will enable us to finance the significant investment pipeline opportunities we have secured. I also want to answer a number of questions and queries we received from you guys, in particular, how profits expected to flow on our long dated investments. I'll give an update on our key forward looking indicators and finally, I just want to talk briefly on the impact that changes in accounting standards is going to have on our earnings.

I have left this bit for last because I know you're going to find it incredibly exciting. So let's start with the capital allocation. Last year I indicated that we expected to invest between \$1 billion and \$2 billion over the following three years. As you are aware, we've had tremendous success in securing new opportunities and by February this year we have already fully allocated \$2 billion of capital.

We nonetheless had a number of attractive opportunities where we wished to invest. The \$800 million of equity that we raised earlier this year gives Lend Lease a clear line of sight on funding these additional growth opportunities. The group remains in a strong financial position. Why do I say that? The reason is since December 2009 we have put in place bonding and credit lines in excess of \$1.5 billion. Our investment grade credit rating has been confirmed with a stable outlook and also we have access to third party capital through the Group's managed funds which Steve mentioned have been incredibly success in sourcing new capital having raised \$5 billion in new debt and equity over the last 18 months. So the Group is clearly in excellent financial shape.

My next slide outlines where our capital is allocated and how this allocation is expected to move over time. The pie charts to the left were shown to you at our investor day last year. They reflected our position as at December 2008. As previously flagged, we expect to see an increased allocation of our capital back to the Australian home market with continued investment in large mixed use and apartment projects as well as PPP equity.

The right-hand charts show the expected capital allocation in 2013. These reflect the impact of the increased investment in Australia over this period. As already indicated, we expect limited new capital to be allocated to the UK and the US in the short to medium term but we will continue to progress the master planning of our urban regeneration projects in the UK.

Now let's have a look at the growth opportunities driving our investment plans. This slide shows you the three key areas of investment over the medium term. In Australia our capital focus will be on large mixed used projects as well as expanding our apartments business. Where appropriate, Lend Lease will look to take an equity position in both the residential and commercial developments. In relation to the PPP sector our focus is on Australia, the UK and Canada where we are short listed on projects with a total value of approximately \$5 billion.

Lend Lease has identified investment opportunities of up to half a billion dollars in the sector. That is where we're planning to put our capital to work. Let's now have a look how the returns

LEND LEASE STRATEGY DAY

27 MAY 2010

flow back to the group from these investments.

This is an example of a large mixed use project. Across the top of the slide the last cycle of the development is divided into two phases; master planning and the development of individual buildings. During the master planning phase we will look to secure the site either through land management arrangements as we have done on the RNA site in Brisbane or by committing to minimum payments timed with the development plan as we did on Barangaroo.

As you can see from the chart, we do not capitalise any costs either internal or external until after the first milestone point which is our appointment as preferred bidder. With control of the site we can commence development of individual buildings and, at this time, a profit will be recognised either through the sell down of land or through receiving a development fee.

In both scenarios Lend Lease intends to retain an interest in the development of up to 50 per cent. In order to manage our risk position we'll ensure the following occurs pre commencement of individual buildings. Firstly, we will secure an equity take-out partner. We will also ensure we have 10 pre-commitments for commercial developments and pre-sales for residential buildings. We will obtain certainty as to construction costs through Bovis.

During the build phase, Lend Lease will provide construction and development services and this revenue can be recognised as these services are provided. Once the asset is completed Lend Lease will not only get a return on its investment but will also earn funds management fees based on the value of the asset and, in certain circumstances, performance fees will also apply. If Lend Lease were to sell down its interest then a profit will be recognised at that point.

Let's now look at a PPP project. There are four key phases in a PPP project. As with mixed use projects, all costs are expense until we have appointed a preferred bidder. Prior to submitting a final bid, financing both equity and capital will be secured and a price for construction work agreed with Bovis. On financial close, as advisor to the bidding consortium, Lend Lease may receive advisory and underwriting fees and these fees will then be recognised in the profit and loss account at that point in time.

Construction fees are recognised on an emerging basis throughout the build phase. As Steve mentioned, our strategy is to continually recycle our PPP equity and we have the option of selling down our equity at financial close or we may choose to hold it until practical completion of the asset.

It is worth noting that once practical completion and hand over of the asset has occurred the project will be significantly de-risked and, as a result, the returns available from the equity will increase. In addition, Lend Lease earns investment management and facility management fees when these services are provided.

It is also worth noting that accounting standards require PPPs to be treated as financial assets. What does this mean? The key impact is that finance costs need to be expensed from commencement. This will result in lower profits in the earlier years of the project. This,

LEND LEASE STRATEGY DAY

27 MAY 2010

of course, has no impact on the underlying cash flows.

I hope these two examples have given you a better understanding as to how we de-risk the projects and the timing of our returns.

Moving to the Group's financial position. Here are the Group's liquidity metrics. The key points to note on this slide are firstly, as I have already mentioned, both rating agencies have confirmed our investment grade credit rating with a stable outlook. Secondly, available liquidity has increased following the capital raising. There is a time lag to investing the money raised but I expect gearing to increase to circa 20 per cent over the next three years while maintaining a strong buffer of available cash and liquidity.

I'm pleased to be able to report that we have now received binding commitment letters for £360 million in relation to the UK revolving facility which was to mature in November and we expect to execute in this facility by the end of the week.

We have also secured \$1 billion of bonding lines of which \$530 million are new facilities. We are clearly well placed on funding so let me give you an update on the key pipeline metrics.

As at the end of March, with the closing of the ING transaction, our investment management platform had increased funds under management to over \$9 billion. Bovis Lend Lease's backlog GPM has declined slightly due to the difficult conditions in offshore markets. However, given the timing of GPM emergence and the lower volume of new work secured, we expect backlog GPM will be perhaps around 15 per cent lower by year end.

The residential business in Australia has seen improved sales volumes and we expect settlements in the second half of the year to be higher than the first half while still maintaining a healthy carry-over of pre-sales into FY11.

As a result of the ING transaction, the value of retail assets under management has also increased. Finally, the signing of the conditional development agreement on Barangaroo in March and the most recent framework agreement for Stratford this week as a result we have further secured a development pipeline.

So having demonstrated the Group's clear ability to fund this diverse pipeline I want to conclude by explaining two accounting rules that will impact on reporting earnings. Firstly, we are now required to revalue investment properties under development throughout the development phase. As you will recall, we had a step-up in the value of Somerset after opening. That reflected our development profit.

Going forward, revaluations will be incremental as the developments will need to be valued at each reporting date. I also want to draw your attention to Bovis's profit recognition. Given our intention to invest in large developments we'll need to reverse out any margin made by Bovis to the extent of our ownership interests. This portion of the profit cannot be recognised until our interest is sold.

**LEND LEASE
STRATEGY DAY**

27 MAY 2010

This is particularly relevant for large mixed use developments like Barangaroo. These changes will impact on the timing of our reported earnings. It is therefore my view that in future we should focus on reported profit inclusive of all revaluations as a key profit measure. This, I believe, will present a clearer reflection on the true performance of the business.

With that, I might hand over to Scott.

END OF TRANSCRIPT