

ASX ANNOUNCEMENT

28 April 2017

Engineering & Services Market Update

Attached is the presentation to be given today by Craig Laslett, Chief Executive Officer, Engineering & Services, Australia, Lendlease.

The presentation will be webcast live via www.lendlease.com

ENDS

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Engineering & Services Market Update

Craig Laslett, Chief Executive Officer, Engineering & Services,
Australia

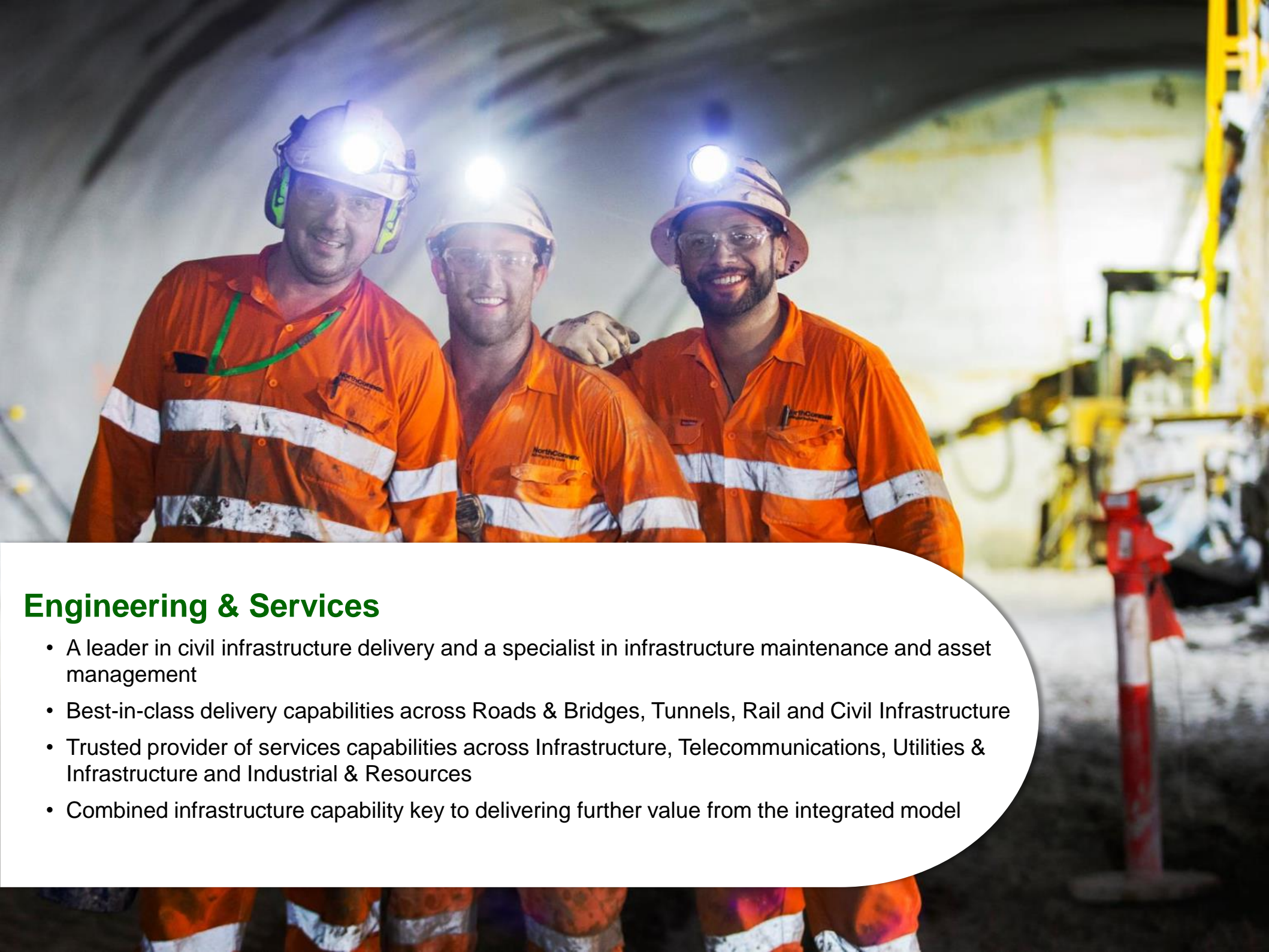
28 April 2017



Indigenous engagement and reconciliation

Lendlease's vision for Reconciliation is one in which all our employees **acknowledge and celebrate the proud heritage of Australia's First Peoples** and promote opportunities for **career development, sustainable business growth and economic participation** of Aboriginal and Torres Strait Islander Australians within our sector





Engineering & Services

- A leader in civil infrastructure delivery and a specialist in infrastructure maintenance and asset management
- Best-in-class delivery capabilities across Roads & Bridges, Tunnels, Rail and Civil Infrastructure
- Trusted provider of services capabilities across Infrastructure, Telecommunications, Utilities & Infrastructure and Industrial & Resources
- Combined infrastructure capability key to delivering further value from the integrated model

STRONG CAPABILITY ACROSS ENGINEERING & SERVICES

**DESIGN &
CONSTRUCT**

ROADS & BRIDGES

RAIL

CIVIL INFRASTRUCTURE

TUNNELS

**OPERATE &
MAINTAIN**

TRANSPORT INFRASTRUCTURE

TELECOMMUNICATIONS

RENEWABLES

INDUSTRIAL & RESOURCES

UTILITIES & INFRASTRUCTURE

Lendlease vision: to create the best places

Strategic framework

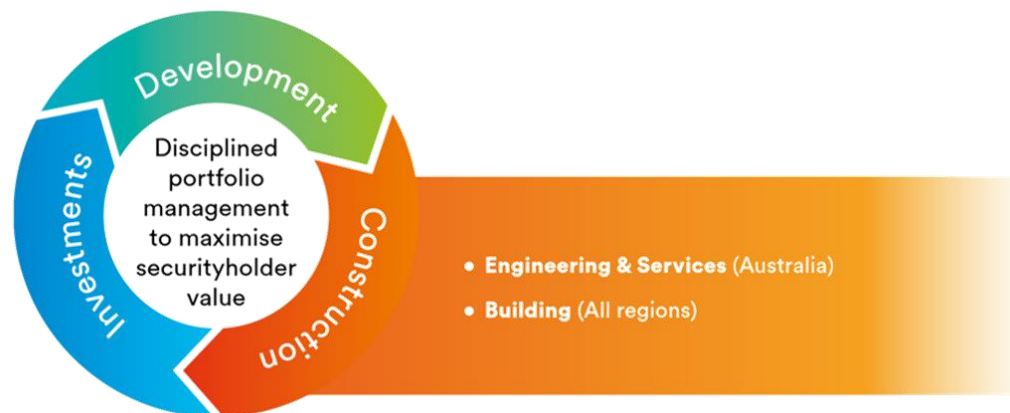
FOCUS

Delivering optimal performance safely

GROW

Disciplined growth in sectors aligned with global trends and with a focus on our target global Gateway Cities

Business model



Competitive advantage

INTEGRATED MODEL

Ability to deliver quality projects leveraging more than one of our segments.

FINANCIAL STRENGTH


Balance sheet strength and access to third party capital.

TRACK RECORD


Delivering quality design and sustainable outcomes safely.

Pillars of value

 Health & Safety

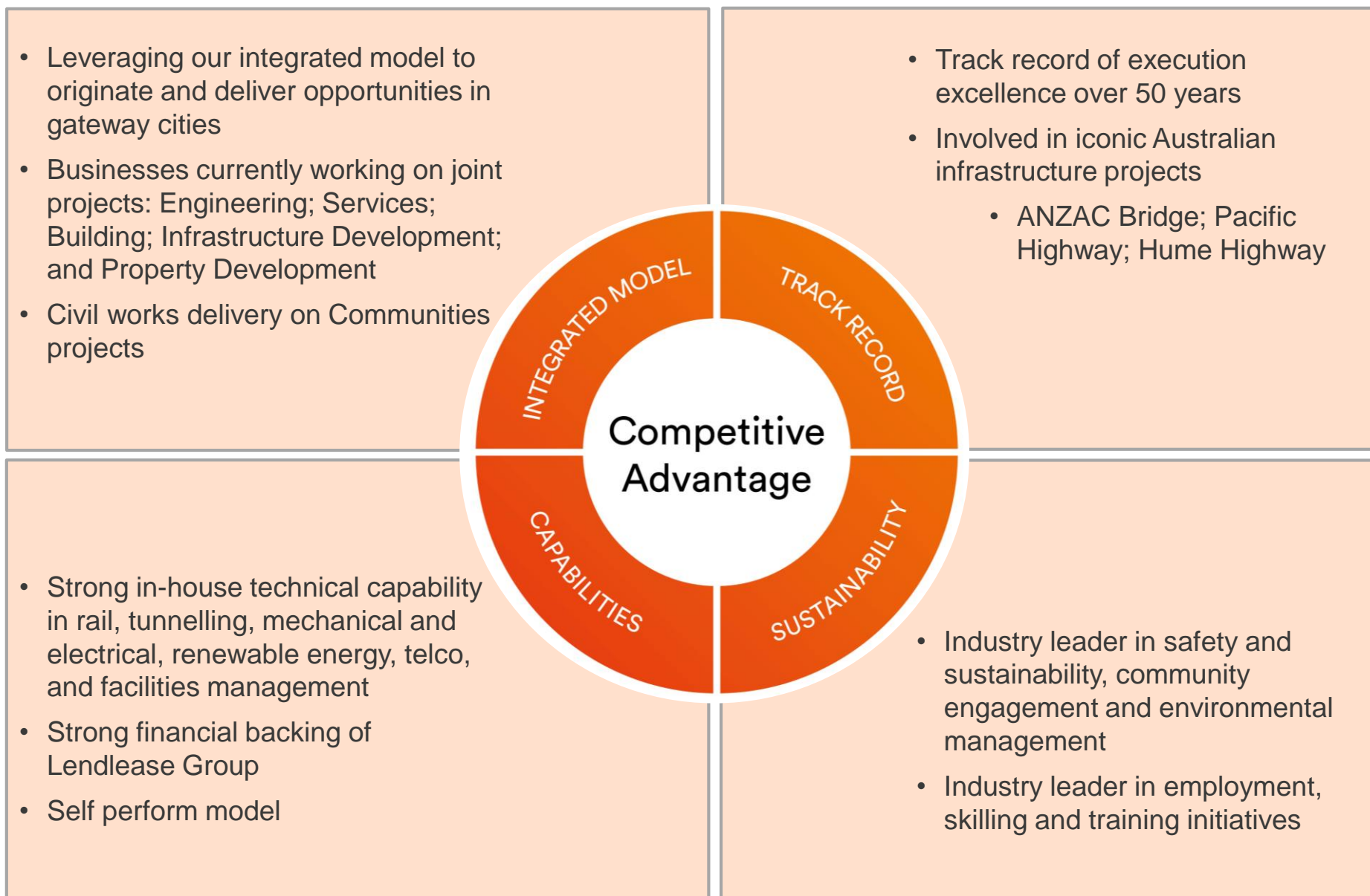
 Our People

 Our Customers

 Financial

 Sustainability

Engineering & Services: Competitive Advantage





Melbourne Metro
Engineering, Property
Development, Building,
Infrastructure
Development



Pacific Highway
Engineering, Services



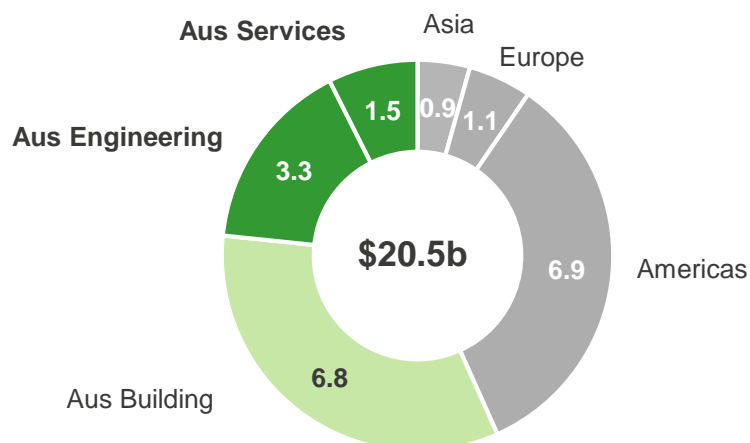
NorthConnex
Engineering, Services



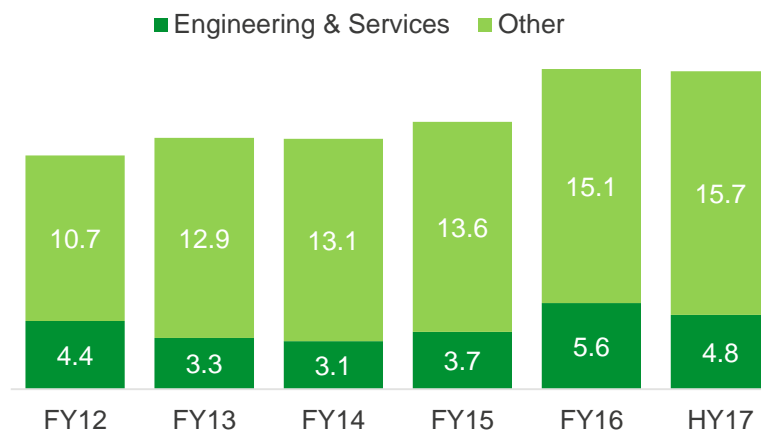
Northern Connector
Engineering, Services

Construction segment: Engineering & Services contribution

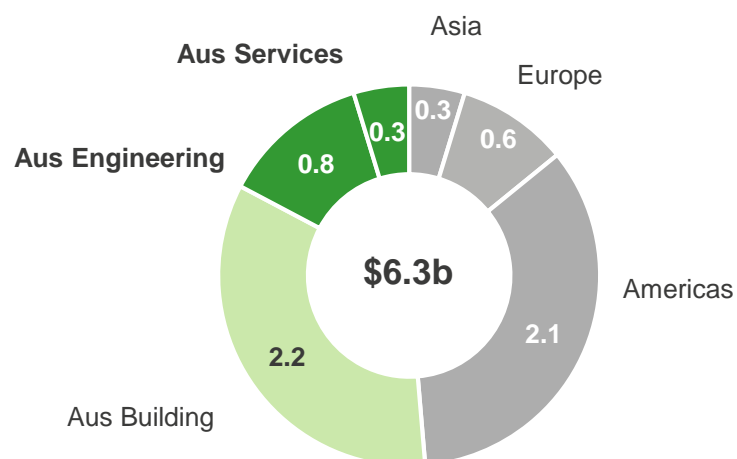
Backlog revenue by region (\$b)¹



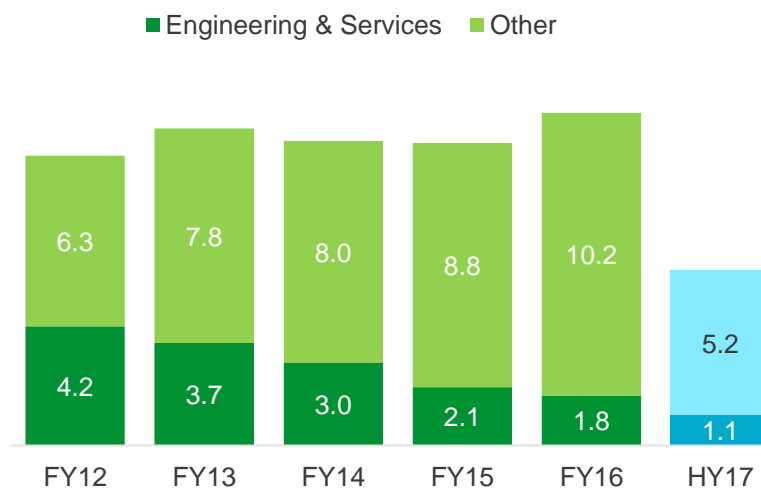
Backlog revenue (\$b)



Revenue by region (\$b)²



Revenue (\$b)







Market opportunity for Engineering & Services in Australia

Engineering Construction¹ ~\$75b²

Projected Composition¹:

- Transport ~\$30b
- Resources ~\$15b
- Utilities ~\$25b
- Other civil ~\$5b

Sector outlook^{1,3}:

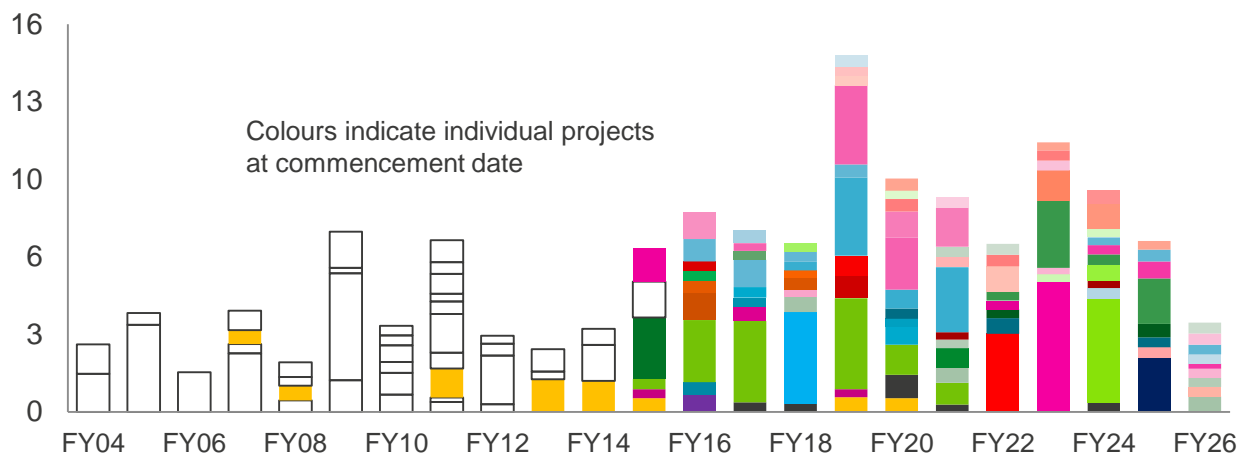
- Transport 
- Resources 
- Utilities 
- Other civil 

Transport project outlook^{1,3,4}:

- Major 
- Minor 

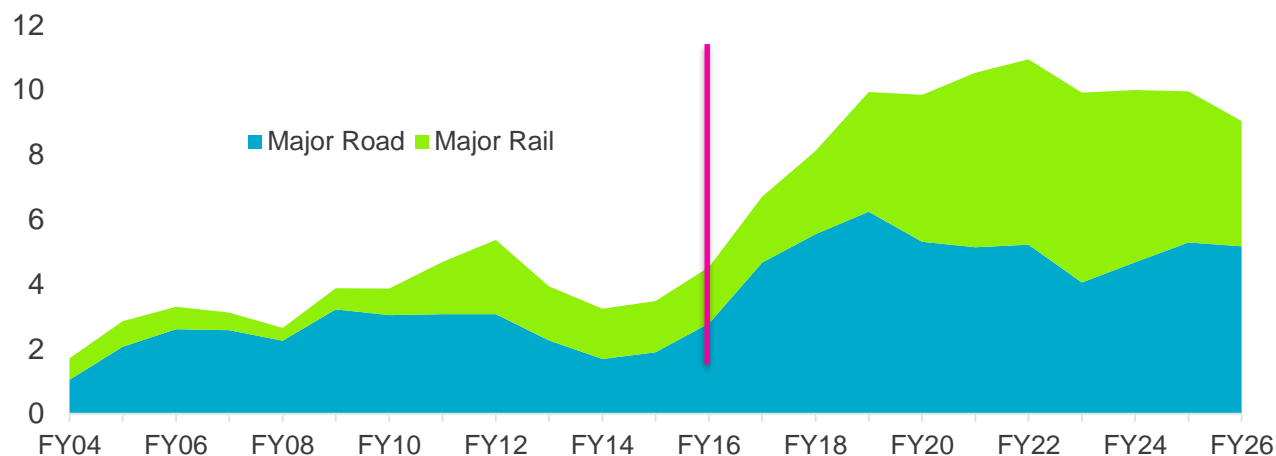
Major Road and Rail Construction^{1,4} (\$b)

Value of commencements, inflation adjusted⁵



Major Road and Rail Construction^{1,4} (\$b)

Value of work done, inflation adjusted⁵





Melbourne Metro



**Sydney Metro
Central Station Main
Works**

**MAJOR
PROJECTS
PIPELINE**

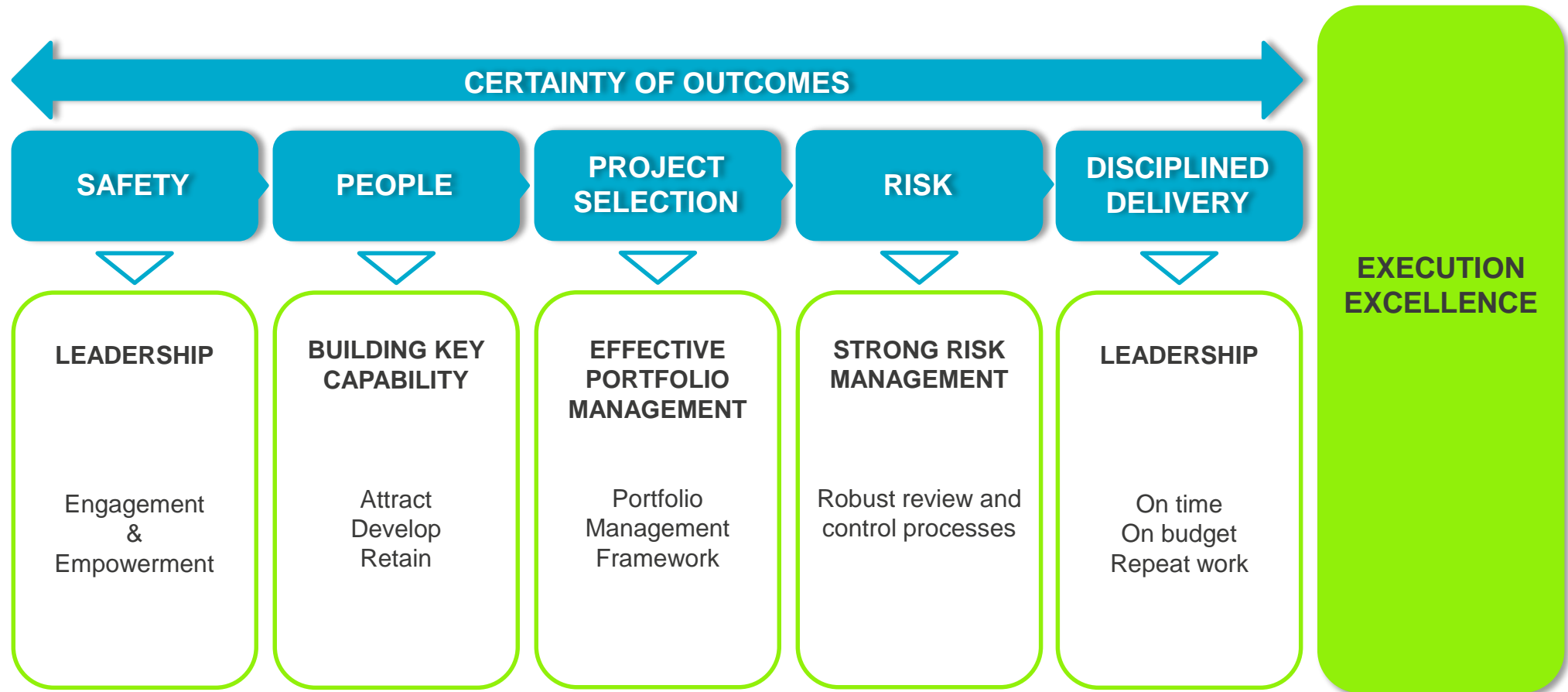


**Outer Suburban
Arterial Roads,
Melbourne**



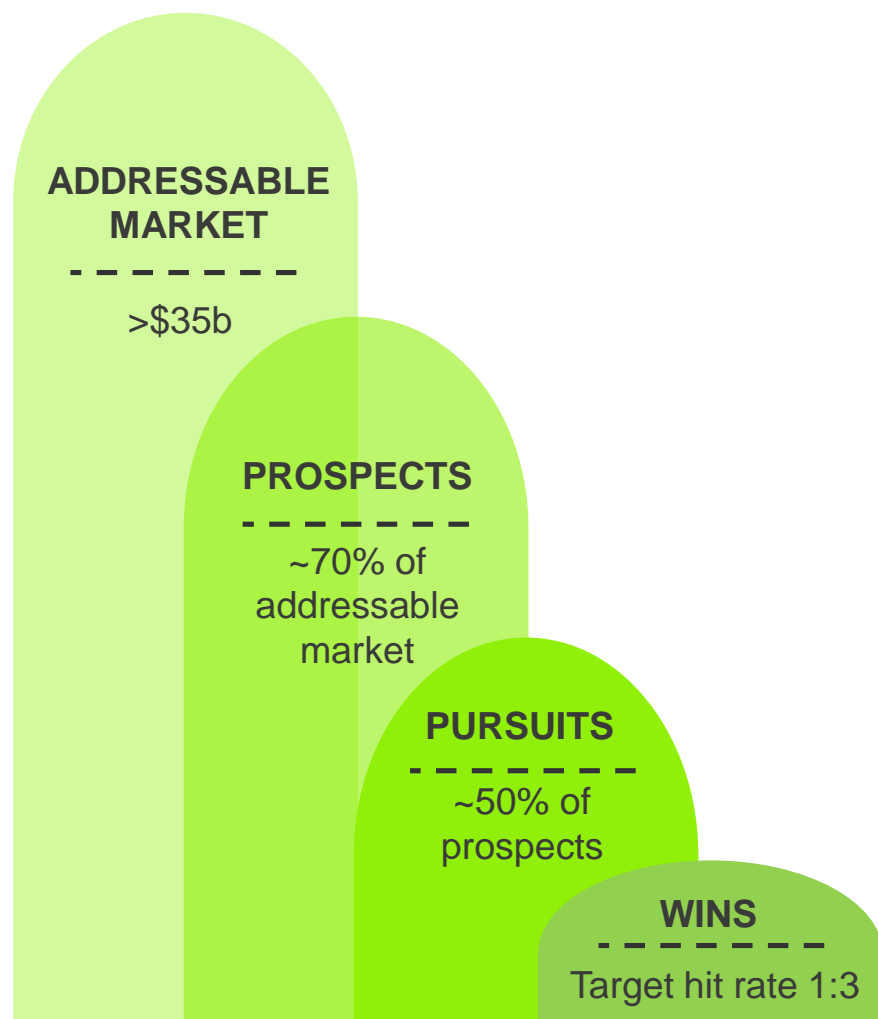
**Melbourne Airport –
Runway Development
Program**

Responding to the market opportunity



Diversified engineering portfolio: Medium term Revenue Target of ~\$4b

Medium term² outlook, per annum estimates



Diversified Portfolio

Sector mix

- Road 50-70%
- Rail 10-30%
- Other 10-30%

Geographic mix

- NSW 30-50%
- VIC 30-50%
- Other states 10-30%

Project mix¹

- Mega 25-35%
- Large 25-35%
- Medium 20-30%
- Small 10-20%

Risk Management

- Origination discipline
- Exposure limits
- Contract risk
- Operational risk

Target financial metrics

- Revenue ~\$4 billion
- EBITDA margin > 5%

1. Mega > \$750m, Large \$300m - \$750m, Medium \$100m - \$300m, Small < \$100m
2. Represents 3 - 5 years

Risk management – control and review process through the lifecycle

PROJECT STAGES

STRATEGY

ORIGINATION

CONVERSION

DELIVERY

Quarterly Business Review Process: management meetings to review/manage business financial and operational performance

Monthly Reviews: project reviews held monthly

Limits of Authority: framework of limits to restrict and monitor the ability of employees to expose Lendlease to risk

Portfolio Management: review performance across clients, sectors, service

Investment Committee: detailed review of resources, budget, risks and capital strategy at regional and Board level

Centre of Excellence: provides knowledge sharing, governance and operational excellence and expertise at all stages

Global Minimum Requirements: comprehensive guidelines on minimum standards for environment, health and safety

Capabilities: assessment of experience, expertise, technical proficiency, capacity of people involved at each stage to guarantee execution excellence



Execution Excellence:
Award winning transformation of
Sydney's Barangaroo Reserve

**Project of engineering firsts to
transform the six hectare
industrial site**



Engineering & Services

Provides strategic value to Group

- Earnings diversification that is countercyclical
- Key to achieving Australian Construction EBITDA target margin of 4-5%
- Integrated opportunities
- Contributes to gateway cities strategy

Australian infrastructure market attractive

- Infrastructure market has a strong medium-term growth outlook
- Longer-term growth underpinned by economic fundamentals and ongoing 'catch-up' expenditure

Positioned for growth

- Engineering & Services capabilities are strongly integrated to respond to the market opportunity
 - **Engineering** – a leading tier 1 contractor with revenue target of ~\$4 billion
 - **Services** – partner of choice with revenue target of ~\$1 billion

Appendices



Image: Gateway Upgrade North Project,
Deagon Deviation, Queensland

ROADS CAPABILITY

A leader in road building

- Large plant and equipment fleet
- Self-perform capability
- Precast facility and batching equipment

Capabilities

- Design
- Greenfield & Brownfield
- Elevated roads and bridges
- Mechanical & Electrical
- Intelligent Transport Systems
- Turnkey delivery
- Network Operations & Maintenance

Example projects

- NSW: M1, M2, M5, M7, Hume, Pacific Highway
- VIC: Pen Link, Westgate, Tulla/Calder Inter.
- QLD: Gateway, Bruce, Ipswich, Tugun Bypass, Kingsford Smith Drive
- SA: Port River Ex, Southern Ex, Northern Connector
- WA: Mitchell Freeway, Tonkin Highway, Kwinana, Northbridge Tunnel, Graham Farmer Freeway





BRIDGE CAPABILITY

Experienced bridge constructor

- Road
- Rail
- Pedestrian

Capabilities

- Precast and in-situ solutions
- Precast girders, planks, arches, segmental bridge units
- Segmental, incrementally launched and balanced cantilevers
- Complex interchanges
- Refurbishments and upgrades

Example projects

- Anzac Bridge – Sydney
- Bolte Bridge – Melbourne
- Gateway duplication – Brisbane

TUNNEL CAPABILITY

Forefront of tunnel construction

- Design
- Planning
- Excavation and Construction

Capabilities

- Precast tunnel segments
- Roadheaders; drill and blast, TBMs
- Tunnel portals and stacks
- Mechanical & Electrical systems
- Ventilation and control systems
- Operations and maintenance

Example projects

- Cross City, M5 East, M2, NorthConnex – Sydney
- Clem 7 – Brisbane
- Northbridge – Perth
- St Helena Ridge – M1
- Tugun Bypass – M1





RAIL CAPABILITY

Rail client services

- Multi-disciplinary project management
- Project construction

Capabilities

- Track construction
- Station construction and upgrades
- Overhead wiring
- Rail bridges

Example projects

- Epping to Thornleigh 3rd track – Sydney
- Regional Rail Link B & E – Melbourne
- Caulfield to Dandenong Level Crossing Removal Project – Melbourne
- Bauhinia Regional Railway – Queensland
- Dingo to Bluff duplication – Queensland



CIVIL INFRASTRUCTURE CAPABILITY

Major economic infrastructure

- Transport
- Utilities
- Mining
- Defence

Capabilities

- Multidiscipline civil engineering
- Marine and port
- Airfield pavements & associated services
- Dams
- Mine developments and infrastructure
- Energy infrastructure

Example projects

- Port Botany expansion, NSW
- Cotter Dam enlargement, ACT
- Caval Ridge mine infrastructure, QLD
- Australian Marine Complex Service & Supply Base, WA
- Adelaide Airport terminal apron expansion, SA
- Blakes Crossing, SA, and Jordan Springs, NSW, Communities



OTHER CAPABILITIES

Sectors

- Telecommunications
- Renewables
- Utilities & Infrastructure
- Remediation and Environmental Services

Capabilities

- Design & Development
- Construction
- Operations & Maintenance
- Mobile Infrastructure
- Fixed & Intelligent Infrastructure
- Civil Engineering
- Contamination & Land Remediation
- Environmental Impact Assessment
- Waste Management

Example projects

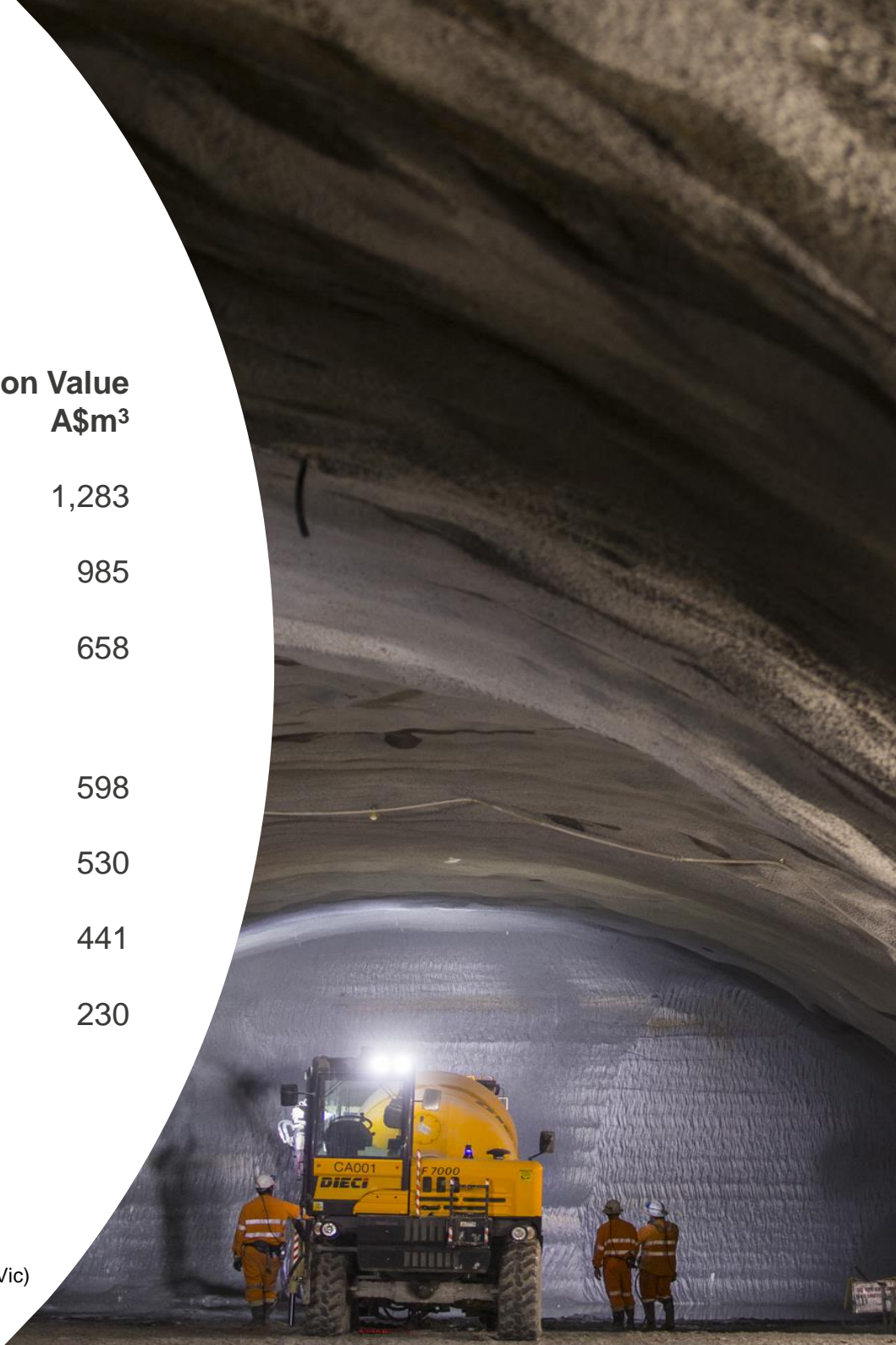
- Sydney Water
- Coliban Water
- NBN
- Telstra
- Barangaroo



Engineering Major Projects Backlog¹

Project	Location ²	Construction Value A\$m ³
NorthConnex M1/M2 Tunnel	NSW	1,283
Northern Connector	SA	985
Gateway Upgrade North	Qld	658
Oxley Highway to Kundabung, Pacific Highway	NSW	598
Caulfield to Dandenong	Vic	530
Kingsford Smith Drive	Qld	441
CityLink Tulla Widening	Vic	230

1. Major projects are as at 31 December 2016, Lendlease major projects >\$100m
2. Locations are New South Wales (NSW), South Australia (SA), Queensland (Qld), and Victoria (Vic)
3. Construction value represents the Group's share of the total construction value of the project



NorthConnex Tunnel, Sydney

- New motorway connecting the M1 and M2 in northern Sydney
- Twin 9km long, two lane tunnels with interchanges at northern and southern ends
- Integration work on the Hills M2 Motorway
- Constructed by a joint venture between Lendlease and Bouygues Construction for asset owner, Transurban
- **Client:** NorthConnex Company Pty Limited
- **Construction value:** \$1,283 million
- **Expected completion:** FY20





Pacific Highway Upgrades, NSW

Nambucca to Urunga

- 22km duplication of the Pacific Highway
- 36 bridges, including the Kalang River bridge
- Design and construct contract
- **Client:** Roads and Maritime Services, NSW
- **Construction value:** \$572 million
- **Expected completion:** FY17

Oxley Highway to Kundabung

- 23km duplication of the highway
- Bridges over the Hastings and Wilson rivers
- Design and construct contract
- **Client:** Roads and Maritime Services, NSW
- **Construction value:** \$598 million
- **Expected completion:** FY18



Kingsford Smith Drive, Brisbane

- Road widening from 4 lanes to 6 lanes from Eagle Farm to Hamilton
- Also includes improvements between Cooksley Street and Breakfast Creek Road at Albion
- Creates a tree lined boulevard to Brisbane city, including parks and pathways
- Design and construct contract
- **Client:** Brisbane City Council
- **Construction value:** \$441 million
- **Expected completion:** FY19

Northern Connector, Adelaide

- Construction of a new six lane 15.5km road linking the Northern Expressway with the South Road Superway and Port River Expressway
- Four road interchanges
- Three lanes in each direction
- 16km path for cyclists and pedestrians
- **Client:** Department of Planning, Transport and Infrastructure
- **Construction value:** \$985 million
- **Expected completion:** FY19



Caulfield to Dandenong Level Crossing Removal Project, VIC

- Removal of nine level crossings between Caulfield and Dandenong
- Five new stations to be built at Carnegie, Murrumbeena, Hughesdale, Clayton and Noble Park
- Power and signalling upgrades between Flinders Street Station and Pakenham Station
- 22.5 hectares of public open space and shared pathways
- Lendlease is delivering the Caulfield to Dandenong package as part of an Alliance with CPB Contractors, WSP | Parsons Brinkerhoff, Aurecon, LXRA and Metro Trains Melbourne (MTM)
- **Client:** Level Crossing Removal Authority
- **Construction value:** \$530 million
- **Expected completion:** FY19



Lendlease Communities Projects

- Services currently involved in nine Lendlease Communities projects as part of an ongoing integrated partnership
- Engineering has experience in Communities projects, providing earthworks at Jordan Springs, NSW and Blakes Crossing, SA
- **Client:** Lendlease Communities
- **Construction value:** circa \$80 million¹
- **Expected completion:** Ongoing



1. Value of Engineering and Services work to be completed for Lendlease Communities in FY17

Optus National Maintenance, National

- Maintenance of the Optus and Uecomm network's aerial backbone and customer cable infrastructure
- Partnered with Optus since 2009
- **Client:** Optus

Westlink M7, Sydney

- Operation and maintenance of the M7 motorway in Sydney
- Incident response services, under the name Westlink Services
- **Client:** Roads & Maritime Services, NSW



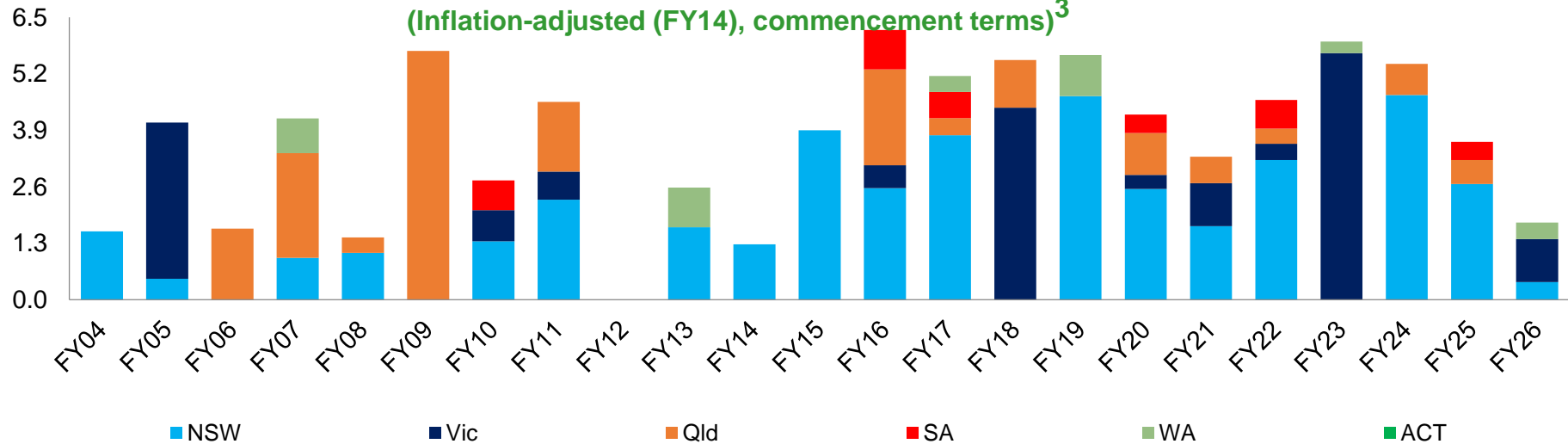


Sydney Water Delivery Management Contract

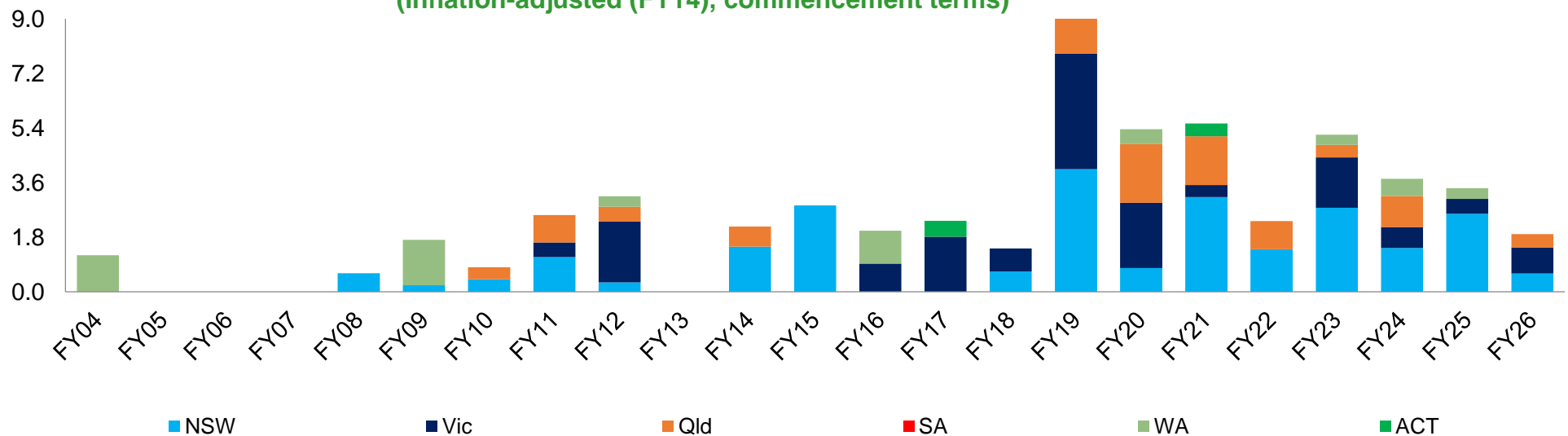
- Includes process, mechanical, electrical, civil, structural and commission works in Sydney Water's treatment facilities, and network assets
- Individual projects range in size
- Integrated team with Sydney Water and other partners
- Lendlease has been delivering works for Sydney Water for 20 years, under various contracts
- **Client:** Sydney Water Corporation

Major transport construction pipeline¹

Major Road Construction² - By State (\$b) (Inflation-adjusted (FY14), commencement terms)³



Major Rail Construction² - By State (\$b) (Inflation-adjusted (FY14), commencement terms)³



1. Lendlease Group Research estimates

2. Includes major projects > \$500m

3. FY14 prices

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A reference to HY17 refers to the half year period ended 31 December 2016 unless otherwise stated. All figures are in AUD unless otherwise stated.