

## LEND LEASE CORPORATION

### FULL YEAR RESULTS

**20 AUGUST 2009**

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STEVE McCANN: Good morning to all present either in person or via teleconference and webcast. I am Steve McCann, Managing Director and CEO of Lend Lease Corporation. With me on stage is Brad Soller, Acting Chief Financial Officer, who is well known to you all.

I am pleased that you could all join us for a review of the Group's financial and operating results for the 12 months to June 2009. I will start today's proceedings with an overview of our performance for the year. You have seen the bottom line numbers, so I will just make a few points for context.

Given the global environment, particularly for property markets, we are pleased to have delivered an operating result slightly ahead of guidance. There are the inevitable asset valuation write-downs and charges but these were well flagged to the market earlier this year.

We enter 2010 in a very strong financial position, well differentiated from most of our property peers around the world, and this will be a significant advantage as the cycle returns to growth.

The final dividend of 16 cents per share, franked to 100 percent, represents a payout ratio of 61 percent for the full year, and that commences a transition to a revised payout ratio of 40 percent to 60 percent of net operating profit after tax from the FY10 year and onwards.

The purpose for this is to maximise the Group's investment capacity at this time, and the new ratio will also enable us to increase the franking rate on a sustainable basis.

Lend Lease is one of very few global real estate companies to have multiple growth options and to have continued strong deal flow in this environment. As examples of this: We were recently awarded preferred bidder on the \$2.5 billion development of the RNA Showground site in Brisbane; we have recently announced the establishment of a PPP origination platform in Australia; and we were also selected as one of two preferred bidders on the Barangaroo redevelopment in Sydney.

Finally, we have also had significant success targeting government stimulus spending in Australia, with Bovis winning over \$1 billion of work in the education sector.

So with that context, I will just turn to the composition of the results.

At the operating profit line, you can see the impact of the subdued performance of the Communities and Retail businesses, particularly in the UK, which has been partially offset by a great result in Bovis and a positive contribution from the PPP business.

Bovis in Australia delivered its best ever profit this year and the global Backlog Gross Profit Margin in Bovis of \$690 million at June is a strong underpinning for the 2010 outlook.

In the context of the prevailing market conditions we have operate in this is a very credible operating result, especially when it was achieved with a materially lower contribution from capital recycling this year.

The big impact on statutory profit after tax was, of course, the non-cash asset write-downs and charges, which as I said were well flagged to the market. About two-thirds of those write downs happened in the first half when the worst of the market volatility and credit squeeze impacted on our and everyone else's businesses.

Total savings implementation costs were \$83.9 million for the year. The majority of these relate to redundancies, particularly project related staff on projects that are now completed have not been replaced.

This reflects a very focussed and very disciplined effort on getting our management overheads down and right-sizing our cost base in line with market expectations.

Before I hand over to Brad for further comment on the financials, we will just have a quick look at the performance and outlook of the operating businesses.

In summary, we maintained our disciplined capital management approach and our diversified earnings base mitigated the tough market conditions in the Retail and Communities sectors.

We have had a disciplined approach to capital management over many years, and the Group's retail assets and the funds that we manage are all in excellent shape, requiring little capex over the next 12 to 18 months, and we focussed on reducing the capex requirements and increasing our option value on assets in most regions.

In the Communities business, we maximised sales in very subdued conditions by optimising our product mix, and we have established a leadership position in the Australian retirement property sector, an ambition that we flagged some time ago.

In the PPP space we are still seeing significant government support for that model, and there is a good pipeline of opportunities that we will target.

As I have said, the Project Management and Construction business was the stand-out performer for the year, not only in terms of profit contribution, but in remixing its GPM to growth opportunities. For the last 12 months the proportion of government work in the Bovis business here increased from 28 percent of GPM to 48 percent.

Investment Management, while impacted by asset values, further enhanced its reputation with institutional investors. It was again the stand-out property investment manager, with key funds like APPF Retail, which was ranked the number one performer in the unlisted space this year.

The economic downturn did underscore the quality of retail assets that we have and the flexibility in our pipeline. The portfolio delivered NOI growth of 4.4 percent, which is a very credible, given the economic conditions.

The Somerset project Singapore remains on time and on budget and is expected to open in December fully leased. Testimony to the success of this centre is the international fashion retailer Zara will launch a three level flagship store in that centre.

In the UK, there was additional cap rate expansion in the second half, as difficult trading conditions continued, but we are starting to see signs that prime yields have begun to stabilise.

We did a full review of our UK development pipeline and deferred a number of capex items. So, as I said earlier, we have maximised our option value in that market.

Despite a 14 percent decline in valuation in US dollar terms, the trading performance of King of Prussia did outperform the wider market given its fortress mall characteristics.

So the bottom line in retail is that the portfolio qualities allowed us to manage capex well and to focus on driving existing asset performance, even though the market conditions have clearly been difficult.

Importantly, we are not a forced seller of assets in this environment. We are able and willing to continue to manage those assets and we will not sell unless we think it is going to deliver longer term shareholder value.

In Communities we had a very busy year. We achieved good progress with the pipeline in quite challenging market conditions both here and in the UK.

In Australia, residential land settlements declined by 22 percent, requiring a writedown of some project carrying values and we have written off the good will in our Delfin business.

On a positive note though, there is increasing sentiment in the Australian market and we have seen a significant increase in levels of inquiry in recent months.

Against that operating environment, we took the opportunity to secure our position in the retirement sector through our 43 percent stake in Lend Lease Primelife, the former Babcock and Brown Communities vehicle, and the sale of a number of the Lend Lease's retirement assets into that vehicle.

In the six months since we took over management of that business, Rod Fehring and his management team have made great progress in repositioning the business. It is now on a much stronger commercial footing with an improved outlook.

We have also announced recently the acquisition of a number of other assets in our retirement base from Prime Trust, which Lend Lease has closed.

In the UK, the clearance of our remaining inventory in Crosby is progressing well, and we were appointed development and construction manager for the first phase of Stratford in August.

Negotiations on the risk deal with the Olympic Delivery Authority did not come to fruition, but quite frankly in this environment we are very happy to have a fee only deal.

In addition, we negotiated an extension of the exclusive preferred developer status on the Elephant & Castle project with Southwark Council, again preserving a low capital, high option value asset.

In the US, the Horizon project remains on hold until the market shows sign of recovering.

Turning to the Public and Private Partnerships business, this is clearly a great opportunity for us across all regions as governments continue to focus on stimulus spending and the reality is that a number of governments are going to have to start moving towards upgrading or replacing ageing social infrastructure.

In the UK, we achieved financial close on the Lancashire Building Schools For the Future program and handed over three completed schools under Phase 1.

We were also selected as the preferred partner on the £1.2 billion Birmingham Schools program, which is expected to reach financial close before December this year.

In the US, Actus reported lower profit as no project reached financial close, but their asset management GPM remained on target and recently we have announced the closing of the Power Military Lodgement program.

We are also well progressed in establishing an origination and management platform in the PPP space, both in Australia and Canada. You would have seen earlier this week our announcement of the joint venture with the former Babcock & Brown PPP team. We are currently bidding on a number of projects already through that joint venture.

In Canada we are pursuing our first PPP project and there are a number of opportunities we are looking at in that market as well.

In the UK, the PPP market continues to be underpinned by a strong pipeline in the key sectors we are focussing on, which are health, education and waste.

In the Project Management and Construction business, a strong profit was achieved despite very difficult market conditions in our traditional sectors, which are commercial, retail and residential.

As I have already mentioned, the big lift came from government and infrastructure projects in the backlog GPM this year, and really what that demonstrates is that for some period of time now Bovis has been focussed on repositioning the mix of its business towards government spending and they have done it very successfully.

In the Asia Pacific business, profit was up 37 percent and backlog GPM was up 15 percent. This was driven by some large scale projects such as ANZ in Melbourne, the Sydney Water desalination pipeline, Somerset Central retail development project in Singapore and the continuing Telco roll-out in Japan.

Australia is more advanced in securing stimulus package and infrastructure work than our other geographies, and, as I have mentioned, over \$1 billion of schools work has already been secured this year.

In Europe, Bovis improved its performance as it recovered from problem projects from prior years. Conditions within our traditional sectors will remain tough for the next couple of years. The residential and retail sector contributions have not decreased as significantly as we may have anticipated due primarily to our win on Athletes Village and also the BP Global Alliance project across Europe.

In the Americas, profit was affected by costs associated with the 130 Liberty Street fire, but despite the downturn in market conditions, the construction business there is also well placed and our business globally is well placed due to its significant geographic and sector diversity.

We do expect top line growth to be difficult over the next couple of years, but the business has demonstrated its resilience. It has made great strides in repositioning its business mix and we are very strongly focussed on increasing margins.

Bovis is a critical element of our integrated business model, and I think the performance of Bovis this year demonstrates the strength of the diversity of our business.

In the Investment Management business, we continue to see strong performance from our funds. This has substantially enhanced the Group's reputation, especially in light of the flight to quality we have seen in this space over the last 18 months.

In Australia, APPF Retail and APPF Industrial were the two top performing funds in the Mercer Unlisted Property Funds Index, based on the gross one year return, and I should add that APPF Retail also ranks number one over a three, five and ten year period. So it has performed the best in the market at the top of the market and the best in the market at the bottom of the market, which is some effort.

Our key APPF funds remain lowly geared, between six and 25 percent at June 09. In a recent independent survey of our clients, Lend Lease was ranked clearly the number 1 unlisted fund manager in this market.

During the period we also managed to successfully renegotiate a number of facilities, with \$1.4 billion of new facilities introduced and \$400 million of extensions. Funds under management in Australia grew by \$1.4 billion, principally due to the inclusion of Lend Lease Primelife.

In the UK, we received incentive fees on both of our funds.

The Group also won the third annual Investment Stewardship Award for Funds Management, which we are very proud of, and we also signed a memorandum of understanding with the Clinton Climate Initiative to work together on opportunities to significantly reduce the environmental impact of buildings. This work will focus on accelerating retrofits to maximise energy efficiency and reduce greenhouse gas emissions.

In terms of the outlook and management actions, our focus for this business is to continue to deliver strong relative performance for our existing investor base. We are very well placed to take advantage of opportunities to acquire assets, particularly in APPF, and we will continue to look to partner with funds and institutions on new opportunities.

In Asia, the immediate priority for this business is the delivery of Somerset and, as I have said, it will open on time and on budget and fully leased.

So overall, we think our businesses are in pretty good shape. We do expect that there will be further turmoil in the markets going forward but we are well placed through that process and we have come through a very difficult market without having to abandon our strategic direction and, importantly, without having to sell assets to hit earnings targets.

I will talk a little bit more about the Group strategy and outlook after Brad presents on the financial.

BRAD SOLLER: I have a few additional comments on the results breakdown and then I want to focus on our underlying cash flows, the strength of our balance sheet, our debt maturity profile and finally on our capacity to fund the Group's pipeline of development opportunities. I believe the Group is well placed on all these measures.

So starting with the P&L account. The first I thing I want you to note is that there were a couple of large items in FY 08 that are not present this year. Firstly, there was a profit after tax of \$40 million from the sale of a proportion of the Group's interest in APPF, and, secondly, a tax exempt dividend of \$48 million relating to the Global Fund.

As you know, we expect corporate costs to reduce from FY 10. This year's Group service line includes higher costs associated with Lend Lease ventures and our insurance program. However, our underlying corporate costs are down.

The Treasury line reflects higher net interest costs. This was because we fully drew down on the £350 million UK revolver, given the uncertainty of the banking system at that time. We wanted to be sure that there would be not problems in accessing this cash. As the banking systems have now stabilised, we have repaid all but £75 million of this facility. The Group Treasury line also includes a charge relating to hedge costs.

Moving to tax, the effective tax rate remained low. This was due to the utilisation of capital losses in Australia and the continued emergence of US tax losses.

Finally, in line with our guidance, profit from capital recycling was lower. We have noted on numerous occasions that Lend Lease is not a forced seller of assets and will only sell assets when it is in the best interests of our shareholders. The key contributor this year was from the sale of retirements villages to Lend Lease Primelife.

While I am on the subject of earnings, I also want to make a couple of points relating to the mix.

This slide is a split of our earnings by geography and business for FY09. The weighting of our earnings is skewed compared to prior years. The UK was lower due to the losses at Crosby and Bovis earnings were also impacted by the work out of problem projects in the UK.

However, what you can see on the business mix graph is that the global contribution from Bovis was 40 percent. This reflects the strong performance of our Australian business and the benefit of our diversified business model. What you can't see on this chart is the split between active and passive earnings, which is approximately 70 percent active and 30 percent passive. This

compares to our target mix of 80 percent active and 20 percent passive.

The next aspect of the result I want to comment on is the Group's continuing strong cash flow and our cash position of over \$1 billion at the end of June. Operating cash flow for the 12 months was \$382 million and this represents the underlying cash flows from our operating business, net of continued investment in property development, and also includes cash flows relating to finance costs and taxation.

The main item in investing cash flows is the acquisition of Lend Lease Primelife.

Financing inflows principally relates to the proceeds of the share issue and a net draw down on the UK bank facility offset against dividend payments.

I think this is again a very good story in relation to cash and I am similarly positive with the Group's key balance sheet metrics, debt maturity profile and also the covenants.

The Group's borrowing metrics remain very strong with our investment grade credit rating unchanged.

The weighted average debt maturity is eight years and we are well progressed on extending that through discussions with our lenders on the UK revolver which matures in November 2010.

76 percent of our debt is fixed at very attractive rates. Also, added to our \$1.1 billion in cash is a further \$600 million in undrawn bank facilities and our gearing at 2.9 percent is negligible. This liquidity gives us significant funding flexibility.

I think it is also worth commenting on our off balance sheet financing, given the interest in off balance sheet debt position of all corporates.

Our off balance sheet debt predominantly falls into three broad categories. Firstly, our PPP investments. Lend Lease has contributed a small amount of equity to these projects and the debt is matched to the assets for the contracted period, which is usually 30 to 50 years. Secondly, our wholesale managed funds, which are all operating within their banking covenants and are conservatively managed. For example, APPF Retail has a gearing of eight percent and recently completed a \$250 million term note issue at attractive rates.

Finally, our development joint ventures, where our exposure is limited to the contributed equity.

Let's now have a look at our debt profile and covenants.

As I said at the May Strategy Day, and I will say it again, Lend Lease remains comfortably above all its bank covenants. The key covenants include an interest coverage ratio of a minimum of two and a half times, which is based on EBITDA, and a gearing ratio of less than 50 percent, which is defined as net

debt to total tangible assets, less cash.

Our covenants exclude asset writedowns and impairments. There are no market capitalisation clauses and all non-recourse debt is excluded.

To conclude, I want to sum up what this all means for the funding of our development pipeline, which requires expenditure of up to \$2 billion over the next three years.

This slide shows how our planning investments and expenditure is matched to the availability of funds. Our low gearing, cash and liquidity should enable us to fund a significant portion of the plan.

The Group is also generating healthy operating cash flows and where we believe we can optimise shareholder value, we will sell assets and recycle the proceeds into new investment opportunities.

The major consumers of new capital will be PPPs in all markets, large mixed use projects in our development business and where appropriate we will continue to take co-investment positions as our investment management business continues to launch new funds.

So we have the funding capacity, a great pipeline of opportunities and clear priorities for the Group's capital.

Steve will now conclude with some comments on the Group's strategy and outlook before we take your questions.

STEVE McCANN: Thanks, Brad. I have been working with the board for some time now looking at the Group's strategy and we have prepared a clear plan to position Lend Lease to be able to take advantage of opportunities as the cycle returns to a growth phase.

We have not fundamentally changed our strategy or the business model, but we have made some important refinements to ensure that we are delivering value for shareholders in the longer term.

These refinements cover performance targets, capital recycling and collaboration across our businesses. So we are clearly focussed on shareholder return measured by return on equity and return on capital, rather than earnings per share growth.

We will maintain our diversified business model, but only where we can achieve scale platforms in our chosen sectors and geographies. So there will be some re-weighting of the portfolio towards Australia as a result.

We will continue to recycle capital to maintain a capital light model and to fund future growth; and we will increase our focus on the benefits of what we refer to as the fully integrated business model.

We are focussed on a clear opportunity to become recognised as one of the world's leading property companies, providing world class integrated property solution for governments, corporations and leading property investment institutions.

Over the next couple of years we will deliver the scale and market positions that we need to succeed.

The tactical actions to provide foundations for this are largely complete. The cost base has been right-sized to adjust for the downturn in volumes across most of our businesses. Capital is being preserved by re-prioritising developments in line with market conditions and targeting key strategic projects that are going to build backlog across all of our businesses.

This is what we mean by a tighter focus on collaboration, in order to capture greater value across the full property value chain.

We will maintain our active management of capital and we are focussed on optimising cash flows.

While we have downsized the business in line with market conditions, this doesn't mean we have lost sight of the value of our most important resource, which is our human capital. We have added to our talent pool to support our longer term vision.

We have also introduced a new method of performance management, a balanced score card approach, spanning the criteria of financial, operational excellence, strategy and business development and leadership. This is being embedded into the goals and objectives of every employee.

In terms of scale and diversification objectives, over time you should expect to see us in less markets and sectors, but with a more integrated approach. We are targeting the markets where we have genuine expertise and a competitive advantage and sectors that will provide sustainable growth across more than one business line.

With these changes, we believe we will also broaden our access to new sources of capital, and we are already well placed to do that through the performance of our investment management business and this will increase as our leadership and expertise in those markets becomes more apparent.

If you look at some major trends likely to drive property over the coming decades, our existing businesses and our integrated capabilities play well to all of these trends.

Urbanisation: We are already a leading, large scale, mixed use and urban regeneration developer in several markets.

Growth of superannuation alternate funds: We have established a clear leadership position in the wholesale property funds management industry in

Australia, which is increasingly on the radar of global investors and we have developed strong relationships with a number of sovereign wealth funds who expect to increase investment in this market.

Ageing populations: There is a significant demographic shift towards ageing of the population and our position as the number one manager of retirement living in Australia means we are well placed to capitalise on this market trend.

Similarly, with climate change and infrastructure, we are also well positioned. Lend Lease is the only Australian company to be listed on all three international sustainability reputation indices. With the mandatory carbon trading schemes just around the corner, we are well advanced on the commercialisation of property sustainability services.

For some time now the Group has been focussed on enhancing our relationships with local, state and federal authorities, and our superior delivery capability and our strong reputation for collaboration makes us an ideal partnership candidate for PPP projects in the regions in which we operate.

So despite the uncertainty about continuing difficult conditions in the very short term, we have no shortage of quality opportunities.

Let me make some general comments on the immediate outlook.

In a simple sentence, we remain cautious but confident. We are cautious because while conditions globally are showing encouraging signs of stabilisation, no-one can with great certainty predict the course or speed of improvement. Recovery will happen at various speeds in different markets and across different sectors. So in this environment we don't intend to give specific earnings guidance.

We are nevertheless confident of the Group's outlook for a number of reasons, most of which I have touched on. The Group has demonstrated capacity to perform relatively well in the face of extraordinary global conditions; the diversification of our earnings across our business and across geographies and the mix of active and passive earnings in our portfolio.

We have a very clear and well-defined strategy. We have the right cost base for the current conditions. We have very strong liquidity, low gearing and we are very well capitalised. All this means we are well placed to fund our growth plans and to leverage our competitive advantage as the cycle does return to growth.

Finally, I would like to emphasise the Lend Lease value proposition as I see it. I think it is really quite simple. Our approach, our capabilities, our experience and expertise combine to enable us to see and extract more value from property opportunities than our competitors. We should deliver the highest returns on capital, provided we pursue our capital light model consistently and we execute well. This will translate into higher returns for our shareholders and our clients and our partners. I think this is an increasingly attractive value

proposition as we go through the changes we are experiencing in the property market.

That concludes our review of the 2009 result. Before we go to questions though, I would like to ask Dan Labbad, the CEO of our EMEA business, to provide a brief update on the Stratford project in London, which I am sure will be of some interest.

DAN LABBAD: Thanks, Steve. In the context of a picture telling a thousand words, I thought I would provide a few images to give you the latest on the village.

This picture was taken last week. It shows you the backdrop. At the top of the slide, the white dome is the O2. It is our Greenwich site. It just gives you an idea of the closeness of Greenwich and Stratford in East London. London, the West End, is to the top right of the slide. In the middle of the slide you can see the shopping centre under construction. In front of that there is the international rail link that links Paris and Brussels with London now through Kings Cross. It changed from Waterloo to Kings Cross last year. And in front of that, the residential construction, you can see the crane, is the Olympic village.

We are operating under the integrated model under PM, DM and CM arrangements. We have a fee deal with the ODA. That fee deal is net of costs and under the DM arrangements we provide stakeholder management services, planning services, design services to deliver 2800 units and all the infrastructure involved for the Olympics.

Project management, we have to ensure that we can procure the Games and undertake the logistics necessary to access the supply chains to get there on time and on budget, and under the construction management arrangements through Bovis Lend Lease ensuring obviously we deliver for London 2012.

It is fair to say that this project, testament from some of the feedback that we have had from the Olympic Delivery Authority and also the ISC, is the integrated model at its best.

We have mobilised a team over the last 18 months from zero. We now have 1400 operatives on site, 200 of which are Lend Lease under the integrated model, working in the site sheds that you can see in the middle of this slide, delivering effectively the residential units and the infrastructure.

To give you just a little bit of an example of some of the logistics and infrastructure elements, 12 months ago the site that you see there was five to seven metres lower than you can see on the screen, with a railway link running between the shopping centre and the residential buildings at the front. We had to cover that while the railway was live and ensure that at the same time we undertook the piling alongside that in parallel in order to ensure that we would meet the Olympic Delivery Authority's deadline for London 2012, but I am pleased to say today that we are on time and on budget.

In terms of the next slide, just to give you a little bit of the scale of the site, while there are 11 plots that make up of the 2800 units, each of those plots is made up of eight to ten storey outbuildings, seven or eight of them in one plot. So in terms of scale, hundreds of millions of pounds that need to be delivered over a very, very short period of time on a very tight site.

The logistics requirements in order to keep operatives safe has been one of the most difficult projects that we have ever undertaken. We are also ensuring that from a design perspective and a sustainability perspective, the residential units that we are providing are market proof for 2013. For example, because of the regulatory arrangements in the UK around carbon reduction, we have to ensure that we are meeting what is known as Code 4 under the Code for Sustainable Homes which are a set of rigorous carbon requirements to ensure that these residential units aren't carbon ready for today but they are actually meeting the 2013 standards, and we have been able to do that, not meeting the cost base you expect to deliver in 2013 but meeting today's cost base but 2013 sustainability standards.

The following slide gives you an indication of what it will look like in 18 months to two years. I don't actually see an Australian flag up there but I'm sure it's there somewhere. This is the Olympic village during Games time. As you can see, a large part of this isn't just the built form. It is also the infrastructure, because you saw from the slide before, there are no trees in the ground, making sure that we source mature landscaping, ensuring that the landscaping hierarchy works and from a design perspective not only making sure the residential product works but the education product works, and also from a civic perspective, as you can see, the ground plan works, with integrated parks, both private and also public, to ensure that after the Games this actually meets the legacy requirements of the ODA and also the UK government generally.

This is the integrated model at its best. We couldn't have done this without all of Lend Lease's services coming together to ensure that we could mobilise as quickly as we did to get this delivered on time and on budget. We are, as a result of this and Greenwich, becoming very well known to be the pre-eminent regeneration specialist in London, which is why, as Steve said earlier, Southwark Council have extended our exclusivity arrangements on the Elephant & Castle, which we will be able to talk more about later this year.

Thank you.

STEVE McCANN: Thanks, Dan, and we will take questions.

DAVID BURGESS (Credit Suisse): I am just trying to get a feel for the capital recycling. You mentioned 21 percent of operating profit. Whether you feel that is sustainable going to 2010 and if so whereabouts that will be coming from.

STEVE McCANN: We have already flagged pretty clearly to the market I guess that we have a few positions in PPP minority equity positions which are available for sale. We do intend to proceed with some of those sales in the next 12 months.

We are not intending to market assets like King of Prussia and Bluewater at this point of the cycle. So you should expect to see capital recycling perhaps a little bit lower than it has been historically.

DAVID BURGESS: Second question. In terms of the margins on the infrastructure projects that you've been winning recently, are they being maintained or are they coming down?

STEVE McCANN: I only heard part of that question, so margins on infrastructure projects?

DAVID BURGESS: Yes, whether they are being maintained or do you see that there is a lot of pressure on these margins given the competition in that space?

BRAD SOLLER: If you look at the overall margins on Bovis, we have actually seen an improvement across the board in Bovis in total. So we expect our margins to actually drift slightly higher.

STEVE McCANN: The other thing I would note is that obviously depending on the mix of those projects, PPP projects in that space tend to have higher margins than the typical commercial sector work that has been the large part of our business historically. So we are not expecting margin pressure to come from that sector.

JOHN RICHMOND (Merrill Lynch): You mentioned that you are looking to back out of some markets. I am just wondering if you could get a bit more specific on which businesses, which markets you are looking to exit.

STEVE McCANN: I won't be specific on particular geographies, but the fact is Bovis at different points in time as a construction manager is in up to 40 different countries. A number of those countries are small markets for us, and there are issues like safety where it is pretty hard to control the standards that the market operates under when you are only a construction manager over a small number of projects. So we are doing a full review across all the markets in which we operate.

The longer term aim is to identify which markets we think will offer sustainable growth across all of our businesses. So what you will see is a retreat from markets where we think it's just a short term fee opportunity for Bovis and perhaps an increase in presence in some other markets.

JOHN RICHMOND: And then just in terms of expansionary plans on the other side of it, are you guys still looking at expanding your domestic presence in apartments development here and also retirement, and if so, are you more inclined towards doing that organically or through acquisition?

STEVE McCANN: We are still focussed on increasing our position in apartments and retirement specifically. We have got a pretty good position obviously in the development business across the board here in residential.

On the retirement space you will have seen we announced the PTM deal last week, where we acquired another roughly \$80 million worth of retirement assets, and we do have a long-term strategy and ambition to be a leading operator in that space.

We are not focussed on doing that through M and A. We already have a pretty strong position. We will consider any opportunities that come up, whether they are organic or whether if there are other asset opportunities out there, we will look at them, but we don't have a particular focus on driving through M and A.

JOHN RICHMOND: Just one last quick one. What sort of equity uplift do you expect in you PPP equity stakes when you sell them?

BRAD SOLLER: We are expecting to actually make a decent profit when we sell those assets. What simply happened is the asset's operation of the cap rate softened significantly. So we do expect to see a significant uplift in value. Obviously we won't give the exact number, given that we are actually looking to recycle.

STEVE McCANN: The only think I would add to that is that it does bear and will continue to bear across markets, but for example we have just secured a project, and our expectation is that as you derisk the project, the returns that investors look for can halve. It can improve that much. Bear in mind though that the risk profile is changing. So we are taking a higher risk going in earlier and delivering a lower risk when we get out. So it is not a simple equation.

JOHN RICHMOND: But it is still an investment class that investors are interested in?

STEVE McCANN: Absolutely, yes.

ALISTAIR REID (JP Morgan): A couple of questions on a couple of your developments. First, Somerset, assuming opening as you flagged there, is it fair for us to assume a reasonable earnings impact through the P&L in the second half of FY10?

STEVE McCANN: Off the top of my head I don't have those numbers, but what I can say is that clearly with Somerset Singapore has just come out of the worst recession in 70 years, so to actually achieve full leasing is an extraordinary effort by the team. They look like getting to within I think the number is circa 10 percent of our original budget numbers. David?

DAVID HUTTON: Close enough. Four and a half.

STEVE McCANN: Four and a half percent, which is pretty extraordinary. In terms of the contribution, the contribution won't be obvious in one spot because actually we have earned considerable fees through the Bovis business on delivery, through the development management business and at then on an ongoing basis we will receive investment management fees. At some point we

are a seller of our 25 percent but we will be patient. There is no hurry.

ALISTAIR REID: Thank you, and perhaps it is a question for Dan. Just on Elephant & Castle, what are the key sticking points there at the moment? Is it the fiscal position of Southwark or is it the roundabout? Can you give us an insight there and perhaps timing as well?

DAN LABBAD: Sure. Obviously, transport infrastructure is always a big challenge when it comes to large regeneration projects. The integration with transport for London and the tube system is a key issue for the project, but we have a way forward on that, and we expect over the next six to 12 months we will come to fruition on that project in terms of moving it forward.

ALISTAIR REID: In terms of actually a development agreement?

DAN LABBAD: Correct.

ALISTAIR REID: Thank you, and one final one from me please. The profitability ratio in Bovis Asia Pacific was a very healthy 61 percent. Should we be thinking that that is a sustainable level over the near to medium term?

STEVE McCANN: We do keep a close eye on that. It is a good thing that you do as well. It is a great statistic because it demonstrates the business is performing extraordinarily well. When it gets up to those sorts of levels, what we do is we look at how many more people we should throw at the business to make sure it is maintainable.

The fact is the Australian business three years ago started to focus on government work and started to focus on higher margin work. They have secured a number of large projects and that is what has driven that.

It is difficult to answer whether it is sustainable. Obviously the construction market will come under more pressure over the next couple of years, but our GPM backlog at the moment is very strong.

CALLUM BRAMAH (Macquarie): A few questions. Just on Bovis, in the first half we talked about the outlook for fiscal 10 and you talk about maybe that going backwards by about 10 to 15 percent. Can you say you are still happy with that for the guide?

STEVE McCANN: The outlook, I guess where we are today, I am not sure when you say 10 to 15 percent what you are referring to.

CALLUM BRAMAH: I asked you at the first half what you thought might happen in fiscal 10 for the Bovis business for earnings and you thought that maybe it would go backwards by 10 to 15. I am asking what you think now.

STEVE McCANN: I am not sure I would have said that. I may have been talking about GPM backlog perhaps rather than profit, but if I did, then let me answer you.

The best guide for Bovis is that GPM number. So 690 around the world isn't far off where we were. I think last year it was about 780. It is about a ten percent reduction. That is a reasonable indicator, but the issues that go into that equation are also how well we execute. I think that is probably the best number to look at and it will give you a guide on where it is going.

CALLUM BRAMAH: Because you guys talk about it in - either book and burn within a given year as well that you have to achieve the kind of level of confidence to achieve that in this year versus last year must have dropped.

STEVE McCANN: There is no doubt that construction, as we have been pretty open about, lags the development cycle. So you would expect that over 2010-11 the construction market will come off. We have seen that. The commercial sector is under a lot of pressure. So we have always said that you won't really see the impact on our earnings until the back end of 2010 and 11 and we still are of that view, even though we are starting to see some stabilisation of the global economy. So they are going to have their work cut out for them to maintain their top line numbers.

Having said that, they have done a great job on repositioning the Australian business. We are not quite as far down the track overseas but we are working hard at that.

CALLUM BRAMAH: The second sort of part: Communities and just the margins in the second half of the year were around eight percent in Asia Pac versus maybe 18 percent historically. I just wondered, you also got a working capital benefit through your cash flow.

So two parts to it: (1) Are you expecting to continue to sell down inventory and realise that at greater operating cash going forward? Also, do you expect that margin in Asia Pac Communities to pop back to where historically it was because you were just selling off old stock?

BRAD SOLLER: I will talk to the cash flows first. In relation to the cash flows, as Steve mentioned in his presentation, we have been very cautious in our cash flow and how we are managing our cash positions. So what we have done is we have looked at all the projects to hold capital expenditure wherever possible. So we have slowed down the development expenditure on those projects, which has generated a very healthy cash position.

STEVE McCANN: On the residential business, obviously we have been under pressure. Australian and the UK have had really tough trading conditions but the business also took a while to get going. We did remix the focus of the business over the last 12 months, so first home buyers for example used to be circa 10 percent of our numbers. In the second half it went up to 36 percent or something like that, so a significant increase, but they are lower margin products. So part of those we see there is a margin increase. What we have seen in the residential business in the last two months is a material increase in inquiries. So that is giving us some reasonable cause for confidence, but as I

said we are being very cautious.

JOHN FREEDMAN (UBS): A question for Dan. Can you give a bit of a bit of an update on the UK ressie division in the sense of could we get an update on the inventory in Crosby, what's happening there? Could we get an update on what it would take to turn that negative ten million to a flat result and what sort of upside do you see there over the next two to three years?

DAN LABBAD: I think if you talk to people in the UK over the last three or four weeks, there is quite a lot of positivity that is coming out of the market. From I guess my perspective, I don't know yet whether that is real positivity or if it's a swing in the dark. I would say it's the latter. The banks still aren't open for business and the government is doing what it can to stimulate the economy by printing more money.

The effect on the residential market, there has been some stabilisation in decline in the market. That is both in the regions, and in London obviously if it's happening in the regions. What I would say, again, it is positive to see that happen through the summer where things are traditionally quiet, but I would like to see where it is early next year with regards to sustained stabilisation, and that is the big question mark at the moment.

In terms of the Crosby inventory, we are working to move that at plan, I think as we disclosed in November last year, and that is on track, it's a little bit ahead of track, but again I just want to be prudent with regards to what it will take to move that, given what I just said with regards to whether things get worse before they get better, but at the moment, John, things are moving to plan or just ahead of it.

JOHN FREEDMAN: So would you expect a flat year for this year or another loss in that division?

BRAD SOLLER: Just on the first one, John, we have made significant progress in selling down the Crosby stock. We've probably got rid of half--

DAN LABBAD: Over half.

BRAD SOLLER: --of the units that we had. Because things started pretty slow for the beginning of the year and they have started to pick up, there is some momentum in liquidating that inventory.

In terms of the profit for Crosby going forward, the issue with that is because what we took that provision and we wrote it down to what we thought was a reasonable value, there is no margin coming out of the sale of the inventory in Crosby, so you've still got to actually cover the operating expenses. So one would expect Crosby to actually make a negative contribution.

JOHN FREEDMAN: And if you look at Greenwich, at the moment not much happening there apart from the commercial stuff? You know, if green shoots are real, how quickly could you turn around and start making sales at

Greenwich and how much would it take to start contributing to profit in a meaningful way?

DAN LABBAD: The great thing about Greenwich is that we can test viability on every individual if we are talking about residential plot and we can ensure that we get an appropriate level of pre-sales to secure forward sales before we start.

At the moment we have a plot at Greenwich, one of the land sales that we did about 18 months ago to Bellway, they are in the process to try to get that away roughly at about £450 a square foot, and we should see that happening over the next three or four months. If that is sustained, then you will see something happening at Greenwich over the next 12 to 18 months, because there just isn't the absorption in the market to continue that in a high volume way at the moment. That would be my guess right now.

The only thing I would say as an element of caution over that goes back to what I said a few moments ago, which is I just want to see how things travel through the next three or four months before we say in fact the market has in fact stabilised for the medium to long term.

SIMON THACKRAY (RBS): A couple of real quick ones. Just on the communities business, your competitors in the local Australian space have talked about inquiry, you've talked about inquiry. They've talked about actual contract sales doubling from the half, et cetera. Just looking at the numbers, there is nothing conclusive in the numbers about contract actually going up. In fact, they're down from the half in the ressie space. Can you give us a sense, we used to get some pretty graphs that showed us inquiry levels versus sales, and we had to ask all sorts of questions, which we don't seem to be able to do now. Can you give us a better feel for what is happening in that market, particularly in Australia, and maybe a bit of a feel by geography first of all?

STEVE McCANN: David, do you want to say a little bit about inquiry levels and what you're seeing out there? David Hutton, the CEO of our residential business can talk a little bit about that.

DAVID HUTTON: Just a couple of comments. Levels of inquiry have jumped remarkably over the last circa eight weeks. Levels of inquiry in our Delfin business are up just under 40 percent on this time last year. So there is significant inquiry uplift.

What we have done in our Delfin business over the last year is also address the overhead quite significantly, so coming back to comments on margin, the overhead base in that business is significantly lower than it was 12 months ago.

As Brad referred to, we are managing where we spend capital in terms of into built product or into infrastructure quite close. Nevertheless, we are expecting Delfin to grow quite significantly in the next 12 months. So the outlook on Delfin is relatively positive. Obviously it depends whether that interest in the market continues as we move months ahead.

It is important to note Delfin's business, as Steve referred to, is never a business that is targeted at the first home buyer. Most of the Delfin communities, for those of you who have been there, are second or third home buyers. The level of inquiry now is moving into that space. So the level of inquiry seen is quality inquiry from more medium range product.

A number of projects, we have recently commenced trading at Blakeview just north of Adelaide and we are about to start trading at a project called Gawler north of Adelaide. Again, we have put a focus in Delfin in terms of pushing ahead in the more affordable markets in Australia. If you look at the Adelaide market, it is probably one of the most affordable still in the country. House and land products there are around \$375,000. We are pushing hard in the area where we believe the market will respond to.

So the outlook on Delfin is relatively positive. I think the apartment market will be a little bit slower. It is an investment based market. In Australia around 60 percent of sales go to investors. It will be a little bit slower to recover. That said, with the RNA project coming on line for us in Brisbane over the next 18 months we will start to see trading momentum there and we will start two new apartment buildings in the next 12 months as well.

**SIMON THACKRAY:** In New South Wales more specifically. I know you just talked to Adelaide and Melbourne, but what are we seeing in New South Wales, is there any sign of life at all?

**DAVID HUTTON:** Yes, there is sign of life in New South Wales. It has been a long time. For those of you who follow the New South Wales market, it has probably been flat. It is not as a result of the GSC. It has been flat for three or four years, largely driven by affordability issues. We have got projects in Western Sydney, Ropes Crossing just near Penrith. We are seeing a lot better momentum in that. Still relatively low numbers but level of inquiry and quality of inquiry much stronger. Likewise our project at Bingara is starting to get a much higher level of inquiry. So we are seeing momentum in Western Sydney.

**SIMON THACKRAY:** That's great, thanks. Just going back to the US in terms of issues around litigation around over-charging clients, et cetera, what is the status of that litigation, and the implication in terms of losing accreditation if there is an indictment against the corporation, can you give us a bit of colour on where that's at?

**STEVE McCANN:** There has been some inaccurate press on that. Let me say that to start it. There is an investigation under way and we have been co-operating with the authorities for some time. In fact, we have pretty much concluded our own internal investigation now into the issues that have been raised and we are handing all of that over to the authorities. We have been working hand in hand with them.

The one issue that is of concern is around what has been referred to as over billing, but we have not in Bovis charged any client anything we haven't paid. So it is not really the right terminology. There has been a practice in New York

where union labour gets paid at certain rates and certain overtime payments, et cetera, and the way that it has been done, as we understand and we are told, and there have been different ways across the entire industry for many years, is quite frankly the wrong way to do it, and that is the issue of investigation. So it is not confined to just us.

We are the only company that has had any press around it, but in terms of materiality, even if we were to go back and redress everything in the last ten years, we are talking an immaterial amount of money.

The issue is reputation. So the reason we have simply been working as closely as possible with the authorities to try and bring this to a conclusion as quickly as possible, we are hopeful that we will end in a reasonable position. The issue for us is we just want to clear our name and move on as quickly as possible. It is confined to Bovis US and it is confined to that one specific issue.

**SIMON THACKRAY:** But you are saying it is industry wide, so all the other competitors are in the same boat effectively?

**STEVE McCANN:** I don't know their position. I am told that it is industry practice and has been for many years. How other companies have dealt with I have no idea, but we have confined it to looking very closely at our own practices, and we have trawled everything for ten years. We have worked very, very hard to try and bring this to a close very quickly. We have got a pretty good relationship with the authorities is the reality. I don't want to be drawn on where it all ends and when it all ends because these things can take a long time and our focus is on just getting it dealt with quickly.

**SIMON THACKRAY:** So you will keep us updated no doubt.

**STEVE McCANN:** Sure, and if there is something material, we will disclose it.

**SIMON THACKRAY:** And just while we are in the US, finally, the US communities business, we're talking land and houses being sold for less than the land cost, which is obviously stalling residential recovery, but you have often cited, when you were CFO as well, opportunities in the US. Is now the time to be looking at the US for taking a position?

**STEVE McCANN:** It's interesting, we actually spend a bit of time - I am always on planes I guess and the sentiment overseas is materially more positive than it was three months ago. I would say interestingly the sentiment in the UK has moved ahead more quickly than the US. I think the US is still working through a lot of issues on a regional basis. So there are good signs, but we are not in any hurry to spend any money there. We will keep watching it, and if it is the bottom or near the bottom, we don't see a spike, we see it bumping along for a while and there are going to be opportunities still emerging over the next 12 months, two years, so we're in no hurry.

JOHN RICHMOND (Merrill Lynch): Just another quick follow-up for Brad if I can. Some of your peers have gone out and sourced new debt recently, domestically and off shore. I'm just wondering have you talked to banks lately, what the likelihood of you guys being able to get new debt at this stage is.

BRAD SOLLER: Yes, obviously we have a very good relationship with all the banks that are lending to us. As I mentioned in the presentation, the key facility that we actually have to renew is the UK revolver facility for £350 million. We actually have commenced discussions with the bank in that syndicate and we have got very positive feedback in terms of extending that facility.

JOHN RICHMOND: Percentage likelihood, what percentage are the syndicate members looking to roll?

BRAD SOLLER: I don't wish to comment on that, but we are pretty confident of getting a significant proportion of that facility rolled.

JOHN RICHMOND: And what about you new debt outside of that?

BRAD SOLLER: At the moment, given our gearing, where it is, we haven't really actually instituted much dialogue with the banks in terms of raising new debt. Our priority has been focussed on extending that facility.

ALISTAIR REID (J P Morgan): On the litigation costs with the Deutsche building over in the US, is that still expected to impact Bovis' earnings this year or next year FY10?

STEVE McCANN: We have made substantial provisions already in our numbers for the cost of that litigation. There will be some ongoing costs but we are not expecting a material drag on earnings above what we have already provided.

ALISTAIR REID: And a question for Brad. I was scribbling down at the early stages of the presentation, but did you mention that you had repaid all but £75 million of that £350 million facility?

BRAD SOLLER: That is correct. If you remember when we did the updates in May, there was some uncertainty as to the banking system and we actually wanted to make sure that we had access to that cash and we thought that the additional costs justified the certainty. The banking systems have clearly stabilised and therefore we have repaid the majority of that facility.

ALISTAIR REID: And that was repaid with the funds that you had actually invested in bank bills?

BRAD SOLLER: That is correct.

ANTHONY CAY (Perpetual): Correct me if I am wrong. I think the last time there was a major blow-up on a project was maybe the 80s, the BBC building. Anyway, it has been some time. Just because of the history, is that because of better negotiations with contracts, better systems, et cetera, et cetera, or is it just you're having a good run?

Secondly, just to check on the Athletes Village, I know you have said how the contracts are fee for service, you have mentioned how complex some of that work is, but if there is a buy out somewhere there, is there a profit loss to Bovis, et cetera, or is it all paid for by the government?

STEVE McCANN: I will answer the first part and then Dan can answer on the Athletes Village.

I think what we would classify as the most recent disaster project, for want of a better word, would be Liberty Street in New York, which has been a problem. We have had a fire there and we have obviously had to provide a significant amount of money against that, but you are right, we have had a material improvement. We have hundreds of projects on at any one time and we monitor not just the difficult projects, but also the ones that are performing above margin. That skew towards out performing projects is materially stronger than it has been for some time.

Why? I think the reason really comes down to improved operational management. We have, for example, a system which is reflective of what we have introduced across the business in Bovis, but our safety dashboard system, we engaged Dupont, who are renowned as world leaders in safety, in New York following the Liberty Street issues to have a look at our business in New York, to have a look at our practices and procedures, and they have commented to us that they see our systems as world best practice. We spent a lot of time and effort getting that right, so touch wood, we will continue to improve on the delivery in that business, but we have always maintained before that construction is a risky business. There will always be some projects that don't hit their margins or cause us problems. Our aim is to make sure the outperforming projects always outweigh the underperforming projects.

DAN LABBAD: On the village, the structure is a fee deal, so we get a base level of fees. We don't take cost risk on those fees and we are incentivised on cost and time. Obviously, any contractor, any service provider has professional indemnity exposure and that is capped also.

STEVE McCANN: Are there any telephone calls? It looks like we are about done. Thank you for attending and hopefully we will see the market continue to go in the right direction.

MEETING CONCLUDED AT 12.10PM

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