

# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

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# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

All currency amounts in the MD&A are expressed in Australian dollars unless otherwise specified. The following discussion and analysis is based on the Lend Lease Group (the Group) Consolidated Financial Statements for the half year ended 31 December 2009 and should be read in conjunction with those financial statements.

## Overview

### Introduction

The Group has five lines of business that operate in three geographic regions: Asia Pacific, Europe and the Americas.

- The Retail business comprises retail property management, asset management and development. This business also includes the Group's ownership interests in direct property investments, including those held via limited partnerships;
- The Communities business is involved in the development of large scale master-planned urban communities, inner city mixed use developments, apartments and the retirement sector;
- The Public Private Partnerships (PPP) business manages and invests equity in large PPP projects;
- Investment Management provides real estate investment management services. Investment Management includes the Group's ownership interests in property investments held indirectly through investments in Lend Lease managed funds;
- Project Management and Construction provides construction, project management and design services through Bovis Lend Lease.

### Results Summary

|   | Revenue               |                       | EBITDA                |                       | Profit/(Loss) After Tax <sup>1</sup> |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------------------|-----------------------|
|   | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m                | December 2008<br>A\$m |
| Retail  | 57.4                  | 69.6                  | 45.2                  | 51.7                  | 31.5                                 | 37.4                  |
| Communities                                     | 363.4                 | 215.5                 | 104.3                 | 55.7                  | 71.4                                 | 71.1                  |
| Public Private Partnerships                     | 589.3                 | 712.7                 | 55.1                  | 25.0                  | 49.5                                 | 30.8                  |
| Investment Management                           | 27.9                  | 36.8                  | 18.5                  | 25.8                  | 12.4                                 | 20.9                  |
| Project Management and Construction             | 4,529.0               | 6,754.2               | 90.6                  | 131.3                 | 55.9                                 | 88.1                  |
| <b>Total operating businesses</b>               | <b>5,567.0</b>        | <b>7,788.8</b>        | <b>313.7</b>          | <b>289.5</b>          | <b>220.7</b>                         | <b>248.3</b>          |
| Group Services                                  | 7.5                   | 11.3                  | (31.9)                | (42.1)                | (24.6)                               | (39.0)                |
| Group Treasury                                  | 18.8                  | 28.5                  | 2.0                   | (12.9)                | (5.9)                                | (22.4)                |
| Group Amortisation                              |                       |                       |                       |                       | (2.3)                                | (1.5)                 |
| <b>Total corporate</b>                          | <b>26.3</b>           | <b>39.8</b>           | <b>(29.9)</b>         | <b>(55.0)</b>         | <b>(32.8)</b>                        | <b>(62.9)</b>         |
| <b>Total operating</b>                          | <b>5,593.3</b>        | <b>7,828.6</b>        | <b>283.8</b>          | <b>234.5</b>          | <b>187.9</b>                         | <b>185.4</b>          |
| Property investment revaluations                |                       |                       | 26.1                  | (216.3)               | 17.0                                 | (169.6)               |
| Other asset impairments                         |                       |                       |                       | (652.6)               |                                      | (593.6)               |
| Savings implementation costs                    |                       |                       |                       | (70.4)                |                                      | (48.9)                |
| Net gain on Bovis UK pension scheme curtailment |                       |                       |                       | 42.0                  |                                      | 30.3                  |
| <b>Total statutory</b>                          | <b>5,593.3</b>        | <b>7,828.6</b>        | <b>309.9</b>          | <b>(662.8)</b>        | <b>204.9</b>                         | <b>(596.4)</b>        |

<sup>1</sup> Profit/(loss) after tax is after adjusting for the profit attributable to minority interests of A\$1.6 million (December 2008: A\$6.0 million loss after tax).

The Group's statutory profit after tax for the half year ended 31 December 2009 increased to A\$204.9 million from a loss after tax of A\$596.4 million for the prior period, which included a number of net write-downs and charges.

Operating profit after tax for the half year ended 31 December 2009 of A\$187.9 million is broadly in line with the prior period.

Operating profit after tax was negatively impacted by foreign exchange movements of A\$17.0 million due to the strengthening of the Australian dollar.

The Group recognised net property investment revaluations of A\$17.0 million profit after tax (December 2008: a loss after tax of A\$169.6 million).

# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

## Overview continued

### Results Summary continued

The difficult economic environment, particularly in the construction sector, impacted on the Group's operating results for the period. The Group, however, is well positioned for future growth, securing a number of significant projects in the period, including:

- Being selected by the Barangaroo Delivery Authority (BDA) on behalf of the New South Wales Government as Developer for Stage 1 of Barangaroo, the largest central business district (CBD) development in the history of Sydney with an end value of approximately A\$6.0 billion;
- A consortium led by Lend Lease being appointed preferred bidder to acquire the 14 assets of the A\$1.4 billion ING Retail Property Fund;
- Agreeing Heads of Terms with the London Borough of Southwark for the circa £1.5 billion regeneration of Elephant and Castle, in the United Kingdom (UK);
- Launching a new wholesale fund, Lend Lease Real Estate Partners 3 (REP3), after receiving A\$250.0 million in commitments from investors. The Fund is part of the consortium that has been announced as the preferred bidder for the ING Retail Property Fund;
- Subsequent to balance date, on 20 January 2010, Lend Lease was selected as preferred proponent by the Western Australian Government for the first stage of the 710-hectare Alkimos Community development.

These transactions continue to build upon the Group's strategic model of investing alongside third party capital partners.

Additionally, the Group consolidated its position in the retirement sector with the acquisition of the remaining 56.8% interest in Lend Lease Primelife (Primelife) and the purchase of nine aged care facilities and four retirement villages from Prime Retirement and Aged Care Property Trust (Prime Trust).

Following shareholder approval on 12 November 2009 the shares of the Company and the units in Lend Lease Trust (LLT) were combined as stapled securities. From 13 November 2009 the shares in the Company and units in the Trust have been traded as one security under the name of Lend Lease Group on the Australian Securities Exchange and the New Zealand Stock Exchange. LLT was 100% owned by the Company prior to approval of the stapling proposal. Units in LLT were subsequently distributed to Lend Lease Corporation Limited shareholders as an 'in specie' dividend. The Company is deemed to control LLT and therefore LLT is consolidated into the Group's financial report. The Trust held assets of A\$0.5 million as at 31 December 2009.

### Operating Profit After Tax

The Retail business operating profit after tax, although lower than the prior period, has remained relatively robust due to development fees received and the relatively stable income flow from its investments.

The Communities business operating profit after tax in Asia Pacific declined, as the prior period included the sale of the Group's interest in seven retirement villages and an aged care facility to Primelife. Residential markets in Australia and the UK improved, resulting in higher settlements compared to the prior period. In addition, the Communities business in Europe completed the sale of the share capital in Meridian Delta Dome Limited for a consideration of A\$22.2 million.

The increase in operating profit after tax for the PPP business is largely attributable to the UK PPP business, where operating profit after tax increased with the sale of the Group's interest in the Queen's Hospital, Romford, for a consideration of A\$43.2 million. In the United States (US), Actus Lend Lease (Actus) achieved financial close on Phase 1 of the Privatised Army Lodging project.

The contribution to operating profit after tax from Investment Management was lower principally due to reduced funds management fees.

Project Management and Construction operating profit after tax decreased, reflecting the significant slowdown in construction markets, particularly in the US, Europe and the Middle East. The result also includes additional restructure costs resulting from cost savings initiatives implemented in response to the slowdown in construction markets, costs in relation to the New York investigations and a provision against debtor exposures in the Middle East. This has been partially offset by the strong performance of the Australian business.

Group Services costs decreased due to cost reductions in Corporation and Lend Lease Ventures and reduced losses in the Group's captive insurance vehicle.

Group Treasury costs decreased due to the £350.0 million UK syndicated bank facility being drawn to a lower amount in the period compared with the prior period and lower hedge costs.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Overview continued

#### Shareholder Returns

|   |       | December<br>2009 | December<br>2008 |
|---|-------|------------------|------------------|
| Earnings per security (EPS) on statutory profit/(loss) after tax <sup>1</sup> | cents | 44.6             | (148.2)          |
| EPS on operating profit after tax <sup>1</sup>                                | cents | 40.9             | 46.1             |
| Return on equity (ROE) on statutory profit/(loss) after tax <sup>2</sup>      | %     | 8.2              | (21.7)           |

- 1 EPS is calculated using the weighted average number of securities on issue including treasury securities. Under the Australian Accounting Standards, securities held in employee benefit vehicles, including employee security plans, which Lend Lease sponsors, are treated as treasury securities and are excluded from the calculation. This would have the effect of increasing the EPS calculations above if applied.
- 2 ROE is calculated based on statutory profit/(loss) after tax for the half year ended 31 December 2009 and average equity as at 31 December 2009.

#### Distributions

An interim 100% franked dividend of 20 cents per security will be paid on 31 March 2010 (December 2008: 25 cents per share 60% franked). This represents a payout ratio of 49% of operating profit after tax for the half year ended 31 December 2009. The distribution per security excludes the 'in specie' dividend of A\$0.5 million following the stapling of LLT units to shares in the Company in November 2009.

#### Group Debt

|   |       | December<br>2009 | June<br>2009 |
|---|-------|------------------|--------------|
| Net debt <sup>1</sup>                                     | A\$m  | 749.9            | 195.8        |
| Gross borrowings to total tangible assets <sup>2</sup>    | %     | 18.9             | 16.9         |
| Net debt to total tangible assets, less cash <sup>3</sup> | %     | 9.2              | 2.9          |
| Interest coverage <sup>4</sup>                            | times | 10.2             | 5.2          |

- 1 Net debt is borrowings, including other non current financial liabilities, less cash.
- 2 Calculated as borrowings, including other non current financial liabilities, divided by total tangible assets.
- 3 Calculated as net debt divided by total tangible assets, less cash.
- 4 Calculated as operating EBITDA plus interest income divided by interest finance costs, including capitalised finance costs.

The Group's net debt at 31 December 2009 was A\$749.9 million, including other non current financial liabilities of A\$168.9 million. The Group's net debt includes the A\$570.0 million committed club facility maturing in December 2011, which was used to fund the Primelife acquisition.

The Group's gearing has increased due to the A\$570.0 million committed club facility being fully drawn at 31 December 2009.

Interest coverage at 10.2 times is significantly in excess of the Group's banking covenant thresholds.

The Group is in a strong liquidity position with cash and cash equivalents of A\$967.5 million at 31 December 2009. In addition, the Group had un-drawn committed bank facilities of A\$536.8 million.

The average maturity of Lend Lease's drawn debt at 31 December 2009 was six years, with the earliest maturity date being November 2010.

At 31 December 2009, the mix of borrowings, adjusted for interest rate swaps and including other non current financial liabilities, was 60% at fixed rates and 40% at floating rates.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Overview continued

#### Cash Flow

|  | December<br>2009<br>A\$m | December<br>2008<br>A\$m |
|--|--------------------------|--------------------------|
| Net cash provided by operating activities                              | 107.3                    | 195.0                    |
| Net cash used in investing activities                                  | (263.7)                  | (277.9)                  |
| Net cash provided by financing activities                              | 81.2                     | 709.2                    |
| Effect of foreign exchange rate movements on cash and cash equivalents | (78.1)                   | 94.2                     |
| <b>Net (decrease)/increase in cash and cash equivalents</b>            | <b>(153.3)</b>           | <b>720.5</b>             |

Operating cash inflows of A\$107.3 million represent the underlying cash flows from the Group's operating businesses net of continued investment in property developments.

Investing cash outflows of A\$263.7 million includes the acquisition of the remaining 56.8% interest in Primelife for a consideration of A\$170.1 million and the purchase of nine aged care facilities and four retirement villages from Prime Trust for a consideration of A\$82.6 million.

Financing cash inflows of A\$81.2 million include the A\$570.0 million committed club facility, which was fully drawn at 31 December 2009, partially offset by the repayment of borrowings on the acquisition of Primelife of A\$445.6 million and distribution payments of A\$38.3 million.

#### Investments

|                              | Region  | Lend Lease<br>Share of<br>Income <sup>1</sup><br>December<br>2009<br>A\$m | Lend Lease<br>Share of<br>Income <sup>1</sup><br>December<br>2008<br>A\$m | Market<br>Value <sup>2</sup><br>December<br>2009<br>A\$m | Market<br>Value <sup>2</sup><br>June<br>2009<br>A\$m |
|------------------------------|---------|---|---|--|--|
| <b>Retail</b>                |         |   |   |  |  |
| Bluewater                    | UK      | 20.6  | 30.0  | 764.5  | 814.3  |
| King of Prussia              | US      | 14.1  | 16.7  | 367.4  | 427.0  |
| Other retail investments     | Various | 3.3   | 2.2   | 238.0  | 222.8  |
| <b>Total</b>                 |         | <b>38.0</b>   | <b>48.9</b>   | <b>1,369.9</b>   | <b>1,464.1</b>                                       |
| <b>Investment Management</b> |         |   |   |  |  |
| Other retail investments     | Various | 11.4  | 13.1  | 428.9  | 432.7  |
| Other investments            | Various | 3.4   | 0.6   | 70.6   | 72.9   |
| <b>Total</b>                 |         | <b>14.8</b>   | <b>13.7</b>   | <b>499.5</b>   | <b>505.6</b>   |
| <b>Total investments</b>     |         | <b>52.8</b>   | <b>62.6</b>   | <b>1,869.4</b>   | <b>1,969.7</b>                                       |

1 Represents Lend Lease's share of income before tax from investments net of direct expenses and allocated overhead, excluding property investment revaluations. There are no gains or losses on the disposal or redemption of available for sale financial assets included in Lend Lease's share of income for the half year ended 31 December 2009 (December 2008: nil).

2 Market value is based on independent valuations and is net of project specific debt.

Lend Lease held property investments, directly or indirectly, with a market value of A\$1.9 billion at 31 December 2009. The market value of investments in local currency increased by A\$106.9 million, however the value in Australian dollars was reduced by A\$207.2 million due to exchange rate movements.

During the period, the Group's interest in property investments generated investment income EBITDA of A\$52.8 million (December 2008: A\$62.6 million).

# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

## Overview continued

### Investments continued

#### Retail

The independent market value of 100% of Bluewater at 31 December 2009 increased by 7% to £1,427.0 million (A\$2,548.2 million). However the value of Lend Lease's 30% direct interest in Australian dollars decreased to A\$764.5 million, due to negative foreign exchange movements. As Bluewater is held as inventory, the asset is recorded at cost in the financial statements, which at 31 December 2009 was A\$444.2 million (June 2009: A\$506.2 million).

The value of Lend Lease's 50% interest in King of Prussia decreased slightly to US\$341.7 million (June 2009: US\$345.9 million), although the Australian dollar equivalent value decreased by 14% due to a negative foreign exchange movement.

Other retail investments have increased by A\$15.2 million to A\$238.0 million, principally due to an increase in the valuation of 313@somerset of A\$35.0 million, offset by negative foreign exchange movements.

#### Investment Management

Other retail investments decreased by A\$3.8 million to A\$428.9 million principally due to negative foreign exchange movements, offsetting an increase in valuation, principally on Lend Lease Asian Retail Investment Fund (ARIF) and Asia Pacific Investment Company No. 2 Limited.

Other investments remained broadly in line with the prior period at A\$70.6 million.

### Property Investment Revaluations

|   | Unrealised<br>Revaluation<br>Gain/(Loss)<br>Before Tax<br>December<br>2009<br>A\$m | Unrealised<br>Revaluation<br>Gain/(Loss)<br>Before Tax<br>December<br>2008<br>A\$m | Unrealised<br>Revaluation<br>Gain/(Loss)<br>After Tax<br>December<br>2009<br>A\$m | Unrealised<br>Revaluation<br>Gain/(Loss)<br>After Tax<br>December<br>2008<br>A\$m |
|---|--|--|---|---|
| <b>Retail</b>                                 |  |  |   |   |
| Australia                                     | (1.8)  | (1.3)  | (1.8)   | (1.3)   |
| Asia  | 35.0   |  | 24.5  |   |
| Europe  | 0.2  | (115.0)  | (0.6)   | (106.7)   |
| Americas                                      | (8.4)  | (76.4)   | (4.9)   | (44.7)  |
| <b>Total</b>                                  | <b>25.0</b>  | <b>(192.7)</b>   | <b>17.2</b>   | <b>(152.7)</b>  |
| <b>Communities</b>                            |  |  |   |   |
| Europe  | (3.8)  |  | (3.8)   |   |
| <b>Total</b>                                  | <b>(3.8)</b>   | <b>-</b>   | <b>(3.8)</b>  | <b>-</b>  |
| <b>Investment Management</b>                  |  |  |   |   |
| Australia                                     | (3.3)  |  | (3.0)   |   |
| Asia  | 5.3  | (0.7)  | 3.7   | (0.5)   |
| Europe  | 2.9  | (22.9)   | 2.9   | (16.4)  |
| <b>Total</b>                                  | <b>4.9</b>   | <b>(23.6)</b>  | <b>3.6</b>  | <b>(16.9)</b>   |
| <b>Total property investment revaluations</b> | <b>26.1</b>  | <b>(216.3)</b>   | <b>17.0</b>   | <b>(169.6)</b>  |

### Subsequent Events

The Lend Lease Group plans to undertake an equity raising via a Single-bookbuild Accelerated Renounceable Entitlement Offer ('SAREO') commencing 25 February 2010 and concluding 24 March 2010. The offer will be fully underwritten.

All new securities issued will be fully paid and rank equally with existing Lend Lease Group securities on issue, except that they will not be eligible for an interim distribution declared in respect of the period ended 31 December 2009. The Lend Lease Group expects to raise gross proceeds of A\$800.0 million through this offer.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Retail

#### Overview of Business

Lend Lease's strategy is to focus on shopping centres with expansion potential in growing catchment areas. This business strategy is designed to secure integrated positions, which play to the Group's core skills and involve all components of the property value chain (ownership, development, construction and property management).

#### Key Financial Results

The key financial results for the Retail business are summarised below.

|   | Revenue               |                       | EBITDA                |                       | Profit/(Loss) After Tax |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------|
|   | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m   | December 2008<br>A\$m |
| <b>Property Management</b>              |                       |                       |                       |                       |                         |                       |
| Asia Pacific                            | 23.1                  | 20.7                  | 10.4                  | 5.8                   | 7.8                     | 4.0                   |
| Europe                                  | 7.7                   | 10.9                  | (3.2)                 | (3.0)                 | (3.1)                   | (2.7)                 |
| <b>Total</b>                            | <b>30.8</b>           | <b>31.6</b>           | <b>7.2</b>            | <b>2.8</b>            | <b>4.7</b>              | <b>1.3</b>            |
| <b>Investment Income</b>                |                       |                       |                       |                       |                         |                       |
| Asia Pacific                            | 0.6                   | 0.6                   | 0.9                   | 0.2                   | 0.6                     | 0.1                   |
| Europe                                  | 26.0                  | 37.4                  | 23.0                  | 32.0                  | 15.2                    | 22.2                  |
| Americas                                |                       |                       | 14.1                  | 16.7                  | 11.0                    | 13.8                  |
| <b>Total</b>                            | <b>26.6</b>           | <b>38.0</b>           | <b>38.0</b>           | <b>48.9</b>           | <b>26.8</b>             | <b>36.1</b>           |
| <b>Total Operating</b>                  |                       |                       |                       |                       |                         |                       |
| Asia Pacific                            | 23.7                  | 21.3                  | 11.3                  | 6.0                   | 8.4                     | 4.1                   |
| Europe                                  | 33.7                  | 48.3                  | 19.8                  | 29.0                  | 12.1                    | 19.5                  |
| Americas                                |                       |                       | 14.1                  | 16.7                  | 11.0                    | 13.8                  |
| <b>Total operating</b>                  | <b>57.4</b>           | <b>69.6</b>           | <b>45.2</b>           | <b>51.7</b>           | <b>31.5</b>             | <b>37.4</b>           |
| <b>Property Investment Revaluations</b> |                       |                       |                       |                       |                         |                       |
| Asia Pacific                            |                       |                       | 33.2                  | (1.3)                 | 22.7                    | (1.3)                 |
| Europe                                  |                       |                       | 0.2                   | (115.0)               | (0.6)                   | (106.7)               |
| Americas                                |                       |                       | (8.4)                 | (76.4)                | (4.9)                   | (44.7)                |
| <b>Total</b>                            | <b>-</b>              | <b>-</b>              | <b>25.0</b>           | <b>(192.7)</b>        | <b>17.2</b>             | <b>(152.7)</b>        |

Total operating profit after tax decreased by A\$5.9 million from the prior period, including negative foreign exchange movements of A\$4.4 million. The Group's retail property investment revaluations included the revaluation increase on 313@somerset of A\$24.5 million after tax. The valuations on other retail assets remained relatively stable.

#### Retail – Asia Pacific

Operating profit after tax increased by A\$4.3 million to A\$8.4 million due to increased fees from development projects and reduced overheads.

In Asia Pacific, Lend Lease holds a direct ownership interest in one development opportunity and three operating retail centres. The business is currently undertaking master-planning and development management of four centres in Australia and one in Asia. In addition, the business carries out the property management of nine centres in Australia and three in Asia, with a total gross lettable area of 647,800 square metres (sqm).

# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

## Retail continued

### Retail – Asia Pacific continued

Key trading events in the period include:

- Completion of the 313@somerset retail development in Singapore. The first stage of the retail centre commenced trading in December 2009 and was fully leased on opening. Lend Lease has a 25% direct ownership interest in the centre, with the remaining 75% held by ARIF, in which Lend Lease holds a 10.1% interest. The centre was independently valued at S\$1.2 billion (A\$891.5 million) in December 2009. This has resulted in an investment revaluation increase of A\$35.0 million before tax being recognised in the income statement on the Group's direct ownership interest and A\$10.6 million before tax being recognised in the Fair Value Revaluation Reserve in relation to the Group's interest in ARIF;
- Completion of the Caroline Springs retail development in Western Melbourne. The Lend Lease Core Plus Fund holds a 50% interest in the retail development and Australian Prime Property Fund (APPF) Retail holds the remaining 50% interest;
- Construction and pre-leasing progressing at the 420 George Street retail and commercial development in the Sydney CBD. APPF Retail holds a 25% interest in the retail development and APPF Commercial holds a 25% interest in the office development, alongside an external owner who holds the remaining 75%. Completion of this development is expected in 2011;
- In December 2009, a consortium including Lend Lease managed funds was appointed preferred bidder to acquire the 14 assets comprising the A\$1.4 billion ING Retail Property Fund. On completion of this acquisition, the Retail business will take responsibility for the management of a number of these assets. Lend Lease expects to contribute approximately A\$200.0 million of the capital required for the transaction.

### Retail – Europe

Operating profit after tax of A\$12.1 million declined by A\$7.4 million compared with the prior period, due to a decrease in retail investment income and property management fees.

In Europe, Lend Lease's Retail business includes an ownership interest in five retail centres in the UK. The business has development opportunities at three of these centres. Given current economic conditions, capital expenditure has largely been deferred. The business also carries out the asset management of five centres with a total gross lettable area of 341,300 sqm.

Key trading events in the period include:

- The Preston Titebarn development, a 50% joint venture with Grosvenor Estates, secured a resolution to grant planning permission on 14 July 2009. However this decision was called in for review by the UK Government on 17 September 2009. On 5 October 2009 Grosvenor advised that they are seeking to exit the joint venture. Lend Lease has not committed significant capital to this project and the strategy to progress the scheme is under discussion with Preston City Council;
- The market value of the Group's UK retail investments in local currency has increased by £30.6 million principally due to lower capitalisation rates across the portfolio.

### Retail – Americas

In the Americas, Lend Lease's retail business comprises a 50% ownership interest in the partnership that owns the King of Prussia Mall in Pennsylvania. Lend Lease's share of operating income in US dollar terms is in line with the prior period.

The value of Lend Lease's 50% interest in King of Prussia was largely unchanged from June 2009 at US\$341.7 million (June 2009: US\$345.9 million). The Australian dollar equivalent value decreased by 14% to A\$367.4 million (June 2009: A\$427.0 million), mainly due to negative foreign exchange movements.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Communities

#### Overview of Business

The Communities business is involved in the development of large scale master-planned urban communities, inner city mixed use developments, apartments and the retirement sector. The Lend Lease business model includes land sourcing, master-planning and design, product development and marketing. The scale and scope of development positions ensure earnings are derived from a diverse range of projects. This diversity reduces the portfolio risk and also generates product for both the Investment Management and Project Management and Construction businesses.

#### Key Financial Results

The key financial results for the Communities business are summarised below.

|                        | Revenue               |                       | EBITDA                |                       | Profit/(Loss) After Tax |                       |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------|
|                        | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m   | December 2008<br>A\$m |
| Asia Pacific           | 267.2                 | 175.2                 | 63.2                  | 66.0                  | 43.3                    | 75.6                  |
| Europe                 | 96.2                  | 40.3                  | 40.8                  | (5.6)                 | 28.0                    | (1.6)                 |
| Americas               |                       |                       | 0.3                   | (4.7)                 | 0.1                     | (2.9)                 |
| <b>Total operating</b> | <b>363.4</b>          | <b>215.5</b>          | <b>104.3</b>          | <b>55.7</b>           | <b>71.4</b>             | <b>71.1</b>           |

Total operating profit after tax remains in line with the prior period, however the regional contribution has changed. In the prior period, the Asia Pacific Communities business included the profit from the sale of its interest in seven retirement villages and an aged care facility to Primelife for a consideration of A\$133.4 million. In the current period, the Europe business includes the sale of the share capital in Meridian Delta Dome Limited for a consideration of A\$22.2 million.

Trading conditions have improved in both the Australian and UK markets, as evidenced by increased settlements in the period.

The Asia Pacific business completed the acquisition of the remaining 56.8% interest in Primelife, effective 15 December 2009, for a consideration of A\$170.1 million. Additionally, on acquisition, the Primelife borrowings of A\$445.6 million were repaid. The business also purchased nine aged care facilities and four retirement villages from Prime Trust for a consideration of A\$82.6 million in August 2009.

#### Communities – Asia Pacific

The key financial results for Communities – Asia Pacific are detailed below.

|  | December 2009  | December 2008          |
|--|----------------|------------------------|
| Operating profit after tax (A\$m)                          | 43.3           | 75.6                   |
| Number of units settled <sup>1,3</sup>                     | 1,373          | 1,096                  |
| Gross sales value of units settled (A\$m) <sup>1,2,3</sup> | 389.1          | 469.8                  |
| Gross sales value of pre-sales (A\$m) <sup>1,4</sup>       | 500.2          | 581.0                  |
|  | December 2009  | June 2009 <sup>5</sup> |
| Number of development projects                             | 33             | 31                     |
| Number of retirement villages <sup>6</sup>                 | 70             | 69                     |
| Number of aged care facilities <sup>6</sup>                | 33             | 33                     |
| Backlog (number of units) <sup>7</sup>                     |                |                        |
| – Zoned (with planning approval)                           | 25,170         | 26,375                 |
| – Retirement villages (with planning approval)             | 1,535          | 1,145                  |
| – Unzoned (awaiting planning approvals)                    | 58,965         | 58,005                 |
| <b>Backlog – Residential (units)</b>                       | <b>85,670</b>  | <b>85,525</b>          |
| <b>Backlog – Commercial (sqm/000s)</b>                     | <b>3,743.2</b> | <b>3,478.7</b>         |

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with Lend Lease's profit after tax.

2 Gross sales value of units settled reflects residential and non-residential revenue from projects and the sale of deferred management fees.

3 The number of units settled (63 units) and gross sales value of units settled (A\$26.8 million) in relation to Primelife for the period 1 July 2009 to the date of acquisition are excluded.

4 Pre-sales represent contracts entered into prior to 31 December 2009 that have not settled and therefore do not form part of profit after tax in the current period. These sales are expected to settle in future periods.

5 The June 2009 comparatives have been adjusted to include the number of projects and backlog for Primelife retirement villages. The backlog of 179 Primelife aged care facilities bed licences is excluded.

6 The number of retirement villages and aged care facilities includes owned and managed properties.

7 Backlog includes the total number of units in both Company-owned and joint venture projects. The actual number of units for any particular project can vary as planning applications are obtained.

# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

## Communities continued

### Communities – Asia Pacific continued

The Asia Pacific Communities business is focused on building a portfolio of market leading projects and assets in key sectors, including master-planned urban communities through Delfin Lend Lease; apartments through Vivas Lend Lease; integrated mixed-use property developments through Lend Lease Development; and senior living through Primelife and Retirement by Design. The product lines of the Communities business are: residential land lots; residential built-form (including houses, terraces and apartments); commercial (including retail, office, light industrial and social infrastructure); and senior living (including retirement villages, aged care and village operations).

The key financial results of the business by product line are detailed below.

|   | Residential Land Lots<br>December<br>2009 | December<br>2008 | Residential Built-Form<br>December<br>2009 | December<br>2008 | Commercial <sup>6</sup><br>December<br>2009 | December<br>2008 | Senior Living<br>December<br>2009 | December<br>2008 | Total<br>December<br>2009 | December<br>2008 |
|---|---|------------------|--|------------------|---|------------------|-----------------------------------|------------------|---------------------------|------------------|
| Settlements <sup>1</sup>                |   |                  |  |                  |   |                  |                                   |                  |                           |                  |
| Number of units <sup>2,4</sup>          | 1,175                                     | 970              | 162  | 114              |   |                  | 36                                | 12               | 1,373                     | 1,096            |
| Gross sales value (A\$m) <sup>3,4</sup> | 222.2                                     | 159.2            | 111.0                                      | 123.8            | 44.2  | 183.0            | 11.7                              | 3.8              | 389.1                     | 469.8            |
| Pre-sales <sup>1,5</sup>                |   |                  |  |                  |   |                  |                                   |                  |                           |                  |
| Number of units                         | 1,180                                     | 1,206            | 209  | 366              |   |                  | 38                                | 1                | 1,427                     | 1,573            |
| Gross sales value (A\$m)                | 239.1                                     | 217.0            | 216.8                                      | 317.9            | 28.2  | 45.7             | 16.1                              | 0.4              | 500.2                     | 581.0            |

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with Lend Lease's profit after tax.

2 The number of units settled during the period for Senior Living refers to primary sales (new development sites) and excludes any resales.

3 Gross sales value of units settled reflects residential and non-residential revenue from projects and the sale of deferred management fees.

4 The number of units settled (63 units) and gross sales value of units settled (A\$26.8 million) in relation to Primelife for the period 1 July 2009 to the date of acquisition are excluded.

5 Pre-sales number of units represents contracts entered into prior to 31 December 2009 that have not settled and therefore do not form part of profit after tax in the current period. These sales are expected to settle in future periods. The table includes pre-sales at 31 December 2009 relating to Primelife.

6 The number of units settled and pre-sales number of units are not relevant measures for commercial.

Key trading events in the period include:

- Completing the acquisition of the remaining 56.8% interest in Primelife effective 15 December 2009 for a consideration of A\$170.1 million. Additionally, on acquisition, the Primelife borrowings of A\$445.6 million were repaid;
- Completing the purchase of nine aged care facilities and four retirement villages from Prime Trust for a consideration of A\$82.6 million in August 2009;
- Being selected by the BDA on behalf of the New South Wales Government as Developer for Stage 1 of Barangaroo, the largest CBD development in the history of Sydney. With an end value of approximately A\$6.0 billion, the project is expected to be completed over the next 10 to 15 years;
- The total number of residential land lots settled increased by 21% to 1,175 units due to improved trading conditions, notably in New South Wales and Queensland and the commencement of trading at Blakes Crossing in South Australia;
- The average sales price per residential land lot increased by 15% from A\$164,100 to A\$189,100, which reflects strong price growth in Victoria and an increase in the number of sales in New South Wales;
- Residential built-form units settled increased by 48 units to 162 units. The current period includes built-form settlements on The Merchant building at Victoria Harbour, Melbourne; Varsity Lakes, Queensland; Rouse Hill, Sydney; the evolve and Stonecutters buildings at Jacksons Landing, Sydney; and St Patricks estate, Manly, Sydney;
- The average sales price per residential built-form unit decreased by 37% from A\$1,086,000 to A\$685,200, reflecting the significant proportion of high value evolve apartments at Jacksons Landing being sold in the prior period. Current period settlements included a large proportion of mid market apartments at The Merchant in Victoria Harbour;
- The gross sales value of commercial projects of A\$44.2 million is lower than the prior period, which included the sale of seven retirement villages and an aged care facility to Primelife for a consideration of A\$133.4 million;
- The number of pre-sales as at 31 December 2009 of 1,427 decreased by 9% on the prior period due to the large volume of pre-sales held as at 31 December 2008 on Stonecutters at Jacksons Landing and The Merchant and Montage at Victoria Harbour which have since settled. This has been partially offset by the inclusion of Primelife pre-sales at 31 December 2009;
- During the period, Senior Living achieved resales of 427 units across the owned and managed retirement village portfolio and at 31 December 2009, held contracts for 70 resales, which will be recognised in the second half of the financial year;

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Communities continued

#### Communities – Asia Pacific continued

- As at 31 December 2009 the aged care operations of Primelife were 93.4% occupied (June 2009: 94.1%);
- The result includes an A\$8.7 million profit after tax resulting from the close out of the Group's equity derivative swap in relation to the FKP Property Group;
- Subsequent to balance date, on 20 January 2010, Lend Lease was announced by the Western Australian Government as preferred proponent for the first stage of the 710-hectare Alkimos Community development. Development of the initial 224-hectare stage is expected to commence in 2011 and will include approximately 2,500 dwellings.

#### Communities – Europe

In Europe, the Communities business comprises Crosby, an urban regeneration specialist operating in major northern England cities such as Manchester, Leeds and Birmingham, and large scale redevelopment projects at Greenwich, Stratford and Elephant and Castle in London.

The key financial results for Communities – Europe are detailed below.

|  | December<br>2009 | December<br>2008 |
|--|------------------|------------------|
| Operating profit/(loss) after tax (A\$m)                 | 28.0             | (1.6)            |
| Number of units settled <sup>1</sup>                     | 469              | 71               |
| Gross sales value of units settled (A\$m) <sup>1,2</sup> | 83.9             | 20.2             |
| Number of pre-sales <sup>1</sup>                         | 264              | 299              |
| Gross sales value of pre-sales (A\$m) <sup>1,3</sup>     | 17.0             | 44.8             |
|  | December<br>2009 | June<br>2009     |
| Number of projects                                       | 24               | 27               |
| Backlog (number of units) <sup>4</sup>                   |                  |                  |
| – Zoned (with planning approval)                         | 12,640           | 13,115           |
| – Unzoned (awaiting planning approvals)                  | 275              | 275              |
| Backlog – Residential (units)                            | <b>12,915</b>    | <b>13,390</b>    |
| Backlog – Commercial (sqm/000s)                          | 394.4            | 410.1            |

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with Lend Lease's profit after tax.

2 Gross sales value of units settled reflects residential and non-residential revenue from projects.

3 Pre-sales represent contracts entered into prior to 31 December 2009 that have not settled and therefore do not form part of profit after tax in the current period. These sales are expected to settle in future periods.

4 Backlog includes the total number of units in both Company-owned and joint venture projects. The actual number of units for any particular project can vary as planning applications are obtained.

Communities – Europe has 24 projects: the three London-based redevelopment projects at Greenwich, Stratford and Elephant and Castle and 21 Crosby projects. The product lines of the UK business are: residential land lots; residential built-form (including houses, terraces and apartments); and commercial (including retail, office, light industrial and social infrastructure).

Key trading events in the period include:

- The business completed the sale of the share capital in Meridian Delta Dome Limited for a consideration of A\$22.2 million;
- The number of units settled increased by 398 units and the gross sales value of units settled increased by A\$63.7 million. The sales prices achieved were in excess of the previous written down values;
- Gross sales value of pre-sales has decreased to A\$17.0 million as the business reduces the available backlog of stock;
- The Greenwich Peninsula project is a mixed-use development on 59 hectares of land on the Greenwich Peninsula in London. The project will be developed through a combination of land sales to third party developers and direct development with joint venture partners. An office development with a substantial pre-let to Transport for London for 19,400 sqm was completed in July 2009. The Ravensbourne College of Design & Communications is also now under construction;
- In August 2008, Lend Lease was appointed as Development and Construction Manager for the first phase of Stratford City, a mixed-use development on 54 hectares of land with an existing planning consent of 9.4 million square feet. This first phase involves building the Athletes' Village for the London 2012 Olympic and Paralympic Games for the Olympic Delivery Authority;

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Communities continued

#### Communities – Europe continued

- In July 2007, Lend Lease was appointed as preferred bidder for the development of land at Elephant and Castle. In December 2009 Heads of Terms were agreed between Lend Lease and the London Borough of Southwark (the Council). The Council and Lend Lease have agreed that the current exclusivity arrangement will remain in place to enable both parties to work together to formalise a Regeneration Agreement in 2010. The project is one of the most significant schemes of its type in Europe, comprising over 300,000 sqm of new mixed-use development, together with major infrastructure improvements and a range of enhanced community facilities.

#### Communities – Americas

In the US, the Communities business focuses on large scale urban greenfield development and regeneration opportunities. The business has one project, Horizon Uptown in Denver, Colorado. The project is expected to be launched in 2012, subject to favourable market conditions.

The key financial results for Communities – Americas are detailed below.

|  | December<br>2009 | December<br>2008 |
|--|------------------|------------------|
| Operating profit/(loss) after tax (A\$m)                   | 0.1              | (2.9)            |
|  | December<br>2009 | June<br>2009     |
| Backlog – Zoned residential (number of units) <sup>1</sup> | 3,855            | 3,855            |
| Backlog – Commercial (sqm/000s)                            | 841.3            | 841.3            |

<sup>1</sup> The actual number of backlog units for any particular project can vary as planning applications are obtained.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Public Private Partnerships

#### Overview of Business

The PPP business consists of Actus in the US, the PPP projects in Europe and the newly established PPP advisory origination business, Capella Capital in Australia.

#### Key Financial Results

The key financial results for the PPP business are summarised below.

|                        | Revenue               |                       | EBITDA                |                       | Profit/(Loss) After Tax |                       |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------|
|                        | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m   | December 2008<br>A\$m |
| Americas               | 526.0                 | 652.2                 | 37.9                  | 29.3                  | 27.2                    | 27.5                  |
| Europe                 | 56.0                  | 60.5                  | 18.1                  | (4.3)                 | 23.2                    | 3.3                   |
| Australia              | 7.3                   |                       | (0.9)                 |                       | (0.9)                   |                       |
| <b>Total operating</b> | <b>589.3</b>          | <b>712.7</b>          | <b>55.1</b>           | <b>25.0</b>           | <b>49.5</b>             | <b>30.8</b>           |

Total operating profit after tax increased by A\$18.7 million from the prior period, including a negative foreign exchange movement of A\$8.8 million. The result includes the profit on sale of the Group's 50% interest in the Queen's Hospital, Romford, for a consideration of A\$43.2 million.

#### Public Private Partnerships – Americas

The primary focus of Actus is the Military Housing Privatization Initiative (MHPI) for all branches of the USA Military. Under the MHPI, Actus is selected to own, finance, construct and operate projects for a period of 50 years.

The key financial results for PPP – Americas are detailed below.

|  | December 2009<br>A\$m | December 2008<br>A\$m |
|--|-----------------------|-----------------------|
| Profit after tax                           | 27.2                  | 27.5                  |
| Development gross profit margin (GPM)      | 12.7                  | 11.7                  |
| Construction GPM                           | 27.8                  | 23.5                  |
| Asset management GPM                       | 8.2                   | 7.8                   |
| Equity returns                             | 1.5                   | 1.6                   |
|  | December 2009         | June 2009             |
| Number of projects <sup>1</sup>            | 20                    | 20                    |
| Backlog (number of units under management) |                       |                       |
| – Operational (secured)                    | 41,700                | 38,500                |
| – Preferred bidder (awarded)               | 2,350                 | 5,550                 |
| <b>Total backlog</b>                       | <b>44,050</b>         | <b>44,050</b>         |

<sup>1</sup> Number of projects includes extensions of existing projects and projects where Lend Lease is preferred bidder.

Key trading events in the period include:

- Increased development fee income due to Phase 1 of the Privatised Army Lodging project reaching financial close in the period. Development fees represent a fee for service and are not at risk from project performance;
- Construction GPM and asset management GPM remain in line with the delivery programme.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Public Private Partnerships continued

#### Public Private Partnerships – Americas continued

#### New Work Secured and Backlog GPM

|  | New Work Secured GPM<br>December<br>2009 <sup>1</sup><br>A\$m | New Work Secured GPM<br>December<br>2008 <sup>1</sup><br>A\$m | Backlog GPM<br>December<br>2009 <sup>2</sup><br>A\$m | Backlog GPM<br>June<br>2009 <sup>2</sup><br>A\$m |
|--|---|---|--|--|
| Projects in operational status (secured)                   | 34.3  | 17.2  | 338.9  | 431.0  |
| Projects in preferred bidder status (awarded) <sup>3</sup> | (16.2)  | (19.9)  | 26.6   | 52.1   |
| <b>Total</b>   | <b>18.1</b>   | <b>(2.7)</b>  | <b>365.5</b>   | <b>483.1</b>                                     |

- 1 New Work Secured is the total project GPM to be earned from projects secured during the period, net of margin movements.
- 2 Backlog GPM disclosed includes ten years backlog from facilities management, even though the contracts run for up to 50 years. Although Backlog GPM is realised over several years, the average foreign exchange rate for the current period has been applied to the closing Backlog GPM balance in its entirety as the average rates for later years cannot be predicted. In local currency the Backlog GPM is US\$325.4 million (June 2009: US\$352.7 million).
- 3 Projects in preferred bidder status include the GPM on projects that were awarded preferred bidder status in the period, offset by the GPM transferred from preferred bidder status to operational status following financial close of projects in the period.

Backlog GPM at 31 December 2009 was impacted by a negative movement in foreign exchange of A\$87.0 million.

#### Backlog GPM Realisation

|   | Period Ending<br>June 2010<br>% | Year Ending<br>June 2011<br>% | Post<br>June 2011<br>% | Total<br>% |
|---|---------------------------------|-------------------------------|------------------------|------------|
| Projects in operational status (secured)      | 11                              | 19                            | 70                     | 100        |
| Projects in preferred bidder status (awarded) | 14                              | 21                            | 65                     | 100        |
| <b>Total</b>                                  | <b>11</b>                       | <b>19</b>                     | <b>70</b>              | <b>100</b> |

### Public Private Partnerships – Europe

The PPP business in the UK is focused on four sectors: health, education, waste and accommodation. Under PPP schemes, Lend Lease is selected to own, finance, construct and operate projects for a period of up to 40 years. The PPP result includes asset management GPM, facilities management GPM, returns on equity, loan stock interest and net bid costs. The PPP result does not include construction GPM, which is included in Project Management and Construction.

The key financial results for PPP – Europe are detailed below.

|                                 | December<br>2009<br>A\$m | December<br>2008<br>A\$m |
|---------------------------------|--------------------------|--------------------------|
| Profit after tax                | 23.2                     | 3.3                      |
| Operating GPM <sup>1</sup>      | 6.6                      | 7.0                      |
| Equity returns <sup>2</sup>     | 33.3                     | 21.3                     |
| New Work Secured <sup>3</sup>   | 5.4                      | 4.7                      |
|                                 | December<br>2009         | June<br>2009             |
| Number of projects <sup>4</sup> | 19                       | 19                       |
| Backlog GPM (A\$m) <sup>5</sup> | 68.8                     | 75.5                     |
| Equity                          |                          |                          |
| – Invested (A\$m)               | 147.7                    | 163.3                    |
| – Committed (A\$m)              | 52.1                     | 62.9                     |

- 1 Operating GPM relates to asset and facilities management services provided.
- 2 Including loan stock interest and the profit before tax from the sale of the Group's 50% interest in the Queen's Hospital, Romford.
- 3 Relates to secured projects.
- 4 Number of projects includes projects where Lend Lease is preferred bidder and combines extensions of existing projects.
- 5 Backlog GPM disclosed includes ten years backlog from facilities management even though PPP contracts run for periods of up to 40 years.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Public Private Partnerships continued

#### Public Private Partnerships – Europe continued

Key trading events in the period include:

- Sale of the Group's 50% interest in the Queen's Hospital, Romford for a consideration of A\$43.2 million in December 2009;
- An increase in the number of operational assets, with the practical completion and operational handover of the two schools (£34 million) in Phase 2 of the Lancashire Building Schools for the Future (BSF) project and Sheffield University accommodation (£169 million);
- Reaching financial close in August 2009 on the first phase of the £1.2 billion Birmingham BSF project for the City of Birmingham.

#### Public Private Partnerships – Asia Pacific

In August 2009, the Group established in Australia a PPP advisory origination business, Capella Capital.

Key trading events in the period include:

- The Group made its first PPP equity investment as part of the Pinnacle Education Consortium, reaching financial close on the South Australian New Schools PPP project, which involves the building of six new schools in Adelaide. Lend Lease is a 50% equity investor and is providing financial advisory and transaction management services to the consortium.

# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

## Investment Management

### Overview of Business

The Investment Management business has A\$8.4 billion (June 2009: A\$9.9 billion) of funds under management (FUM). The acquisition of the remaining 56.8% interest in Primelife resulted in an A\$1.5 billion reduction in FUM as the underlying Primelife net assets were consolidated at 31 December 2009. The Investment Management business also includes investments held indirectly in property assets with a market value of A\$499.5 million (June 2009: A\$505.6 million).

### Key Financial Results

The key financial results for the Investment Management business are summarised below.

|   | Revenue <sup>1</sup>  |                       | EBITDA                |                       | Profit/(Loss) After Tax |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------|
|   | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m   | December 2008<br>A\$m |
| <b>Funds Management</b>                 |                       |                       |                       |                       |                         |                       |
| Asia Pacific                            | 19.7                  | 27.4                  | 6.1                   | 13.7                  | 4.1                     | 9.8                   |
| Europe                                  | 1.0                   | 1.5                   | (3.1)                 | (1.4)                 | (4.0)                   | 1.0                   |
| Americas                                |                       |                       | 0.7                   | (0.2)                 | 0.6                     | (0.1)                 |
| <b>Total</b>                            | <b>20.7</b>           | <b>28.9</b>           | <b>3.7</b>            | <b>12.1</b>           | <b>0.7</b>              | <b>10.7</b>           |
| <b>Investment Income<sup>2</sup></b>    |                       |                       |                       |                       |                         |                       |
| Asia Pacific                            | 6.1                   | 5.8                   | 11.2                  | 8.5                   | 9.1                     | 6.5                   |
| Europe                                  | 1.1                   | 1.9                   | 3.4                   | 5.0                   | 2.6                     | 3.6                   |
| Americas                                |                       | 0.2                   | 0.2                   | 0.2                   |                         | 0.1                   |
| <b>Total</b>                            | <b>7.2</b>            | <b>7.9</b>            | <b>14.8</b>           | <b>13.7</b>           | <b>11.7</b>             | <b>10.2</b>           |
| <b>Total Operating</b>                  |                       |                       |                       |                       |                         |                       |
| Asia Pacific                            | 25.8                  | 33.2                  | 17.3                  | 22.2                  | 13.2                    | 16.3                  |
| Europe                                  | 2.1                   | 3.4                   | 0.3                   | 3.6                   | (1.4)                   | 4.6                   |
| Americas                                |                       | 0.2                   | 0.9                   |                       | 0.6                     |                       |
| <b>Total operating</b>                  | <b>27.9</b>           | <b>36.8</b>           | <b>18.5</b>           | <b>25.8</b>           | <b>12.4</b>             | <b>20.9</b>           |
| <b>Property Investment Revaluations</b> |                       |                       |                       |                       |                         |                       |
| Asia Pacific                            |                       |                       | 2.0                   | (0.7)                 | 0.7                     | (0.5)                 |
| Europe                                  |                       |                       | 2.9                   | (22.9)                | 2.9                     | (16.4)                |
| <b>Total</b>                            | <b>-</b>              | <b>-</b>              | <b>4.9</b>            | <b>(23.6)</b>         | <b>3.6</b>              | <b>(16.9)</b>         |

1 Revenue excludes proceeds received from the sale of investments, redemption of available for sale financial assets and Lend Lease's share of profits from associates and joint ventures accounted for using the equity method.

2 Represents Lend Lease's share of income from investments net of direct expenses and allocated overhead, excluding property investment revaluations. There are no gains or losses on the disposal or redemption of available for sale financial assets for the half year ended 31 December 2009 (December 2008: nil).

Key trading events in the period include:

#### Asia Pacific

- Profit after tax from Funds Management decreased by A\$5.7 million to A\$4.1 million primarily due to no performance fees being earned in the period;
- Profit after tax from Investment Income increased by A\$2.6 million to A\$9.1 million as a result of the final distribution from Asia Pacific Investment Company Limited following the winding up of the fund;
- REP3 was launched in December after receiving A\$250 million in commitments from a small group of investors. The fund will have capacity to invest over A\$400 million;
- A consortium led by Lend Lease has been appointed preferred bidder to acquire the 14 assets of the A\$1.4 billion ING Retail Property Fund. Lend Lease expects to contribute approximately A\$200.0 million of capital, with the balance coming from Lend Lease managed funds and third party client mandates.

#### Europe

- Fund Management loss after tax includes costs relating to the investment in new business opportunities.

#### Americas

- The profit after tax relates to the continued wind-up of the residual US Real Estate Investment business.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Investment Management continued

#### Funds Under Management

|   | Asia Pacific<br>A\$b | Europe<br>A\$b | Total<br>December<br>2009<br>A\$b | Total<br>June<br>2009<br>A\$b |
|---|----------------------|----------------|-----------------------------------|-------------------------------|
| FUM at the beginning of the financial period              | 8.5                  | 1.4            | 9.9                               | 9.3                           |
| Foreign exchange movement <sup>1</sup>                    | (0.1)                | (0.3)          | (0.4)                             | 0.2                           |
| Additions   | 0.2                  |                | 0.2                               | 2.1                           |
| Reductions  | (1.5)                |                | (1.5)                             | (0.2)                         |
| Net revaluations  |                      | 0.2            | 0.2                               | (1.5)                         |
| <b>FUM at the end of the financial period<sup>2</sup></b> | <b>7.1</b>           | <b>1.3</b>     | <b>8.4</b>                        | <b>9.9</b>                    |

1 Foreign exchange movement arising from translating opening FUM in local currency between December 2009 and June 2009.

2 FUM represents the gross market value of real estate and other related assets managed on behalf of investors.

FUM decreased by A\$1.5 billion from A\$9.9 billion to A\$8.4 billion during the period.

Asia Pacific FUM decreased by A\$1.4 billion primarily due to the acquisition by the Group of the remaining 56.8% interest in Primelife. This reduced FUM by A\$1.5 billion as the underlying Primelife net assets were consolidated at 31 December 2009.

Additionally, the APPF series of funds and ARIF completed capital expenditure of A\$0.1 billion each.

Upon completion of the ING Retail Property Fund transaction, over A\$1.1 billion will be added to FUM.

Europe FUM decreased by A\$0.1 billion due to revaluation increases in underlying asset values being offset by foreign exchange movements.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Project Management and Construction

#### Key Financial Results

The key financial results for the Project Management and Construction business are summarised below.

|                        | Revenue        |                | Realised GPM |              | EBITDA      |              | Profit/(Loss) After Tax |             |
|------------------------|----------------|----------------|--------------|--------------|-------------|--------------|-------------------------|-------------|
|                        | December       | December       | December     | December     | December    | December     | December                | December    |
|                        | 2009           | 2008           | 2009         | 2008         | 2009        | 2008         | 2009                    | 2008        |
|                        | A\$m           | A\$m           | A\$m         | A\$m         | A\$m        | A\$m         | A\$m                    | A\$m        |
| Asia Pacific           | 1,626.1        | 1,499.3        | 134.6        | 121.4        | 104.6       | 60.0         | 73.7                    | 40.6        |
| Americas               | 1,659.7        | 3,451.9        | 46.3         | 120.9        | (29.8)      | 34.4         | (19.9)                  | 22.6        |
| Europe                 | 1,243.2        | 1,803.0        | 84.5         | 101.7        | 15.8        | 36.9         | 2.1                     | 24.9        |
| <b>Total operating</b> | <b>4,529.0</b> | <b>6,754.2</b> | <b>265.4</b> | <b>344.0</b> | <b>90.6</b> | <b>131.3</b> | <b>55.9</b>             | <b>88.1</b> |

Project Management and Construction profit after tax was A\$55.9 million, a decrease of A\$32.2 million on the prior period. Profit after tax for the period was negatively impacted by foreign exchange movements of A\$1.0 million.

Total revenue decreased by A\$2.2 billion compared with the prior period, including negative foreign exchange movements of A\$0.5 billion. The decrease is primarily due to difficult trading conditions in the Americas and Europe.

Key trading events in the period include:

#### Asia Pacific

- The Asia Pacific profit after tax of A\$73.7 million increased by A\$33.1 million compared with the prior period and includes a negative foreign exchange movement of A\$1.6 million relating to Asia. Key contributions to GPM in Australia included the ANZ and Myer Head Office buildings in Melbourne, Sydney Water Desalination Pipeline, 420 George Street and Top Ryde shopping centre developments in Sydney. In Asia, the telecommunications rollout in Japan, 313@somerset retail development, Abbott Pharmaceutical plant and REC solar panel plant in Singapore were key contributors during the period.

#### Americas

- The Americas loss after tax of A\$19.9 million is due to a significant weakening in the American market and additional costs in relation to the New York investigations. In response to the slowing momentum, a number of cost reduction initiatives have also been implemented, which have resulted in implementation costs of A\$8.1 million after tax being incurred in the period. Key contributions to GPM included the Shire Human Genetic Therapies pharmaceutical facility in Massachusetts and 155 N. Wacker Drive office development in Chicago.

#### Europe

- The European profit after tax of A\$2.1 million has decreased due to difficult trading conditions across Europe and the Middle East, where a provision has been taken against the recovery of certain debtors balances. Profit after tax for the period was also negatively impacted by foreign exchange movements of A\$2.5 million. Key contributions to GPM included the Athletes' Village project for the 2012 Olympic and Paralympic Games in London, Peel Media City mixed-use project in Gloucester, St. David's shopping centre development in Cardiff, Cadbury facilities in Poland and the BP Global Alliance project across Europe.

#### Profitability Ratio

The profitability ratio (defined as EBITDA divided by realised GPM) decreased from 38% to 34%, principally due to the loss in the Americas and the lower profit contribution in Europe, where the profitability ratio decreased to 19% (December 2008: 36%). The significant increase in the profitability ratio in Asia Pacific to 78% (December 2008: 49%) partially offset the reduced profitability of Europe and the Americas.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Project Management and Construction continued

#### New Work Secured and Backlog GPM

|              | New Work Secured GPM<br>December<br>2009<br>A\$m | New Work Secured GPM<br>December<br>2008<br>A\$m | Backlog GPM<br>December<br>2009 <sup>1</sup><br>A\$m | Backlog GPM<br>June<br>2009 <sup>1</sup><br>A\$m |
|--------------|--|--|--|--|
| Asia Pacific | 89.5   | 170.7  | 278.4  | 323.5  |
| Americas     | 14.5   | 40.6   | 81.8   | 138.5  |
| Europe       | 69.2   | 72.1   | 185.3  | 228.1  |
| <b>Total</b> | <b>173.2</b>                                     | <b>283.4</b>                                     | <b>545.5</b>   | <b>690.1</b>                                     |

1 Although Backlog GPM is realised over several years, the average foreign exchange rate for the current period has been applied to the closing Backlog GPM balance in its entirety as the average rates for later years cannot be predicted. In local currency, the Americas Backlog GPM was US\$72.8 million (June 2009: US\$101.1 million) and the European Backlog GPM was £100.0 million (June 2009: £107.2 million).

New Work Secured is the total project GPM to be earned from projects secured during the period, net of margin movements.

Backlog GPM is the expected GPM to be realised in future financial years from contracts committed at the end of the period. Backlog GPM at 31 December 2009 was impacted by a negative foreign exchange movement of A\$52.4 million. The decrease in New Work Secured GPM in the period reflects the economic conditions across all regions resulting in fewer projects being secured. Australia's backlog includes significant Government projects, namely, Gold Coast University Hospital; Royal Children's Hospital, Melbourne; Liverpool Hospital, NSW; Victoria and Catholic Schools Building Education Revolution projects; Brisbane Supreme Court and Sydney Water Capital Works program.

#### Backlog GPM Realisation

|              | Period Ending<br>June 2010<br>% | Year Ending<br>June 2011<br>% | Post<br>June 2011<br>% | Total<br>% |
|--------------|---------------------------------|-------------------------------|------------------------|------------|
| Asia Pacific | 33                              | 42                            | 25                     | 100        |
| Americas     | 49                              | 36                            | 15                     | 100        |
| Europe       | 40                              | 38                            | 22                     | 100        |
| <b>Total</b> | <b>37</b>                       | <b>40</b>                     | <b>23</b>              | <b>100</b> |

As at 31 December 2009, 37% of Bovis Lend Lease Backlog GPM is projected to be realised in the period to June 2010. The proportion of Bovis Lend Lease secured Backlog GPM to be realised beyond 18 months decreased to 23% (December 2008: 27%).

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Corporate

The key financial results for Corporate are summarised below.

|                        | Revenue               |                       | EBITDA                |                       | Profit/(Loss) After Tax |                       |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------|
|                        | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m   | December 2008<br>A\$m |
| Group Services         | 7.5                   | 11.3                  | (31.9)                | (42.1)                | (24.6)                  | (39.0)                |
| Group Treasury         | 18.8                  | 28.5                  | 2.0                   | (12.9)                | (5.9)                   | (22.4)                |
| Group Amortisation     |                       |                       |                       |                       | (2.3)                   | (1.5)                 |
| <b>Total operating</b> | <b>26.3</b>           | <b>39.8</b>           | <b>(29.9)</b>         | <b>(55.0)</b>         | <b>(32.8)</b>           | <b>(62.9)</b>         |

### Group Services

Group Services costs after tax decreased by A\$14.4 million due to cost reductions in Corporation and Lend Lease Ventures and reduced losses in the Group's captive insurance vehicle.

### Group Treasury

Group Treasury manages the Group's liquidity, foreign exchange exposures, interest rate risk and debt. The result for the period is detailed in the table below.

|                                      | Profit/(Loss) Before Tax |                       | Profit/(Loss) After Tax |                       |
|--------------------------------------|--------------------------|-----------------------|-------------------------|-----------------------|
|                                      | December 2009<br>A\$m    | December 2008<br>A\$m | December 2009<br>A\$m   | December 2008<br>A\$m |
| Interest revenue                     | 18.8                     | 28.5                  | 12.9                    | 21.2                  |
| Interest expense and borrowing costs | (31.5)                   | (49.8)                | (20.2)                  | (34.8)                |
| Net hedge benefit/(cost)             | 2.0                      | (12.5)                | 1.4                     | (8.8)                 |
| <b>Total Group Treasury</b>          | <b>(10.7)</b>            | <b>(33.8)</b>         | <b>(5.9)</b>            | <b>(22.4)</b>         |

### Interest Revenue and Expenses

- Interest revenue before tax decreased by A\$9.7 million this period, as in the prior period the Group's £350.0 million syndicated bank facility was drawn down and the proceeds placed on deposit. The interest rate on invested cash averaged 2.2% per annum for the period (December 2008: 4.5%);
- Interest expense and borrowing costs before tax decreased by A\$18.3 million compared with the prior period. This is mainly due to the Group's £350.0 million syndicated bank facility being drawn to a lower amount during the period and a reduction in the interest cost on the Bluewater lease liability.

### Hedging and Foreign Exchange Exposure

- Lend Lease hedges material foreign currency cash flows. Any foreign exchange gains or losses arising on the underlying cash flow or the hedging of business unit cash flows are allocated to the business unit's operating profit;
- Lend Lease uses natural hedging, where possible, to minimise its exposure to movement in foreign currency denominated net assets. The impact of foreign exchange movements on the Group's net assets is accounted for in the Foreign Currency Translation Reserve (FCTR). In the period, the FCTR decreased by A\$106.7 million, primarily due to a strengthening of the Australian dollar.

### Group Liquidity

- At 31 December 2009, the Group was in a strong liquidity position, with cash and cash equivalents of A\$967.5 million and undrawn committed bank facilities of A\$536.8 million. The Group's net debt position as at 31 December 2009 was A\$749.9 million, including other non current financial liabilities of A\$168.9 million;
- The Group's debt includes the A\$570.0 million committed club facility maturing in December 2011, which was fully drawn at 31 December 2009 and used to partially fund the Primelife acquisition;
- The average maturity of Lend Lease's drawn debt at 31 December 2009 was six years, with the earliest maturity date being November 2010;
- At 31 December 2009, the mix of borrowings, adjusted for interest rate swaps and including other non current financial liabilities, was 60% at fixed rates and 40% at floating rates.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Appendix 1

#### Results Detail

|  | Revenue               |                       | EBITDA                |                       | Profit/(Loss) Before Tax <sup>1</sup> |                       | Profit/(Loss) After Tax <sup>2</sup> |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|---------------------------------------|-----------------------|--------------------------------------|-----------------------|
|  | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m | December 2008<br>A\$m | December 2009<br>A\$m                 | December 2008<br>A\$m | December 2009<br>A\$m                | December 2008<br>A\$m |
| <b>Retail</b>                                    |                       |                       |                       |                       |                                       |                       |                                      |                       |
| Asia Pacific                                     | 23.7                  | 21.3                  | 11.3                  | 6.0                   | 11.1                                  | 5.9                   | 8.4                                  | 4.1                   |
| Europe   | 33.7                  | 48.3                  | 19.8                  | 29.0                  | 18.3                                  | 28.3                  | 12.1                                 | 19.5                  |
| Americas   |                       |                       | 14.1                  | 16.7                  | 14.1                                  | 16.7                  | 11.0                                 | 13.8                  |
| <b>Total Retail</b>                              | <b>57.4</b>           | <b>69.6</b>           | <b>45.2</b>           | <b>51.7</b>           | <b>43.5</b>                           | <b>50.9</b>           | <b>31.5</b>                          | <b>37.4</b>           |
| <b>Communities</b>                               |                       |                       |                       |                       |                                       |                       |                                      |                       |
| Asia Pacific                                     | 267.2                 | 175.2                 | 63.2                  | 66.0                  | 63.2                                  | 73.1                  | 43.3                                 | 75.6                  |
| Europe   | 96.2                  | 40.3                  | 40.8                  | (5.6)                 | 39.5                                  | (1.4)                 | 28.0                                 | (1.6)                 |
| Americas   |                       |                       | 0.3                   | (4.7)                 | 0.2                                   | (4.9)                 | 0.1                                  | (2.9)                 |
| <b>Total Communities</b>                         | <b>363.4</b>          | <b>215.5</b>          | <b>104.3</b>          | <b>55.7</b>           | <b>102.9</b>                          | <b>66.8</b>           | <b>71.4</b>                          | <b>71.1</b>           |
| <b>Public Private Partnerships</b>               |                       |                       |                       |                       |                                       |                       |                                      |                       |
| Europe   | 56.0                  | 60.5                  | 18.1                  | (4.3)                 | 23.9                                  | 3.3                   | 23.2                                 | 3.3                   |
| Americas   | 526.0                 | 652.2                 | 37.9                  | 29.3                  | 38.7                                  | 31.1                  | 27.2                                 | 27.5                  |
| Asia Pacific                                     | 7.3                   |                       | (0.9)                 |                       | (1.0)                                 |                       | (0.9)                                |                       |
| <b>Total Public Private Partnerships</b>         | <b>589.3</b>          | <b>712.7</b>          | <b>55.1</b>           | <b>25.0</b>           | <b>61.6</b>                           | <b>34.4</b>           | <b>49.5</b>                          | <b>30.8</b>           |
| <b>Investment Management</b>                     |                       |                       |                       |                       |                                       |                       |                                      |                       |
| Asia Pacific                                     | 25.8                  | 33.2                  | 17.3                  | 22.2                  | 16.7                                  | 22.0                  | 13.2                                 | 16.3                  |
| Europe   | 2.1                   | 3.4                   | 0.3                   | 3.6                   | (0.5)                                 | 3.6                   | (1.4)                                | 4.6                   |
| Americas   |                       | 0.2                   | 0.9                   |                       | 0.9                                   |                       | 0.6                                  |                       |
| <b>Total Investment Management</b>               | <b>27.9</b>           | <b>36.8</b>           | <b>18.5</b>           | <b>25.8</b>           | <b>17.1</b>                           | <b>25.6</b>           | <b>12.4</b>                          | <b>20.9</b>           |
| <b>Project Management and Construction</b>       |                       |                       |                       |                       |                                       |                       |                                      |                       |
| Asia Pacific                                     | 1,626.1               | 1,499.3               | 104.6                 | 60.0                  | 103.3                                 | 58.7                  | 73.7                                 | 40.6                  |
| Europe   | 1,243.2               | 1,803.0               | 15.8                  | 36.9                  | 12.8                                  | 34.5                  | 2.1                                  | 24.9                  |
| Americas   | 1,659.7               | 3,451.9               | (29.8)                | 34.4                  | (31.5)                                | 32.1                  | (19.9)                               | 22.6                  |
| <b>Total Project Management and Construction</b> | <b>4,529.0</b>        | <b>6,754.2</b>        | <b>90.6</b>           | <b>131.3</b>          | <b>84.6</b>                           | <b>125.3</b>          | <b>55.9</b>                          | <b>88.1</b>           |
| <b>Total operating businesses</b>                | <b>5,567.0</b>        | <b>7,788.8</b>        | <b>313.7</b>          | <b>289.5</b>          | <b>309.7</b>                          | <b>303.0</b>          | <b>220.7</b>                         | <b>248.3</b>          |
| <b>Corporate</b>                                 |                       |                       |                       |                       |                                       |                       |                                      |                       |
| Group Services                                   | 7.5                   | 11.3                  | (31.9)                | (42.1)                | (33.5)                                | (43.2)                | (24.6)                               | (39.0)                |
| Group Treasury                                   | 18.8                  | 28.5                  | 2.0                   | (12.9)                | (10.7)                                | (33.8)                | (5.9)                                | (22.4)                |
| Group Amortisation                               |                       |                       |                       |                       | (2.3)                                 | (1.5)                 | (2.3)                                | (1.5)                 |
| <b>Total corporate</b>                           | <b>26.3</b>           | <b>39.8</b>           | <b>(29.9)</b>         | <b>(55.0)</b>         | <b>(46.5)</b>                         | <b>(78.5)</b>         | <b>(32.8)</b>                        | <b>(62.9)</b>         |
| <b>Total operating</b>                           | <b>5,593.3</b>        | <b>7,828.6</b>        | <b>283.8</b>          | <b>234.5</b>          | <b>263.2</b>                          | <b>224.5</b>          | <b>187.9</b>                         | <b>185.4</b>          |
| Property investment revaluations                 |                       |                       | 26.1                  | (216.3)               | 26.1                                  | (216.3)               | 17.0                                 | (169.6)               |
| Other asset impairments                          |                       |                       |                       | (652.6)               |                                       | (652.6)               |                                      | (593.6)               |
| Savings implementation costs                     |                       |                       |                       | (70.4)                |                                       | (70.4)                |                                      | (48.9)                |
| Net gain on Bovis UK pension scheme curtailment  |                       |                       |                       | 42.0                  |                                       | 42.0                  |                                      | 30.3                  |
| <b>Total statutory</b>                           | <b>5,593.3</b>        | <b>7,828.6</b>        | <b>309.9</b>          | <b>(662.8)</b>        | <b>289.3</b>                          | <b>(672.8)</b>        | <b>204.9</b>                         | <b>(596.4)</b>        |

1 Profit/(loss) before tax is before adjusting for the amount attributable to minority interests.

2 Profit/(loss) after tax is after adjusting for the profit attributable to minority interests of A\$1.6 million (December 2008: A\$6.0 million loss after tax).

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Appendix 2

#### Operating Results Detail in Local Currency<sup>1</sup>

|   | Revenue        |                | EBITDA        |               | Profit/(Loss) Before Tax <sup>2</sup> |               | Profit/(Loss) After Tax <sup>3</sup> |               |
|---|----------------|----------------|---------------|---------------|---------------------------------------|---------------|--------------------------------------|---------------|
|   | December 2009  | December 2008  | December 2009 | December 2008 | December 2009                         | December 2008 | December 2009                        | December 2008 |
|   | A\$m           | A\$m           | A\$m          | A\$m          | A\$m                                  | A\$m          | A\$m                                 | A\$m          |
| <b>Asia Pacific</b>                         |                |                |               |               |                                       |               |                                      |               |
| Retail                                      | 23.7           | 21.3           | 11.3          | 6.0           | 11.1                                  | 5.9           | 8.4                                  | 4.1           |
| Communities                                 | 267.2          | 175.2          | 63.2          | 66.0          | 63.2                                  | 73.1          | 43.3                                 | 75.6          |
| Public Private Partnerships                 | 7.3            |                | (0.9)         |               | (1.0)                                 |               | (0.9)                                |               |
| Investment Management                       | 25.8           | 33.2           | 17.3          | 22.2          | 16.7                                  | 22.0          | 13.2                                 | 16.3          |
| Project Management and Construction         | 1,626.1        | 1,499.3        | 104.6         | 60.0          | 103.3                                 | 58.7          | 73.7                                 | 40.6          |
| Group Services and Amortisation             | 7.5            | 11.3           | (31.9)        | (42.1)        | (35.8)                                | (44.7)        | (26.9)                               | (40.5)        |
| Group Treasury                              | 15.8           | 24.0           | 1.8           | (7.1)         | 16.6                                  | 16.9          | 12.5                                 | 13.6          |
| <b>Total Asia Pacific</b>                   | <b>1,973.4</b> | <b>1,764.3</b> | <b>165.4</b>  | <b>105.0</b>  | <b>174.1</b>                          | <b>131.9</b>  | <b>123.3</b>                         | <b>109.7</b>  |
|   |                |                |               |               |                                       |               |                                      |               |
|   | Revenue        |                | EBITDA        |               | Profit/(Loss) Before Tax <sup>2</sup> |               | Profit/(Loss) After Tax <sup>3</sup> |               |
|   | December 2009  | December 2008  | December 2009 | December 2008 | December 2009                         | December 2008 | December 2009                        | December 2008 |
|   | £m             | £m             | £m            | £m            | £m                                    | £m            | £m                                   | £m            |
| <b>Europe</b>                               |                |                |               |               |                                       |               |                                      |               |
| Retail                                      | 18.2           | 21.7           | 10.7          | 13.0          | 9.9                                   | 12.7          | 6.5                                  | 8.8           |
| Communities                                 | 51.9           | 18.1           | 22.0          | (2.5)         | 21.3                                  | (0.6)         | 15.1                                 | (0.7)         |
| Public Private Partnerships                 | 30.2           | 27.2           | 9.8           | (1.9)         | 12.9                                  | 1.5           | 12.5                                 | 1.5           |
| Investment Management                       | 1.1            | 1.5            | 0.2           | 1.6           | (0.3)                                 | 1.6           | (0.8)                                | 2.1           |
| Project Management and Construction         | 671.3          | 811.4          | 8.5           | 16.6          | 6.9                                   | 15.5          | 1.1                                  | 11.2          |
| Group Treasury                              | 0.5            | 1.6            | 0.1           | (2.6)         | (10.8)                                | (18.2)        | (7.5)                                | (13.2)        |
| <b>Total Great British Pounds</b>           | <b>773.2</b>   | <b>881.5</b>   | <b>51.3</b>   | <b>24.2</b>   | <b>39.9</b>                           | <b>12.5</b>   | <b>26.9</b>                          | <b>9.7</b>    |
| <b>Total Australian Dollars<sup>4</sup></b> | <b>1,431.9</b> | <b>1,959.1</b> | <b>95.0</b>   | <b>53.8</b>   | <b>73.9</b>                           | <b>27.9</b>   | <b>49.8</b>                          | <b>21.4</b>   |
|   |                |                |               |               |                                       |               |                                      |               |
|   | Revenue        |                | EBITDA        |               | Profit/(Loss) Before Tax <sup>2</sup> |               | Profit/(Loss) After Tax <sup>3</sup> |               |
|   | December 2009  | December 2008  | December 2009 | December 2008 | December 2009                         | December 2008 | December 2009                        | December 2008 |
|   | US\$m          | US\$m          | US\$m         | US\$m         | US\$m                                 | US\$m         | US\$m                                | US\$m         |
| <b>Americas</b>                             |                |                |               |               |                                       |               |                                      |               |
| Retail                                      |                |                | 12.5          | 12.9          | 12.5                                  | 12.9          | 9.8                                  | 10.6          |
| Communities                                 |                |                | 0.3           | (3.6)         | 0.2                                   | (3.8)         | 0.1                                  | (2.2)         |
| Public Private Partnerships                 | 468.1          | 502.2          | 33.7          | 22.5          | 34.4                                  | 23.9          | 24.2                                 | 21.2          |
| Investment Management                       |                | 0.1            | 0.8           |               | 0.8                                   |               | 0.5                                  |               |
| Project Management and Construction         | 1,477.1        | 2,658.0        | (26.5)        | 26.5          | (28.0)                                | 24.7          | (17.7)                               | 17.4          |
| Group Treasury                              | 2.1            | 0.7            |               |               | (6.4)                                 | (7.9)         | (3.7)                                | (5.2)         |
| <b>Total US Dollars</b>                     | <b>1,947.3</b> | <b>3,161.0</b> | <b>20.8</b>   | <b>58.3</b>   | <b>13.5</b>                           | <b>49.8</b>   | <b>13.2</b>                          | <b>41.8</b>   |
| <b>Total Australian Dollars<sup>4</sup></b> | <b>2,188.0</b> | <b>4,105.2</b> | <b>23.4</b>   | <b>75.7</b>   | <b>15.2</b>                           | <b>64.7</b>   | <b>14.8</b>                          | <b>54.3</b>   |

1 Local currency results exclude foreign exchange movements other than Great British Pounds and US Dollars.

2 Profit/(loss) before tax is before adjusting for the amount attributable to minority interests.

3 Profit/(loss) after tax is after adjusting for the profit attributable to minority interests of A\$1.6 million (December 2008: A\$6.0 million loss after tax).

4 The foreign exchange rates applied are A\$1 = £0.54 (December 2008: A\$1 = £0.45) and A\$1 = US\$0.89 (December 2008: A\$1 = US\$0.77).