

**LEND LEASE STRATEGY DAY**

**HELD ON**  
**WEDNESDAY 13 MAY, 2009**

**AT THE OBSERVATORY HOTEL, SYDNEY**

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**PANEL Q&A**  
**MARK MENHINNITT / MURRAY COLEMAN**

QUESTION (Simon Thackray, RBS): Murray, you said I think at the outset 9,000 employees for Bovis at 31 December. Was that the correct figure?

MR MURRAY COLEMAN: Yes, just under.

QUESTION (Simon Thackray, RBS): Can we get an update? You've obviously been on a cost reduction program or got a bit of burn rate in the backlog. Where are we at?

MR MURRAY COLEMAN: I don't really want to be drawn on numbers per se but I think the reality is that our cost reductions and our overall FTEs will be in line with the guidance Steve has given in the past. It is all really part of that whole equation.

QUESTION (Simon Thackray, RBS): I can't draw you on that. I will try and do it some other way.

MR MURRAY COLEMAN: At least you're honest.

QUESTION (Simon Thackray, RBS): Can we talk about the net burn rate in terms of the backlog at the moment, replenishments versus what you are burning the backlog at for Bovis and maybe a little bit on the bones in terms of by geography?

MR MURRAY COLEMAN: Again, I don't really want to go into those specifics. I guess the reality is, in these kinds of market conditions inevitably we won't be immune to the effects of market conditions. I think as Steve indicated, we still have, we believe, a very healthy backlog. I think inevitably it will come off. But the issue is not so much for FY10 for us; it's really going forward into FY11 and why you can see we are very focused particularly on mobilising ourselves against the larger of the stimulus packages around the world and we are focusing on and really redressing or doubling our focus on some of the key sectors in the UK and Asia.

QUESTION (Simon Thackray, RBS) The backlog run-off is – the half year is in the MDA so you can see what the time period by geography is in there. Just looking forward, you have obviously got a pretty strict plan of matching up the head count with the backlog run-off if you get my sense. So I'm trying to work out where we are on the cost savings program going forward and what that means for replenishment, that's all.

MR MURRAY COLEMAN: Mm.

QUESTION (Simon Thackray, RBS) Alright, just one quick one then just on the – you talked about reshaping CEMEA. Can you give us a bit more colour on what you might be thinking there which has always sort of been just project fee, project management style work thus far?

MR MURRAY COLEMAN: It has historically been a business that if you go right back was born out of a number of small acquisitions and some organic growth going way back to when Sir Frank Lampl was running Bovis many years ago and bought a number of small businesses through Europe. It then of course got a huge uplift initially with the first framework deal done with BP and the Global Alliance which was a lot of work fundamentally based in Europe.

Where we are at the moment is we continue to deliver predominantly fee for service work both on a PM and CM basis. The question we have I guess and Steve touched on this earlier is when you stand back and look at it, we operate in 25 countries throughout CEMEA and CEMEA and Latin America makes that 30 in total.

We stand back and we say so which – and all of those countries by and large are profitable but we stand back and we say, so what actually makes sense in the current climate going forward in terms of where we want to focus from a sector basis and also with some of our key clients?

So we are actually going through a strategic review. We have only just started it and I would expect that it will take us a little while to work through.

QUESTION (Alistair Reid, JP Morgan): The first question is for Murray. Just in terms of Bovis globally, the current breakdown of fee versus at risk work across the portfolio and then following on from that, how would you expect that to change over the next two to three years given you are targeting more government sector work?

MR MURRAY COLEMAN: I actually don't have the splits in front of me but it hasn't – yes, it is about 60/40. I don't think there has been any real change in the last little while.

I think what we will see – certainly in Australia, we will see a little bit of a mixed change and in the UK we will see a bit of a mixed change. I think in

Australia, we will see some more fee for service or fee for service/CMMC work rather than lump sum. In the UK, it may change a little bit the other way but we are just working through that at the moment. We wouldn't see it dramatically changing.

QUESTION (Alistair Reid, JP Morgan): Right. Just in terms of Bovis Americas, any update on one, the Deutsche Bank Building litigation and two, development of the World Trade Centre site?

MR MURRAY COLEMAN: There is actually no update that hasn't been made public on either I think. All the information is in the public domain.

QUESTION (Alistair Reid, JP Morgan): Finally, just a question for Mark. In terms of the MHPI pipeline that is left, can you just remind us again what you are bidding on and the quantum there of that remaining pipeline?

MR MARK MENHINNITT: Yes, sure. The majority of it sits in the Air Force Program so there are a dozen or so projects that sit in that. There is probably a couple of billion left there. They are still lodging so we obviously secured the first phase and although we have said previously the other day that we won't bring that project to financial close this year, we do actually expect to secure a closing and bring the finance in later.

There are subsequent phases to that. That is quite a large program circa \$1-1.5 billion so what we are sitting on at the moment is the initial phase of that so that is still obviously to come to market and we are obviously in a pretty good position for that.

There are other lodging programs with the Navy for example. There is another significant program in Guam with the Navy because of the relocation of a lot of marines out of Okinawa to Guam and we are fairly well positioned. It is a very complex arrangement between the Japanese Government and the US Government but we are now working in partnership with some Japanese firms to take a position there.

So they are still out there. I think initially when we started in the family housing program it was about a \$20 billion market. We are probably through 70 per cent, 75 per cent maybe of that and obviously have a very good position on the lodging side.

The barracks has been the slower moving market for us. There are a number of barracks pilots that are being done now. There are a couple of issues the military have to deal with in terms of priority of funding for the housing allowance for barracks and also some of the command and control issues around barracks that you don't have in family housing.

So they've run the pilots. We'll see how those play out. I anticipate there won't be a barracks program per se. I think if you are well positioned on existing

installations then it will be part of your remit to constantly remix that.

So we are looking at a significant single soldier program at Fort Hood for example. I think what is going to happen is we will just develop that based on the fact that we have a pretty good footprint as opposed to being in a bidding process for barracks.

So it is hard to define the specifics. We know there is a market still left in family housing and lodging but then there are obviously, given our existing franchise as I mentioned before, some significant opportunities off that.

QUESTION (Alistair Reid, JP Morgan): Are their barracks programs on a number of your existing or operational facilities?

MR MARK MENHINNITT: Yes. So Fort Drum was one. As I mentioned, we are looking at a program to actually bring single soldiers into some of the existing assets at Fort Hood and then create new assets for family housing.

It is all about looking at the Army's inventory and saying how do we as your privatisation partner over the next 50 years help you reposition for your need? I think that is what is going to happen a lot with the barracks. It is going to be less of a Washington driven program, more of a local repositioning and they have incredible authorities under Enhanced Use Leasing, under the MHPI legislation to actually do these projects. In some ways we can drive our own destiny with that.

QUESTION: Murray, I have a question on your bonding and insurance requirements. Can you just comment on what you are seeing in terms of trends, the cost of insurance, the capital that you need to set aside for your bonding with the state of play in that kind of space?

MR MURRAY COLEMAN: It is a little bit of a mixed bag but we have certainly seen the insurance pricing increase I guess as everyone has and over the last probably 12 to 18 months in particular.

In terms of bonding, we still find ourselves very well placed but we are certainly seeing stress with some of our competitors finding it more and more difficult which is leading, in some geographies, to a trend of in larger projects, people decide to join up in joint venture to enable them to actually get the bonding and secure the bonding to deliver.

QUESTON (Simon Wheatley, Goldman Sachs JBWere): Just a quick question with respect to the US. I know for many years you have been talking about the big opportunity outside of New York for Bovis in Chicago and Vegas and the West Coast. I think there is a bit of an increase in San Francisco and Vegas for a short period but I don't think there has been any real shift towards taking advantage of that opportunity. Is it a real opportunity going forward or is it something that is still just going to be New York and North East Coast

focused?

MR MURRAY COLEMAN: It is difficult for me to comment on what has happened in the past and over the past years in the US because I haven't been involved. But what I will say is that we are very focused on what the opportunities might look like, certainly outside of New York and outside of the East Coast and we certainly see there are significant opportunities over on the West Coast, particularly in California.

We see there are significant opportunities in a couple of vertical markets, particularly in healthcare, for us to really get mobilised and rather than just talk about it, we have now moved to reorganise our business over there around that.

So we have really brought the business probably closer together to get a clearer line of sight in terms of how we operate it and we will really drive very hard into a couple of those key opportunities over the coming couple of years and particularly the next 12 months.

So it will be interesting to have this conversation in another 12 months' time.

QUESTION (Simon Wheatley, Goldman Sachs JBWere): What was your growth into Vegas? There was nothing much there?

MR MARK MENHINNITT: No. They had some clients that talked to us about going to Vegas.

QUESTION (Simon Wheatley, Goldman Sachs JBWere): Going there with them.

MR MARK MENHINNITT: Yes. It is not a market that we saw as being attractive to be honest and basically we had a look at it but then decided that that is not where we wanted to be.

I think on the California issue, there was probably a single focus strategy on the West Coast which was acquire a business and when that did not come through it was sort of okay, well what is plan B? Well there wasn't really a Plan B and there was a very active North East market at the time and so to Murray's point, I think to make it happen you've got to put – you've got to have a couple of plans as to how you are going to get there and put people in place and actually drive particular milestones to get there.

That has not happened in the past. There has been a desire but there hasn't been the tangible plan to make it happen and that is what has been put in place now.

QUESTION (Simon Wheatley, Goldman Sachs JBWere): I think as you point out Mark, it is difficult or has been proven to be very difficult to organically

grow into that and there was discussion about potentially buying a business by franchise name and people within that market that have relationships. Is that still the way you would have to go to expand that?

MR MARK MENHINNITT: Not completely. There are a couple of options. We don't have to go and do an acquisition per se. There are opportunities to join with people. I think one of the fears of California, it was a high – a lot of the major players in that market were self-performed general contractors in the high risk end of – you know, the Webcors et cetera.

There was a concern around what it meant to move into that space and having a lot of direct labour if you like on the books. It is assessing what do you need to look like to exist in that market? Is the point of entry to that market through there or through a different mechanism?

From a PPP point of view, we looked at some of the opportunities moving forward in California, pushed them to the side because we felt that it is just – you know the State of California was not ready and you would spend a lot of money and potentially have the thing pulled at the end of the day.

But California is a significant market. It has 37 million people. It is a massive economy. We do have the skill-set but going in as the best builder in California is not the right strategy. You've got to go in with a different set of credentials.

I think the focus of going into California and acquiring a general contractor is a flawed strategy. You need to have an alternative value proposition where you can actually position yourself and create value as opposed to competing head to head as a general contractor.

QUESTION (Simon Wheatley, Goldman Sachs JBWere): Just a final question on a completely different track. I see you just got announced as winning the RNA Project. Is there anything you can ...

STEVE McCANN: You stole my thunder. Before we break for lunch, as soon as I've been asked the question, we do have our own announcement today and the good news is it is not an equity raising but it is a revenue raising.

We have just been announced as the preferred tenderer on the RNA Project in Brisbane. David Hutton was to be here today to present on the residential and retail business for Australia. He is going to dial in and do that over the phone. He is up in Brisbane at the moment ...

**END OF TRANSCRIPT**