

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

PANEL Q&A: STEVE McCANN, BRAD SOLLER AND SCOTT CHARLTON

QUESTION (Ninus Kanna, ING Investment Management): Thanks Sally and thanks guys. Sorry Brad, on your slide you showed the capital allocation. I don't think the geographies were updated on the second chart in the percentages. I think it's just a typo.

MR BRAD SOLLER: Yeah, sorry, we'll actually have to reissue that slide, thank you.

QUESTION (Ninus Kanna, ING Investment Management): No probs. The other thing is for Scott, with regard to lost injury time, why is Australia - has the highest rate vis-à-vis the more Asia and the EMEA segments, is that mainly because of regulatory requirements in Australia or is there another reason there? Also who sets the global minimum requirements for safety? Is that an internally decided benchmark?

MR SCOTT CHARLTON: That's a decision made by the safety and the leadership team and particularly around issues around potentially fatalities. So issues around fall from heights and heavy vehicles and all that so there is a global minimum requirement. So it's a high level issue around say scaffolding or ladders or scissor lifts or whatever they be, so there is a minimum standard requirement that's agreed with the safety leadership teams in conjunction with the construction teams.

That then is translated to the group so they must meet the minimum requirements and then they have to put in method statements underneath the minimum requirements, so what does that actually mean? So if it says you can't have a drop of more than a metre or half a metre, how do we actually then make that work? So there's the global GMR and then the individual projects and individual regions come up with the method statements underneath that.

QUESTION (Ninus Kanna, ING Investment Management): So as a framework you start at the law and then upwards and anything in excess...

MR SCOTT CHARLTON: You always have to do the law but the law shouldn't define necessarily what is safe. So we work in certain jurisdictions where we would say that's great, that's the law. Even if we had a GMR and we said we think that's safe for our employees and for our clients but the law said you needed to do something else we would obviously have to do more under the law. A lot of places, more often will we operate what's legally required, we would say is not sufficient enough to keep our employees and our clients safe.

QUESTION (Ninus Kanna, ING Investment Management): Great. Just on the lost time and why Australia tends to have a higher LTIFR versus say Asia or EMEA?

MR STEVE McCANN: I might just take that question. What you will see is that over time actually the LTI rate in Australia, the trend is very positive so it's coming down materially. Also the level of disclosure and reporting standards and frequency and capability in Australia are far more sophisticated than it has been, for example, in Asia. In fact, in a strange kind of

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way if our reported lost time injuries is increasing in Asia we see that as a sign of greater transparency as opposed to a concerning sign necessarily because, in reality, you would expect that lost time injury frequency in Australia would be lower than some of the more complex markets in which we operate. That's a combination of how we report and getting more and more sophisticated in that those in those areas.

QUESTION (Alistair Reid, JP Morgan): Hi gentlemen. Steve, just a question for you on the guidance comment there. I think previously there was a little caveat there about the lower net interest burden post the raising and that operating earnings would be in line with last year but then add back in that lower interest burden. Has that now been removed or was it just not on the slide?

MR STEVE McCANN: I'll have to get Brad to confirm exactly what he said around the interest from the capital raising.

MR BRAD SOLLER: There's no change to our guidance. It will actually be in line with last year added on the additional benefit from the capital raise which is really money held on deposit.

QUESTION (Alistair Reid, JP Morgan): Thanks, and just in terms of the rationalisation of some of the global offices, is that going to be material in the context of the group and any potential costs incurred there?

MR STEVE McCANN: Firstly there are costs. There are ongoing costs in rationalising the business and we did mention that we are re-engineering our core business processes and upgrading ICT platforms as well going into the next year or two so there will be some costs associated with that.

On the regions themselves, if you look back to historic peaks, I guess you would say that coming out of a lot of the CEMEA countries would mean a reduction in earnings across the Bovis business but the reality is in today's market it's positive because we're talking about relatively small businesses with high overhead costs which are impossible to operate at a profit at the bottom of the cycle. So whilst you may be comparing, as I said a peak number to a peak number, look at a different set of figures. The reality is today it's a benefit for us to be coming out of those businesses.

QUESTION (Alistair Reid, JP Morgan): Okay thanks and I must have still been asleep when things were kicking off. That comment there about APPF Retail and the sell down of some of your equity, is that new news or how does that leave your interest in that?

MR STEVE McCANN: It is new news. It's just happened so we raised that money in April. We took the decision because the offer was oversubscribed at the back end of that process that we would sell \$150 million of our own holding in APPF Retail because there are investors that simply couldn't get into the fund. There wasn't enough capital to meet the demand and so we offered \$150 million of our own stock.

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QUESTION (Alistair Reid, JP Morgan): I know you've also talked about your interests in the APPF suite of funds as being various levels of interest. Can you give us a sense of your interest in APPF Retail now?

MR STEVE McCANN: Is it about five per cent or so? Just under five per cent.

QUESTION (Alistair Reid, JP Morgan): Thank you, and my final question is just for Brad. You've got a few of us twitching in our seats about the expected volatility now in reported earnings post those changes. Can you give us a sense - so there'll be big changes there on projects that are in development and marking those potential development profits during the various reporting periods but what about your property investment stakes that you book fair value adjustments against? Is that all going to be wrapped up there and we're just talking to one overall reported number which, through the cycle, is presumably going to be quite volatile?

MR BRAD SOLLER: We will continue to actually talk to both numbers so in terms of our revaluations, the revaluations will be clearly transparent in our statutory accounts so you will be able to actually see them. What we don't want to actually miss is the fact that we undergo a development like we did in Somerset and that actually falls under the radar and we never get recognition for the profit. So the step up in those values, because they'll be incremental each year, it will be much smaller. We do want to actually bring that to everyone's attention so that will be the focus of what we think is the underlying earnings.

QUESTION (Alistair Reid, JP Morgan): So will you separate the FEAs on, if you like, the mature assets that you have versus the FEAs being booked on the development properties?

MR BRAD SOLLER: We will give full disclosure to enable people to understand what's actually moved and driven those revaluation gains, yes.

MR STEVE McCANN: Just on that, I might just add something because I think this is something we grapple with quite a bit obviously. We're a developer and what we do is try to add value to assets that we create. Because of the way the accounting rules have evolved over time, unless we actually sell immediately post development and crystallise the realisable profit then and there, then we don't get full recognition for the value that we add because at 30 June if we revalue an asset like Somerset upwards and sell it on 1 July we've already accounted for the revaluation in the 30 June year end accounts. We've booked a cash profit and don't have a cash profit to show in the year that we sell the asset.

From our perspective, if you're an investor looking at the value of Lend Lease and the value creation then clearly that's a very important, in fact, arguably the most important part of our business. So we do have a couple of legacy assets; Bluewater and King of Prussia but that's pretty much it. We've actually worked through over the old US REI assets etc. So, apart from those two assets, everything we do today and going forward is adding value to assets. We're not an investor. We don't buy to invest in assets and enjoy cap rate compression over time. We buy to develop assets, add value in assets. Occasionally if there's a distressed opportunity where we may be able to assist our fund investors and take a coinvestment and

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then sell at a profit we make profit that way as well.

We don't simply acquire assets and sit them on balance sheet. We're not a REIT so to actually not be recognised for that value creation is, in our view, undervaluing our ongoing earnings ability. Developers, by nature, are volatile. It's not a sector that's for fainthearted but we have a very long-term view and a lot of our development assets - and clearly the assets that we've acquired of the projects that we've secured in the last 18 months are 10 year projects and one of our core skills is measuring the delivery of those projects in line with the cycle. I made the comment at the breakfast on Tuesday that when we bid for Barangaroo - and I've said this before - we have been asked how we price an asset, how did you be comfortable that you could deliver the right sort of development returns and what price are the rents likely to be versus central CBD rents, what's your view cap rates, how much cap rate compression have you assumed etc?

The reality is we had signed a lease agreement so we weren't guessing on rents. We signed an agreement to sell the first commercial building so we weren't guessing on cap rates either. We also signed an agreement to sell 50 per cent of the first residential tower. So, yes, it's a risky potentially volatile industry but if you do engage, as we do, in large scale mixed use urban generation projects that are going to deliver across a number of different asset classes over a long period of time then you can manage and time that risk exposure through the cycle to minimise volatility. That's one of our core skills which we wouldn't be able to do, quite frankly, if we didn't have the skills across the value chain that we keep emphasising as our competitive advantage.

QUESTION (Unidentified Analyst): Just on the liquidity. Firstly, can we get some detail I guess, around the rollover of the UK debt? How does it compare in terms of the cost of that versus where it was previously? The second question relates to liquidity. Any company to maintain a credit rating has to maintain a particular level of available liquidity. How much of that \$1.7 billion of liquidity do you need to maintain at all times in order to maintain the credit rating?

MR BRAD SOLLER: In response to the first question on the rollover of the UK facility, we wish we could roll it over. The terms that we actually had which were put into place three years ago which was around about 80 basis points - never going to actually happen. The cost of the new facilities will be around about 225 basis points, the margin we actually pay on that facility. We have got terms which is on the facility so it is a new three year facility and very important for us is that we have stuck to our terms and conditions as they were previously. So the covenant package and the terms and conditions remain unchanged from the regional facility.

In terms of the liquidity buffer, we've done some work as to how much reserves and cash reserves we would like to keep in the business. The fact that inflows are dependent on asset sales and we always said we're not going to be full seller of assets and therefore we need to keep some reserves on hand and also given that the timing of some of the large inflows on Bovis projects. Our view is we probably need anywhere between \$700 million to \$1 billion and I think the rating agencies numbers are within those ballparks.

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QUESTION (John Richmond, Merrill Lynch): Just slipping back on the APPF sell down, I'm wondering whether or not you'll be booking that uplift this period and what the quantum in terms of dollars would be on that?

MR STEVE McCANN: We will be booking it this period. It's not a particularly material number. It's only about a one per cent premium to what the most recent March valuation was. We've sold \$150 million worth of stock so you can obviously work it out.

QUESTION (John Richmond, Merrill Lynch): Just, Brad to clarify again on a point raised earlier regarding the inclusion or exclusion of the revals on commercial development in your operating profit, can we assume that you will therefore be including all of those revals in your stated operating profit?

MR BRAD SOLLER: The issue is, in terms of operating profit, it's a term that we've actually come up with to help understand our business better. So what we will be talking to, to give you a better understanding of the underlying performance of the business, is a profit number inclusive of those development uplifts which come through revaluation and Steve outlined the reasons as to why we're going to do that.

QUESTION (John Richmond, Merrill Lynch): Just moving on to PPPs, I think you've mentioned \$500 million-odd of new investment into that space. What's your timeframe for that roughly? I know it's obviously dependent on project wins etc, firstly. Secondly, when the capital's invested, what's the general time period for recycling through a project? Then finally, if you can just talk about the current demand for the investors in the UK, the level of enquiry in terms of that fund?

MR STEVE McCANN: I might answer the last part of that question first in relation to the fund because I've got an update from Dan on that yesterday. We see that happening in the next financial year - year end 30 June 2011. It's fair to say that demand has come off in the UK pretty much across the board in property, not surprisingly, but we do have a lot of enquiry because that part of the market has still held up quite well.

In the event we don't get the right price outcome on a fund we'll sell to a third party and we've got to demonstrate a track record of doing that. We've got a pretty good idea of the sort of pricing parameters for a direct third party sale so we'll benchmark the fund against that on an ongoing basis to see what's best for us.

On the other part of the question on PPP, I might get Mark Menhinnitt to take that question.

MR MARK MENCHINNITT: In terms of the timing of placing equity into PPP projects, there's a number of considerations; the project scale, the duration of the construction period etc. If you look at the chart you can see the reduction in the capital allocation over time. I would see that as a sign of success in this space because what we need to do is make sure we've got the right capital model. We need to have the ability to underwrite these positions and then bring the right capital partners in at the right time. So if it's a smaller, simpler project over a shorter

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construction period, we may decide to hold the equity positions through that to get the maximum uplift. If it's a large complicated project that goes over quite a number of years we look to bring partners in with us either at the bid phase or soon after the financial close.

So the timing of equity going into projects really depends on a number of factors like that. There's also the geographical issues as well. Our positions here in Australia because it's predominantly bank financing so you've got aggregation issues you have to deal with, so you have to bring partners in with you so that we don't have aggregation or consolidation issues that may not be the same issues in other jurisdictions. So there's a lot of factors that come into the mix and so when we look at the capital allocation of about \$500 million that's sort of a holding position, if you like, that we see across the portfolio over time.

The slide that's not shown here that's interesting is what we see as our growth in funds under management coming out of this space because it's basically zero today. As we move forward in the UK - here in Australia and start to build that investment product for our investment partners you'll see that grow as well. So the \$500 million will be invested into projects over a two to three year period but sort of see that as a holding position as we grow the investment platform off the back of it.

QUESTION (John Richmond, Merrill Lynch): Just one follow-up from the previous point you made about the UK fund launched in FY11, the 12 projects there that you have identified for that fund, would all of those be put into the fund within that financial year? Also how much of your book value of equity is contained within those 12 projects?

MR STEVE McCANN: The answer to the first question is yes, they'll go into the fund at establishment and there'll be rules around what we would need to do to be able to grow that fund if we decided to take other opportunities to those investors down the track. On how much equity is currently on our balance sheet, I might turn that to Brad and let him make the decision as to whether we want to actually disclose that.

MR BRAD SOLLER: We'll come back to you on that number. It's actually in our portfolio report. We actually have given the equity by individual PPP projects. I need to go back and check the number. It's in our documentation.

MR STEVE McCANN: I can assure you the number at which we will sell into the fund will be materially higher than the number that's on our balance sheet.

MS SALLY CAMERON: The book value is about AUD160 million of the UK PPP assets. That's the total. The individual is in the portfolio.

MR BRAD SOLLER: That's the assets that are going to be sold, sir.

QUESTION (Ashton Reid, Legg Mason): Just a question around the regional CEO structure, maybe FR specifically to help answer. A forward looking Australian PPP project, who would get involved and when and who holds the decision making final?

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MR STEVE McCANN: It's a good question because obviously in any matrix structure it's not that straightforward to get the limits of authority right to make sure that the different business leaders are working as seamlessly as they can. We've spent a lot of time on that. We haven't closed out what the exact structure of the Centres of Excellence or what the exact makeup of the centre of excellence teams will be. That's something we're hoping to close out over the next couple of weeks.

The new structure will be up and running effectively on 1 July so we've still got a bit of time to work through all that. The way that I've described it to the regional CEOs is that I will not approve capital being allocated to any project that David Hutton doesn't tell me he's happy with. The reason for that is David will sit across the Centres of Excellence so he will work closely with Mark Menhinnitt, Murray Coleman and Tarun Gupta to look at all major project investment decisions and make sure that, as an integrated business, we're looking at not only the risk return analysis but also how we extract maximum value from those projects and how we make sure they're properly resourced.

Sometimes in a project like Barangaroo we'll soak up resources from all over the world. The best people in the industry want to work on the best projects and we will look at those projects and make some resource allocation decisions using that group. The regional CEO is accountable at all times for the P&L in their region so any of those decisions on investments and the way those projects are resourced and managed will clearly impact on the regional CEO and therefore the regional CEO is ultimately accountable for major decisions. They know that they've got to engage with the Centres of Excellence and they've got to get through a pretty rigorous process to determine that we are applying our skills in the best way possible.

What it's not intended to be is a layer of bureaucracy that just adds to cost and adds to complication which is why the people in those boxes in the Centres of Excellence are the best people we've got basically in those areas. Murray's been at Lend Lease, I think, for 23 years. Mark Menhinnitt has been here for about the same, David Hutton about the same, Tarun I think 15 years and they're market leaders in their core areas of capability.

So, as you would expect, it's not a case of saying to the regional CEO you don't have decision making capability. It's the case of the regional CEO saying I want those people to look at all my key projects because they're the best in the business. That's the way we've set it up. There are other businesses that have that model and it's worked well but it does require a level of maturity across those eight people to make sure that they're doing it effectively.

QUESTION (Ashton Reid, Legg Mason): So, just a follow-up then, in terms of identifying a potential project or strategy, does that come from the regional CEO or from the Centre of Excellence head?

MR STEVE McCANN: It's got to be a combination because, as you will also note, obviously, the Centres of Excellence are all based here so the actual day-to-day working environment in Sydney will see the key people in the structure all sitting together and working together which means that I'll be working very closely with those guys to decide what our strategic opportunities are in each region.

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Let me give you an example, Asia. We have, as I mentioned, been looking at a couple of possible partners for some period of time. We've done a lot of work in China on the different cities that we should think about. Our starting point will be retail. We may evolve into residential retirement over time but for now retail skills are what sets us apart in Asia. That's what people are prepared to pay for from us. We've done a lot of work looking at how we should pursue those opportunities. Going forward, the main decision makers on which sites we should pursue and on what sort of capital we should apply to those projects will be David Hutton and Tarun Gupta. Tarun because we have investors who I don't think it would be an exaggeration to say are waiting for us to make a decision on what we'll do in China and they've told us they will back us in China and they've told us they'll provide capital.

I think one of the reasons that they have been that supportive is they know that we're not in a hurry. So we're not about to go and raise a couple of billion dollars for a punt in China. We will be very cautious about where we invest that capital and it might still be a couple of years before we take any of our investors into that region. Tarun sits on top of that business. He's the guy that's close to all the investors so he should be the guy telling us where he thinks that they'd like to see their capital at work.

David is our key expert on retail development so he needs to be sitting there with Tarun working with Eng who runs the Asian business to help make those strategic investment decisions. If you extrapolate from that, that will be the same approach in the US. It'll be the same approach in the UK and here.

QUESTION (Unidentified Analyst): [unclear] the timing of the ... capitalising ... trust and then just a couple of Queensland questions. I guess, we were sitting here this time last year talking about RNA and the status there. Can you give us a sense of the timing about when you might reach a more formal agreement? The final one just on Queensland, we saw comments from the Government yesterday there about potentially pushing through some urban zoning in and around places like Yarrabilba and just your thoughts there about, again, potential timing of when that might happen?

MR STEVE McCANN: On Queensland, I might actually get David Hutton to say a few words. He's across, obviously, RNA in some detail and the residential issues in Queensland.

MR DAVID HUTTON: Just a couple of comments on that. You're quite right, there was an announcement yesterday that the ULDA - the Urban Land Development Authority, which is the Queensland State Government planning consent authority - will be taking over three projects in southeast Queensland. That, for us, is very good news. The Yarrabilba project, which some of you will be aware, is a large number of residential lots that we've been working on for a number of years. We have been working through infrastructure agreements with the state that was made more difficult with the amalgamation of local councils in southeast Queensland which created some confusion in respect of who would pay those infrastructure charges.

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We have been working with the ULDA. They also have responsibility for the RNA project so the RNA project in Brisbane sits with them rather than Brisbane City Council. We have a very good relationship with the ULDA. We are gearing up to submit our master plan on the RNA project in the coming weeks and therefore now they are taking control, if you like, of the Yarrabilba project. We see that as a very positive step in terms of resolving the final infrastructure agreements.

From Lend Lease's perspective, that announcement is very good news for Yarrabilba. Yarrabilba is our largest Delfin project so in terms of getting that now through the final infrastructure stages and into production is something that we're looking forward to seeing accelerate.

In terms of the timing of the RNA, I just mentioned planning where we are, so we've agreed our submission, our outline with the ULDA. They've committed to process that very quickly. The RNA project had a number of pre-conditions so technically we're still preferred with the RNA. We haven't yet executed the final development contract. We're expecting that to be executed in coming weeks, it's that close. There was a number of pre-conditions that related to some financial arrangements between the RNA themselves and QTC in Queensland Treasury. We've been working through that on the basis that the Queensland Government is lending the RNA some money for their facilities. There's been various security arrangements and so on that need to be put in place between the Queensland Government, the RNA and Lend Lease.

So we're in the final steps of that and there should be an announcement on the RNA project which will then follow, as I said, with the master plan application for the whole site which we anticipate will be approved prior to Christmas and the project will start this side of Christmas.

MR STEVE McCANN: I think the first part of your question was on capitalisation of the trust so I might just get Brad to address that.

MR BRAD SOLLER: We took the opportunity, at our AGM last year to actually set up the trust. It was an appropriate time to actually do it given that it required shareholder approval. The important thing on the trust, there's no change to our strategy. We always said we were going to have hold a proportion of our - say 20 per cent of our earnings to come from passive assets. That remains the case.

We are progressing the various approvals that we require to bring the [unclear] and we hope to actually be in a position to give a further update at year end and get any additional votes through shareholders if we progress that far at the AGM.

QUESTION (Julie-Anne Huang, Nomura): Just a question on recruitment. How are you going with hiring people for projects, particularly the Bovis projects?

MR STEVE McCANN: I might say something on that and then perhaps get Murray to say a few words as well. In Australia there's been quite a bit of discussion around resourcing constraints and key skills becoming hard to get. There are probably some parts of the market

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where that's more the case than others. Obviously, the resources industry has been soaking up some of the skills in the engineering space.

Although, if you believe what you read in the papers, a lot of those projects will be cancelled so hopefully there'll be quite a few resources being freed up. Obviously, offshore, it's a vastly different issue so there's plenty of resource capability overseas. Bear in mind also we have a lot of ex-pats overseas and they are some very highly skilled people who we can use on projects in various different parts of the world on an as needs basis. I might just get Murray to answer that.

MR MURRAY COLEMAN: What Steve says is right, in our Australian business with the demand from the resources sector picking back up, we've found some pressure on being able to get the right level of resources. That said, we are at a net increase coming to the end of this year in the Australian business by approximately 150 people in the Bovis business. We've still found a pretty strong pool of talent, particularly coming off the back of the GFC that have been available.

Whilst it's been difficult in some sectors in Australia, we're still finding good available talent and we're able to source those people. In other parts of the world, as Steve said, we find there's probably a much broader pool of talent available in the US and in the UK for the obvious reasons. Again, there's a mass exodus of people coming out of Dubai, both coming back into the UK and back down through Asia and into Australia. So we're seeing a good stream of executives coming through out of that region.

QUESTION (Julie-Anne Huang, Nomura): Are you finding that you're able to attract these people at market prices or...

MR MURRAY COLEMAN: I guess, by definition, you're attracting the market prices, aren't you? Some of the expectation level has certainly come down from 18 months to two years ago. I think, in the industry in Australia, certainly the remuneration review process has been pretty flat as it certainly has in North America and the UK. We're certainly seeing upward pressure on that particularly in Australia. Not so much in those other geographies.

QUESTION (Unidentified Analyst) Hi Steve. Just got a question furthering on Alistair. Just a couple of simple ones. Let's say I'm the head of APPF Retail, do I actually work for Tarun or do I work for Rod Leaver?

MR STEVE McCANN: Actually, when someone says a couple of easy ones, I always figure it's not going to be an easy one but that one actually was. You will, in fact, report to Carmel Hourigan who will be taking over as the Head of Investment Management in Australia and Carmel reports to Rod. Tarun will come out of the regional business. He will remain across the whole of investment management and Tarun's got a team of people who, when you look at transactions like ING Retail it's Tarun's team that drives those transactions. So they are looking at strategic opportunities for our fund platform around the world. Obviously the demand for opportunities and the capital flow has been into Australia in the last couple of years and not really anywhere else, from our investor base.

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So the deals that Tarun's been structuring and putting together with his team have been in Australia. So what we're looking to do is get Tarun's team to start looking in other geographies over time as well because it's been a team that's had a great success rate in the last couple of years.

QUESTION (Unidentified Analyst): On that theme then, if Tarun and Rod have let's call it a difference of opinion, it's Rod's final call then?

MR STEVE McCANN: They never have a difference of opinion. Yes it is, in Australia but, as I said earlier, if Rod is looking for Lend Lease capital that's going to a project and Tarun hasn't signed off on the use of that capital I won't, so he's not going to get it. They've got to end up on the same page but the reality is the projects we're talking about where that collaboration is required, it's a small number of very large projects. The regional day-to-day bread and butter running of the business, those decisions, are Rod's.

QUESTION (John Richmond, Merrill Lynch): With another follow-up on Barangaroo if I can? You mentioned equity commitments to date for Barangaroo, I think you mentioned that 50 per cent of the first residential tower has been committed. Could you just remind me how much of the commercial equity has been committed and also how far will that take you in terms of number of years of equity commitments, if you like? So, you plan to then raise, for example, equity for tower 2, at what point in time residential?

MR STEVE McCANN: It's obviously a bit of a moving feast. For example, we don't have the final DA on the whole scheme yet. We're still working towards that so what the product will look like, at the end of the day, is still moving a little bit. So therefore we can't be too prescriptive as to when equity will come in and timing of delivery etc. We will start delivering the first building before the end of this calendar year.

In terms of commitment, we did five years ago, and I have a very clear recollection of the first - I think it was the first meeting. Certainly one of the first meetings I had when I joined Lend Lease was with David Hutton and David Rolls talking about Barangaroo. What we talked about was a few innovative ways to position ourselves better than our competition and we also talked about what were going to be the key drivers of success. Our view was clearly capital and clearly tenancy pre-commitments.

So we made that our key priorities. Obviously, the design and all those other issues that go to winning the bid are critically important as well but everyone was going to have to do a good job on that. Our thinking was there's got to be a way to differentiate ourselves over and above what we would normally do. So the investment management team was charged with the responsibility of starting to engage with clients and seeing what interest there might be and we also started to engage through the development business and through Bovis on discussions with potential tenants and had a very good look at where the tenancy requirements were going to be over the next several years in Sydney. By the time we actually bid, I think probably 12 months ahead of bidding, we knew who the buyer of the first commercial building was going to be.

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The residential tower, I think, probably six months ahead of bidding, we knew who that was going to be. Clearly, their commitments are subject to us building something so we've got pre-conditions that apply to both of those investors and we've got to deliver what we've said we'll deliver which there's no reason to think that we won't, so we will do that.

We have a shortlist of key tenant targets. We're still engaged with all of those tenants and there's been a couple more, I think, that have come in to play since we won. I think about 40 per cent of the commercial space is currently under discussion.

One of those tenants had signed a heads of agreement for lease prior to us bidding. That tenant speaks for a material part of the first commercial tower. We were able to then go to the Government and say not only will we be able to bid a certain amount of staged payments over a 10 year timeframe but we can guarantee that if you deliver us approvals along these lines we will actually start and we will actually build the first couple of towers straight away. Whereas every other bidder, as far as I'm aware, was a bit of a wish and a promise.

That has been, in our view, one of the key differentiators in our bid. It means we will be well and truly under way straight away and our view has been to get stage 1 to be successful and profitable you've got to create an environment and, therefore, you've got to get started on a large part of the development quickly. To do that you need tenants and to do that you need capital, so that's the approach we've taken. I can't be much more specific because, obviously, it will evolve over a 10 year timeframe.

QUESTION (Simon Garing, Merrill Lynch): Just if we could focus a little bit on the investment management side from a global aspiration perspective, are we going back to where you were maybe 10 years ago into the US and trying to build up a very large global funds management business as a standalone business?

MR STEVE McCANN: Emphatically, no. The first thing I would say is we do not have any aspirations at all to buy our way through investment management growth [unclear] which is what we did last time. We don't have any aspiration to be the world's largest manager of real estate investments. In fact, what we actually aim to do - and our investors are fully supportive of this - is we intend to grow our investment management platform at pace with what our needs are as a group.

Two things drive that. One is obviously the development opportunities we're able to secure in our strategy in the various regions and the other is what the investors themselves need for us to continue to be able to service them properly. In APPF, for example, it has its own strategy, it has its own growth aspirations. As we said earlier, we're less than a five per cent holder in that fund and, obviously, will be diluted over time unless we put more equity in which is not our current plan.

So that will grow in its own right but in terms of our offshore aspirations today, the best example of what we'd like to do is the ARIF fund, I guess, which has \$700 million in equity targeting development in Asia. That \$700 million, if we're a 25 per cent investor on average in

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the assets that we develop, it gives us the capacity to develop our \$3 billion or \$4 billion worth of assets in that region and, obviously, earn the ancillary fees that go along with that if we deliver a successful product.

Interestingly too, with ARIF, the aim was to fund Somerset. It wasn't to actually create a blind pool of capital to pursue opportunities. As it happened, we were heavily oversubscribed so we raised \$700 million. We only needed about half of that. We haven't actually invested the balance and we've got until June next year to do that. Clearly, in the last two years, we put the brakes on in investment in that fund which is what our clients wanted. Whilst there are a lot of funds around the world that had equity committed, none of the investors really want that equity spent so we do tend to listen to them and we didn't pursue some of the opportunities we were looking at.

There are some things we're looking at today and we may or may not get the fund fully invested by 30 June 2011. We'd like to but we'll only do that if the right investments present themselves. That's the approach we'll take with the growth of our investment management platform around the world.

END OF TRANSCRIPT