



20 February 2003

The Manager
Companies Section
Australian Stock Exchange Limited (Sydney)

By electronic lodgement

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Dear Sir

The Manager
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New Zealand Stock Exchange

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STOCK EXCHANGE AND MEDIA ANNOUNCEMENT

LEND LEASE ON TRACK DESPITE WRITE-DOWN AND TIGHTENING CONDITIONS

A\$113.1 Million Operating Profit After Tax (A\$369.4 Million Loss After Tax Following US REI Write-Down)

Lend Lease Corporation Limited ("Lend Lease") today announced its results for the six month period to 31 December 2002.

A copy of the ASX and media announcement and Half Yearly Report (Appendix 4B) is attached.

Yours faithfully
LEND LEASE CORPORATION LIMITED

S J SHARPE
Company Secretary



STOCK EXCHANGE AND MEDIA ANNOUNCEMENT

20 FEBRUARY 2003

LEND LEASE ON TRACK DESPITE WRITE-DOWN AND TIGHTENING CONDITIONS

**A\$113.1 Million Operating Profit After Tax
(A\$369.4 Million Loss After Tax Following US REI Write-Down)**

Lend Lease Corporation Limited ("Lend Lease") announces an operating profit of A\$113.1 million after tax for the six month period to 31 December 2002 compared to A\$126.4 million after tax for the six months to 31 December 2001.

Following the announcement in January of an intended A\$526 million after tax write-down of the US Real Estate Investments (US REI) businesses, the Group has recorded a loss after tax of A\$369.4 million for the December 2002 half year. Of the total US REI write-down announced in January, A\$482.5 million after tax was recorded for the December 2002 period. The remaining A\$43.8 million after tax in respect of restructuring costs will be booked at June 2003.

The Lend Lease Board of Directors announced an interim dividend of 10 cents per share fully franked to be paid on 19 March 2003, an 11% increase from the September 2002 fully franked dividend of 9 cents per share.

Absent the write-down, the 31 December 2002 result is A\$13 million after tax lower than the 31 December 2001 period, which included the final Westpac hedge profit of A\$28 million after tax and the sale of Solihull at a profit of A\$20 million after tax. Excluding the impact of the US REI write-down, earnings per share were 26.0 cents for the period to 31 December 2002 compared to 29.4 cents for the period to 31 December 2001 (decrease of 11.6%).

Lend Lease Group Chief Executive Officer and Managing Director, Greg Clarke, said the Group had delivered a good operating result in light of the continued decline in economic conditions.

"If you strip out the final one-off Westpac profit of \$28 million from the December 2001 result, operating earnings for the December 2002 half were around 15% higher," Mr Clarke said.

"We were disappointed at having to take the US REI write-down in January, but have made good progress with the overall review of these businesses.

"We are maintaining our current guidance for the 2003 full year operating profit after tax.

"While Lend Lease may be facing some strategic challenges at present, the Group is unquestionably in a strong financial position and has the wherewithal to make the changes necessary to rebuild Lend Lease's performance for its shareholders.

“In the coming months I will be focusing on three key areas that will position Lend Lease for continued operating earnings growth. We intend to rationalise the organisation’s cost base; introduce further capital management initiatives; and begin to roll out the REI review outcomes,” he said.

REAL ESTATE SOLUTIONS

The Real Estate Solutions (RES) business, which comprises Bovis Lend Lease and the Integrated Development businesses, contributed A\$59.1 million after tax for the period to 31 December 2002 compared to A\$83.3 million after tax in December 2001. This decrease of 29% reflected the loss after tax of A\$0.6 million recorded by the Integrated Development businesses compared to a profit after tax of A\$34.0 million in the comparative period. This loss was mainly due to project timing and major bid costs.

RES achieved New Work Secured of A\$417.4 million during the six month period to 31 December 2002, up 10% on the six months to 31 December 2001. At 31 December 2002, RES’s closing Backlog Gross Profit Margin (GPM) was A\$748.2 million, compared to A\$596.4 million at 30 June 2002, an increase of 25%. In addition, RES has a further eight projects designated as preferred bidder, which will contribute A\$153.1 million to the Backlog GPM when they reach financial close.

Mr Clarke said: “While the overall RES result is lower for the period, we continue to see significant opportunities and expect the RES business to deliver an increase on the A\$153.3 million profit after tax reported in the 2002 financial year.”

Bovis Lend Lease

Bovis Lend Lease delivered a profit of A\$59.7 million after tax for the six month period to 31 December 2002 compared to A\$49.3 million in 31 December 2001, an increase of 21%.

Bovis Lend Lease achieved New Work Secured of A\$408.3 million in the financial period ended 31 December 2002, compared to A\$359.6 million in the corresponding prior period, an increase of 13.5%. At 31 December 2002, Bovis Lend Lease had a committed Backlog GPM of A\$646.8 million, a 28% increase on the balance at 30 June 2002 of A\$504.0 million.

The business continues to focus on reducing overheads, resulting in an improved profitability ratio of 33% for the six months to 31 December 2002, compared to 29% for the six months to 31 December 2001.

“While the overhead reduction and profitability gains were a good performance in difficult conditions, we need to make even further improvements in this business to underpin good medium term earnings growth as the global economy continues to tighten,” Mr Clarke said.

Integrated Development Businesses

Lend Lease’s Integrated Development businesses profit after tax declined from A\$34.0 million after tax at 31 December 2001 to a loss of A\$0.6 million after tax for the six months ending 31 December 2002. This is principally due to the timing of development profits, a A\$10.5 million provision after tax raised against the Shell Centre project in London and bid costs of A\$12 million after tax for UK Private Finance Initiatives (PFIs) projects that have not yet reached preferred bidder stage.

The 31 December 2002 result included a A\$11.2 million profit after tax for the sale of our interest in the North Lakes project.

Delfin Lend Lease continues to perform and is well placed to post a strong full year result in the face of some debate about the strength of the outlook for housing overall.

In the UK, Lend Lease continues to participate in a strong pipeline of PFI and military housing projects. During the period Lend Lease achieved preferred bidder status on the £1 billion SLAM military housing project in the UK. The company is expecting to see several new bids determined over the remainder of the year. Meanwhile, detailed planning of the £4 billion Greenwich Peninsula development project is progressing.

REAL ESTATE INVESTMENTS

The Real Estate Investments business contributed A\$85.8 million after tax for the six month period to 31 December 2002 compared to A\$86.7 million after tax for the six months to 31 December 2001, a small decline of 1%. The Australian business had a strong result, and the US and European businesses also recorded increases, which were offset by a small loss in Asia.

Worldwide Assets Under Management (AUM) for the period to 31 December 2002 were A\$90.9 billion compared to A\$86.1 billion at 30 June 2002, an increase of 5.6%.

Loans Under Servicing, principally the CapMark Services business, increased by 0.8% to A\$123.3 billion at 31 December 2002, compared to A\$122.3 billion at 30 June 2002.

The US REI business produced a profit for the six months to 31 December 2002 of A\$50.8 million after tax, up 4.1% compared to A\$48.8 million after tax for the six months to 31 December 2001. This result reflects the strong results achieved by the Housing & Community Investing (HCI) business and Holliday Fenoglio Fowler (HFF), offset by a reduction from the Equity business and a slight reduction from the Commercial Credit business.

Mr Clarke said: "The US REI business produced a credible result given the continued tough US economy, record low US interest rates and the inevitable uncertainty that comes from a strategic review."

"The decision to write-down the US REI businesses reflected reduced medium term earnings expectations caused by economic factors, including continued low US interest rates. While the US REI business has generated good cash flows and a A\$50.8 million profit after tax for the period, our challenge is to reposition the business to generate increased earnings growth as market and economic conditions improve," he said.

Following the write-down, the book value of the US REI business at 31 December 2002, including US co-investments and the investment in King of Prussia, but excluding Lend Lease's US borrowings, was A\$1.8 billion.

In Australia, the REI business profit was A\$17.7 million after tax for the six months to 31 December 2002, up 26% from the previous period.

Effective January 2003, Lend Lease has agreed to restructure the General Property Trust management fee by changing to a base fee plus a performance fee component. Despite the reduced fee base in the second half of 2003, Lend Lease expects to achieve a full year result in line with the previous year's result of A\$30 million after tax, which included a profit after tax of A\$4.3 million from the sale of Kiwi Property Group.

The European Real Estate Investments profit for the six months to 31 December 2002 was A\$22.5 million after tax compared to A\$21.7 million after tax in the previous period, a 3.7% increase. The increase is due to higher advisory fees following Lend Lease Global Properties acquisitions in the region and a A\$3.2 million after tax incentive fee earned on the UK Retail Partnership, as well as the inclusion of asset management fees from the Lend Lease Overgate Partnership and Touchwood, Solihull.

The Asian Real Estate Investments business recorded a loss of A\$2.7 million after tax for the period to 31 December 2002. This included a loss of A\$6.3 million before tax on Lend Lease's co-investment in the International Distressed Debt Fund (IDDF) resulting from a decline in the value of the Fund's Japanese investment portfolio.

The Asian Equity business was focused on the establishment of APIC II and transaction activity related to Lend Lease Global Properties during the period.

FOCUS ON COSTS

Mr Clarke said Lend Lease's cost structure was appropriate for a significantly larger company and he intends to address this issue immediately.

"I am committed to reducing Lend Lease's cost structure and have already begun the process as evidenced by last week's management structure changes. I have charged the Executive Management team with reducing their cost bases and in the coming months we will eliminate the duplication that had built up within the company under the previous global business structure," he said.

"This will result in a meaningful reduction in costs. Once the process is complete, I will be happy to share the details of the cost reduction with the market," Mr Clarke said.

In addition to the addressing the cost issues, Mr Clarke said the management changes would sharpen the company's focus.

"Our new streamlined management structure will maximise Lend Lease's effectiveness in meeting the challenge of tougher economic conditions, as well as simplify and re-energise the organisation," Mr Clarke said.

CAPITAL MANAGEMENT

Mr Clarke said Lend Lease's Return on Equity for the six months to 31 December 2002 of 3.9% (pre-amortisation) was clearly unacceptable and he is committed to increasing shareholder value.

"To address the inefficiencies of Lend Lease's capital structure, we will focus on reducing its capital intensity by continuing to exit non-core investments," Mr Clarke said.

"We also intend to announce an on-market buyback of up to 10% of the issued shares as soon as practicable following determination of the REI review. Details and timing will be finalised at that time.

REI REVIEW

The REI review is progressing well and Mr Clarke said he expected to be in a position to begin announcing some of the outcomes soon.

“There may be an expectation in the market of some type of one-off announcement; however, we are far more likely to be making a series of announcements as different parts of the review are finally determined,” Mr Clarke said.

FINANCIAL STRENGTH

The company continues to be in a strong financial position. At 31 December 2002 it had cash of A\$988 million with no net debt. Cash generated from operations remained strong for the six months to 31 December 2002, with the interest coverage ratio being 7.3 times, in line with the company's target.

EARNINGS OUTLOOK

Mr Clarke said absent the US REI write-down, the company is on track to deliver an after tax profit in line with previous guidance to achieve a slight increase over the 2002 result of A\$226 million profit after tax.

ADDITIONAL INFORMATION

As previously advised, Mr David Higgins concluded his employment with Lend Lease on 31 January 2003 after 18 years with the Group, including 8 years as Chief Executive. A termination payment made in accordance with the terms of his employment contract, totalling A\$6.7 million, was paid upon his departure. This amount is equivalent to approximately two years' annual package.

ENDS

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