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## **Lend Lease Announces Profit In Line With Information Provided Previously; Reports Good Progress In Transitioning Activities**

### **STOCK EXCHANGE AND MEDIA ANNOUNCEMENT**

Lend Lease Corporation Limited ("Lend Lease") announced an after-tax operating profit of \$151.4 million for the twelve months ended 30 June 2001 in line with the information provided to the Stock Exchange on 28 May 2001. The fiscal 2001 results include a series of previously disclosed non-recurring profit items and provisions which total to a net negative contribution of approximately \$60 million after tax.

In the year ended 30 June 2000 the company reported after tax operating profit before extraordinary item of \$432.2 million. However, the year-over-year results are not comparable, since fiscal 2000 included profit from the Financial Services business which was sold on 30 June 2000, and the result for fiscal 2001 reflected the off-market buy-back completed in October 2000, through which the company paid out \$1.8 billion in cash to participating shareholders.

Jill Ker Conway, Chairman, said, "Lend Lease's financial results in 2001 should be viewed in the context of the transition of our business into a global real estate solutions provider. Moreover, the results for the 2001 fiscal year also include in large part the provisions we took to facilitate our exit from investments made under our former Development and Investments strategy. While we are disappointed that our operating results were not stronger, we should not overlook the progress we made during the year as we began to implement key initiatives throughout the organisation that will further cement our global platform and enhance the value we provide to our clients.

"In that regard, we are for the most part on track with our transition process. We are particularly pleased with our progress in Bovis Lend Lease and some of the new initiatives in the Asia Pacific region. In our US REI business, while we have strengthened our operations, our results in this business continue to be impacted by the difficult capital raising environment in that market. Lend Lease expects to achieve a higher level of earnings in 2002.

David Higgins, Managing Director, said, "To assess Lend Lease's financial results in 2001 in terms of the execution of our strategy and outlook for the future, it is most important to review the underlying performance of our core real estate businesses. In our Property Solutions segment, Bovis Lend Lease generated strong results and is meeting our objective of delivering increased earnings visibility through the establishment of long-term client relationships. Capitalising on our strong position in Australia, our Development business made solid progress, with a number of mixed-use projects underway.

"The results in our investment management business, which is comprised of our global Real Estate Investments businesses, reflected the challenges we faced in our US operations due to difficult economic conditions in that market. We are now strengthening the client focus of the US REI business. We are also executing key initiatives in Europe and Asia. This is designed to leverage the wide ranging capability provided by our global network in order to attract additional capital for our funds," he said.

The result for the core real estate businesses was an after tax profit of \$238.1 million, before one-off restructuring costs in US REI, compared with \$204.8 million in the previous year. The fiscal 2001 result included a full 12 months' contribution from Bovis compared to 8 months in the previous period, and a full year's result for Boston Financial and the five AMRESKO businesses, compared to part year contributions from both in the year ended 30 June 2000.

The fiscal 2001 result also included an after tax profit of \$79.8 million made up of \$60.2 million from the previously contracted sale of a further 10% of Bluewater and release of contingency provisions no longer required, and \$19.6 million after tax profit from the disposal of the 50% joint venture interest in Aurora Place.

As was previously indicated to the Stock Exchange, the fiscal 2001 result was impacted by: certain provisions for UK investments; the investment in listed company coolsavings and other internet-related investments; a provision of \$65 million after tax in relation to Fox Studios; and the above-mentioned one-off restructuring costs.

Earnings per share (eps) were 33.7 cents in the year ended 30 June 2001 compared to 85.0 cents in the prior year, a reduction of 60.4%. The eps calculation is based on the weighted average number of shares on issue during the year.

### ***Dividend Policy***

The Lend Lease Board of Directors announced a final dividend of 8 cents per share fully franked (June 2000 – 32 cents per share) to be paid on 13 September 2001.

Consistent with the Board's previously stated policy, the company intends to pay only fully franked dividends in the future. The company now expects to pay a fully franked dividend of approximately 18 cents in fiscal 2002.

### ***Property Solutions***

#### **▪ Bovis Lend Lease**

Bovis Lend Lease contributed \$90.3 million after tax (June 2000 - \$56.3 million for 8 months' contribution from the acquired Bovis business) as a result of higher profits in the Americas, Europe and in certain other global markets, but a lower contribution in Asia Pacific due to the downturn in construction activity in Australia post Olympics.

A strong cash generator, Bovis contributed \$691 million in cash to the Group at 30 June 2001 compared to \$528 million in the prior year.

Bovis Lend Lease Backlog Gross Profit Margin is the profit before tax and overheads that is yet to emerge on contracts in place as at 30 June 2001. This amount was \$518.2 million, up from \$481.8 million at June 2000.

Due to increased levels of long term and repeat business, 37% of the Backlog Gross Profit Margin is to emerge in years after 2001/02.

Bovis' results are on track to achieving the \$150 million after tax profit objective set for 2003/2004.

#### **▪ Development**

Development contributed \$30.9 million (June 2000 - \$11.3 million) made up of strong sales in both the Newington and Jacksons Landing projects, profits from the sale of 10% of Bluewater and the disposal of the 50% joint venture interest in Aurora Place, which were partially offset by the provision taken for Fox Studios.

Highlights of operations in the year were securing the Victoria Harbour site at Docklands in Melbourne, and the Delfin Limited acquisition that increased the residential lots Lend Lease controls for future release over the next 15-20 years from 20,000 to 55,000.

Moreover, the Delfin acquisition consolidates the company's position in the large-scale mixed use community development market and puts it in a strong position for winning new mandates. It also builds on Lend Lease's third party investment capital projects already underway.

### ***Investment Management***

Real Estate Investments contributed \$116.9 million after tax (June 2000 - \$137.2 million) before a one-off restructuring provision in the US business of \$30.3 million after tax. Profit contribution from the Australian region was higher in 2001 than for the previous year. There was good growth in Assets under Management in this market and further significant opportunities are expected. The US contribution was disappointing despite the result including a full year from the Boston Financial and five AMRESKO businesses versus only part year contributions in the previous year. Europe's contribution was lower, largely reflecting reduced operating income

from Bluewater following the sale of 10% effective 1 July 2000. The Asian contribution was also lower, due primarily to increased costs incurred in the establishment of the Asian debt business.

Assets under Management (AUM) increased to A\$86.6 billion at 30 June 2001 compared to A\$71.1 billion at 30 June 2000. Excluding currency impacts, this is an increase of 8.9%.

Legal loan balances in Assets under Resolution increased from US\$6.4 billion at 30 June 2000 to US\$7.1 billion at 30 June 2001.

Loans under Servicing – principally the CapMark business – were flat, increasing from US\$49.6 billion at 30 June 2000 to \$50.1 billion at 30 June 2001. However, there are good prospects for a significant increase in Loans under Servicing, with one mandate for US\$4 billion secured and another for almost double that amount in prospect.

Annuity fee income increased to \$488 million compared to \$304 million, reflecting the full period contribution from Boston Financial and the five AMRESCO businesses, while transaction income totalled \$328 million compared to \$248 million for the previous year.

Transaction income in the current year was adversely impacted by lower than expected capital raisings and property acquisition activity than occurred in the previous period, together with a much lower level of incentive fees due to the timing of liquidation of specific funds in the US business at US\$3.5 million (US\$42.5 million in the previous year).

### ***Other Activities***

#### **▪ Capital Services and IT+T Investments**

Capital Services recorded an after tax loss of \$12.7 million, largely reflecting provisions made on UK property development investments. The Information Technology and ebusiness investments segment recorded a loss of \$42.7 million after the provision for internet related investments of \$40.4 million after tax.

#### **▪ Equity Investments**

Equity Investments contributed \$82.7 million after tax, entirely related to the realisation of hedged Westpac shares. A final locked-in profit of \$27.8 million after tax from the Westpac shares remains to be brought to account in the current financial year.

### ***Earnings Outlook***

The company expects an increased after tax operating profit in 2001/02 above \$210 million given no material deterioration in market conditions.

Importantly, a change in the US accounting treatment of amortisation of goodwill and other intangible assets will, if adopted in Australia, have a significant and positive effect on reported earnings going forward. Lend Lease believes that the US treatment is the better approach.

Mr Higgins concluded, "While we knew that the transition process would be challenging, it has been more difficult than we initially expected. We remain confident in the longer term prospects for Lend Lease.

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