



17 February 2000

Lend Lease Corporation Half Year Results

STOCK EXCHANGE AND MEDIA ANNOUNCEMENT

Lend Lease Corporation Limited (Lend Lease), Australian based international property and financial services group, announced an increased after tax operating profit of \$276 million for the six months ended 31 December 1999, a 34% increase on the corresponding period of the previous year (December 1998 - \$206 million).

The result included a profit after tax of \$91 million from the sale of a further 20% of Bluewater retail and leisure centre. There are no additional sales of Bluewater planned in the second half of the 1999/2000 financial year; consequently the second half operating profit after tax is expected to be less than the first half and the full year increase in operating profit after tax will be in line with previous pronouncements.

Basic earnings per share were 54.3 cents for the half year, compared with 40.7 cents for December 1998, an increase of 33%. Pre-amortisation earnings per share - earnings before amortisation charges - were 57.6 cents, an increase of 41% over the previous corresponding period.

The Lend Lease Board of Directors announced an increased interim dividend of 32.0 cents per share (December 1998 - 29 cents per share) fully franked at 36%, to be paid on 15 March 2000.

Operating Performance

Major features of Group activities for the six months included:

Acquisitions totalling A\$1.3 billion, including Bovis, a global project management and construction services company; the Boston Financial Group, a leading U.S. institutional real estate advisor, 55% of a major Hong Kong life insurance company, CEF Life; and Godfrey Pembroke.

Announcement of the planned acquisition of five AMRESKO businesses for US\$258 million. The acquisition is subject to regulatory and other approvals. Subject to the receipt of all necessary approvals, the transaction is expected to close in March 2000. The acquisition has consequently been excluded from the Lend Lease half year Financial Statements.

Sale of a further 20% of Bluewater retail and leisure centre (10% Prudential, 10% Hermes), contributing \$91 million.

A 19% increase in funds management and administration sales in the Financial Services segment. Retail sales increased by 36%, while Funds under Administration sales increased 239% to \$913 million, mainly due to strong FlexiPlan sales of \$587 million and the inclusion of Godfrey Pembroke sales since July 1999 of \$122 million. Retail net funds flow at \$627 million (December 1998 - \$403 million) was 56% higher.

Real Estate contributed \$180 million profit after tax (December 1998 - \$76 million) to the result, 65% of total Group profit. Of this total, Property Development contributed \$90 million profit after tax (1998 loss \$4 million), reflecting a part sale of the Bluewater retail and leisure centre in Kent, England, profits from Australian residential projects, and reflecting certain overhead costs; Real Estate Investments contributed \$64 million profit after tax (December 1998 - \$45 million); Bovis Lend Lease increased profit after tax to \$26 million (of which Bovis contributed \$8 million), up from \$24 million in December 1998.

Bovis Lend Lease's committed forward workload as at 31 December 1999 was \$7.8 billion, compared to \$2.2 billion at June 1999. Of the \$7.8 billion, \$6.3 billion is attributable to the newly acquired Bovis business, the majority of which (\$6.2 billion) is projects located in North America and Europe.

Real Estate Funds under Management in North America increased from US\$23.7 billion at 30 June to US\$32.3 billion at 31 December 1999, mainly reflecting the acquisition of the Boston Financial Group. Boston has added US\$8 billion to Funds under Management. Net of acquisitions, the US REI business had an increase of \$0.6 billion in FUM.

Segment Contributions

Principal contributors to the Group's operating profit after tax for the six months, with comparison against previous periods, were:

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	December 1999		December 1998		Full year to June 1999	
	\$M	%	\$M	%	\$M	%
Financial Services	111	40	118	57	200	48
Real Estate Investments	64	23	45	22	58	14
Project Management and Construction	26	9	24	12	35	8
Property Development	90	33	(4)	(2)	128	30
Equity Investments	36	13	20	10	51	12

Earnings per Share

Accounting earnings going forward will be distorted by amortisation of goodwill and management agreements - a non cash item. Lend Lease plans to release the Westpac accounting profits - another non cash item - to offset the amortisation charges. The first impact of this policy will be seen in the June 2000 accounts.

Consolidation of Statutory Funds

The Group's Consolidated Financial Statements at 31 December 1999 include for the first time the Statutory Funds of MLC Limited ("MLC") and MLC Lifetime Company Limited ("MLC Lifetime"). The inclusion of the Statutory Funds is required under the Australian Accounting Standard AASB 1038 Life Insurance Business which was made effective from 1 July 1999.

The requirement to consolidate the Statutory Funds has a material effect on how the Financial Statements are reported though this has no impact on the operating strength of Lend Lease. The impact of the AASB1038 includes increases in:

Operating revenue by \$2.0 billion
Operating profit before tax by \$258 million
Profit after tax by \$2 million
Total Assets by \$24 billion
Total liabilities by \$23.6 billion;

and decreases in:

Shareholders' equity by \$1.5 billion.

Care needs to be taken when interpreting the consolidation of the Statutory Funds. Assets and liabilities of the Statutory Funds are subject to the provisions of the Life Insurance Act 1995. Given the restrictions imposed by the Life Act, the Directors are of the opinion that the inclusion of the Statutory Funds in the Consolidated Financial Statements of Lend Lease as required by the Australian Accounting Standards may lead to a distorted impression of the Group's position. Whilst the Directors recognise the importance of complying with Australian Accounting Standards, it has been considered prudent to also restate the financials in order to provide what is considered by the Directors to be a more useful view. The restated financials are contained in the Appendix to the MD&A.

Year 2000

The Lend Lease Group's operations in Australia, Asia, Europe and the USA successfully transitioned to the Year 2000. There were no Y2K related disruptions to our systems, operations or services.

As a precautionary measure, we will continue to monitor our systems on an ongoing basis.

Expenditure on the Lend Lease Group's Y2K Programme will not exceed our reported estimate of A\$95 million, as disclosed to the Australian Stock Exchange on 30 September 1999.

Tax Reform

On 21 September 1999 the Government released the Review of Business Taxation Report, "A Tax System Redesigned". At the same time the Government announced that it was adopting many of the Review's recommendations. The key recommendations adopted by the Government impacting Lend Lease involve changes to the corporate tax rate (34% 2001; 30% 2002) and changes to the basis of taxation of life insurance companies commencing for year ended 30 June 2001.

The Government has announced transitional provisions to phase in the introduction of the new basis of taxation for life insurers. However, the specific basis on which life insurers will be taxed is still being reviewed by Government in consultation with the industry.

Board Changes

Don Sanders and Bill Webster both retired from the Board at the Annual General Meeting in October 1999.

Gordon Edington and Peter Goldmark were appointed to the Board of Lend Lease Corporation, as non-executive Directors, with effect from 1 December 1999.

Peter Willcox advised the Lend Lease Board in December that he no longer wished to take over as Chairman from Stuart Hornery. In mid-January Lend Lease announced the appointment of Jill Ker Conway as Chairman Elect. She will assume the role of Chairman on the retirement of Stuart Hornery at the Annual General Meeting to be held on 2 November 2000. Jill has been a Director since 1992 and was appointed Deputy Chairman in August 1998.

Profit Expectations for the Full Year

The Board expects to deliver an increase in profit after tax for the full year to June 2000. This would result in an increase in earnings per share, and fully franked dividends for the 1999/2000 financial year.

Yours faithfully

DAVID HIGGINS
Managing Director