Lend Lease
CORPORATION

Report of the Annual General Meeting 2001

THURSDAY, 1 NOVEMBER, 2001

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Lend Lease Corporation Limited
ABN 32 000 226 228

The Chairman's Address

Jill Ker Conway

I am glad that you could join us tonight for Lend Lease's Annual General Meeting. You will have come tonight expecting answers from the Board of Directors on a number of key questions, as the fiscal year just past was challenging for the Company. This can be seen in our disappointing financial results, and you, as shareholders, have felt the impact. In the last two months in particular, as political events have had a direct impact on markets around the world, the degree of concern with respect to the future has unquestionably risen.

WE REMAIN CONFIDENT IN OUR GLOBAL REAL ESTATE STRATEGY

Despite all this, we remain confident in our global real estate strategy. Tonight, I will take you through why we undertook this global growth plan, what we had to do to initiate it, and why it continues to hold such great potential for our business.

It is just twelve months since we sold MLC. To take this business forward, a number of issues needed to be addressed. Firstly, we alone could not achieve global scale with the business. In the Australian market, we faced increasing competition from players with significant distribution platforms. Secondly, the projected IT expenditure to keep the business competitive at that level was high. Finally, tax changes had a significant impact. The dividends we paid to you were in part dependent on the favourable taxation basis for life insurance companies in Australia and that changed quite dramatically. To give just one example, 20 percent of the franking credits that were earned by MLC on its investments could be passed on to our shareholders. On 1 July 2000, the Government removed that benefit.

Recognising the need for scale in the MLC business, we had worked since 1995 with no less than five other parties, such as National Mutual, investigating the possibility of joint ventures. None came to fruition. Considering where we were in our transition to a global business, it certainly would have been preferable to hold on to MLC for perhaps a couple more years. But in April 2000 National Australia Bank was prepared to pay a price based on how valuable the business would be to them. This price exceeded our expectations. The timing was not something we could control, and we believed then and still believe today that we had to take the opportunity that price represented.

The Chairman's Address continued

Since the early 1990s, it had been clear to us that we had to transition the real estate part of our business as well. We needed to build a foundation for the future that we felt confident would be able to deliver sustainable earnings growth to you. Specifically, we knew that if we relied entirely on our Australian earnings, Lend Lease's profit potential would be severely curbed in the years to come due to the relatively small size of the Australian market. Geographic diversification was the key step to protect against this decline.

In the 1990s, the real estate industry was already becoming more global. This trend created great potential for Lend Lease's unique skills and offerings in key markets around the world. Moreover, our competitive strength was increasingly dependent on our ability to provide cost-effective solutions to our clients' real estate needs on a worldwide basis. To address this, we moved quickly to establish a global presence, and have built the critical mass we need to become a world leader in real estate. This was achieved through our acquisition of Bovis and the real estate investment businesses in the US, as well as through our entrance into joint ventures with partners such as Generali in Europe and Tokyu in Japan. Already, Lend Lease is one of the world's largest real estate investment fund managers and one of the largest property solutions companies.

But that positioning has been hard won. In this year of our greatest transition, the 2001 result has hit the share price hard. Lend Lease's directors and our management team share the deep disappointment that many of you have expressed regarding the share price. However, we have made significant progress in building the underlying business that will generate recurrent earnings and has the growth potential that we saw our Australia-based business alone could not provide.

One-off items, both positive and negative, have impacted our results, particularly in 2001. In previous

The Chairman's Address continued

years, under our former business strategy, we had made a number of poor investment decisions such as THI in the UK and Fox here in Australia. We take full responsibility for these decisions, and have worked hard this last year to exit these investments. We have moved away from this strategy, but the cumulative impact has been significant. While not minimising those losses, I want to lie out the underlying story of progress we have made toward building the new platform.

PERFORMANCE AND PROGRESS

To get a sense of the growth in the platform we have established, it is useful to look at our results in 1999 in comparison with where we expect to be in 2002.

LEND LEASE TRANSITION STATUS

	A$M	
	Expected Base 2002	Actual 1999
Profit After Tax	210+	420
Amortisation	90	15
Pre-amortisation Profit	**300+**	**435**
One-off Sale of Bluewater	-	(172)
Recurrent Pre-amortisation Profit	**300+**	**263**
Earnings per Share	70+ cents	52 cents

We use 1999, as 2000 included only part-year results for our acquisitions, such as Bovis, Boston Financial and the AMRESCO debt businesses. In 1999 we had none of these businesses, but we did have MLC. We have said that we are budgeting for an increase in after tax profit in 2002 from a base of A$210 million, which is our 2001 net profit after tax and before charges.

While the 1999 figure of A$420 million is significantly higher, in order to get a true sense of how the businesses are performing, we should compare the results before the impact of the non-cash amortisation charges. Amortisation is the non-cash deduction we have to make to reflect the write-off in the value of goodwill from our acquisitions. The accountancy rules require us to write-off the cost of acquisitions such as Bovis, even though we know Bovis is worth more now than at the time it was acquired. The US accounting rules for amortisation have changed. If these changes are adopted in Australia, and they are being reviewed now, it would directly and positively impact our bottom line in the order of A$90 million. This would give us a pre-amortisation profit for 2002 of A$300 million plus. The comparable figure in 1999 was A$435 million. However, excluding the one-off profit from Lend Lease's 40 percent share in Bluewater, which cannot be repeated every year, the recurrent profit in 1999 was A$263 million.

When you also consider that the 1999 result was dominated by profits from MLC, then in comparison with a 2002 budget of A$300 million plus, the growth in the platform we are

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creating is evident. On the same comparison basis, the cash earnings per share in 1999 would be 52 cents compared to an expected 70 cents in 2002.

I am not suggesting this year's result was satisfactory. We clearly have work to do in each of the businesses, but overall we are on track in our transition. You, as shareholders, have felt the impact of the transition in relation to the dividends. I am aware that for many of you the decrease in Lend Lease's dividend payouts has been very disappointing after so many years of growth. However, we have had to work within our changing profile to find what we think is the best way to deliver value to you.

The first major change to the historical Lend Lease profile has been that earnings generated outside Australia do not generate franking credits. From a tax standpoint, it is more effective to pay out only fully franked dividends. As a result, beginning in 2002, as 80 percent of our earnings come from overseas, we will limit the dividend component of our returns to the amounts that can be fully franked. We initiated this policy after careful consideration and sought extensive advice from outside advisors as well as input from institutional and retail shareholders before determining how to move forward. As we have said, we expect the dividend in 2002 will be around 18 cents per share fully franked.

As I said, our 2001 result has borne the brunt of the transition and, accordingly, hit the share price hard. We are now focused on growing our earnings. In our Real Estate Investments business this includes working to grow our assets under management and increase our volume of fee-based activities. On the Real Estate Solutions side, we are seeking to establish long-term client relationships that will deliver a steady revenue stream. Our foremost objective in doing this is to increase the value of our shares. To that end, we feel confident that as we continue to successfully execute on our strategy, the market will take another look at Lend Lease's valuation.

At last year's AGM, a Non-Executive Directors' Share Ownership plan was approved under which we can forego our fees in exchange for shares. In the last twelve months, non-executive directors have participated in the plan and together we have purchased nearly 20,000 shares. In January, we will again be able to purchase shares under this scheme, and I anticipate that we will continue to do so. I know that I will. To put it simply, we feel sure that Lend Lease is a strong Company with a bright future. In addition, while almost no large company will escape the impact of the current climate, we further believe that Lend Lease is well positioned to navigate the challenges presented by this period of worldwide economic instability.

The Chairman's Address continued

As you are all aware, the effect of the September 11th terrorist attacks and their aftermath has been widespread. In the US in particular, the stock markets, which fell dramatically when they reopened, have largely returned to pre-September 11th levels. However, those levels are far below where they were a year ago, reflecting the already weak state of the American economy when these horrific events occurred. This has led to a steady stream of corporate profit warnings, personnel reduction announcements and other flags of economic recession. For companies and individuals alike, in light of this uncertainty, investments and expenditure decisions are being made more conservatively than a year ago.

Having said this, I would like to note one important point. While markets around the world have been unpredictable in recent months, Lend Lease's presence in 38 countries is of particular benefit at a time like this, as growth in some regions or parts of our business can serve to offset the impact of downturns in others.

LEND LEASE'S CORE VALUES UNDERPIN OUR WORK AROUND THE WORLD

In discussing the events of September 11th, I would like to highlight some work that our Bovis Lend Lease team in New York has been involved in. Bovis Lend Lease was working on a site a block away from the World Trade Center, and, following the horrific attacks, they quickly stepped in to assist in the recovery efforts. Working in two shifts every day they have removed debris, done demolition work and built temporary structures. They have also helped to construct a center for the families of the nearly 5,000 victims in New York, as well as a Command Center and additional slips for the ferries that have been put in use to replace damaged public transport systems. All of this work was done in a very short period of time, and New York's Mayor Giuliani recognised Bovis Lend Lease's efforts on US television. On behalf of the entire Board, I would like to thank all of our employees involved in these enormous efforts.

Though I am impressed by the speed and skill involved in what was achieved, I am not at all surprised by the outstanding outcome. It reflects both the spirit and ingenuity of the Lend Lease team. Our more than forty-year record stands for delivering to our clients high quality, innovative real estate solutions that address not only their needs now, but anticipate their needs in the years to come.

At the same time as the Ground Zero effort, work continues in New York on the Time Warner Center, a spectacular mixed-use 2.1 million square foot development on a 3.4-acre site. This is a landmark building, containing offices for AOL Time Warner, retail and jazz performance space for Lincoln Center, hotel and

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residential facilities. During the three-year construction period, over 2,300 construction workers will work on the site. We are delighted to be part of such a landmark development.

Japan, the world's second largest economy, has adopted Australian-style real estate investment trust legislation to support the securitisation of real estate assets. In June, we announced that we are developing a Real Estate Investment Management joint venture with Tokyu, and expect to launch our first listed REIT next year. This builds directly off the experience we have had in managing General Property Trust in Australia for the last 30 years. In our region, Japan represents an exciting longer-term opportunity for us.

These projects, such as the AOL Time Warner Center, Generali, and our partnership in Japan, should reiterate for you why Lend Lease is such a highly valued partner to our clients – not only in Australia, but also around the world. They exemplify the fundamentals that have made Lend Lease the well-respected Company it is today. These include creativity, innovation, collaboration and, in short, a clear commitment to doing the job well.

I am an historian and one of the lessons of history is that organisations change, but their cultures are enduring. This could not be truer than it is at Lend Lease. In that regard, I must give both the credit for our ability to execute our global strategy and the challenge to continue to execute it to whom it is due – Lend Lease's employees, a group that is today nearly 12,000 strong. Under the direction of our senior management team, they have shown a terrific ability to work together to maximise the benefits of our global network in order to provide the best outcomes for our clients.

Our objective is to drive Lend Lease's growth and profitability over the long-term. Our global strategy, and the initiatives we are putting in place to support it, are designed with that in mind. Due to the strides Lend Lease has made in globalising our operations and positioning us as a full service partner to our clients, we are well situated to participate in the economic recovery when it occurs.

A PERSONAL NOTE

Much to my surprise, investors often ask me why I took on the assignment of serving as Chairman of Lend Lease during this period of transition. I would like to answer that question for you tonight.

First, Lend Lease has a history of superior performance. This history is based on a set of fundamental values that have inspired generations of employees to deliver to clients products and services that are more than just effective. They are embodiments of our clear understanding of our

The Chairman's Address continued

clients' businesses and their goals. In that way, they reflect the innovative spirit Lend Lease brings to everything we do. This spirit is the hallmark of our success, and it is what is allowing us to leverage our leadership position in Australia in order to capitalise on the great opportunities for our skills and services around the world.

Second, as a native Australian, I was of course familiar with the great Lend Lease brand name and its reputation as a corporate citizen long before I joined the Board in 1992. Even though I left Australia when I was 25, I have always felt a debt to the society where I received a wonderful education and from which all my subsequent opportunities in life have come. From the perspective that comes from a lengthy business and academic career in North America, it has become increasingly clear that long-term, sustainable growth for many Australian companies and for the Australian economy could only come from participation in the overseas markets. Entry into those larger markets has always been difficult for Australian enterprises. As such, the opportunity to contribute my experience to Lend Lease has been personally very gratifying and a chance to return some of the great benefits of being raised in the Australian back country.

In conclusion, I would like to thank our employees – most of whom are shareholders – for their ongoing contributions to Lend Lease's dynamic growth. I would also like to thank our shareholders for their support during our time of transition, and assure you that we could not be more focused on increasing the value of your investment.

The CEO's Address

David Higgins

We come to this Annual General Meeting in a very challenging business environment. This will continue for the next twelve months for the corporate world at large. In these uncertain times, the importance of real estate as an asset class has become even clearer. This is due to its stable capital values and secure income streams. For Lend Lease, this underpins the relevance of our global real estate strategy.

REAL ESTATE FUNDAMENTALS

I would like to take this opportunity to highlight for you why Lend Lease's global real estate strategy will ultimately replace the earnings growth we relied on in the past from MLC. Around the world, from the end of this decade, there will be a dramatic increase in the number of people in retirement in comparison with the workforce. This will increase the need for income-based investment products.

In the last ten years, yields on real estate in the US have become very attractive. Immediate cash yields have gone from less than US government bonds in 1990 to exceeding them by an enduring 300 to 400 basis point spread. At the same time, real estate markets are becoming more sophisticated and disciplined. Suppliers of capital are more rigorous in their approach, dampening the wide swings of the past.

Recent investment flows to listed property trusts both here in Australia and the US support our view on the good fundamentals of real estate. Our Global Fund, which has raised US$600 million in equity capital, is another example. We continue to expect increased investment allocation to real estate over time.

LEND LEASE'S STRATEGY AND RESULTS

Real estate, unlike equities, is an asset class where we can add value to the underlying assets. This adds to returns for investors. Unlike other real estate investment managers, we have the ability to enhance the physical asset through our project management, construction and development capabilities.

There are no global real estate players like Lend Lease. We operate across a range of real estate sectors in each of our three businesses – project management, development

The CEO's Address continued

and investment management. This is a key point of differentiation for Lend Lease in the global real estate market. While we only started implementing this strategy in a serious way in 1997, we are already the largest manager of real estate equity in the world. This has given us a good headstart on our competitors.

Though our long-term strategy is compelling, it has been a tough year for our Company and our shareholders. A profit of A$151 million was clearly an unsatisfactory result. This result included significant provisions, most of which related to our former Development and Investments strategy, which we have moved away from. It also included some significant one-off profit items, for example the A$60 million profit from the sale of the 10 percent stake in Bluewater. Excluding all of these one-off items, the underlying profit for 2001 was approximately A$210 million. Comparing this result with where we were in 1999, when we still had MLC and before our real estate acquisitions, you can see the growth in our core real estate businesses.

We are budgeting for an increase in after-tax profit this year from this level of A$210 million, though this could be impacted by the fallout from the terrorist attack of September 11th. However, we have completed an initial review of our businesses, and as we stand today, we are on track to achieve this target. We will continue to monitor this very closely. At the same time, we have accelerated our cost reduction program, which was already underway prior to September 11th.

During this time of transition, lower earnings have impacted the share price. Many of you have expressed concern at the diminution of the value of your portfolios. We understand your concern. I can speak for all employees and directors in saying it has impacted us as well. Employees are the largest shareholders in this Company.

The best thing we can do for the share price is successfully execute on our strategy and increase earnings. The transition has seen our business streamlined so that we are now a specialist real estate company with two core businesses to implement our strategy. Our Real Estate Solutions business services clients who wish to outsource the development, design and construction or financing of these facilities. And our Investment Management business services clients who invest in real estate equity or debt. Both businesses are focused on being world class in their own right, as well as working together to provide integrated real estate solutions to some clients.

Looking ahead, we need to continually drive global thinking and integrate our business planning. Key to that are the management changes we recently announced. Ross Taylor, who heads Bovis Lend Lease worldwide, has been appointed Global Chief Executive, Real Estate Solutions.

The CEO's Address continued

Ross will continue to be based in London and report to me. His role includes accountability for our development business. David Ross, who heads Lend Lease Asia Pacific region, has been appointed Global Chief Executive, Real Estate Investment Management. David is responsible for the operations of our Investment Management businesses in Asia Pacific and Europe, while Fred Pratt will continue to run this business in the Americas. Both David and Fred will report to me in this respect.

REAL ESTATE SOLUTIONS

REPORT FROM ROSS TAYLOR

The Real Estate Solutions business is underpinned by Bovis Lend Lease, which is a world class global project management and construction business. This business also includes a global development capability that is focused on generating solutions for clients.

It is clear that to be focused as a construction manager, facilities manager or project manager alone is not enough. We understand the interplay between capital requirements, technical and design excellence, revenue and ongoing property life cycle issues in order to optimise the facilities we deliver to clients. Our point of difference is our ability to do this across multiple industry sectors, involving all key stakeholders, and to deliver on the outcome, such as the privatised health projects we do in the UK, the work we do with BP around the world, and, more recently, the position we secured in Victoria on the Docklands project.

In Australia, we also have a very successful residential and land management business, which is focused on the building of communities. This business was enhanced by the recent acquisition of Delfin. Over the last 30 years, Delfin has carved itself a unique niche in Australia's urban development marketplace, and is unquestionably a premium consumer brand. This new combined urban community development business is now the largest in Australia. This positions us well for further growth in this region, and we have the ability to leverage these skills internationally.

Moreover, the focus on communities was a key determinant in securing the Fort Hood military housing project in the US. This should begin to make clear some of the linkages. By more closely aligning our project management and development businesses, it both strengthens our competitive position in the marketplace and enhances our ability to more quickly achieve a global leadership position. We will now be able to better prioritise our skills, capital and effort.

Our key strategies going forward will alter little. They will remain focused around growing our annuity profits and continuing to reinforce our key points of difference to our competition. We will keep our base business and workload healthy and

The CEO's Address continued

we will focus on growing our annuity profits from two areas, our key client base and our integrated long-term projects.

Looking forward, we are in an economic climate that is obviously toughening. However, our Real Estate Solutions business is well positioned. We have a strong committed profit backlog, a large land management pipeline and a project and client list second to none in our industry. With this foundation in place, we have both the time to streamline the organisation ahead of a weakening global economy, as well as to continue implementing the strategies that will provide us with our future growth.

REAL ESTATE INVESTMENT MANAGEMENT

Our Real Estate Investment Management business has around A$87 billion in assets under management. Recently, in the US, we were again rated the industry leader in real estate equity, and we are also a strong participant in the real estate debt market. In Australia, we have a very strong business, which is well placed to support our growth in Asia. The final pieces of the platform and also the areas of the greatest potential growth opportunities are in Asia and Europe.

REPORT FROM DAVID ROSS

It is estimated that the value of all investment-grade real estate in the world exceeds A$8.5 trillion. To put that into some perspective, we estimate that Australia has approximately A$120 billion, making the world market around 70-times larger.

We are in the business of managing real estate for clients to provide them with superior risk-adjusted returns. While we are the largest player globally, our share of the world market is under one percent. So, we have a lot of room for growth. Our business is scalable, meaning that we can increase our assets under management without always having to add a lot of cost. As our assets under management grow, so does our profit.

There are three key drivers to our success: client relationships; our value proposition, or our ability to create value better than anyone else can; and delivering performance. All these elements go towards servicing the client. Our regional businesses around the world have a good level of client focus, but we can and will need to do better to achieve excellence. We are also in the process of setting up a system to manage clients who invest globally. This will become increasingly important for our future. Many investors invest funds globally in equities and fixed income, but this has not yet spread to real estate. However, as confidence spreads, it will grow and we need to be well prepared for this growth. Listening to clients and finding innovative ways to respond to their needs will set us apart.

In Australia, we have a strong value

The CEO's Address continued

proposition with GPT and Australian Prime Property Fund having good market share and both generating strong investment returns for clients. Both have been able to attract new investors and the business as a whole has grown by 10 percent over the last year. We are now developing our Asian business. We have acquisition and asset management skills in Singapore, Hong Kong, Japan and Korea. This has been developed off the back of demand from our Asia Pacific Investment Company, and the Global Fund.

Japan is the world's second largest economy and it has adopted Australian style REIT – property trust – legislation to securitise real estate. We have the skills and experience with 30 years' managing GPT to participate in the formation of the Japanese real estate investment market. We have announced that we are developing a Real Estate Investment Management joint venture with Tokyu in Japan. With Tokyu, we are committed to establishing a broad-based investment management business, and we expect to launch our first listed REIT next year. We have just received Tokyu Corporation's annual report, and our joint venture is the first initiative mentioned as a primary growth opportunity for them. So that gives an indication of their commitment to our joint venture. Our commitment is equally strong, as Japan represents an exciting longer-term opportunity for us.

In Europe, like Asia, we have a small business, largely based upon the Retail Partnership, which owns a part of Bluewater and has approximately twenty UK investors. As with Tokyu in Japan, our reputation and value proposition were compelling to Generali, one of the largest insurance groups in Europe. This joint venture aims to create funds for investors in Europe and to raise capital from European investors for investment in other regions. We plan to build on our established platform to provide new products to meet our clients' needs. We are also developing a strong value proposition across regions. Examples include the Global Fund, where investor capital was sourced from the US, Asia and the Middle East, and is being invested in Europe and Asia; the Lend Lease US Office Trust, which is an Australian listed vehicle investing in US commercial office buildings; and the International Distressed Debt Fund, to which investors in the US, Asia and the Middle East have provided capital to be invested in Asian non-performing commercial real estate backed loans.

Finally, in discussing our value proposition, I must highlight the skill we bring to our investment portfolios from our Real Estate Solutions business, where we can add value to the creation of the physical assets for our funds and our clients. No competitor can do this as broadly as Lend Lease. But, having good client relationships and a value

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proposition is only enough if we then deliver investment performance, and that investment performance is crucial for us in growing assets under management. We have listed all our managed funds in our 2001 Annual Report. Of the 23 funds mentioned, 17 are beating their benchmark return. This is obviously our key purpose, but performance needs to be more than this. It also needs to respond to the other needs of clients, which includes good communication as a minimum.

There's A$8.5 trillion in investment grade real estate in the world – we are already the biggest manager with just under one percent of that market. The real attraction for Lend Lease is the size of the untapped opportunity before us.

LEND LEASE PROGRESS REPORT

The market wants us to show evidence of success in the execution of our strategy. Our core business unit profitability before restructure costs has shown improvement over last year and we expect further improvement in 2002.

We are transitioning our Real Estate Solutions business from a more volatile, capital intensive model, to one where we partner with third party capital for investment in development. A good example of this is Docklands in Melbourne, where we have a leasing commitment from the National Australia Bank for their new office complex at Victoria Harbour. The investor is GPT.

On the Investment Management side, we grew assets under management by almost 9 percent, excluding foreign currency fluctuations, to A$87 billion dollars in 2001, in what was a tough capital-raising environment. Our Australian Investment Management business has shown good growth, and we have made solid progress on joint ventures in Japan and in Europe. In our US Investment Management business, we were targeting 6 percent growth in assets under management, but only achieved 4.3 percent. This was lower than we would have liked. Capital is being held back from real estate investment in the US market because of the over-allocation to the sector caused by its good, relative performance. Investors are also waiting to assess the extent of the US downturn and the fallout from September 11th before committing further capital. This has impacted our ability to raise capital. How long this will last and what the ultimate impact will be is uncertain at this stage.

We expect the first half after tax earnings from US Real Estate Investments to be lower than the same period last year, primarily due to Congressional delays in settling the tax credit program for the HCI business. This is expected to skew revenues into the second half of the year. Lower interest rates have also reduced earnings on the cash float in the CapMark loan servicing business. However, this should be partially offset in the second half by recently

The CEO's Address continued

won new business that has increased total loans under servicing. As a result, we are expecting the full year after tax operating result for US Real Estate Investments to be higher overall than last year. But it remains an uncertain market, which we are monitoring closely.

In the meantime we are absolutely focused on completing the restructuring of this business and reducing operating costs. In March this year, I decided and the Board agreed that we needed Fred Pratt as chief executive for our US Real Estate Investments business. This came at a significant cost to the organisation, but I knew this when I made the decision. Fred has focused the business on its markets while managing costs in this challenging environment. He and his team are working hard to deliver the results we are targeting.

FRED PRATT

If there were questions that the US economy was entering a recession before September 11th, there is no doubt now. We believe the after-effects of the terrorist attacks only amplified trends that were well underway, and obviously the real estate markets in the US will be impacted. The key question today for our business is how long will the economic downturn last, and how deep will it be. The answers are unclear, clouded by uncertainty over our national security.

The good news is that the real estate markets entering this recession are extremely well positioned to withstand the downturn, with the low interest rate environment and the healthy cushion between real estate yields and treasury bond yields. Most owners are also well capitalised today. They have been able to re-finance and most properties have been well leased. A key difference between now and 10 years ago when we entered our last recession is that the property markets in the US are not massively over-built. Any market decline will be largely demand driven. In 1991, markets were badly oversupplied when recession cut into demand, creating a double-whammy. That will not happen this time, and we expect to see at least a modest recovery take hold by the second half of next year.

Markets indeed are softening; we expect the apartment and industrial sectors to hold up best. Office markets will show declines of record rental spikes from 1999 and 2000. Vacancies are climbing into the teens, but the market decline should offer some good buying opportunities next year. On the other hand, office buildings with little current turnover and credit tenants will see little effects of a recession if it is reasonably short. Hotels obviously will be impacted over the short term by reduced travel, and diminished consumer spending will likely make Christmas a slower season in malls. Until investors are more certain

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about where the market bottom is, transaction activity and new investment activity will be slowed. There is quite a bit of 'wait and see' going on from investors, and it is still too early to say how our results will be impacted.

Our capital raising focuses on our Value Enhancement Fund and REIT funds. We have raised US$168 million from clients in VEF V so far, and secured two major REIT mandates, totalling US$230 million. We have also formed a new group to market higher yielding investments to financial institutions and other capital sources we have not traditionally targeted. Our housing and community investing tax credit business has maintained good momentum, and is positioned to take advantage of the US Government's increase in available tax credits for affordable housing. We should see improvement in the first half of calendar year 2002. CapMark, our commercial loan servicing business, has about US$12 billion in new outsourced loan servicing from life insurers in recent months. This is a testament to its market leadership position. Lend Lease Mortgage Capital is off to a good start, and we anticipate a good year. Also, Holliday Fenoglio Fowler, HFF, is finding the debt markets active, with opportunities for them.

Over the past 6 months, I have refocused each of our businesses to concentrate on creating investment solutions that meet an individual client's objectives for success. Our performance continues to be competitive, and this is essential for growing the business further. We believe overall real estate performance will hold up in this recessionary downturn relative to stocks and bonds. We believe that pension funds and high net worth individuals will step up their investing in real estate in this economic recovery that is coming, increasing their real estate allocation targets. If they do, we'll be very well positioned to take advantage. Also, the benefits of Lend Lease's global platform are becoming evident. Our ability in the United States to support the US Office Trust is a tremendous plus for Australian investors. Right now, we are also working on acquisition opportunities for European and Middle Eastern investors. All of us in the US look forward to building on the Real Estate Investment foundation that Lend Lease has established.

IN CONCLUSION

Fred and his team are working to maximise the value of the US Real Estate Investments business despite the challenging conditions in the US marketplace. As we develop our global equity investments management business, it is clear that our US platform has a strong competitive advantage for acquisitions and asset management in regard to global capital flows into that market. This will be beneficial to growing

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our Australian business and also, in time, our Generali and Japanese joint ventures.

While we continue to assess the outcome following last month's events in the US as well as the general downturn of the global economy, we have accelerated our cost reduction program. We are entering this period with a strong balance sheet and good cash reserves. Our assets are on the books at conservative values. While it has been tougher than we expected, we are on track with the transition of our core operating businesses.

I am often asked to define Lend Lease's key competitive advantage. It is our culture – our people – their energy, commitment and conviction. We have nearly 12,000 employees globally, most of them shareholders. We have significant management depth in this organisation. And, together we are focused on meeting our objectives. Lend Lease will take its place in the global market as a company you are happy to continue to support. We continue to expect growth in after tax operating profit over a base of A$210 million for the year 2002.

Resolutions

The Annual General Meeting passed the following resolutions as described in the Notice of Meeting by the requisite majority on a show of hands.

ORDINARY BUSINESS

ACCOUNTS AND REPORTS

1. To receive the Financial Statements for the year ended 30 June 2001, together with the reports of the Directors and Auditors thereon.

DIRECTORS

2.-6. To elect Directors,
Mr A Aiello retires in accordance with Rule 6.1(f) of the Constitution and being eligible, submits himself for re-election.
Mrs J K Conway retires in accordance with Rule 6.1(f) of the Constitution and being eligible, submits herself for re-election.
Ms D J Grady retires in accordance with Rule 6.1(f) of the Constitution and being eligible, submits herself for re-election.
Mr R G Mueller retires in accordance with Rule 6.1(f) of the Constitution and being eligible, submits himself for re-election.
Mr D A Crawford retires in accordance with Rule 6.1(e) of the Constitution and being eligible, submits himself for re-election.
Mr E D Cameron retires in accordance with Rule 6.1(f) of the Constitution but does not submit himself for re-election.

Questions and Answers

SHARE PRICE

A number of shareholders wanted to know when they could expect the share price back where it was 12 months ago.

Mr Higgins indicated that the market sets the price, and the best thing we can do for the share price is to successfully execute our strategy and increase underlying earnings. On that score he referred to the Chairman's presentation and the significant progress that had been made from 1999, which included a full year of MLC, to what we expected in 2002 in terms of recurrent sustainable earnings.

He added that it was important for shareholders to understand that there had not been any option other than to make the Company a global company.

If we had remained limited to the Australian market, Lend Lease would have been a threatened company in terms of the viability of its real estate business.

EXECUTIVE REMUNERATION

A number of shareholders asked questions about the remuneration of senior executives.

Mr Peter Goldmark, Director and Chairman of the Personnel & Organisation Committee spoke to the meeting about the principles at the heart of the Company's compensation policy. He gave as an example of the Committee's approach the Short Term Incentive arrangements for senior management. In what has been a tough year for shareholders, performance payments for the two most senior executives were nil, as set out in the Annual Report.

As another example of the Committee's approach, Mr Goldmark spoke of David Higgins' Long Term Incentive compensation where David will not receive any payment of the incentive set out in the Annual Report unless Lend Lease shares going forward outperform the median of the All Industrials Accumulation Index, and David would only receive the full amount if Lend Lease performance exceeds 90 percent of the companies included in the All Industrials Index.

Mr Goldmark added that the Personnel & Organisation Committee was independent of management and understood that its first obligation was to the shareholders' interests, not to management, and that he and the Committee would continue to apply a very disciplined approach to incentive compensation.

SHERYL PRESSLER

There were a number of questions about the payment to Sheryl Pressler.

Mr Higgins indicated that the payment of A$15 million was a lot of money and he understood shareholder concerns about that. However, to give the payment some context, it was in fact around US$7.5 million to be paid over a number of years, but that translates into A$15 million because of our current exchange rate.

Questions and Answers continued

Mrs Conway said that hiring Ms Pressler was expensive, but it was what we had to pay in attracting a very high profile person. At the time of her recruitment Sheryl Pressler was Chief Investment Officer of the California Public Employees' Retirement System (CalPERS), the largest pension fund in the US. The salary and benefits package for Ms Pressler was what you would call sign-on amounts to attract her away from her well-established position at CalPERS, and Lend Lease was committed to that level of payment from the outset. Ms Pressler was recruited as CEO of our US Investment Management business. She had been in the role for a year when David Higgins felt that it was necessary to have Fred Pratt as CEO of that business and the Board supported him on that. In making that decision, David knew it would come at a significant cost to the organisation.

ST MARYS

A question was asked of the Board about the proposed development at St Marys in Western Sydney, questioning the Company's conservation and environmental credentials.

Both Mrs Conway and Mr Higgins indicated that they had extensively reviewed this project and had meetings with representatives of major environmental organisations, and believed that the environmental outcomes would be an excellent result for the community. Mr Higgins referred to the Company's reputation in these matters, and also to the extensive planning process over 7 years involving amongst others the State Government and State authorities in regard to the site.

DIVIDENDS

A number of shareholders questioned the Company's approach in regard to dividend policy in terms of paying only a fully franked dividend.

Mr Tsenin, Finance Director, indicated that the rationale for the policy was that under the Australian tax system the Company received no franking credits for overseas earnings, which are around 75-80 percent of total earnings. It was thus more tax effective for the Company to return value to shareholders in the form of capital gains rather than paying unfranked dividends on which they would be taxed at marginal rates. The Company took note of the views expressed by some retail shareholders but also has to take into account the views of other shareholders, both retail and institutional, some of whom are located in different tax regimes. All these views have to be taken into consideration to determine what is the right policy. Mr Tsenin indicated that probably the most efficient way to return excess capital to shareholders was through on-market buy-backs, but he indicated that the Company would continue to examine all options, and that in the post September 11th global environment it was best to retain cash rather than consider any buy-backs for the present.

FINANCIAL CALENDAR

2002

Announcement
of Half Year Results *21 February*

Interim Dividend Payable *20 March*

Announcement
of Final Results *22 August*

Final Dividend Payable *19 September*

Annual General Meeting *7 November*

Directors

J K Conway, *Chairman*

D H Higgins, *Managing Director*

R A Longes, *Deputy Chairman*

A Aiello	D J Grady
R G Mueller, CBE	D A Crawford
Y H Chua, BBM	G G Edington
R E Tsenin	P C Goldmark

Secretaries

P W Crewes   S J Sharpe

Stock Exchange Listings

Australia   New Zealand

Lend Lease Corporation Limited

ABN 32 000 226 228

Incorporated in New South Wales, Australia

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Facsimile: 61 (2) 9252 2192

Share Registry and Shareholder Queries

Principal Register

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Depository Receipts Division
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New York NY 10286

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Investor Information

Lend Lease Corporation Report to Shareholders and financial statements and further information on the Lend Lease Group can be obtained from Investor Relations.

Telephone: 61 (2) 9236 6131
Facsimile: 61 (2) 9252 2192

and from our Internet site:

http://www.lendlease.com

Lend Lease
CORPORATION

ABN 32 000 226 228