



2002 ANNUAL GENERAL MEETING

Chairman's Address

Good morning. I am Jill Conway, Chairman of the Board of Lend Lease Corporation.

I want to welcome you all and say how glad we are you could join us today for Lend Lease's Annual General Meeting.

We have changed the time and location of this year's meeting in response to comments from you, our shareholders, that you preferred a daytime meeting at a location convenient to public transport.

So we hope you like the new venue, and look forward to hearing your comments during the refreshment period, for which we hope you'll all stay.

Our agenda for this morning will consist of presentations from me and from David Higgins, followed by the formal business. The Board and I welcome your questions and comments and will call for them during discussion of the first Resolution.

Now before I talk about the past year at Lend Lease, I would like to introduce the other members of the Board of Directors. The executive members of the Board are:

- David Higgins, Managing Director
- Robert Tsenin, Finance Director, and
- Albert Aiello, Chief Information Officer.

And the non-executive members are:

- Rudi Mueller
- Yong-Hai Chua
- Peter Goldmark
- Richard Longes, who is Deputy Chairman
- David Crawford, and
- Gordon Edington.

Also on stage is Phil Crewes, our Company Secretary.

I'd like to also introduce you to some of our senior management in the audience today.

Ross Taylor heads the Real Estate Solutions business globally. Also here is Des Marks, CEO of Real Estate Solutions in Asia/Pacific.

David Ross is the CEO of the Real Estate Investments business globally. And Nic Lyons, who is CEO Real Estate Investments here in Australia.

It's been a busy but challenging year at Lend Lease, as it has been for most global businesses during this time of extreme volatility in financial markets.

Even so, since we met last November, we have taken some significant steps with our global real estate businesses.

In Real Estate Solutions we have achieved a commanding position in the Private Finance Initiative - or PFI sector - in the United Kingdom, particularly in relation to the healthcare industry.

We have also won major mandates for military housing projects, both in the US and the UK.

As you can see, these are long-term projects with accompanying long-term revenue streams.

Our Development group, now integrated within Real Estate Solutions, is in the process of gaining planning approval - the final step in the process, for the Greenwich Peninsula project in east London. This project will be one of the largest urban renewal projects of its kind in the UK.

Here in Sydney our development at Jacksons Landing is experiencing great demand for its latest apartment offering, with nearly 50% of the 100 units sold in the first two hours of their launch.

Bovis Lend Lease also won widespread acclaim for its leadership in managing the clean-up of the World Trade Center, a demanding project completed well ahead of schedule.

On the Real Estate Investments side of the business GLL Real Estate Partners - our joint venture with the Italian insurer, Generali - has been very active since we last met, most recently making a major office tower acquisition in San Francisco - the first acquisition for its new €600 million core fund that will invest in US and European office properties.

And our Housing and Community Investing business - or HCI - increased its transaction volume by 30%, maintaining their market share.

Value Enhancement Fund V - our latest US enhanced yield fund - continues its capital raising, with over US\$325 million in commitments to date.

This success reflects the strong franchise the VEF Series has established, and was a solid achievement, given the turbulent capital raising environment in which they worked.

But of course there are challenges as well as opportunities for us in our global businesses.

Some parts of our US Equity businesses are not performing well, and the UK PFI business - while offering long-term secure revenues - carries heavy bidding costs which will require us to focus our skills on specific sectors.

And although Bovis Lend Lease has a strong backlog going out 18 months and beyond in its US business, the US economy will mean we have to keep a close watch on all projects and businesses.

So while Lend Lease has faced challenging global economic conditions, we have achieved a good deal of momentum and success in many businesses.

In that context, the Board is pleased with the results achieved in the 2002 financial year, particularly given the great volatility in world markets.

Lend Lease's profit after tax of \$226 million was well ahead of market expectations. The result represented 36% growth in pre-amortisation earnings per share, and an improvement in Return on Equity from 6.4% in 2001 to 8.0% in 2002.

Even though the year represented sound performance overall, the Board was disappointed with the results from some segments of the Real Estate Investments - or REI business.

Because of this, we have undertaken a review of our REI businesses.

Completing this review and acting on its outcomes, are top priorities for the Board. We expect to finalise the review by the end of the year.

I want to emphasise that many parts of REI are performing well, especially here in Australia.

David Higgins will go into more detail on the past year's results, but I want to underline for this audience the strength of Lend Lease's financial position, which is underpinned by our strong balance sheet and improved quality of earnings in 2002.

Putting our past year's result in perspective, it is important to first look at the economic landscape globally.

While Australia has continued to defy the odds and has maintained relatively strong economic growth, much of the world is experiencing a downturn. It is obvious that there have been weaknesses in the global economy.

The US is clearly in a recession and the jury is still out on whether they will experience a double-dip scenario.

Europe has experienced a milder recession than that of the US; however, we expect the recovery to be slower, hindering meaningful economic growth in the short term.

Asian economies were hit hard by the US recession, but we are starting to see some signs of recovery, notwithstanding Japan's continuing deflation.

Lend Lease's presence in 43 countries is of particular benefit at a time like this, as growth in regions or parts of our business can serve to offset the impact of the downturns we would experience with exposure to just a few countries or real estate sectors.

We face some significant challenges in the year ahead. However, as we stand here today, our outlook for 2003 of achieving a slight increase on the 2002 operating result remains unchanged.

To achieve this outlook, we expect to grow 2003 operating earnings by at least A\$28 million after tax - or around 14% - replacing the last of the Westpac profit, which was recorded in 2002. The 2003 budget is based on increased operating revenue in both businesses, and further reductions in corporate overheads.

As we announced last May, David Higgins will be leaving Lend Lease as soon as his successor has been identified. In the meantime he continues to be focused on the strategic review of the Real Estate Investments business.

We have been looking for a CEO with a proven track record in building global businesses, a record of strong operational efficiency, and experience in integrating a business built by acquisition. We are well along in our search, and have been pleased by the quality of the candidates, and the level of interest in Lend Lease.

We are on-track to make the selection by year end, as previously announced.

We continue to see great opportunity in global real estate.

Although the sector has not been completely immune to the downturns on a relative basis, real estate returns continue to beat stocks and bonds. And we expect that investors, companies and governments will increasingly seek their real estate services from financially sound, capable global players.

This is already becoming apparent in some of our recent successes, such as the decision by the UK Ministry of Defence to name us as preferred bidder on its Single Living Accommodation Modernisation - or SLAM programme.

To take another example, investors in real estate have also benefited from our Real Estate Investments' capacity to manage cross border capital investment, as in Lend Lease US Office Trust and the Global Fund.

One of the key issues prompting our strategic review of the Real Estate Investments business has been the changed market and competitive environment brought about by the increased interest of major financial institutions in real estate. The recent purchase of RREEF by Deutsche Bank highlights the consolidation in the industry and the need for broad distribution capability.

It's hardly necessary to draw your attention to the degree of speculation and rumour in the media about the likely outcome of our REI review.

As we've said before, the review is aimed at maximising shareholder value from the REI businesses in the challenging market environment I've described. It has been a very complex exercise encompassing all possible options, and has involved more than 100 staff members from all parts of the company worldwide.

While we have not yet finalised the process, we remain on track to complete the review by the end of the year.

Meanwhile, the REI business has had some significant accomplishments:

- Our flagship Global Fund recently completed its investment programme, and now totals over US\$1.5 billion of real estate assets throughout Europe and Asia. The Fund is on target to meet its objectives and has already realised impressive gains from some earlier acquisitions.
- Lend Lease Rosen - our US real estate securities joint venture - has received several new client mandates totalling over US\$500 million. In August we announced plans to increase our stake in Lend Lease Rosen, which currently stands at 77%, with the intention of acquiring the remainder of the company under a three year commitment.
- Here in Australia, Lend Lease US Office Trust has just made a major acquisition with the 50% purchase of First Union Financial Center in Miami. The acquisition placement was significantly oversubscribed, exhibiting the strong appetite for US real estate by Australian investors, and the good performance of the Trust. This is a major step in the Trust's plans to grow its Assets Under Management.

Real Estate Solutions continues to perform strongly as well. The combined strength of Bovis Lend Lease and our development capability has created a strong business that is capital efficient and which will continue to produce earnings growth. Bovis Lend Lease has continued to build on its four past consecutive years of profit growth. Its outlook remains strong, with good forward workload and a growing backlog.

The Real Estate Solutions business is now well advanced in building new businesses with stable, predictable earnings based on its early success in winning PFI projects in the UK and USA.

On the development side, the business is focusing on integrated opportunities like Victoria Harbour in Melbourne, Greenwich Peninsula in London which I mentioned earlier, and the Delfin Lend Lease urban communities business.

We have successfully integrated the Delfin business. Delfin Lend Lease is now the clear market leader in urban communities, with 21 projects across Australia's major urban growth corridors.

The most recent addition to Delfin Lend Lease's growing list of projects in Australia is at Boral's Greystanes site. The 104-hectare residential site will be developed over the next five years, and will eventually have approximately 1,500 dwellings.

The focus on long term projects will provide annuity style income streams for years to come.

The Real Estate Solutions business is making good progress. It is well diversified across sectors and regions that offer the best prospects over the next five years.

However, as a company, we are yet to see a return to sustainable share price growth.

I understand the concern you, as shareholders, have that Lend Lease's share price remains significantly below where it was two years ago. Not only do I understand your concern, but also speak for all employees and directors, in saying it has impacted us all.

Employees are the largest shareholders in the company and a significant proportion of Directors' salaries come in Lend Lease shares.

Since last year's AGM, the ASX 200 has fallen by around 7% and the S&P 500 is down 15%, both of which are having an impact on Lend Lease's share price, which yesterday was down 9% on last year.

Individual companies can do little about the current negative state of world equity markets. The best thing Lend Lease can do is to successfully execute our strategy, increase the amount and quality of earnings and finalise plans for the REI business.

As we report to you today, the company is very focused on each of these responsibilities, and we are confident of our capacity to deliver good outcomes on each measure.

Now I would like to discuss Lend Lease's Governance.

Lend Lease's Board size and diversity was built up as we developed our plans for global expansion.

We have benefited from directors located in growth areas for our business but, with our overseas expansion largely complete, the Board unanimously agreed in August that it is appropriate to go forward with a reduced number of directors.

Four of our Board members retire this year. As you know, Diane Grady retired from the Lend Lease Board in June. Rudi Mueller, Yong Hai Chua and Albert Aiello will also be retiring this year.

I would like to thank them for their diligent service, and their many contributions to our Board deliberations.

Diane committed large amounts of time to work on our HR policies and people development.

Rudi has devoted equally large amounts of time to helping us work out troubled investments, such as THI and Chelverton. We thank him for the determined efforts that have been invaluable to management and the Board.

Yong Hai has been a trusted guide and adviser to the Lend Lease team in Asia, and generous with his time as a representative for us in new business ventures in the Asia Pacific area.

Al has racked-up the largest ever total of airline miles achieved by a Lend Lease executive as he has travelled the globe overseeing the development of our IT platforms. We have all benefited from his broad experience and his willingness to tackle difficult IT integration problems.

Personally I would like to thank Diane, Rudi, Yong Hai and Al for their invaluable advice and guidance to me, given unstintingly and without complaint no matter what hour of the day or night I was on the phone asking for advice. They have each made major contributions to Lend Lease, and we are all in their debt.

Now I would like to briefly review the credentials of the remaining non-executive directors for you.

Richard Longes, Lend Lease's Deputy Chairman, has a long history with Lend Lease and intimate knowledge of the Group and our business.

Peter Goldmark, who is Chairman of the Personnel and Organisation Committee, brings to Lend Lease his wide experience as a CEO and senior executive of major organisations, both public and private, in the US and internationally.

David Crawford is Chairman of the Risk and Compliance Committee. Having worked with many large corporations and governments, his extensive legal and business experience is invaluable to us, not only in risk and compliance, but across all areas of the business.

Gordon Edington has extensive experience in the property sector, particularly in the UK but also internationally. Gordon also makes many important contributions across the Real Estate Solutions business.

For the present, we plan to continue as a Board of five non-executive directors and two executive directors. We think this is an appropriate balance of executive and non-executive directors at this stage.

Also, based on the experiences of the Executive Committee formed in May, this smaller size will give the full Board a much closer working relationship with senior management. It will also involve the full Board in all aspects of strategy, governance, and the increasingly complex and important area of risk management and audit.

We will of course keep the matter of Board composition under review.

Being a global company, our senior management may not be as visible to you in Australia as they should be. It is important that our shareholders realise who they are and what they do.

David Ross is Global CEO of our Real Estate Investments operations. David, as you know, is now based in Atlanta to be closer to the US business.

David is supported by his team of regional business leaders:

- Fred Pratt, CEO Real Estate Investments in US
- Charles Foster Taylor, Chief Executive REI in Europe
- Jim Quille, based in Hong Kong, who runs Lend Lease's Global Fund, and
- Nic Lyons who heads Real Estate Investments in Australia.

Ross Taylor, who is based in London, runs our global Real Estate Solutions business.

- Charlie Bacon heads the US Real Estate Solutions business, and
- John Spanswick is CEO of RES in Europe,
- Pedro Ladron De Guevara leads RES's Global Markets Group, which includes the BP Global Alliance, and
- David Hutton, based in London, heads Mergers and Acquisitions for the RES business.
- Des Marks is CEO of Real Estate Solutions here at home in the Asia Pacific region and based in Sydney.

There are over 10,000 Lend Lease people located around the globe, and I am personally proud of their wonderful efforts in making Lend Lease a stronger company throughout these testing last 12 months.

Here they are hard at work at Lend Lease's 7th annual Community Day event. This is a day in which all employees volunteer into their local communities as part of Lend Lease's commitment as a corporate citizen in each of the communities in which we operate.

I want to thank all our employees for their contributions to the company at work and in the community, and express the appreciation of the Board for their hard work.

In summary, although it has clearly been a tough environment for many companies around the world, Lend Lease achieved improved earnings in both businesses. The Board and I are pleased with that achievement.

We still have a lot to do, but the progress to date is encouraging.

The review of the REI business is our #1 priority. We've done a lot of work and are on-track to complete the review by the end of the year.

We have seen strong interest in the company from some very talented candidates for the CEO role, and are pleased with the recruitment process. We expect to make an appointment by the end of the year.

Despite the focus on these two very high profile issues, the company has been extraordinarily busy with some terrific wins which continue to build our position as a global real estate company.

Finally, I would like to thank all shareholders for their support, and assure you that the Board, senior management and I remain focused on increasing the value of your investment.

Now, as I call on David Higgins to update you on more of the details of our 2002 financial result, I want to record our appreciation of his contribution and leadership since his appointment in 1995.