



## Half Year Results 2000

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### RESULTS 31 DECEMBER 1999 HALF YEAR

After Tax Profit	A\$276M	+34%
Earnings per Share	54.3¢	+33%
Pre Amortisation Earnings per Share	57.6¢	+39%
Dividend per Share	32¢	+10%

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## EPS GROWTH

- Target for accounting eps is 10% for the current year
- Target for the remaining 4 years of our 5 year Business Plan is 10% p.a.
- Capital is being reallocated from property assets and equity interests to investing in Operating Businesses
- Economic environment is becoming more challenging

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## OPERATING PROFIT COMPONENTS

<b>Core Businesses</b>	<b>Dec 99</b>
Financial Services	40%
Real Estate	65%
Corporate Costs (interest, amortisation etc)	(5%)

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# Financial Services

FINANCIAL SERVICES RESULT		
	Dec 99	Dec 98
After Tax Profit	\$111M	\$118M
<ul style="list-style-type: none"><li>• Underlying MLC performance stronger than expected</li><li>• Good investment performance</li><li>• Strong retail FUM net cash flow at \$627M</li><li>• Strong retail FUA sales at \$761M</li><li>• Funds Under Management &amp; Administration</li></ul>		
	\$33.8B	up 19%

## INVESTMENT PERFORMANCE

- MLC Growth Fund in Top 5 Managers for every year period in the last 10 years
- In the year to December 99 MLC global equities fund delivered a return 1,500 basis points better than MSCI
- In the year to end January, MLC Growth is 1/37 in the Mercer survey and MLC Balanced is 4/37
- MLC secured a 4 Star Rating from Morningstar as a Fund Manager

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## FINANCIAL SERVICES

### FUNDS MANAGEMENT (RETAIL)

	Dec 99	
Sales	\$1,858M	(+36%)
Net Cash Flow	\$627M	(+56%)
Retail FUM	\$17.9B	(+19%)

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## FINANCIAL SERVICES

### FUNDS MANAGEMENT (RETAIL)

	Dec 99	
<b>Sales</b>	\$761M	(+135%)
of which		
• FlexiPlan	\$587M	(+83%)
• Godfrey Pembroke	\$122M	
<b>FlexiPlan FUA</b>	\$2.3B	(+79%)

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## FINANCIAL SERVICES

### FUNDS MANAGEMENT & ADMINISTRATION (CORPORATE)

<b>Sales</b>	\$719M	(+6%)
<b>Net Cash Flow</b>	-\$223M	(-\$252m Dec 98)

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## FINANCIAL SERVICES STATUS

### MasterKey Initiatives

- Delivering
  - margin preservation
  - sales, especially unit trusts (+93%)
  - improved retention

### FUA/Distribution Initiatives

- Delivering
  - sales (Flexi +83%)
  - market positioning (Flexi fastest growing Trust in the market in % terms)

### Life Insurance Taxation - will impact 2001 year

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## FINANCIAL SERVICES

### LIFE INSURANCE IN ASIA

#### CEF Lend Lease Life (55% owned)

- New Sales in calendar 1999                      A\$57.6M              (+8%)
- Total Net Premiums in calendar 1999              A\$150M              (+20%)
- Authorised as Trustee for Mandatory Provident Fund
- Formal training/testing and licensing for agents commences this year

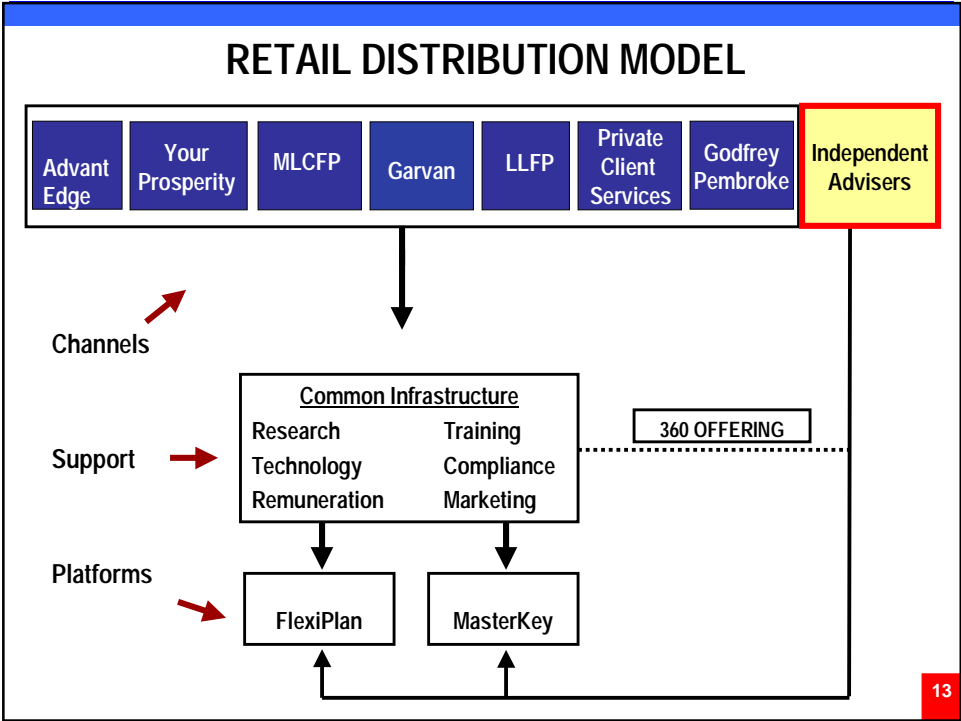
#### Simas Lend Lease Life (80% owned)

- Financial position sound

#### Other Opportunities

- Joint venture to be announced shortly.

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## REAL ESTATE

### AFTER TAX PROFIT

	A\$M	
	Dec 99	Dec 98
Real Estate Investments	64	45
Development	90	(4)
Bovis Lend Lease	26	24
	<hr/>	<hr/>
	180	65

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## REAL ESTATE INVESTMENTS

### (PROPERTY FUNDS MANAGEMENT)

After Tax Profit	\$64M	(+42%)
Funds Under Management	A\$61B	(+35%)

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## REAL ESTATE INVESTMENTS

### FUNDS UNDER MANAGEMENT

		(Local currency billions)		
		<u>Dec 99</u>	<u>June 99</u>	<u>Dec 98</u>
<b>US</b>	USD	32.3	23.7	23.7
		24.3*		
<b>Australia</b>	AUD	7.7	6.9	6.4
<b>Asia</b>	AUD	0.7	0.3	0.3
<b>Europe</b>	GBP	0.8	0.6	0.1

\* Excluding Boston Financial FUM

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## US REI FEE INCOME EXCLUDING BOSTON FINANCIAL

	US\$M	
	<u>Dec 99</u>	<u>Dec 98</u>
<b>Transaction Fees</b>	37	55
<b>Asset Management Fees</b>	53	54
<b>Property Management Fees (business sold Oct 98)</b>	-	4
	<u>90</u>	<u>113</u>

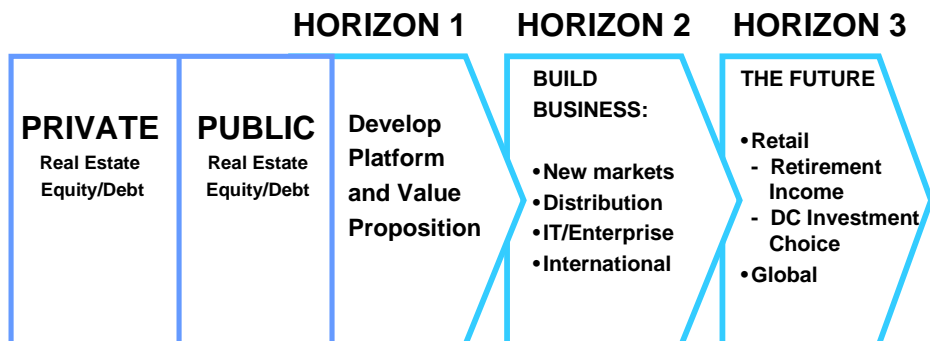
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## US REI PRE TAX PROFIT

	US\$M	
	Dec 99	Dec 98
<b>Existing fee based business</b>	8	24
<b>Boston Financial</b>	17	-
<b>Investment Income</b>	8	6
<b>Provisions and other</b>	-	(7)
	33	23

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## EVOLUTION OF REI



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## DIMENSIONS OF THE EXPANDED US REI POST ACQUISITION<sup>1</sup>

<u>FUM&amp;A</u>		<b>US\$</b>
FUM:	Real Estate Equity	\$23.5B
	Real Estate Debt	\$14.8B
	Total	\$38.3B
FUA:	Real Estate Loan Servicing	<b>\$50B</b>
<u>Originations/Transactions - Calendar 99</u>		
	• Real Estate Loan Origination Volume	\$14.7B
	• Real Estate Equity acquisitions and dispositions for clients	\$6.3B
	• Other transactions for clients	\$4.3B
		<b>\$25.3B</b>

<sup>1</sup> Includes AMRESKO business, based on Calendar 1999 figures

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## PROPERTY DEVELOPMENT

### AFTER TAX PROFIT A\$M

	Dec 99	Dec 98
<b>Australia</b>	11	6
<b>North America</b>	-	-
<b>Asia</b>	(2)	(16)
<b>Europe</b>	81	(6)
	90	(4)

**Assets @ 31/12/99 A\$2.1B**

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## PROJECT MANAGEMENT - BOVIS LEND LEASE

### AFTER TAX PROFIT

Lend Lease Projects	A\$M	
	Dec 99 Half Year	Dec 98 Half Year
• Australia	21	13
• Asia	-	12
• Other	(3)	(1)
<b>Bovis (2 months only)</b>	8	-
	<u>26</u>	<u>24</u>

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## PROJECT MANAGEMENT - BOVIS LEND LEASE

### FORWARD WORKLOAD

	A\$B		
	December 99		June 99
	LL Projects	Bovis	Total
<b>Australia &amp; Pacific</b>	1.0	0.1	1.1
<b>North America</b>	0.1	4.0	4.1
<b>Asia</b>	0.1	0.1	0.2
<b>Europe</b>	<u>0.3</u>	<u>2.1</u>	<u>2.4</u>
	1.5	6.3	7.8
			<u>2.1</u>

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## INTEGRATION IN THE REAL ESTATE BUSINESS

- Continuing and developing the existing strong client relationships
- Strategy is to first get synergies within the businesses - both costs and revenue
- Next stage is the leverage opportunities between the Real Estate businesses, e.g. across client relationships and across borders

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## GLOBAL REAL ESTATE STRATEGY JUNE 1999

	US	Europe	Australia	Asia
Real Estate Investments (recurring income stream)	Business in Place	Business being developed	Business in Place	Business being developed
Property Development	Embryonic	Business being developed	Business in Place	Business being developed
Lend Lease Projects	Embryonic	Business being developed	Business in Place	Business being developed

Business in Place
  Business being developed
  Embryonic

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## REAL ESTATE ACQUISITIONS

### Gap filled

#### Boston Financial

Multi-family asset class in US markets

#### Bovis

Global project management business

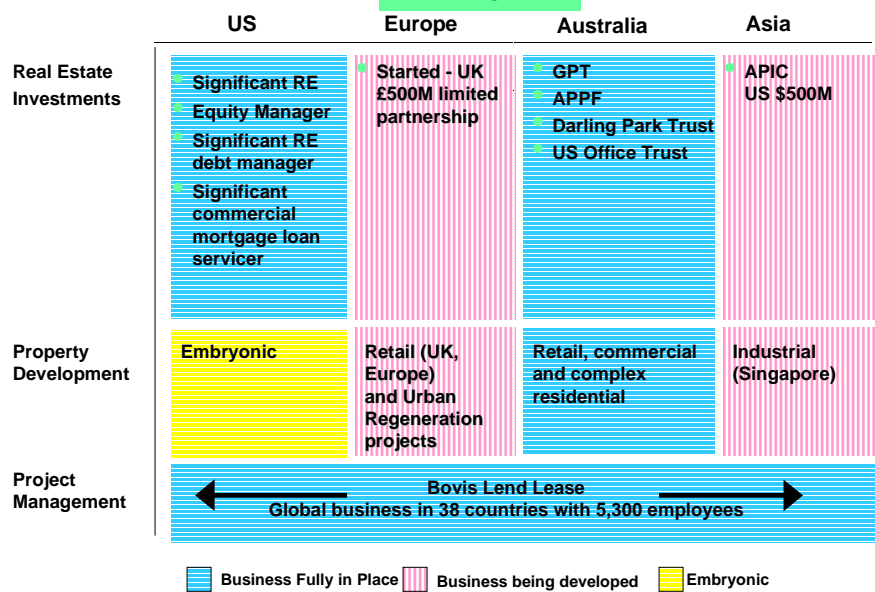
#### 5 AMRESCO businesses (in due diligence)

Commercial real estate debt

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## JUNE 2000 ANTICIPATED POSITION

### REAL ESTATE



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## SUMMARY - ISSUES FOR LEND LEASE

- **Developing a global executive team**
- **Leverage linkages in the global business**
- **Evolution using e-commerce as a competitive advantage**  
eg. MLC
- **Integration of Acquisitions**

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## BOARD

- **Jill Ker Conway** - **Chairman Elect**  
- **Chairman Real Estate Board**
- **Richard Longes** - **Deputy Chairman**  
- **Chairman Financial Services Board**

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# Financial Commentary

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## DECEMBER 1999 FINANCIAL STATEMENTS

- Significant Accounting change:
  - Statutory Funds of MLC consolidated for the first time
    - Supplementary Balance Sheet and Cash Flow Statement included in Notes to Financial Statements
    - Pro Forma Financial Statements without consolidation of MLC included in MD&A.
- 4 major acquisitions included in consolidated statements

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## ACCOUNTING STANDARD CHANGE

- Consolidated Statutory Funds of MLC Group for the first time
- Consolidation distorts presentation of Lend Lease's accounts
- Assets and liabilities of Statutory Funds are for the benefit of policyholders, not Lend Lease shareholders
- Distributions subject to Life Act restrictions

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## ACCOUNTING STANDARD CHANGE (cont)

- Impact of consolidation:
  - Increase:
    - Operating revenue - \$2.0 billion
    - Profit before Tax - \$258 million
    - Profit after Tax - \$2 million
    - Total Assets - \$24.0 billion
    - Total Liabilities - \$23.6 billion
  - Decrease:
    - Shareholders Equity - \$1.5 billion
- Sensible ? No !

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## ACQUISITIONS

\$ Million	Bovis	Boston Financial	CEF Life	Godfrey Pembroke	Total
<b>Net Assets</b>	105	58	32	2	197
<b>Management Agreements</b>		195			195
<b>Goodwill</b>	646	27			673
<b>Excess of Market Value of Net Assets</b>			218	38	256
<b>Total Acquisition Cost</b>	751	280	250	40	1,321
<b>Annual Amortisation Charge</b>	32	5	N/A	N/A	37

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## PRE AMORTISATION vs ACCOUNTING PROFIT

- Service companies are based on intellectual capital (vs old world “bricks and mortar”)
  - Outdated accounting standards require asset values be mechanically reduced by amortisation charges (goodwill, management agreements) irrespective of fundamental value
- Pre Amortisation Profit is more relevant than Accounting Profit

	A\$M	
	Dec 99	Dec 98
<b>Accounting profit after tax</b>	276	206
<b>Amortisation charges<sup>1</sup></b>	17	3
<b>Pre Amortisation profit after tax</b>	293	209

<sup>1</sup> Includes only 2 months amortisation on Bovis and Boston Financial

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## AMORTISATION

- Will release Westpac accounting profits to offset amortisation charges
  - first impact in June 2000 Accounts
- Amortisation charges and Westpac profit release are both accounting adjustments with no net impact on operating earnings
- Unrealised Westpac accounting profits \$165M (after tax) at December 99
- Annual amortisation charge \$59M (excluding AMRESKO)

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## EPS

	<b>Dec 99</b>	<b>Increase</b>
<b>Accounting EPS</b>	54.3¢	+ 33%
<b>Pre Amortisation EPS</b>	57.6 ¢	+ 39%

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## ACQUISITIONS - FUNDING

- Acquisitions were largely debt funded
  - suspension of Share Buy-Back (\$136M in fiscal 1999)

	<b>Dec 99</b>	<b>Dec 98</b>
Gross debt	2,034m	1,464m
Net debt	1,419m	1,032m

- Strong financial position
  - gearing levels irrelevant (accounting change reduced Shareholders Equity by \$1.5 billion!)
  - cash flow coverage ratio relevant measure
- Interest coverage ratios
 

	<b>Dec 99</b>
- including MLC Consolidation	16.8x
- excluding MLC Consolidation	12.1x
- Continue to target EBITDA 7-9x Interest Coverage Ratio
  - December 1999 Interest Coverage Ratio distorted by 20% Bluewater stake sale (\$529m proceeds)

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## GEOGRAPHIC CONCENTRATION OF PROFITS (EXCLUDING MLC CONSOLIDATION)

		<b>Dec 99</b>	<b>Dec 98</b>
• Profit before Tax	- Australia	47%	74%
	- Rest	53%	26%
Profit before Tax (excluding Bluewater)	- Australia	70%	
	- Rest	30%	
• Excluding Bluewater, majority of operating profit from Australia			
• Year 2002 forecast	- Australia/NZ	53%	
	- Rest	47%	

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## 1ST HALF vs 2ND HALF PROFITS BLUEWATER CONTRIBUTION

- 1st half profit result:

**Dec 99**

Bluewater	91m
Other Business	<u>185m</u>
	<b>276m</b>

- 2nd half profit expected to be lower as Bluewater profit contribution (\$91m) will not be repeated
- Continuing to forecast increase in fiscal June 2000 profits over fiscal June 1999 profits

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## Lend Lease Corporation

**Results  
31 December  
1999  
Half Year**

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