MEDIA STATEMENT   **28 AUGUST 2003**

IBM ACQUIRES TELSTRA AND LEND LEASE SHARES
IN IBM GLOBAL SERVICES AUSTRALIA

IBM, Lend Lease and Telstra today announced that IBM will acquire Lend Lease and Telstra's shares in the IBM Global Services Australia Limited ("IBM GSA") joint venture.

Under an agreement signed today, IBM will pay Lend Lease AUD$160 million (paid in two equal tranches – one now and one a year from now), and Telstra AUD$153.5 million for their shares in the joint venture. The transaction is subject to review by the Foreign Investment Review Board, and is expected to be finalised by early September. When the transaction is complete, IBM GSA will continue to operate as a part of IBM's Global Services organisation.

The change of ownership in IBM GSA reflects the changing business priorities of the three companies. IBM and Lend Lease formed the joint venture, then called ISSC (Integrated Systems and Services Corporation) in 1994, and it was renamed when Telstra became a partner in 1997.

The joint venture has been a successful investment, both in the market position it has achieved and in its financial performance, with the three partner companies enjoying a strong working relationship.

Mr Brendon Riley, GM of IBM Australia's Global Services organisation, said that acquiring full ownership would allow IBM to enhance the service it provides to its customers.

"IBM's increased investment in the Australian IT and consulting services business will allow us to improve our ability to respond rapidly to changes in the marketplace and anticipate the emerging needs of our customers.

"We will also be able to simplify our internal structure and processes and provide more flexible solutions to our customers. We will integrate our two consulting organisations, BCS and BIS, making the combined IBM Business Consulting Services the largest business consulting practice in Australia.

"We are proud of what we have achieved working with Lend Lease over the past nine years and Telstra for the past six in building Australia's leading IT services provider, and we look forward to continuing our strong relationships with both companies."

Telstra's Chief Financial Officer, Mr David Moffatt, said Telstra was pleased with the transaction terms for its 22.6 percent stake.

"The sale is a key part of the transformation of Telstra's IT processes which focus on aligning the interests of key vendors with Telstra's vision which is to improve its internal IT skills base," he said.

Lend Lease CEO, Mr Greg Clarke, said the Group was pleased to have been involved in the formation of the successful IBM GSA joint venture.

"We have made it clear for some time that our investment in IBM GSA was non-core, so it is appropriate that we are exiting the joint venture," he said.

IBM Global Services plays an important role in the Australian business community, employing over 8,000 people. According to IDC, IBM Global Services is the leading provider of IT services in the Australian market, with an estimated 15% share.

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