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Presentation

STEVE MCCANN , GROUP CEO AND MD, LEND LEASE CORPORATION LIMITED: Good morning everyone and welcome to the Lend Lease full year results presentation for 2014. My name is Steve McCann , Group Chief Executive Officer and Managing Director of Lend Lease. This presentation is being webcast and at the end there'll be an opportunity to ask questions here in Sydney or over the teleconference facility.

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Standing here at the Establishment Hotel in Sydney, I would like to acknowledge that we are on the land of the Gadigal people. The Gadigal people are the traditional custodians of this land and form part of the wider aboriginal nation known as the Eora. I extend my respects to their elders past and present and to any Aboriginal and Torres Strait Islander people here with us today.

Before I turn to the results I'd like to start by running through a safety briefing in the event of a fire or emergency. (Conference instructions).

I will provide an overview of the full year results then hand over to Tony Lombardo , our Group Chief Financial Officer, who will take us through the financial result in more detail. Then Dan Labbad , Chief Executive International Operations, will then take us through an operational update across the regions before I make some closing comments on outlook, and Tony, Dan and I are then happy to take your questions.

As always, Lend Lease is committed to operating incident and injury free wherever we have a presence. This is central to our business approach and it's embedded in all of our decision-making. 2014 was the second year in which we did not have a reportable fatality and we have seen a 17.4% reduction since FY13 in our Group loss time injury frequency rate. This year 77% of our operations did not report a critical incident. These are great achievements but we cannot be complacent and we will continue to do all that we can to ensure that all of our employees go home without incident or injury.

Lend Lease's vision to create the best places underpins the Group's strategy and the way we operate, and it's been instrumental in identifying, planning and designing the projects that drive our growth. The last year has seen Lend Lease significantly increase production levels across its projects globally and deliver on its growth platform.

We invested in our pipeline of opportunities in the order of AUD980 million and there were a number of highlights during the year, including residential presales of AUD2.5 billion including 100% presales of the first release at Barangaroo South and at Darling Harbour Live. Strong presales levels at Elephant and Castle and The International Quarter in London and a record year for settlements in our communities business in Australia.

Our residential development business is gaining momentum and will deliver strong earnings over the medium term. We have good visibility of development profits expected to emerge from the projects currently in production phase. Our construction operations maintained backlog revenue of AUD16.2 billion with a further AUD1.8 billion of building and engineering work at preferred status. The business is well placed to leverage an estimated AUD50 billion plus of Australian infrastructure spend forecast to emerge in coming years. We continue to be very confident about our medium term earnings growth outlook.

Lend Lease has delivered a strong profit for FY14. The result reflected a solid performance from our development operations including the outstanding profit outcome on the sale of Lend Lease's interest in the Bluewater Shopping Centre in Kent. EBITDA for the year was circa AUD1.2 billion and net profit after tax was AUD822.9 million. Including the contribution from Bluewater, profit was up 50% on the prior year. Earnings per security for FY14 were up significantly to AUD1.427. The Board has declared a final distribution of AUD0.49 per security unfranked. This brings the full year distribution to AUD0.71 per security and represents a payout ratio of profit after tax of 50%.

Our global pipeline remains strong and continues to deliver us long term growth, with an estimated end value of AUD37.7 billion, up AUD300 million on the prior year. Our future earnings visibility has been further enhanced by a 166% increase in presold revenue now sitting at AUD2.5 billion. Funds under management are up 9% to AUD16.3 billion. This result demonstrates the benefits of both our business and our regional diversification.

A large component of profit came from Europe where the performance was up significantly following the sale of Lend Lease's interest in the Bluewater Shopping Centre announced in June 2014. The future development pipeline for London is strong, including Elephant and Castle and The International Quarter, as well as two new sites acquired during the year at Chiswick and Deptford.

Construction markets are slowly improving in certain segments and we secured two major contracts for residential work in London and for a prison in Wales. The Americas profit rose again driven by a higher construction contribution from building work in our core markets and from our military housing portfolio. Moving forward, we will expand our focus on opportunities in healthcare and residential development in select locations.

In Australia the strong outcome was driven by higher contributions from both our communities business and our investment management operations. In our construction operations we have seen the beginnings of a recovery in our EBITDA margin half-on-half. The performance was impacted at a headline level by lower revenue and costs associated with the finalisation of our business restructure announced in August 2013. In addition, there's been a substantial level of bid costs associated with some larger engineering jobs including Northconnex, East West Link and Westconnex.

After several years of strong performance, profit from Asia reduced reflecting lower contributions from both development and construction, offset by a higher contribution from investment management. We are continuing to move towards a development-led business across Asia. It was therefore very pleasing to announce in June that we have reached a binding agreement with 1MDB to pursue a joint venture at Tun Razak Exchange or TRX in Kuala Lumpur. The Lifestyle Quarter is anticipated to have an end development value of circa AUD2.6 billion.

Of our AUD37.7 billion pipeline of development work, a large proportion relates to mixed use urban regeneration sites. The vast majority of the projects on this slide were bought well and underpin our earnings visibility over the medium term. In addition to large development projects, we also have a pipeline of integrated public private partnership projects of circa AUD3.8 billion and this does not include the significant pipeline of public private partnership opportunities in the Americas in the military housing and lodging sectors. It is these major projects that will absorb most of the production capital that we expect to put to work over the coming years.

The strength of our pipeline means we have no requirement to chase the next new deal. Our positioning means we can be selective and disciplined about future acquisitions. There are also material construction earnings associated with these projects, funds management and other fee streams, as well as the return on Lend Lease's capital invested. All of these combined income streams provide a significant level of earnings visibility over the coming years provided we execute well.

While today the focus is on our FY14 results, I also thought it was important to highlight the attractive returns that have been achieved for securityholders over the last four years. Net profit after tax has grown at a compound average growth rate of 24% per annum in the last four years, distributions have grown at a compound average growth rate of 22% per annum in the last four years, and return on equity has risen from 14.3% to 18.2%, an increase of 390 basis points. These have all been achieved while maintaining a strong balance sheet with significant liquidity. These returns reflect a business strategy that is designed to deliver over the medium term for our investors.

Finally before I hand over to Tony, you can see on this slide that the strategic path that we started on back in 2009 is delivering growth. Our commitment to only operate where we can do safely and profitably throughout cycles is pivotal to this strategy. In the last five years we have reduced our long term incident frequency rate by 39% and we will not waiver in our focus on safety.

As the prior slide illustrated, we have also delivered consistent financial outcomes including four year total shareholder return of 99% to June 30, 2014. This isn't just a retrospective story; the strength of our pipeline in development and our strong construction capabilities mean we are well placed to keep growing over the coming years.

To support our growth, we have also made some changes to our senior management team. These changes will maximise the opportunity to develop Lend Lease's key leaders by broadening their exposure across the business and strengthening our operational excellence. Dan Labbad , Group Chief Operating Officer and CEO Europe, will become CEO International Operations and will oversee Europe, Americas' and Asia's regions. Dan will be based in London following a transition of his responsibilities in Australia. Bob McNamara , CEO Americas, will become the Group Chief Risk Officer based in Sydney, overseeing Group risk and operational excellence, and Denis Hickey , Chief Operating Officer Americas, will become CEO Americas based in New York.

It would be remiss of me not to mention that it was an important year for our Barangaroo South site in Sydney. In April we announced that we would be commencing the third commercial tower, with lease commitments from PwC and HSBC . There has been good progress on site with the core for tower two now up to floor 33, and tower three up to level 11.

I'll now hand over to Tony.

TONY LOMBARDO , GROUP CFO, LEND LEASE CORPORATION LIMITED: Thanks Steve. Before I get to the detail, I'd like to highlight some key features of our performance for the year. Operational performance was driven by solid earnings across our business segments and geographies, demonstrating the strength of our diversified businesses including the sale of our interest in our Bluewater Shopping Centre.

We deployed significant capital over the year into the pipeline of projects and in particular major apartment buildings in Australia and the UK. Despite considerable investment, we maintain a strong financial position at the group level with over AUD3 billion of available cash and undrawn facilities.

Moving to the business performance in more detail. Looking at our key metrics you can see that development recorded a stronger than expected profit of AUD681.9 million driven primarily by record residential settlements and the proceeds of the Bluewater sale. As many of you would be aware, our interest in Bluewater was held as inventory on our balance sheet and therefore the profit contribution from Bluewater has been included in the development segment.

Infrastructure development profit was down in FY14 with one major transaction in Australia reaching financial close versus three transactions in FY13. The AUD16 million after tax provision taken against the global renewables projects in Lancashire back in June also contributed to lower contribution from this segment.

Construction profit was down across the year impacted by lower revenue, restructure costs and substantial bid costs during the year. However the Australian construction business, which is about circa 70% of the overall construction profit, recorded a lift in EBITDA margins of 50 basis points in the second half of this financial year. Backlog revenue was maintained at AUD16.2 billion and despite reduction in new work secured during the 2013 year. We remain confident that our pipeline is strong and with AUD1.8 billion currently sitting at a preferred status.

Investment management profit rose with higher funds under management globally and performance fees from our successful Jem and Setia Mall completions in Singapore and Kuala Lumpur. We also saw higher earnings from our investments in our funds including investments made by the Lend Lease Trust.

Finally to our corporate and treasury loan, we saw a small rise in overall expense for the year. The corporate loan reduced by 6% after tax. This was offset by higher borrowing costs during the year resulting in an increase in our treasury and interest expense line of 26%. Despite the higher borrowing costs through the year, we have reduced our weighted average cost of debt to 5.4% from 5.9% following the successful refinancing of our corporate facilities in December 2013.

Our corporate tax rate rose this year to 17.6% and in the coming year we would expect that to remain higher at low 20s to mid-teens -- to the higher teens I would say. Although our expectation in the first was that gearing was going to move towards circa 15% level, it ended the year at 5.7% reflecting the cash proceeds we received in June from the Bluewater divestment.

The Australian construction operations faced a number of headwinds during the year. On this slide we've separately identified the charges that we have taken above the loan and expense during the year on both a post and pre-tax basis. Firstly, restructure charges. The restructure of our Australian construction business around three core capabilities, building, engineering and services led to the restructure charges of AUD38.5 million being expensed during the year. AUD25.5 million in the first half and a further AUD13 million was taken in the second half. We did not expect any further restructure costs in this segment.

Secondly, substantial bid costs. While bid costs are a normal day-to-day business in the construction operation, in FY14 we saw substantial level of cost expense in relation to large engineering projects. These totalled AUD26.2 **million**. Those projects included Northconnex which is a AUD2.65 **billion** project, East West Link which is circa AUD4 **billion** and early works on the Westconnex projects 1a and 1b which is circa about AUD3.5 **billion**.

While we have been selected as preferred for Northconnex, we will not include this in our backlog revenue until we reach financial close. We expense bid costs in the period they are incurred unless we announce as preferred in that period in which case we will then capitalise those costs. This will inevitably **lead** to lags between recognition of expenses and profit. We believe this is a more prudent approach to adopt.

Finally, non-recurrent costs. As you are aware in March 2014 we had a fire at Barangaroo South. In April we indicated we would provide an update to the market. The profit impact on the FY14 results was an impact of AUD8.9 **million** pre-tax. By re-sequencing the work on **site** we were able to reduce the impact of the delay, however this has led to a delay in the recognition of construction profits relative to our [original] schedule.

In the last 12 months we've pre-**sold** and initiated construction on 19 **residential apartment** buildings in Australia and the UK, many of which have achieved record pre-**sale** levels and above our internal threshold. You can see from the production schedule highlighted on this slide the majority of projects will complete in FY16 when we recognise the associated profits and cash flows. What you can see from this chart is we have minimal settlements occurring in this financial year FY15 with approximately 90 units expected to settle at The Green at RNA Showgrounds in Brisbane.

In the second half of FY14 we began pre-sales for apartments expected to settle in FY17 including 333 homes at The International Quarter, and a further 360 at Elephant and Castle in London, and circa 570 units at the Vic Harbour **site** in Melbourne. This means we've already met our target of targeting 700 units for **sale**. We will be expecting to sell and settle over 1000 apartments in FY16 and FY17 now. As mentioned earlier, we have AUD2.5 **billion** of pre-**sold** revenue across both apartments and communities, and a backlog of built form units of over 19,000 units.

Moving to cash flow, the waterfall on this slide reflects the movements in cash flows during the year and provides some additional colour on both the uses and sources of cash during each half. Included in the positive reported operating cash of AUD822.4 **million** is circa AUD980 **million** of production capital in our development business over the year which relates to the **apartment** buildings, community developments and Barangaroo South, all of which were in delivery during this financial year. Also included in operating cash flow was proceeds from Bluewater of AUD1.263 **million**.

Investing cash flow of negative AUD614.5 **million** included AUD464 **million** invested in our APPF **Commercial** and APPF Industrial Funds. These investments are made via the Lend Lease Trust boosted yields on our passive earnings by nearly 200 basis points during the year. There was also an additional AUD64 **million** relating to the **purchase** of additional retirement villages which were associated with Lend Lease previously as managed villages and we now own these villages. In the second half of the year we received proceeds from the **sale** of a 10% **stake** in Lend Lease International Towers Sydney Trust to APG.

Finally, in financing corporate facilities were drawn through the year with an average balance of circa AUD1.7 **billion** to AUD1.8 **billion**. We increased the outstanding balance of our domestic MTM by a further AUD100 **million** and we repaid the lease liability associated with Bluewater. The resulting cash flow for June 30, 2014 remained strong with circa AUD1.7 **billion**, an increase of 7% on FY13.

Based on our current portfolio indicative net cash flow from major projects in delivery has been revised since I presented this slide at the first half. The major move relates to the **sale** of our interest in Bluewater in June which swung our expectation for FY14 from investing to cash positive. We remain in a production cycle in our development business and as such we expect to stay in investing mode through FY15 prior to a large number of settlements to occur in FY16. Those settlements include apartments at Barangaroo South, Darling Harbour Live, Victoria Harbour, Elephant and Castle as well as the **commercial** towers two and three at Barangaroo South.

Ensuring we maintain a strong balance sheet through all market conditions is a key focus of Lend Lease. This includes our commitment to maintaining our investment grade credit rating, which is important for access to capital market and activities in the PPP sector. Our disciplined capital management program ensures that capital is redeployed on an accretive and timely basis, and we continue to foster relationships with our core capital partners around the global.

As I noted in the half year, we took the opportunity to refinance our corporate cash and bonding facilities in December 2013 ahead of scheduled maturities that were originally occurring in fiscal year FY15. During the year we have also increased the tenure of our debt to 4.7 years, increased capacity by circa AUD200 million and reduced pricing retaining maximum flexibility for the business to be funded over time. We therefore finished the year with over AUD3 billion of cash and undrawn facilities and a reduced gearing level to 5.7%.

I'll now hand over to Dan.

DAN LABBAD , CEO INTERNATIONAL OPERATIONS, LEND LEASE CORPORATION LIMITED: Thanks Tony. I'll start by running through a high level overview of how we're tracking against our major projects both in Australia and internationally. I'll then provide a detailed update on each of the regions including some of our key milestones recorded during the year.

Our global pipeline of development projects now has an estimated end value of AUD37.7 billion. This number includes all of our residential development business and our major urban regeneration projects which represent approximately 65% of the pipeline. There is plenty of detail on this slide so I'll run through a few of the major highlights.

Barangaroo South in Sydney saw significant progress during the year. We launched our first residential buildings which were 100% pre-sold in just over three hours. Construction has progressed well as Steve has said. Tower two core is now at level 33, and tower three is at level 11. There has been a significant amount of activity this year and we are also -- we also announced that we would be proceeding with tower one, the third commercial tower with PwC and HSBC as anchor tenants. We also continue to progress our discussion with Crown on the plans for the development of a world class international hotel on the site.

We reached financial close for the Sydney Convention Centre at Darling Harbour Live in December 2013 and demolition work commenced shortly after. We have also now launched our first phase of residential with 538 apartments selling out on launch. We saw similar strength in the Melbourne market at Victoria Harbour. We have reached pre-sales of 91% on the Concavo apartment building and quickly reached over 50% for 888 Collins Street which is now commencing construction.

In London at the Elephant and Castle , One The Elephant and Trafalgar Place are now well under construction and the next phase of residential has planning permission and pre-sales have reached 79%. At The International Quarter we saw the successful launch of 333 units at Glasshouse Gardens and we have launched the first commercial phase of the project.

Moving to progress across each of the regions, firstly Australia. While development profit was lower than FY13, which included initial profit from the first two commercial towers at Barangaroo South, we recorded a lift in our residential business with record land lot and built form settlements up 32%. This was driven by improved trading at Jordan Springs and Ropes Crossing in New South Wales, Alkimos in Western Australia, and Yarrabilba and Springfield Lakes in south-east Queensland. Pre-sales also increased 40% on the prior year.

This is also the year that saw a considerable amount of apartments moving to production and as Tony noted, we have already set up our portfolio to deliver over 1000 apartments in both FY16 and FY17. In infrastructure development we reached financial close on the PPP component of Darling Harbour Live. However, EBITDA was down on the prior year, which included the financial close of three PPP projects.

We remain positive about the pipeline of future work with Capella Capital working on the East West Connect consortium bid for East West Link in Melbourne. They are preferred for and advisory role on Ravenhall Prison. Our construction operations benefit from strong pipeline of internal building work and included external projects for the Department of Defence, and a new health facility for the University of Adelaide .

At Barangaroo our work at Headland Park has progressed well and we have now commenced the planting of over 70,000 trees and shrubs on the site. Despite lower revenue in the year, we are confident about the pipeline of work. Passive income also increased during the year, following increased investment of APPF in industrial and commercial.

Next to Asia. In the first half of the year we saw the completion of the commercial component of Jem, which is performing well. Now fully leased to the Singapore Ministry of National Development and following stabilisation of the asset, there were performance fees for the investment management business from our funds. Construction EBITDA was impacted by reduced building work and lower contribution from our telecommunications tower business in Japan.

In Asia we've been disciplined in our growth strategy and selective about which projects we've pursued. It was therefore pleasing to announce in June, as Steve has said, that we have signed a binding agreement with 1MDB in Malaysia to work towards a joint venture agreement for the development of the Lifestyle Quarter at TRX in Kuala Lumpur. The project is estimated to have an end development value of approximately AUD2.5 billion and leverages our capabilities in urban regeneration, retail and residential.

The macro back-drop in Asia remains very attractive and we are continuing to look at opportunities across China, Malaysia and Singapore, but any expansion in the region will be disciplined.

To Europe. The development result was driven by the sale of our interest in the Bluewater Shopping Centre in Kent. After a shorter than expected sales process, we sold our 30% interest management rights and sundry land to Land Securities for GBP696 million. The initial yield for the sale was 4%, a significant improvement on the December 2013 valuation and a tremendous outcome for our security holders. We've recorded significant residential pre-sales at the Elephant and Castle , TIQ and Wandsworth during the year and we've added to our strong residential pipeline in London with the addition of new projects at Deptford and Chiswick, adding in excess of 1000 apartments to our closing backlog position of over 5000 units.

Our construction business performance was impacted by difficult market conditions over recent years, but we also saw a number of new wins during the year, including the redevelopment of Beacon Barracks for the Ministry of Defence , a new commercial office contract for BP International and a mixed use project at Rathbone Place in London.

The infrastructure development business was weaker, primarily due to a provision taken in June in relation to the proposed exit of the Global Renewables Project in Lancashire. I can confirm that the project was exited in July, shortly after balance date. We also divested our UK facilities management business to GDF Suez in July 2014. The profit for this sale and a number of other transactions will appear in the first half results for 2015, de-risking a portion of our FY15 earnings.

Finally the Americas. The business has continued to perform and grow following a refocusing of the operations over the last few years. Construction profits were the major driver of the result from our military housing business and the completion of some major projects, including 157 and Fifth Avenue in New York. Backlog revenue is now sitting at a record AUD5.4 billion and includes a mixed use tower at 252 East 57th Street, an 89 storey residential project at 432 Park, depicted on the slide, it's the tall one, and approximately AUD1 billion of construction work relating to military housing projects.

Our development business has gained traction with four healthcare projects underway, two reaching operational status and two under construction and a further two projects at preferred status. Our ongoing focus in the Americas region will be on expanding healthcare and residential development in select locations and leveraging our strong foothold in the high rise residential construction market.

On that note, I'll hand back to Steve. Thank you.

STEVE MCCANN : Thank you Dan. I hope you can all still hear us okay. We've had some machinery going on in the background there and I can assure you we can't hear ourselves.

The outlook for Lend Lease does continue to be very positive. Our strategy is on track and it is delivering growth for our security holders. Macro trends continue to support growth in our residential businesses in Australia and in the UK. This is evident in the AUD2.5 billion of pre-sold revenue that we have recorded across apartments and communities and a record year for settlements in our residential operations.

That AUD2.5 billion pre-sold revenue will become cash and underpin profits over the next three years. In our construction business we are well placed to leverage the estimated AUD50 billion of Australian infrastructure spend in the years to come. Outside of Australia, we have made good progress in the London residential market, expanded our pipeline of opportunities in Asia and we've begun to reposition our business into development led projects in the Americas.

We remain very confident of our outlook, with the development backlog of circa AUD38 billion and over AUD16 billion of backlog construction revenue. The embedded earnings in this pipeline of opportunities underpins visibility over the next three years and provides a platform with a strong growth trajectory.

Finally, as we indicated at the time of the sale of Bluewater in June 2014, we remain comfortable with consensus expectations for FY15 net profit after tax of AUD604 million to AUD622 million. I'm now happy to open up for questions and we'll begin with questions from the room here in Sydney and then take questions from the phone.

Questions and Answers

JOHN RICHMOND, ANALYST, CREDIT SUISSE : Thanks very much. It's John Richmond from Credit Suisse . Just wanting to expand on the comments about growth in US development and healthcare in terms of what the potential capital investment may look like there over the next two to three years.

STEVE MCCANN : We don't have specific targets that we are going to talk publicly about, don't want to get ahead of ourselves. We have built into our five year plan certain assumptions on development projects that we're targeting and we have specific projects in mind in some cases. We're well advanced in a couple of those.

The real issue for the US is to ensure that we're selective because the economy is performing very well, probably suggests an increase in interest rates over time. Prices have already moved. So we need to be selective and we will be.

JOHN RICHMOND: Then just on the Tun Razak Exchange development, how would that likely be funded? Would it be through one of the existing or new funds or on balance sheet, et cetera?

STEVE MCCANN : So we'll kick off work on balance sheet initially. Bearing in mind that we've been appointed preferred. We haven't reached financial close yet. So assuming we do achieve that in the not too distant future. Then at some point, as with all of our major projects, we will look to bring in third party capital. But there are a number of different options as to the best way forward with that funding.

JOHN RICHMOND: Then looking at your corporate overheads in the period, I think they're up quite materially. On one it was 24%, depending on which line item you are looking at specifically. Any one-offs there? Obviously you took the restructuring -- cost of reconstruction you touched on. Were there any other restructuring costs at the corporate level and where are they likely to trend to?

TONY LOMBARDO : I'll take that one. They're about circa AUD18 **million** of restructure costs at the centre because we have been running through our back office program where we've been updating all our systems and processes across finance, IT and HR.

So I would say that going forward, we should start to see that line decrease. There was also an increase in the amortisation costs, because we've capitalised some of those and that was circa about AUD14 **million** in increased amortisation costs for the period.

JOHN RICHMOND: Okay and you're still on track to get those -- can you just remind us again of the underlying cost reductions as a result of the restructuring? I wanted to know [if it] was 20% over a period of time.

TONY LOMBARDO : Yes, circa -- the spend of the program was circa AUD160 **million** in the total spend. But in FY15 we will rollout internationally the program in terms of bringing a number of the countries onto the platform. And in terms of spend, we are always aiming for a four to five year payback on that spend.

JOHN RICHMOND: Terrific, thank you, last question from me. You've obviously had a very active two years in terms of trading profits, et cetera. What -- and I believe you commented on the Bluewater call that there may be a deferral of some from this year to next. Could you give us a little bit more colour around what specific assets? I know all assets are ultimately up for **sale** you've commented in the past. But looking into FY15 specifically, which ones in your mind have now reached maturity?

STEVE MCCANN : Thanks for the comment on everything for **sale**; it saves me having to say it. But we did flag there are some other **transactional** based profits that we anticipate in FY15, around about 20% of the earnings target. With Bluewater, as we indicated at the time we announced the **sale**, the **sale** was progressing very well in our assessment and quickly. So we prioritised that and accelerated our efforts and we took a backseat on a couple of other things.

I'**m** pleased to be able to say that a couple of those have already happened. The **sale** of our facilities management business in the UK is one of them. So we are about half-way already towards achieving the **transactional** earnings for FY15.

JOHN RICHMOND: Thank you.

STEVE MCCANN : We have a question via the telephone?

OPERATOR: Rob Freeman, Macquarie.

ROB FREEMAN, ANALYST, MACQUARIE **GROUP**: Good morning guys. Just to be clear on the adjustments for 2014, could you just remind me, the AUD86 **million** in costs that you called out back in June, what that number is pre-tax?

TONY LOMBARDO : Yes. The numbers there were in the communities business, we took a number of AUD56.3 **million** pre-tax. That was AUD39.9 after tax. Then there was the Crosby number which was AUD29 **million** after tax, so circa AUD40 **million** pre-tax and there was the Lancashire Way, AUD16 **million** after tax, which was circa AUD20 **million** pre-tax.

ROB FREEMAN: Okay, so --

TONY LOMBARDO : And that was AUD85 million there in after tax [sales].

ROB FREEMAN: Yes. So AUD116 million --

TONY LOMBARDO : Yes.

ROB FREEMAN: -- plus AUD38.5 million, which is what you've done in the construction business. The AUD18 million that you just called out being in corporate costs this year, was that pre or post-tax?

TONY LOMBARDO : That was the pre-tax number.

ROB FREEMAN: Plus AUD18 million; so excluding that amortisation item which, presumably, will be a feature in 2015 and 2016, you're basically calling out AUD173 million of EBITDA adjustments that, arguably, won't occur next year. Is that right?

TONY LOMBARDO : That is. So in terms of the numbers you've read, that is correct.

ROB FREEMAN: Okay. Just on the construction margin, you obviously called out the cost that you've incurred on rebranding, et cetera. I mean the margin on an adjusted basis is still sub 3%. Are there any problematic projects to be aware of? I mean how many projects would you put on a critical watch list?

STEVE MCCANN : So what I can say on the construction margin is that, as we indicated, the EBITDA margin if you add back those adjustments that we just spoke about improved from the half year to December, to the half year to June, which is a very good sign.

A lot of the restructuring -- we're now at an end on spending on restructuring costs in that construction business, so they won't be recurring. The gross margin in that business was 6.7% for FY14 compared to 6.2% in FY13, so that's an encouraging sign as well.

In terms of projects, we don't report on a project by project basis. We always have some projects outperforming and some projects underperforming. That's the nature of the business, but we are focused on executing from a portfolio perspective and trying to drive that EBITDA margin higher.

ROB FREEMAN: Okay. So AUD173 million is the add-backs. We obviously removed Bluewater. What was the profit on the Barangaroo stake sale to APG?

TONY LOMBARDO : On the Barangaroo stake sale, circa AUD20 million.

ROB FREEMAN: Is that pre or post-tax?

TONY LOMBARDO : That would have been post-tax because it's held in the trust.

ROB FREEMAN: Okay. Then, just finally, on the Barangaroo fire you've called out a re-sequencing and it's just a deferral in construction earnings. Should we look for any insurance receipts in one half 2015 or full year 2015?

TONY LOMBARDO : I would say in 2014 we did receive some of the insurance receipts. The insurance is covering some of our program re-sequencing cost and the like. So I don't want to get into all the details behind the insurance program, but the AUD8.9 million, as we said, or AUD6.2 million after tax, was the impact to FY14, and that related to some uninsurable costs and, again, some re-sequencing, so lower revenue in the FY14 year.

ROB FREEMAN: Thanks, guys.

OPERATOR: (Operator instructions). Andrew Hodge, CIMB.

ANDREW HODGE, ANALYST, CIMB: Thanks. Morning, gents. Just a question, Steve, around the pipeline. I guess the next two to three years looks safe barring the execution risk with regard to the pipeline. But as you look forward to refilling that pipeline over the next few years are you beginning to worry about asset pricing and the quantum of pipeline that needs to be refilled? I guess that really relates to what earnings might look like in four or five, six years' time.

STEVE MCCANN : It's a good question. The fact that you're asking a question that looks out that far is encouraging because we are a business that has some long term investment decisions, and we do think about continuing to target the performance of the business over the medium to longer term.

Obviously, we've got to keep an eye on the markets. We are a cyclical business by nature. We continually remind ourselves that if you buy well and sell well you're in pretty good shape, and if you do the reverse you're in a bit of trouble. So we are always focussed on that.

One of the strengths of our business is we are diversified across sectors and geographies, so you'll see we have increased our focus on potential development opportunities offshore. That's not a reflection that we're bearish on Australia. It's just a reflection that on a relative basis we see a different outlook over the next 10 years versus the great run that Australia's had in the previous 10 years, so we need to be repositioning.

I'**m** very confident with the AUD38 **billion** backlog in our development pipeline that we've got significant earnings embedded in that pipeline, and we need to, obviously, get the right funding mix and we need to have the right partners to invest alongside us to deliver those results.

The other point I would make is that an indication, I guess, of our focus on the cycle is the timing of the **sale** of the Bluewater asset, which I think we've been very conscious on trying to read the market well, and I think we demonstrated that with that asset.

ANDREW HODGE: Thanks very much.

OPERATOR: David Gleeson, Merrill Lynch .

DAVID GLEESON, ANALYST, BANK OF AMERICAMERRILL LYNCH : Thank you and good morning. Just, firstly, on the drivers of the construction revenue booked -- a slip over the year. Obviously, backlog revenue was flat, as you mentioned, and helped along by that reduction in the revenue book, given net work secured was also down a little bit on last year. Was it just project timing of recognition of profits there? Or what were the major drivers there, given that net work secured was down across all four regions?

TONY LOMBARDO : I would say this, David. In terms of the results in the Australian business, I think we were focused on some of the larger **transactions** that we pointed out. The Northconnex deal, which we are now preferred on, we will hopefully financially close that in FY15. So in terms of our share of that deal, that's a AUD1.3 **billion** share in that deal.

If you look at the Asian business, we did have softer numbers come through Asia because we did complete Jem in FY14 in terms of the office. And we had our core client which acquired a large platform in the US, and so they're a large Japan Telco **company**, they shifted their focus with some of their investments moving focus to the US rather than Australia. So we had softer numbers in the Asian construction line as well.

The UK has been a tougher market and the EBITDA was down [AUD24 **million**] in terms of a loss for the period -- I mean for the year. I just think the focus there is we've started to see the UK turn, and I think the team is very focused on securing a number of the key projects that we see in that market place.

DAVID GLEESON: Could you just remind us again on your capital allocation targets by region, and I guess on the back of that then, do you think they provide sufficient flexibility should we see -- when we get an inevitable slowdown in the **apartment** market here in Australia, which is obviously very strong at the moment, and going to deliver a lot of profit for yourselves over the next two to three years.

Do those capital allocations targets on a four or five year view, give you sufficient flexibility to be able to fill what will inevitably be a fairly material slowdown in profit contribution from apartments in Australia at some point in time? And given you're pointing to Asia and US development for example as being two potential sources of profit over that timeframe.

STEVE MCCANN : Yes, I think I've quoted these sorts of numbers previously. If you go back several years in Lend Lease we were, back in 2004, 2005 about 60% of our earnings came from outside of Australia. In the last couple of years that's been about 25%, broadly speaking that's in line with our capital allocated across the globe as well. We think that we should be targeting to increase the amount of our proportion I should say of capital offshore, and our earnings obviously as well.

That's not going to happen overnight thought, we are, you know a lot of these things are lumpy by nature, quite significant investments. And we are in the healthy position of having a very strong backlog in Australia, so that will continue to drive earnings. But over the next two or three years, you will see us increasing our focus on development opportunities offshore.

The decision to relocate Denis Hickey to the US was driven by that, that was a bit of forward planning to try and start to reposition the business to pursue some development opportunities, given his track record and experience in that area. And we're making good progress there, and obviously TRX in Malaysia is a tremendous win, very competitive process. We're now working hard to get to financial close and then deliver a great outcome. It's a project of the scale of a Barangaroo, it's a very substantial opportunity.

DAVID GLEESON: Great, and just finally the second half on first half increase in the margins for the construction business here in Australia. Was any of that a function of the roll out of the [back-end] project or the restructure of that business? Are you seeing the cost savings starting to come through there, apart from the fact there were obviously some restructure costs. Is that margin improving yet, or are we still yet to see that come through?

TONY LOMBARDO : Yes I'd say the second half performance was definitely from our restructuring and cost outwork that improved the margin. Because overall revenue was down for the period on period.

DAVID GLEESON: Right, thank you.

OPERATOR: Tony Sherlock, Morning Star.

TONY SHERLOCK, ANALYST, MORNING STAR: Good morning guys, just looking at note three on total other income. I can see there was around AUD165 **million** which appears to be a type of re-vals, I'**m** wondering if your guidance for 2015 includes an implied amount of re-vals in the guidance?

STEVE MCCANN : We're only able to pick up about half of what you said, so you might have to repeat, the line's pretty bad. So could you have another go?

TONY SHERLOCK: Can you hear me now?

STEVE MCCANN : Yes.

TONY SHERLOCK: Yes, just on note three, it had an amount of about AUD165 **million** that looks like it was from re-vals. I'**m** just wondering what part of your FY15 guidance implies uplift from re-vals?

TONY LOMBARDO : In terms of yes there are some re-vals that do run through that note. That is in terms of the portfolio across the **board**, I mean we do revalue our developments in terms of some of the projects which are underway. So for instance the two towers, two and three add some revalue uplifts, and there is some revalue uplifts from various investments we do hold. So it really just depends on where the cycle is and where the market is if that number continues to either go upwards or downwards.

TONY SHERLOCK: But just with your guidance, should we assume a similar number for the next year?

TONY LOMBARDO : I wouldn't think it would be as high as that.

TONY SHERLOCK: It wouldn't be as high? Okay and just on the [AUD95 **million**] amount there for other, is that more on the development, I mean you talked about on developments. What's in that number specifically?

TONY LOMBARDO : The [AUD95 **million**] I would need to come back to you, because I just don't have that --

TONY SHERLOCK: It's [AUD95.8 **million**], it was [AUD70.7 **million**] last year, I'**m** just wondering what that uplift is.

TONY LOMBARDO : I would come back to you on that point.

TONY SHERLOCK: Alright thank you. That's it.

OPERATOR: Our next question comes from the line -- sorry go ahead.

STEVE MCCANN : You go.

OPERATOR: Anthony Passe, JP Morgan .

ANTHONY PASSE-DE SILVA, ANALYST, JP MORGAN : Good morning gentlemen, my first question was with regards to the Bluewater **sale**. Can I just confirm what revenue you booked in the development business for the Bluewater **sale** and what the pre-tax gain was on that **transaction** please?

TONY LOMBARDO : The revenue that was booked was AUD1.263 **million**, and in terms of the EBITDA that flowed through was circa AUD640 **million**, and the after tax impact was AUD485 **million**.

ANTHONY PASSE-DE SILVA: Okay. Okay and then I've asked this with previous results, I just wanted to go through this again. So there's been some commentary around some concerns around the **apartment** markets discussed particularly in Victoria. But I was hoping to get your views as to what you think is going on in terms of land and built form markets across Australia.

STEVE MCCANN : So in terms of where the **apartment** markets are from a sales perspective, the market in Australia is very strong and it's across the eastern seaboard really, but it's particularly in the inner urban areas. So you can see that in the presales that we've achieved at RNA, at Barangaroo, at Darling Square and down in Melbourne as well. So that remains strong.

I guess the question on everyone's lips is how deep is the market of offshore demand because there is a significant contribution coming from that source. So we've got a watchful eye on it. We are not concerned at all today and the amount of inbound investment activity is, if anything, increasing. That's also translating into activity on the development side from foreign developers pursuing opportunities in our market, which will inevitably drive up price and make that market more competitive.

We'll keep a watchful eye on that as well; I'm quite happy to be in the position we're in with a significant development pipeline. If pricing for new acquisitions gets out of hand, we'll sell into that market rather than buy in that market. I think that's important for us to bear in mind and we're very conscious of that.

At the moment, the returns that you're able to produce in the residential markets, both in the land subdivision market and in the built form market are attractive and that's the same in London. So we're continuing to be very active in that space, but we're always keeping a watchful eye on where we are in the cycle.

ANTHONY PASSE-DE SILVA: Okay, second question is with regards to Barangaroo South. Noting that you're still in discussions with Crown around the hotel casino development, can you provide any update in terms of when you would expect to be able to progress further? And in terms of the exclusive dealings, what impact any further delays would have on that with Crown?

STEVE MCCANN : I'll actually let Dan comment on that, but I should just say my overriding comment is we're continuing to work very closely with both Crown and the BDA to deliver a great outcome there. I'm confident that positive and constructive discussion will continue.

DAN LABBAD : Yes, just building on that, I think Barangaroo South is a complex site and bringing a hotel casino into the location where it's going to sit with Crown, we need to work through a number of things and we're working through that very proactively with Crown under the EDA and the BDA.

ANTHONY PASSE-DE SILVA: So is there [scope] for extension of that EDA or will it simply cease to be exclusive and you'll just continue to negotiate? Or how does that work?

DAN LABBAD : The EDA continues. It's an exclusive dealing arrangement and as long as both parties want to continue negotiating, they will. That's how those things work.

ANTHONY PASSE-DE SILVA: So there's no drop dead date, it's more in terms of making sure you're still working under the terms of the agreement, that's correct?

DAN LABBAD : Correct.

ANTHONY PASSE-DE SILVA: Okay and next question is also around Barangaroo South, so the Court of Appeal upheld Lend Lease's interpretation around the treatment of land payments and construction fund through. Does that then mean you're now in a better position to potentially look at bringing capital partners in for tower three -- sorry the largest of the three towers, at Barangaroo South?

STEVE MCCANN : Look obviously we are pleased with the court decision and it reaffirms our position on the value share discussion, but in terms of the key commercial decisions on the project, they were progressing irrespective of that court case which was around clarifying some terms of the contract which have an impact over the longer term, not today.

So we are still working towards our preferred funding model on the third tower; we committed to that tower earlier this year and we're doing it on balance sheet at the moment. That's a case of actually balancing the best time to bring in investors based on where it is in delivery progress and tenancy pre-commitments.

ANTHONY PASSE-DE SILVA: Okay, alright great, thank you.

OPERATOR: Simon Thackray, Citi.

SIMON THACKRAY, ANALYST, CITIGROUP : Thanks very much, morning gentlemen. I've got only one quick question, I'm just looking at the -- it's actually got multiple parts to it, but it is one question nonetheless. The Australian construction outlook, what you're seeing in terms of competition, particularly within the engineering space and your outlook for that, that business in terms of the embedded margin in the backlog revenue.

I'm looking at the backlog revenue being obviously predominantly building, AUD6.5 billion, engineering AUD2.1 billion and services AUD1 billion, how you see that mix shifting and what they may or may not do to the margin outlook for that business in light of (1) mix and (2) your assessment of competitive activity?

STEVE MCCANN : Okay, so by virtue of the fact that as we all know the federal and state governments are very focused on driving infrastructure spending over the next several years and we already have an identified pipeline of quite a significant amount of investment, it hopefully will translate into a significant increase in our book in the engineering space over time. So you would expect that mix to move more in the direction of engineering, provided we win our fair share of those projects.

In terms of margins, that could result in some improvement in margins as well, but there are other drivers of that too which are obviously coming to the end of our restructure spending too, so we're pretty confident on the medium term outlook for margins in that business from where we are today.

In terms of competition, there is a significant amount of foreign competition in that space today. To be honest, we've never found it to lack competition, despite what some commentary has been. The fact is, it's highly competitive, you're bidding for major projects which are complex, you've got to put in a whole lot of work and there are rigorous processes and significant probity issues associated with all of the government-based projects. So yes, there are probably more foreign players today than there were five years ago, but in terms of how we go about positioning for business and bidding for work, we haven't changed our approach and we don't intend to.

SIMON THACKRAY: Thanks Steve. Just could you help me with this: in terms of the tender pipeline you're looking at, I think the AUD1.8 **billion** you mentioned, in terms of the overall level of construction activity, just I'**m** talking at a macro level now, not in terms of your book because it's so well skewed to your pipeline, but do you see there is a risk in the construction activity that's, say, in fiscal 2015 for Australia that we get a more rapid flow down in engineering resources and even some of the roads projects waiting for this work to come on, so it's more for the back half or sort of back half of 2016?

STEVE MCCANN : I think in terms of when things will pick up in volumes of income, I guess, or margin flowing though the business, that comment is valid because it does take a while for those projects to land and to get to financial close and then to deliver the returns. You can only book the returns once the project has progressed to a certain point. So that's a fair observation towards the back end of 2016 is going to look, we think, a lot better than the next 12 months. Having said that, we are still pretty confident on driving margins over that period.

I think we flagged a couple of years ago that we saw the FY14 and FY15 book in our Construction business being a bit tougher and bear in mind that's a global comment. We are doing it tough in the UK in construction at the moment, for example and that's been offset by the US business performing really well. So it's a combination of all of those factors, but your comment about back end of 2016 is a reasonable observation.

SIMON THACKRAY: Great, thanks Steve.

OPERATOR: Ben Brownette, CBA.

BEN BROWNETTE, ANALYST, COMMONWEALTH BANK OF AUSTRALIA : Afternoon. I apologise if this has been asked, I joined the call late. I was just wondering on slide 15, Tony, if you could take us through the AUD540 **million** of other operating cash flow, what relates to EBITDA and what relates to working capital change?

TONY LOMBARDO : So Ben, on that slide 15, in terms of the -- or the AUD540 **million** that you pointed out in terms of other operating cash flow, so that just relates to our development, construction and investment businesses. That's the other balancing cash flow that we generate through the operation.

BEN BROWNETTE: So if I called that a proxy for EBITDA, would that be correct?

TONY LOMBARDO : It would be close, but it won't be perfectly lined up.

BEN BROWNETTE: Just one on the construction business, I think there was a comment made around there was a shift in focus to some of the major projects including Northconnex, where are you at with the strategy with smaller projects? Certainly the feedback in the market that I've been getting is that Lend Lease haven't been seen as much as perhaps they were before. Is that a reflection of competition, a change in strategy or that there are bigger projects out there?

STEVE MCCANN : The comment in relation to Northconnex and a couple of the other bigger projects is in relation to significant bid cost expenditure in the second half compared to where we would normally expect that run rate to be. We're not deliberately not going after projects that fit our skill set.

Having said that, there are some very attractive larger projects, both in the development and construction side, that take up quite a bit of **energy** and focus, so naturally you would see us pursuing those projects that play to our strengths. Scale is one of the things we're quite capable of delivering compared to a lot of the tier 2 players, for example. So we should be making sure we play where we have a competitive advantage.

BEN BROWNETTE: Okay, thanks very much.

OPERATOR: Andrew Johnston, CLSA.

ANDREW JOHNSTON, ANALYST, CLSA: Morning gentlemen. Just a couple of questions in relation to two government inquiries taking place at the moment and the first one is do you see any change to industry structure arising from or potential changes to industry structure arising from the investigation into union corruption? Secondly, on the parliamentary inquiry on foreign investment, do you see any risk to changes to policy that might impact the inflow of foreign capital?

STEVE MCCANN : So on the first, the industrial relations landscape, clearly the Royal Commission continues and it's well advanced, a lot of sessions being conducted in various states already. I think that it's quite clear that the Federal Government has a desire to make changes in the industrial relations legislative landscape in the way that that all works.

They need support at the Senate level, obviously, so that will play out, as it plays out. In terms of our own relationships with unions, we work hard to have constructive working relationships across all of our projects and that will continue under any industrial relations regime.

In terms of the foreign investment question, look I think that this government understands the importance of foreign investment in driving the economy, so we're not expecting any significant negative outcomes there.

ANDREW JOHNSTON: Okay, thank you.

STEVE MCCANN : I think we're done on questions from the phone, so we'll have one more asked from the floor.

CHRIS CAHILL , ANALYST, QUEST ASSET PARTNERS: Just a question -- Chris Cahill , Quest Asset Partners. Just a question on US construction and how you look at that business. There's quite a bit of capital involved, a lot of revenue, but there's pretty tough margins and at the gross marginal level lower than Australia. Denis Hickey 's going over there; you've obviously given it to offshore.

I just wanted to see how you're looking at that over the next five years and if in fact that business is going to evolve more into **apartment** construction or perhaps into something else? Just hanging off the end of that question, the outlook for military housing and is that starting to taper?

STEVE MCCANN : So on the construction side you're right, the margins out of the US business are lower than Australia. Having said that, the risk profile's different as well. You sub out a lot more work prior to locking in a price than you do in Australia, so the risk profile is very different.

The business there is by far the best high rise **residential** construction business in the country today in terms of volumes and in terms of performance, so it's going really well. And Bob who's relocating to Australia deserves a lot of congratulations for the efforts that he's put in over the last four years there, so thank you for that Bob.

You saw a picture of 432 **Park** in that slide. I can tell you that I was up to the top of that building about a week or so ago. When you're up on a construction **site** looking down on the Empire State Building it's quite something to experience. So it's a nice business to be in but I'd love the margins to be higher. We look at the development opportunities in the US and the opportunities to increase our overall margin from that business by repositioning a bit towards the development space and that's the reason that we've started to look there.

Look we'd have done it earlier if we had the capacity. We were working through a number of issues in the US business which held us back from going after that development space earlier, but we've done a fair bit of homework and we're confident that we'll get some runs on the **board** in the medium term.

On the military housing, we've always seen that as a business that was maturing and unless and until there's a desire to spend more money on new housing, military housing developments, it's likely to plateau. What I can say though is the team's done a really good job. In a low interest rate environment there is an opportunity to embark on redevelopments and expansions and they've done quite well, and so the business has not tapered off to the degree that we actually thought it might over the last couple of years, so it continues to perform quite well.

Okay, I think we've done, so thank you for attending and thank you to everybody here from Lend Lease for your efforts over the last 12 months.

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