

LEND LEASE HALF YEAR RESULTS

25 FEBRUARY 2010

MR STEVE McCANN: Good morning to everybody present, and also via teleconference and webcast. I am Steve McCann, Managing Director and CEO of Lend Lease. With me on stage is Brad SOLLER, the CFO, who is well known to all of you. I am pleased you could join us for a review of the Group's financial and operating results for the half year to 31 December 2009.

In addition, today we have announced we are raising \$806 million new equity to fund future growth opportunities. I will take you through the equity raising at the end of the presentation, but first I would like to summarise the result and also give you an update on how well progressed we are with our longer term growth strategy. Then Brad will give a bit more detail on the financials.

Starting with the result, the \$204.9 million statutory profit after tax is in line with our expectations and includes a positive contribution from revaluations, which is the reverse of the trend of the last two years.

During the period our shareholders also approved the stapling of the units in Lend Lease Trust to Lend Lease. This structure will enable us to be more flexible in how we hold future passive assets. The Group's Retail, Communities and Public Private Partnership business units performed very well despite the difficult market conditions. Our construction business in Asia Pacific performed very strongly with a record profit for the half year. This was offset by weaker results from construction in the US, Europe and the Middle East, which continued to be impacted by very weak market conditions.

We have declared an interim dividend of 20 cents, franked to 100 percent. I would like to now put some context around the result, especially how it fits into the longer term growth path that Lend Lease is embarked upon.

There are three key points I would like to make. The first is that our strong deal momentum is setting up excellent long-term earnings; the second is that we are on target with our strategy and our business plan; and while we face continuing mixed conditions in the short-term, the third is that our short-term earnings are holding up quite well.

We have added over \$12 billion to our development pipeline over the last nine months. The integrated, long-term nature of the projects secured will deliver multiple earnings streams for the Group over many years to come. In addition, we have acquired a number of strategic assets: for example, the PTN assets which we acquired on a 12.5 percent initial yield; the remaining share in Primelife; and the \$1.4 billion ING Retail Property Fund assets with our consortium partners.

Our strategy is focussed on long-term shareholder value. We will continue to recycle capital from mature assets but, as we have said repeatedly, we are not a forced seller.

We are focussed on securing opportunities that best fit the Group's strategy and which provide a broad range of earnings streams across our integrated construction, development, investment management and financing capabilities. I am very pleased with our recent success in this regard.

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Our objectives have been to re-establish ourselves as a leader in our home market and to achieve scale platforms in our key sectors. Looking at the left-hand column of this chart you can see we are well on the way to achieving both. Looking at the right-hand column, you can also see that we have many more opportunities to add to the momentum we have now established. These include the PPP space in Australia and Canada, the second stage of the Stratford development and significant opportunities for our construction business in Australia.

We will have a closer look at four of our recent large project wins and how we plan to bring in partners and third party capital. This is fundamental to our business model, which is designed to optimise return on capital for all of our investors.

I will start with Barangaroo, and David Hutton, our global head of development, will later speak about this in a little bit more detail, but I will focus on the capital model for the project. We will be leveraging third party capital to develop Barangaroo. The deal has been structured with fixed payments aligned to proposed development timing. Our fixed land payments will be about \$100 million in the first 18 months.

We already have interest from prospective tenants for around 30 percent of the available commercial space and we have heads of terms agreements with three major tenants. We also have significant interest from investors and partners looking to invest in the project. A sovereign wealth fund and a large offshore institution have also conditionally committed to jointly develop the first residential tower and the first commercial tower respectively with Lend Lease.

This is a significant win for us and we are honoured and excited at the opportunity to develop this iconic site. I would also like to thank David Hutton and his team for their tremendous efforts in securing this project.

In December, a Lend Lease led consortium was appointed preferred bidder to acquire the \$1.4 billion ING Retail portfolio. We have commitments already from our managed funds and other investors for \$1.2 billion of this. These include our flagship fund APPF Retail, the recently launched Real Estate Partners Fund No. 3, the Future Fund and other investors.

Having secured the ongoing management of the portfolio, our initial investment of circa \$200 million will then be sold down over time. The transaction adds over \$1.1 billion of funds under management for the Investment Management business and provides critical scale for our Retail business, increasing the number of centres under management from 12 to 17 in the Asia Pacific region. The acquisition also supports our expansion into WA. The portfolio brings with it existing development plans for a number of the assets, including the highly prized Joondalup shopping centre in Perth.

Our selection as preferred proponent for the first stage of the Alkimos development cemented our entry into the Western Australian market in January. Alkimos will be one of the largest coastal developments ever undertaken in Perth. It is located in the rapidly growing north west metropolitan corridor, 40 kilometres north of the Perth CBD. Stage 1 includes about 2,500 dwellings over a seven year period, with development expected to commence in 2011. The programme will operate under a land management agreement. Our initial capital investment will be circa \$20 million to establish the project.

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This project win fulfils our strategic ambitions of establishing Delfin in the Western Australian market given its long-term strong growth prospects. We will look to negotiate development rights for the whole project, which would bring potential opportunities for both Retail, development and for Bovis.

With the acquisition of the outstanding securities in Primelife in December, Lend Lease also became the leader in the senior living space in Australia, a strategy which we have had for some time. In conjunction with the acquisition of a number of aged care and retirement assets from Prime Trust in August 2009, Lend Lease's total investment in the senior living sector is now around \$1.2 billion.

This is in line with our strategy to create scale platforms in our chosen growth sectors. Having secured that position, we will again be bringing in further third party capital over time so that we can recycle our capital, and those investors will invest through Lend Lease managed funds alongside us.

We will merge the business with our existing RbD business and the combined business will be run under new CEO - Paul Walsh. Paul is a long term Lend Lease executive and was previously the CFO of Primelife.

So now with that brief overview of four of our recent project wins, I will return to our result.

The Group reported operating profit after tax of \$187.9 million. The operating business results reflect the continuing mixed conditions in markets as the cycle turns at different rates in different geographies.

The PPP business reported a significantly higher result. That was driven by our successful capital recycling program in the UK with the sale of the Group's interest in Romford. The retail and Communities results were broadly in line with the prior period.

While reporting a record profit in Asia Pacific, the construction business was significantly impacted by economic conditions in other markets, reporting a loss in the Americas and a small profit in Europe.

Investment Management reported a lower profit but added significantly to future funds under management with the launch of Real Estate Partners 3 and securing the ING Retail fund assets. Part of the Group's ability to weather economic cycles is due to the sector and geographic diversity of our business model. We are not over exposed to a particular sector or geography.

As we flagged last year, the contribution from project management and construction has reduced with the downturn in the construction cycle, particularly in offshore markets. This has been offset by residential markets in Australia and the UK, a very strong performance from Bovis in the Asia Pacific region and an improvement in the market for recycling of capital.

The well telegraphed reweighting of earnings back to our home market continues, with the earnings contribution from the Asia Pacific region representing 62 percent of profit after tax from our operating businesses.

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We also maintained a very good balance between active and passive earnings with 78 percent from active assets and 22 percent from passive assets over the last six months in line with our target of an 80/20 mix.

I will look briefly at the operating businesses, starting with Retail.

The Retail business profit has remained relatively robust due to development fees and relatively stable income flows from the Group's investments.

Asia Pacific is obviously the growth story with an expected increase in centres under management from 12 to 17 following the ING acquisition.

The business also achieved some great development and leasing success at 40 George Street, Sydney and 313@somerset in Singapore. 313 is a great example of our delivery capability. It was completed during a very difficult period in the global economy but opened on time, on budget and fully leased. It was a great outcome given the market conditions.

Development plans across the portfolio remain focussed on the Asia Pacific region, principally at Setia in Malaysia and Caneland Central in Australia.

In the UK, profit was impacted by difficult trading conditions, resulting in decreased investment income and property management fees, but in local currency, valuation of Bluewater was up seven percent, which was offset by the strengthening of the Australian dollar.

In the US, the net operating income and valuation of our 50 percent share in King of Prussia in US dollar terms was largely unchanged but was also impacted significantly by movements in currency.

Residential markets in both Australia and the UK have improved with increased settlements, and we have seen, as I have mentioned, strong project wins, particularly in Australia.

Trading conditions in our Delfin land business have improved with a 21 percent increase in residential land lots settled. This improvement was focussed in New South Wales and Queensland. Queensland accounted for 22 percent of lots settled, New South Wales 15 percent, Victoria 39 percent, with the remainder in the ACT and South Australia.

Our average sales price per land lot increased by 15 percent. The first home buyer segment represented 23 percent of total sales for the year compared to 15 percent previously.

Despite the improvement, I will note that earnings continued to be impacted by under performing projects in New South Wales. However, conditions are improving and we are starting to see the first signs of sales in some of those projects.

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The focus for Delfin is on conversion of unzoned projects and continuing to add to backlog with shorter tail projects. In the UK, market conditions have improved with the expectation that all completed Crosby units should be sold by June 2010. The sales prices we have been achieving are above previously written down sales prices.

We sold our interest in the Dome in the UK, which contributed to our capital recycling returns. In addition, heads of terms were agreed with the Southwark Council for the development of Elephant & Castle. It is intended that a regeneration agreement will be executed in 2010. We only have one project in the US, which remains on hold until conditions recover but has very low holding costs.

Turning to public private partnerships, in the Americas, earnings were negatively impacted by the currency conversion. Nevertheless, we made very good progress in securing future earnings with the financial close on Phase 1 of the PAL project.

In terms of outlook for the Americas, Wainwright Greely is expected to reach financial close in the second half of the year and there are still a number of Airforce projects and lodgings that we are bidding on. In the Canadian market, the Group is bidding on two projects, a schools project and a mental health project.

In Europe, we sold our 50 percent interest in the Queen's Hospital Romford as part of our capital recycling. This released about \$43 million in cash. The business also reached financial close on the first phase of a £1.2 billion Birmingham Schools project.

We are currently marketing to investors in relation to an infrastructure fund to acquire equity in 12 of our PPP projects in the UK. In Australia, Capella Capital was successfully launched with a focus on the Australian PPP market and secured its first project, a schools deal in South Australia.

As a whole, Bovis profit declined due to the significant slow down in construction markets, particularly in the US, Europe and the Middle East. The Asia Pacific business, however, produced a record profit, driven by contributions from projects across the region and in all sectors of our operations. The business has a very strong base of forward workload, winning more than \$700 million in new projects.

Conditions in the US market remain difficult and resulted in a loss when coupled with significant one-off costs. Those one-off costs, which include restructuring costs, costs in relation to the ongoing management of the New York investigation, mean that the numbers here do not reflect the underlying operating performance of the business.

Europe was also lower due to difficult market conditions and provisions against recovery of debtors in the Middle East. The focus for the Australian business remains conversion of large projects in the current pipeline and exploring new sectors in Australia. In Asia, the business is focussed on four countries, Singapore, China, Japan and Malaysia.

Currently, we are undertaking a review of the CEMEA business. Key criteria will be our ability to operate safely, the amount of business we attract and long-term growth prospects and these will define what regions we continue to participate in.

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In the Americas, the business is concentrating on consolidating and focussing our presence.

Turning now to Investment Management, the real result here is the great progress made in building scale in the Asia Pacific region and setting up much stronger revenue streams for the future. The funds platform is now well placed to take advantage of opportunities to acquire assets, particularly in Australia and Asia. There are no redemption requests and the platform is well funded, with over \$3 billion of debt raised in the last 18 months.

The new Real Estate Partners 3 fund received \$250 million in commitments from investors and will have capacity to invest over \$400 million. To my understanding that is the only fund that has been launched in this region in the last two years.

We want to scale up further in Asia and Australia through our new funds in sectors and regions where Lend Lease has core competency, e.g. the PPP space and retail in Asia.

I will now hand you over to Brad who will take you through our key financial metrics.

MR BRAD SOLLER: Thank you, Steve.

I'll get to the financials in a minute. First, I want to talk about the equity raising and our credit rating.

In simple terms we are seeking the equity because we have identified substantially more opportunity than our \$2 billion cap ex program than we have presented to you previously. That target plan was comfortably within the Group's reach. However, new opportunities we have identified require extended capacity. So I want to make it clear, while we are raising a significant amount of fresh equity, there will be no change to our strict capital and management disciplines.

We have long said that asset recycling, the use of third party capital and disciplined capital allocation are core components of the Group's financing model. This is also consistent with an investment grade credit rating.

The Group is well into the investment phase of its strategy and we will continue to maintain the same financial discipline as we displayed through the bull stages of the cycle.

The key point is that while we are extending our investment for growth we are not changing the strategic settings we have outlined to you previously.

Let's now go to the financials for the December half.

The first thing I want you to note is the reduction in the Group's services line where we continued to focus on cost efficiency. The \$16 million reduction in the treasury line reflects the fact that the £350 million UK revolver was drawn down to a lower amount during the current financial period.

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The property revaluation line largely reflects the Group's interest in Somerset, which commenced trading in the period. That gain is the difference between the cost of development and the valuation on opening, in other words, it is our development profit.

Moving to tax, the effective tax rate increased significantly due to lower emergence of deferred tax assets in the Americas and the use of capital losses in Australia in the prior period.

Finally, you will see that the relative strength of the Australian dollar has impacted by reducing the Group's profit after tax by \$17 million.

Let's now turn to the Group's cash flow and cash position, which at the end of December was nearly \$1 billion.

The Group tightly manages its cash and liquidity reserves. If you add back the impact of currency on cash, our position at December was broadly in line with June 2009. Operating cash flow for the six months was \$107.3 million. This reflects the underlying cash flows of the operating businesses net of continued investment in property developments and outflows relating to restructuring costs.

For investing cash flows, the key element to note is the acquisition of the remaining interest in Primelife and PTN. Financing inflows mostly relates to the \$570 million new Australian club facility which was fully drawn down in December. This was partially offset by the repayment of \$446 million of borrowings on the acquisition of Primelife and dividend payments for the period.

Moving now to the key balance sheet metrics, this slide reflects the Group's position at 31 December. This, of course, changes significantly as a result of the equity raising. On a proforma basis, the Group is in a positive net cash position at 31 December after adjusting for the equity raising.

The UK revolver is the Group's only major short-term debt maturity. We decided to defer negotiations on the extension of this facility until after completion of the rating agencies review. We now expect to close this facility in the second half of the financial year.

So in summary, Lend Lease has and will continue to maintain tight financial and capital allocation discipline, irrespective of which part of the cycle we are moving through. This is core to maintaining our flexibility, which in turn is a key part of our plan to deliver long-term value to our shareholders.

I will now hand back to Steve for an overview of the capital raising.

MR STEVE McCANN: I will now do an overview of the capital raising and how it supports the Group's strategy. Before I do that, a brief comment on outlook and an update on our progress strategy which we outlined to you in May of last year.

The Australian market remains very resilient. Bovis, as I said, is performing very strongly and residential is showing signs of recovery, hence the weighting of new investment towards our home market.

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We think the UK economy will under perform in the medium term, so we will continue to maintain our option positions, which will require limited cap ex. In the US we will also wait until there are further signs of recovery before new capital is invested. Our expectation is that the 2010 operating profit after tax for the financial year will be broadly in line with the financial year 2009.

There are a number of factors that could positively or negatively impact the Group's 2010 earnings. On the positive side, we are leveraged into the recovery in the residential markets and we have a number of assets that we are actively looking to recycle, including PPP equity in the UK, as I have mentioned.

On the negative side, construction markets offshore do continue to remain very difficult. As we do not hedge our earnings, we remain exposed if the Australian dollar strengthens again. So we maintain a steady course through continuing choppy conditions.

However, it is very clear that we remain well placed for growth as our strong project pipeline delivers over the longer term. Last year we committed to a three stage journey of restore, build and lead. We have made very good progress on the first stage and, while we still have some further work to do in this regard, this year will see us progress through the build stage.

The equity raising is very much a part of that process. It will allow us to accelerate the re-shaping of our portfolio and to enhance the growth platforms that we have. We will spend more time on the details of our progress in relation to our strategy at our market update in May.

The \$806 million of new equity that we announced today is to fund a substantially extended range of growth opportunities compared to those contained in the business plan we presented to the market last year.

As you will be aware, that plan identified up to \$2 billion in capital investment through to 2012. Our success rate in securing projects near the bottom of the cycle has been tremendous, providing significant opportunity to invest further capital at very attractive returns.

The proceeds of the equity raising will deliver three advantages, all of which should drive enhanced shareholder returns. First, it will allow us to increase our equity participation in and accelerate several of the major developments we have already security. Secondly, we will be able to fund equity participation in an extended range of very attractive PPP opportunities. Thirdly, there will be capacity to secure additional development opportunities that we are already targeting.

Those increased opportunities are all well within our core competencies - large mixed use projects, PPP projects and residential developments. They are also strongly weighted towards opportunities in our home market in Australia.

The fresh equity that we are raising today will be offered to shareholders on a pro rata entitlement basis at \$7.70 per security and this represents a discount of 15.8 percent to the theoretical ex rights price, adjusted for the interim dividend.

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All the opportunities we are targeting have returns materially in excess of the Group's cost of equity, which will drive earnings growth and create value over the longer term.

Over the last nine months we have demonstrated both the depth of suitable development opportunities available to the Group and our capacity to secure them. We have also executed a number of major acquisitions which have scaled up existing business platforms in line with our strategy.

Together these acquisitions and development projects have consumed \$1.8 billion of the originally targeted \$2 billion capital investment through to 2012. The acquisitions of Primelife and the Prime Trust assets involved an investment of approximately \$1 billion. They have confirmed the Group's leadership position in the retirement living sector. Those assets were obtained at a discount to net assets and we plan to eventually recycle part of our invested capital to third party capital partners who will invest alongside us.

The ING deal, as I have already talked about, is a great example of our ability to raise capital from our partners and funds and also reinforces our leading reputation as a trusted investment manager.

The next slide shows the key development projects we have secured. They are all high profile projects, they are all critical to their own city's urban regeneration or expansion and very few companies have the intellectual property and the capacity to compete effectively for these projects.

Given the attractive returns available from these projects, we have the opportunity to commit additional capital to them to enhance potential returns for shareholders. At the same time, we want to be able to secure and fund a number of other highly attractive strategic growth opportunities that we have since identified.

So why is it the right time for us to seek further equity? One of the things I have spoken to you about consistently which is a key element of the Group's competitive advantage is disciplined management of our business and capital through property cycles. This discipline underpins our philosophy as to how we manage our portfolio and invest.

We were prudent when everyone else was borrowing and paying up at the top of the last cycle and we waited for the right time to invest. Looking at the key markets that we operate in, our view is that a number of markets are near the bottom of the cycle. In Australia, the residential market is showing signs of recovery and retail and commercial are stabilising. The US and UK are at or near the bottom.

I have also spoken to you before about the financial metrics we set the business in targeting opportunities. These target hurdle rates are indicative of what we are looking for in the investment opportunities we assess across these sectors. These target returns are ungeared and pre-tax. They will vary depending on factors which include the market, the sector, the development risk and the degree of risk mitigation, and we do update these hurdles for the businesses every three months. So let me take you through the rationale for the equity raising in a little bit more detail.

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As I have said, we have identified three areas to further invest: existing and recently secured development projects that total about \$800 million; PPP opportunities of circa \$500 million; and new development and further growth opportunities.

Expanding on these areas, we have the opportunity to invest significant additional capital in secured developments. Outlined on this slide are a number of those opportunities across a number of sectors and cities.

Each of these additional investments indicate returns of over 20 percent. The decision as to where we allocate capital will be made having regard to a range of factors. Those factors will include such things as return profile, individual project attractiveness, risk factors, alternative opportunities, timing of returns and overall a portfolio management consideration.

We also have significant appetite from third party capital investors to invest alongside Lend Lease, and that will be taken into account in assessing how much of our own equity we should put into each project.

We continue to maintain our cautious approach to developments. As we assess each opportunity individually we will look at market supply and demand fundamentals. For commercial projects we secure tenants prior to commencement. For residential projects we have minimum pre-sales targets and fixed price contracts are secured for most projects. Bovis provides us with a significant competitive advantage, both in initial pricing estimates and in project delivery. In terms of funding, we commit equity to most projects but we also utilise gearing and third party equity.

So we do remain committed to our capital light model as well as our capital recycling philosophy and we will continue to recycle capital at the appropriate time in the cycle. We will continue to apply these development principles going forward.

In the PPP space, we have identified opportunities with project values of circa \$23 billion. We are currently short listed on 10 projects that will come to financial close by May 2011 with a total project value of about \$5 billion. Of course, we won't win all of these projects. A key element of success in winning bids is the availability of capital to fund future commitments. We have identified investment opportunities of up to \$500 million in these projects if they present the right risk/reward metrics. You should again note the diversification of our PPP operations by geography and the fact that our focus is on the social infrastructure market where we do not take patronage risk.

We have also identified a number of potential new development and other growth opportunities across our key sectors. We have a great pipeline of projects and given the improving characteristics of the residential sector in particular, we are confident of further opportunities arising at the right time in the cycle.

The equity we are raising provides certainty of funding for the Group, plus we will continue to access our other sources of capital, which are listed on the right hand side of this page. The combination of these two provides us great flexibility to continue to pursue our growth opportunities.

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So to summarise, the equity capital raising we have announced today is about the opportunity to accelerate a number of our secured projects and to increase our investment in them. We will also support growth at the right time in the cycle, where we are confident of securing further opportunities at attractive returns to drive long term shareholder value.

Before we ask for questions, I thought it would be a good idea to get David Hutton to say a few words about the Barangaroo project.

MR DAVID HUTTON: Thanks, Steve, and good morning. I just wanted to make a couple of comments. I am happy to take questions later on in the presentation.

The important thing in Barangaroo in respect of Lend Lease's business is that Barangaroo is about providing pipeline and backlog for our business. Simplistically, Barangaroo is an opportunity of around \$6 billion over the next 10 to 15 years; it should provide our Bovis Lend Lease business with around \$3 billion of construction work; it should provide our capital management business in terms of mandates and funds under management with a similar figure of around \$3 billion to manage; it will provide our apartment business; our office business, our retail business with development fees and long-term management opportunities.

Lend Lease was awarded the project in December. We are currently finalising contracts and we expect to execute final contracts with the New South Wales Government within the next week. Some of you may have seen the Premier on Tuesday gave the authority for the Barangaroo Development Authority to finalise contracts with Lend Lease.

It is a large quantum of work and it puts us in a very strong position and really under pins our development business, our construction business and so on in Sydney, as I said, for the next decade.

It is Sydney's largest ever project. It is a very unique site, but development is not just about the site; it is about the acquisition, it's about your ability to execute, it is about getting the capital model right, and all those things are fundamental to what we have put together at Barangaroo.

The size of the site is however unique. There is effectively an ability to start with a blank piece of paper. A lot of people think the western edge of the city is the back door of the city, but if you look at it, it is within the same walking distance as Wynyard station and the buses at Wynyard as Martin Place is. It is very close to the CBD, and perhaps unlike what has happened at Canary Wharf or Docklands in Melbourne, this is a core CBD project and it has already been reflected in the quantum of capital interest and tenant interest already coming to Lend Lease.

Importantly, it is also a project that has the full endorsement of the State Government. Again, the Premier on Tuesday endorsed our design, endorsed starting on the project. It already has a concept planning approval in place. We are looking to amend that but the reality is it has planning consent in place. Remediation will start in June and we expect to be into the first buildings prior Christmas.

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With the robust financial characteristics of the project, Barangaroo also presents some further opportunities for the Group. Clearly, it is an opportunity to cement our brand as Australia's leading property company, and in fact Barangaroo is really a global opportunity. It will enable us to build stronger relationships with capital, with suppliers, with tenants and it should really become a fly wheel for the whole Group, both within Australia and beyond, and it will certainly enhance our reputation and partnership in working with Government.

We believe the project will be a show case for Lend Lease's integrated skills and we intend to use the full breadth of Lend Lease's integrated capability.

A snapshot of the site overall - the total site of Barangaroo is 22 hectares; stage 1 Lend Lease's development rights are over the southern third of the site, it is seven and a half hectares. We intend to build 14 buildings on the site. There are a number of tall buildings. You will continue to see debate and speculation in the press. The reality is we have gone through a confidential bid process. We haven't been able to engage with the community. We are now engaging with the community. The public exhibit is now open. If you would like to have a look at it, it is open on Hickson Road. We held an event for a thousand people at Angel Place this week in terms of showing the public what is planned. But there will be debate, and I think debate is healthy, debate about what the future of our city should be and debate about the role Lend Lease can play in the creation of those future cities.

It will be a vibrant part of the city, an extension to the CBD as I mentioned. If you look at floor space in respect of office, it is similar to what has happened in the north east quadrant of the city over perhaps the last 15 years with Aurora, Chifley, the Deutsche building, Governor Phillip and so on. It is similar in floor space and regeneration value and certainly similar in quality to what has been created there. So it will be all A grade and prime space, and if you look at the future demand for office space in Sydney, Barangaroo will supply about 30 percent of the new floor space in Sydney over the next ten years.

It is an opportunity also to create a new generation of buildings. Talking of businesses now, it is not just about floor space and floor play, albeit that is important, but Barangaroo really is an opportunity to create great design, great efficient floor spaces and a great working environment.

As I said before, it offers all our businesses a key role. In terms of our office business, it will cement us as the A grade office supplier here in Australia. Our CBD retail skills will be enhanced and we will have over 30,000 square metres of high quality retail, a large number of apartments. I think you would all be aware harbour front land for apartments, there virtually isn't any in Sydney. Barangaroo is the last prime harbour front residential site in the city, and as I said before significant opportunities for our investment management business.

Very briefly on sustainability and safety, obviously safety is the key way we work in Lend Lease, as is sustainability. This Barangaroo project will really give us an opportunity to demonstrate world class sustainability leadership. All the buildings as a minimum will be six star design and build, but in addition to doing great environmental buildings, which I think will certainly attract smart capital and smart tenants moving forward, we will also be

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doing precinct wide sustainability initiatives. So it will be an opportunity to build and demonstrate Lend Lease's skills as a world leader in sustainability.

In closing, Barangaroo fits with our Lend Lease model, it is a mirror of our strategy. It demonstrates when the Group works together in an integrated way. The fact that we were selected over Leightons, over Mirvac, over Macquarie and over Brookfield Multiplex shows that Lend Lease is competitive and Lend Lease can put together the best property solutions. It will create a very large backlog for our business and really underpin the future of the various parts of our business in Sydney over the next decade.

I will be happy to take questions afterwards.

MR STEVE McCANN: Okay, thanks, David. I will now invite questions from the room and from the phone lines. However, I need to say that because this presentation is open to people who will be ineligible to participate in the capital raising, legal restrictions prevent me from discussing the specific details or practicalities of the capital raising beyond what I have given you in the presentation. We will be providing eligible investors with the information they need to participate separately. So I would appreciate if you would refrain from asking questions about the offering process.

When you do ask a question, if you could please mention who you are and where you are from.

MR JOHN RICHMOND (Merrill Lynch): Just two questions on your results if I could, Steve.

On Crosby specifically you said that you had revenue in excess of the pre-written down values. Will you be writing that back up and if so will that be reflected in a future balance sheet issue or through the P & L?

MR BRAD SOLLER: We have not written back any provisions in relation to units that actually have been unsold. We have just taken recurrent value and recognised it as a cost itself.

MR JOHN RICHMOND: So are there no future profits from Crosby?

MR BRAD SOLLER: No, we will continue to actually sell units and to the extent that those units are realised at a value greater than our current book value we will recognise a profit, but we haven't written back provisions on units that have not been sold.

MR JOHN RICHMOND: Okay, thank you. Are you guys able to disclose the specific costs in the period associated with the restructuring costs in the US construction business and also give us a feel for how they might return in the second half?

MR STEVE McCANN: We are not going to get into specific details but there are a number of one-off costs in the US construction business which if you strip them out, US construction would have actually been profitable.

MR JOHN RICHMOND: And in the second half?

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MR STEVE McCANN: In the second half there will be ongoing restructuring costs throughout our business but I have given a statement on our outlook for the full year already, which we expect to be broadly in line with last year.

MR JOHN RICHMOND: I think at Romford and the O2, the asset sales that you have done in the period, you have given the revenue associated with them. Are you guys able to disclose the profit on those, and also give us a feel for what type of asset sales you might be taking in the second half? PPP is an obvious one I guess.

MR BRAD SOLLER: In relation to the profit from the asset sales, we made just over \$30 million. In terms of asset sales that we actually target in the second half, as Steve said, it would depend on market conditions. We have flagged that we are looking to sell the PPP assets in the UK. Whether they are actually achieved in the second half of the financial year depends on how fast the sales processing is.

MR JOHN RICHMOND: Thanks very much.

MR ALISTAIR REID (J P Morgan): Can I just start with hopefully a simple one, just the way we should be thinking about it. Previously you said you had financial capacity to undertake \$2 billion worth of capital deployment over the next three years. Subsequent to identifying that you've then deployed \$1.2 billion and identified a further 1.6. If we add that together we get 2.8, hence the 800 million raising. Can we pigeon hole it is as simply as that?

MR STEVE McCANN: Not quite, because the actual committed amount is 1.8, not 1.2. So if you add the 1.8 and the 1.6 you get 3.4. So raising 800 doesn't give us the capacity to invest up to 50 percent of every project. What it does is give us the capacity to be flexible in how we allocate capital, and, as I said, we have very substantial interest from our investor base. If you look at what the Investment Management business has done in the last couple of years, which has obviously been at a very difficult point in the cycle, nevertheless they have managed to raise \$3 billion in new debt and over a billion in new equity. So they have substantial capacity to invest alongside us. We will be making choices based on the risk return metrics that we face with each project.

MR ALISTAIR REID: Thank you, and a question on the Delfin, the unzoned projects. Can you give us an update on say for example a couple of the larger ones like Yarrabilba and Rocky Springs, how you are going there in terms of getting DA?

MR DAVID HUTTON: Planning in Queensland continues to be difficult to some extent, albeit we have made excellent progress on Rocky Springs. That is now zoned and we should see our first sales come in the first calendar half of next year. We are very happy with progress there. There are a few things still to tidy up but that will now move into zoned backlog.

Yarrabilba in South East Queensland is a very large project which, as you are aware, we have been working on for a couple of years. The focus there is really on the infrastructure agreement with the State Government. We are continuing to make progress and what we are working towards now is a partial rezoning to see the initial lots released. There is still a little bit more work to go there but progress is being made.

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MR ALISTAIR REID: One final one just on capital recycling opportunities. Can you comment on whether or not we should expect a potential change in the ownership structure of Somerset following the successful opening there, either a buy or sell down or partial sell down of your direct or indirect interests, and can you make any broader comments about other opportunities out there?

MR STEVE McCANN: From a capital recycling perspective generally let me say that we have got \$3.3 billion of assets on balance sheet, all of which are available for sale. We have made it clear that we are a recycler of capital, we are not a long-term holder of completed projects. We have also made it clear we are not a stress seller, so we won't be selling at the stress prices near the bottom of the cycle.

Somerset, we own 25 percent of that direct, and there is substantial interest in that asset, so you would expect to see us sell that over time, but we will wait for stabilisation of the asset before we look to the market.

We have questions from the phones so I might go to them.

MR JOHN FREEDMAN (UBS): Firstly, can you tell us what the growth margins were on Delfin sales in the period, how that compared to last period; and, secondly, have you nominated a replacement CEO as yet?

MR STEVE McCANN: I will answer the second question first. I wasn't expecting to resign shortly.

MR JOHN FREEDMAN: Sorry, the Delfin CEO.

MR STEVE McCANN: Brad will take the first question. On the Delfin CEO, Toni Milis in Delfin has stepped up to run that business. We are conducting an external search as well to benchmark what is - not to benchmark against but to benchmark what is out there, but Toni is a very capable operator. She has been with Lend Lease for many years and was a senior member of the management team within Delfin before David's departure. So it was an easy decision to put her in charge.

MR SOLLER: In relation to the margin question, the growth margins we are making on Delfin sales, during the first half were around about the 26 percent mark.

MR JOHN FREEDMAN: And how does that compare to last year?

MR BRAD SOLLER: It would be lower, given the fact that some of the New South Wales projects the sales would have come through at the written down value amount.

MR JOHN FREEDMAN: But that is a rise, included in entry, is that fair?

MR BRAD SOLLER: I am sorry, I didn't understand your question.

MR JOHN FREEDMAN: And could you expect a lift in that margin next year, given that conditions have improved?

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MR BRAD SOLLER: If we continue to see a rise in residential prices, it is safe to assume that that margin will actually improve.

MR JOHN FREEDMAN: A quick question on the capital side. Close to raising you will have \$1.8 billion in cash. Just looking at the speed of deployment, I guess, by sort of June and December this year, because I'm assuming you're not really prepared to discuss those now, what are you budgeting to have drawn that down by?

MR BRAD SOLLER: We have highlighted some of the key projects that we actually are looking at. We are expecting over the next three years probably a move up to say 15 and it will probably actually move to that level in almost a linear phase as we actually deploy the capital of that.

MR JOHN FREEDMAN: Okay, so by June though, shall we see that \$1.8 million won't be hugely diminished, well by a couple of hundred maybe?

MR STEVE McCANN: The decision as to how and when we invest in different projects is, as I have outlined, a decision that we need to take having regard to all those opportunities. The key issues, we have got a fantastic suite of opportunities to invest in and the capital raising will give us that flexibility, but the investing decisions themselves on the project that we have need to be made over about probably the next six month window.

MR JOHN FREEDMAN: Okay, and of the capital that has been raised, from your comments earlier you are suggesting that really none of it is really to do with the rating agencies?

MR STEVE McCANN: I will re-emphasise what I just said. We outlined, going back to Alastair's question, \$3.4 billion of projects that we have available for investment, and all of the projects that we have on our books and the projects we are looking at are showing very attractive returns compared to our cost of capital. We have made it clear that we think now is the right time to invest in the cycle and that is what the capital raising is all about.

MR JOHN FREEDMAN: Okay, and can I pursue the opportunity to rule out the speculation about Bilfinger here? It's clear you've got a phenomenal internal pipeline.

MR STEVE McCANN: Thank you for the opportunity, John, but I won't comment on any potential acquisitions or otherwise. What I will say though is as you can see Bovis in the Asia Pacific region has had a record half year and is clearly a market leader, so we don't need any strategic acquisition to gain a market leadership position. If there are any opportunities out there that are strategic and are cheap, we will look at them.

MR JOHN FREEDMAN: Okay, and with the Bovis record result, can it maintain that into the second half or will it be close to it?

MR STEVE McCANN: Our outlook for the second half is broadly in line with the first half in Bovis.

MR JOHN FREEDMAN: Okay, thank you.

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MR JOHN RICHMOND (Merrill Lynch): Just another quick follow-up one if I might. Looking at the profitability ratio in Australian construction, it was very strong this period. If you can just talk to where you see that going longer term and also generally the roll out of new projects and the likely win rate that you guys have in Australia. You have had a very strong period. I'm just trying to get a feel for that in the subsequent period.

MR STEVE McCANN: Obviously, looking out, it is hard to be too definitive as to where things head, but the market in Australia and the economy in Australia is very strong and seems to be very resilient. We have some time ago repositioned the Bovis business to look at opportunities outside of the pure commercial sector and so our actual percentage of government work increased over 50 percent over the last 12 to 18 months. That has clearly underpinned Bovis' success.

Also, with the development pipeline we have procured, we have got a very long tail of development projects and we certainly intend to use Bovis on the vast majority of that development. So the outlook for Bovis in Australia is very strong. The profitability ratio, as you said, is very high. The business is performing at the top of its game. Obviously, we need to make sure that that performance continues.

The other point I would make is when you look at Bovis and our development pipeline, one of the key factors is lack of competition. We have positioned ourselves very well for the bottom of the cycle. We went into this downturn with a lot of cash and with the resources to compete very well and that is why we have been able to procure these deals at very attractive returns.

MR MICHAEL BROOKES (Commonwealth Bank): In terms of your negotiations for the selling back facility, will you be seeking a variation of the size?

MR BRAD SOLLER: No, the acquisitions actually roll out in terms of the ...

MR MICHAEL BROOKES: And what about the targeted tenants, that you want an extension?

MR BRAD SOLLER: We will look actually obviously to get ... we will be looking for.

MR STEVE McCANN: Do we have another phone question?

MR SIMON THACKRAY: Hi, just a quick one. I am just looking Bovis' backlog GPM profile at the half of the full year. Comparing the two periods, of what was going to drop out in this current financial year, looks like you have only done about 25 percent of the backlog GPM in the first half versus where it was at the full year. So just reflecting on John's earlier question, it presents itself as though the second half is actually going to be stronger for Bovis. Is that a correct way to look at it in terms of the GPM? I heard your comment that it will be roughly in line but it actually looks like it is going to be stronger in the second half than the first half on these numbers.

MR STEVE McCANN: Our numbers at the moment show roughly in line, as I said, but there are a number of things that go into that. Obviously, we are, as I have mentioned, looking at where we operate going forward in Bovis. We are doing a full review of the

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CEMEA region. We will come out of countries that we don't believe we can operate safely and profitably into the longer term. There will be some costs associated with that. We factored all of that into our thinking.

MR SIMON THACKRAY (RBS): Okay, fair enough, and I guess on that question of look at the margins, certainly your GPM or the EBITDA margins for the Americas, the revenue is has clearly been hidden, but I am interested in that the extent of the costs I guess around the inquiry in the US and what plans are for addressing the fixed costs base if the US, if any, and is it an issue?

MR STEVE McCANN: In relation to the first part of your question, I think the US region showed a loss of 19.9 million for the half, and as I mentioned, that would have actually been positive if you took out the one-offs. I am not going to break them down, but if you took out the one-offs, that would have been the case.

In relation to fixed costs, when you say that, clearly within the project management and construction business there is somewhat of a transient workforce, because as projects compete and we don't have other projects to commence, then we are reducing the size of our workforce, and that will fluctuate over time with volumes in the market and it is driven primarily by market conditions.

On the fixed costs level, we are looking at rationalising some of our offices in the US, just to reduce the fixed cost base during this difficult period. That is what you would expect us to do across all of our businesses and we have been.

MR SIMON THACKRAY: All right, that's great, thank you.

MR STEVE McCANN: I am not seeing any more questions, so thank you very much for joining us.

MEETING CONCLUDED AT 12PM