

## **LEND LEASE STRATEGY DAY**

**27 MAY 2010**

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MR MURRAY COLEMAN: Good morning everyone and thanks Tarun. My name is Murray Coleman and today I want to take you through some key market trends, give you a regional update on Bovis Lend Lease around the globe and finally touch on our progress in sustainability and safety which are both issues very close to my heart.

I am going to be fairly brief this morning. You have probably almost all just about suffered death by PowerPoint so I will be relatively quick going through these slides.

Bovis Lend Lease continues to be one of the leading construction brands in the world. As Steve and Brad highlighted, our construction business in offshore markets has been doing it pretty tough and I'll touch on some of those markets in a minute.

Backlog GPM at December was \$545.5 million globally and new work secured was \$173.2 million. Our expectations are that both of these measures will be lower at June 2010. However, our business does locally go from strength to strength and continues to have a strong backlog of government work and a strong pipeline of internally generated Lend Lease work, much of the work and the projects you've seen discussed here this morning. But before moving on to the regions, I just wanted to touch on some key market trends.

As market activity levels have fallen we've seen competition for work increase naturally I guess and this increased competition is putting pressure both on pricing and margins. We continue to remain very disciplined however in bidding for work with a very clear focus on not chasing volumes to drive revenue and that is anywhere in the world.

Market conditions have not improved in our offshore markets and are not expected to for some time. The PPP model continues to be the preferred delivery mechanism for infrastructure and some social infrastructure by governments in many of our key markets. I think the jury might be out a little bit on that at the moment in the UK. However, government work in some key markets is slowing as budget deficits rise and in Australia there is a large pipeline of infrastructure spend with over \$70 billion per annum expected for the next 10 years accounting for roughly 50% of the Australian market.

Finally, sustainability continues to be an area where Bovis Lend Lease, in our view, leads the Australian market and is recognised around the world for delivery of sustainable commercial premises driven by continuing client demand and operational and productivity savings as Steve outlined earlier.

So first to Australia. Our business in Australia, as I said, continues to have a strong base of government work with over \$1 billion of schools work where Bovis Lend Lease has an agreed managing contractor role. Our managing contractor delivery model generates value for our client by providing an open market tender process, a fixed base for cost and by ensuring delivery of projects safety, on time and to the required quality standards.

In addition, we have over \$3 billion of healthcare projects currently underway including the

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new Royal Children's Hospital in Melbourne, Liverpool Hospital here in Sydney and the new Gold Coast University Hospital which is going to be a fantastic site and is really a fantastic project.

Further, the Australian business continues to have a significant number of projects right across our traditional sectors, commercial retail and residential and also into the justice sector with the Brisbane Law Courts.

In terms of our key focus areas in Australia, we continue to operate in our traditional sector areas and also take the opportunity to move into some new adjacent sectors including rail, solar and we're having a good hard look at the National Broadband.

The pipeline remains strong and in conjunction with Lend Lease's equity partner Bovis, Lend Lease is bidding on a number of large healthcare PPP project - I think you heard them mentioned earlier - including the new Royal Adelaide Hospital and the \$1 billion PCCC (the Parkville Comprehensive Cancer Centre) in Melbourne.

In terms of outlook, investment is slowly returning to traditional sectors, demand for natural resources obviously driving mining and engineering, projects within these sectors leading the recovery in Australia. Business confidence has returned and capital is really starting to flow for major infrastructure projects.

The Federal Government's desire to nationalise health is likely to improve services and capital spending in the long term. As a whole, Bovis Lend Lease in Australia remains well positioned going in to FY11.

Now moving to Asia, we remain focused really on our key markets of China, Japan, Malaysia and Singapore. As Steve mentioned, we will consolidate our position in the region. The business delivered the Somerset Retail Project on time and budget in Singapore in the first half of the financial year and I can't underestimate how proud of the business is of that achievement. To be still excavating down in the lowest basement six months from completion and to then actually complete on time was really quite some achievement.

The Group's strength in the pharmaceutical sector remains, particularly in Singapore, with a number of projects underway including the Lonza Biologics project and a large project we're doing for Alcon.

In China, Lend Lease is a gold sponsor of the Australian Pavilion for the World Expo in Shanghai this year [inaudible] has started. Bovis Lend Lease is actually the design and construct contractor of the Australian Pavilion and played a key role in the prototype development of the Pavilion including this iconic steel façade. The team adapted features of the design to include sustainable features such as rainwater harvesting, solar power and energy saving lighting.

Lend Lease is hosting a number of key events at the Pavilion targeting clients and potential clients and investors. As Steve mentioned earlier, China and Asia remain a key growth area

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of focus for the Group.

Moving to the UK and Europe, in the UK tough economic conditions and low levels of activity continue. Despite some signs of recovery, this really hasn't translated for us into the construction sector. However, despite all of this, the Bovis Lend Lease business remains with a solid base of government work in education, health, waste and accommodation and continues to deliver, as part of the one Lend Lease team, the Athletes' Village which is on time and on budget and I'm sure Dan will elaborate on that in a minute.

Similarly, difficult market conditions continue in Europe and in the Middle East. We took a provision against the recovery of certain debtors in the first half of the financial year in the Middle East. Our strategic review of the CEMEA business continues and you heard Steve talk earlier about reducing our footprint. We will focus on countries clearly where we can operate safely, profitably and which offer growth opportunities right across the Group. You will really see the number of countries we operate in reduce over the coming years in Europe.

Moving to an update on the Americas, the American business reported a loss in the first half impacted by legal and restructuring costs. The business' traditional core markets of multifamily and commercial remain extremely difficult with very limited new work.

To ensure the business keeps pace with declining volumes, further restructuring costs are expected in the second half of the financial year. Our focus for the business remains on consolidating and focusing our presence. We are not anticipating a recovery in volumes until probably 2012.

I now just want to turn attention briefly to two key areas which I am very passionate about, safety and sustainability and Scott spoke briefly on this earlier. Our safety vision in Lend Lease is to operate incident and injury free wherever we have a presence and that really means that every person who comes to work goes home safely to their family and loved ones at the end of the day and that's whether they work on one of our projects, whether they work on one of our retail centres, whether they work anywhere in our business in one of our offices. It covers all our sites, all our employees and all our contractors.

Pleasingly, I can report that the Group commitment to operating incident and injury free continues to deliver a decreasing trend in lost time injuries as you saw from the charts that Scott put up earlier today. We are holding workshops focusing on uncompromising leadership in safety across the whole of Bovis Lend Lease as Scott mentioned. We will proceed with this right across the whole of Lend Lease in the coming year. This is an ongoing journey for us and we will continue to drive our safety commitment in all projects and all operations.

In relation to sustainability, as I said before, Bovis Lend Lease really is at the leading edge of delivering environmentally sustainable buildings and solutions and with Lend Lease working to deliver environmentally sustainable precincts.

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In addition, as Steve mentioned, green refurbishment is an exciting opportunity for Bovis Lend Lease, not just in Australia but right across the world. So that is all from me. Thank you and I will now hand over to Dan.

**END OF TRANSCRIPT**