

ASX Announcement

Lend Lease expects FY14 profit up over 45% following Bluewater sale

- Bluewater interest and management rights sold for a total value of £696 million (approximately A\$1,221 million)¹; an initial yield of approximately 4.0%²
- Lend Lease expects Net Profit After Tax for FY14 of A\$810 million - A\$830 million
- Anticipated unfranked dividend at a payout ratio of 50% of Net Profit After Tax for FY14
- Provisions of A\$85m after tax raised in relation to UK and Australian Communities Projects and UK PFI Investment
- Lend Lease remains comfortable with FY15 consensus expectations of A\$600 million – A\$620 million

25 June 2014

Bluewater sale

Lend Lease today announced that it has sold its interest in the Bluewater Shopping Centre for £656 million³ and its management rights and sundry land interests for £40 million to Land Securities Group PLC. The combined pre tax value is £696 million or approximately A\$1,221 million¹. The total value to Lend Lease including management rights delivers an initial yield for Bluewater Shopping Centre of approximately 4.0%²

The Bluewater Shopping Centre, located in Kent, United Kingdom, on which work began in 1995, transformed a former derelict chalk quarry into one of the top performing retail assets in Europe. Opened in 1999 and anchored by three department stores and over 300 retailing, catering and leisure units, the Centre set the benchmark for quality retailing in the UK.

The competitive sale process commenced in March 2014 and the transaction has exchanged and settled today 25 June 2014, delivering gross cash proceeds of approximately A\$1,221 million¹. Both parties are working together to transition the ownership from Lend Lease to Land Securities Group PLC.

¹ Converted at AUD/GBP of \$0.57

² Calculated on calendar year 2013 net operating income and management fee income for Bluewater, divided by total value attributable to Lend Lease of £696 million

³ This interest is the 30% share of Net Operating Income held by BlueCo. This interest does not include Lend Lease's minority interest in the Lend Lease Retail Partnership Fund.

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



Lend Lease CEO and Managing Director Steve McCann said, “Bluewater is an exceptional asset and a tremendous demonstration of Lend Lease’s capabilities as a retail developer and manager. This is an outstanding sale outcome which has realised considerable value for securityholders at this time in the cycle.”

“The cash proceeds of the sale will initially be used to pay down debt and subsequently support investment in our significant global development pipeline of over A\$38 billion, including our large urban regeneration projects in London at Elephant & Castle and The International Quarter,” said Steve McCann.

Lend Lease’s interest in the Bluewater Shopping Centre is held at inventory value for accounting purposes (A\$507 million as at 31 December 2013).

After transaction costs, associated provisions and tax, the expected profit on sale of Lend Lease’s interest in Bluewater, its management rights and sundry land is expected to be approximately A\$480 million⁴.

Expected FY14 results

In addition to assessing the impact of the transaction on the expected FY14 results, Lend Lease has also accounted for a number of other adjustments, to be taken in the FY14 results.

The forecast marginal return on capital for the projects referred to in the following paragraph is below current targets for new projects. Accordingly, the Board concluded the optimal path is to restructure or exit these projects and redeploy the capital in other opportunities in its existing development pipeline.

These adjustments include provisions associated with the proposed divestment of the Crosby apartment portfolio in the UK (A\$29 million post tax) and a proposed exit from the PFI Global Renewables Project in Lancashire (A\$16 million post tax). Lend Lease also intends to restructure and potentially exit three communities projects in Australia (A\$40 million post tax).

In assessing the impact of the transaction and adjustments on expected FY14 results, Lend Lease has accounted for a higher expected tax rate of 16-19% and certain transactional profits associated with its Development business and Investments that are now no longer expected to occur in FY14.

Lend Lease expects to deliver a Net Profit After Tax for FY14 in the range of A\$810 million - A\$830 million.

⁴ Effective tax rate on Bluewater ~23%

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Distribution

Lend Lease will maintain its distribution policy of paying out between 40-60% of earnings and expects the total distribution for FY14 to be at the midpoint of the range.

Consensus expectations

Lend Lease remains comfortable with FY15 expectations of Net Profit After Tax of between A\$600 million – A\$620 million, based on the average of 12 sell-side analyst expectations as at 25 June 2014.

A conference call to discuss the transaction will be held today at 11.00am AEST.
Dial in details are:

Number: +61 2 8373 3610
Conference ID: 64628612

Ends

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