

**LEND LEASE
STRATEGY DAY****27 MAY 2010**

MR DAVID HUTTON: Thanks Sally and good morning everyone. Just a couple of opening comments before I run through the presentation this morning and perhaps reflecting on some of the things Scott said.

People new to Lend Lease often see opportunities in the Group and I also think people who have been at Lend Lease a long time see a lot of opportunities still in Lend Lease.

My reflection on nearly 22 years with the Group is Lend Lease has always done great buildings, it's always done great projects, I think it's got some very talented people, but at times we've probably struggled to convert that into optimal returns back to shareholders. I think the real focus in the Group now from my perspective and the journey the senior team's working on with Steve is really how do we leverage that capability the Group's got by firstly buying well, obviously executing well but perhaps a little more efficiently and then seeing the appropriate returns come out of that.

I think a major part in the development focus is not looking at developing in isolation, but is putting a lot more focus on the capital model we use and how we think about both development and capital together and how we appropriately price and attract the right capital for the various development opportunities.

I think if you reflect on Lend Lease we were very focused on one or two funds in Lend Lease capital and Tarun will touch on later, but we're now starting to look a lot broader in terms of the capital we bring together and how we can really create and arbitrage between the costs of capital and the development opportunities the Group finds.

This morning I won't talk a lot about the development pipeline outside of Australia. Dan's going to talk about the UK, Paul will talk about retirement and obviously there's an emerging development pipeline out of the retirement sector as well. So I'll limit my comments to our core retail office and residential businesses here in Australia and then I'll overlay some of the major projects onto that.

Obviously the last six months has seen a terrific conversion in terms of backlog. Here in Australia we do believe we have bought very well. It will take time for those earnings to emerge, but again I think people who've been in development and in real estate for time understand the quality of the projects, but more importantly, how well you buy them is probably the key in terms of creating returns over time.

Ironically I actually think if you want to build the best development business you don't go out to build a development business, you go out to build the best sector businesses and I think it's interesting some of our competition has been talking about sector focus recently, but the reality is we are focused on core sectors in key geographies. If I look at a project even like Barangaroo I don't view Barangaroo as a development project in some respects, I view it as an opportunity to bring together leading capability in commercial office development, in residential development, in retail development and then the ability to coordinate that with the

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right delivery skills and obviously the right capital models.

So our focus is very deliberate; we are focused on key sectors and where we secure a large project we bring together those sector skills. We don't just create a project team to focus on it as a project.

Part of the reason for that and that thinking is it's really about creating scale in those key sectors that relates to the expertise and capability. Certainly in the residential space it relates to a consumer brand which is obviously key if you want to create a strong apartment business or a leading apartment business or a leading master plan community business. It all comes back to your ability to pre-sell and get consumer sales. Likewise in the office space it comes down to your ability to pre-let and pre-package.

Obviously there is a focus on the integrated model. In some respects Lend Lease has talked a lot about that over a lot of years. Yes the Group businesses work together, but now in the structure we've got there's not just the focus on working together, there's a focus on how we create value together. Again, that's not just semantics but it is a very different approach.

Having the preferred capital model, as I've already said, is fundamental. The focus on sustainability and safety yes it's the right thing to do, yes it's something we should be doing, but the reality is it gives us a very strong competitive advantage. No one likes to win big projects just based on price. Price should never be a competitive advantage in terms of when you're trying to bid things; like Barangaroo obviously 35% of the Government's competition related to economic benefit to government, but we put a huge focus and we'll deliberately set out to win the bid on the other 65%.

The last point there which has obviously been all our focus is trying to capitalise on where the Australian cycle is. So no one can ever predict the bottom of the cycle or the top, but our view has been the cycle was near the bottom. We had a real competitive advantage over the last 12 months and I think that's been demonstrated by the wins and the very significant increase in backlog we've put together.

I'll touch on these four opportunities, but I think the key element of these is they represent for the Group well over \$10 billion of end value in projects that will emerge over the next decade. As I've already touched on, rather than viewing them as individual projects, it's really what they do to our business platform.

So retail platform manages around \$5.5 billion of retail assets. It'll be that retail business that does the retail at RNA, that does the retail at Vic Harbour, that does the retail at Barangaroo.

Our apartment business was really a collection of a couple of projects. We've now built that to a backlog of approaching 6000 apartments and again it'll be that apartment team that do all the apartments in Barangaroo, in RNA and in Victoria Harbour.

Our office business, I would argue Lend Lease is clearly the leader in A grade and prime commercial space in Australia. Obviously at the moment we've just completed the ANZ

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building and the Myer building down at Vic Harbour. We're completing the headquarters for the Commonwealth Bank here in Sydney. We're getting close to the completion of 420 George Street here in Sydney. Now with RNA, with Barangaroo and obviously in addition to Vic Harbour we now have the leading portfolio opportunity really to ensure we can stay as the leader in that commercial business over the next decade.

Just in respect to Barangaroo, I appreciate this being quite a lot said about Barangaroo so I'll go through it relatively quickly. Some of you may have had the opportunity to have presentations before. Barangaroo for Lend Lease really relates to the development rights for the southern seven and a half hectares of the site. We will be lodging a concept plan amendment with the State Government in coming months. We will be applying for floor space of up to around 490,000sqm. There has been some controversy on design. I sat through two public consultations this week and it's amazing you get very different views, for example, the hotel piers, some people love it, some people aren't quite so keen on it. Obviously it's been our focus to do something special for Sydney. We don't treat Barangaroo as just another collection of buildings. We do believe the western side of Sydney deserves also to have pride and quality in architecture and to put a front door on that side of the city.

I don't know, around the room I should get a poll here. It's always interesting to do. Who's seen the scheme in any detail? Most people here? I'll go straight to the Pier Hotel; who thinks the Pier Hotel's a good idea? It's not just Lend Lease hands [laughter] -- a few plants in the room. Who's got significant concerns about it? There's a few there too, good.

I think we at Lend Lease encourage that debate. It's not a debate we believe we should retire from at all and what we put to the Government last November was a concept scheme. So we are evolving that design and we are listening and we will take into account the feedback we've had from the authorities, the feedback we've had from the city of Sydney, the feedback we've had from business and obviously the feedback we've had from the community.

So we're working through that now. We obviously believe our scheme had merit, but our scheme will evolve and the design will evolve from what you have seen. I'll run through the flythrough later today, but that was the flythrough as the design stood last November.

Just in terms of some key facts on Barangaroo, around \$6 billion of end value. As I said before it's around 490,000sqm of buildable space. Development period 10 to 15 years. We however believe the cycle for Barangaroo is very well placed in terms of the current cycle. There is a shortage of quality residential especially on the waterfront in Sydney. It is very hard and the supply of apartments is very limited in Sydney. We're down to our last two buildings at Jacksons Landing which we're already well through the pre-sales and there isn't another major residential on the waterfront in Sydney Harbour at all so we believe Barangaroo is very well placed on residential, very well placed for the commercial cycle recovery and given the timing of Barangaroo we're currently able to talk to tenants who have lease expiries anywhere between the end of 2013 up till the end of 2016. So that covers a lot of commercial tenants, both here and a number internationally, who are looking at new premises in Sydney.

Steve touched on the level of interest. That level of interest continues to increase and we

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believe there's a real opportunity to capture on that cycle or the current cycle and really plan our first five years of development at Barangaroo with a huge amount of momentum.

Retail at Barangaroo, we do intend to build around 30,000sqm. Those of you who are familiar with the western side of Sydney -- western part of the city -- there is very little retail on Sussex or Hickson Road or the hungry mile as we now call it. There's virtually no retail on Clarence or York or Kent Streets either, in fact for the businesses that are on the western edge of the city now you've really got to walk all the way back east of George Street. We see terrific opportunity for a comprehensive retail offer in Barangaroo, so 30,000sqm equates to around or up to around 200 retail tenancies, so fashion as well as food as well as convenience offer.

I've touched on the hotel. Generally no one makes money out of hotels. We believe the hotel for Barangaroo is an opportunity to enhance the scheme, but it's not part of our underlying commercial assessment. It's not contributing to the land or profit out of Barangaroo, but we believe it is a signature piece for the overall scheme. We believe it will be a great facility for the businesses that relocate to Barangaroo and we believe it'll enhance the retail and the residential at Barangaroo. So that's deliberately why we have done it. We're not approaching it on the basis of a major development opportunity and we will be looking for third party -- not only a third party operator, but obviously third party ownership prior to getting underway on the hotel.

Barangaroo obviously in terms of the success it is fundamentally about commercial space. Those of you who know the city office market very well, Sydney on average has a take up of around 60,000sqm of prime space per year, but the reality is there's never such a thing as an average or the market never hits the average. [The take up side of that is] either much more than that or much less than that.

As I said before, our focus now is very much on the pre-let market. Steve mentioned we have had heads of terms with a major tenant. We've actually got heads of terms with two major tenants now and we're talking to about five other major tenants about a significant quantum of space which as I said really relates to occupancy between the end of the '13 and the end of 2016.

There's very limited opportunity in the CBD now for large floor plate office. That's largely the fact that the sites are very constrained. Barangaroo has a whole array of benefits for occupiers and we would argue benefits for Lend Lease and the capital that will support us on the office floor space. For example, construction costs in the core CBD when sites are very constrained, if you look at the work we've done in George Street recently or the work that some of our competitors are doing in Bligh Street, access to those sites is very difficult, it's expensive, there's restriction on working hours and so forth. Barangaroo has a huge advantage in respect of that. We have a large site, we have a lot more flexibility, therefore we can build a lot more efficiently. Because we're building a lot more space we can procure more efficiently and if we get the level of pre-lets we anticipate, the whole procurement construction will have significant cost benefits over other sites in the CBD.

We are able to bring space to the market on the basis of our bid and forecasts a significant

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price advantage to other space in the city and likewise both for Lend Lease and for our third party investors we believe we can offer superior returns at Barangaroo.

Obviously sustainability and all those other attributes Barangaroo will be a clear leader. We're able to introduce sustainability into the precinct and into the infrastructure in addition to the buildings. So six star buildings at Barangaroo we'll consider standard. We will be able to provide a high level of sustainability because we'll also be able to coordinate all the precinct infrastructure.

In terms of location, those of you who are familiar I guess with extensions of city centres and I would put the Docklands in that in Melbourne, not many people who lived or worked in Melbourne saw the Docklands as part of Melbourne and they saw it outside the city centre to some extent. I think that's now changing but I think that was certainly the perception nearly for the first decade.

Canary Wharf stated life in London exactly the same; it was outside the city a long way from the West End and it took a decade to get any momentum.

La Défense in Paris exactly the same; it took a decade to get any momentum in terms of commitment to tenants and it was actually led by government tenancies.

Barangaroo is not like any of those. The reality is for those of you who again probably don't have a need to walk to the western edge of city a lot, albeit with organisations like KPMG, with organisations like Westpac and Macquarie, that's now changing. But if you look at this slide you can actually see Wynyard's really the life support in terms of transport for the northern half of the CBD in Sydney and I won't run through all the statistics on that but that's the reality. Barangaroo is actually closer distance to Wynyard than the Grosvenor building is and it's certainly a lot closer than the RBS building and the other buildings in the north-east corner of the city.

So once we upgrade the new pedestrian tunnel to Wynyard, the light rail comes online, Barangaroo is very convenient to Wynyard and when we get west Quay and the ferry service operating and the increase in ferry services over to Balmain Peninsula as well as around to the Quay and other parts of the harbour, it will be a major transport corridor for Sydney.

Obviously the Metro's not going to happen. That's got pluses and minuses. Obviously it's disappointing whenever transport infrastructure is delayed, however the benefit also for Barangaroo is it enables us to get in and start the southern end of the project straightaway rather than waiting four or five years for the Metro to be constructed.

A little bit there on office. I touched on those key points so I won't dwell on those again.

Just in terms of the flythrough, my apologies if some of you have seen this. It was, as I said, a reflection of the design from back in November which has continued to evolve. It runs for about two minutes and I'll just let that play.

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[Presentation video 2:24:18.8 to 2:27:56.7].

If I leave Barangaroo I'm happy to take any questions later about Barangaroo and talk just for a moment in respect of the RNA in Brisbane.

As I responded to the question earlier we remain the preferred proponent in respect of the RNA but we're very close now to finalising contracts and expect to announce that shortly.

The project on RNA we see it as a very unique opportunity, similar to Barangaroo, similar to Vic Harbour, it is under the planning control of the respective State Government. That was also one of the reasons we saw RNA as a terrific project as we do Barangaroo. I think all of us are aware major projects that sit under planning of local councils often get delayed. The reality is that both Victoria Harbour where the Planning Consent Authority's Vic Urban, Barangaroo where it's a State Government, New South Wales and RNA it's the ULBA or the State Government in Queensland. We see that as a major advantage to those projects in respect of certainty.

RNA's very close to the core CBD in Brisbane. However that said, we're not focused primarily on the commercial market. The commercial market, as we all know, is quite soft in Brisbane, probably the softest of any of the markets in Australia. The focus of RNA really relates to the circa 1900 residential apartments and we see that as a strong market and a market that when you look over the next decade will place this project with some very significant benefits in terms of its scale, its sense of place, proximity of the city and obviously proximity to the Valley.

You can see there the makeup of the project. As I said the core focus is really on the residential apartments, that's the bulk of the project. The structure of the deal is similar to a land management arrangement, albeit the value of the land that's created off the private development we then reconstruct the RNA's facilities. So they're looking to update their industrial pavilion, their large animal pavilion and all the facilities they have that contribute to the annual Ekka event.

So hoping to make an announcement on that very shortly and we're targeting to get planning by year end and then actually commence the development prior to Christmas.

Moving down to Melbourne, down to Victoria Harbour. Not a new project. Many of you have visited the project before so again I won't spend a lot of time, but I think the other key lesson Lend Lease has learnt on major projects is really fundamentally they also come down to momentum. Victoria Harbour had a relatively slow start as did other parts of the Docklands. What we have done now is put a major focus on momentum. That requires the flexibility to be able to move with the market. So obviously we had a large push into the commercial sector with the conversion of Myer and ANZ around 110,000sqm of floor space, two major projects. Obviously the commercial market has slowed. Our focus is now on residential. We're just starting construction on our Convesso. It's 220 apartments on the waterfront. That's in a joint venture with HOSTPLUS again Tarun's team brought the capital together combined with Lend Lease capital. That's starting construction now. We're about 145 of the 220 apartments are

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presold, so largely derisked and we're launching to the market a cheaper product or more medium based residential product in the next couple of weeks called Serrata which we'll aim to get into construction. We've now got planning approval from Vic Urban and we'll aim to get that into construction by year end as well.

But I think you can see even from the buildings on that page those are basically, with the exception of NAB which was 2003, the rest of those buildings have all been completed in the last five or six years. Our focus is to get at least two major buildings underway every year and again that obviously flows onto work for the investment management team, work for the Bovis Lend Lease team and obviously with ANZ we're starting to change in the connection of Collins Street now the tram goes into Vic Harbour. I think the ultimate success will be when it's really viewed as part of Melbourne rather than part of the Docklands and that's certainly our goal.

I won't run through the two residential projects in any more detail. We are working with the Green Building Council and the residential building will be the first residential rated green star building in Victoria so a large focus on that. Again, we believe consumer preference to sustainability will inevitably follow as it has in the commercial sector.

That's the two residential buildings I've referred to.

Over to WA very briefly; the Alkimos project. Our legal team are meeting with LandCorp today. They were with them yesterday in terms of finalising the project development agreement. As you can see there on the slide Alkimos is a very large project with LandCorp, the WA state land agency. We have won the first stage of that project. Obviously if we execute that well it's our intension to continue to work with LandCorp over the balance of the project which is up to 10,000 lots in total.

It's a prime piece of real estate north of Perth. Yes it's well north of the CBD, but it is right on the coast. The Perth residential market's been a market we've been trying to break into for some time. We struggled to find value and we struggled to find the right partner. Now we've got a partner with the Government. We're very, very happy with that. We think that's the right partner. Also this project is a great project to start from. It's an iconic project in many respects. It's got very good publicity and it will really build the foundation of our Delfin business in WA.

Just very quickly I'll just touch on our three businesses, one slide on each just in respect to trading conditions. Our focus on the Delfin business has really been -- we've had a big backlog. I think we've told the market many times before Delfin's got one of the largest backlogs in terms of master plan communities in Australia, just short of 80,000 lots. The reality is much of that was not zoned and was not trading. That has been where we've put the focus.

Our Rocky Springs, Townsville project over 10,000 lots, we look to be trading within 12 months.

Yarrabilba we spoke earlier, now that's with the ULDA. We'll look to see the acceleration of

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the infrastructure and getting that project underway.

Calderwood's now with the Planning Minister. It's a project down near Wollongong. It's 5000 lots. It's with the Planning Minister in New South Wales being determined at the moment and the Minister's very confident that will be approved very shortly.

Lockerbie's now within the Urban Growth Corridor in Melbourne and we're looking to see that accelerate.

Gawler in Adelaide we'll see come into trading within 12 months and the Alkimos project I've already spoken about.

So when you add up all that that's over 30,000 lots in that Delfin backlog that we're looking to convert into zoned ready for development and you'll see those projects commence over the next 24 months. So a major focus in Delfin is converting that backlog getting a trading.

Steve mentioned a couple of comments on Delfin's trading. It has picked up. Queensland however is still relatively slow. The Queensland market's very flat. New South Wales has improved. Victoria's the strongest market. Adelaide and ACT both small markets but a high level of inquiry there and obviously we're yet to release the Alkimos project in Perth, but the Perth market is also strong.

So we are seeing an increase of trading of historic levels of Delfin and we'll look to capitalise on that, albeit we are cautious. Obviously the investor residential market in Australia is still very soft. Our core focus in Delfin is upgrade as people who are buying their second home and upgrading, primarily upgrading, which relates to the quality of the communities we create.

In our Vivas business our focus has really been to create a business. We saw some of our competitors drifting away from this space and a real opportunity. It requires getting the capital model right. We joint venture, we bring in debt, lower our use of equity, improve our return on capital and get the required level of pre-sales. That's what we're about in the Vivas business and then as I mentioned before we've now got a very strong backlog added to not only by Barangaroo and RNA, but obviously the conversion of GTV9 in Melbourne and Orrong Road in Melbourne which are two terrific projects and then obviously building off the back of Jacksons Landing as well. So we believe a strong future, albeit profits again in that business given the nature realised in profit, takes some time to be realised.

Very briefly in retail; our retail business really underpins the performance of our fund. We now manage over \$5 billion and Tarun will touch briefly on this. I'm pleased to say our latest retail project which is Mid City Centre in the CBD will open on Tuesday the through link next to The Strand. It is 100% leased so we continue our track record from Somerset. Our major competition Across the Way reported they will not open 100% leased so our retail skills are still paramount to our business and a major focus. Obviously we've also started our Mackay development up in Queensland which is one of the largest retail projects in Australia underway now.

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So core skill set for us. Obviously the retail market in yields and so on are softer but a core part of our business both in asset management and development.

So look in summary, as I've already mentioned I think it is about our development and our sector businesses about buying well, they're about executing well and they're about getting the right capital model. We have built our backlog and I think you'll see the value of that start to emerge over coming years. We believe we are clearly a leader in the commercial space, becoming a leader in the apartment space, the leader in the master plan community area, so we believe we are very well placed and that business obviously contributing to the growth of our investment management platform and underpinning a significant amount of earnings in our BLL business.

So on that note I might hand over to Paul. Thank you.

END OF TRANSCRIPT