

LEND LEASE STRATEGY DAY

27 MAY 2010

MR TARUN GUPTA: Good morning ladies and gentlemen. The agenda for my presentation today will include an overview of the third party capital model that we're pursuing and how we're supporting the Group strategy. I'll then touch on our product platform and some key performance highlights. We'll then look at the ING transaction as a case study to give you an indication of I guess the third party model at play. I'll then touch on some investor key trends and wholesale institutional investor trends that we've seen and how Lend Lease is responding to that and then I'll finish off on some growth areas in terms of funds and products we're looking at.

So in terms of supporting the Group's strategy, the key role for the investment management COE and the business is to provide ready access of third party capital to support the Group's strategy and we're pursuing this from a diverse pool of capital not just our funds. We're pursuing joint ventures, we're pursuing club structures and direct mandates.

The other aspect of the strategy is that we're using an integrated solutions approach which has been operating now for about 12 months and that is an approach where we do the product development, the debt and capital raising, deal strategy and deal execution with third party capital and all of that is done in-house. We don't use investment banks, we do it in-house and the idea is that over time we think we will develop a real competitive advantage in dealing with third party capital.

The other thing we're really focused on is a consistent framework and process in dealing with third party capital. Previously different parts of Lend Lease would engage with third party capital. Now all capital comes through the investment management centre of excellence and in that way our capital is treated with some consistent teams and a consistent way of doing business.

Finally, a focus for us in supporting the Group's strategy is to grow a best practice funds management business. I've been in the investment management business for the last 10 years and really the key planks we've built our platform on are our best practice corporate governance, strong alignment of interest between Lend Lease and our third party capital partners, an open consultative and communicative management style and very strong management stability; the basics of fund management, but we have been really focused on that and going into the GFC I think because of those key planks our investors have been very loyal to us and now coming out of the GFC we're seeing exceptional demand across our product platform.

So looking at our products, this is our current platform globally. We're managing 11 funds and some separate mandates and that's totaling around \$10 billion in funds under management currently.

The platform: we are aiming to construct it quite carefully. We want to play across the risk return spectrum from co-op. to opportunistic and across our primary sectors that Lend Lease operates in. Why we want to do that is that we have -- if we're able to achieve that product

LEND LEASE STRATEGY DAY

27 MAY 2010

platform we can be much more flexible and creative in matching capital into deals and I'll illustrate that in the ING deal. The key plank of why we won that deal in our view was how we cut up the transaction into different buckets of capital.

Just some key highlights for just the platform: one of the things we're really focusing on is our separate mandate business which is the joint ventures with large sovereign funds and superannuation funds and that is a real growth area for us. It really compliments our development pipeline, those sorts of flexible structures and three years ago we had no mandate accounts. Now we have many, with funds under management exceeding \$1 billion in that particular market segment. It's quite a profitable part of the business because in most instances this capital is either J'ing with our existing funds or with Lend Lease itself, so we don't need to create two sets of operating management platforms, we can leverage across that.

We currently have no redemptions across our platform and even during the GFC at the height of the GFC, say early last year, less than 4% of our equity or less than 4% of our funds under management wanting to effect transfers, which compares very favorably to any other manager I would argue in the market.

We have satisfied all those transfers over the last 12 months and, as I've said, currently no redemptions sit in any of our funds.

Generally our funds are very lowly geared. Our flagship fund, APP of Retail, has gearing of 10% which again gives a great capacity to acquire assets as the cycle improves.

We have also some of the best performing wholesale funds in the market. Again APP of Retail is consistently one of the best performers and its beating the Mercer's Index or the IPD Index over one, three, five and 10 years and over 10 years it's out performing by about 300 basis points. So it really underpins the reputation of our platform when we obviously deliver superior investment performance.

Our fund in Singapore: APIC has delivered 17% [IRR] over the last three years and that includes the GFC period.

Some other key performance highlights for our platform: again we've seen, as I've said, some real momentum coming through into our IM business as the market conditions stabilise and property values stabilise. We've seen a 21% increase in funds under management predominantly through the ING deal and over the last period, that graph there, we've averaged about 11% compound growth in funds under management and that includes 2009 when values went down and therefore our funds under management also went down.

We've raised significant capital; \$5 billion out of which \$2 billion is equity and I'll give you some colour on that in following slides. We've introduced 24 new investors in the last six to nine months to our platform, all large institutions. Eleven of those were domestic and 13 offshore clients and that's to the Australian platform because that's where we've been raising capital, not in the other markets. Thirty of our existing Australian investors have also topped

LEND LEASE STRATEGY DAY

27 MAY 2010

up their investments so the point there is that we're raising capital from a very diverse and deep pool of investors.

We've secured the ING deal and again I'll use that as a case study in the following slide and we launched our EP3 with \$400 million of funds under management in December and as we sit here today we're already 83% invested across four high quality sub-regional retail assets.

We secured the Future fund. The first Australian property group to secure them as a co-investor into our retail sector with a \$500 million mandate.

So our funds are positioned strongly; as I said, low levels of gearing, no redemptions and we have capacity in those funds to acquire assets as the cycle improves.

So to give you some colour on the equity raising: the key point here is that again we're raising equity across sectors and from different structures. We've raised money into our core funds, we've raised money into direct mandates, into joint venture with Lend Lease development projects.

So if you run down the list there I've mentioned \$500 million from the Future Fund into our retail sector in partnership in some instances with APP of Retail. We've secured three mandate clients in our development business and David Hutton mentioned the Convesso development in Victoria Harbour where we've introduced one of our significant clients, HOSTPLUS, into that deal. We've also got two commercial mandates that we've introduced.

APP of funds have raised about \$1 billion in equity across the three funds in the recent past and that included the \$500 million equity raising and the \$150 million that Steve mentioned earlier today.

Now the other key point here -- I'll come back to that actually -- just touching on debt, again debt has been a real issue as you all know over the last 12 to 18 months, but we've rolled over debt or secured new debt across our funds platform and our development pipeline totaling about \$3 billion and that's coming from the major Australian banks, all of them and also some offshore banks and Asian banks. So we're getting very good support from the banking sector who are buying into I guess our pipeline and the performance of our products.

And just the point I wanted to make in conclusion on this slide was that all the capital that you see on the left hand side is very supportive of our integrated model. In all those instances, that capital is engaging the Lend Lease businesses to add value to those assets. So we will be deriving development management fees, design and construction fees, asset and property management fees where appropriate and investment management fees. So again, that capital is quite attractive because it's engaging all parts of the Group.

That is a key criteria we're using in selecting our capital partners where they do require the services of the integrated model.

So the ING Retail Property Fund; let's touch for a couple of minutes on some of the key

LEND LEASE STRATEGY DAY

27 MAY 2010

highlights and hopefully this illustrates to you what investment management is trying to achieve in terms of building scale for our operating platforms and in this instance retail and investment management.

So a recap on the deal; this was a portfolio of assets that investors in this fund put to the market late last year. There were 14 assets, \$1.4 billion in value. We were in a competitive process against Colonial First State. The portfolio had regional, sub-regional, bulky goods, neighbourhoods and outlet centres so it was quite a mixed portfolio and rather than I guess using one source of capital, we brought in six partners into the deal. They were Future Fund and APP of Retail on the core assets. We put the sub-regional assets and launched REP3. We sold two assets to [unclear] before exchange, one to a private investor, a bulky good asset here in Sydney to a private investor again before exchange and Lend Lease acquired some of the assets. So there were six capital partners in the deal, each pricing the different component to its own restrictor and criteria. We believe that gave us a competitive advantage.

The other aspect of the deal was that the whole deal was managed internally by the Integrated Solutions Group in terms of all the debt raising, the product development, deal strategy and execution. We did not use any investment banks into this deal.

So what it's done for us, there's some stats. there; significant growth in funds under management. For our retail business it's added five assets under management giving all the benefits of scale. As part of the bidding we actually signed up Myer on an exclusive basis under an agreement for lease as part of our bid, which we again believe gave us a competitive advantage. We have received DA approval for that recently and we would be looking to kick off a major expansion of that asset in the coming period, again providing opportunities for our construction and development businesses. It's one of the best retail assets that I've ever looked at. It's a real strong performer.

So again we believe we acquired this portfolio at a really attractive time in the property cycle. Late last year it was priced around September when we believe was really when the markets were bottoming out. So we believe it's an attractive acquisition for our platform and should provide good returns to our investment partners.

Just some general themes from institutional investors and the sort of key trends we're seeing. Allocations to property generally are back and that's because equity's bounced over the last 12 months and the property pricing has come down materially. So a lot of investors are at weight or underweight property. Obviously the last three or four weeks of volatility will adjust things and impact sentiment, but we haven't seen the last three or four weeks impact our platform immediately. As I said, we raised \$150 million for Lend Lease units that we sold only this week, we're doing commercial fund equity raising which is receiving encouraging support and investors at the moment are seeing the volatility as a correction rather than something that they will use to stop investing.

Most of the capital is still seeking core prime real estate. That's where most of the demand is and that's because core or prime real estate's offering returns at the upper end of what they

LEND LEASE STRATEGY DAY

27 MAY 2010

normally deliver. Sometimes even enhanced returns coming out of core.

The other trend is that global capital we're finding with the large players it's very, very transient at the moment. If you go back six to nine months Asia Pac. was it, every global capital source was looking at investor in Asia Pac. and say the UK London market and now the sort of flavour seems to be the US in recent weeks. It is moving around, it's seeking good deals and as markets are bottoming out it is moving around quite rapidly.

The other trend we're seeing from our large pension funds and Sovereign Wealth Funds is there will be consolidation of the allocations going forward. One Sovereign Wealth Fund investor noted that going into the GFC they had a hundred manager relationships in 2007 and they're looking to cut those back in the coming years to 10 to 15 key relationships with global players who are experts in certain fields. We think that will play quite a significant role in how capital is allocated across the globe.

Governance and alignment post-GFC are absolutely paramount and the managers who did not behave I guess in an optimal way in managing conflicts or alignment issues during the GFC will not raise capital going forward or they will struggle to. So that's quite important as well in terms of how investors are engaging.

Investors want more control in terms of decision making, so JVs and club structures are quite popular rather than simple fund structures where the manager really carries the decision making and of course the use of gearing has come down materially.

So there are some key investor groups there and I've noted some key trends there and how Lend Lease is responding. Suffice to say we're raising capital from all of those sources of capital and we've either raised money or we're looking to execute from those sources and we're placed quite well.

So in conclusion, our current growth focus and I guess focus areas are, as I said, the separate mandate business and joint ventures is very complimentary to our development pipeline. As Steve mentioned we've got capital partners lined up on Barangaroo in the residential and commercial space who will joint venture with Lend Lease using the integrated model and we're working with the development teams on placing capital into other development projects as they start to throw up product.

We're also working in the retail sector and the residential sector more generally on mandates from the large investors and we'll be looking to convert them in the coming months.

In our existing funds we continue to raise capital and retire debt and build acquisition capacity again to take advantage of the improving cycle.

In Asia we are exploring an investment vehicle to invest alongside Lend Lease as Lend Lease starts to deliver on its Group strategy of expansion into that region and also as Steve mentioned we're looking to invest the remaining equity in [unclear] over the next 12 months.

**LEND LEASE
STRATEGY DAY**

27 MAY 2010

And finally in terms of new opportunities, we are working with the various business groups in creating products and mandate structures to bring in third party capital to deliver on those strategies, at the moment we're looking at products in the sectors of retirements, PPPs, infrastructure, sustainability, and of course, where appropriate, investment management growth.

So in summary what I'd like to leave you with is the thought that from our point of view, we think we're placed extremely well in attracting third party capital both locally and internationally, and supporting the Lend Lease aspirations of delivering on its pipeline and recycling its capital. Thank you.

END OF TRANSCRIPT