



LEND LEASE ACQUIRES CROSBY GROUP

June 2005

Presenter: Greg Clarke, Group CEO

- Good afternoon, ladies and gentlemen – thank you for joining the call.
- The purpose of today's session is to provide more information to round out your understanding of our acquisition of Crosby announced earlier today.
- Today we are providing:
 - The background to the transaction
 - How it fits into our UK Communities business
 - Key metrics of the Crosby business
 - The transaction financials; and
 - Guidance on the likely outcomes for the Group.
- The transaction follows recent growth in our wholesale funds platform and the completion of our acquisition of the rapidly growing Actus Lend Lease business in the US.
- Let's go to our agenda.

- Overview
- Group Strategy
- UK Residential Market Dynamics
- Crosby Homes
- Strategic Fit and Synergies
- Integration Strategy
- Acquisition Metrics
- Summary
- Q&A

- After an overview of the transaction, I'll take you through our Group strategy.
- Some of you may have seen this before, but it's worthwhile reviewing post GPT's internalisation.
- Then I would like to cover off the key drivers in the UK residential market which support both our Communities and Retail strategy in the UK and the acquisition of Crosby.
- I will then provide some insight into Crosby itself and how it operates, as well as giving an overview on key projects.
- I'll then ask Roger Burrows to talk to the financials of the transaction and outcomes for the Group in terms of earnings accretion and our balance sheet capacity for pursuing other initiatives in the future.
- This is intended as a high level presentation which will be followed up by a management presentation post completion of the transaction and after Lend Lease's full year results announcement mid August.

- Acquisition of 100% economic interest in The Crosby Group plc for approximately £261m (A\$615m)
- Leading urban regeneration developer – high-quality management team, solid earnings outlook and strong asset backing
- Strategic extension to Lend Lease's UK Communities business platform
- Adds built-form product development, high-density dwelling construction to existing community development capability
- Broadens scope for Lend Lease participation in major land development schemes, Government sponsored affordable housing and urban regeneration projects, and mixed-use retail / residential projects
- Earnings enhancing for Lend Lease
 - Minor EPS accretion in FY06 (under AIFRS)
 - Expected to be materially accretive thereafter

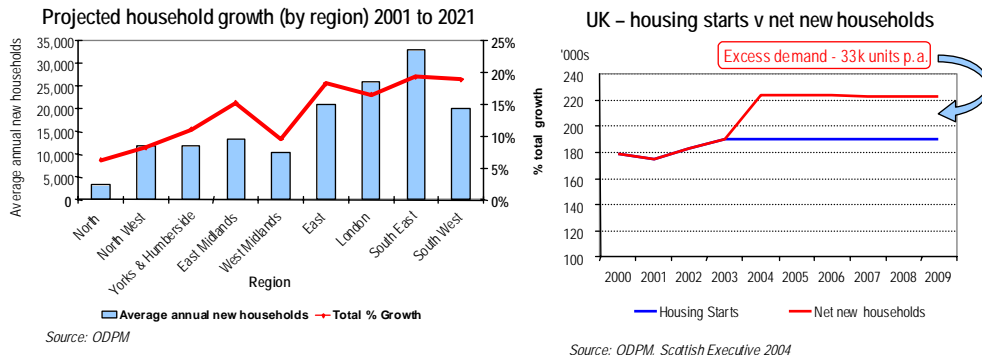
- As you know Lend Lease is well-positioned in the high-growth London and South East UK residential markets.
- Crosby is a respected brand, with strong market positions in major regional centres such as Birmingham, Manchester and Leeds.
- The acquisition supports our growth strategy, augments our existing Communities business, enhances our skill base and broadens our offering to the UK market.
- Perhaps more importantly, it provides us with the scale and national footprint that we consider necessary to underpin our ability to partner with Government and Government agencies.
- It brings specific skills in urban renewal and high-density residential to our Communities business ...
- A strong backlog of work for the next 4 years ...
- And a sound business model that provides good visibility of earnings.

'A leading international retail and residential property group, supported by strong construction management and investment management businesses delivering double digit earnings growth'

International	<ul style="list-style-type: none">➤ Must go beyond Australia (mature and small)➤ Opportunities not 'global'; UK & US the first focus
Retail & Residential	<ul style="list-style-type: none">➤ Lend Lease should expand along sector (not business unit) lines➤ Regional retail and master planned communities are the most attractive sectors (including 'mixed-use' opportunities within these 'footprints')➤ Lend Lease has leading skills in both sectors
Construction Management & Investment Management	<ul style="list-style-type: none">➤ Protected positions come from integrated skills➤ Strong Group synergies in terms of generating opportunities and developing leading property skills (Lend Lease's privatisation positions are an example)➤ Boosts growth and returns for shareholders
Double digit earnings growth	<ul style="list-style-type: none">➤ Markets targeted are 'deep'➤ Lend Lease has advantaged positions and has secured a large pipeline for growth (interest in projects with value circa \$20b)➤ Significant opportunities for consolidation➤ Lend Lease's balance sheet remains strong

- To place the transaction in context, let's walk you through Lend Lease's strategic ambitions:
 - We want to capture growth opportunities internationally in specific markets where we have established platforms
 - We want to focus on retail and residential
 - We will exploit integrated skill-set across construction management and investment management
 - Our overall aim is to generate double-digit earnings growth based on participation in deep markets where we have established positions
 - And we have a measured approach to maintain balance sheet strength.
- The acquisition is clearly consistent with this strategy and is underpinned by a UK residential market with sound long-term fundamentals.

UK Market Dynamics in Our Favour



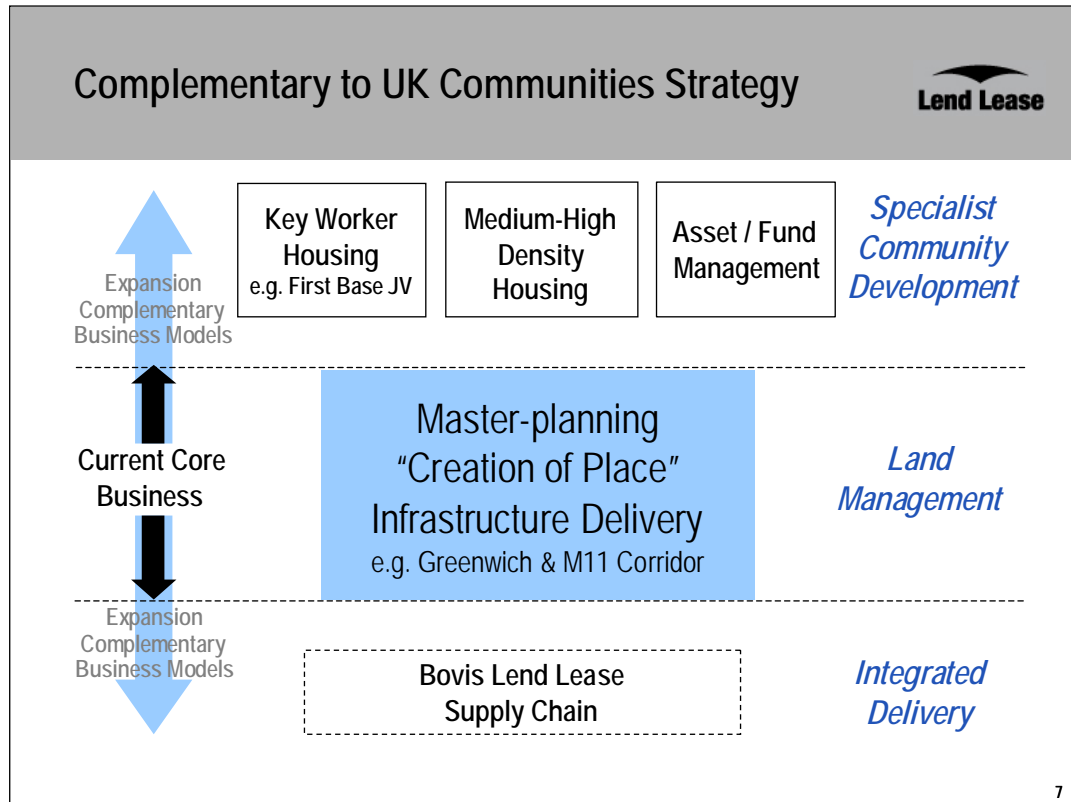
- Long term undersupply of circa 33,000 p.a.
- Household formation has grown strongly, particularly smaller family units
- Lack of greenfield land together with infrastructure overload encourages high-density development on brownfield sites
 - Urban regeneration

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- As this slide shows, the UK market dynamics and public policy are working in our favour.
- Firstly, on the supply side, we need to recognise that the UK has suffered from a long-term underinvestment in residential homes. This was highlighted in the recent UK Government Barker review.
- The shortage has been fuelled by a number of factors. These include highly restrictive planning, the decline in local authority housing construction and limited housing association construction.
- This is set against the market fundamentals:
 - (1) Continuing population growth
 - (2) A continuing decline in average household size
 - (3) Stable affordability and house price trends, and
 - (4) Reduced barriers for residential investment property (sometimes called buy-to-let).
- The result is a 30,000 plus shortfall each year, notwithstanding 190,000 annual housing starts.
- As well, there is a growing investor appetite for residential property which Crosby has successfully tapped into.
- The Government is alive to the shortfall and issues of affordability.
- So there is great potential for the right product.
- I will elaborate a bit more on the UK policy drivers on the next slide.

- Need for increased housing supply (especially affordable)
- Recycling of brownfield land
- Focus on urban regeneration (no more Bluewaters / greenfield regionals)
 - Lessening transport dependence
 - Increased emphasis on mixed-use (retail / residential / commercial)
- Improving social infrastructure (schools and hospitals)
- Encouragement of residential investment vehicles
 - REITs and SIPPs ("Self Invested Pension Plans")
- Leads to opportunities in
 - Mixed-use, residential-led schemes in existing urban areas
 - Master planning / delivery to include private and social infrastructure (i.e. PFI)
 - Sponsoring of REITs and other funds to invest in completed projects

- On the policy front, the signs are also good ...
- Piecemeal development of land will not satisfy the shortfall.
- Hence the focus on brownfield sites (inner urban) ripe for regeneration:
 - Inner urban regeneration places less demand on outlying infrastructure provision
 - This in turn provides the impetus for larger scale master-planned development in brownfield settings.
- As well, from April 2006, the Government is allowing residential investment property into self-invested super funds, or SIPPS as they are known, and there is consideration of REITs which could provide further investment support for the sector.
- We have the skills in master-planning.
- Crosby is well versed in maximising utility and appeal of brownfield sites.
- We have securitisation and funds management expertise.
- So, going forward, it looks like a great combination.



- I'll just say a few words here on how the acquisition complements our existing platform.
- Our UK Communities business is focused on the creation of sophisticated people-friendly places.
- It is already successfully partnering with the public sector to secure long-term land banks, such as the Greenwich Peninsula project in London.
- Where we bring value to these developments is through our disciplined focus on master-planning and the provision of both hard and soft infrastructure to create sustainable and desirable communities.
- The acquisition of Crosby, an established brownfield developer, provides the opportunity to extend these skills, allowing us to participate in profit streams from high-density built-form that we are not currently capturing.
- Over time, this may also generate new asset classes for Asset Management and Investment Management.

Overview – Crosby Homes



- Leading UK residential-focused urban regeneration business operating in Midlands and North of England
- 70-year history, strong brand recognition and respected management
- Since 2002, focus on inner urban regeneration, with major schemes in Birmingham, Leeds and Manchester, operating at the premium end of the sector
- Crosby provides Lend Lease with complementary skills to its UK Residential Communities business



Southside, Central Birmingham

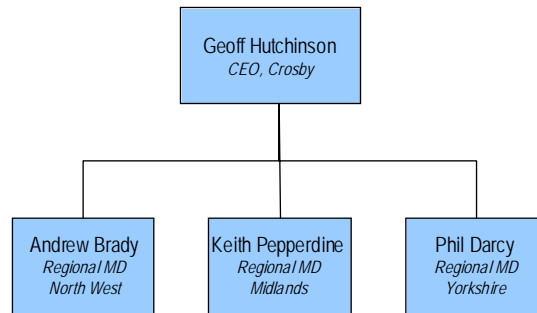


Clarence Dock, Central Leeds

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- So now lets look specifically at the Crosby business. Crosby is a leader in the highly complex UK residential urban regeneration market.
- It's got a substantial skill base and prudent approach to risk management, a strong development pipeline and a sound business model that provides good visibility of earnings.
- It has good brand recognition (evidenced by repeat sales to residential investors) in its core markets of the Midlands and the North of England.
- Originally a builder of executive homes, in 2002 a conscious decision was made to focus on brownfield city centre sites, with the result that it is a more tightly managed and profit focused business. Over recent years:
 - i. Staff numbers have been reduced by more than 50% from 325 to 120, focused in three offices rather than 6
 - ii. Overheads have been reduced from £20 million to the current £13 million
 - iii. And the business is now concentrating on 14 large-scale high-density brownfield sites with planning permission – as opposed to the 70 lower density sites under development in 2002
 - iv. As a result, the business has achieved higher margins than the 15-20% found in traditional housebuilding
 - v. And the focus on large scale projects has given it a competitive advantage over smaller local competition (less able to fund these larger projects).

Strong Management Team



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- Clearly, Crosby has a very strong management which is staying on board and will continue to drive the business following the acquisition.
- The team will be led by Geoff Hutchinson, who has driven Crosby's brownfield regeneration strategy. He has a wealth of experience in the sector and, before joining Crosby, was Managing Director of the largest operating division of Beazer Homes, one of the UK's largest home builders until its acquisition by a competitor (Persimmon) in 2001.
- The rest of the team bring specialist skills in site acquisition, planning approval, built-form design, project management and marketing and sales which is essential in highly complex residential brownfield regeneration projects.
- A strong team for Lend Lease going forward.

Crosby Homes – Business Profile

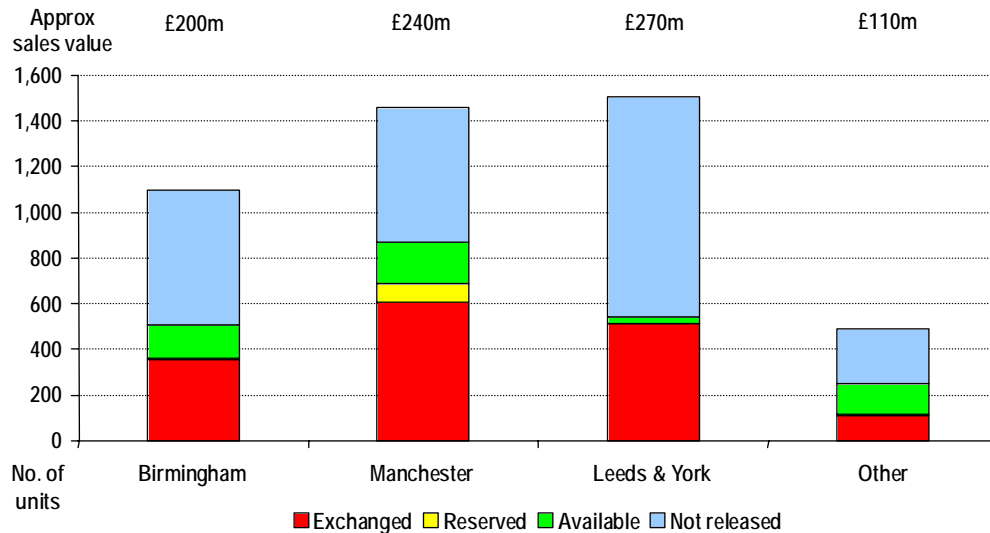


- Total of 18 principal sites with backlog of 4,500 units remaining (including JVs)
- Of these, 14 have planning approval, 4 are in the planning process
- This represents 4 years' backlog at current sales rate of over 1,100 units p.a.
- Modest land acquisitions in last 2 years in line with vendor's cash realisation strategy
- Most land acquisitions have been off-market, with success in increasing density and optimising mix
- Gross profit margin at circa 25%
- Operating margin at circa 20%
 - Traditional UK housebuilder margins are 15%-20%
- Land cost typically 10% of sales value
- Construction let under lump sum contracts – no in-house construction

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- As I outlined before, Crosby has a number of high-quality brownfield developments.
- Today it has a total of 18 principal sites, with backlog of 4,500 units remaining (including JVs).
- Of these, 14 have planning approval, 4 are in the planning process.
- This represents 4 years' backlog at the current sales rate of over 1,100 units p.a.
- Crosby has remained active in the land market, both to trade on and to develop, albeit at a lower level to ensure it retains its market positioning.
- In general, land has been acquired with planning or zoning approval (or high chance of it); it is then optimised, and phased according to market demand. Individual site stages take say 18 months to build and are typically part pre-sold.
 - Of the backlog: 3,250 units have zoning, 1,250 are awaiting zoning.
- Land acquisitions have been largely off-market – from family trusts, non-residential property companies / owner-occupiers and the public sector etc.
- Typically, through the approval process, Crosby has been able to optimise site yield and realise improved returns over original feasibilities. Green Quarter is an excellent example of this – where the Crosby team acquired a site with an initial consent for 300 units and successfully negotiated an increase to 1,300 units. I'll touch on this more later.

Current Projects – Unit Numbers and Sales Values

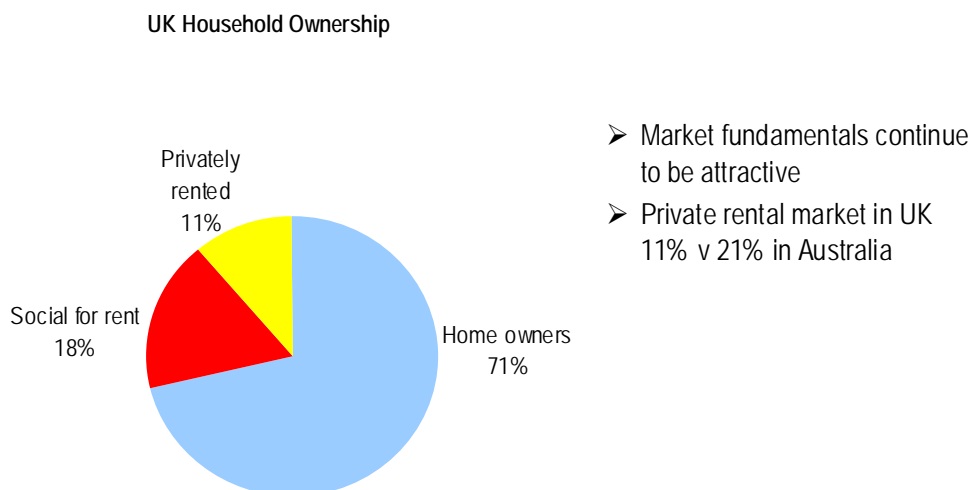


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- This slide shows the value of projects by our main operating regions.
- The big projects are Clarence Dock (Leeds), Green Quarter (Manchester), and Navigation Street and Southside in Birmingham. Prices range from £150k - £300k. As I said earlier, we will talk in detail about this at the management presentation. But, to give you some colour ...
- All sites will have been developed by 2010 – all but 4 by 2008.
- Of the forecast apartment sales in 2005 / 06, over 75% have been pre-sold or reserved. Of these, 70% have been sold into the investor market.
- 15% of reservations fail to proceed to exchange, and a negligible number of exchanges fail to complete (typically less than 1%).
- There are some commercial units in the developments and these tend to be pre-sold to investors, with the purchaser taking letting risk.
- Historically, Crosby has sold off the ground rents and outsourced ongoing property management.

Joint Ventures

- Crosby is involved in a number of JVs, the main one being Hungate - 727 units in York in which Crosby has a 33% interest alongside Land Securities and Evans of Leeds - currently in planning process.
- At this stage it is probably appropriate to talk about the UK residential market.



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- The important factor to note is that there is significant potential for the buy-to-let component in the UK. The Government, as we have said, is keen to stimulate residential investment through changes in personal super and real estate investment funds.
- At a macro level:
 - The market fundamentals are attractive
 - There is a recognised need to address long-term undersupply
 - The economy is stable and growing
 - Unemployment is low
 - As are interest rates (and they are now predicted to fall rather than rise).
- Mortgage affordability is around 40% of household income which, although above the long-term trend of 35%, is well below the 65% of the early 90s.
- Mortgage approvals, after hitting a low in November '04, appear to have stabilised.
- Other trend data also indicate the market is normalising.
- Before leaving the Crosby overview, I will just take you through two of their large brownfield urban regeneration projects which will give you a sense of their capabilities.



Land acquired: 23 October 2000

Planning consent received: 15 September 2001

Start on site: 6 May 2003

No. of units: 1,357

Completed, exchanged, reserved: 604

Available / not released: 157 / 596

Total project value: £237m

Average unit price: £175k

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- Green Quarter is a city centre urban regeneration project, about half way through its development cycle.
- The site was originally a largely industrial area earmarked for redevelopment.
- It is envisaged that upon completion the scheme will provide seven residential blocks, offices and a hotel.
- The hotel and office site have been sold to a commercial developer.
- The development is approximately 500 metres to the north of Manchester's main retail core and transport nodes.
- As I mentioned, through the approval process Crosby negotiated an increase in the original consent from 300 homes to 1,300.
- Of the 157 units available as at 3 May 2005, a further 96 have now been reserved.



Land acquired: 26 March 2002

Outline planning consent: 28 February 2000

Further planning consent: 1 October 2002

Start on site: 22 April 2002

No of units: 1,149

Completed, exchanged, reserved: 881

Available / not released: 13 / 255

Total project value: £242m

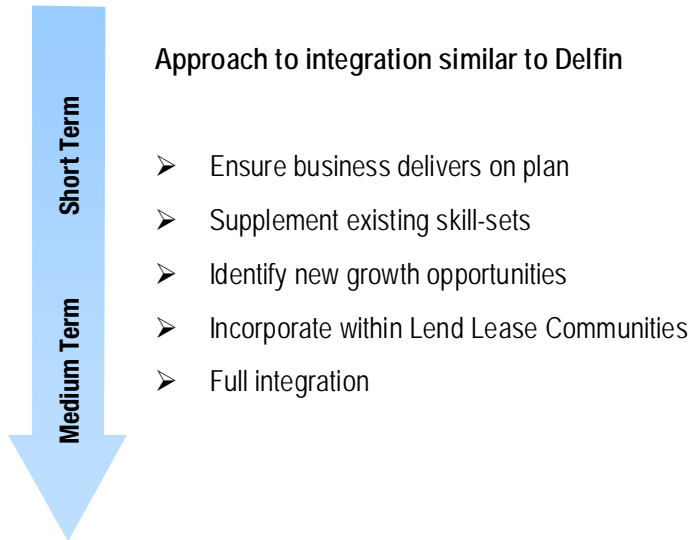
Average unit price: £210k

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- Clarence Dock is a 15-acre landmark mixed-use development which is being built around an existing canal basin.
- The site, which is 1 km from Leeds City Centre adjoining the River Aire, was acquired from the British Waterways Board and incorporates the Royal Armouries Museum.
- Clarence Dock is under development on a phased basis, and currently has 2 blocks completed and 4 blocks started or due to start this year out of 8.
- Of the commercial elements, the casino and hotel have been pre-sold and the remaining units will include retail, leisure and office.

- Enhanced management capability in mixed-use, urban regeneration based on established brand
- Increased capability in brownfield development
- Opportunity to develop residential fund management capability
- Synergies with existing business in
 - Site selection and master planning
 - Capturing residential development profits in-house
 - Construction and supply chain
 - Affordable housing – First Base

- From these two urban regeneration examples, you can clearly see the relevance of the acquisition to Lend Lease. It takes us from being “interesting” to being a scale player in urban regeneration, and gives us a national platform for building our relationship with Government.
- We are acquiring a solid business in its own right with an excellent record in inner urban renewal which is increasing in prominence, strong local authority negotiating skills and transferable skill-sets.
- As a Group, this broadens our skill-set and gives us increased capability for brownfield development.
- Longer term, it provides synergies with our UK Communities and Retail businesses, given increased emphasis on town centre renewal often including mandated residential components with retail development.
- We have a staged approach to integrating over the medium-longer term, as you will see from the next slide ...



- Our integration strategy mirrors the approach taken with Delfin when it was purchased in 2001.
- The first objective will be to ensure that business delivers against its plan.
- Over time we will supplement Crosby's management team and skill-sets to provide capacity for growth.
- And like Delfin, over the medium term the Crosby business will be gradually incorporated into our broader Communities business.
- Throughout this process we will identify opportunities to:
 - Share and develop master planning and brownfield development skills, and
 - Realise opportunities in construction and in the affordable housing and vertical residential development portfolios.
- Once the UK's mooted REIT legislation is in place, we will be in a position to use product as a platform to build a residential, mixed-use fund management business.
- Roger will now take you through the financial metrics.

- Acquisition cost approx. £261m (A\$615m)
- 100% funded by UK debt
- Solid asset backing – price 1.4 times net tangible assets
- Purchase price equates to around 5.4 times expected FY06 EBIT
OR approx 7.7 times P/E
- Strong forward earnings outlook
- No surprises in due diligence; supported by Savills' valuation
- Completion expected July 2005

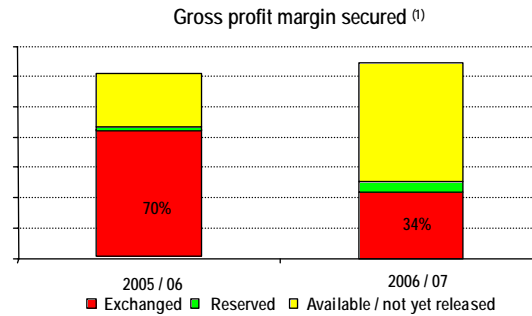
Presenter: Roger Burrows, Group CFO

- As Greg has said, the acquisition cost is approximately £261 million, subject to minor working capital adjustments between now and completion.
- We will be funding the acquisition with UK denominated debt and ...
- The purchase price compares favourably with the trading and acquisition multiples of comparable companies in the UK.
- For example, comparable transactions in the sector have been at an average of 6.5 times EBIT versus the 5.4 times we are paying.
- In addition, the purchase price at 1.4 times NTA is also well within the range of comparable transactions.
- As further point of comparison, the acquisition P/E compares favourably to that of Delfin when we acquired it in 2001.
- One of the main financial attractions is that the pre-sales and committed income stream support a strong earnings outlook for Crosby.
- As Greg said earlier, it's complementary to our strategy for the UK market, and it's in a sector where we have considerable knowledge.
- Completion is expected in early July.

Crosby – Solid Earnings Outlook



- FY05 EBIT approx. £41m (A\$96m)
- Pre-sales backlog secures 50% first 2 years' GPM
- Pre-sales secured by 10% deposits; default rate negligible
- Construction costs locked in via lump-sum contracts
- Authority risk mitigated – majority of sites have already secured planning permissions



⁽¹⁾ Based on Crosby forecast, before adjusting for AIFRS and Lend Lease accounting policies

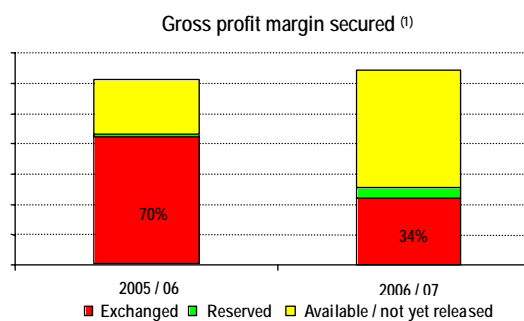
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- Turning now to the earnings outlook, the pre-sales and committed income stream support a strong and robust earnings outlook for Crosby.
- For example, the pre-sales backlog secures around 50% of Crosby's Gross Profit Margin – or GPM – for the next two years.
- As the slide shows, 70% of 2006 earnings are secured by pre-sales ...
- As are 34% of 2007 earnings.
- These pre-sales are secured by 10% deposits, which historically have had a negligible default rate.
- Our due diligence showed that both construction costs and planning risks have been appropriately managed.
- I'll take a few moments to outline the earnings outcomes for the Group.

Impact on Lend Lease Earnings



- Short-term earnings affected by AIFRS adjustments
 - Pre-sold units reflected at sale value on balance sheet post acquisition
- Minor earnings accretion in FY06 post AIFRS adjustments and funding costs
- Less significant AIFRS adjustment on FY07 earnings
- Full earnings accretion post FY07
 - Underlying Crosby earnings add 10 to 15% (net of funding costs) to Lend Lease earnings



⁽¹⁾ Based on Crosby forecast, before adjusting for AIFRS and Lend Lease accounting policies

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- Crosby generated EBIT of around £41 million for the 2005 financial year.
- However, as a result of accounting adjustments under the new international accounting standards, or AIFRS, there will be a lower earnings benefit for Lend Lease in the short term.
- This is due to the requirement under AIFRS to reflect the pre-sold units at sale value on the balance sheet post acquisition, as opposed to at cost.
- For the 2006 financial year, around 70% of Crosby's GPM will be affected by this adjustment.
- Therefore, the net earnings of Crosby within Lend Lease's result for FY06 are expected to be only marginally above the funding costs for the acquisition.
- Clearly, with a much lower level of pre-sales of around 34% for 2007, the impact of AIFRS on Lend Lease's result will be significantly reduced in that year.
- Irrespective of the AIFRS accounting adjustments, it is important to note that Crosby's cashflows – which underpin the acquisition – are unaffected.
- Post 2007, the full earnings accretion from Crosby will flow to Lend Lease's results.

Lend Lease Remains in Strong Financial Position



- Gross gearing moves from 17% to approx. 25% of total tangible assets (assuming existing debt refinanced)
- Interest coverage comfortably above target minimum of 6 times
- Balance sheet capacity retained for investment in Retail and Residential Communities businesses

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- Following this transaction, the Group remains in a strong financial position.
- Gross gearing will move to around 25% of total tangible assets.
- Just as important, we expect interest coverage to remain comfortably above our target of a minimum 6 times.
- So, in summary, it is an attractive acquisition that brings a robust earnings stream with a solid outlook, and doesn't constrain our capacity to undertake further growth initiatives in our core businesses.
- On that note, I'll now hand you back to Greg to sum up.

Summary



- Acquiring a leading urban regeneration developer with solid earnings outlook and strong asset backing
- Positive market metrics underpin Crosby earnings outlook
- Strategic extension to the Lend Lease land management model in the UK
- Extends vertical profit participation – land development, built-form development, high density dwelling construction and estate management
- Potential supply chain synergies with Bovis Lend Lease
- Widens scope for Lend Lease participation in major mixed-use residential-led urban regeneration projects
- Mildly earnings accretive 2005 / 2006
- Material earnings enhancing for Lend Lease from 2006 / 2007
- Group well-positioned to achieve strategic ambitions

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- In summary, Lend Lease is very well-positioned in the high-growth London and South East UK residential markets, and Crosby has strong market positions in major regional centres.
- The acquisition supports our growth strategy, augments our existing Communities business, enhances our skill base and broadens our offering to the UK market.
- Crosby has a strong brand and is a clear fit with our Master Planned Urban Communities business, increasing its scale and footprint.
- It is a leader in the highly complex UK urban regeneration market.
- It has a substantial skill base ...
- A prudent approach to risk management ...
- A strong development pipeline ...
- And a sound business model that provides good visibility of earnings.
- The UK has a stable and growing economy.
- There is a recognised undersupply of new housing, and the Government has introduced initiatives which support residential investment and enhance home affordability.
- And we are comfortable with the market dynamics and fundamentals.
- Thank you for your time.