

ASX ANNOUNCEMENT

21 February 2018

Appendix 4D and Half Year Consolidated Financial Report

Lendlease Group today announced its results for the half year ended 31 December 2017. Attached is the Appendix 4D and Half Year Consolidated Financial Report.

ENDS

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as responsible entity for **Lendlease Trust** ABN 39 944 184 773 ARSN 128 052 595

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Half Year
Consolidated
Financial Report
December
2017



Lendlease Group

Appendix 4D

Lendlease Group (the Group) comprises Lendlease Corporation Limited (the Company) ABN 32 000 226 228 and Lendlease Trust (LLT) ARSN 128 052 595 the responsible entity of which is Lendlease Responsible Entity Limited ABN 72 122 883 185

Preliminary Half Year Report for the period ended 31 December 2017
(previous corresponding period being the period ended 31 December 2016)

Results for Announcement to the Market

Profit After Tax

	6 months December 2017	6 months December 2016	% Change
	A\$m	A\$m	
Revenue	8,691.2	7,945.3	9.4%
Profit after tax attributable to securityholders	425.6	394.8	7.8%

Stapling of the Company Shares and LLT Units

Shares in the Company and units in LLT are traded as one security under the name of Lendlease Group on the Australian Securities Exchange (ASX). The Company is deemed to control LLT for accounting purposes and therefore LLT is consolidated into the Group's financial report. The issued units of LLT, however, are not owned by the Company and are therefore presented as non controlling interests in the consolidated entity statement of financial position within equity, notwithstanding that the unitholders of LLT are also the shareholders of the Company.

Dividends/Distributions

	Amount per security	Franked amount per security
Interim dividend/distribution – payable 22 March 2018	34.0 cents	0.0 cents

The interim dividend/distribution is comprised of an unfranked dividend of 29.43223 cents per share payable by the Company, sourced from the Conduit Foreign Income (CFI) account, and a trust distribution of 4.56777 cents per unit payable by LLT.

The record date for determining entitlement to the interim distribution is 28 February 2018 (Record Date) and the distribution is payable on 22 March 2018.

The Group's Distribution Reinvestment Plan (DRP) was reactivated in February 2011. The last date for receipt of an election notice for participation in the DRP is 1 March 2018. The Group intends to neutralise stapled securities issued under the DRP for the upcoming dividend by acquiring an equivalent number of stapled securities on market. Subject to the rules of the DRP, the issue price is the arithmetic average of the daily volume weighted average price of Lendlease stapled securities traded on the Australian Securities Exchange for the period of five consecutive business days commencing 5 March 2018. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

Additional Information

	December 2017	June 2017
Net tangible assets per security	A\$8.60	A\$8.14

The remainder of the information requiring disclosure to comply with listing rule 4.2A.3 is contained in the Performance & Outlook section of the December 2017 Directors' Report and the December 2017 Half Year Consolidated Financial Report.

Directors' Report

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Directors' Report

The Directors present their Report together with the Half Year Consolidated Financial Report of the consolidated entity, being Lendlease Corporation Limited (the Company) including its controlled entities and Lendlease Trust (together referred to as the consolidated entity or the Group), for the six months ended 31 December 2017 and the Auditor's Report thereon.

1. Directors

The name of each person who has been a Director of the Company at any time between 1 July 2017 and the date of this Report are:

D A Crawford, AO	Director since 2001 & Chairman since 2003
S B McCann	Chief Executive Officer since 2008 & Managing Director since 2009
C B Carter, AM	Director since 2012
P M Coffey	Director since 2017
P M Colebatch	Director since 2005
D P Craig	Director since 2016
S B Dobbs	Director since 2015
J S Hemstritch	Director since 2011
E M Proust, AO	Appointed 1 February 2018
D J Ryan, AO	Director since 2004 (retired November 2017)
M J Ullmer	Director since 2011
N M Wakefield Evans	Director since 2013

2. Dividends/Distributions

An unfranked interim distribution of A\$198.6 million (December 2016: A\$192.4 million unfranked) has been approved by the Directors. The interim distribution comprising of an unfranked dividend of 29.4 cents per share from the Company and a trust distribution of 4.6 cents per unit from Lendlease Trust will be paid on 22 March 2018 (December 2016: 29.8 cents per share from the Company and 3.2 cents per unit from Lendlease Trust paid on 24 March 2017).

3. Events subsequent to Balance Date

On 21 February 2018, the Group announced the on-market buyback of up to A\$500.0 million of the Group's stapled securities. The on-market buyback is subject to the ongoing assessment of the Group's surplus capital position, market conditions and growth opportunities.

4. Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Lead Auditor's Independence Declaration is set out at the end of this report and forms part of the Directors' Report for the six months ended 31 December 2017.

5. Rounding off

The Group is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that Instrument, amounts in the Half Year Consolidated Financial Report have been rounded off to the nearest tenth of a million dollars, or, where the amount is A\$50,000 or less, zero, unless specifically stated otherwise.

6. Performance & Outlook

The Performance & Outlook on pages 3 to 14 is based on the Half Year Consolidated Financial Statements for the six months ended 31 December 2017 and should be read in conjunction with those financial statements. All currency amounts are expressed in Australian dollars unless otherwise specified.

GROUP HIGHLIGHTS

The Group delivered resilient earnings for securityholders for the period ended 31 December 2017, with Profit after Tax of \$425.6 million, up eight per cent on the prior corresponding period. The Group's Return on Equity was 13.8 per cent for the period, towards the upper end of the 10 to 14 per cent target range.

Earnings per Security was 72.9 cents, up eight per cent on the prior corresponding period. The Distribution per Security of 34.0 cents was up three per cent on the prior corresponding period.

Group operating EBITDA of \$800.0 million was up 11 per cent, driven by outperformance in the Development and Investments segments, more than offsetting underperformance in the Construction segment.

The Development segment result was underpinned by strength in the residential sector. Apartment buildings were completed within four Urbanisation projects across Australia and Europe. A new Residential for Rent investment partnership was launched in the UK, which included the commencement of two buildings in London as part of phase one. The Communities business in Australia delivered a strong result.

The outperformance of the Investments segment was driven by an uplift in recurring earnings and strong gains in underlying asset values. The underperformance in the Construction segment related to a small number of Engineering projects in Australia.

Group Services costs at the EBITDA level of \$68.9 million were broadly flat. Depreciation and amortisation was up five per cent to \$50.4 million, reflecting higher technology related costs.

Net finance costs of \$46.0 million was down seven per cent on the prior corresponding period due to lower average net debt. Net debt ended the period at \$249.7 million, with the average cost of debt broadly flat at 4.8 per cent.

The effective tax rate of 31.8 per cent was up by 4.6 percentage points. The increase in the effective tax rate related to the write off in deferred tax assets during the period associated with the part sale of the Retirement Living business. The reduction in the US corporate tax rate towards the end of the period provided some offset to this impact.

Net operating and investing cash flows were \$825.2 million for the period, almost double the Profit after Tax result. Cash inflows included the proceeds from the part sale of the Retirement Living business, apartment settlements and commercial development receipts. Inflows were partially offset by continued investment in the development pipeline.

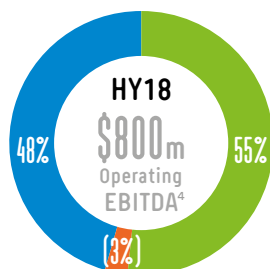
The robust cash outcome further strengthened an already resilient balance sheet. Gearing of 1.9 per cent, cash and cash equivalents of \$1.5 billion and total liquidity of \$3.9 billion, representing cash and cash equivalents and undrawn debt facilities, all improved on their 30 June 2017 positions.

Maintaining an optimal capital structure, a core element of the Portfolio Management Framework, is critical in maximising securityholder value. As part of a disciplined approach to managing capital, the Board has approved an on-market buyback of up to \$500 million, subject to an ongoing assessment of the Group's surplus capital position, market conditions and growth opportunities.

Key Financials

FINANCIAL		HY17	HY18	Percentage Movement
Key Metrics				
Revenue ¹	\$m	7,950.8	8,697.3	9%
EBITDA	\$m	639.6	720.6	13%
Profit after Tax (PAT)	\$m	394.8	425.6	8%
Operating and Investing Cash Flow	\$m	243.0	825.2	240%
Net Assets ²	\$m	6,166.5	6,429.1	4%
Net Debt ²	\$m	912.8	249.7	(73%)
Effective Tax Rate ³	%	27.2	31.8	17%
Key Returns				
Earnings per Security	cents	67.8	72.9	8%
Distribution per Security	cents	33.0	34.0	3%
Weighted avg Securities	no.(m)	582.7	583.8	-

EBITDA Mix

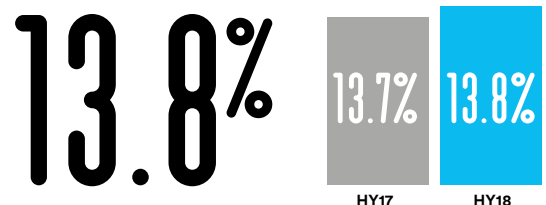


■ Development ■ Construction ■ Investments

Profit after Tax



Return on Equity



Earnings per Security



- Includes finance revenue.
- Comparative values represent June 2017 balances.
- Lendlease's approach to tax and its policies are contained on the website (<http://www.lendlease.com/investor-centre/taxation>). Details on tax balances are included within the Consolidated Financial Statements.
- Excludes Corporate.

PORTFOLIO MANAGEMENT FRAMEWORK

The Portfolio Management Framework is designed to:

- Maximise long term securityholder value through a well diversified, risk adjusted portfolio;
- Leverage the competitive advantage of our integrated model;
- Optimise our business relative to the outlook for our markets on a long term basis; and
- Ensure financial strength to execute our strategy, maintain an investment grade credit rating and the capacity to both absorb and respond to market volatility.

As a part of this framework the Group has set target ranges on a number of key metrics which are set out below.

Return on Equity was 13.8 per cent, towards the upper end of the target range of 10 to 14 per cent. This return was achieved with very modest financial leverage, with gearing well below the 10 to 20 per cent target range. The upper end of the target gearing range was lifted by five percentage points (previously 10 to 15 per cent) to re-align gearing with leverage metrics following the change in accounting treatment of the Retirement Living business triggered by its part sale.

The Development and Investments segments delivered returns above their respective target ranges, while the Construction segment generated an EBITDA margin below its target range.

The invested capital mix at a segment level remains around the mid-point of target ranges.

The regional capital mix has shifted substantially over the last year, with the capital weighting to Australia declining by 16 percentage points. This reflects the investment that has been made in the international development and investment pipeline, and reduction in the capital allocated to the Retirement Living business in Australia.

CAPITAL FRAMEWORK	Target	HY17	HY18
Group Metrics			
Return on Equity	10-14%	13.7%	13.8%
Dividend payout ratio	40-60%	49%	47%
Gearing ¹	10-20%	5.0%	1.9%
EBITDA Mix			
Development	35-45%	36%	55%
Construction	20-30%	24%	(3%)
Investments	30-40%	40%	48%
Segment Returns			
Development	9-12% ROIC ^{2,3}	12.7%	18.8%
Construction	3-4% EBITDA	2.7%	(0.4%)
Investments	8-11% ROIC ^{2,3}	13.4%	16.5%
Segment Invested Capital Mix			
Development	40-60%	47%	55%
Investments	40-60%	53%	45%
Regional Invested Capital Mix			
Australia	50-70%	77%	61%
Asia	5-20%	8%	12%
Europe	5-20%	9%	14%
Americas	5-20%	6%	13%

GROUP OUTLOOK

The Group is well placed for future success with integrated capabilities across property and infrastructure providing a sustainable competitive advantage. Diversity by geography and sector is designed to provide resilience to the business model and maximise risk adjusted returns. Earnings visibility remains high with a growing pipeline across all three operating segments.

The development pipeline grew by 16 per cent on the prior corresponding period to \$56.7 billion. This includes \$40.3 billion of urbanisation projects following the addition of two new major European projects in the period that added \$5.4 billion to the pipeline.

Construction backlog revenue rose by nine per cent on the prior corresponding period to \$22.4 billion with approximately \$12 billion of additional preferred work at balance date. The immediate focus will be on improving the performance of the Australian Engineering business which secured a number of important wins during the period.

Funds under management rose by 15 per cent on the prior corresponding period to \$28.3 billion. There is approximately \$4.0 billion of additional secured future FUM through the development pipeline in delivery. Together with investment positions of \$3.1 billion, the Investments segment is well placed to continue to deliver a solid base of recurring earnings.

Achieving operational excellence remains a priority. This will be pursued through a rigorous approach to risk management, an unwavering commitment to safety, health and sustainability, and a disciplined approach to origination.

The cornerstone of ensuring the financial strength of the Group is the Portfolio Management Framework. It creates a disciplined approach to capital allocation while seeking to ensure funding flexibility is preserved. The Group has the flexibility to continue to pursue new growth opportunities in line with the framework.

Development Pipeline

\$56.7⁴ BILLION

Construction Backlog

\$22.4 BILLION

Funds Under Management

\$28.3 BILLION

1. Comparative value represents June 2017 balance.

2. Target segment returns are through-cycle returns based on a rolling 3 to 5 year timeline.

3. Return on Invested Capital (ROIC) is calculated using an annualised operating Profit after Tax divided by the arithmetic average of beginning and half year end invested capital.

4. Represents estimated remaining development end value.

DEVELOPMENT PERFORMANCE

The Development segment delivered EBITDA of \$443.0 million, up 70 per cent on the prior corresponding period. The segment accounted for 55 per cent of Group operating EBITDA. Development Return on Invested Capital was 18.8 per cent annualised for the period, well above the target range.

This result was driven by a strong performance in Australia that delivered 32 per cent growth in EBITDA on the prior corresponding period. Europe EBITDA of \$60 million was up substantially from \$6 million in the prior corresponding period. Residential activity underpinned the performance in both Australia and Europe.

Asia and the Americas remained in the investing phase, with major development completions in both regions not expected until FY19. Development management fees on Paya Lebar Quarter in Singapore and Tun Razak Exchange in Malaysia saw a small positive contribution in Asia.

There were 2,871 residential development completions in Australia, up 54 per cent on the prior corresponding period. Of these, 1,051 apartment units completed at key projects in Sydney, Melbourne and Brisbane.

The first apartment building at Melbourne Quarter moved into delivery. Expected to complete in FY20, the 44 storey building with 719 units will be delivered in a 50 per cent joint venture with Mitsubishi Estate Asia.

Land lot completions across the Australian master planned communities portfolio rose by 33 per cent to 1,780 lots as high opening presales converted into strong completions. Key projects included Springfield Lakes in Brisbane and Jordan Springs in Sydney.

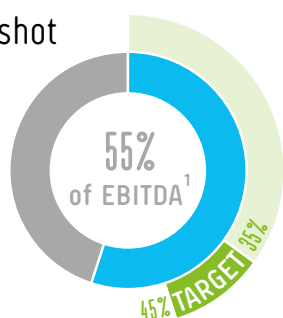
In commercial development, further leasing progress was made at Tower One at Barangaroo South in Sydney, with the Tower 94 per cent let at the end of the period.

In Europe, a new investment partnership in the residential for rent sector with the Canada Pension Plan Investment Board (CPPIB) was launched. The first phase will deliver 663 units across two buildings at Elephant Park in London.

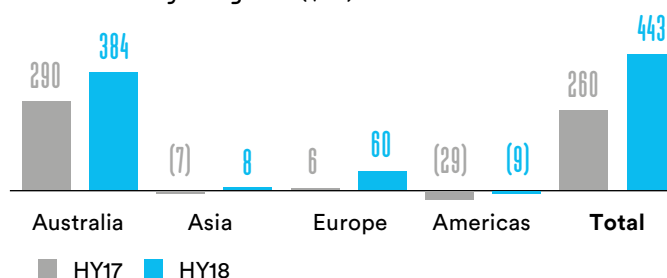
Two major urbanisation projects in Europe were secured. High Road West in Tottenham, London has an estimated end value of \$1.9 billion and is expected to deliver more than 2,500 homes. The Milano Santa Giulia project in Milan is a mixed-use scheme with an estimated end development value of \$3.5 billion.

In the Americas, 30 Van Ness in San Francisco has been upscaled to a major project following a change to the scheme from office to mixed use.

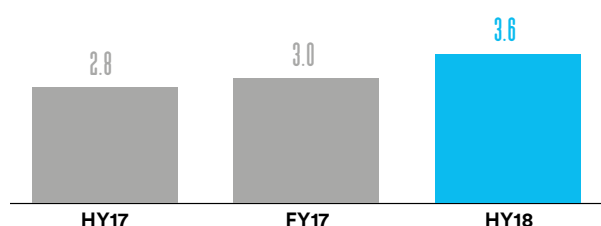
Segment Snapshot



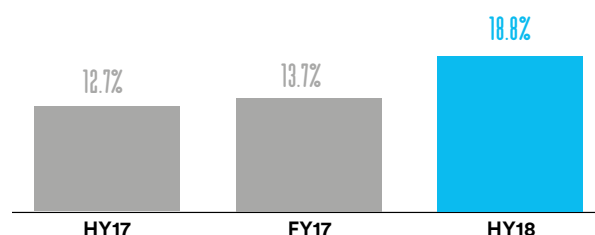
EBITDA by Region (\$m)



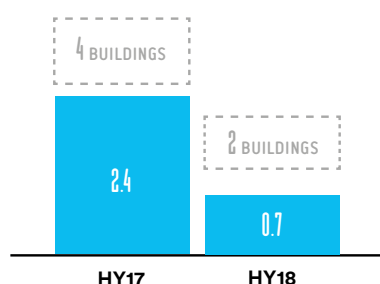
Invested Capital² (\$b)



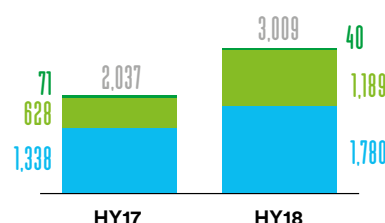
Return on Invested Capital



Commercial Commencements (\$b)



Residential Completions (Units)



■ Development End Value

■ Communities ■ Apartments ■ Retirement³

1. Represents the proportion of EBITDA from operating businesses.
2. Represents securityholder equity plus net debt.
3. Retirement completions exclude resales, Development activity only.

DEVELOPMENT OUTLOOK

The development pipeline continues to provide significant earnings visibility. The estimated end value of the remaining development pipeline grew to \$56.7 billion, up 16 per cent on the prior corresponding period. The pipeline comprises \$40.3 billion of urbanisation projects and \$16.3 billion of Communities and Retirement projects.

The two newly secured European projects, together with the upscaling of 30 Van Ness in San Francisco, take the number of major urbanisation projects to 16, spread across 10 gateway cities.

Across the urbanisation pipeline, the Group now has 12 major commercial buildings in delivery and 21 major apartment buildings in delivery. These have a combined end value of \$10.8 billion. More than a third of this pipeline in delivery is residential, including both apartments for sale and apartments for rent, with the remainder in commercial development.

In addition, the Group has a further \$29.5 billion of secured urbanisation pipeline where delivery has not yet commenced, representing approximately 22,000 apartment units and approximately 788,000 sqm of commercial space. These projects are typically held in capital efficient structures, providing the Group with flexibility around delivery timing, in line with market cycles.

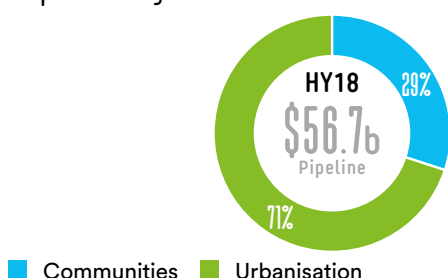
The pipeline will support the Group's medium to longer term target of delivering 1,000 to 2,000 apartment units per annum and commencing two to three commercial buildings per annum.

The origination focus in recent years has been across the international operations. Successful conversion has resulted in a majority of the urbanisation pipeline being located in international gateway cities.

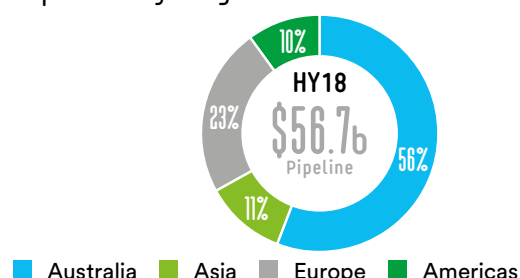
The Communities and Retirement pipeline consists of 56,133 lots. With an annual target of 3,500 to 4,500 completions, there is more than a decade of supply already secured.

The record development pipeline provides longer term earnings visibility and the flexibility to be both disciplined and patient with the pursuit of future opportunities. Diversification by geography and sector is expected to provide resilience through market cycles.

Pipeline by Product



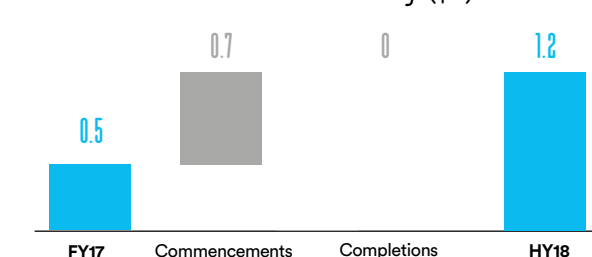
Pipeline by Region



Movement in Presales - Residential for Sale (\$b)



Residential for Rent in Delivery (\$b)¹



Commercial Building Completion Profile

Project	Capital Model	sqm ('000) ²	Building	H2 FY18	FY19	FY20	FY21
International Quarter London	Fund through ³	47	Commercial building	●			
	Joint venture	26	Commercial building			●	
Paya Lebar Quarter	Joint venture	84	Commercial (3 buildings)		●		
	Joint venture	29	Retail		●		
Tun Razak Exchange	Joint venture	154	Retail				●
University of Melbourne Innovation Precinct	BOOT ⁴	27	Innovation Precinct				●
Melbourne Quarter	Fund through ³	26	One Melbourne Quarter		●		
Victoria Harbour	Fund through ³	38	839 Collins Street		●		
Circular Quay Tower ⁵	Joint venture	55	Commercial				●
Brisbane Showgrounds	Fund through ³	15	25 King		●		

● Indicates expected building completion date during the year.

- Represents total development end value.
- Floor space measured as Net Lettable Area.
- A funding model structured through a forward sale to a capital partner resulting in staged payments prior to building completion.
- Build, Own, Operate, Transfer.
- Circular Quay Tower construction commenced in January 2018, construction completion is expected in FY22.

DEVELOPMENT PIPELINE

Urbanisation Pipeline Profile

Apartments

21 major apartment buildings in delivery across 2,702 presold units and 1,513 units for rent, estimated completion H2 FY18 to FY22.

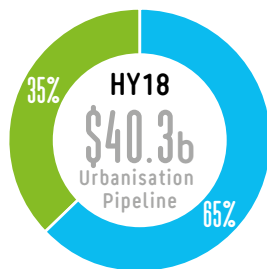


Commercial

12 major buildings in delivery, estimated completion H2 FY18 to FY22.

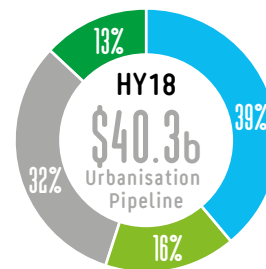


Urbanisation Pipeline by Product (\$b)



■ Apartments ■ Commercial

Urbanisation Pipeline by Region (\$b)



■ Australia ■ Asia ■ Europe ■ Americas

Communities Pipeline Profile⁴



1. Represents presales balance on buildings in delivery only.

2. Total end value of ~\$1.2 billion, with ~\$0.2 billion realised.

3. Total end value of ~\$7.9 billion, with ~\$0.9 billion realised.

4. Includes retirement units and built form units to be sold with land lots.

APARTMENT COMPLETION PROFILE

Apartments for Sale

Project	Building	Units ¹	Ownership (%)	Presold (%)	Presales ² (\$m)	Delivery ³		
						H2 FY18	FY19	FY20
Darling Square, Sydney	Darling North, Harbour Place and Trinity House	577	100%	100%	808			
	Darling Rise, Barker House and Arena	390	100%	100%	493			
Melbourne Quarter, Melbourne	East Tower	719	50%	73%	336			
Victoria Harbour, Melbourne	Collins Wharf 1	321	100%	87%	258			
Paya Lebar Quarter, Singapore	Residential	429	30%	49%	226			
Wandsworth, London	Victoria Drive	110	50%	37%	44			
Elephant Park, London	West Grove (Buildings 1 and 2)	593	100%	82%	467			
Deptford, London	Cedarwood Square	203	100%	54%	94			
Fifth Avenue, New York	277 Fifth Avenue ⁴	130	40%	— ⁴	— ⁴			
Clippership Wharf, Boston	Building 3	80	100%	100%	82			

● Indicates expected building completion date during the year.

Apartments for Rent

Project	Building	Units	Ownership (%)	Delivery ³		
				H2 FY18	FY19	FY20
Clippership Wharf, Boston	Buildings 1, 2 and 4	398	100%			
Riverline, Chicago	Building D	452	79%			
Elephant Park, London	2 Buildings	663	20%			⁵

● Indicates expected building completion date during the year.

- Excludes completions recognised in H1 FY18.
- Closing presales balance as at 31 December 2017.
- Based on expected completion date of underlying buildings, subject to change in delivery program.
- Project information subject to Joint Venture confidentiality.
- Construction completion is expected in FY22.

CONSTRUCTION PERFORMANCE

The Construction segment delivered an EBITDA loss of \$26.1 million, compared to an EBITDA profit of \$170.2 million in the prior corresponding period. The result was impacted by the underperformance of a small number of Engineering projects in Australia. The EBITDA outcome was below the target EBITDA margin range of three to four per cent.

The Australian Construction segment generated an EBITDA loss of \$66.1 million, impacted by the performance of the Engineering business. Revenue of \$3.4 billion was up four per cent on the prior corresponding period as activity levels remained resilient. The Building portfolio delivered approximately \$2 billion of work, including the completion of a number of residential apartment buildings for the Development business and significant progress on several social infrastructure projects.

Performance issues across a small number of Engineering projects were identified during the period. These projects are all at least 50 per cent complete. The impact of expected losses on these projects has been recognised in the result for the period, including the reversal of previously booked margin. These projects will not contribute to margin for the remaining lives of the projects and will therefore impact the overall EBITDA margin of the segment until they complete.

The market opportunity remains compelling with the anticipated higher level of activity in the transport sector starting to materialise.

Significant investment has been made in the business to deliver on the greater volume of work safely and profitably.

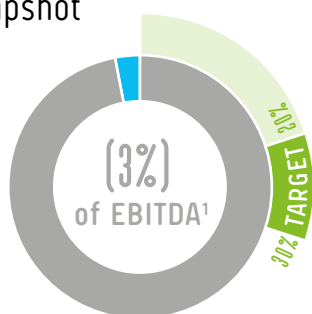
The Australian region had significant success in converting pipeline opportunities in the period, in particular transport infrastructure projects that form part of the Engineering business. New work secured more than doubled to \$6.2 billion compared with the prior corresponding period. Projects secured included the Melbourne Metro Rail Tunnel and the Ballarat Line Upgrade along with several road transport projects. In Building, there was further success in the Defence sector in addition to a number of commercial construction project wins.

The margin in the Americas was down in the period, compared with performance upside on several projects that were closed out during the prior corresponding period. While it was a quieter period for converting additional projects, there was \$1.5 billion of new work secured.

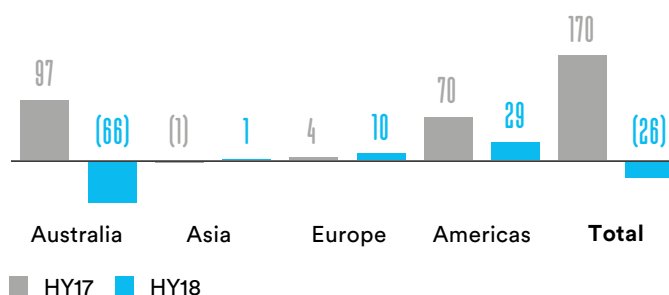
Europe delivered a solid outcome against the backdrop of a softer operating environment that has resulted in challenging market conditions. The integrated model was the source of additional projects with urbanisation projects in Development accounting for 60 per cent of the approximate \$1 billion in new work secured.

Asia continues to focus on building out the internal development pipeline.

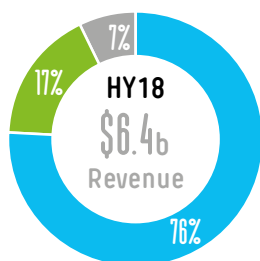
Segment Snapshot



EBITDA by Region (\$m)

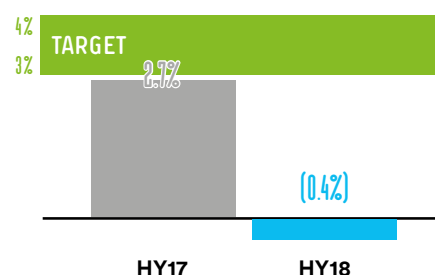


Revenue by Product

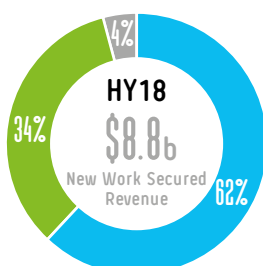


■ Building ■ Engineering ■ Services

EBITDA Margin

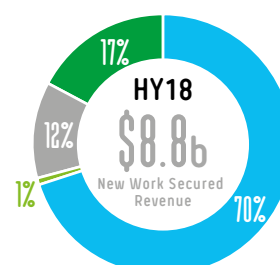


New Work Secured by Product



■ Building ■ Engineering ■ Services

New Work Secured by Region



■ Australia ■ Asia ■ Europe ■ Americas

1. Represents the proportion of EBITDA from operating businesses.

CONSTRUCTION OUTLOOK

The workbook for the Construction segment is solid with backlog revenue of \$22.4 billion, up nine per cent on the prior corresponding period. New work secured of \$8.8 billion was up 39 per cent on the prior corresponding period and well above the revenue realised of \$6.4 billion.

The backlog position is well diversified across multiple geographies, sectors and clients. The workbook is spread across more than five major sectors with the largest exposure to the residential and transport sectors. The global business has significant diversification by client with public sector work accounting for half of the backlog.

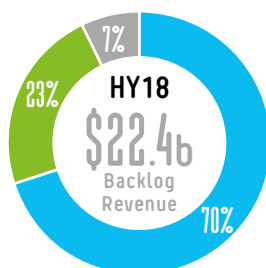
The Engineering business in Australia remains a key element in the Group's strategy. The anticipated higher level of activity in the transport sector is materialising in key project wins with a substantial rise in backlog revenue to \$5 billion. Significant investment has been made in the business, including associated bid costs, as it resources up to deliver the greater volume of work. The business is focused on delivering this work both safely and profitably. We expect margins to improve as the business reaches scale and the current underperforming projects complete.

The Building businesses across the regions have a combined backlog of \$15.8 billion. Australia has a significant pipeline of work of \$7.2 billion. Key projects include Defence contracts of approximately \$2 billion and major commercial building projects including the Crown Sydney Hotel Resort, office buildings at 130 Lonsdale Street in Melbourne and 60 Martin Place in Sydney, and social infrastructure projects at Western Sydney Stadium and the Western Women's and Children's Hospital in Melbourne.

In the Americas, the established Construction business has a strong market share in its target sectors. In Europe, the backlog revenue has risen and the preferred pipeline position is up significantly despite broader market challenges. The Asian business will continue to focus predominantly on the internal development pipeline.

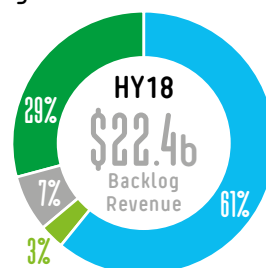
Beyond the current backlog position, there is approximately \$12 billion of work in preferred bidder status. The business is well placed to convert a significant proportion of this preferred work into backlog revenue over coming periods.

Backlog by Product



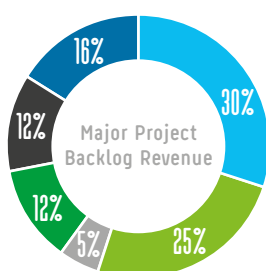
■ Building ■ Engineering ■ Services

Backlog by Region



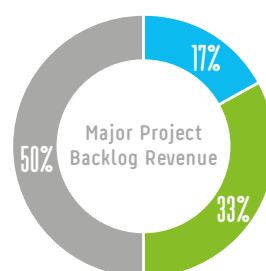
■ Australia ■ Asia ■ Europe ■ Americas

Backlog¹ by Sector



■ Transport ■ Residential ■ Hotel/Entertainment
■ Defence ■ Commercial ■ Other

Backlog¹ by Client

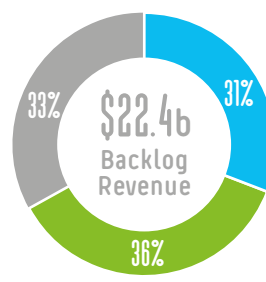


■ Lendlease ■ Corporate ■ Government

Backlog Revenue Movement by Product (\$b)



HY18 Backlog Realisation



■ H2 FY18 ■ FY19 ■ Post FY19

1. Includes all Construction projects greater than \$100 million, which represents 81% (\$18.1 billion) of secured backlog.

2. Includes the impact of movement in foreign exchange rates, where applicable.

INVESTMENTS PERFORMANCE

The Investments segment delivered EBITDA of \$383.1 million, up 33 per cent on the prior corresponding period. The segment accounted for 48 per cent of Group operating EBITDA. The recurring earnings from this segment received an additional contribution from strong gains in underlying asset values. This boosted the Return on Invested Capital to 16.5 per cent, well above the target range.

A key achievement in the period was the execution of the Group's strategy to introduce a capital partner into the Retirement Living business. APG Asset Management N.V. acquired 25 per cent of the business, including the retirement village portfolio, the operating platform and the development pipeline. The introduction of a capital partner highlights the quality of the existing portfolio and will support future development and growth plans in the sector.

Two new asset classes for Lendlease will be added to the investment platform in future periods. A joint venture with Softbank Group was established to develop and own telecommunications infrastructure assets in the United States and the new investment partnership with CPPIB will develop and own residential for rent assets in London.

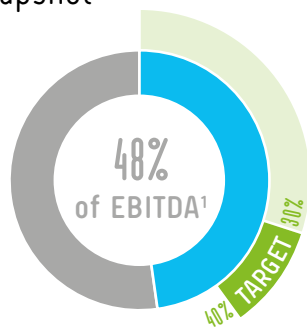
Ownership EBITDA was \$318.7 million, up 41 per cent on the prior corresponding period. The Retirement Living business delivered a strong contribution. The sale to APG led to an uplift in the carrying value of the retained 75 per cent of the portfolio, generating additional returns.

Higher investment income was derived from co-investment positions, in particular the inclusion of Tower One at Barangaroo South for the full period. Strong leasing and asset markets generated co-investment revaluations. The equity investment in US Military Housing was revalued in the period. The initial development periods across each of the projects have recently completed. Subsequently, the portfolio was independently valued, leading to strong gains in underlying investment values reflecting the high quality of the portfolio and recent market transactions.

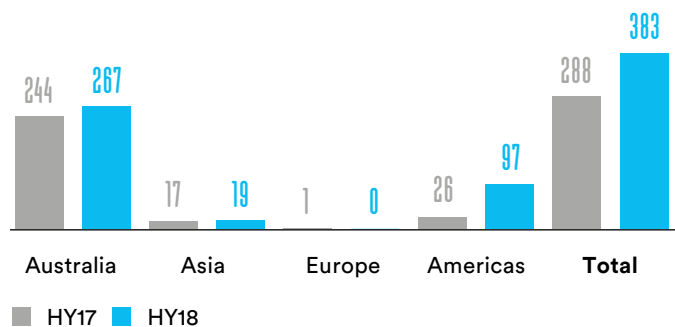
Operating EBITDA was \$64.4 million, up three percent on the prior corresponding period. Higher fund management fees were generated from the 15 per cent growth in Funds Under Management (FUM). Operating earnings were impacted in the period by investment in operating platforms in Europe and the Americas. Asset and property management fees from US Military Housing operations and the Australian Investment Management business continue to provide recurring earnings.

New equity of approximately \$2.2 billion was raised across the Investment Management platform during the period, including the Residential for Rent partnership, telecommunications JV and additional equity for APPF Commercial. A strong network of capital partners provides additional capacity for the Group to develop its pipeline of opportunities.

Segment Snapshot



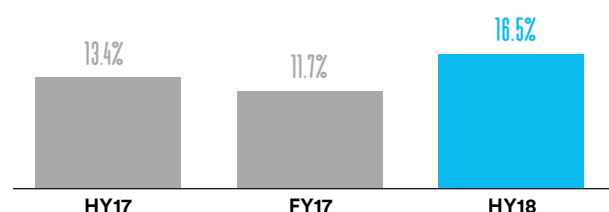
EBITDA by Region (\$m)



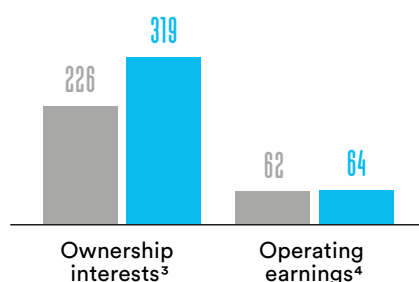
Invested Capital² (\$b)



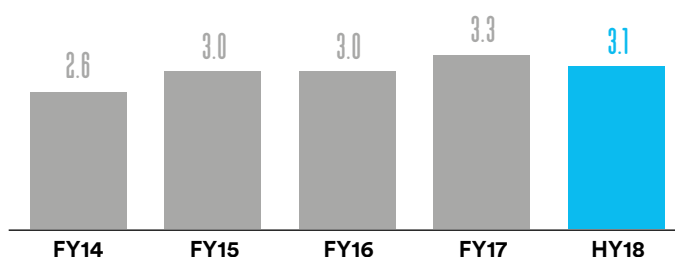
Return on Invested Capital



Investments EBITDA by Activity (\$m)



Growth in Investments (\$b)



■ HY17 ■ HY18

1. Represents the proportion of EBITDA from Operating Businesses.

2. Security holder equity plus net debt.

3. Returns derived from Co-investments, the Retirement Living business and equity returns from US Military Housing and telecommunication infrastructure investment.

4. Earnings primarily derived from the investment management platform and the management of US Military Housing operations.

INVESTMENTS OUTLOOK

The Investments segment is well placed to continue to provide a solid base of recurring earnings to the Group. The integrated business model, with the development pipeline providing product and the Construction segment providing delivery capability, is likely to remain a differentiated source of growth for the Investments segment.

The Investments platform ended the period with FUM of \$28.3 billion, up 15 per cent on the prior corresponding period. In addition, there is approximately \$4.0 billion of additional secured future FUM based on development projects currently in delivery.

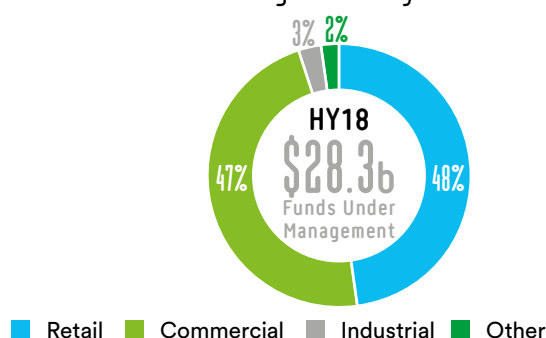
The further conversion of the development pipeline together with the Group's strong network of third party capital will provide future opportunities to continue to grow FUM. The secured urbanisation pipeline that is yet to be put into delivery totals \$29.5 billion. Through the Investments platform, Lendlease has established relationships with approximately 150 institutional investors and a strong track record of performance.

The outlook for the new asset classes to the platform is promising, with the telecommunications infrastructure joint venture targeting US\$5 billion of assets over the medium term and the Residential for Rent partnership targeting an initial £1.5 billion in assets. In the Americas, the Development segment has 850 Residential for Rent apartment units in delivery, providing a further opportunity to introduce capital partners at the appropriate time.

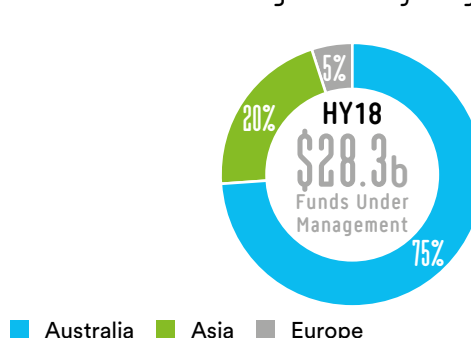
Investments managed on behalf of the Group closed the period at \$3.1 billion. This includes \$1.6 billion of co-investments against the \$28.3 billion in FUM, providing a strong alignment with investors along with a high quality income stream. Following the introduction of a capital partner into the Retirement Living business, the Group's remaining 75 percent interest accounts for \$1.2 billion of invested capital.

Continued focus on diversification of the investments across the Group is designed to provide improved risk adjusted returns. Co-investment income is expected to be increasingly derived from telecommunications infrastructure and residential assets in addition to the current commercial property asset classes. Fostering capital partner relationships will be critical for the ongoing success of the Investments segment.

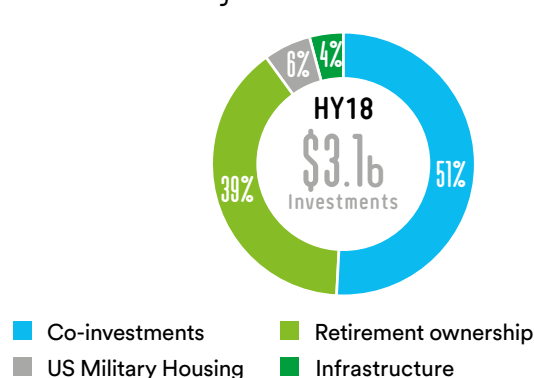
Funds Under Management by Asset Class



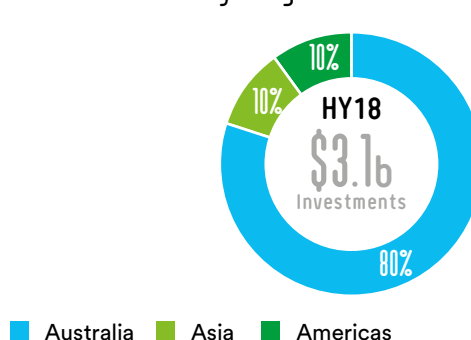
Funds Under Management by Region



Investments¹ by Product



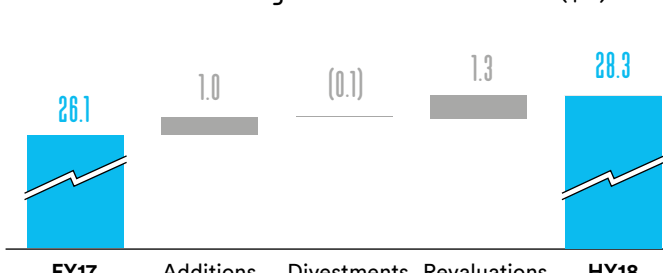
Investments¹ by Region



Growth in Funds Under Management (\$b)



Funds Under Management roll forward (\$b)



1. Represents the Group's assessment of market value.

FINANCIAL POSITION AND CASH FLOW MOVEMENTS

Financial Position

	FY17 \$m	HY18 \$m	Percentage Movement
Cash and cash equivalents	1,249.2	1,545.2	24%
Inventories	5,127.4	4,884.7	(5%)
Equity accounted investments	834.6	2,268.0	172%
Investment properties	6,967.4	557.4	(92%)
Other assets (including financial)	6,675.6	6,536.7	(2%)
Total assets	20,854.2	15,792.0	(24%)
Borrowings and financing arrangements	2,152.4	1,792.5	(17%)
Other liabilities (including financial)	12,535.3	7,570.4	(40%)
Total liabilities	14,687.7	9,362.9	(36%)
Net assets	6,166.5	6,429.1	4%

Inventories

Inventories decreased by five per cent during the period. Residential apartment completions at projects including Darling Square, Victoria Harbour and Brisbane Showgrounds more than offset ongoing investment across projects in delivery.

Equity Accounted Investments

Equity Accounted Investments almost trebled to \$2.3 billion. The increase was largely driven by the Retirement Living investment shifting from Investment Properties to Equity Accounted Investments. The reclassification was triggered by the 25 per cent sale of the business. While Lendlease retains 75 per cent, there is joint control over the major decisions of the entity with its joint venture partner. The residual increase in Equity Accounted Investments is due to new joint venture investments in Melbourne Quarter, Lendlease Towers LLC (US telecommunications JV with Softbank) and the Melbourne Metro Rail Tunnel project.

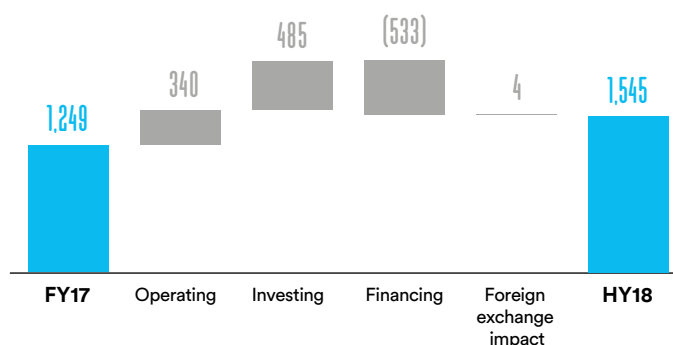
Investment Properties and Other Liabilities (including financial)

The decrease in Investment Properties and Other Liabilities relates to the disposal of 25 per cent of the Group's Retirement Living investments during the period. The Retirement Living Investment Properties and corresponding Resident Liabilities are now recorded at the Group's 75 per cent share within the Lendlease Retirement Living Trust vehicle in Equity Accounted Investments.

Total Assets, Total Liabilities and Net Assets

The 24 per cent decline in Total Assets and the 36 per cent decline in Total Liabilities were primarily driven by the Retirement Living investment shifting from Investment Properties to Equity Accounted Investments as outlined above. Net assets rose by four per cent.

Cash Movements (\$m)



Operating

Positive operating cash flow of \$340.4 million was primarily due to the cash proceeds received on apartment settlements in Australia and Europe. During the period, the Group also completed the settlement of the Darling Square commercial building and hotel.

Investing

Net cash inflow from investing activities of \$484.8 million was primarily due to the proceeds received on sell down of a 25 per cent interest in Lendlease Retirement Living Trust.

Financing

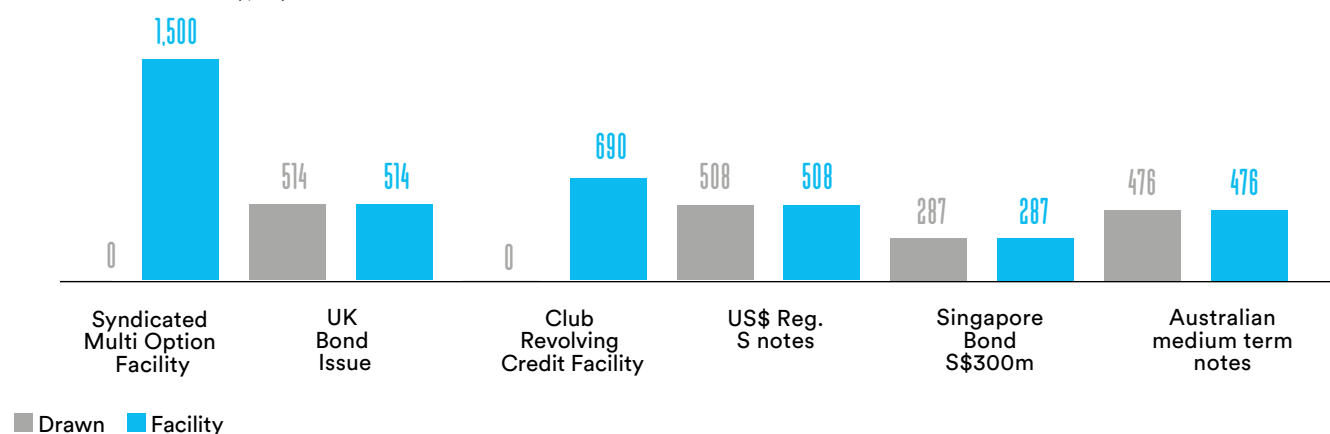
Net cash outflow from financing activities during the period was driven mainly by repayments of the Singapore Bond S\$275 million and US\$25 million Private Placement as these reached maturity in the period. Net cash outflow from financing activities was also impacted by net repayments of A\$76.3 million on the Club Revolving Credit Facility during the period.

GROUP FUNDING AND DEBT FACILITIES

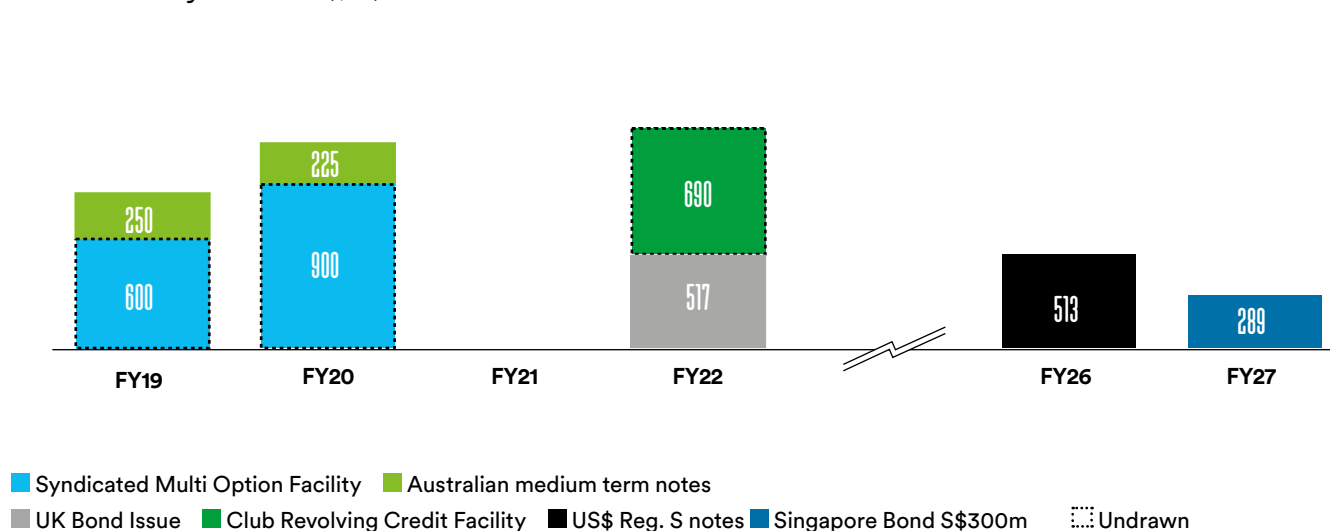
		FY17	HY18	Percentage Movement
Net debt	\$m	912.8	249.7	(73%)
Borrowings to total equity plus borrowings	%	25.9	21.8	(16%)
Net debt to total tangible assets, less cash	%	5.0	1.9	(62%)
Interest coverage	times	10.3	12.5	21%
Average cost of debt including margins	%	4.9	4.8	(2%)
Average debt duration	years	5.1	5.4	6%
Average debt mix fixed: floating ¹	ratio	86:14	88:12	
Undrawn facilities	\$m	2,225.2	2,313.2	4%

Net debt and gearing reduced during the period, driven by apartment settlements across Australia and Europe, and the sell down of a 25 per cent interest in Lendlease Retirement Living Trust. As a result, both gearing and interest cover improved as at 31 December 2017. The Singapore Bond S\$275 million matured during the period, increasing average debt duration to 5.4 years. This facility was replaced during FY17 with the issuance of the Singapore Bond S\$300 million.

Debt Facilities² (\$m)



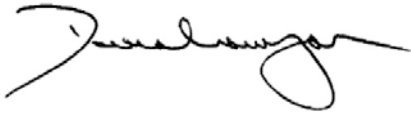
Debt Maturity Profile³ (\$m)



1. Methodology for ratio has been updated to represent a daily average calculation (Jun-17 comparative has been updated to reflect this change in methodology).
2. Values are shown at amortised cost.
3. Values are shown at gross facility value.

Directors' Report continued

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.



D A Crawford, AO
Chairman



S B McCann
Group Chief Executive Officer & Managing Director

Sydney, 21 February 2018



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Lendlease Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature of the KPMG firm, written in a cursive, stylized font.

KPMG

A handwritten signature of Duncan McLennan, written in a cursive, stylized font.

Duncan McLennan
Partner

Sydney
21 February 2018

Lendlease Half Year Financial Report

December 2017

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Lendlease Corporation Limited (the Company) is incorporated and domiciled in Australia. The consolidated financial report of the Company for the half year ended 31 December 2017 comprises the Company including its controlled entities and Lendlease Trust (LLT) (together referred to as the Consolidated Entity or the Group). The Group is a for-profit entity and is an international property and infrastructure group. Further information about the Group's primary activities is included in Note 1 'Segment Reporting'.

Shares in the Company and units in LLT are traded as one security under the name of Lendlease Group on the Australian Securities Exchange (ASX). The Company is deemed to control LLT for accounting purposes and therefore LLT is consolidated into the Group's financial report. The issued units of LLT, however, are not owned by the Company and are therefore presented separately in the Consolidated Entity Statement of Financial Position within equity, notwithstanding that the unitholders of LLT are also the shareholders of the Company.

The consolidated financial report was authorised for issue by the Directors on 21 February 2018.

Consolidated Financial Statements

Income Statement

Half Year Ended 31 December 2017

	Note	6 months December 2017 A\$m	6 months December 2016 A\$m
Revenue	4	8,691.2	7,945.3
Cost of sales		(7,778.0)	(7,077.3)
Gross profit		913.2	868.0
Share of profit of equity accounted investments	8	7.0	43.7
Other income	5	378.0	139.0
Other expenses		(628.0)	(458.9)
Results from operating activities		670.2	591.8
Finance revenue	7	6.1	5.5
Finance costs	7	(52.1)	(55.1)
Net finance costs		(46.0)	(49.6)
Profit before Tax		624.2	542.2
Income tax expense	9	(198.5)	(147.7)
Profit after Tax		425.7	394.5
Profit after Tax attributable to:			
Members of Lendlease Corporation Limited		314.4	338.6
Unitholders of Lendlease Trust		111.2	56.2
Profit after Tax attributable to securityholders		425.6	394.8
External non controlling interests		0.1	(0.3)
Profit after Tax		425.7	394.5
Basic/Diluted Earnings per Lendlease Corporation Limited Share (EPS)			
Shares excluding treasury shares (cents)	3	54.2	60.9
Shares on issue (cents)	3	53.9	58.1
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS)			
Securities excluding treasury securities (cents)	3	73.4	71.0
Securities on issue (cents)	3	72.9	67.8

Consolidated Financial Statements continued

Statement of Comprehensive Income

Half Year Ended 31 December 2017

	6 months December 2017 A\$m	6 months December 2016 A\$m
Profit after Tax	425.7	394.5
Other Comprehensive Income/(Expense) After Tax		
Items that may be reclassified subsequently to profit or loss:		
Movements in fair value revaluation reserve ¹		(1.1)
Movements in hedging reserve		20.6
Movements in foreign currency translation reserve ²	12.2	6.1
Total items that may be reclassified subsequently to profit or loss³	12.2	25.6
Items that will not be reclassified to profit or loss:		
Movements in non controlling interest acquisition reserve	0.6	(2.4)
Defined benefit plans remeasurements	12.7	(5.5)
Total items that will not be reclassified to profit or loss	13.3	(7.9)
Total comprehensive income after tax	451.2	412.2
Total comprehensive income after tax attributable to:		
Members of Lendlease Corporation Limited	334.6	356.3
Unitholders of Lendlease Trust	111.2	56.2
Total comprehensive income after tax attributable to securityholders	445.8	412.5
External non controlling interests	5.4	(0.3)
Total comprehensive income after tax	451.2	412.2

1. December 2016 Statement of Comprehensive Income has been adjusted to reflect the impact of the first time adoption of AASB 9 *Financial Instruments* (refer to Impact of New and Revised Accounting Standards) by transferring A\$2.9 million from Movements in fair value revaluation reserve to opening Retained earnings.

2. Includes A\$5.3 million relating to external non controlling interests (December 2016: A\$nil).

3. Includes A\$9.7 million (December 2016: A\$9.0 million) relating to share of other comprehensive income on equity accounted investments.

Statement of Financial Position

As at 31 December 2017

	Note	December 2017 A\$m	June 2017 A\$m
Current Assets			
Cash and cash equivalents		1,545.2	1,249.2
Loans and receivables		2,127.0	2,749.2
Inventories	11	1,713.4	2,152.0
Other financial assets	14	2.4	33.0
Other assets		105.2	77.9
Total current assets		5,493.2	6,261.3
Non Current Assets			
Loans and receivables		742.4	507.7
Inventories	11	3,171.3	2,975.4
Equity accounted investments	12	2,268.0	834.6
Investment properties	13a	557.4	6,967.4
Other financial assets	14	1,430.8	1,203.3
Deferred tax assets		148.9	129.4
Property, plant and equipment		424.7	425.8
Intangible assets		1,407.2	1,415.1
Defined benefit plan asset		80.8	64.3
Other assets		67.3	69.9
Total non current assets		10,298.8	14,592.9
Total assets		15,792.0	20,854.2
Current Liabilities			
Trade and other payables		4,719.6	5,578.8
Resident liabilities	13b		4,573.0
Provisions		421.9	285.6
Borrowings and financing arrangements	15a	249.6	291.9
Current tax liabilities		9.8	6.4
Other financial liabilities		8.8	22.0
Total current liabilities		5,409.7	10,757.7
Non Current Liabilities			
Trade and other payables		1,915.3	1,772.1
Provisions		55.2	58.4
Borrowings and financing arrangements	15a	1,542.9	1,860.5
Other financial liabilities		0.6	0.8
Deferred tax liabilities		439.2	238.2
Total non current liabilities		3,953.2	3,930.0
Total liabilities		9,362.9	14,687.7
Net assets		6,429.1	6,166.5
Equity			
Issued capital	16	1,296.8	1,289.8
Treasury securities		(44.1)	(24.7)
Reserves ¹		(14.1)	(15.5)
Retained earnings ¹		3,857.5	3,696.8
Total equity attributable to members of Lendlease Corporation Limited		5,096.1	4,946.4
Total equity attributable to unitholders of Lendlease Trust		1,203.1	1,117.0
Total equity attributable to securityholders		6,299.2	6,063.4
External non controlling interests		129.9	103.1
Total equity		6,429.1	6,166.5

1. June 2017 Statement of Financial Position has been adjusted to reflect the impact of the first time adoption of AASB 9 *Financial Instruments* (refer to Impact of New and Revised Accounting Standards) by transferring A\$10.2 million from Reserves to opening Retained Earnings.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Changes in Equity

Half Year Ended 31 December 2017

	Issued Capital A\$m	Treasury Securities ¹ A\$m	Reserves ^{2,3} A\$m	Retained Earnings ³ A\$m	Members of Lendlease Corporation Limited A\$m	Unitholders of Lendlease Trust A\$m	External Non Controlling Interests A\$m	Total Equity A\$m
Balance as at 1 July 2016	1,276.3	(99.5)	88.7	3,301.8	4,567.3	1,048.6	1.7	5,617.6
Total Comprehensive Income								
Profit for the period				338.6	338.6	56.2	(0.3)	394.5
Other Comprehensive Income (Net of tax) ³			23.2	(5.5)	17.7			17.7
Total Comprehensive Income	-	-	23.2	333.1	356.3	56.2	(0.3)	412.2
Transactions with owners of the Company								
Distribution reinvestment plan (DRP)	7.6				7.6	1.7		9.3
Dividends and distributions				(152.3)	(152.3)	(19.1)		(171.4)
Treasury securities acquired		(4.6)			(4.6)			(4.6)
Treasury securities vested		46.2			46.2			46.2
Fair value movement on allocation and vesting of securities			(43.7)		(43.7)			(43.7)
Asset disposals and transfers			0.1		0.1			0.1
Other movements		14.2	(14.6)	81.9	81.5			81.5
Total other movements through reserves	7.6	55.8	(58.2)	(70.4)	(65.2)	(17.4)	-	(82.6)
Balance as at 31 December 2016	1,283.9	(43.7)	53.7	3,564.5	4,858.4	1,087.4	1.4	5,947.2
Balance as at 1 July 2017	1,289.8	(24.7)	(15.5)	3,696.8	4,946.4	1,117.0	103.1	6,166.5
Total Comprehensive Income								
Profit for the period				314.4	314.4	111.2	0.1	425.7
Other Comprehensive Income (Net of tax)			7.5	12.7	20.2		5.3	25.5
Total Comprehensive Income	-	-	7.5	327.1	334.6	111.2	5.4	451.2
Transactions with owners of the Company								
Capital contributed by non-controlling interests					-		21.4	21.4
Distribution reinvestment plan (DRP)	7.0				7.0	1.5		8.5
Dividends and distributions				(165.6)	(165.6)	(26.7)		(192.3)
Treasury securities acquired		(46.1)			(46.1)			(46.1)
Treasury securities vested		26.7			26.7			26.7
Fair value movement on allocation and vesting of securities			(4.1)		(4.1)			(4.1)
Asset disposals and transfers			0.1		0.1			0.1
Other movements			(2.1)	(0.8)	(2.9)	0.1		(2.8)
Total other movements through reserves	7.0	(19.4)	(6.1)	(166.4)	(184.9)	(25.1)	21.4	(188.6)
Balance as at 31 December 2017	1,296.8	(44.1)	(14.1)	3,857.5	5,096.1	1,203.1	129.9	6,429.1

1. Opening balance for number of treasury securities 1 July 2017 was 4.3 million (1 July 2016: 29.2 million) and closing balance at 31 December 2017 was 3.7 million (31 December 2016: 18.4 million).

2. Balance and movement in reserves are presented on a combined basis for the half year ended 31 December 2016 and 31 December 2017.

3. December 2017 and December 2016 Statement of Changes in Equity have been adjusted to reflect the impact of the first time adoption of AASB 9 *Financial Instruments* (refer to Impact of New and Revised Accounting Standards). Prior year and current year opening Reserves balances have been transferred to Retained Earnings by A\$9.3 million and A\$10.2 million respectively, and Other Comprehensive Income (Net of tax) to opening Retained Earnings by A\$2.9 million.

The accompanying notes form part of these consolidated financial statements.

Statement of Cash Flows

Half Year Ended 31 December 2017

	6 months December 2017 A\$m	6 months December 2016 A\$m
Cash Flows from Operating Activities		
Cash receipts in the course of operations	9,272.3	8,561.0
Cash payments in the course of operations	(8,879.1)	(8,515.1)
Interest received	6.6	4.8
Interest paid	(79.0)	(77.2)
Dividends/distributions received	36.3	33.5
Income tax paid in respect of operations	(16.7)	(77.4)
Net cash provided by/(used in) operating activities	340.4	(70.4)
Cash Flows from Investing Activities		
Sale/redemption of investments	63.9	67.4
Acquisition of investments	(191.5)	(155.7)
Acquisition of/capital expenditure on investment properties	(149.5)	(58.9)
Net loans from associates and joint ventures	381.3	6.0
Disposal of consolidated entities (net of cash disposed and transaction costs)	430.4	521.0
Disposal of property, plant and equipment	4.8	3.6
Acquisition of property, plant and equipment	(39.7)	(66.4)
Acquisition of intangible assets	(14.9)	(3.6)
Net cash provided by investing activities	484.8	313.4
Cash Flows from Financing Activities		
Proceeds from borrowings	711.7	1,624.3
Repayment of borrowings	(1,074.9)	(1,802.7)
Dividends/distributions paid	(183.9)	(157.7)
Proceeds from sale of treasury securities		106.5
Increase in capital of non controlling interest	21.6	
Other financing activities	(7.4)	(9.9)
Net cash used in financing activities	(532.9)	(239.5)
Other Cash Flow Items		
Effect of foreign exchange rate movements on cash and cash equivalents	3.7	8.9
Net increase in cash and cash equivalents	296.0	12.4
Cash and cash equivalents at beginning of financial period	1,249.2	1,008.4
Cash and cash equivalents at end of financial period	1,545.2	1,020.8

Notes to the Consolidated Financial Statements

Basis of Preparation

The consolidated financial report is a general purpose financial report, which:

- has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*;
- complies with the recognition and measurement requirements of the International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB);
- should be read in conjunction with the 30 June 2017 annual consolidated financial report and any public announcements by the Group during the half year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*. The half year financial report does not contain all the information required for a full financial report;
- is presented in Australian dollars, with all values rounded off to the nearest tenth of a million dollars unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191; and
- is prepared under the historical cost basis except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments, fair value through profit or loss investments, investment properties, resident liabilities and liabilities for cash settled share based compensation plans. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Refer to the specific accounting policies within the notes to the financial statements for the basis of valuation of assets and liabilities measured at fair value.

The preparation of an interim financial report that complies with AASB 134 requires management to make judgements, estimates and assumptions.

- This can affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
- Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.
- The accounting policies have been consistently applied by the Group and are consistent with those applied in the 30 June 2017 annual financial statements other than as stated below.

Impact of New and Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2017

From 1 July 2017 the Group adopted AASB 9 *Financial Instruments* and consequential amendments. AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging. As the new standard must be adopted retrospectively, available for sale investments of A\$230.8 million have been reclassified to fair value through profit and loss because these assets are managed and monitored on a fair value basis, and the movement in fair value revaluation reserve of \$A2.9 million that was recorded through Other Comprehensive Income and the corresponding fair value revaluation reserve of \$A10.2 million was transferred to retained earnings. There were no impacts to the Income Statement and Statement of Cash Flows. A third balance sheet has not been disclosed as the changes from the implementation have been deemed immaterial and have not had a material effect on the Group's accounting policies for financial assets, liabilities and hedging.

From 1 July 2017 the Group adopted AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* and AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*. There were no material financial impacts on the Group following adoption of these amendments.

New Accounting Standards and Interpretations Not Yet Adopted

Accounting Standard	Requirement	Impact on Financial Statements
AASB 15 <i>Revenue from Contracts with Customers</i> and consequential amendments	AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 <i>Revenue</i> and AASB 111 <i>Construction Contracts</i> . The standard becomes mandatory for the June 2019 financial year and will be applied retrospectively.	On adoption of AASB 15, the impacts are as follows: <ul style="list-style-type: none"> • The process to value and allocate consideration to individual components of revenue transactions will not change; • Recognition of construction and development services will continue to be over time; • Recognition of investment management and origination fees will continue to be recognised when services rendered; and • The recognition point of development properties will change from the current practice of practical completion to settlement. This will impact the timing of recognition from FY19 onwards. The new standard will require an increase in the disclosure in relation to revenue derived from contracts, key judgements and future revenue expected to be generated.
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> and consequential amendments	AASB 2014-10 amends AASB 10 and AASB 128 to clarify the requirements for recording the sale or contribution of assets between an investor and its associate or joint venture. The amendment becomes mandatory for the June 2023 financial year and will be applied prospectively.	Based on preliminary analysis performed, the amendments are not expected to have a material impact on the Group.
AASB 16 <i>Leases</i>	AASB 16 provides a new model for accounting for leases. The standard becomes mandatory for the June 2020 financial year and will be applied retrospectively.	Based on preliminary analysis performed, as a lessor, there is no material impact on the Group. As a lessee, the Group will: <ul style="list-style-type: none"> • Record 'right to use' lease assets and lease obligation liabilities in the Statement of Financial Position for its material operating lease commitments; and • Revise the Income Statement presentation of operating lease expense to record an amortisation and finance expense for the 'right to use' lease assets and the lease obligation liabilities, respectively.

Section A: Performance

Profit after Tax (PAT) is the key measure used to assess the Group's performance. This section of the Financial Report focuses on disclosure that enhances a user's understanding of PAT. Segment Reporting provides a breakdown of profit and revenue by the operational activity. The key line items of the Income Statement along with their components provide detail behind the reported balances. Group performance will also impact the earnings per stapled security and dividend payout, therefore disclosure on these items has been included in this section. Further information and analysis on performance and allocation of resources can be found in the Performance & Outlook section of the Directors' Report.

1. Segment Reporting

The Group's segments are Development, Construction and Investments. The Group has identified these operating segments based on the distinct products and services provided by each segment, the distinct target returns profile and allocation of resources for each segment, and internal reports that are reviewed and used by the Group Chief Executive Officer and Managing Director (the chief operating decision maker) in assessing performance, determining the allocation of resources, setting operational targets, and managing the Group.

The Group has arranged the segments around business activity rather than geography due to the Group's business model being broadly consistent in all regions.

Segment performance is based on PAT. PAT is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain reportable segments relative to other entities that operate within these industries. The Group does not consider corporate activities to be an operating segment.

The operating segments are as follows:

Development

Operates in all four geographic regions. Its products and services include the development of communities, inner city mixed use developments, apartments, retirement, retail, commercial assets and social and economic infrastructure.

Construction

Operates across all four geographic regions. Its products and services include the provision of project management, design and construction services, predominately in the infrastructure, defence, mixed use, commercial and residential sectors.

Investments

Services include owning and/or managing investments across all four geographic regions. The investments segment includes a leading wholesale investment management platform and also includes the Group's ownership interests in property and infrastructure Co-Investments, Retirement Living and US Military Housing.

Financial information regarding the performance of each reportable segment and a reconciliation of these reportable segments to the financial statements is included below.

	SEGMENT REVENUE ¹		PROFIT AFTER TAX		GROUP TOTAL ASSETS	
	6 months December 2017 A\$m	6 months December 2016 A\$m	6 months December 2017 A\$m	6 months December 2016 A\$m	December 2017 A\$m	June 2017 A\$m
Financial Disclosure						
Development	2,028.8	1,330.8	312.8	181.5	6,561.0	6,637.9
Construction	6,433.3	6,305.9	(36.0)	107.2	4,906.7	4,988.2
Investments	218.5	304.8	258.5	215.4	3,417.5	8,520.3
Total segment	8,680.6	7,941.5	535.3	504.1	14,885.2	20,146.4
Reconciling items						
Corporate activities	16.7	9.3	(109.7)	(109.3)	906.8	707.8
Statutory result attributable to securityholders	8,697.3	7,950.8	425.6	394.8	15,792.0	20,854.2
External non controlling interests			0.1	(0.3)		
Statutory result	8,697.3	7,950.8	425.7	394.5	15,792.0	20,854.2

1. Segment revenue represents revenue and finance revenue.

Notes to the Consolidated Financial Statements continued

2. Dividends/Distributions¹

	Cents Per Share/Unit	COMPANY/TRUST	
		6 months December 2017 A\$m	6 months December 2016 A\$m
Parent Company Interim Dividend			
December 2017 – declared subsequent to reporting date ²	29.4	171.9	
December 2016 – paid 24 March 2017	29.8		173.5
Lendlease Trust Interim Distribution			
December 2017 – payable 22 March 2018	4.6	26.7	
December 2016 – paid 24 March 2017	3.2		18.9
		198.6	192.4

	Cents Per Share/Unit	COMPANY/TRUST	
		6 months June 2017 A\$m	6 months June 2016 A\$m
Parent Company Final Dividend			
June 2017 – paid 20 September 2017	28.4	165.8	
June 2016 – paid 14 September 2016	27.5		160.0
Lendlease Trust Final Distribution			
June 2017 – paid 20 September 2017	4.6	26.7	
June 2016 – paid 14 September 2016	2.5		14.7
		192.5	174.7

1. Final and/or Interim dividends/distributions were not franked in the current and prior period.

2. No provision for this dividend has been recognised in the Statement of Financial Position at 31 December 2017, as it was declared after the end of the half year.

3. Earnings Per Share/Stapled Security (EPS/EPSS)

		DECEMBER 2017		DECEMBER 2016	
		Shares/Securities excluding Treasury Securities	Shares/ Securities on Issue	Shares/Securities excluding Treasury Securities	Shares/ Securities on Issue
Basic/Diluted Earnings Per Share (EPS)					
Profit attributable to members of Lendlease Corporation Limited	A\$m	314.4	314.4	338.6	338.6
Weighted average number of ordinary shares	m	579.9	583.8	556.4	582.7
Basic/Diluted EPS	cents	54.2	53.9	60.9	58.1
Basic/Diluted Earnings Per Stapled Security (EPSS)					
Profit attributable to securityholders of Lendlease Group	A\$m	425.6	425.6	394.8	394.8
Weighted average number of stapled securities	m	579.9	583.8	556.4	582.7
Basic/Diluted EPSS	cents	73.4	72.9	71.0	67.8

4. Revenue

	6 months December 2017 A\$m	6 months December 2016 A\$m
Revenue from the provision of services		
Construction	6,416.5	6,305.0
Development	233.5	381.5
Investments	170.8	286.2
Total revenue from the provision of services	6,820.8	6,972.7
Revenue from the sale of development properties	1,811.9	939.9
Rental revenue	15.7	9.4
Other revenue	42.8	23.3
Total revenue	8,691.2	7,945.3

5. Other Income

	6 months December 2017 A\$m	6 months December 2016 A\$m
Net gain on sale/transfer of investments		
Consolidated entities ¹	66.4	78.6
Other assets and liabilities	2.7	4.5
Total net gain on sale/transfer of investments	69.1	83.1
Net gain on fair value measurement		
Investment properties	13.8	
Fair value through profit or loss assets ²	187.2	28.9
Total net gain on fair value measurement	201.0	28.9
Other³	107.9	27.0
Total other income	378.0	139.0

- During the current period, the Group sold a 25% interest in the Lendlease Retirement Living Trust and an 80% interest in the LRIP LP. The loss on disposal of the Lendlease Retirement Living Trust was A\$20.9 million offset by the profit on disposal of LRIP LP of A\$87.3 million.
- The assets comprising the fair value uplift are disclosed in Note 14 Other Financial Assets.
- Other income includes the A\$101.8 million revaluation gain on the Lendlease Retirement Living Trust retained equity accounted investment, which was based on the transaction price. The overall net loss on sale of the 25% interest in the Lendlease Retirement Living Trust was A\$15.5 million, which is comprised of the revaluation gain of A\$101.8 million, loss on disposal of A\$20.9 million noted in footnote 1, A\$16.6 million share of equity accounted loss noted in Note 8c Share of Profit of Equity Accounted Investments, and tax expense of A\$79.8 million reflected in total income tax expense.

6. Other Expenses

	6 months December 2017 A\$m	6 months December 2016 A\$m
Profit before income tax includes the following other expense items:		
Net defined benefit plan expense	2.5	2.4
Expenses include impairments raised/(reversals) relating to:		
Loans and receivables	0.3	0.1
Property inventories	(0.7)	(17.9)
Equity accounted investments	1.2	(1.9)
Net loss on sale of other assets and liabilities	0.2	6.9
Net loss on fair value measurement of investment properties		1.5
Operating lease expense	45.6	49.0
Depreciation and amortisation	50.4	47.8
Net foreign exchange loss	0.9	6.0

Notes to the Consolidated Financial Statements continued

7. Finance Revenue and Finance Costs

	6 months December 2017 A\$m	6 months December 2016 A\$m
Finance Revenue		
Other corporations	6.0	4.3
Total interest finance revenue	6.0	4.3
Interest discounting	0.1	1.2
Total finance revenue	6.1	5.5
Finance Costs		
Other corporations	57.9	59.7
Less: Capitalised interest finance costs	(11.7)	(11.7)
Total interest finance costs	46.2	48.0
Non interest finance costs	5.9	7.1
Total finance costs	52.1	55.1
Net finance costs	(46.0)	(49.6)

8. Share of Profit of Equity Accounted Investments

	6 months December 2017 A\$m	6 months December 2016 A\$m
Associates		
Share of profit	6.7	7.6
Joint Ventures		
Share of profit	0.3	36.1
Total share of profit of equity accounted investments	7.0	43.7
a. Associates¹		
Australia		
Development		
Lendlease Communities Fund 1	(0.1)	(0.2)
Investments		
Lendlease Sub Regional Retail Fund	2.4	1.7
Total Australia	2.3	1.5
Asia		
Investments		
Lendlease Asian Retail Investment Fund 2	(0.2)	0.1
Lendlease Asian Retail Investment Fund 3	3.6	4.2
Total Asia	3.4	4.3
Europe		
Development		
Other		0.6
Total Europe	-	0.6
Americas		
Investments		
Other	1.0	1.2
Total Americas	1.0	1.2
Total share of profit from associates	6.7	7.6

1. Reflects the contribution to the Group's profit, and is after tax paid by the equity accounted investment vehicles themselves, where relevant. However, for various equity accounted investments, the share of tax is paid by the Group and is included in the Group's current tax expense.

8. Share of Profit of Equity Accounted Investments continued

	6 months December 2017 A\$m	6 months December 2016 A\$m
b. Joint Ventures¹		
Australia		
Development		
Circular Quay Tower	(0.4)	
Other	1.2	5.0
Investments		
Lendlease International Towers Sydney Trust ²		17.6
Lendlease One International Towers Sydney Trust ²		(0.3)
Lendlease Retirement Living Trust ³	(16.6)	
Total Australia	(15.8)	22.3
Asia		
Development		
Paya Lebar Quarter	17.1	0.5
Investments		
CDR JV Ltd (313@somerset)	1.3	0.7
Total Asia	18.4	1.2
Europe		
Development		
Stratford City Business District Limited	(0.8)	12.6
Hungate (York) Regeneration Ltd	0.6	
Investments		
Other	0.1	
Total Europe	(0.1)	12.6
Americas		
Other	(2.2)	
Total Americas	(2.2)	-
Total share of profit from joint ventures	0.3	36.1
Total share of profit from equity accounted investments	7.0	43.7

1. Reflects the contribution to the Group's profit, and is after tax paid by the equity accounted investment vehicles themselves, where relevant. However, for various equity accounted investments, the share of tax is paid by the Group and is included in the Group's current tax expense.
2. As a result of reaching the operational phase in FY2016 for the three towers at International Towers Sydney, the governance structures of Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust changed. The Group has reassessed its joint control conclusions, and determined that joint control no longer exists. As a result, these investments were reclassified from Equity Accounted Investments to Other Financial Assets measured at fair value through profit or loss in the prior period. The Group recorded its share of comprehensive income in relation to these investments for the period joint control was maintained.
3. During the period, the Group sold a 25% interest in the Lendlease Retirement Living Trust. As a result of this transaction, the Group equity accounts its residual interest in the Lendlease Retirement Living Trust as the Group has joint control over the major decisions of the entity with its joint venture partner.

Notes to the Consolidated Financial Statements continued

8. Share of Profit of Equity Accounted Investments continued

c. Material Associates and Joint Ventures Summarised Financial Information¹

Material associates and joint ventures are determined by comparing individual investment carrying value and share profit with the total equity accounted investment carrying value and share of profit, along with consideration of relevant qualitative factors.

	LENDLEASE RETIREMENT LIVING TRUST ¹
	6 months December 2017 A\$m
Revenue from provision of services	9.4
Depreciation and amortisation	(0.1)
Other expenses ²	(31.4)
Income tax expense	
Loss for the period	(22.1)
Other comprehensive income	
Total comprehensive income	(22.1)
Group's ownership interest	75%
Group's total share of:	
Loss for the period	(16.6)
Other Comprehensive Income	
Total comprehensive loss	(16.6)

1. Lendlease Retirement Living Trust income statement from date of deconsolidation with Total comprehensive loss reflective of transaction costs.

2. Other expenses include transaction costs incurred following deconsolidation.

The table below provides summarised financial information for those associates and joint ventures that are individually immaterial to the Group.

	ASSOCIATES		JOINT VENTURES	
	6 months December 2017 A\$m	6 months December 2016 A\$m	6 months December 2017 A\$m	6 months December 2016 A\$m
Aggregate amounts of the Group's share of:				
Profit/(loss) from continuing operations	6.7	7.6	16.9	36.1
Other comprehensive income/(expense)	3.5	(7.7)	6.2	16.5
Aggregate amounts of Group's share of total comprehensive income/(expense) of individually immaterial equity accounted investments	10.2	(0.1)	23.1	52.6

9. Taxation

Income Tax Expense

	6 months December 2017 A\$m	6 months December 2016 A\$m
Recognised in the Income Statement		
Current Tax Expense		
Current period	186.1	78.3
Adjustments for prior years	(0.1)	(2.7)
Benefit of tax losses recognised	(1.6)	(2.6)
	184.4	73.0
Deferred Tax Expense		
Origination and reversal of temporary differences	96.5	70.7
Temporary differences recovered	(83.0)	(5.4)
Net tax losses written off	4.7	7.9
Change in tax rate	(6.1)	2.6
Adjustments for prior years	2.0	(1.1)
	14.1	74.7
Total income tax expense	198.5	147.7
Reconciliation of Effective Tax Rate		
Profit before Tax	624.2	542.2
Income tax using the domestic corporation tax rate 30%	187.3	162.7
Adjustments for prior year tax claim	(0.1)	(2.7)
Non assessable and exempt income ¹	(34.9)	(21.7)
Non allowable expenses ²	3.4	4.3
Net (recognition)/writeoff of tax losses through income tax expense	(0.4)	10.4
Temporary differences recognised through income tax expense ³	46.9	(1.1)
Effect of tax rates in foreign jurisdictions ⁴	(2.7)	3.0
Other	(1.0)	(7.2)
Income tax expense	198.5	147.7

1. Includes LLT profit.

2. Includes accounting expenses for which a tax deduction is not allowed permanently.

3. Includes temporary differences recognised in a previous period but are subsequently written off to income tax expense in the current period and temporary differences that arose in a previous year but were not recognised until the current period.

4. The Group operates in a number of foreign jurisdictions for trading purposes which have significantly lower tax rates than Australia such as the United Kingdom and Singapore and higher tax rates such as the United States of America and Japan. Also includes the effect of change in tax rates.

10. Events Subsequent to Balance Date

On 21 February 2018, the Group announced the on-market buyback of up to A\$500.0 million of the Group's stapled securities. The on-market buyback is subject to the ongoing assessment of the Group's surplus capital position, market conditions and growth opportunities.

Notes to the Consolidated Financial Statements continued

Section B: Investment

Investment in the property and infrastructure development pipeline, joint ventures in property projects, the retirement sector, and more passive assets, such as property funds, drives the current and future performance of the Group. This section includes disclosures for property such as Inventories and Investment Properties and indirect property assets such as Equity Accounted Investments and Other Financial Assets contained within the Statement of Financial Position.

11. Inventories

	December 2017 A\$m	June 2017 A\$m
Current		
Development properties	685.6	1,163.0
Construction work in progress	1,015.8	975.7
Other	12.0	13.3
Total current	1,713.4	2,152.0
Non Current		
Development properties	3,171.3	2,975.4
Total non current	3,171.3	2,975.4
Total inventories	4,884.7	5,127.4

12. Equity Accounted Investments

	December 2017 A\$m	June 2017 A\$m
Associates		
Investment in associates	229.7	223.5
Less: Impairment	(7.5)	(6.3)
Total associates	222.2	217.2
Joint Ventures		
Investment in joint ventures	2,058.1	629.1
Less: Impairment	(12.3)	(11.7)
Total joint ventures	2,045.8	617.4
Total equity accounted investments	2,268.0	834.6

12. Equity Accounted Investments continued

	INTEREST		NET BOOK VALUE	
	December 2017 %	June 2017 %	December 2017 A\$m	June 2017 A\$m
a. Associates				
Australia				
Development				
Lendlease Communities Fund 1	20.8	20.8	4.0	4.1
Investments				
Lendlease Sub Regional Retail Fund ¹	10.0	10.0	40.4	39.3
Total Australia			44.4	43.4
Asia				
Investments				
Lendlease Asian Retail Investment Fund 2	36.8	36.4	24.4	23.2
Lendlease Asian Retail Investment Fund 3	20.1	20.1	155.5	151.8
Total Asia			179.9	175.0
Europe				
Development				
Other			4.4	3.8
Total Europe			4.4	3.8
Americas				
Investments				
Other			1.0	1.3
Total Americas			1.0	1.3
Total			229.7	223.5
Less: Impairment			(7.5)	(6.3)
Total associates			222.2	217.2

1. Although the Group has a 10% ownership interest in Lendlease Sub Regional Retail Fund, it holds 20% of the voting rights over the fund and has significant influence over the investment. As a result, the Group applies equity accounting for its ownership interest.

Notes to the Consolidated Financial Statements continued

12. Equity Accounted Investments continued

	INTEREST		NET BOOK VALUE	
	December 2017 %	June 2017 %	December 2017 A\$m	June 2017 A\$m
b. Joint Ventures				
Australia				
Development				
Circular Quay Tower	20.0	20.0	38.2	34.9
Melbourne Quarter R1	50.0		9.8	
Other			18.2	18.2
Investments				
Melbourne Metro	30.0		69.4	
Lendlease Retirement Living Trust ¹	75.0		1,228.8	
Total Australia			1,364.4	53.1
Asia				
Development				
Paya Lebar Quarter	30.0	30.0	205.7	179.6
Investments				
CDR JV Ltd (313@somerset)	25.0	25.0	78.8	75.5
Total Asia			284.5	255.1
Europe				
Development				
Stratford City Business District Limited (International Quarter London)	50.0	50.0	91.0	89.8
Hungate (York) Regeneration Limited	50.0	50.0	7.0	6.9
Victoria Drive Wandsworth	50.0	50.0	35.0	34.6
Intown SRL Joint Venture	50.0		19.2	
LRIP LP	20.0		2.1	
Investments				
Treviso	50.0	50.0	9.0	8.9
Other			5.0	5.0
Total Europe			168.3	145.2
Americas				
Development				
277 Fifth Avenue	40.0	40.0	51.4	52.0
Riverline	60.0	60.0	123.5	93.1
845 Madison	70.0	70.0	27.3	26.6
Lendlease Towers LLC	50.0		25.7	
Other			6.5	0.9
Construction				
Other			6.5	3.1
Total Americas			240.9	175.7
Total			2,058.1	629.1
Less: Impairment			(12.3)	(11.7)
Total joint ventures			2,045.8	617.4
Total equity accounted investments			2,268.0	834.6

1. During the period, the Group sold a 25% interest in its Retirement Living investment. As a result of this transaction, the Group equity accounts its residual interest in the Lendlease Retirement Living Trust as the Group has joint control over the major decisions of the entity with its joint venture partner, which leads to classification of an equity accounted investment.

12. Equity Accounted Investments continued

c. Material Associates and Joint Ventures Summarised Financial Information¹

Material associates and joint ventures are determined by comparing individual investment carrying value and share of profit with the total equity accounted investment carrying value and share of profit, along with consideration of relevant qualitative factors.

LENDLEASE RETIREMENT LIVING TRUST

Statement of Financial Position

December 2017
A\$m

Current assets	
Cash and cash equivalents	6.8
Other current assets	33.8
Total current assets	40.6
Investment properties	6,771.2
Other non current assets	2.1
Total non current assets	6,773.3
Current liabilities	
Resident liabilities	4,598.6
Other financial liabilities (excluding trade payables)	31.5
Other current liabilities	24.8
Total current liabilities	4,654.9
Non current liabilities	
Financial liabilities (excluding trade payables)	538.5
Total non current liabilities	538.5
Net assets	1,620.5
Reconciliation to Carrying Amounts	
Opening net assets 1 July	-
Total comprehensive loss for the period	(22.1)
Acquisition/contributions	1,642.6
Closing net assets	1,620.5
% ownership	75%
Group's share of net assets	1,215.4
Other adjustments	13.4
Carrying amount at end of period	1,228.8

	ASSOCIATES		JOINT VENTURES	
	December 2017 A\$m	June 2017 A\$m	December 2017 A\$m	June 2017 A\$m
Aggregate carrying value of individually immaterial equity accounted investments¹	222.2	217.2	817.0	527.6

1. Stratford City Business District Limited (International Quarter London) was disclosed as a material joint venture for June 2017 and the Group's share of net assets was A\$89.8 million. It is no longer considered to be a material equity investment for the Group as the net book value of the investment, A\$91.0 million, is no longer material to the overall equity accounted investment balance, and has been disclosed as an immaterial joint venture for December 2017. No figures in the above table have been restated.

Notes to the Consolidated Financial Statements continued

13. Investment Properties

	December 2017 A\$m	June 2017 A\$m
a. Investment Properties – Non Current		
Retirement living properties ¹		6,443.4
Retail properties	73.9	72.6
Telecommunication towers	104.7	83.3
Assets under construction	378.8	368.1
Total investment properties	557.4	6,967.4
Reconciliations		
Reconciliations of the carrying amount for investment properties are as follows:		
Carrying amount at beginning of financial period	6,967.4	5,940.7
(Disposal)/acquisition of investment properties	(6,618.8)	218.1
Capital expenditure	135.8	300.2
Fair value gain recognised through the Income Statement	13.8	22.5
Increase attributable to capital gain	49.0	468.8
Foreign exchange rate/other movements	10.2	17.1
Carrying amount at end of financial period	557.4	6,967.4
b. Resident Liabilities¹		
Gross resident liabilities		5,295.7
Deferred management fees receivable on owned sites		(722.7)
Total resident liabilities	-	4,573.0

1. During the period, the Group sold a 25% interest in its Retirement Living investment. As a result of this transaction, the investment properties, resident liabilities, and deferred revenue related to Retirement Living have been derecognised. The Group equity accounts its residual interest in the Lendlease Retirement Living Trust. Refer to Note 5 Other Income, Note 8 Share of Profit of Equity Accounted Investments, and Note 12 Equity Accounted Investments for more information.

Net investment properties are classified as Level 3 in the fair value hierarchy.

Net investment properties include net retirement living properties after deducting resident liabilities and related deferred revenue, A\$nil million (June 2017: A\$1,738.7 million), retail and telecommunication properties A\$178.6 million (June 2017: A\$155.9 million) and assets under construction A\$378.8 million (June 2017: A\$368.1 million).

c. Valuation Technique

Disclosures on the valuation techniques adopted for investment properties held at 31 December 2017 are not material, as the balance at 31 December 2017 is no longer considered material.

d. Fair Value Reconciliation

Reconciliation of carrying value for Level 3 net investment properties.

	December 2017 A\$m	June 2017 A\$m
Carrying amount at beginning of financial period	2,262.7	1,705.7
Additions/(disposals) and capital expenditure	(1,745.2)	429.5
Gains recognised in Income Statement	13.8	22.5
Other movements	26.1	105.0
Carrying amount at end of financial period	557.4	2,262.7

The potential effect of using reasonably possible alternative assumptions for valuation inputs would not have a material impact on the Group.

14. Other Financial Assets

	Fair Value Level ¹	December 2017 A\$m	June 2017 A\$m
Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Negotiable instruments	Level 1		31.4
Derivatives	Level 2	2.4	1.6
Total current		2.4	33.0
Non Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Lendlease International Towers Sydney Trust	Level 3	446.6	411.5
Lendlease One International Towers Sydney Trust	Level 3	230.2	202.7
Australian Prime Property Fund – Industrial ²	Level 3	72.3	70.9
Australian Prime Property Fund – Commercial ²	Level 3	284.9	211.6
Australian Prime Property Fund – Retail ²	Level 3	77.0	73.4
Lendlease Public Infrastructure Investment Company	Level 3	41.0	40.7
Military Housing Projects Initiative ²	Level 3	187.9	102.8
Lendlease Asian Retail Investment Fund ²	Level 3	25.7	24.9
Parkway Parade Partnership Limited ²	Level 3	37.7	37.2
Other investments ²	Level 3	9.4	19.6
	Level 1	18.1	
		1,430.8	1,195.3
Other	N/A		8.0
Total non current		1,430.8	1,203.3
Total other financial assets		1,433.2	1,236.3

1. Refer to Note 17 'Fair Value Measurement' for details on basis of determining fair value and valuation technique.

2. As a result of the first time adoption of AASB 9 *Financial Instruments* (refer to Impact of New and Revised Accounting Standards), these investments have been reclassified from Available for Sale to Fair Value Through Profit or Loss. June 2017 comparatives have been restated to include units in Australian Prime Property Fund - Industrial of A\$4.2 million, Australian Prime Property Fund - Commercial of A\$6.3 million, Australian Prime Property Fund - Retail of A\$45.9 million, Lendlease Asian Retail Investment Fund of A\$24.9 million, Parkway Parade Partnership Limited of A\$37.2 million, Military Housing Projects Initiative of A\$102.8 million and Other Investments of A\$9.5 million. These investments were previously classified as Available for Sale Investments.

a. Fair Value Reconciliation¹

The reconciliation of the carrying amount for Level 3 financial assets is set out as follows.

December 2017	Note	Unlisted Investments A\$m
Carrying amount at beginning of financial period		1,195.3
Additions/(disposals)		56.3
Gains/(losses) recognised in Income Statement		170.8
Transfers		(10.1)
Other movements		0.4
Carrying amount at end of financial period		1,412.7
June 2017		
Carrying amount at beginning of financial year		619.4
Additions/(disposals)		37.3
Gains/(losses) recognised in Income Statement		48.1
Other movements		490.5
Carrying amount at end of financial year		1,195.3

1. Following the adoption of AASB 9 *Financial Instruments*, the assets previously classified as Available for Sale have been reclassified to unlisted investments. Comparative balances have also been reclassified.

The potential effect of using reasonably possible alternative assumptions for valuation inputs would not have a material impact on the group.

Notes to the Consolidated Financial Statements continued

Section C: Liquidity and Working Capital

The ability of the Group to fund the continued investment in the property and infrastructure pipeline, invest in new opportunities and meet current commitments is dependent on available cash and access to third party capital. This section contains disclosure on the financial assets, financial liabilities, cash flows and equity that are required to finance the Group's activities, including existing commitments and the liquidity risk exposure associated with financial liabilities. The section also contains disclosures for the Group's trading assets, excluding inventories, and the trading liabilities incurred as a result of trading activities used to generate the Group's performance.

15. Borrowings and Financing Arrangements

	December 2017 A\$m	June 2017 A\$m
a. Borrowings – Measured at Amortised Cost		
Current		
Commercial notes	249.6	291.9
Total current	249.6	291.9
Non Current		
Commercial notes	1,534.9	1,776.2
Bank credit facilities	8.0	84.3
Total non current	1,542.9	1,860.5
Total borrowings	1,792.5	2,152.4
b. Finance Facilities		
The Group has access to the following lines of credit:		
Commercial Notes		
Facility available	1,784.5	2,068.1
Amount of facility used	(1,784.5)	(2,068.1)
Amount of facility unused	-	-
Bank Credit Facilities		
Facility available	2,197.7	2,186.0
Amount of facility used	(8.0)	(84.3)
Amount of facility unused	2,189.7	2,101.7
Bank Overdrafts		
Facility available and amount unused	123.5	123.5

Commercial notes include:

- £300.0 million of guaranteed unsecured notes issued in October 2006 in the UK bond market with a 6.125% p.a. coupon maturing in October 2021;
- US\$25.0 million of guaranteed unsecured senior notes issued in October 2005 in the US private placement market with a 5.8% coupon matured and was repaid in October 2017; US\$400.0 million of guaranteed unsecured senior notes issued in May 2016 in the US Reg. S market under Lendlease's Euro Medium Term Note Programme with a coupon of 4.5% maturing in May 2026;
- S\$275.0 million of guaranteed senior unsecured notes issued in July 2012 in the Singapore bond market with a 4.625% p.a. coupon matured and was repaid in July 2017; S\$300.0 million of guaranteed unsecured senior notes were issued in April 2017 in the Singapore bond market under Lendlease's Euro Medium Term Note Programme with a 3.9% coupon maturing in April 2027; and
- A\$475.0 million of unsecured medium term notes issued in May 2013 (A\$375.0 million) and June 2014 (A\$100.0 million) in the Australian bond market comprising A\$250.0 million with a 5.5% p.a. coupon maturing in November 2018 and A\$225.0 million with a 6.0% p.a. coupon maturing in May 2020. The A\$250.0 million unsecured medium term note maturing in November 2018 has been classified as current for December 2017.

Bank credit facilities include:

- £400.0 million club bank facility maturing in March 2022 undrawn as at 31 December 2017 (30 June 2017: A\$76.3 million); and
- A\$1,500.0 million syndicated multi-option facility maturing in June 2019 (A\$600.0 million) and June 2020 (A\$900.0 million) undrawn as at 31 December 2017.

The bank overdraft facilities may be drawn at any time and are repayable on demand.

Consistent with prior periods, the Group has not defaulted on any obligations in relation to its borrowings and finance arrangements and other financial liabilities.

16. Issued Capital

	LENDLEASE CORPORATION LIMITED				LENDLEASE TRUST			
	December 2017		June 2017		December 2017		June 2017	
	No. of Shares (m)	A\$m	No. of Shares (m)	A\$m	No. of Units (m)	A\$m	No. of Units (m)	A\$m
Beginning of financial period	583.5	1,289.8	582.3	1,276.3	583.5	918.9	582.3	915.8
Transactions with owners:								
Distribution Reinvestment Plan	0.5	7.0	1.2	13.5	0.5	1.5	1.2	3.1
End of financial period	584.0	1,296.8	583.5	1,289.8	584.0	920.4	583.5	918.9

a. Issuance of Securities

As at 31 December 2017, the Group had 584.0 million stapled securities on issue, equivalent to the number of Lendlease Corporation shares and Lendlease Trust (LLT) units on issue as at that date. The issued units of LLT are not owned by the Company and are therefore presented separately in the Consolidated Statement of Financial Position within equity.

b. Security Accumulation Plans

The Group's Distribution Reinvestment Plan (DRP) was reactivated in February 2011. The last date for receipt of an election notice for participation in the DRP is 1 March 2018. The Group intends to neutralise stapled securities issued under the DRP for the upcoming dividend by acquiring an equivalent number of stapled securities on market. The issue price is the arithmetic average of the daily volume weighted average price of Lendlease Group stapled securities traded (on the Australian Securities Exchange) for the period of five consecutive business days commencing 5 March 2018. If that price is less than 50 cents, the issue price will be 50 cents. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

c. Terms and Conditions

Issued capital for Lendlease Corporation Limited comprises of ordinary shares fully paid. A stapled security represents one share in the Company stapled to one unit in LLT. Stapled securityholders have the right to receive declared dividends from the Company and distributions from LLT and are entitled to one vote per stapled security at securityholders' meetings. Ordinary stapled securityholders rank after all creditors in repayment of capital.

The Group does not have authorised capital or par value in respect of its issued stapled securities.

Notes to the Consolidated Financial Statements continued

Section D: Other Notes

17. Fair Value Measurement

All financial instruments recognised in the Statement of Financial Position, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value, with the exception of the following borrowings.

	Note	DECEMBER 2017		JUNE 2017	
		Carrying Amount A\$m	Fair Value A\$m	Carrying Amount A\$m	Fair Value A\$m
Liabilities					
Current					
Commercial notes	15a	249.6	257.7	291.9	293.3
Non Current					
Commercial notes	15a	1,534.9	1,805.2	1,776.2	2,088.4

The fair value of commercial notes has been calculated by discounting the expected future cash flows by the appropriate government bond rates and credit margin applicable to the relevant term of the commercial note.

a. Basis of Determining Fair Value

The determination of fair values of financial assets and liabilities that are measured at fair value are summarised as follows:

- The fair value of unlisted equity investments, including investments in property funds, is determined based on an assessment of the underlying net assets, future maintainable earnings and any special circumstances pertaining to the particular investment;
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted valuation techniques; these include the use of recent arm's length transactions, reference to other assets that are substantially the same, and discounted cash flow analysis; and
- The fair value of derivative instruments comprises forward foreign exchange contracts, which are valued using forward rates at balance date, and interest rate swap contracts, which are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates and includes consideration of counterparty risk adjustments.

b. Fair Value Measurements

The different levels for valuation method have been defined as follows:

- Level 1: The fair value is determined using the unadjusted quoted price for an identical asset or liability in an active market for identical assets or liabilities;
- Level 2: The fair value is calculated using predominantly observable market data other than unadjusted quoted prices for an identical asset or liability; and
- Level 3: The fair value is calculated using inputs that are not based on observable market data.

During the period there were no material transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

18. Contingent Liabilities

The Group has the following contingent liabilities:

- There are a number of legal claims and exposures that arise from the normal course of business. There is significant uncertainty as to whether a future liability will arise in respect to these items. The amount of liability, if any, that may arise, cannot be measured reliably at this time. The Directors are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any anticipated losses.
- In certain circumstances, the Company guarantees the performance of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities used primarily by the Construction business as well as performance guarantees for certain of the Company's subsidiaries.
- Various actions have been commenced in which damages, compensation or contribution is sought from various subsidiaries of the Company (LLP entities) in respect of transactions entered into in mid 2007 in relation to a number of retirement villages which were at that time part of the Prime Trust portfolio. The relevant transactions all occurred prior to the LLP entities becoming subsidiaries of the Company and at the relevant time the LLP entities were controlled by Australian Property Custodian Holdings Limited (Receivers and Managers Appointed) (Controllers Appointed) (In Liquidation) (APCH) or entities related to William Lewski, a director of the LP entities at the time. The liquidator of APCH has commenced three proceedings in which claims are made against the LLP entities. One proceeding was permanently stayed by the Court on 22 December 2015. The liquidators then appealed against the stay, that appeal ultimately being unsuccessful. This proceeding is now finalised against the LLP entities with no liability. In the remaining two proceedings, APCH has made allegations against third parties in relation to the same transactions and those third parties have made contribution claims against the LLP entities all of which have been vigorously defended. These proceedings have now been settled by all parties and discontinued. As such there is no further liability for the LLP entities from these proceedings.

Notes to the Consolidated Financial Statements continued

Section E: Basis of Consolidation

19. Consolidated Entities

The material consolidated entities of the Group listed below were wholly owned during the current and prior period.

PARENT ENTITY

Lendlease Corporation Limited

AUSTRALIA

Capella Capital Lendlease Pty Limited
 Capella Capital Partnership
 Lendlease Building Pty Limited
 Lendlease Building Contractors Pty Limited
 Lendlease Communities (Australia) Limited
 Lendlease Development Pty Limited
 Lendlease Engineering Pty Limited
 Lendlease Finance Limited
 Lendlease Infrastructure Investments Pty Limited
 Lendlease International Pty Limited
 Lendlease (Millers Point) Trust
 Lendlease Primelife Limited
 Lendlease Real Estate Investments Limited
 Lendlease Responsible Entity Limited
 Lendlease Services Pty Limited
 Lendlease Trust¹

EUROPE

Lendlease Construction (Europe) Limited
 Lendlease Construction Holdings (Europe) Limited
 Lendlease Europe Finance plc
 Lendlease Europe Limited
 Lendlease Residential (CG) plc

ASIA

Lendlease Japan Inc.
 Lendlease Singapore Pte. Limited

AMERICAS

Lendlease (US) Capital, Inc.
 Lendlease (US) Construction, Inc.
 Lendlease (US) Construction LMB, Inc.
 Lendlease (US) Healthcare Development LLC
 Lendlease (US) Public Partnerships, LLC

1. Lendlease Trust is a consolidated entity of the Group as the parent entity is deemed to control it. Lendlease Trust is not wholly owned.

During the current and prior period, there were no **acquisitions** of material consolidated entities.

During the current and prior period the following **disposals** of material consolidated entities occurred.

	Ownership Interest Disposed %	Date Disposed	Gross Consideration received/ receivable
AUSTRALIA			
31 December 2017			
Lendlease Retirement Living Trust ¹	25.0	18 December 2017	510.4
LRIP LP ²	80.0	21 December 2017	196.8
31 December 2016			
Circular Quay Tower ³	80.0	20 December 2016	240.0
Lendlease (EGRP) Pty Ltd	100.0	6 October 2016	38.8

1. Refer to Note 5 Other Income, Note 8 Share of Profit of Equity Accounted Investments and Note 12 Equity Accounted Investments for further details.

2. Refer to Note 5 Other Income for further details.

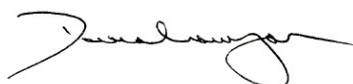
3. Represents the disposal of three entities relating to the Circular Quay Tower project.

Directors' Declaration

In the opinion of the Directors of Lendlease Corporation Limited (the Company):

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - a. Giving a true and fair view of the financial position of the Company as at 31 December 2017 and of its performance for the half year ended on that date; and
 - b. Complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



D A Crawford, AO
Chairman



S B McCann
Group Chief Executive Officer and Managing Director

Sydney, 21 February 2018



Independent Auditor's Review Report

To the members of Lendlease Corporation Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Lendlease Corporation Limited (the Company) as the deemed parent presenting the stapled security arrangement of **Lendlease Group**.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Lendlease Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Lendlease Group's financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Lendlease Group** (the Group) consists of Lendlease Corporation Limited and the entities it controlled at the Half year's end or from time to time during the Half-year and Lendlease Trust.

Shares in Lendlease Corporation Limited and units in Lendlease Trust are jointly traded as a Stapled Security on the Australian Securities Exchange under the name of Lendlease Group.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lendlease Corporation Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Duncan McLennan

Partner

Sydney

21 February 2018