

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

MR DAN LABBAD: Thanks Murray. For those of you who don't know me, I'm Dan Labbad, our Chief Executive of EMEA Lend Lease. I've spoken to a few of you this week so I apologise if I go over ground that I've already covered. Hopefully I can keep my messages consistent and if I don't you'll let me know I'm sure.

What I wanted to do to begin with, by way of introduction, was talk a little bit about the macroeconomic environment in the UK; not to take you through what you're already reading in the papers but just some of the subtleties that we're picking up on the ground there.

Obviously leading up to the UK election a few weeks ago on the 6th of May, there was a lot of concern leading into it because there wasn't a lot of debate pre-election on economic policy. Which was a concern for the private sector simply because everyone knew, not only in the UK but across Europe, that the Government had to cover and attack the deficit that existed. There was concern that there was going to be filibustering post-election and it was going to turn into a political deferral of economic cuts that needed to be made as opposed to dealing with the issues.

Thankfully, in the last two weeks the new Libs and Tory Coalition has been quite aggressive in putting out messaging and leading to the 22nd of June Budget which is coming up in a few weeks highlighting the fact that there are going to be some quite significant austerity measures in the UK. I think in recent days you've seen the same come across Europe.

On the one hand, that is going to produce some short term volatility which we would expect but on the other hand what it is going to do is it is going to flush out a number of issues that have been stagnant in the economy for the last 18 months that we need to work through, not only in the public sector finances but also what we're seeing across the credit markets.

Interestingly, in addition to that, there has been a lot of talk about the UK being disaggregated from the rest of Europe simply because of the ability to leverage off the devaluation of the sterling. That is true in one sense. There is a mutual exclusivity there but at the same time, the UK relies on Continental Europe for over 50% of its exports so there is a linkage there that needs to work through.

In terms of investors, what we're seeing in the UK is a large weight in equity. Because of the sterling and because of what Steve spoke about earlier, the spread between say the 10 year gilts and yields in prime, commercial and retail property. That has seen a movement in yield compression over the last six to nine months that we're going to be trying to take advantage of in some of our asset sales that may emerge through 2011.

But at the same time, in my view there has been somewhat of an overcorrection and given the environment that I talked about a few seconds ago with the austerity measures that are going to come through, I think we might see some volatility in valuations in the prime and second markets moving forward over the next 12 months.

LEND LEASE STRATEGY DAY

27 MAY 2010

What we're also finding in some markets - for example residential and I'll talk a little bit more about this in a few moments - residential, given the supply/demand imbalance, has been constrained primarily because of the credit markets and interestingly the barriers to entry for a first time buyer in residential today are more than they were at the peak of the market for different reasons.

The cost of debt in an absolute sense--and what I mean by that is the cost of a deposit now in order to get a deposit on a residential property is 30-40% and in addition to that, retail interest rates aren't a few basis points north of the risk free rate; they're still up around the 5-6% mark. That is still more expensive as a barrier than taking into account the devaluation of residential across the sector.

Where you have seen in recent times some increases in residential valuation, that's predominantly a supply or lack of supply led phenomenon as opposed to a demand phenomenon because of the constraints on debt.

Talking a little bit about some of the sub-sectors and before I do that I'd just like to give I guess a broad view of Lend Lease's position. Obviously, given the state of the UK economy and what we expect to see in the short term, 18 months ago we talked about the fact that we were going to see some short to medium term volatility in the UK market. The question was when we were going to come out of that. As we sit here today, given the factors that I've just talked about, we are going to see moving forward some ongoing deferral in market recovery.

I also think, because of things like banking regulation and other elements that are playing into the economy, that recovery is going to be long term and it is going to be shallow coming through it slowly. But what I would say, given the devaluation of the property markets in the UK from the fall of 2007, there is some reversionary opportunity as we come out of this cycle and that is what we're planning on with a number of our positions that we're landing at the moment.

Our role and my goal is to obviously look at cost, be very clinical about the cost base that we're carrying. We've made significant cuts over the last 18 months. We'll continue to ensure that we're right sizing the proportion of our overheads to the market. At the same time, we want to ensure that we are positioning ourselves to take advantage of the recovery when it emerges, not only through our positions but also the capabilities that we nurture.

So, for example, what we've been able to do at with the Athletes' Village over the last three years is build a first class residential capability and obviously a key part of our portfolio moving forward as the market recovers is residential; making sure that we hold our nerve and we don't lose that capability so that we're prepared for the market recovery.

In addition to that, there are a number of growth opportunities that we're looking at but I think as we've said earlier and as Steve has said throughout the week, we are not going to be putting a large mix of capital into the UK until we see viability proven and a market recovery that is evident. But what we will ensure is that as that market recovery comes through we are first to market and we're able to extract value through the opportunities that we've landed.

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

Talking specifics, we are still the owner of five retail assets and we have key [inaudible] come off over the last 18 months obviously. We have seen a stabilisation in vacancy rates over the last six months. That stabilisation of vacancy rates and in rental isn't proportional to the valuation increases that we've seen but again, that shows signs of stabilisation that are very different to the free fall that we experienced through 2008 and the first half of 2009.

From a residential perspective, our focus is to continue on the delivery of the Athletes' Village and to sell through the remaining Crosby stock over the next four to five weeks and we expect to achieve the work through of the 800 odd units that sat on our books at the end of the last cycle by the end of this financial year.

From a PPP perspective, the 19 projects that we have on our books, a number of them still in delivery and a number of them, as Steve talked about earlier, we're looking to put into a capital solution through FY11.

From a construction perspective, as Murray talked about, there are ongoing tough market conditions in the UK and Europe. Thankfully, through some of the government work we have and also what we're doing at the Athletes' Village will continue to nurture that capability moving forward. But be very aware of the fact that it is going to be some time before we see those markets recover.

From a major projects perspective, with the Athletes' Village, with Stratford Stage 2, with Greenwich and with Elephant & Castle, ensuring that we're working through the master planning and de-risking those projects further so that we're ready to build out as the market recovers.

One of the things I also wanted to say as somebody that is about to become a regional chief executive offshore, firstly the EMC at Lend Lease, we're all involved in ensuring that we put the right thought and rigor into the new structure. From our perspective, it would be absolutely ludicrous of me with three to four million square feet of commercial now in our pipeline, to start to attack that in isolation out in Europe without drawing on the work that David Hutton and Rod Leaver have led in Australia on projects like Victoria Harbour for example.

We have the capability in the business and our strength moving forward, as markets recover in the Northern Hemisphere, will be to extract both capability and IP from the markets that have been healthier through the cycle, for example, the Australian market.

Talking now and turning to a few of the projects, the Athletes' Village, as Murray said, I sleep at night. We're on time, we're on budget. One of our biggest concerns there and something that always keeps -- you know as everyone has talked about I think this morning, top of mind is safety.

We have achieved over two million man hours through to March this year incident free but we are ramping up to a 4,000 manpower workforce in the next couple of months and very high cash flows per month as you would imagine.

LEND LEASE STRATEGY DAY

27 MAY 2010

This picture, like a number of them that you've seen this morning, gives you a small sense of not just the working at height risks but also the horizontal logistics with traffic management and just the very nature and dynamic of the site.

It is a very active site; 21 tower cranes, 4,000 people. You know, it has to be our first priority every day as we walk out there. Thankfully, not only Lend Lease but our subcontractors and certainly our client, have safety at its top of mind.

The other thing, talking about the capability a little bit earlier, sustainability despite the economic turmoil in Europe is still a high political priority. In some ways, you would expect that to be counterintuitive but both the EU and member states have really continued to ensure that they've pushed sustainability legislation forward.

So from a residential perspective, the manifestation of that is in something that is known as the Code for Sustainable Homes. That requires a regulated step change in sustainability performance of buildings. So you can imagine with the Athletes' Village where designing and delivering that for a 2013, 2014 and 2015 market -- and so the step change in that sustainability regulation is two or three rungs ahead of where the market is today.

So our team has been at the forefront of actually delivering sustainability product for 2013 and 2014. That is a competitive advantage that is a fantastic thing for us to be able to nurture through the downturn. Most of our contemporaries haven't had the same opportunity and certainly no-one has had the opportunity at this scale.

Moving now to Greenwich and the two pictures there you can see one at the top is the site itself and to the bottom left of the picture at the top you can see the first commercial building which is the Transport for London letting, a 20 year effectively government backed lease.

To the right between the Transport for London building and the O2, the London Dome, you can see Ravensbourne College and that is the picture at the bottom. This building, there is no doubt, is going to win some design awards. Very important, as David Hutton was talking about earlier, in the way that we evolve our mixed use communities. Arguably there is nothing better than education to activate civic space which is one of the reasons why we've moved to ensure that one of the first tenants at the Greenwich Peninsula was in fact a renowned university in London.

Moving forward, Bellway Homes are erecting their first residential building and we have out of 10,000 homes over 1,000 through detailed planning consent and as the market recovers we'll be taking those to market progressively and again using the skills that we've developed at the Athletes' Village to effectively move across to Greenwich and take that project forward.

What we're also doing at Greenwich is the first lettings at the bottom of the Ravensbourne College and the TFL building will be announced shortly. On top of that Anschutz Entertainment Group which you can see is right at the bottom. They actually operate the O2 so they run the entertainment centre there. They are effectively moving to put in planning

LEND LEASE STRATEGY DAY

27 MAY 2010

consent for the hotel and some residential buildings as well which again will just build the momentum.

You can see from the picture there how close Greenwich Peninsula is to Canary Wharf. It is one tube stop away so a lot of complementary opportunity in how those sites work together moving through the next cycle.

Elephant & Castle -- I've had a lot of questions on Elephant & Castle through the last few days from a few of you. It is a project that we're working in partnership with the London Borough of Southwark. €1.3 billion in value at today's values moving forward.

What is interesting about the Elephant & Castle -- it is in Zone 1, it is a fantastic regeneration opportunity and we're currently on site undertaking the demolition. We signed a Heads of Terms in November of last year and we expect to sign a Regeneration Agreement later this year.

The key focus on Elephant & Castle over the next 12 months is going to be achieving outline planning consent and moving the first residential plots to detailed planning which will enable, over the next 18 months to two years as the market recovers, the opportunity to take product to the market in a zone of London that is very different to what's on offer at Greenwich and at Stratford.

The Bluewater Events Venue is the largest capital injection that we've put into Bluewater with our partners and owners in the last 10 years. It is part of Bluewater as a destination complementing the retail use and looking at bringing in alternate uses so that we can not only extract value from those alternate uses - in this case an events space and we've signed a major events operator that will operate that space when it opens at the back end of 2011 - but also to use that complementary space to penetrate a different part of the catchment that wouldn't otherwise be attracted to Bluewater to increase retail footfall.

So what you'd expect in terms of the way that we start to diversify some of our more mature assets to keep them relevant and keep them top of market. Bluewater today after 10 years - we're now in its 11th year - still continue to be one of Europe's leading retail destinations.

This week we announced the agreement between Lend Lease and London Continental Railways for Stratford Stage 2. I don't think this diagram has been shown before but you can see - if I can just point this out - to the bottom left of the diagram is the Athletes' Village so you can see the buildings there.

You then have, in between the Athletes' Village and the retail shopping centre across the way, the Channel Tunnel Rail Link linking Kings Cross St Pancras to Paris and Brussels. In the red you can see the commercial and residential wrap that is stage 2 -- four million square feet of commercial and hotel space and residential space as well that will form the glue that brings Stratford together post Games.

Work is expected to start in 2013. We have purposefully moved to agreements this year so

LEND LEASE STRATEGY DAY

27 MAY 2010

that as we go into 2011 in the lead up to the Games, we can use the momentum of the Games to market and position the commercial district as an opportunity for future commercial space in London post Games.

What is interesting is that not many people, even in the UK market, know about Stratford and given the fact that a lot of infrastructure has been delivered for the Games, there is a real opportunity for a price point advantage compared to other major sites in and around not only London but Europe.

Its links with the Continent are unprecedented -- twelve minutes from the City, from Bank (for those of you that know London or Liverpool Street) and seven minutes from Kings Cross St Pancras so very well connected. A very different contextual environment to what Homebush was. Stratford is part of London because of both its density and how close it is from a transport perspective to the Zone 1 area of London, again for those of you that know London. So we are very excited about this opportunity.

Notwithstanding that, the key for us is to ensure that we're diligent and clinical working through master planning. This particular site has an outline planning consent which gives us a huge advantage because effectively we know what we're delivering and now it is a matter of just waiting for the market to recover and using the Games' effect in order to move things forward.

I've also had a couple of questions around whether it is going -- you know, is 2013 the date no matter what? If we find that the market takes longer to recover, then we will obviously take longer before we bring that product to market and that's the way we've structured the deal. But our intent at the moment is to try to build on the Games' momentum.

Finally, just from a PPP perspective, the capital recycling of equity we talked about earlier; taking that to market in 2011. Key sectors of focus -- education, waste, health and accommodation. Clearly, the potential for some of those sectors like education to be deferred through some of the austerity measures being taken; we are still waiting to see.

We've started to move to diversify our portfolio and waste is one example again where sustainability measures have come in. The land tax and the cost to take waste to landfill has increased significantly in the last 12 months because of EU law around raising taxes for landfill. This has really opened up the opportunity for the waste market to open up and off the back of what we've already done and off the back of what we've already done.

At Lancashire Waste we have a fantastic PFI capability and development capability that we can take to that market as it emerges. Again, it just gives you an idea of some of the diversified capability we have in the UK market.

Projects where we are achieving operational handover shortly -- schools in Phase II. So we are effectively the Government's partner for the Building Schools for the Future program for both Birmingham and Lancashire. They are both long term schools programs and we're progressively taking those to market and the Sheffield University accommodation.

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

We are also going to see the ongoing emergence of residential coming to the PFI market. Just as an anecdote or as a small diversion, affordable housing where there is still a huge undersupply, is linked to private delivery. The equivalent of what I think is known as section 94 in New South Wales - certainly when I was here five years ago it was known as that - you have to deliver affordable housing under what's called section 106 in the UK.

So when you do private development there is element of affordable you need to deliver. Obviously with the market coming off in the way that it has over the last 18 months to two years, there has been no affordable housing delivered which is a real issue.

So what the Government is looking to do in the UK is move the affordable housing provision to a PFI model so it can be delivered in isolation of private units, ensuring that we get the product to market. Obviously, clearly given our residential skills, given the fact that the same sustainability requirements on private sector units are going to exist for affordable accommodation as well, it is a real opportunity again for us to take those capabilities to that market.

I will leave it there but just in summary just before we open it up to I think a panel discussion, we are going to remain disciplined, maintaining the proportionality of our overhead base, holding onto the options and nurturing the capability that we've got in the UK. Leveraging our expertise around the world for when the market recovers over the next 12 to 18 months. Thank you very much.

END OF TRANSCRIPT