

LEND LEASE STRATEGY DAY

27 MAY 2010

MR STEVE McCANN: Good morning all and thanks very much for joining us today. I want to start on safety and just follow on where Sally left off. The other point to make, on our tours this afternoon there are five items of safety wear that you must wear and, if you're not prepared to wear them, please don't join us. You won't be welcome on the site without the appropriate safety equipment.

Safety is obviously something that we spend a lot of time and energy on and it's a very important part of working in the industries that we work in. It's very, very difficult particularly in the construction industry, to maintain a record of Incident & Injury Free but that is our aim. We have, unfortunately, had a long history of incidents on sites and that's not at all unusual in our business but we do report everything right down to a subcontractor and sub-subcontractor level and we have had three fatalities across our sites this financial to date.

I'm pleased to say that that's well down on historically what we used to record and I'm also pleased to say that our loss time injury frequency rate is well down across the globe as well. So everything is trending in the right direction but it's still very unfortunate to have to say that we've had three fatalities on sites that we've been responsible for globally. We do take it very seriously. We are closing a number of regions within the Bovis business in the CEMEA region in particular. One of the most significant factors in making those decisions is the ability to operate safely in those regions. Where we don't believe we can do that we simply won't operate going forward.

Let me kick off. We've got quite a bit to get through today and I'll walk you through the agenda and then make some comments on my first 18 months in this role and give you an update of where we believe we are on our strategy journey that I outlined to you in this forum last year.

We do have quite a number of senior management team with us today and I might actually introduce them. Hopefully I'll spot everybody but I'll start on my left. Scott Charlton who joined us recently from Leighton as Director of Operations. Brad Soller who you know well, our CFO. Tarun Gupta who has been our Head of Investment Management in the Australian region and recently been promoted to Group Head of Investment Management. Paul Walsh who has taken over as the CEO of Primelife following our privatisation of that business. Murray Coleman, Group Head of Project Management, Design and Construction. Tony Lombardo, Group Head of Strategy and M&A. Dan Labbad, the CEO of our EMEA business. Thanks for making it out here for this Dan. Rod Leaver the CEO of our Australian business.

At the back of the room we have Andrew Muller who was the Global CFO of Bovis and is moving into a corporate finance role working with Brad Soller. David Hutton, the Group Head of Development there at the rear table and Neil Martin, the Group Head of Risk and Safety.

I have also Jocelyn Harvey in the back left-hand corner, recently appointed the Head of Corporate Affairs for the Group. Sally, you know. She's introduced Pam and hiding in the corner is Rachel who manages our internal communications team. If I've left anyone out

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stand up but I think I've got you. Mark Menhinnitt, Group Head of PPP, again, who is well known to you and Stephen Grist who has recently joined us from Stockland as Executive General Manager in finance.

So, a bit of a crew and a good turnout from you as well and thank you very much for attending today. We do have a bit to get through, as I said. You will see up there the agenda. You will hear from most of the business heads during the course of the day and also from Brad and Scott.

Let me start on some highlights. There are three key things that I would like you to take away from our strategy day today. They are our continuing strong deal momentum. The fact that we're on target with our strategy and our business plan and we are on track to delivery on our earnings guidance.

Since the first half result in February this year we have signed a project development agreement with the Barangaroo Delivery Authority. We've signed a framework agreement to develop stage 2 of the Stratford site post Olympics and in April our flagship retail fund, APPF, has raised \$500 million of new equity from investors. That raising was oversubscribed and, as a result of that, we decided to offer \$150 million of our own equity in APPF retail to bring five new investors into the fund. We sold our stake at a premium to the March current unit value.

That's enabled us to recycle \$150 million of cash from the sell down and we will reinvest that into our strong forward pipeline of development. We have also made significant progress on reshaping our business and prioritising our capital allocation across the various regions and businesses. We've got a very clear view on what drives value in our various businesses and we've restructured the organisation to align with this.

We have also made some great hires at a senior management level. As I said, we're on track to deliver our earnings guidance that we gave at the first half and all-in-all I think we're very well positioned as we come out of what's been a pretty tough cycle in recent years. We've got an enviable development pipeline, very strong financial capacity and flexibility to develop that pipeline and we're very focused on what we believe are the right sectors and the right regions that we need to operate in.

Just a reminder of the fundamentals of our business model. You've seen this before and we will keep emphasising this. It's critical when you're an international business to have a unique competitive advantage if you are going to deliver sustainable growth in earnings and this is what we believe our unique competitive advantage to be. We're capable of extracting the maximum value from real estate because we do operate and have skills and depth of experience across the entire value chain.

This works best obviously when we collaborate across all of our different businesses and where we do use third party capital to invest alongside us, and that comes from a number of clients, partners, government partners, private developers and our funds. When we do that, at the same time as capturing all of the revenue streams that are available from property, by

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definition we should be driving the highest return on capital in our peer group. Obviously that comes down to executing well and the key focus for us is to make sure we execute well at all times and that's the focus of management going forward.

Last year we committed to a three stage journey of restore, build and lead and we have made significant progress in the first two stages of that journey. We have been also fighting our way through the GFC as have all of the players in the property industry globally so we have had to realign the size of our business and the overheads within our business to meet the market demand as it is today.

I'll talk a little bit about the restore phase and I will elaborate on the structural changes which we have previously announced. We did earlier, about a year ago, merge the Development and Investment Management businesses and we've now moved to a fully regionalised structure. We've also created group roles for PPP, for Development, for Investment Management and for project management design and construction. In each of these roles we have very long-term Lend Lease people who are some of the best in class in their area of specialisation.

We did reduce our overhead in line with declining volumes. We are pursuing further cost-out and that'll come through efficiency gains. That will include upgrading our systems and processes globally and aligning our support functions to deliver efficient and cost effective outcomes.

With regard to capital management, during the year we've raised corporate equity of \$1.1 billion and we've raised over \$5 billion in debt and equity in our Investment Management platform which I think is an extraordinary achievement during two of the toughest years any of us have seen in the property industry for the flow of capital.

We have also revised our capital allocation process and the establishment of our regional structure and Centres of Excellence is intended to further improve our ability to assess the various investment opportunities we see in the different geographies and to make sure that we emphasise and enhance the benefits of our integrated business model.

We have also commenced the build phase of this strategic journey and I think it's fair to say that we're probably ahead of our own expectations in this regard. We have significantly invested in our senior management bench strength. We appointed Scott Charlton as Director of Operations and Bob McNamara as the CEO of Americas. Scott established a great track record at Leighton and was strongly endorsed by some of our investors we spoke to and he's clearly hit the ground running as we expected.

Bob McNamara has had a very distinguished career in development and construction including 10 years as a senior leader at Fluor where he had responsibility for a number of global business lines including mining and manufacturing, PPP infrastructure, chemicals and strategic planning. So both great hires that have significantly strengthened our bench.

We have also made a number of significant other internal and external appointments including

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Paul as the new CEO of Primelife, Tony Milis who's the new CEO of Delfin and both Paul and Toni have had over 20 years with Lend Lease.

Michael Vavakis is the Group Head of HR who's had 17 years experience at Hewlett Packard. Jocelyn Harvey, who I've mentioned, is the Head of Corporate Affairs has been with Lend Lease 16 years and Steven Grist who was formerly the Head of Tax and Treasury at Stockland. We set ourselves some targets in strengthening our senior management team at the start of the year and I think we've done very well in that regard.

We have also maintained a strong focus on our growth priorities and we are now through Primelife the leading player in the senior living sector. We've added critical mass to the investment management business and the retail platform through transactions such as the ING Retail Fund acquisition. We've launched REP3 which is the first wholesale fund launched in Australia in the last two years.

We secured a significant pipeline of urban regeneration projects using our capital-like model of Barangaroo, RNA and Elephant & Castle amongst those. We've established a position in the Western Australian market for the first time through the Alkimos transaction and enhanced by the acquisition of ING Retail which has some major assets in that region. We've established PPP capabilities in the Australian and Canadian markets.

Turning to our key focuses for the future, we will have a focus on four priority areas. The first, as I mentioned, we need to continue to work towards being an efficient business and we need to align our resources around the growth markets that we're targeting. The new regional structure will offer to the market a more integrated offering and it will create a more consistent and focused origination effort across the group in the various regions.

We will also make significant investments in re-engineering our core business processes and our ICT platform and in improving our procurement and supply chain processes. We are continuing to review all of the countries that Lend Lease operates in. Our focus will be on attractive geographies and sectors where we can operate safely and profitably. We will also continue to reduce our overhead through consolidation of offices within regions.

As I've stated in the past, we have identified five key trends that we believe underpin long-term demand for our integrated property resources and I'll talk a little bit about them shortly. Finally, beyond the traditional core business, we will continue to innovate in new product areas and market segments and I'll talk a little bit about Asia shortly as well.

So just rounding out on the structure, we spent quite a bit of time working with Booz & Co to assess industry best practice. We looked at a number of international corporates in the US, the UK and Australia and it's clear that best practice does suggest that the corporate structure should align with and mirror the key strategy of the group. It's logical that we should establish our organisational structure around the four regions in which we operate and across all of our skills through the whole property value chain.

The org structure has four regions - Australia, Asia, the Americas, which includes Latin

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America, and EMEA - which for us means the UK, Europe and the Middle East. Each of those regions will be led by a regional CEO and they'll be responsible for all regional operations including Development; Project Management, Design and Construction; PPPs and Investment Management. They will be supported by four global Centres of Excellence which are small teams led by some of our most experienced people. They will work very closely with the regional CEOs and they will focus on supporting best practice, strategic growth, risk management and operational excellence.

They will also help drive strategy and ensure that our specialist disciplines operate at world's best practice in each region. I am proud to also highlight that the eight people you see in those boxes collectively represent over 200 years of property experience which I think is some achievement.

A new Director of Operations, Scott, is responsible for leading the corporate functions across risk, safety, ICT, legal, HR, finance and corporate affairs. He will also oversee the venture capital team and the fourth area, strategy and M&A continues to be run by Tony Lombardo who works very closely with me on refining strategy and on clarifying and identifying growth opportunities and overseeing our investments in sustainability.

Let me just expand briefly on the five key trends which we've talked about before. Urban regeneration, the ageing population, sustainability, growth in investment funds and public private partnerships. We do expect these to continue to be the main trends that underpin our business internationally and our five year plan has a strong focus on scaling up our businesses to leading positions in each of those areas in our core markets. We aim to provide customised solutions across the value chain at a premium margin.

The world's major cities are experiencing a demographic shift from rural to urban and that plays very strongly to our mixed use capabilities. In 2008 more than half the world's population lived in urban areas and by 2030 this is expected to grow to more than 60 per cent. So this is clearly going to increase demands on infrastructure, increased demands on well designed mixed use communities and this plays to our strong competitive advantages in this area.

As I've talked about, we understand all of the components of the development value chain and this helps us obviously during the bidding process. We can offer a seamless proposal to our partners and that's been demonstrated in the wins such as Barangaroo. Through the successful delivery of a number of mixed use projects in Australia and the UK we have developed our understanding of the best way to drive value in these complex deals.

We think that reputation is well respected by governments, institutions and private development partners. We're very committed to building sustainable communities and we will continue to strive to deliver efficient building technologies.

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The ageing population in developed countries is another trend which we expect to continue to deliver great opportunities to our group. In Australia there are expectations that the population will grow by about 20 per cent over the next 15 years but in the 65 plus age group, that's expected to grow by about 69 per cent over that equivalent period.

The number of retirees in retirement communities in Australia and moving into retirement communities in Australia remains currently well below the penetration rates in markets such as the US. So we see further opportunities in that space. It's also a very fragmented industry. The top five players hold less than 25 per cent of the retirement living market in Australia and we're now the largest manager of retirement living units.

The key priorities in this area remain integrating the newly acquired Primelife business with our Retirement by Design business and focusing on driving operational efficiency and taking costs out of that combined business.

We've also recommenced building our development capability, our development backlog and we are going to bring Capital Partners into this sector alongside us over time.

The public private partnership model has also been embraced in major developed economies. Given the growing trend of urbanisation, governments clearly are going to be required to deliver better and more expansive infrastructure support. Sovereign debt issues also suggest that governments are going to continue to have to look more and more to the private sector for funding which arguably should develop the PPP markets more broadly in some areas such as the US where to date it hasn't been a strong focus other than in the military where we're already a dominant player.

Our focus is primarily on social infrastructure where there is an availability-based payment mechanism, so we don't take patronage risk and we've got strong credentials already established in our main markets. We are aiming to build market share and build our pipeline in the Canadian and Australian markets and we'll continue to leverage off our military capability in Actus. We're going to look to recycle our equity positions faster than we have in the past. At the moment we're marking to investors a fund in the UK which is intended to acquire 12 of our existing PPP equity positions in that market.

In Asia, we've been operating for a number of years. We've got a very well established position in the Singapore development market and we've been a successful builder in Malaysia and China now for over 15 years. We'll continue to look for retail and mixed use opportunities in Singapore and Malaysia and look to fully invest the ARIF fund in those regions.

Malaysia we see as a very strong economy. Forecast GDP growth is 5.5 to 6 per cent over the next five years and there are some very good opportunities in the retail and residential space in this market. We're currently working as a joint venture partner on two shopping centre developments in Malaysia. The China market is a long-term gain for us and we've been working on looking at partnership opportunities and development opportunities for about five years now and we're narrowing down our target partners. So we're patient and cautious

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but you should expect to see us make some development investments over the next couple of years.

The green refurbishment sector is another growth sector driven, obviously by amongst other things, statutory and regulatory changes. The governments are in various regions offering significant incentives. New building disclosure requirements also are driving demand for greener buildings. We are seeing continuing increase in occupier demand for green buildings and significant cost and productivity advantages.

There are a number of market studies which demonstrate that green buildings can deliver lower operating costs, higher rents, higher occupancy and significant health and productivity improvements and these have all been borne out by our own experience in some of the leading buildings that we've delivered such as The Bond and The Gauge both of which we occupy and Somerset in Singapore and also in major refurbishments such as 500 Collins Street.

The target market size in the green building space is about \$20 billion globally and we will focus strongly on this space in each of our regions.

I'll talk a little bit about each of the regions now but these will all be expanded on by other speakers. Trading conditions in Australia remain positive. Our investment management business which Tarun will speak a little bit more about later, has had very significant success in launching new funds and raising debt and equity.

Bovis Lend Lease has had a strong year again in Australia which has obviously been assisted by some of the government stimulus spending and it has a good pipeline of internal work which will be supported by projects such as Barangaroo and RNA as they come online. Delfin will deliver higher sales this year compared to 2009 and the apartments business in Vivas is trading well and David Hutton will talk about those two businesses later today.

As I mentioned, we've owned Primelife now for about six months and Paul will expand on the key objectives in that business this afternoon. In the PPP space we've been shortlisted on two projects with a project value of \$2.8 billion. Our key priorities will remain undertaking the development of our very significant pipeline including a significant pipeline in the retail platform with developments in Canelands and the recently acquired Joondalup Shopping Centre in Perth.

In relation to Bovis Lend Lease we'll continue to focus on our existing pipeline but we will also target some adjacent sector opportunities over time.

I've already talked a little bit about Asia so I won't elaborate much further other than to say that we are extremely proud of 313@somerset. It was the only shopping centre to be fully leased during the GFC in Singapore and it has reinforced our reputation for delivery in the retail space. So we're getting significant inbound enquiry from potential partners on retail development opportunities in other parts of Asia, so we are aiming to leverage the reputation that Somerset has reinforced for us in that region.

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Turning to Europe, in the UK residential market conditions have actually improved and we are on track, selling the remaining Crosby inventory. In retail prime regional shopping centre valuations appear to have stabilised. In fact, there has been some extraordinary compression of yield rates in the upper retail markets or in the better retail markets which perhaps is a bit of a play on the spread to interest rates. We've held Bluewater fairly constant and we see some upside obviously coming through on that asset in the next couple of years.

In the PPP sector, we're shortlisted on four projects and, as I mentioned, we're marketing the fund to investors. Conditions do remain weak in the Bovis business both in the UK, Europe and also in the US and we expect that to be the case for the next couple of years. Dan will talk further about the UK region later today and no doubt take the opportunity to correct my poor choice of words at the PCA breakfast the other morning which led to the papers telling you that we weren't going to be doing much on Elephant & Castle, so he'll talk about that later.

Moving to the US. In the US in the PPP space, there are still a number of Air Force projects and lodgings that we're bidding on and in the Canadian market we're short listed now on two projects. For Bovis, as I said, the conditions in the US remain quite difficult. We're focused on consolidating that business and focusing on key areas and I'll be working very closely with Bob McNamara over the coming year to reposition that business and identify some longer term development opportunities. It's far to say that Bob's arrival has already had a significant impact on the morale in that business and he's already started to open some doors on relationships that he brings to the Bovis delivery capability.

I'll just touch briefly now on sustainability and then hand over to Brad. Lend Lease proudly thinks and acts as a leader in sustainability. We've got three of the 17 global projects that have been identified by the Clinton Climate Positive Development Program and we've developed a carbon calculator for use in that program. We've led work on the development of international greenhouse gas emissions reporting standards around the world. We're recognised on the Dow Jones Sustainability Index and the Goldman Sachs JBWere Climate Leadership Index. Our investment management business was the first global property investment management business to become a signatory to the principles for responsible investment of the UN.

We're partnering with the world's leaders on the Built Environment and Climate Change. We believe that our environmental and social initiatives have, for a long time now within Lend Lease and will continue, to create long term commercial value, to reduce our operational and financial risk and to also make us an employer of choice.

I will now hand over to Brad to give a financial overview of the group and I'll come back a bit later with some closing comments.

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SUMMARY AT END OF PRESENTATIONS

MR STEVE McCANN: We are running out of time but we are going to have lunch and then hopefully most of you will join us for the site tour provided you wear your safety equipment. So let me just wrap up with a couple of quick final comments and I'll race through this.

I mean you've heard all of this already. The Australian economy does remain resilient as you know. Obviously the stock market is very volatile at the moment and that will continue until we see signs of recovery offshore. We do see some good momentum in the residential market and you've heard quite a bit about that today.

Over the next couple of years you should see us investing capital in Asia. We are confident that we'll land a deal in China in that timeframe and we're aiming to get our Fund fully invested in Singapore and Malaysia.

Conditions do remain difficult clearly in the UK; we see the US gaining momentum at a faster pace than the UK. But as Dan has talked about, we have some fantastic urban regeneration opportunities in the UK and we think the timing of delivery of those will coincide with the upturn and we will certainly be managing our investment towards that outcome.

Construction markets may toughen. Particularly offshore, Brad's indicated to you that we expect backlog GPM to be down at year end a little but in the longer term, as our core businesses come back online in construction markets in the UK and the US we would hope to see longer term recovery.

We will reiterate our earnings guidance we gave earlier in the year. We do believe that we're very well placed for growth. In the medium to longer term, we have secured most of the assets or opportunities that we went after in the last 12 to 18 months so we're pretty happy with that progress.

We will remain very focused on the strategy of repositioning the business, keeping our cost base in line with whatever the work flows are in the markets more generally but also aiming for efficiency gains across all of our operating platforms and we'll be very disciplined in our growth aspirations.

We do have capital to invest, we are conscious of maintaining the right balance of where that capital gets allocated and we are working within the constraints of a credit rating which enables us to pursue opportunities in the PPP space and other areas which it is important to.

But again, as we come out of a recessionary environment offshore and operating cash flows begin to improve across in particular the construction business, then the constraints on our ability to invest that capital will start to reduce as well.

So hopefully in the next two to three years we will have some very good opportunities to recycle capital and invest in new development.

END OF TRANSCRIPT