

ASX Announcement

Lend Lease to acquire leading Australian engineering and construction businesses

21 December 2010

Lend Lease today announced that it has entered into an agreement with Bilfinger Berger SE to acquire 100% of Valemus Australia (Valemus), the parent company of Abigroup, Boulderstone and Conneq, for a purchase price of A\$960 million.

The Valemus businesses are leading providers of services in the engineering, construction, residential and non residential building, and engineering services markets in Australia.

Strategic Rationale

The acquisition of Valemus will increase Lend Lease's capabilities and activities in the engineering and construction market and diversify Lend Lease's position in this sector.

The acquisition is consistent with Lend Lease's strategic direction and focus on the key growth trends that underpin long term demand for property, including infrastructure and public private partnerships. Valemus provides an excellent platform for Lend Lease to expand its capabilities with:

- a significant presence in the road, rail, social infrastructure, commercial and industrial building sectors with operations diversified across engineering, construction and services;
- an extensive government client base across federal and state governments;
- in excess of 150 contracts currently in hand;
- secured future revenue in excess of A\$5 billion; and
- strong depth of senior management experience with a positive cultural fit with Lend Lease's existing business.

Funding and Accretion

The acquisition will be funded from existing Lend Lease cash reserves and a new five year A\$225 million debt facility. Lend Lease's gearing post the acquisition is expected to be approximately 5.8% taking account of the significant Valemus cash balance of A\$539 million as at 30 September 2010. Lend Lease will continue to maintain significant capacity to deliver on its existing pipeline. Lend Lease expects that its current investment grade credit rating with S&P and Moody's (BBB-/Baa3 with a stable outlook) will be maintained following the acquisition.

The acquisition is expected to provide EPS accretion to Lend Lease of circa 15% on a full year basis in the first full financial year ending 30 June 2012.

Accounting and Timing

The transaction remains subject to regulatory approval and other conditions and is expected to be completed in the first quarter of calendar 2011. A further payment of A\$80 million plus A\$5 million per month from 1 October 2010 to completion will be made in lieu of 2010 profits not distributed. Lend Lease will be entitled to all profits from 1 January 2010 onwards.

Lend Lease Corporation Limited ABN 32 000 226 228
and

Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for Lend Lease Trust ABN 39 944 184 773 ARSN 128 052 595

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Lend Lease Group Chief Executive Officer and Managing Director, Steve McCann, said the acquisition of Valemus provides Lend Lease with an excellent strategic platform in the engineering and construction market in Australia.

“Valemus has a highly successful and experienced management team with diverse sector expertise that will add to the depth of our Australian management and broaden our skill set in the construction sector. Valemus has in excess of A\$5 billion in total secured revenue with an extensive pipeline of further opportunities and a high proportion of Government customers,” said Mr McCann.

“Lend Lease has acquired Valemus at an attractive price while retaining financial flexibility to fund the Group’s significant development pipeline. The Group’s strong balance sheet, diversified portfolio and significant project pipeline provide a strong platform for earnings growth. Our integrated business model, enhanced through the additional capabilities delivered by Valemus, provides the depth of skills and resources required to successfully execute on our strategy.”

ENDS

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*Imagine
Create*

Acquisition of Valemus December 2010



Disclaimer



This document is general background information about the Group's acquisition of Valemus current at the date 21 December 2010. It is information in a summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

This announcement contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "outlook", "upside", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance and projections prepared by Valemus are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

Overview of the proposed transaction



Transaction and purchase price

- Lend Lease will acquire Valemus for a purchase price of \$960m¹
- The transaction is subject to a number of regulatory and other conditions precedent that are expected to be satisfied in the first quarter of 2011

Rationale

- The Valemus businesses are leading providers of services in the engineering, construction, residential and non residential building, and engineering services markets in Australia
- Valemus operates through the businesses of Abigroup, Boulderstone and Conneq
- The acquisition delivers scale and broadens Lend Lease's construction capability in the Australian market

Funding

- Acquisition funded from existing Lend Lease cash reserves and a new 5 year debt facility of \$225m

Impact of the transaction

- The transaction is expected to provide ~15% EPS accretion on a full year basis in the first full financial year ending 30 June 2012
- Lend Lease's gearing post the acquisition is expected to be approximately 5.8%, taking account of significant Valemus cash balances of \$539m as at 30 September 2010
- Lend Lease expects that its current investment grade credit rating with S&P and Moody's (BBB-/Baa3 with a stable outlook) will be maintained following the acquisition
- Lend Lease retains its capacity to deliver on its existing development pipeline
- Lend Lease will be receiving a full indemnity with regard to the Westpoint litigation

¹ A further payment of A\$80m plus A\$5m per month from 1 October 2010 to completion will be made in lieu of 2010 profits not distributed. Lend Lease will be entitled to all profits from 1 January 2010 onwards

Overview of the engineering & construction market

Strong Growth¹

- Market has grown at a ~15% CAGR since 2001
- Since 2001, E&C has been the fastest growing market in the Australian construction sector ⁴
- Australian government has prioritised infrastructure building
- Resources boom is continuing to drive demand for further infrastructure

Large Market

- The E&C market is ~50% of the total Australian construction market³
- Market predicted to grow to +\$90b by 2014¹
- Potential pipeline of \$700b of work in the next 10yrs²

Scale Benefits

- Companies in this sector need to have scale due to
 - Cost of bidding for projects
 - Health & safety overhead
- Credit rating and capacity
- Portfolio benefits

The opportunity presented by the E&C sector is large, targeted entry is key

1. BIS Shrapnel Pty Limited 2010 report: Engineering Construction in Australia 2009/10 – 2023/24
2. Ernst & Young 2009 report: The trillion dollar question: Can superannuation boost investment in Australia's infrastructure?
3. ABS statistics
4. 2009/10 Commonwealth Budget "Nation building infrastructure for productivity and prosperity"

Acquisition consistent with focus on strategic trends

Urban Regeneration

- Leading urban renewal projects in Australia, UK and Singapore
- Long term pipeline

Ageing Population

- No. 1 senior living platform in Australia
- 70 retirement villages and 33 aged care facilities

Public Private Partnerships/ Infrastructure

- Presence in US, Canada, Australia, UK and Europe
- Focused on building capability across the value chain

Sustainability

- Strong skill set across the Group
- Delivered 100+ new green buildings in the last 12 months

Fund Growth Platform

- Funds under management of A\$10.1b as at 30 June 2010
- 20% increase in underlying FUM growth in the year

Strategic rationale for the transaction



Market position

- Large platform in the growing E&C sector with significant scale benefits
- Presence in road, rail, social infrastructure, commercial and industrial building sectors providing further diversification to Lend Lease

Client base

- Government customers, Federal and State (64% of revenue in CY2009)
- In excess of 150 contracts currently in hand

Capability

- Provides Lend Lease with significant infrastructure construction capability
- Operations diversified across engineering, construction and services

Work in hand

- Over A\$5.0b of secured future revenue
- Strong pipeline of opportunities

Management

- Strong senior management experience
- Good cultural fit with Lend Lease
- Substantial project management expertise in the E&C market

Valemus provides an excellent platform for Lend Lease's engineering and construction business

Management team

- Peter Brecht to continue as CEO and join the Lend Lease Executive Management Team
- Darrell Hendry remains as CFO
- Key Divisional Heads to maintain existing positions

Reporting line

- Peter Brecht to report into Scott Charlton, Group Director of Operations

Corporate structure

- Abigroup, Baulderstone and Conneq separate corporate structures to be retained reporting to Peter Brecht

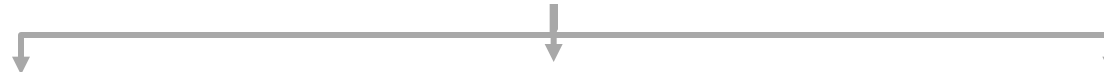
Strategic review

- In the first three months, LL will complete a strategic review with the management team to determine how value is enhanced and synergies are achieved

90 day integration

- Financial and functional reporting to be aligned before 30 June 2011
- Revenue and cost synergies identified (not valued in transaction), realisation plan to be finalised during strategic review

Overview of the Valemus business



- Established 1957
- One of Australia's largest multi-disciplinary engineering construction and building contractors
- Signature projects include the M2 and M7 Motorways (NSW) and Acer Arena (NSW)
- Employs ~2,100

- Established 1926
- Operates across the spectrum of engineering construction and building services
- Particular expertise in bridges, tunnels, ports, water infrastructure, power, hospitals, correctional facilities, defence and commercial building
- Employs ~1,500

- Established 2005
- Provides engineering and specialist asset management services to owners of industrial infrastructure
- Provides services at over 65 sites across Australia with a water maintenance and network construction services business in New Zealand
- Employs ~3,100

The Valemus management team



Group CEO
Peter Brecht



Group CFO
Darrell Hendry



Managing Director
David Jurd



Managing Director
(from 1/1/2011)
Ian Luck



Managing Director
Mark Elliott



Finance Director
David Walker



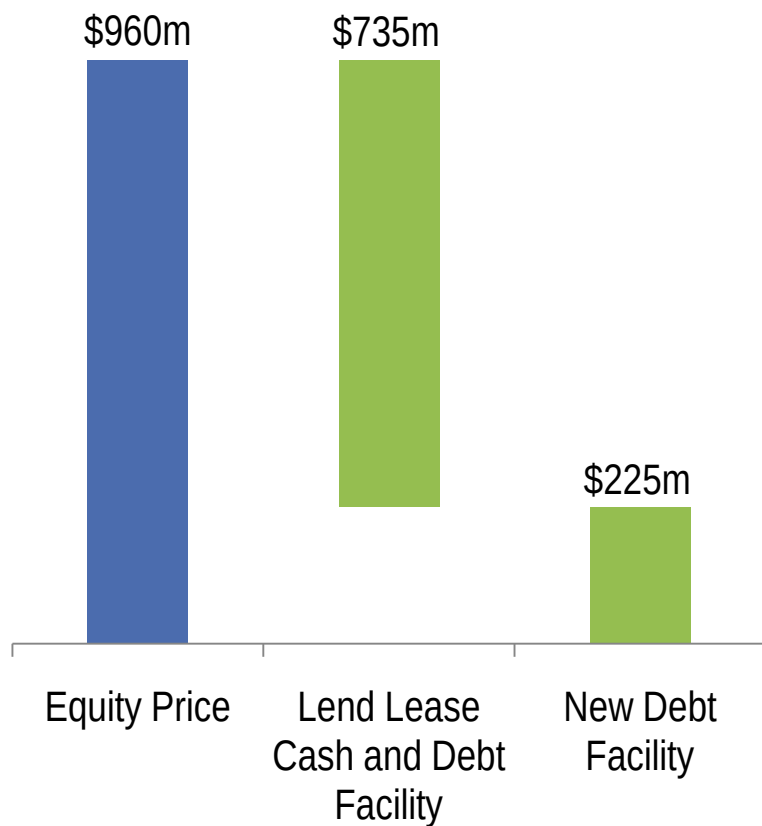
Finance Director
Alan Toombes



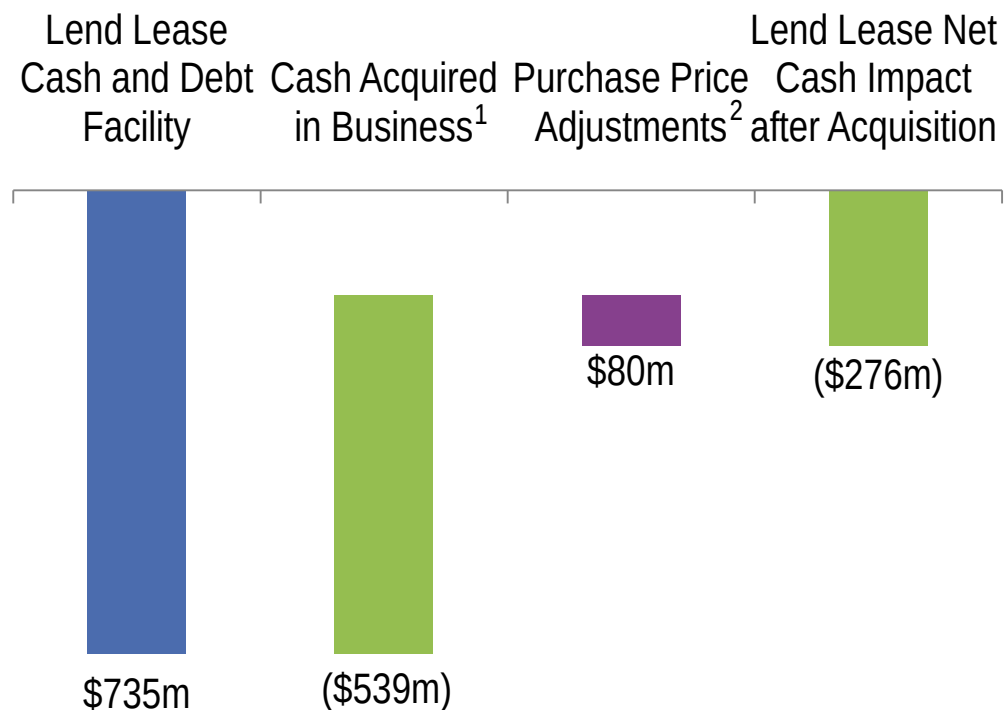
Finance Director
Guy Freeland

Funding the acquisition

Funding Sources



Net Liquidity Outflow



1. Cash balance as at 30 September 2010. Actual cash balance acquired will depend on trading to completion
2. A further payment of A\$80m plus A\$5m per month from 1 October 2010 to completion will be made in lieu of 2010 profits not distributed. Lend Lease will be entitled to all profits from 1 January 2010 onwards

Pro forma balance sheet



\$m	Lend Lease FY2010	Valemus September 2010 ¹	Transaction Adjustments	Lend Lease Pro Forma FY2010
Cash	1,636	539	(815)	1,360
Tangible assets	9,041	954		9,995
Intangible assets	694	289	382	1,365
Total assets	11,371	1,782	(433)	12,720
Borrowings & finance leases	(1,616)	(101) ³	(225)	(1,942)
Other liabilities	(6,366)	(1,023)		(7,389)
Total liabilities	(7,982)	(1,124)	(225)	(9,331)
Equity	3,389	658	(658)	3,389
Gearing (%)²	Net cash position	Net cash position		5.8%

1 The final acquisition balance sheet will not be equal to the balance sheet presented here. Movements are expected in working capital, cash and other balance sheet items that change in the ordinary course of operation of the Valemus business

2 Gearing is calculated as net debt, divided by total tangible assets, less cash

3 100% of this amount represents finance leases

Lend Lease expects that its current investment grade credit rating with S&P and Moody's (BBB-/Baa3 with a stable outlook) will be maintained following the acquisition

Pro forma financial performance of Valemus CY2009



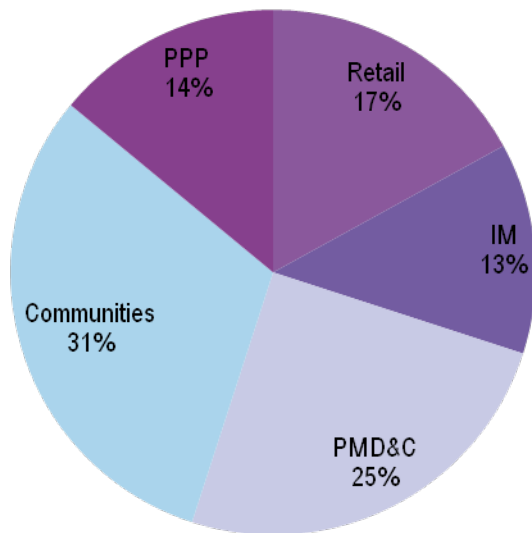
\$m	Valemus CY2009
Revenue ¹	4,766
EBITDA from Operating Businesses ²	192
EBITDA Margin (%)	4.0%
EBIT	152
EBIT Margin (%)	3.2%
Net Profit after Tax ³	117

1. Valemus equity accounts for its construction joint ventures in its statutory accounts (meaning that only the net amount, being revenue minus expenses, from these joint ventures is included in those statutory accounts). However, in this table, revenue includes Valemus' revenue from all business activities including its share of revenue recognised by its construction joint ventures. This reflects the level of operations being undertaken by Valemus both through its wholly owned businesses and its construction joint ventures. Whilst this is a different treatment to that under Australian Accounting Standards, the disclosure in the pro forma financial information presented is consistent with the information used by Valemus to review and manage its financial results
2. Lend Lease has made a number of pro forma adjustments to the EBITDA line to account for one-off and non-recurring items in the CY2009 Valemus accounts. An adjustment has also been made to reflect Lend Lease's view of Valemus' standalone bonding costs
3. Tax rate assumed is 30%

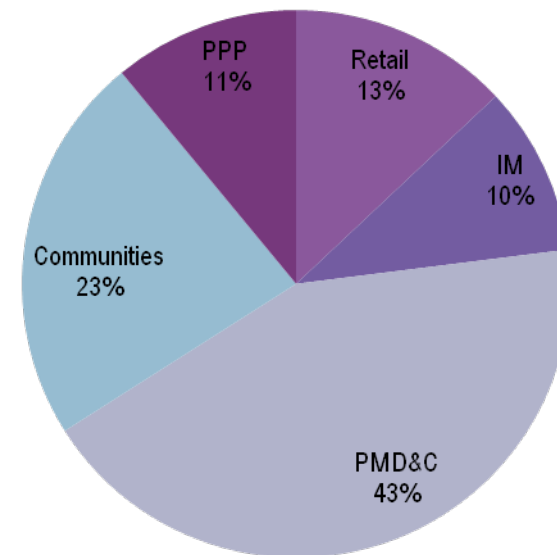
Lend Lease expects accretion from the transaction to be ~15% on a full year basis in the first full financial year ending 30 June 2012

Effect of the transaction on segment EBITDA

Lend Lease FY2010 EBITDA



Pro forma combined EBITDA¹

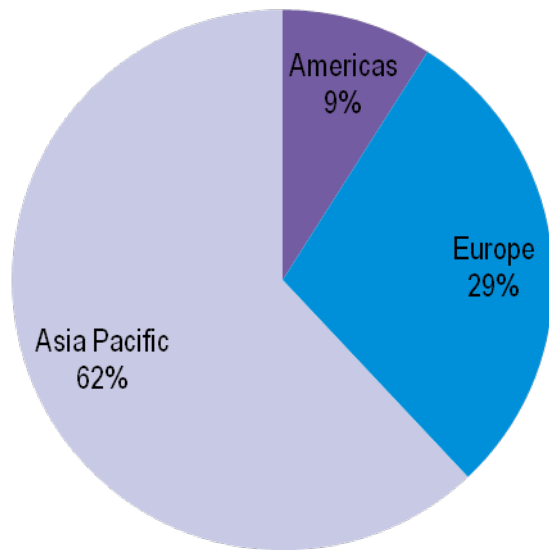


1. Based on Valemus CY2009 Pro forma EBITDA from slide 12 and Lend Lease's FY2010 EBITDA

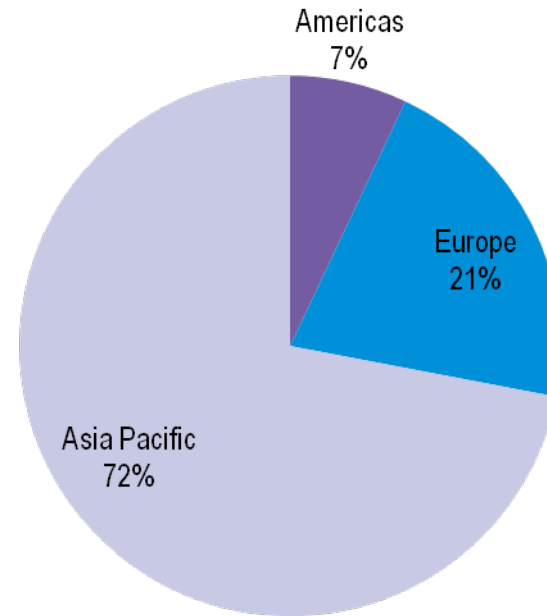
Effect of the transaction on geographic EBITDA



Lend Lease FY2010 EBITDA



Pro forma combined EBITDA¹



1. Based on Valemus CY2009 Pro forma EBITDA from slide 12 and Lend Lease's FY2010 EBITDA

Summary and conclusion

Strategic rationale

- In line with Lend Lease's strategy to position itself around key growth trends including Infrastructure and Public Private Partnerships

Scale

- The acquisition delivers scale and broadens Lend Lease's construction services capability in the Australian market

New capabilities

- Valemus is a leading Australian provider of services in the engineering, construction, non residential building, residential building and engineering services markets

Strong earnings accretion

- The transaction is expected to provide ~15% EPS accretion on a full year basis in the first full financial year ending 30 June 2012

Balance sheet

- Lend Lease retains significant financial flexibility to fund its exceptional development pipeline

Acquisition of Valemus

December 2010