Lend Lease

FULL YEAR RESULTS

June 2002

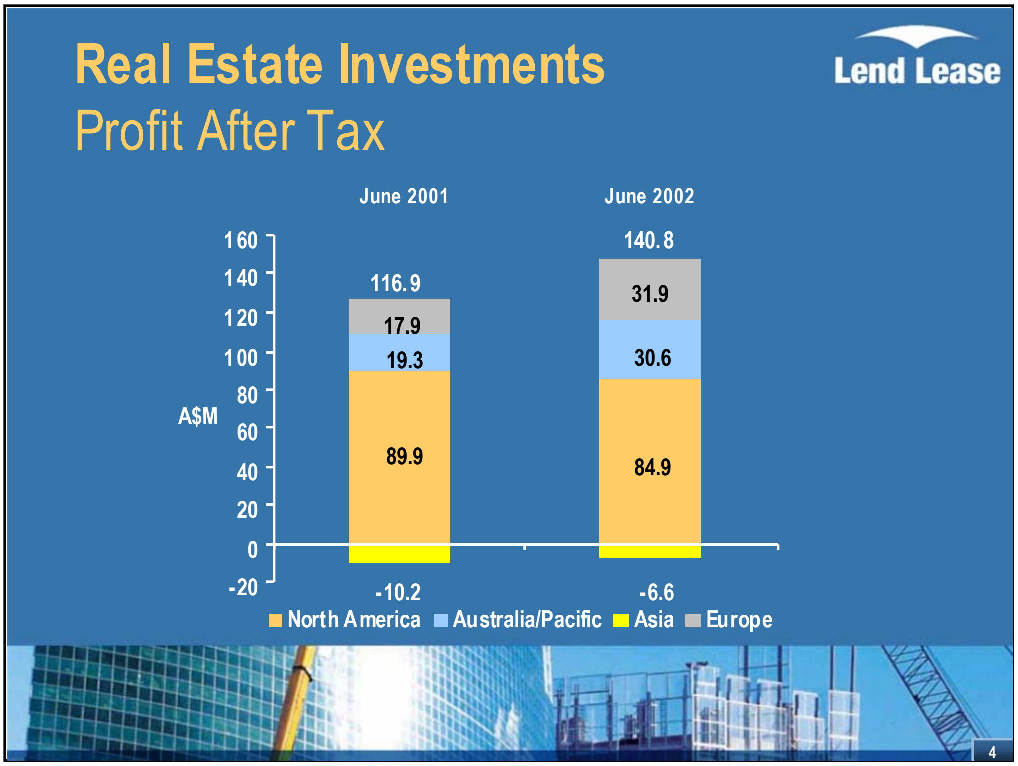
- Let me first say that the Board is pleased with last year's result, which was achieved despite turbulent global economic conditions.
- The profit of $226.3 million after tax sits comfortably with the expectations we have shared with you during the year.
- The final dividend declared of 9 cents fully franked will deliver a total dividend for the 2002 financial year of 18 cents – as foreshadowed 12 months ago.
- And importantly, our outlook for 2003 earnings remains unchanged from that at May. To achieve this outlook, we expect to grow 2003 operating earnings by at least A$28 million after tax in order to replace the last of the Westpac profit which was recorded in 2002.
- Our search for a new CEO is progressing well.
- The Board met with the search consultants this week and reviewed their recommendations and talent pool.
- We are on track with the process and, as we indicated in May, we expect to announce an appointment later this year or early next year.
- I will return at the end of this presentation to update you on the issues which the Board is currently addressing, particularly our continuing focus on how to optimise returns from the REI business and some changes to the Lend Lease Board.

Lend Lease

Earnings per Share Growth

Earnings per share (eps)	¢ per share June 2001	June 2002	Increase
Reported eps	33.5	52.4	56.4%
Pre-amortisation eps	54.2	73.7	36.0%

- The economic conditions over this last year have certainly been challenging, and in that context I am pleased with our result for 2002.
- Pre-amortisation earnings per share grew by 36%. We recognise that this growth was from a low base in 2001which included a number of provisions. Beyond that, there are a few key points about the result which we want to bring out:
  - Both RES and REI global businesses contributed to the improved result.
  - RES has performed strongly.
  - While REI grew overall, returns from the US business were down.
  - It will come as no surprise that the continuing problems in the US economy make meaningful growth in the US in the short term a challenge. This outcome underscores the reasons for our on-going focus to improve the shareholder returns from this business going forward.
  - That said, I want to be clear we are very satisfied with many parts of REI in the US and around the world.
- Let’s look at REI operations in more detail.



- Global REI profit was up 20% for the year.

- Australia performed well, and Europe and Asia also improved their relative positions.

- As projected in February, the US business was down overall but, as you will see, there were a number of good performances from various units within the US operation.

Real Estate Investments
Assets under Management

Lend Lease

		June 2002	June 2001	Growth/ (Decline)
North America	US$B	38.4	38.8	(1.0)%
Australia	A$B	11.8	11.0	7.3%
Asia	US$B	1.0	0.8	25.0%
Europe	£B	2.0	1.8	11.1%

- Worldwide Assets Under Management were A$86 billion at June 2002.
- In the absence of currency movements, Global Assets Under Management increased by 1% over the year.
- In home currencies, Assets Under Management grew in all regions except the US, where it was down marginally.
- Let's now turn to the different regions. I want to look first at the US and Australia where we have well established businesses. I will then review Europe and Asia where we are still clearly in the build-up phase.

Lend Lease

Real Estate Investments - US

	June 2002	June 2001	Growth/ (Decline)
• PAT contribution	A$84.9M	A$89.9M	(5.6%)
• Assets Under Management (US$)			
– Equity	17.1B	19.6B	(12.8)%
– Housing and Community Investing	8.6B	7.9B	8.9%
– Commercial Credit	12.7B	11.3B	12.4%
– Total	38.4B	38.8B	(1.0)%

6

- In the face of very difficult conditions in the US, and despite the efforts of employees, profit after tax was down 5.6%.
- Total US Assets Under Management also decreased slightly by $400 million. There was good growth in HCI and Commercial Credit, but the 12.8% reduction in AUM for the Equity business was a disappointment.
- As AUM is one of the drivers of the Equity business through both asset management and transaction fees, such a reduction in AUM puts an extra drag on earnings growth in 2003.
- Nevertheless, I want to reinforce with you that while the current returns are not acceptable for our shareholders, we should not lose sight of the value of the REI business platform:
    - It is after all the biggest and most comprehensive REI platform in the US;
    - With around 2,500 employees, it offers a critical mass of real estate expertise and services;
    - It has the capacity to service strong growth in AUM without significant increase in costs.
- As we said in May, the Board and management have intensified focus on how to optimise the performance of the business and its returns to shareholders.
- The key point of this focus is how to achieve secure access to capital beyond the pension funds market whilst continuing to drive improvement of service and performance for our clients across all business units.
- So in that context, let’s look at the Equity business first.

- The Equity AUM decline was a net US$2.5 billion over the year after new acquisitions and inflow of US$1.1 billion.
- Just over half of the decline in Equity AUM was due to increased dispositions from The Equitable General Account and a US$500 million asset sale for a client due to a change of strategy for them.
- The remainder was a combination of some redemptions and asset revaluations in a tough market.
- There has been some good news from the early weeks of the new financial year, with more than US$1 billion in either AUM or capital commitments. For example:
    - Closure of Value Enhancement Fund V with commitments of US$260 million;
    - A new mandate from New York State Teachers' Fund of US$240 million;
    - The recently announced Lend Lease US Office Trust acquisition in Miami which adds US$140 million in the US; and
    - Our recent acquisition of a further 25% of Lend Lease Rosen will add around US$500 million to AUM.
- Lend Lease Rosen is a growth business. This consolidates our position in a strong market and helps with our objective of broader access to capital. We have committed to acquiring 100% of this business over the next 3 years.

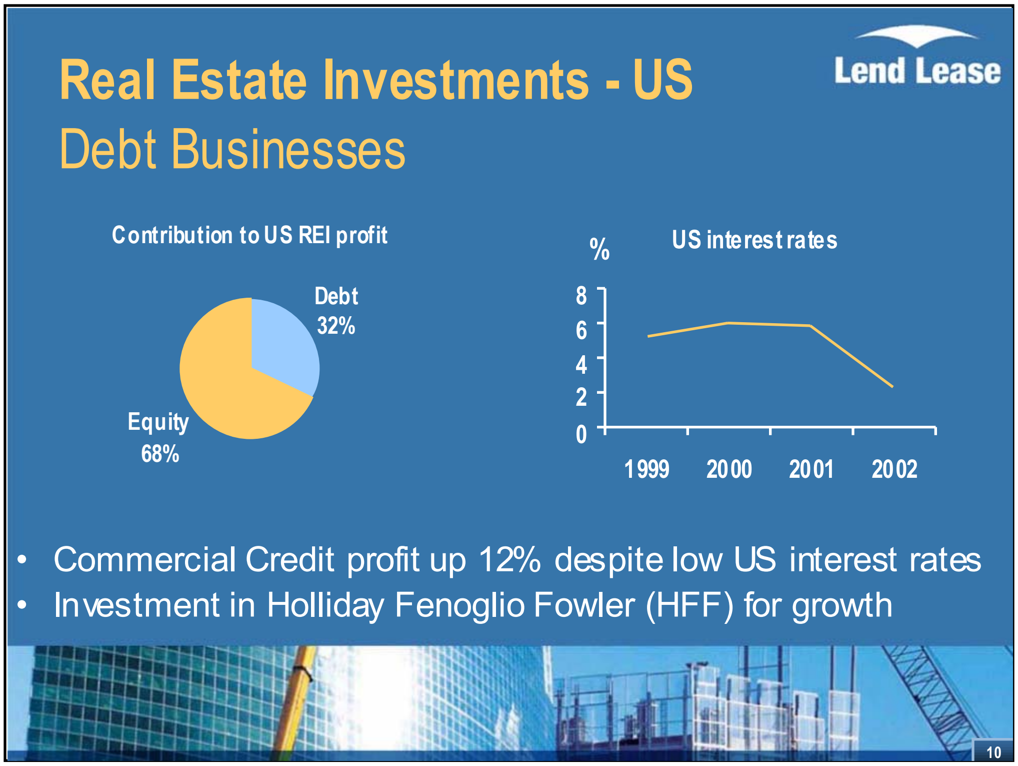
- So, while these transactions indicate some improvement compared to conditions in ‘02, on-going economic uncertainty in the US calls for caution about short term growth prospects.
- This underscores the importance of resolving secure access to broader sources of capital than our traditional focus on the US pension funds market.
- Discussions with various parties have led to a number of alliances for individual lines of service and products.
- However, we would prefer to establish a much more comprehensive arrangement than a series of one-off agreements.
- This is a complex task, especially in ensuring that at the end of the day such arrangements actually enhance returns from the business.
- We are advancing with the review of our options and should be in a position to elaborate on this over the coming months.

Lend Lease

Real Estate Investments - US
Housing & Community Investing (HCI)

- Strong performance over the year
- Assets Under Management up 9% to US$8.6B
- Business on track for increased transactions and revenue in 2003

- HCI has continued its strong performance with a 20% increase in acquisition volumes in 2002. This was primarily due to increased Federal affordable housing tax credits issued during the year.
- Importantly, the business has maintained its market share and is on track to achieve increased transaction volumes in 2003.
- Let’s now look at the Debt businesses.



- Our Debt businesses include Commercial Credit and HFF.
- They again contributed around one-third of US REI profits.
- The Commercial Credit business delivered a 12% increase in profit despite a reduction in revenue.
- This was a result of a very successful focus on costs by management.
- The historically low interest rate environment in the US had a clear impact on Commercial Credit’s revenues, particularly the earnings on the CapMark float.
- HFF made a small loss mainly because of thinner margins on lower originations in the wake of September 11.
- Despite a continuing low interest rate outlook in the US for the short term, our combined Debt businesses are well positioned to continue to manage their way through this environment.

- We have had continued strong performance by the Australian business, with growth in Assets Under Management of 7% over the year.
- The operating profit of the Australian business grew by around 35% in 2002.
- In addition, the sale of Kiwi generated a profit after tax of A$4.3 million, which resulted in a total profit in 2002 of A$30 million.
- The growth in operating profit reflected:
    - the increased Assets Under Management
    - the end of income support for Darling Park Trust, and
    - the commencement of asset management fees paid by Lend Lease US Office Trust.
- We are very happy with the strong outlook for the Australian business. There is a good market in Australia in which to raise capital in listed vehicles – both for domestic and offshore assets.
- This is exemplified by the market's very strong support for the Lend Lease US Office Trust's acquisition of the First Union Center in Miami just last week.
- It was also pleasing to see our Australian flagship fund, GPT, continue its trend in improving operating earnings and distributions for unitholders.

- Moving now to the REI businesses that we are still establishing, starting with Asia.
- The loss of A$6.6 million in 2002 reflects the still early stage of building the REI business in this region.
- Caution is the key to managing our build-up there, especially given the state of various economies.
- This has led to decisions to delay our entry into the REIT markets in Singapore and Japan for the time being.
- I think the wisdom of this patience is clear, given the significant loss our shareholders would now be facing if we had proceeded with the S-REIT proposal we had before us last year.
- We will only move forward when the economic and market outlook improves.
- In the meantime, we continue with our International Distressed Debt Fund which raised US$350 million and invested US$255 million. Most of this was in Japan, Korea and Taiwan. The Fund should deliver its first profits to us this year.
- We continue to see opportunities for our distressed debt business in Asia, including the potential launch of a second IDDF once the first fund has been largely invested.
- We have also gained investor approval to establish APIC II later this year.
- The Global Fund was also busy carrying out a number of acquisitions in Japan, Hong Kong and Korea.

- Europe is also still in the establishment phase. We have made some good progress during the year.
- The operating loss there reflects our investment in establishing the platform. However, this was offset by the earnings from our 30% interest in Bluewater. In addition, the 2002 result also included a profit from the sale of Arrábida.
- The Generali Lend Lease joint venture has had a successful 12 months. Perhaps the most notable point is that the joint venture generated a profit last year – a good effort given it was only established 18 months ago.
- Some of the highlights for the joint venture were acquisitions of an office building in Washington, the Messeturm office tower in Frankfurt and the recent launch of a €600 million core fund to invest in US and European office properties.
- Over the last two weeks the Global Fund has acquired Akeler Holdings, and a diversified portfolio of properties in the UK, which took the Fund's Assets Under Management to approximately US$1.2 billion. Importantly, the acquisition ensures that the Global Fund team is on track to complete its investment cycle later this year.
- This will allow a second Global Fund to be launched early next year.
- Apart from the Global Fund and the Generali joint venture, the European business has recently won its first separate account mandate for €100 million.
- Our UK Retail Partnership has continued to perform strongly for its investors. Its pre-eminent standing in the market is evidenced by the recent secondary placement at a premium to NAV.

- The Real Estate Solutions business has continued its strong performance, with profit after tax up 26% on last year.
- One of the features in this year's result is the absence of any major provisions in relation to the Development business.
- This, of course, is the outcome we sought when we moved to a third party capital development model.
- We are very pleased with the integration of Bovis Lend Lease and the Development businesses. It has created a strong business that is capital efficient, and we expect that it will continue to produce earnings growth for us.
- Real Estate Solutions is now well advanced in building new businesses with stable, predictable earnings based on its early success in winning PFI contracts in the UK and USA. Again, we have avoided the broad brush approach, instead focusing efforts to build expertise and reputation in health, education and military housing sectors.
- Our Development business has also moved well up the value chain by focusing on integrated opportunities like Victoria Harbour, Greenwich and the Delfin Lend Lease urban communities.
- While our clear focus is on building long term earnings in Real Estate Solutions, we will of course continue to exploit one-off development opportunities where they fit our third party capital model.
- There is a high quality pipeline of such projects coming through over the next 3-4 years in work for some of the funds we manage, as well as Hickson Road, TresAguas and others.
- Let's look at Bovis Lend Lease first.

- Bovis Lend Lease has continued to perform well for us and has delivered an excellent result of a 32% increase in profits over last year in the face of a tough business climate.
- It has continued to secure new projects and has benefited from its strong client relationships.
- In addition, it completed the clean-up of the World Trade Center in New York in a quicker timeframe and at less cost than originally anticipated.
- The quality of Bovis Lend Lease's earnings has continued to improve.
- The proportion of profits derived from longer term contracts and relationships has increased from 36% in 2001 to 38% in 2002.
- We expect this trend of improving earnings quality to continue.

- Two of the key drivers of Bovis Lend Lease's profitability are the growth in Backlog Gross Profit Margin and its Profitability Ratio.
- The Backlog, which is an important indicator of future profit growth, increased by 15% over the year.
- There is also an additional A$112 million of Backlog in relation to UK PFI projects in which Bovis Lend Lease is the preferred bidder, which underscores the strength of the business.
- Our focus on overheads has resulted in a steady improvement in the Profitability Ratio from 22% in 2000 to 30% last year.
- This is an outstanding result, and reflects the benefits of the Business Repositioning Project undertaken during the year.
- Bovis Lend Lease is well positioned to continue to increase its Profitability Ratio.

Lend Lease

Real Estate Solutions
UK Privatisations (PFIs)

		Construction Revenue A$M	Current Status	Contract length years
Health	Calderdale	212	Operational	33
	Worcester	211	Operational	33
	Hexham	68	Under construction	32
	Roehampton	62	Preferred bidder	30
	Havering	433	Preferred bidder	33
	Manchester	743	Preferred bidder	35
Education	Newcastle	109	Under construction	27
	Lincoln	44	Under construction	29
	Lilian Baylis	30	Preferred bidder	27
	Cork Maritime (Ireland)	91	Preferred bidder	27
Other	Treasury 1	267	Operational	37
	Treasury 2	285	Preferred bidder	35

- This slide underscores the momentum we have gained in the PFI sector.
- We have been successful in winning 7 out of the last 10 UK PFI bids.
- This is a very attractive market for us. It has the characteristics we seek: long term contracts, opportunities for integration of our services and repeat business.
- Our Catalyst Healthcare business has 6 UK hospitals which gives us a leading market share.
- This includes the recently won Manchester Hospital, which will be our largest PFI project to date.
- We are also beginning to accumulate a portfolio of Education projects and, as with the Health portfolio, are building a business around those projects.
- In addition, we are bidding on a number of UK military privatisations which will be awarded over the course of the coming year.
- Our pipeline of bids – for both health and education projects – is also very strong.

- The Fort Hood project has now been under way for around 9 months and is proceeding well, providing us with a good track record for future bids.
- Actus Lend Lease reached preferred bidder status for a second military housing project during the year – a joint Navy and Marine base at Beaufort-Parris Island in South Carolina, which is approximately US$130 million in the first 5 years of a 50 year contract.
- In addition, we have recently been invited to enter negotiations towards reaching preferred bidder status on Fort Campbell in Kentucky. If successful, this would involve an initial construction contract of approximately US$325 million over the first 10 years of a 50 year contract.
- We are also bidding on a number of other US military bases.

Lend Lease

Real Estate Solutions
Delfin Lend Lease

	June 2002	June 2001
No. of Projects	21	6
No. of lots sold in the year	4,758	624
Sales Backlog (no. of lots)	42,900	15,600

Varsity Lakes, Queensland

- Delfin, which was acquired in August last year, has been integrated into Lend Lease and produced a profit after tax of $21 million in 2002, which was in line with our expectations.
- As you can see on the slide, it has a very healthy Sales Inventory and, having completed the integration, we are now well placed to grow the Delfin Lend Lease business.
- As an example, we reached agreement with Boral recently for a land management project on their Greystanes site in Sydney.

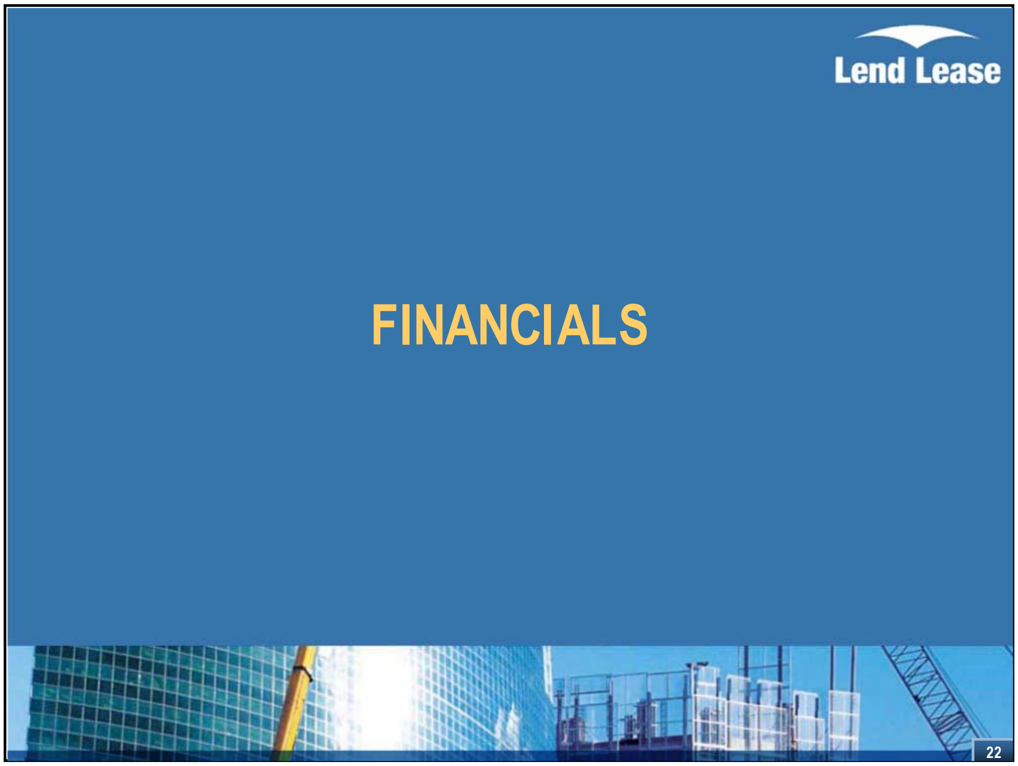
Real Estate Solutions
Urban Regeneration

Victoria Harbour, Melbourne

Greenwich Peninsula, London

- In Australia the Urban Regeneration business generated an after profit of $21 million in 2002, principally from the Jacksons Landing and Newington projects.
- The Victoria Harbour project in Melbourne is progressing with the construction of The National's headquarters, and is well placed to commence residential developments once pre-commitments are obtained.
- We are looking to establish an Urban Regeneration business in the UK, with Greenwich Peninsula being the foundation project.
- After winning preferred bidder status last December, we achieved a contracted status in May, which now remains only subject to planning approval.
- We see a number of opportunities in the UK for this business.

- The completion and sale of the Solihull project generated a profit after tax of $24 million in 2002.
- The TresAguas project in Spain is leasing well, and is on track to open next month. We anticipate a sale of the project in the coming year.
- Hickson Road, which will be the new Sydney base for Lend Lease, was pre-sold to Deutsche Office Trust. We expect the sale to complete upon the building's opening in December next year.
- The Norwich project was pre-sold to Capital Shopping Centres during the year. This has allowed the project to commence and we expect opening to be in 2005.
- So, you can see with these projects, along with the Shell Centre and land adjacent to Bluewater, that we have a pipeline of development projects that will earn profits over the next 3 to 4 years.
- Importantly – without a significant amount of shareholder capital at risk.



- So a good result in '02.
- Very pleasing progress with RES, which is performing to plan.
- And while we need to lift returns from parts of the REI business, there have been some very good performances in this business platform as well.

Improved Quality of Earnings

Lend Lease

Profit After Tax A$M	June 2002	June 2001
Real Estate Investments	127.5	116.9
• Sale of Arrábida and Kiwi	13.3	-
• Restructuring Provision	-	(30.3)
Real Estate Solutions	129.2	106.4
• Sale of Solihull	24.1	-
• Sale of Bluewater	-	60.2
• Sale of Aurora Place	-	19.6
• Fox Studios Provision	-	(65.0)
• UK Development Provision	-	(28.0)
CoolSavings Provision	-	(36.4)
Westpac	28.0	82.7
Amortisation	(81.9)	(82.3)
Other	(13.9)	(7.6)
	226.3	**151.4**

- One particularly pleasing aspect of the ’02 result is the improved quality of the earnings.
- The improved result was achieved predominantly from operating businesses as distinct from “one-off” items.
- Our business model will always include some “one-offs”, either as incentive fees are realised or developments come to fruition but, as we’ve said previously, we expect the proportion of ‘one-offs’ to decline as evidenced in this result.
- One other key aspect of the 2002 result is the absence of significant provisions.
- Our focus on core operating businesses and deliberate move away from risking material amounts of shareholder capital on speculative development projects is starting to bear fruit.

Lend Lease

Capital Strength Maintained

	June 2002 A$M	June 2001 A$M
Group Debt	939	1,119
Group Cash	904	1,081
Net Debt	35	38
Interest Coverage Ratio	7.6X	5.4X
EBITDA	A$593M	A$339M
Gross Capex	A$1,237M	A$855M

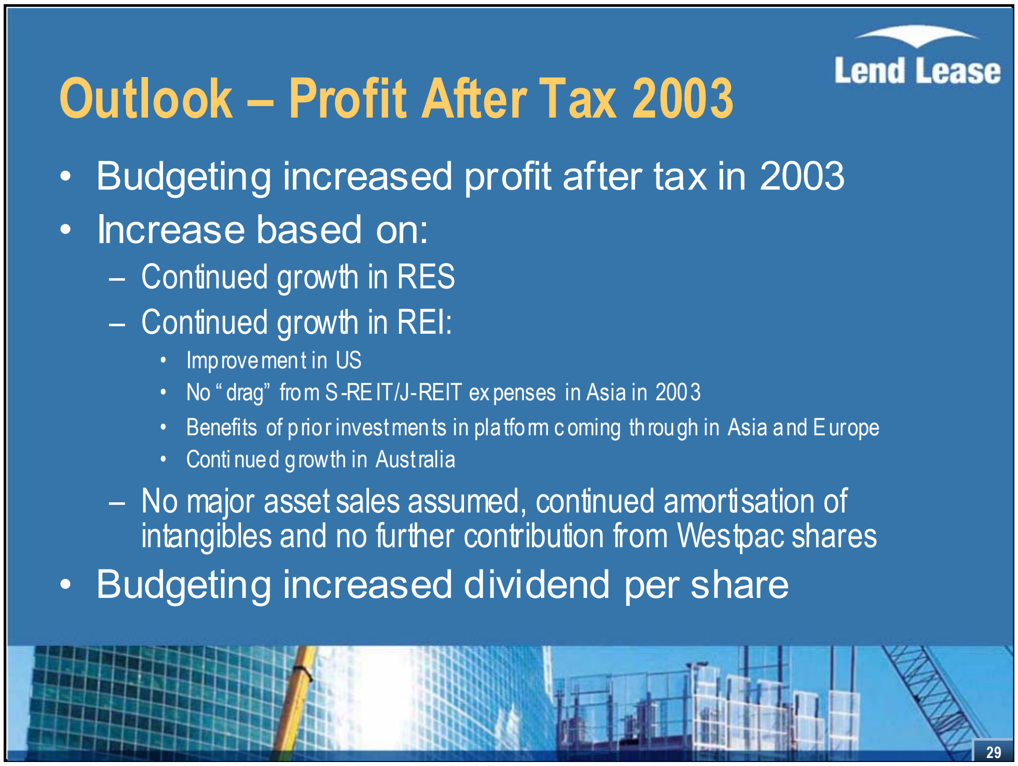
- Despite the extensive investment programme of the past 2 to 3 years, Lend Lease remains in a very strong financial position.
- At the end of June 2002 we had cash of A$904 million and gross debt of A$939 million.
- We have also achieved an interest coverage ratio of 7.6 times over the year, which is stronger than last year and consistent with our policy of maintaining a 7 to 9 times ratio.
- We had 75% growth in EBITDA this year, which is indicative of the strong cashflow generated by operations during the year.
- We remain very disciplined in our approach to investments and acquisitions.
- This discipline saw us pull back from an S-REIT last year and, as David mentioned earlier, this decision saved us from a potentially large write-down.
- The US and UK equity markets have fallen significantly recently, which clearly creates more attractive investment opportunities.
- I am not suggesting that we are poised to announce an acquisition. However, our financial strength positions us extremely well to take advantage of opportunities created by the decline in equity markets.

- Whilst our strong financial position is clear, we accept that Lend Lease's return on capital is lower than it ought to be.
- For the 2002 financial year our Pre-amortisation Return on Equity was 8%. Whilst this is below our Cost of Capital, it does represent a considerable improvement over the 6.4% achieved in the previous year.
- I want to assure you that Lend Lease is absolutely committed to increasing shareholder value.
- As you have seen in the '02 result, we have improved operating earnings and will maintain that focus.
- We have made some progress in reducing the capital intensity of Lend Lease by exiting non-core assets such as Kiwi, Fox Studios Backlot, THI, CoolSavings, and others.
- We have done this in a controlled manner and in a manner that preserves shareholder value.
- There are a number of assets that we plan to divest as these are non-core, but we will only do so as and when the value and terms are satisfactory.
- We still have some work to do on our capital structure given our large cash balance.

- Over time we anticipate the releveraging of the Balance Sheet either through acquisitions, investments, a return of capital to shareholders, or most likely a combination of all.
- Acquisitions by their nature are opportunistic, and in the past 12 months we have simply not seen value in the acquisition opportunities that we have reviewed and, given what has happened to equity values overseas, that was the right decision.
- Our ability to return capital to shareholders is in effect limited to share buy-backs, as unfranked dividends are unattractive to most shareholders.
- We agree with the merits of a buy-back in that it will reduce our cost of capital and enhance both our Return on Capital Employed and Return on Equity.
- However, we have decided not to instigate one at this time for a combination of reasons:
    1. Firstly, we wish to preserve maximum financial flexibility, given the global market and economic uncertainties prevailing.
    2. Secondly, we do not feel it is timely to do a buy-back prior to completing the review of ways to improve the returns from our REI business.

- Our total dividend for 2002 is 18 cents per share fully franked – exactly as foreshadowed this time last year.
- Based on our current projections, we expect to be able to pay an increased dividend in the 2003 financial year.

- The Business Repositioning Project that commenced last year is now complete.
- As I said back in February, it was not a cost cutting exercise. It was an initiative that aimed to introduce increased operational efficiencies that would lead to better performance for our clients.
- Whilst the project was successful in that respect, we also derived a cost saving benefit in excess of 10% on a Group wide basis.
- Our '02 result was achieved after all costs associated with the project were expensed.
- We have successfully reduced on-going Corporate overheads by approximately 15%.
- Bovis Lend Lease's Profitability Ratio was increased from 26% in '01 to 30% in '02. This was largely due to success in overhead reductions.
- Further operational benefits are also expected to be achieved in Bovis Lend Lease in future years.
- In REI the BRP outcome was mixed.
- Overheads were reduced by over 15% in the Australian business.
- A 15% reduction was achieved by the European business despite it still being in its establishment phase.
- The BRP was least successful in aggregate for the US business.
- In the US overheads were reduced in the Commercial Credit business to allow a profit increase despite reduced revenues. In addition, the HCI business was able to increase its operating profit margin.



- In May we said that we would be at the lower end of analysts' forecasts for 2003 earnings, which at the time were A$225 – A$250 million. That guidance is unchanged.
- Given the need to replace the profits from the Westpac shares which were fully divested during 2002, this indicates credible progress in core earnings growth despite continuing global economic uncertainty.
- The 2003 budget is based on profit growth in RES and REI as well as continued reduction in Corporate overheads.
- The growth in RES will come from:
  - Business Repositioning cost savings further improving the Profitability Ratio;
  - Continued growth in Bovis Lend Lease's Backlog ; and
  - A full year of earnings from Delfin Lend Lease.
- REI growth will come from:
  - Improvements in Australia, including Business Repositioning cost savings.
  - An improvement in the overall profit from the US;
  - A positive profit contribution from Asia; and
  - In Europe we will see increased operational efficiency combined with greater revenues from increased AUM.

- It is also important to note that the 2003 budget:
  - Assumes no major asset sales; and
  - Continued amortisation of intangibles, which is approximately A$92 million per annum.
- The bottom line is that while the uncertainty in world economies presents risks to growth, we are positioned to achieve our 2003 budget despite the issues we continue to face in US REI.
- This is, of course, always subject to the proviso that we experience no further major economic or market shocks.

- There are two points I would like to raise before we close the presentation and take questions.
- First, I want to make it clear that we are not waiting for either the new CEO or the recovery of US markets to resolve the issues facing us.
- As we announced in May, the Board appointed a formal Board Committee to work with David and the senior executive team on investigating ways and initiatives to improve returns from the REI business.
- Richard Longes, David Crawford, Gordon Edington and I have been working closely with David, Robert and the executive team on a day-to-day basis. As David indicated, we expect to be in a position to update you on our work over the coming months.

- The second point I want to cover is the matter of the Board's size and membership.
- The current Board size and diversity was built up as we developed our plans for global expansion.
- With this process now largely complete and our focus on execution detail, the Board has unanimously agreed that it is appropriate to go forward with a reduced number of directors.
- In addition to Diane Grady who retired last month, two other non-executive directors have decided to retire at this year's AGM. They are Yong-Hai Chua and Rudolf Mueller.
- Diane and Yong-Hai will continue to serve the Group. Diane remains a director of the US Office Trust, and Yong-Hai continues as Chairman of APIC.
- Albert Aiello will retire from the Board as executive director upon conclusion of his contract with Lend Lease in December.
- This will leave the Board with five non-executive and two executive directors.
- The smaller size will allow us to work more closely with the executive team, as a full Board, on all the important issues, including strategy, governance and audit.
- We will of course keep the size of the Board under review.
- I will reserve my thanks for Yong-Hai, Rudi and Albert until they stand down at the AGM in November, although I must note now that Yong Hai and Rudi have served the Group tirelessly in helping us forge new networks in the South East Asian and European markets, and providing advice on acquisition and partnership strategies.
- Albert has overseen an extraordinary revolution in Lend Lease's IT capabilities and operations that have had to match the Group's rapid transition to a global business.

- So, in summary, we have delivered on our forecast for 2002 despite some very challenging economic and market conditions.
- We expect to achieve good growth in operating earnings in the current year.
- Many parts of REI are doing well and heading for further growth. We are determined to improve shareholder returns from the REI business, particularly US Real Estate Equity.
- Of course the Real Estate Solutions business is doing well and performing to plan.
- The company remains in a strong financial position, which gives us plenty of flexibility to complete our work on REI; take advantage of opportunities which may be presented; and to navigate the on-going economic uncertainty.

Lend Lease

FULL YEAR RESULTS

June 2002