21 February 2018

# Lendlease Group Half Year 2018 Results Announcement, Presentation and Appendix

Lendlease Group today announced its results for the half year ended 31 December 2017. Attached is the HY18 Results Announcement, Presentation and Appendix.

#### **ENDS**

FOR FURTHER INFORMATION, PLEASE CONTACT:

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21 February 2018

#### Lendlease delivers resilient earnings, announces on-market buyback

For the half year ended 31 December 20171:

- Profit after Tax of \$425.6 million, up 8 per cent and earnings per stapled security of 72.9 cents, up 8 per cent
- Return on Equity of 13.8 per cent<sup>2</sup>, upper end of 10-14 per cent target range
- Net operating and investing cash flow of \$825.2 million
- Strong balance sheet with gearing of 1.9 per cent<sup>3</sup> and available liquidity of \$3.9 billion
- On-market buyback up to \$500 million
- Strong residential completions in apartments and land lots
- Secured two major urbanisation projects in Europe (estimated end value of \$5.4 billion)
- Introduced capital partner for 25 per cent of the Retirement Living business at premium to book value
- Two new asset classes added to the funds management platform
- Interim distribution of 34 cents per stapled security, up 3 per cent

Group Chief Executive Officer and Managing Director, Steve McCann, said Lendlease delivered resilient earnings for the period with a strong performance from the Development and Investments segments outweighing the underperformance in the Construction segment.

"The strong performance of our Development segment was underpinned by the residential sector, with a 48 per cent increase in residential development completions and the launch of a residential for rent investment partnership with CPPIB<sup>4</sup> in London."

"Recurring earnings and growth in underlying asset values drove a strong result in our Investments segment."

The Group also made substantial progress implementing its strategic agenda, securing two new major urbanisation projects, converting opportunities in the infrastructure space and creating future growth potential for the funds platform.



<sup>&</sup>lt;sup>1</sup> Comparative period, the half year ended 31 December 2016 (the prior corresponding period).

<sup>&</sup>lt;sup>2</sup> Return on equity is calculated on an annualised basis, using the half year profit after tax, divided by the arithmetic average of beginning and half year end securityholders' equity.

<sup>&</sup>lt;sup>3</sup> Net debt to total tangible assets less cash.

<sup>&</sup>lt;sup>4</sup> Canada Pension Plan Investment Board.

#### 21 February 2018

Mr McCann said: "The addition of High Road West in Tottenham in London and Milano Santa Giulia in Milan brings our global urbanisation portfolio of major projects to 16 and delivers on our stated objective of diversifying to targeted international gateway cities."

Future growth in Funds Under Management will be supported by two new asset classes for Lendlease; UK residential for rent and US telecommunications infrastructure.

Mr McCann said: "While we saw underperformance in our Construction segment, this was confined to a small number of engineering projects. We have continued to invest in our capability and have been selective and disciplined in our recent origination. We have positive momentum behind the business and continue to make progress, securing \$3 billion of transport infrastructure projects in Australia."

#### **Group Financials**

Group Chief Financial Officer, Tarun Gupta, said: "Lendlease delivered a robust financial result with solid profit growth, strong cash generation, and a resilient balance sheet."

"This result, building on already solid foundations, has provided the capacity to undertake capital management, with the Board approving an on-market buyback of up to \$500 million."

The on-market buyback is subject to the ongoing assessment of the Group's surplus capital position, market conditions and growth opportunities.

Return on equity was 13.8 per cent for the half driven by strong returns in the Development and Investments segments. This was achieved using little financial leverage with gearing ending the period at 1.9 per cent.

EBITDA rose by 13 per cent on the prior corresponding period with growth in Development and Investments more than offsetting a weaker period for Construction.

Net operating and investing cash flows were \$825.2 million for the half year, almost double that of Profit after Tax.

"The Group made further progress in reallocating capital to our international operations following the part sale of the Retirement Living business, the growth in our international urbanisation pipeline and the launch of a telco infrastructure JV with Softbank Group in the US," said Mr Gupta.

#### **Outlook**

Mr McCann said: "We continue to be well placed for the future and remain committed to our strategy. We have made progress in growing the development pipeline in our gateway cities and have strong earnings visibility for the coming years."

Lendlease Corporation Limited ABN 32 000 226 228 and Lendlease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983 as responsible entity for Lendlease Trust ABN 39 944 184 773 ARSN 128 052 595



#### 21 February 2018

Lendlease has an extensive development pipeline of \$56.7 billion<sup>5</sup>, with \$40.3 billion of urbanisation projects and \$16.3 billion of Communities and Retirement projects.

Construction backlog revenue stands at \$22.4 billion with an additional c.\$12 billion of preferred work at 31 December 2017.

The Investments segment is in a solid position to deliver recurring earnings derived from the \$3.0 billion of invested capital, \$28.3 billion in funds under management and approximately \$4 billion of secured future FUM.

"Our diversification by segment, sector and geography ensures our business model is resilient to market cycles and operational challenges and our strong financial position provides the flexibility to pursue future opportunities as they arise," said Mr McCann.

Further information regarding Lendlease's results is set out in the Group's financial results presentation for the half year ended 31 December 2017 and is available on www.lendlease.com.

#### **ENDS**

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| 2018 Key Dates for Investors  |             |
|---|-------------|
| Interim distribution declared                                       | 21 February |
| Securities quoted ex-dividend on the Australian Securities Exchange | 27 February |
| Interim distribution record date                                    | 28 February |
| Anticipated commencement of on-market buyback                       | 13 March    |
| Interim distribution payable  | 22 March    |
| FY18 results released to market/final distribution declared         | 22 August   |
| Annual General Meetings   | 16 November |

<sup>&</sup>lt;sup>5</sup> Includes \$0.1 billion of infrastructure development.

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## Indigenous engagement and reconciliation

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





Steve McCann, Group Chief Executive Officer and Managing Director



## **Safety**

Lendlease is saddened to report one fatality occurred on our operations during HY18.

We express our sincere condolences to the family, friends and colleagues impacted by this tragic incident.

We remain committed to the safety of our people and continuously strive to do our best so that every person who visits a Lendlease operation returns home safely.

#### **Safety metrics HY18**

- One fatality occurred on our operations
- Group Lost Time Injury Frequency Rate<sup>1</sup>
  - 1.6 (1.6 in HY17)
- Percentage of operations without a critical incident in the last 6 months
  - 95% (92% in HY17)

## Vision: to create the best places

#### **Strategic framework**

## F@CUS

Delivering optimal performance safely



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

#### **Competitive advantage**

#### **INTEGRATED MODEL**

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

#### FINANCIAL STRENGTH

Balance sheet strength and access to third party capital.

#### TRACK RECORD

Delivering quality design and sustainable outcomes safely.

#### **Business model**



#### **Pillars of value**

- Health & Safety
- 務 Our People
- Our Customers
- Financial
- 豫 Sustainability

## Lendlease delivers resilient earnings

### Securityholder returns<sup>1</sup>

- Profit after Tax of \$425.6 million, up 8%, and earnings per stapled security of 72.9 cents, up 8%
- Half year distribution of 34 cents per security, representing a dividend payout ratio of 47%
- Return on equity of 13.8%<sup>2</sup>, the upper end of our 10% 14% target range
- Capital management: on-market buyback of up to \$500 million

#### Performance drivers<sup>1</sup>

- Total residential completions of 3,009 units, up 48%
- Commenced residential for rent investment partnership in the UK two buildings at Elephant Park in delivery
- Construction EBITDA adversely impacted by a small number of underperforming Engineering projects
- Introduced capital partner for 25% of the Retirement Living business at premium to book value
- Growth in Funds Under Management (FUM) of 15% to \$28.3 billion
- Operating and Investing cash flow of \$825.2 million
- Gearing of 1.9%<sup>3</sup> and liquidity of \$3.9 billion, including cash and cash equivalents of \$1.5 billion
- 1. Comparative period the half year ended 31 December 2016 (the prior corresponding period)
- 2. Return on equity is calculated using an annualised operating Profit after Tax divided by the arithmetic average of beginning and half year end securityholders' equity
- 3. Net debt to total tangible assets, less cash

### **HY18 Achievements**

#### **Executing on our strategy**

- New urbanisation projects in gateway cities: High Road West, London (\$1.9 billion<sup>1</sup>); Milano Santa Giulia, Milan (\$3.5 billion<sup>1</sup>)
- Construction new work secured of \$8.8 billion: including \$3 billion of transport infrastructure
- Retirement Living: introduction of APG<sup>2</sup> as 25% capital partner
- New asset classes for Investment platform secured:
  - UK Residential for Rent Investment partnership with CPPIB<sup>3</sup> with initial target of GBP1.5 billion
  - US Telco Infrastructure Joint Venture with Softbank targeting USD5 billion in assets over the medium term



High Road West, London<sup>4</sup>



Milano Santa Giulia, Milan4



Elephant Park, London<sup>4</sup>



Melbourne Metro, VIC4



Telecommunications tower, Florida



Annesley Bowral Retirement Village, NSW

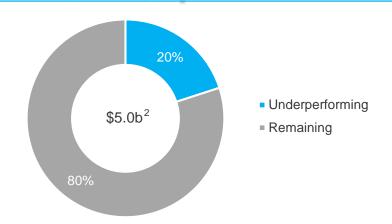
- 1. Estimated end development value
- APG Asset Management N.V.
- Canada Pension Plan Investment Board
- Artist's impression

## **Construction segment: Engineering**

#### **Near term focus**

- Small number of underperforming projects:
  - HY18 EBITDA includes the reversal of previously booked margin and recognition of expected losses
  - These projects are all at least 50% complete
  - Margin impact until completion
- Issues are project specific:
  - Primarily logistics and geotechnical

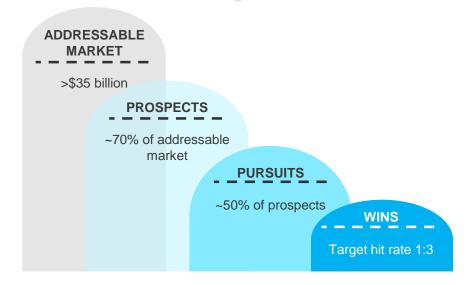
#### **Engineering backlog (\$b)**



#### Strategic rationale

- Market opportunity compelling
- Benefits for integrated model:
  - Delivery of urbanisation projects
  - Origination opportunities to/from other businesses
- Continued investment in delivery capability
- Targeting portfolio scale and diversification
- Financial targets:
  - \$4 billion per annum in revenue<sup>1</sup>
  - EBITDA margin > 5%<sup>1</sup>

#### **Target / Market opportunity**



- Medium term targets (3-5 years)
- As at 31 December 2017



## Financial performance

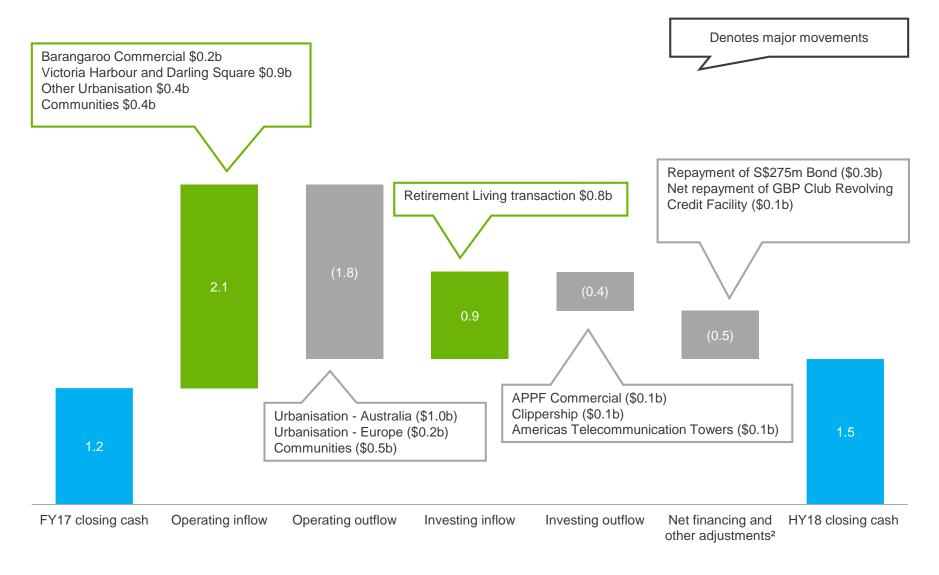
| \$ million                         | Dec-16  | Dec-17  | Change |
|------------------------------------|---------|---------|--------|
| Development                        | 260.2   | 443.0   | 70%    |
| Construction                       | 170.2   | (26.1)  | (115%) |
| Investments                        | 288.4   | 383.1   | 33%    |
| Operating EBITDA                   | 718.8   | 800.0   | 11%    |
| Corporate costs                    | (79.2)  | (79.4)  | 0%     |
| Group EBITDA                       | 639.6   | 720.6   | 13%    |
| Depreciation and amortisation      | (47.8)  | (50.4)  | 5%     |
| EBIT                               | 591.8   | 670.2   | 13%    |
| Net finance costs                  | (49.6)  | (46.0)  | (7%)   |
| РВТ                                | 542.2   | 624.2   | 15%    |
| Income tax expense                 | (147.7) | (198.5) | 34%    |
| External non controlling interests | 0.3     | (0.1)   | (133%) |
| NPAT                               | 394.8   | 425.6   | 8%     |
| Weighted avg. securities           | 582.7   | 583.8   | 0%     |
| EPS cents                          | 67.8    | 72.9    | 8%     |

- H1 skew: residential for rent and apartments for sale
- Underperformance in Engineering business
- Uplift in recurring earnings, leasing success, appreciating asset values
- HY18 Group Services costs of \$68.9 million<sup>1</sup> flat on HY17<sup>2</sup>
- · Reflective of higher technology related costs
- Decrease in finance costs due to lower average net debt
- Effective tax rate of 31.8%, up 4.6 ppts<sup>2</sup>

<sup>1.</sup> Remaining HY18 corporate costs represent Group Treasury of \$10.5 million

<sup>2.</sup> Comparative period the half year ended 31 December 2016 (the prior corresponding period)

## Cash flow movements (\$b)<sup>1</sup>



<sup>1.</sup> Represents an indicative analysis of operating cash inflows and outflows. Operating cash inflows and outflows relating to Construction have been included as a net position in the above chart

<sup>2.</sup> Includes the impact of foreign exchange movements on opening cash

## Financial position

| \$ million                                | Dec-16   | Jun-17   | Dec-17   |
|---|----------|----------|----------|
| Assets                                    |          |          |          |
| Cash and cash equivalents                 | 1,020.8  | 1,249.2  | 1,545.2  |
| Inventories                               | 4,963.6  | 5,127.4  | 4,884.7  |
| Equity accounted investments <sup>1</sup> | 744.0    | 834.6    | 2,268.0  |
| Investment properties <sup>1</sup>        | 6,439.5  | 6,967.4  | 557.4    |
| Other assets (including financial)        | 5,738.6  | 6,675.6  | 6,536.7  |
| Total assets                              | 18,906.5 | 20,854.2 | 15,792.0 |

| 1,844.9  | 2,152.4                         | 1,792.5   |
|----------|---------------------------------|---|
| 11,114.4 | 12,535.3                        | 7,570.4   |
| 12,959.3 | 14,687.7                        | 9,362.9   |
| 5,947.2  | 6,166.5                         | 6,429.1   |
| 5.1%     | 5.0%                            | 1.9%  |
|          | 11,114.4<br>12,959.3<br>5,947.2 | 11,114.4 12,535.3<br>12,959.3 14,687.7<br>5,947.2 6,166.5 |

#### Key areas of capital employed

- Development inventories of \$3.9 billion
- Investments of \$3.1 billion including:
  - Co-investments of \$1.6 billion
  - Retirement Living interest of \$1.2 billion
  - Infrastructure of \$0.3 billion

#### **Funding and liquidity**

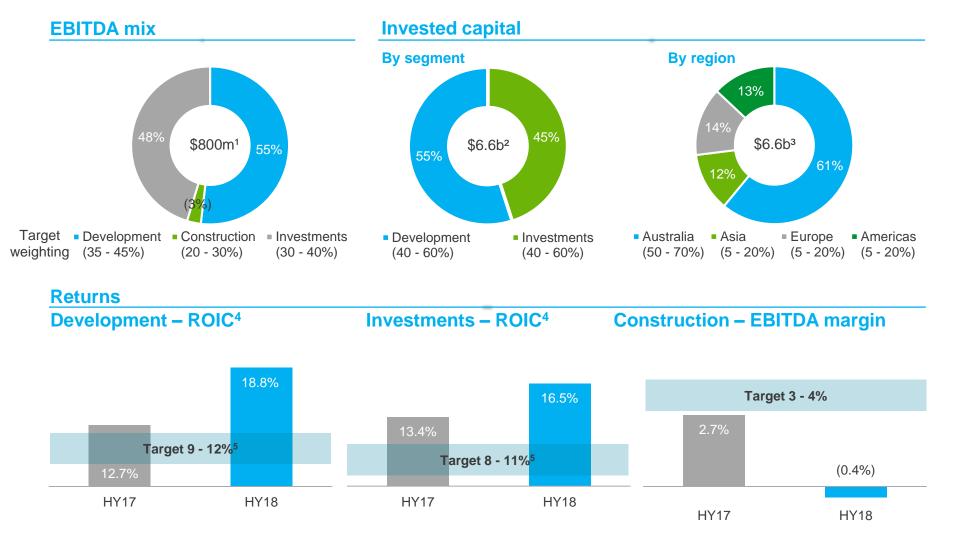
- \$1.5 billion of cash and \$2.3 billion in undrawn debt facilities<sup>2</sup>
- Interest coverage of 12.5 times
- · Prudent debt maturity profile, no material concentrations

<sup>1.</sup> As at 31 December 2016 and 30 June 2017 Investment properties included Retirement Living assets and Retirement Living obligations. As at 31 December 2017 the net assets for Retirement Living were reported through equity accounted investments

<sup>2.</sup> Total liquidity of \$3.9 billion, components do not sum due to rounding

<sup>3.</sup> Net debt to total tangible assets less cash

## **Portfolio Management Framework**



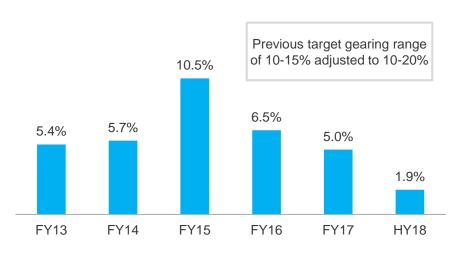
- 1. Operating EBITDA
- 2. Invested capital for Development and Investments
- 3. Total Lendlease invested capital at 31 December 2017 was \$6.6 billion. Development and Investments totalled \$6.6 billion, with remaining invested capital nil across both Construction and Corporate
- 4. Return on Invested Capital (ROIC) is calculated using the annualised operating Profit after Tax divided by the arithmetic average of beginning and half year end invested capital
- 5. Target segment returns are through-cycle returns based on a rolling 3-5 year timeline

## **Portfolio Management Framework**

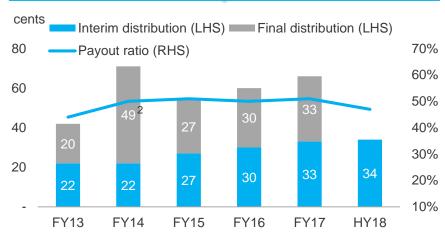
#### Return on equity (ROE)<sup>1</sup>



## Gearing



#### **Distributions**



#### **Gearing target revised to 10-20%**

- The Retirement Living business has historically been accounted for on a gross basis
- Going forward, the Group's interest in Retirement Living will be accounted for on a net basis as an Equity Accounted Investment
- This change impacts gearing, but will not change the debt risk profile
- The proforma impact on gearing is ~5%, assuming net debt at midpoint of previous 10 – 15% target range
- Upper end of gearing range lifted by 5 ppts (new range 10 20%)
- Equivalent Net Debt / Invested Capital target ratio remains unchanged at 20 – 30%
- 1. FY ROE is the annual statutory Profit after Tax attributable to securityholders divided by the arithmetic average of beginning, half year and year end securityholders' equity. HY ROE is an annualised return based off the arithmetic average of beginning and half year end securityholders' equity
- 2. FY14 includes Bluewater sale

## Capital structure and capital management

#### Portfolio Management Framework: Optimising our capital structure

KEY CAPITAL STRUCTURE
OBJECTIVES

1 Maintain investment grade credit rating
2 Optimise Weighted Average Cost of Capital (WACC)
3 Sufficient buffer to manage operational and cyclical risks

#### Capital Management – returning excess capital

- Maintaining an optimal capital structure is a core element of the Portfolio Management Framework
- · Focus on maximising long term securityholder value and maintaining capital discipline
- Board has approved an on-market buyback of up to \$500 million, subject to the Group's ongoing assessment of the surplus capital
  position, market conditions and growth opportunities
- Financial capacity to fund our share of development pipeline and growth opportunities maintained
- Prudent capital management remains an ongoing focus



**Operational Update** 

Steve McCann, Group Chief Executive Officer and Managing Director



## **Development**

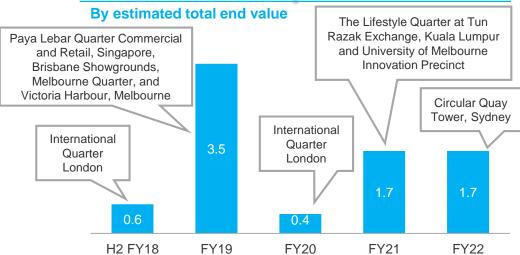
### Performance highlights<sup>1</sup>

- ROIC of 18.8%, well above target range
- Residential completions of 3,009 units, up 48%:
  - Apartments for sale 1,189 units<sup>2</sup>
  - Communities 1,780 units
- Launch of residential for rent UK partnership Phase one 663 units across two buildings
- Residential presales:
  - Apartments 3,295 units (\$3.1b)
  - Communities 3,842 lots (\$0.9b)
- Residential for rent in delivery: 1,513 units (\$1.2b<sup>3</sup>)
- Barangaroo T1 leasing (c.18,000 sqm), 94% let
- Major commercial buildings in delivery c.\$7.9 billion<sup>3</sup>
- 74,000 sqm commercial pre-leasing underpinning potential future forward sales
- Financial close on Melbourne Metro Tunnel Project
- US Telecommunications Infrastructure: Joint Venture established

### Residential presales (\$b) Residential for rent (\$b)



### Commercial building completion profile<sup>4</sup> (\$b)



- 1. Comparative period the half year ended 31 December 2016 (the prior corresponding period)
- 2. Pre sold units on buildings completed during the period, and units sold in the period on buildings completed in prior periods
- 3. Total estimated development end value
- 4. Based on expected completion date of buildings, subject to change. Not indicative of cash or profit recognition

### Construction

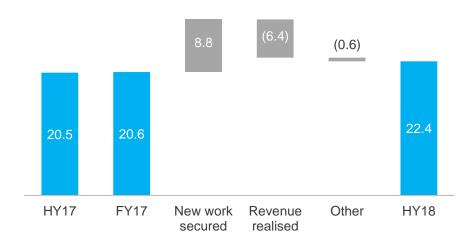
### Performance highlights<sup>1</sup>

- Global EBITDA margin (0.4%)
- Australian margin impacted by a small number of underperforming engineering projects
  - HY18 EBITDA includes the reversal of previously booked margin and recognition of expected losses
  - Projects all at least 50% complete
  - Margin impact until completion
- Solid Building performance in Australia
- Americas margin lower compared with performance upside in HY17
- New work secured of \$8.8 billion:
  - Building \$5.4 billion (including c.\$1 billion Defence)
  - Engineering \$3.0 billion (Transport infrastructure)
  - Services \$0.4 billion
- Backlog revenue of \$22.4 billion, up 9%
- Preferred bidder status of c.\$12 billion

#### EBITDA (\$m)



#### Backlog (\$b)



<sup>1.</sup> Comparative period the year ended 31 December 2016 (the prior corresponding period)

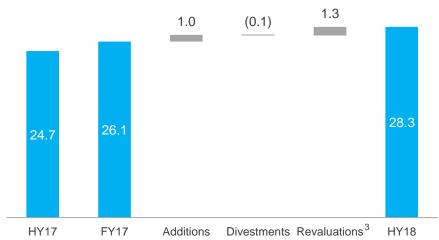
### **Investments**

### Performance highlights<sup>1</sup>

- ROIC of 16.5%, well above target range
- Ownership earnings derived from investments increased by 41% to \$319 million
  - 25% sale of Retirement Living business at c.7% premium to book value and uplift in carrying value of remaining 75% investment
  - Higher investment income from lease up and full period benefit of office at Barangaroo South
  - Asset value appreciation:
    - Co-investment revaluations
    - External valuation of the US military housing portfolio
- Uplift in operating earnings of 3% to \$64 million
  - Future FUM from new asset classes: Residential for Rent in the UK and Telecommunications Infrastructure in the US
  - FUM of \$28.3 billion, up 15%
    - c.\$4 billion<sup>2</sup> of additional secured future FUM

#### **Investments EBITDA by activity (\$m)**





- 1. Comparative period the half year ended 31 December 2016 (the prior corresponding period)
- 2. Represents secured future FUM from funds with development projects in delivery
- 3. Includes foreign exchange



### Outlook

### Laying the foundations for future growth

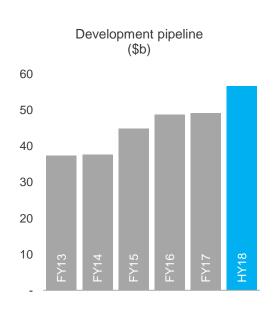
- Well positioned for future success:
  - Earnings visibility from extensive pipeline across our business segments
  - Financial strength, capital discipline, resilient and diversified business model
- Development pipeline of \$56.7 billion:
  - Two major urbanisation projects secured: High Road West, London, and Milano Santa Giulia, Milan
  - Preferred bidder on Haringey Development Vehicle, London and Arexpo, Milan
  - International operations expected to provide a key source of growth
- Construction backlog revenue of \$22.4 billion:
  - Diversified by client, sector and geography
  - Management focus on underperforming Engineering projects
- Investments segment with \$3.1 billion of investments and \$28.3 billion in FUM:
  - Integrated model key source of product with c.\$4 billion¹ of additional secured future FUM
  - Two additional asset classes for investment platform: UK Residential for Rent and US Telecommunications Infrastructure
- Focused on execution excellence through strong risk management and governance frameworks:
  - Unwavering commitment to health and safety
  - Disciplined approach to origination and managing individual project and property cycle risk
  - Diversification across segment, sector and geography provides resilience

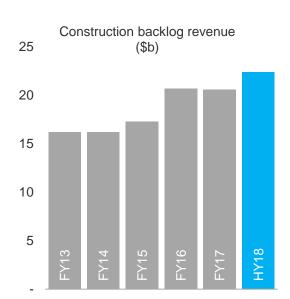
## Earnings visibility from strong pipeline across all segments

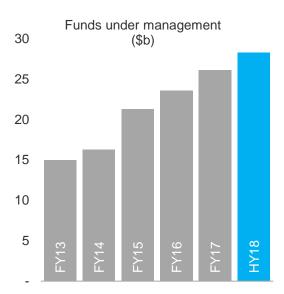
Development pipeline of \$56.7 billion

Construction backlog revenue of \$22.4 billion

FUM of \$28.3 billion













### Our business model

Our business model is how we generate earnings. The model is integrated when more than one segment is engaged on a single project

#### **DEVELOPMENT**

The Development segment is involved in the development of communities, inner city mixed use developments, apartments, retirement, retail, commercial assets, and social and economic infrastructure

#### Core Financial Returns:



- Development margins
- Development management fees received from external co-investors
- Origination fees for infrastructure PPPs

#### CONSTRUCTION

The Construction segment provides project management, design and construction services, predominantly in the infrastructure, defence, mixed use, commercial and residential sectors

#### Core Financial Returns:



- Project management and construction management fees
- Construction margin

#### **INVESTMENTS**

The Investments segment includes a leading wholesale investment management platform and also includes the Group's ownership interests in property and infrastructure coinvestments, Retirement and US Military Housing

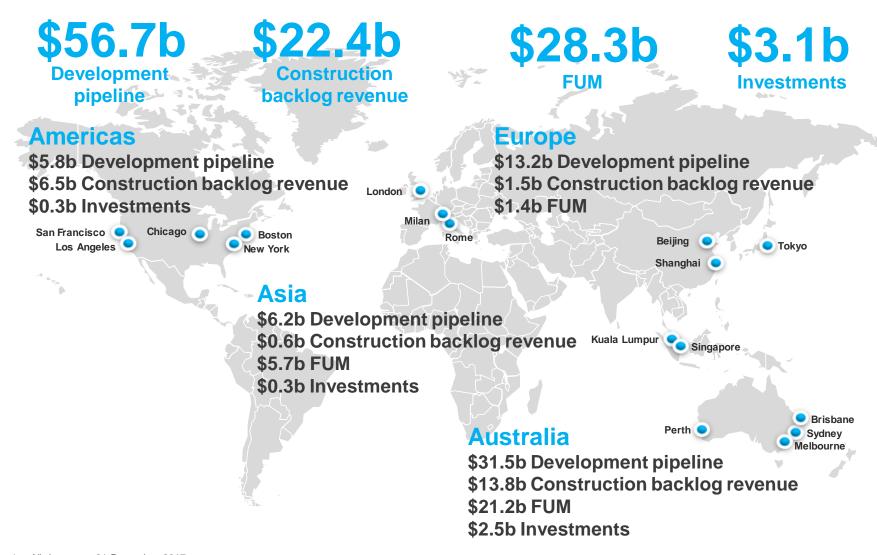
#### Core Financial Returns:



- Fund, asset and property management fees
- Investment yields and capital growth on coinvestments, and returns from the Group's Retirement investment and US Military Housing business

## Globally diverse pipeline

Our globally diverse pipeline provides long term earnings visibility<sup>1</sup>



## Global trends influencing our strategy



#### **Urbanisation**

By 2016, 54% of the world's population were estimated to live in urban areas; this will reach 60% by 2030<sup>1</sup>



### Lendlease leadership

- \$40.3b<sup>2</sup> Urbanisation pipeline
- 16 major urbanisation projects<sup>3</sup> across 10 gateway cities



#### Infrastructure

On average, worldwide infrastructure spend of c.\$3.3 trillion a year will be required to support expected rates of population growth between 2016 and 2030<sup>4</sup>



- A leading tier 1 Engineering business in Australia
- \$10b+PPPs secured<sup>5</sup>

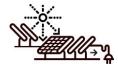


### **Funds growth**

Global assets under management are forecast to rise from c.US\$85 trillion in 2016 to c.US\$145 trillion by 2025<sup>6</sup>



15.2% annual growth in Funds Under Management since FY13



### **Sustainability**

Cities occupy 2% of the world's land mass, but are responsible for up to 70% of harmful greenhouse gases<sup>7</sup>



- Recognised by GRESB as an international leader<sup>8</sup>
- Development pipeline achieved or targeting 98% green certification



# Ageing population

Internationally, people aged 60+ is expected to more than double by 2050, rising from 962 million in 2017 to 2.1 billion in 2050<sup>9</sup>



- A market leader in retirement living sector in Australia
- Actively seeking to transfer skills offshore



#### **Technology**

Global investment in real estate technology start-ups has grown from \$0.2 billion in 2012 to \$2.7 billion in 2016<sup>10</sup>



 A pioneer of new delivery technologies e.g. Cross Laminated Timber, pre-fab and modular; a leader in new safety initiatives

- 1. World Urbanization Prospects: The 2014 Revision, United Nations
- 2. As at 31 December 2017
- 3. Urbanisation development projects with end value >\$1b
- 4. Bridging Global Infrastructure Gaps: McKinsey 2016
- Cumulative data from FY12 HY18
- 6. Asset & Wealth Management Revolution: Embracing Exponential Change, PwC 2017
- 7. UN-HABITAT's Global Report on Human Settlements 2011
- 8. Global Real Estate Sustainability Benchmark (GRESB) 2017 survey; 5 funds achieved no.1 ranking in respective global or regional category
- 9. World Population Prospects: The 2017 Revision, United Nations
- 10. CB Insights Research Brief 2017

## **Portfolio Management Framework summary**

#### **Business model**

- Integrated model synergies
- Target EBITDA mix: 35-45% Development 30-40% Investments 20-30% Construction

## **Capital allocation**

- · Focused on gateway cities
- 50-70% capital in Australia
- 20% max per International region

1 Maximising long term securityholder value

### **Target returns**

- Group ROE 10-14%
- Development ROIC 9-12%<sup>1</sup>
- Investments ROIC 8-11%<sup>1</sup>
- Construction EBITDA margin 3-4%

### **Distribution policy**

- Payout 40-60% of earnings
- · Capital management discipline

### **Capital structure**

- · Investment grade credit rating
- Optimised WACC
- Gearing<sup>2</sup> 10-20%

- 1. Target segment returns are through-cycle returns based on a rolling 3 to 5 year timeline
- 2. Net debt to total tangible assets, less cash

### Pillars of value – non-financial



### **Safety**

Percentage of operations without a critical incident in the last 6 months is 95% (92% in HY17)





#### **Our Customers<sup>2</sup>**

C.280 MILLION
RETAIL VISITORS
ANNUALLY

military housing for c.125,000 RESIDENTS IN THE US

C.150
GLOBAL
INSTITUTIONAL PARTNERS

c.16,000
RETIREMENT
LIVING RESIDENTS



### **Our People**

Executive positions held by women<sup>3</sup>

FY16 19.0%

FY17 20.6%

For the sixth year running, we have been recognised as a top employer in the Australian Workplace Equality Index for Lesbian, Gay, Bi-sexual, Transgender and Intersex (LGBTI) inclusion



### **Sustainability**

Total development pipeline achieved or targeting green certification

HY17 98%

HY18 98%

#1 RANKED
REAL ESTATE FUND
(APPFC)
IN 2017
GRESB SURVEY<sup>4</sup>

- 1. Calculated using 12 month rolling frequency rate
- 2. Internal data capture, as at 30 June 2017
- 3. Employees who hold a position at Executive level according to the Lendlease Career Job Framework
- 4. Global Real Estate Sustainability Benchmark (GRESB) 2017 survey; 5 funds achieved no.1 ranking in respective global or regional category

## Sustainability

#### **Progress against environmental targets**

Targeting 20% reduction in Energy, Water Use and Waste to Landfill by 2020 (against FY14 baseline)

Lendlease's FY17 performance shown below demonstrates meaningful progress against our 2020 target<sup>1</sup>

**FY17** 

**FY17** 

**FY17** 



21.5%

8.9%

<sup>©</sup> 7.7%

**Energy reduction** 

Water reduction

Waste reduction

#### **Operational excellence**

MEMBER OF **Dow Jones** Sustainability Indices In Collaboration with RobecoSAM (

Member of the Dow Jones Sustainability Index for 16 years and included in RebcoSAM's 2018 Sustainability Yearbook as one of the most sustainable companies in the industry

**United Nations: Global Compact** 

Active participant since April 2014



Achieved highest AAA ESG rating again, putting Lendlease in the top 8% within the industrv<sup>2</sup>

Signatory of:



Signatory since FY08, with an A+ rating achieved in Strategy & Governance and Property modules



Lendlease managed fund ranked 1st of 850 respondents for 2017 in the Global Real Estate Sustainability Benchmark (GRESB)



Lendlease's 2<sup>nd</sup> Reconciliation Action Plan (RAP) achieved 'Elevate' status from Reconciliation Australia. One of 20 corporations in Australia to achieve this leadership level

- Performance as at June 2017 and is a cumulative measure
- As at September 2016



## **Income Statement**

| Income Statement (\$m)  | Dec-16    | Dec-17    |
|---|-----------|-----------|
| Revenue   | 7,945.3   | 8,691.2   |
| Cost of sales   | (7,077.3) | (7,778.0) |
| Gross profit  | 868.0     | 913.2     |
| Share of profit of equity accounted investments                     | 43.7      | 7.0       |
| Other income  | 139.0     | 378.0     |
| Other expenses  | (458.9)   | (628.0)   |
| Results from operating activities                                   | 591.8     | 670.2     |
| Finance revenue   | 5.5       | 6.1       |
| Finance costs   | (55.1)    | (52.1)    |
| Net finance costs   | (49.6)    | (46.0)    |
| Profit before Tax   | 542.2     | 624.2     |
| Income tax expense  | (147.7)   | (198.5)   |
| Profit after Tax  | 394.5     | 425.7     |
| Profit after Tax attributable to:                                   |           |           |
| Members of Lendlease Corporation Limited                            | 338.6     | 314.4     |
| Unitholders of Lendlease Trust                                      | 56.2      | 111.2     |
| Profit after Tax attributable to securityholders                    | 394.8     | 425.6     |
| External non controlling interests                                  | (0.3)     | 0.1       |
| Profit after Tax  | 394.5     | 425.7     |
| Basic/Diluted Earnings per Lendlease Group Stapled Security (cents) | 67.8      | 72.9      |

## **Statement of Financial Position**

| Statement of Financial Position (\$m) | Dec-16  | Jun-17  | Dec-17  |
|---------------------------------------|---------|---------|---------|
| Current Assets                        |         |         |         |
| Cash and cash equivalents             | 1,020.8 | 1,249.2 | 1,545.2 |
| Loans and receivables                 | 2,057.4 | 2,749.2 | 2,127.0 |
| Inventories                           | 2,488.2 | 2,152.0 | 1,713.4 |
| Other financial assets                | 65.0    | 33.0    | 2.4     |
| Other assets                          | 94.0    | 77.9    | 105.2   |
| Total current assets                  | 5,725.4 | 6,261.3 | 5,493.2 |

| Non Current Assets            |          |          |          |
|-------------------------------|----------|----------|----------|
| Loans and receivables         | 259.4    | 507.7    | 742.4    |
| Inventories                   | 2,475.4  | 2,975.4  | 3,171.3  |
| Equity accounted investments  | 744.0    | 834.6    | 2,268.0  |
| Investment properties         | 6,439.5  | 6,967.4  | 557.4    |
| Other financial assets        | 1,230.4  | 1,203.3  | 1,430.8  |
| Deferred tax assets           | 116.2    | 129.4    | 148.9    |
| Property, plant and equipment | 413.1    | 425.8    | 424.7    |
| Intangible assets             | 1,433.7  | 1,415.1  | 1,407.2  |
| Defined benefit plan asset    | 6.5      | 64.3     | 80.8     |
| Other assets                  | 62.9     | 69.9     | 67.3     |
| Total non current assets      | 13,181.1 | 14,592.9 | 10,298.8 |
| Total assets                  | 18,906.5 | 20,854.2 | 15,792.0 |

| Statement of Financial Position (\$m) | Dec-16  | Jun-17   | Dec-17  |
|---------------------------------------|---------|----------|---------|
| Current Liabilities                   |         |          |         |
| Trade and other payables              | 4,353.5 | 5,578.8  | 4,719.6 |
| Resident liabilities                  | 4,444.1 | 4,573.0  | -       |
| Provisions                            | 321.8   | 285.6    | 421.9   |
| Borrowings and financing arrangements | 297.8   | 291.9    | 249.6   |
| Current tax liabilities               | 38.5    | 6.4      | 9.8     |
| Other financial liabilities           | 23.5    | 22.0     | 8.8     |
| Total current liabilities             | 9,479.2 | 10,757.7 | 5,409.7 |

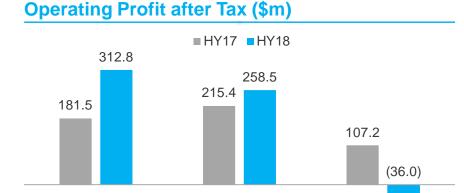
| Non Current Liabilities               |          |          |         |
|---------------------------------------|----------|----------|---------|
| Trade and other payables              | 1,702.9  | 1,772.1  | 1,915.3 |
| Provisions                            | 49.2     | 58.4     | 55.2    |
| Borrowings and financing arrangements | 1,547.1  | 1,860.5  | 1,542.9 |
| Defined benefit plan liability        | 9.7      | -        | -       |
| Other financial liabilities           | 1.7      | 0.8      | 0.6     |
| Deferred tax liabilities              | 169.5    | 238.2    | 439.2   |
| Total non current liabilities         | 3,480.1  | 3,930.0  | 3,953.2 |
| Total liabilities                     | 12,959.3 | 14,687.7 | 9,362.9 |
| Net assets                            | 5,947.2  | 6,166.5  | 6,429.1 |

| Equity  |         |         |         |
|---|---------|---------|---------|
| Issued capital                                  | 1,283.9 | 1,289.8 | 1,296.8 |
| Treasury shares                                 | (43.7)  | (24.7)  | (44.1)  |
| Reserves  | 53.7    | (15.5)  | (14.1)  |
| Retained earnings                               | 3,564.5 | 3,696.8 | 3,857.5 |
| Total equity attributable to equity holders of  | 4,858.4 | 4,946.4 | 5,096.1 |
| Lendlease Corporation Limited                   | 4,030.4 | 4,340.4 | 3,030.1 |
| Total equity attributable to unitholders of LLT | 1,087.4 | 1,117.0 | 1,203.1 |
| Total equity attributable to securityholders    | 5,945.8 | 6,063.4 | 6,299.2 |
| External non controlling interests              | 1.4     | 103.1   | 129.9   |
| Total equity                                    | 5,947.2 | 6,166.5 | 6,429.1 |

## **Statement of Cash Flows**

| Statement of Cash Flows (\$m)  | Dec-16    | Dec-17    |
|--|-----------|-----------|
| Cash Flows from Operating Activities   |           |           |
| Cash receipts in the course of operations                                      | 8,561.0   | 9,272.3   |
| Cash payments in the course of operations                                      | (8,515.1) | (8,879.1) |
| Interest received  | 4.8       | 6.6       |
| Interest paid  | (77.2)    | (79.0)    |
| Dividends/distributions received   | 33.5      | 36.3      |
| Income tax paid in respect of operations                                       | (77.4)    | (16.7)    |
| Net cash provided by/(used in) operating activities                            | (70.4)    | 340.4     |
| Cash Flows from Investing Activities   |           |           |
| Sale/redemption of investments   | 67.4      | 63.9      |
| Acquisition of investments   | (155.7)   | (191.5)   |
| Acquisition of/capital expenditure on investment properties                    | (58.9)    | (149.5)   |
| Net loans from associates and joint ventures                                   | 6.0       | 381.3     |
| Disposal of consolidated entities (net of cash disposed and transaction costs) | 521.0     | 430.4     |
| Disposal of property, plant and equipment                                      | 3.6       | 4.8       |
| Acquisition of property, plant and equipment                                   | (66.4)    | (39.7)    |
| Net acquisition/disposal of intangible assets                                  | (3.6)     | (14.9)    |
| Net cash provided by investing activities                                      | 313.4     | 484.8     |
| Cash Flows from Financing Activities   |           |           |
| Proceeds from borrowings   | 1,624.3   | 711.7     |
| Repayment of borrowings  | (1,802.7) | (1,074.9) |
| Dividends/distributions paid   | (157.7)   | (183.9)   |
| Proceeds from the sale of treasury securities                                  | 106.5     | -         |
| Increase in capital of non controlling interest                                | -         | 21.6      |
| Other financing activities   | (9.9)     | (7.4)     |
| Net cash used in financing activities  | (239.5)   | (532.9)   |
| Other Cash Flow Items  |           |           |
| Effect of foreign exchange rate movements on cash and cash equivalents         | 8.9       | 3.7       |
| Net increase in cash and cash equivalents                                      | 12.4      | 296.0     |
| Cash and cash equivalents at beginning of financial period                     | 1,008.4   | 1,249.2   |
| Cash and cash equivalents at end of financial period                           | 1,020.8   | 1,545.2   |

## **Segment financial metrics**



Investments

### EBITDA (\$m)



# **ROIC¹** (Development and Investments), EBITDA margin (Construction)

Development

# Invested capital<sup>2</sup> (Development and Investments) (\$b)



Construction

<sup>1.</sup> 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

<sup>2.</sup> Total Lendlease invested capital at 31 December 2017 was \$6.6 billion. Development and Investments totalled \$6.6 billion, with remaining invested capital nil across both Construction and Corporate

## **Segment and regional financial metrics**

### By segment

|                        | Revenue (\$m) |         | EBITDA (S | EBITDA (\$m) Profit a |         | Profit after Tax (\$m) |      | Invested Capital (\$b) |      |
|------------------------|---------------|---------|-----------|-----------------------|---------|------------------------|------|------------------------|------|
|                        | HY17          | HY18    | HY17      | HY18                  | HY17    | HY18                   | HY17 | FY17                   | HY18 |
| Development            | 1,330.8       | 2,028.8 | 260.2     | 443.0                 | 181.5   | 312.8                  | 2.8  | 3.0                    | 3.6  |
| Investments            | 304.8         | 218.5   | 288.4     | 383.1                 | 215.4   | 258.5                  | 3.2  | 3.3                    | 3.0  |
| Construction           | 6,305.9       | 6,433.3 | 170.2     | (26.1)                | 107.2   | (36.0)                 |      |                        |      |
| Corporate <sup>1</sup> | 9.3           | 16.7    | (79.2)    | (79.4)                | (109.3) | (109.7)                |      |                        |      |
| Group                  | 7,950.8       | 8,697.3 | 639.6     | 720.6                 | 394.8   | 425.6                  |      |                        |      |

### By region

|                        | Revenue (\$m) |         | EBITDA ( | EBITDA (\$m) |         | Profit after Tax (\$m) |      | Invested Capital (\$b) |      |
|------------------------|---------------|---------|----------|--------------|---------|------------------------|------|------------------------|------|
|                        | HY17          | HY18    | HY17     | HY18         | HY17    | HY18                   | HY17 | FY17                   | HY18 |
| Australia              | 4,795.9       | 5,407.6 | 632.2    | 585.3        | 451.0   | 386.2                  | 4.9  | 4.7                    | 4.1  |
| Asia                   | 296.0         | 254.2   | 8.3      | 26.9         | 5.5     | 16.0                   | 0.5  | 0.7                    | 0.8  |
| Europe                 | 660.3         | 483.6   | 11.4     | 70.0         | 5.8     | 53.9                   | 0.6  | 0.8                    | 0.9  |
| Americas               | 2,189.3       | 2,535.2 | 66.9     | 117.8        | 41.8    | 79.2                   | 0.4  | 0.5                    | 0.8  |
| Corporate <sup>1</sup> | 9.3           | 16.7    | (79.2)   | (79.4)       | (109.3) | (109.7)                |      |                        |      |
| Group                  | 7,950.8       | 8,697.3 | 639.6    | 720.6        | 394.8   | 425.6                  |      |                        |      |

<sup>1.</sup> Comprises Group Services and Group Treasury costs. HY18 EBITDA: Group Services (\$68.9m) and Group Treasury (\$10.5m). HY17 EBITDA: Group Services (\$69.1m) and Group Treasury (\$10.1m)

## Revenue and EBITDA by segment and region

|                   | Revenue | e (\$m)   | EBITDA (\$m) |       |
|-------------------|---------|-----------|--------------|-------|
|                   | HY17    | HY17 HY18 |              | HY18  |
| Development       |         |           |              |       |
| Australia         | 1,277.9 | 1,844.4   | 290.1        | 384.0 |
| Asia              | 7.2     | 4.5       | (7.2)        | 7.7   |
| Europe            | 44.9    | 132.7     | 6.3          | 59.8  |
| Americas          | 0.8     | 47.2      | (29.0)       | (8.5) |
| Total Development | 1,330.8 | 2,028.8   | 260.2        | 443.0 |

| Total Construction | 6,305.9 | 6,433.3 | 170.2 | (26.1) |
|--------------------|---------|---------|-------|--------|
| Americas           | 2,156.7 | 2,463.3 | 69.8  | 29.2   |
| Europe             | 612.2   | 343.1   | 3.9   | 10.3   |
| Asia               | 265.3   | 228.7   | (1.4) | 0.5    |
| Australia          | 3,271.7 | 3,398.2 | 97.9  | (66.1) |
| Construction       |         |         |       |        |

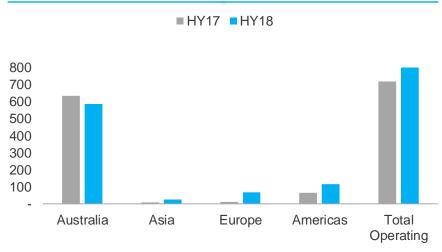
| Investments       |       |       |       |       |
|-------------------|-------|-------|-------|-------|
| Australia         | 246.3 | 165.0 | 244.2 | 267.4 |
| Asia              | 23.5  | 21.0  | 16.9  | 18.7  |
| Europe            | 3.2   | 7.8   | 1.2   | (0.1) |
| Americas          | 31.8  | 24.7  | 26.1  | 97.1  |
| Total Investments | 304.8 | 218.5 | 288.4 | 383.1 |

| Total Operating              |         |         |       |       |
|------------------------------|---------|---------|-------|-------|
| Australia                    | 4,795.9 | 5,407.6 | 632.2 | 585.3 |
| Asia                         | 296.0   | 254.2   | 8.3   | 26.9  |
| Europe                       | 660.3   | 483.6   | 11.4  | 70.0  |
| Americas                     | 2,189.3 | 2,535.2 | 66.9  | 117.8 |
| <b>Group Total Operating</b> | 7,941.5 | 8,680.6 | 718.8 | 800.0 |

## **EBITDA** by segment (\$m)



### **EBITDA** by region (\$m)



## Revenue and EBITDA by segment and region, local currency

#### Asia

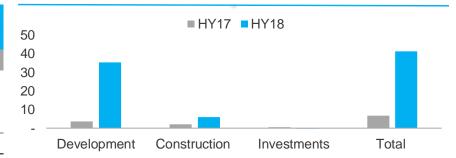
| Local currency  | Revenue |       | EBIT  | EBITDA |  |  |
|-----------------|---------|-------|-------|--------|--|--|
|                 | HY17    | HY18  | HY17  | HY18   |  |  |
| Asia (SGDm¹)    |         |       |       |        |  |  |
| Development     | 7.5     | 4.8   | (7.5) | 8.2    |  |  |
| Construction    | 275.9   | 242.4 | (1.5) | 0.5    |  |  |
| Investments     | 24.4    | 22.3  | 17.6  | 19.8   |  |  |
| Total Operating | 307.8   | 269.5 | 8.6   | 28.5   |  |  |

### EBITDA, local currency (m)



### **Europe**

| Local currency  | Revenue |       | EBITDA |       |  |
|-----------------|---------|-------|--------|-------|--|
|                 | HY17    | HY18  | HY17   | HY18  |  |
| Europe (GBPm)   |         |       |        |       |  |
| Development     | 26.5    | 78.3  | 3.7    | 35.3  |  |
| Construction    | 361.2   | 202.4 | 2.3    | 6.1   |  |
| Investments     | 1.9     | 4.6   | 0.7    | (0.1) |  |
| Total Operating | 389.6   | 285.3 | 6.7    | 41.3  |  |



#### **Americas**

| Local currency         | Reve    | Revenue |        | EBITDA |  |  |
|------------------------|---------|---------|--------|--------|--|--|
|                        | HY17    | HY18    | HY17   | HY18   |  |  |
| Americas (USDm)        |         |         |        |        |  |  |
| Development            | 0.6     | 36.8    | (21.8) | (6.6)  |  |  |
| Construction           | 1,617.5 | 1,921.4 | 52.4   | 22.8   |  |  |
| Investments            | 23.9    | 19.3    | 19.6   | 75.7   |  |  |
| <b>Total Operating</b> | 1,642.0 | 1,977.5 | 50.2   | 91.9   |  |  |



<sup>1.</sup> Represents major currency in region

## **Exchange rates**

|       | Inc     | come Stateme      | ent               |                   |
|-------|---------|-------------------|-------------------|-------------------|
| Local |         |                   |                   | LIV4 03           |
| Local | Foreign | HY17 <sup>1</sup> | FY17 <sup>2</sup> | HY18 <sup>3</sup> |
| AUD   | USD     | 0.75              | 0.76              | 0.78              |
| AUD   | GBP     | 0.59              | 0.60              | 0.59              |
| AUD   | SGD     | 1.04              | 1.05              | 1.06              |

| Statement of Financial Position |         |       |                   |                   |
|---------------------------------|---------|-------|-------------------|-------------------|
| Local                           | Foreign | HY17⁴ | FY17 <sup>5</sup> | HY18 <sup>6</sup> |
| AUD                             | USD     | 0.72  | 0.77              | 0.78              |
| AUD                             | GBP     | 0.58  | 0.59              | 0.58              |
| AUD                             | SGD     | 1.04  | 1.06              | 1.04              |

<sup>1.</sup> Average foreign exchange rate for the half year 2017

Average foreign exchange rate for the full year 2017
 Average foreign exchange rate for the half year 2018

<sup>4.</sup> Spot foreign exchange rate at 31 December 2016

<sup>5.</sup> Spot foreign exchange rate at 30 June 2017

<sup>6.</sup> Spot foreign exchange rate at 31 December 2017

## **Regional EBITDA to PAT reconciliation**

## **HY18 EBITDA to PAT Reconciliation (\$m)**

| Region          | EBITDA | Net Interest | D&A <sup>1</sup> | PBT     | Tax     | Non Cont. Int. <sup>2</sup> | PAT     |
|-----------------|--------|--------------|------------------|---------|---------|-----------------------------|---------|
| Australia       |        |              |                  |         |         |                             |         |
| Development     | 384.0  | 0.1          | (1.0)            | 383.1   | (114.6) | -                           | 268.5   |
| Construction    | (66.1) | 0.4          | (13.8)           | (79.5)  | 24.9    |                             | (54.6)  |
| Investments     | 267.4  | (0.1)        | (3.1)            | 264.2   | (91.9)  |                             | 172.3   |
| Total Australia | 585.3  | 0.4          | (17.9)           | 567.8   | (181.6) |                             | 386.2   |
| Asia            |        |              |                  |         |         |                             |         |
| Development     | 7.7    | -            | (0.3)            | 7.4     | (4.6)   | -                           | 2.8     |
| Construction    | 0.5    | 0.2          | (0.4)            | 0.3     | (2.1)   | -                           | (1.8)   |
| Investments     | 18.7   | -            | -                | 18.7    | (3.7)   |                             | 15.0    |
| Total Asia      | 26.9   | 0.2          | (0.7)            | 26.4    | (10.4)  | -                           | 16.0    |
| Europe          |        |              |                  |         |         |                             |         |
| Development     | 59.8   | -            | (1.5)            | 58.3    | (11.3)  | -                           | 47.0    |
| Construction    | 10.3   | (0.4)        | (0.3)            | 9.6     | (2.1)   | -                           | 7.5     |
| Investments     | (0.1)  | -            | (0.1)            | (0.2)   | (0.4)   | -                           | (0.6)   |
| Total Europe    | 70.0   | (0.4)        | (1.9)            | 67.7    | (13.8)  | -                           | 53.9    |
| Americas        |        |              |                  |         |         |                             |         |
| Development     | (8.5)  | (0.1)        | (0.3)            | (8.9)   | 3.4     | -                           | (5.5)   |
| Construction    | 29.2   | (0.3)        | (1.4)            | 27.5    | (14.5)  | (0.1)                       | 12.9    |
| Investments     | 97.1   | (0.1)        | (0.6)            | 96.4    | (24.6)  | -                           | 71.8    |
| Total Americas  | 117.8  | (0.5)        | (2.3)            | 115.0   | (35.7)  | (0.1)                       | 79.2    |
| Corporate       |        |              |                  |         |         |                             |         |
| Group Services  | (68.9) | (0.1)        | (27.6)           | (96.6)  | 27.2    | -                           | (69.4)  |
| Group Treasury  | (10.5) | (45.6)       | -                | (56.1)  | 15.8    | -                           | (40.3)  |
| Total Corporate | (79.4) | (45.7)       | (27.6)           | (152.7) | 43.0    | -                           | (109.7) |
| Total Group     | 720.6  | (46.0)       | (50.4)           | 624.2   | (198.5) | (0.1)                       | 425.6   |

<sup>1.</sup> Depreciation and Amortisation

<sup>2.</sup> External Non Controlling Interests

## **Debt metrics**

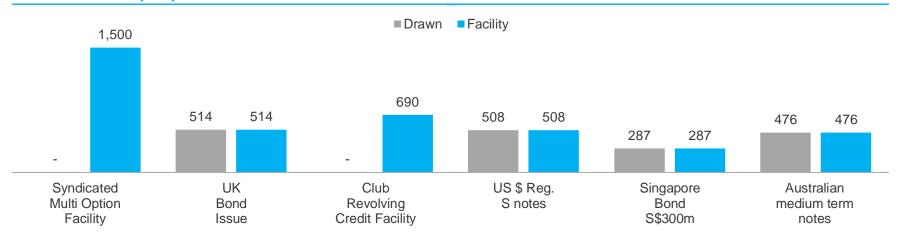
|   |       | Dec-16  | Jun-17  | Dec-17  |
|---|-------|---------|---------|---------|
| Net debt                                      | \$m   | 843.7   | 912.8   | 249.7   |
| Borrowings to total equity plus borrowings    | %     | 23.7    | 25.9    | 21.8    |
| Net debt to total tangible assets, less cash  | %     | 5.1     | 5.0     | 1.9     |
| Interest coverage <sup>1</sup>                | times | 10.8    | 10.3    | 12.5    |
| Average cost of debt including margins        | %     | 4.8     | 4.9     | 4.8     |
| Average debt duration                         | years | 4.9     | 5.1     | 5.4     |
| Average debt mix fixed: floating <sup>2</sup> | ratio | 84:16   | 86:14   | 88:12   |
| Undrawn facilities                            | \$m   | 2,313.3 | 2,225.2 | 2,313.2 |

<sup>1.</sup> EBITDA plus interest income, divided by interest finance costs, including capitalised finance costs

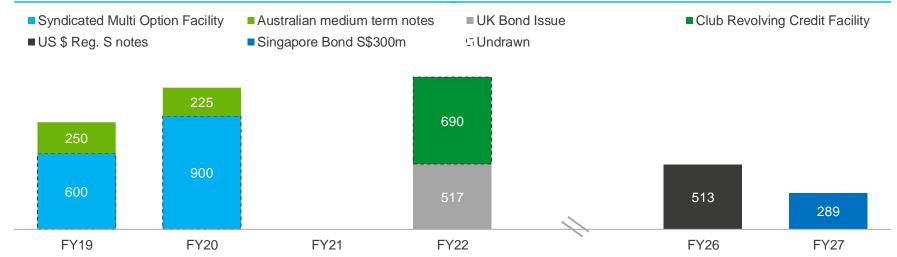
<sup>2.</sup> Methodology for ratio has been updated to represent a daily average calculation (Dec-16 and Jun-17 comparatives have been updated to reflect this change in methodology)

## **Debt facilities and maturity profile**

### Debt facilities (\$m)<sup>1</sup>



### Debt maturity profile (\$m)<sup>2</sup>



- 1. Values are shown at amortised cost
- 2. Values are shown at gross facility value

## **Key dates for investors**

|   | Date             |
|---|------------------|
| HY18 results released to market / interim distribution declared     | 21 February 2018 |
| Securities quoted ex-dividend on the Australian Securities Exchange | 27 February 2018 |
| Interim distribution record date                                    | 28 February 2018 |
| Anticipated commencement of on-market buyback                       | 13 March 2018    |
| Interim distribution payable  | 22 March 2018    |
| FY18 results released to market / final distribution declared       | 22 August 2018   |
| Annual General Meetings   | 16 November 2018 |



## **Development HY18**

#### **Overview**

- Involved in the development of communities, inner city mixed-use development, apartments, retirement, retail, commercial assets and social and economic infrastructure
- Financial returns are generated via development margins, development management fees from external co-investors and origination fees for the facilitation of infrastructure PPP transactions

#### Drivers<sup>1</sup>

- Residential completions of 3,009 units, up 48%:
  - Apartments for sale completions<sup>2</sup> of 1,189, up 89%
  - Communities completions of 1,780 units, up 33%
- Launch of residential for rent UK partnership
  - Phase one 663 units across two buildings at Elephant Park
- Profit from additional c.18,000 sqm of leasing at Tower One at Barangaroo South, bringing the building to 94% let
- Profit contribution from Darling Square completions
- Financial close on the Melbourne Metro Rail Tunnel Project
- Development Management fees on Paya Lebar Quarter and The Lifestyle Quarter at Tun Razak Exchange
- Completed 38 US telecommunication towers
- Investment in Americas urbanisation platform
- Comparative period the half year ended 31 December 2016 (the prior corresponding period)
- Pre sold units on buildings completed during the period, and units sold in the period on buildings completed in prior periods
- 3. Building in delivery
- 4. Agreement for Lease
- 5. Percentage pre let
- 6. Project in delivery, financial close expected H2 FY18
- Heads of Terms
- 8. Cross Laminated Timber

#### **Performance**

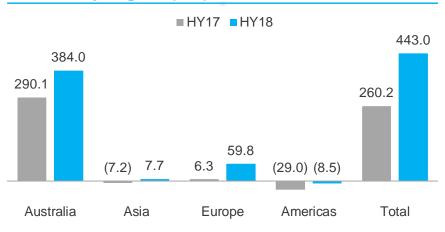
|                        | HY17 | HY18 |
|------------------------|------|------|
| % Operating EBITDA     | 36   | 55   |
| ROIC (%)               | 12.7 | 18.8 |
| Invested capital (\$b) | 2.8  | 3.6  |

#### **Outlook**

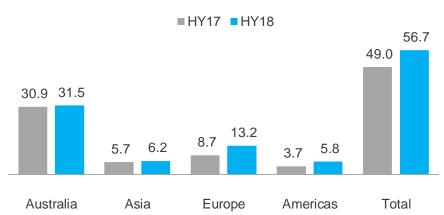
- Two urbanisation projects secured in Europe:
  - High Road West, Tottenham, London (estimated end development value \$1.9 billion)
  - Milano Santa Giulia, Milan, Italy (estimated end development value \$3.5 billion)
- 30 Van Ness upscale to major project post revised scheme
- 21 major apartment buildings in delivery across seven gateway cities
  - 3,552 units for sale (76% presold, \$2.8 billion)
  - 1,513 units for rent, \$1.2 billion total estimated end value
- 3,842 communities lots presold
- 501,000 sqm of commercial in delivery across 12 major buildings
  - RFP with capital partners for International Quarter London<sup>3</sup> AFLs<sup>4</sup> (20,000 sqm, 77%<sup>5</sup>)
  - University of Melbourne Innovation Precinct<sup>6</sup> HoTs<sup>7</sup> (23,000 sqm, 85%<sup>5</sup>)
- Preleasing on upcoming commercial buildings:
  - Two Melbourne Quarter, HoTs<sup>7</sup> (21,000 sqm, 42%<sup>5</sup>)
  - Barangaroo South CLT<sup>8</sup> HoTs<sup>7</sup> (10,000 sqm, 94%<sup>5</sup>)
- Secured pipeline not yet in delivery:
  - 22,418 residential units and 788,000 sqm of commercial
- Investments in US telecommunications infrastructure platform 110 towers under development

## **Development earnings / pipeline**

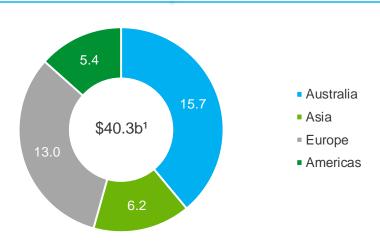
### EBITDA by region (\$m)



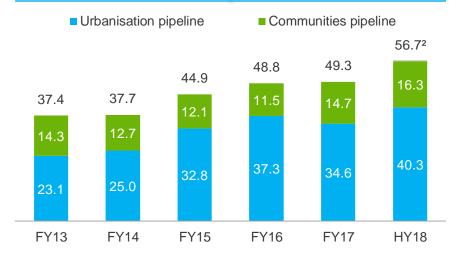
### **Development pipeline by region (\$b)**



### **Urbanisation pipeline by region (\$b)**



### **Historical development pipeline (\$b)**



- As at 31 December 2017
- Includes \$0.1 billion of Infrastructure pipeline

## **Residential development**

### **Communities and Retirement completions**

|                         | HY17  |     | HY18  |     |
|-------------------------|-------|-----|-------|-----|
|                         | Units | \$m | Units | \$m |
| Communities             |       |     |       |     |
| QLD                     | 589   | 114 | 717   | 145 |
| NSW <sup>1</sup>        | 202   | 68  | 379   | 149 |
| VIC                     | 407   | 83  | 587   | 127 |
| SA                      | 75    | 10  | 49    | 6   |
| WA                      | 65    | 17  | 48    | 11  |
| Retirement <sup>2</sup> |       |     |       |     |
| Australia               | 71    | 34  | 40    | 19  |
| Total                   | 1,409 | 326 | 1,820 | 457 |

#### **Communities and Retirement sales**

|                         | HY17  |     | HY18  |     |
|-------------------------|-------|-----|-------|-----|
|                         | Units | \$m | Units | \$m |
| Communities             |       |     |       |     |
| QLD                     | 820   | 166 | 557   | 119 |
| NSW <sup>1</sup>        | 249   | 96  | 260   | 102 |
| VIC                     | 744   | 159 | 773   | 189 |
| SA                      | 38    | 6   | 47    | 8   |
| WA                      | 44    | 12  | 89    | 22  |
| Retirement <sup>2</sup> |       |     |       |     |
| Australia               | 71    | 34  | 40    | 19  |
| Total                   | 1,966 | 473 | 1,766 | 459 |

### **HY18 Apartment completions**<sup>3,4</sup>

|                                   | Units | \$m |
|-----------------------------------|-------|-----|
| Australia                         |       |     |
| Brisbane Showgrounds - South Yard | 186   | 101 |
| Darling Square - Darling House    | 334   | 402 |
| Toorak Park - Terrace Homes       | 15    | 38  |
| Victoria Harbour - 883 Collins    | 513   | 358 |
| Other                             | 3     | 4   |
| Total                             | 1,051 | 903 |

| Total completions <sup>5</sup> | 1,189 | 1,025 |
|--------------------------------|-------|-------|
| Total                          | 138   | 122   |
| Other                          | 1     | 1     |
| Elephant Park – South Gardens  | 137   | 121   |
| Europe                         |       |       |

- 1. New South Wales includes the Australian Capital Territory
- 2. Retirement completions exclude resales, development activity only
- 3. 91% settled to date. Profit on presold apartments recognised on practical completion
- 4. Presold units on buildings completed during the period, and units sold in the period on buildings completed in prior periods
- 5. 100% of completion revenue has been recognised through the P&L during the period

| City      | Project                                     | Building            | Sector | Deal type         | Est end value <sup>1</sup> (\$b) | sqm ('000) | Completion date <sup>2</sup> |  |  |  |  |
|-----------|---|---------------------|--------|-------------------|----------------------------------|------------|------------------------------|--|--|--|--|
| Commercia | Commercial completions                      |                     |        |                   |                                  |            |                              |  |  |  |  |
| Sydney    | Darling Square                              | Commercial          | Office | Fund through      | 0.3                              | 26         | HY18                         |  |  |  |  |
|           |   | Hotel               | Hotel  | Fund through      | 0.3                              | 37         | HY18                         |  |  |  |  |
| London    | International Quarter London                | Building 1          | Office | Fund through      | 0.4                              | 26         | HY18                         |  |  |  |  |
| Commercia | al commencements                            |                     |        |                   |                                  |            |                              |  |  |  |  |
| Melbourne | University of Melbourne Innovation Precinct | Innovation Precinct | Office | BOOT <sup>3</sup> | 0.3                              | 27         | FY21                         |  |  |  |  |
| London    | International Quarter London                | Building 3          | Office | Joint Venture     | 0.4                              | 26         | FY20                         |  |  |  |  |

| City       | Project                  | Building    | Ownership<br>(%) | Total Units | Est end value <sup>1</sup><br>(\$b) | Completion date <sup>2</sup> |
|------------|--------------------------|-------------|------------------|-------------|-------------------------------------|------------------------------|
| Residentia | I for rent commencements |             |                  |             |                                     |                              |
| London     | Elephant Park            | 2 Buildings | 20               | 663         | 0.7                                 | FY22                         |

| Location                      | Completed | Est end value¹<br>(\$m) | Deal type     |
|-------------------------------|-----------|-------------------------|---------------|
| Telecommunication completions |           |                         |               |
| Americas                      | 38        | 19.3                    | Balance Sheet |

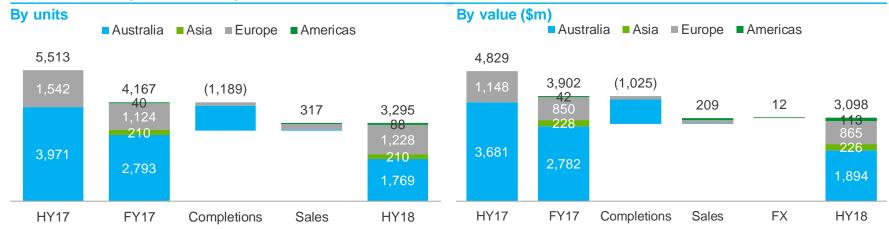
<sup>1.</sup> Total estimated end value, subject to market conditions and other movements

<sup>2.</sup> Estimate for non complete projects

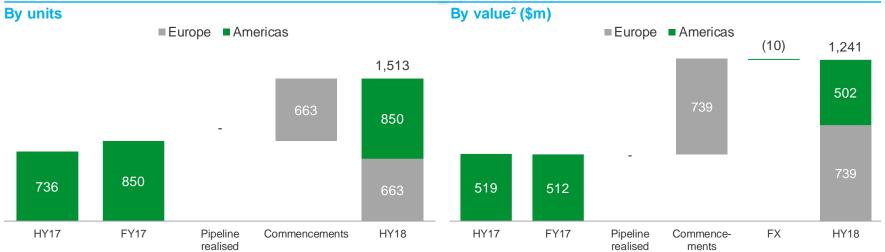
<sup>3.</sup> Build, Own, Operate, Transfer

## Residential presales and apartments for rent<sup>1</sup>

### **Movement in presales - Apartments for Sale**



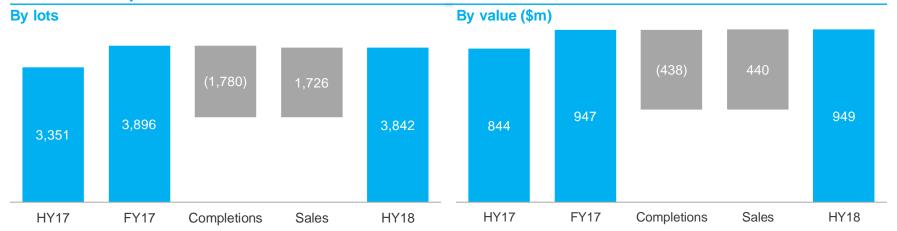
### **Residential for Rent in Delivery**



- Excludes retirement and includes 100% of revenue from Joint Venture projects
- Total estimated development end value

## Residential presales<sup>1</sup>

## **Movement in presales – Communities<sup>2</sup>**

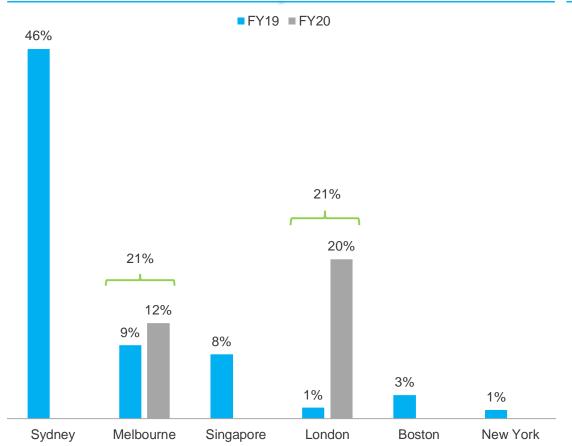


Excludes retirement and includes 100% of revenue from Joint Venture projects

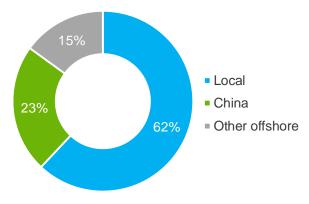
<sup>2.</sup> Australia only

## Apartment presales – by location and customer<sup>1</sup>

### Run-off profile by location<sup>2</sup>



#### By customer



<sup>1.</sup> Apartment projects in delivery only reflecting total presales of \$2.8 billion, including 100% of revenue from Joint Venture projects

<sup>2.</sup> Based on expected completion date of underlying buildings, subject to change in delivery program. The above does not reflect expected settlement timing

## Development pipeline provides long term earnings visibility<sup>1</sup>

Record secured pipeline of \$56.7b controlled by invested capital of \$3.6b

Target Annual turnover<sup>6</sup>

#### **Apartments**

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



#### **Commercial**

12 major buildings in delivery, estimated completion H2 FY18 - FY22

| 501,000 sqm in delivery | 788,000 sqm remaining | 1,289,000 sqm<br>c.2 - 3<br>buildings |
|-------------------------|-----------------------|---------------------------------------|
| \$7.0b in delivery⁴     | \$7.3b remaining      | \$14.3b                               |

#### Communities<sup>5</sup>

| 3,842 Lots<br>presold | 52,291 Lots remaining | 56,133 Lots<br>c.3,500 - 4,500 |
|-----------------------|-----------------------|--------------------------------|
| \$0.9b presold        | \$15.4b remaining     | completions<br>\$16.3b         |

1. All data as at 31 December 2017

2. Represents presales balance on buildings in delivery only

3. Total estimated end value of c.\$1.2 billion, with c.\$0.2 billion realised

4. Total estimated end value of c.\$7.9 billion, with c.\$0.9 billion realised

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

6. Subject to market conditions

7. Including \$0.1 billion Infrastructure, development pipeline totals to \$56.7 billion

\$56.7 billion<sup>7</sup>

Total pipeline end value

## **Major urbanisation project summary**

| Project   | Project<br>secured <sup>1</sup> | Delivery commenced <sup>1</sup> | Expected completion date <sup>1,2</sup> | Residential backlog (units) | Commercial<br>backlog<br>sqm ('000) <sup>3</sup> | Total<br>remaining<br>end value<br>(\$b) <sup>4</sup> |
|---|---------------------------------|---------------------------------|---|-----------------------------|--|---|
| Milano Santa Giulia, Milan                                | 2018                            | -                               | 2034                                    | 2,558                       | 253  | 3.5   |
| Barangaroo South, Sydney                                  | 2009                            | 2012                            | 2023                                    | 775                         | 16   | 3.4   |
| Paya Lebar Quarter, Singapore                             | 2015                            | 2016                            | 2019                                    | 429                         | 113  | 3.2   |
| Elephant Park, London                                     | 2010                            | 2012                            | 2024                                    | 2,127                       | 18   | 3.1   |
| The Lifestyle Quarter at Tun Razak Exchange, Kuala Lumpur | 2014                            | 2017                            | 2025                                    | 2,326                       | 154  | 2.9   |
| International Quarter, London                             | 2010                            | 2014                            | 2024                                    | -                           | 249  | 2.8   |
| Victoria Harbour, Melbourne                               | 2001                            | 2004                            | 2025                                    | 2,352                       | 61   | 2.5   |
| Melbourne Quarter, Melbourne                              | 2013                            | 2016                            | 2024                                    | 1,680                       | 136  | 2.5   |
| Riverline, Chicago  | 2015                            | 2016                            | 2026                                    | 3,162                       | -  | 2.4   |
| Brisbane Showgrounds, Brisbane                            | 2009                            | 2011                            | 2029                                    | 2,186                       | 84   | 2.2   |
| High Road West, London                                    | 2018                            | -                               | 2026                                    | 2,501                       | 14   | 1.9   |
| Circular Quay Tower, Sydney                               | 2017                            | 2017                            | 2022                                    | -                           | 55   | 1.7   |
| Darling Square, Sydney                                    | 2013                            | 2013                            | 2019                                    | 967                         | 7  | 1.4   |
| Waterbank, Perth  | 2013                            | -                               | 2028                                    | 1,305                       | 12   | 1.3   |
| 30 Van Ness, San Francisco                                | 2017                            | -                               | 2023                                    | 389                         | 23   | 1.2   |
| The Wharves, Deptford, London                             | 2014                            | 2016                            | 2024                                    | 1,132                       | 7  | 1.1   |
| Other urbanisation projects                               |                                 |                                 |   | 2,744                       | 87   | 3.2   |
| Total urbanisation  |                                 |                                 |   | 26,633                      | 1,289  | 40.3  |

<sup>1.</sup> Financial year

<sup>2.</sup> Subject to change in delivery program

<sup>3.</sup> Net lettable area and subject to change

<sup>4.</sup> Reflects the remaining estimated total project end development value. Values for any project can vary and are subject to change

## **Apartment projects in delivery – completion profile**

| Project <sup>1</sup> | City      | Building                                       | Ownership<br>(%) | Total Units | Presold (%) | Units<br>Presold <sup>1</sup> | Presales<br>Revenue <sup>1</sup> (\$m) | Completion Date <sup>2</sup> |
|----------------------|-----------|--|------------------|-------------|-------------|-------------------------------|--|------------------------------|
| Apartments for sale  | е         |  |                  |             |             |                               |  |                              |
| Darling Square       | Sydney    | Darling North, Harbour Place and Trinity House | 100              | 577         | 100         | 577                           | 808                                    | FY19                         |
|                      |           | Darling Rise, Barker House and Arena           | 100              | 390         | 100         | 390                           | 493                                    | FY19                         |
| Melbourne Quarter    | Melbourne | East Tower                                     | 50               | 719         | 73          | 522                           | 336                                    | FY20                         |
| Victoria Harbour     | Melbourne | Collins Wharf 1                                | 100              | 321         | 87          | 280                           | 258                                    | FY19                         |
| Paya Lebar Quarter   | Singapore | Residential                                    | 30               | 429         | 49          | 210                           | 226                                    | FY19                         |
| Wandsworth           | London    | Victoria Drive                                 | 50               | 110         | 37          | 41                            | 44                                     | FY19                         |
| Elephant Park        | London    | West Grove (Buildings 1 and 2)                 | 100              | 593         | 82          | 485                           | 467                                    | FY20                         |
| Deptford             | London    | Cedarwood Square                               | 100              | 203         | 54          | 109                           | 94                                     | FY20                         |
| Fifth Avenue         | New York  | 277 Fifth Avenue                               | 40               | 130         | _4          | _4                            | _4                                     | FY19                         |
| Clippership Wharf    | Boston    | Building 3                                     | 100              | 80          | 100         | 80                            | 82                                     | FY19                         |

| Project             | City    | Building             | Ownership<br>(%) | Total Units | Est end value <sup>3</sup><br>(\$m) | Completion Date <sup>2</sup> |
|---------------------|---------|----------------------|------------------|-------------|-------------------------------------|------------------------------|
| Apartments for rent |         |                      |                  |             |                                     |                              |
| Clippership Wharf   | Boston  | Buildings 1, 2 and 4 | 100              | 398         | 256                                 | FY20                         |
| Riverline           | Chicago | Building D           | 79               | 452         | 246                                 | FY19                         |
| Elephant Park       | London  | 2 Buildings          | 20               | 663         | 739                                 | FY22                         |

- 1. Closing presales balance as at 31 December 2017 on apartments in delivery only. Excludes completions recognised in HY18
- 2. Expected completion date, subject to change in delivery program
- 3. Total development end value
- 4. Project information subject to Joint Venture confidentiality

## Major commercial development pipeline

### Commercial building completion profile<sup>1</sup>

| City         | Project  | Capital model             | sqm ('000) | Building                 | Completion date |
|--------------|--|---------------------------|------------|--------------------------|-----------------|
| London       | International Quarter London   | Fund through <sup>2</sup> | 47         | Commercial building      | H2 FY18         |
|              | _  | Joint venture             | 26         | Commercial building      | FY20            |
| Singapore    | Paya Lebar Quarter   | Joint venture             | 84         | Commercial (3 buildings) | FY19            |
|              | International Quarter London  Fur Joi ngapore Paya Lebar Quarter  Joi ngapore Paya Lebar Quarter at Tun Razak Exchange Joi elbourne University of Melbourne Innovation Precinct <sup>3</sup> elbourne Melbourne Quarter Fur elbourne Victoria Harbour Fur dney Circular Quay Tower Joi |                           | 29         | Retail                   | FY19            |
| Kuala Lumpur | The Lifestyle Quarter at Tun Razak Exchange  | Joint venture             | 154        | Retail                   | FY21            |
| Melbourne    | University of Melbourne Innovation Precinct <sup>3</sup>   | BOOT <sup>4</sup>         | 27         | Innovation Precinct      | FY21            |
| Melbourne    | Melbourne Quarter  | Fund through <sup>2</sup> | 26         | One Melbourne Quarter    | FY19            |
| Melbourne    | Victoria Harbour   | Fund through <sup>2</sup> | 38         | 839 Collins Street       | FY19            |
| Sydney       | Circular Quay Tower  | Joint venture             | 55         | Commercial               | FY22            |
| Brisbane     | Brisbane Showgrounds   | Fund through <sup>2</sup> | 15         | 25 King                  | FY19            |
| Total        |  |                           | 501        |                          |                 |

### Indicative conversion timing of secured commercial pipeline to FY22

| Project                      | # Buildings  | Sector  | sqm ('000)  | H2 FY18  | FY19   | FY20   | FY21   | FY22   |  |  |  |  |  |
|------------------------------|--|---|---|--|--|--|--|--|--|--|--|--|--|
| Melbourne Quarter            | 3  | Office  | 110   |  |  |  |  |  |  |  |  |  |  |
| Brisbane Showgrounds         | 2  | Office  | 33  |  |  |  |  |  |  |  |  |  |  |
| Barangaroo South             | 1  | Office  | 11  |  |  |  |  |  |  |  |  |  |  |
| International Quarter London | 5  | Office  | 176   |  |  |  |  |  |  |  |  |  |  |
| Milano Santa Giulia          | 3  | Office  | 145   |  |  |  |  |  |  |  |  |  |  |
| 30 Van Ness                  | 1  | Office  | 23  |  |  |  |  |  |  |  |  |  |  |
|                              | 15   |   | 498   | Targ   | eting 2-3 bu   | uilding com  | mencements   | p.a.   |  |  |  |  |  |
|                              | Melbourne Quarter Brisbane Showgrounds Barangaroo South International Quarter London Milano Santa Giulia | Melbourne Quarter3Brisbane Showgrounds2Barangaroo South1International Quarter London5Milano Santa Giulia330 Van Ness1 | Melbourne Quarter3OfficeBrisbane Showgrounds2OfficeBarangaroo South1OfficeInternational Quarter London5OfficeMilano Santa Giulia3Office30 Van Ness1Office | Melbourne Quarter3Office110Brisbane Showgrounds2Office33Barangaroo South1Office11International Quarter London5Office176Milano Santa Giulia3Office14530 Van Ness1Office23 | Melbourne Quarter3Office110Brisbane Showgrounds2Office33Barangaroo South1Office11International Quarter London5Office176Milano Santa Giulia3Office14530 Van Ness1Office23 | Melbourne Quarter3Office110Brisbane Showgrounds2Office33Barangaroo South1Office11International Quarter London5Office176Milano Santa Giulia3Office14530 Van Ness1Office23 | Melbourne Quarter3Office110Brisbane Showgrounds2Office33Barangaroo South1Office11International Quarter London5Office176Milano Santa Giulia3Office14530 Van Ness1Office23 | Melbourne Quarter3Office110Brisbane Showgrounds2Office33Barangaroo South1Office11International Quarter London5Office176Milano Santa Giulia3Office14530 Van Ness1Office23 |  |  |  |  |  |

- 1. Based on expected completion date of buildings, subject to change. Not indicative of cash or profit recognition
- 2. A funding model structured through a forward sale to a capital partner resulting in staged payments prior to building completion
- 3. Subject to financial close
- 4. Build, Own, Operate, Transfer

## **Communities and Retirement projects**

| Project                                  | Location | Ownership Interest | Estimated Completion<br>Date <sup>1</sup> | Residential<br>Backlog<br>Land Units <sup>2</sup> | Commercial<br>Backlog<br>sqm ('000) <sup>3</sup> |
|--|----------|--------------------|---|---|--|
| Communities                              |          |                    |   |   |  |
| Calderwood Valley                        | NSW      | Land management    | 2034                                      | 4,570   | 152  |
| Gilead                                   | NSW      | Owned              | 2032                                      | 1,535   | 98   |
| Bingara Gorge                            | NSW      | Land management    | 2026                                      | 1,160   | 79   |
| St Marys - Jordan Springs                | NSW      | Owned              | 2020                                      | 1,155   | 291  |
| The New Rouse Hill                       | NSW      | Land management    | 2020                                      | 445   | -  |
| Yarrabilba                               | QLD      | Staged acquisition | 2043                                      | 14,220  | 2,154  |
| Elliot Springs                           | QLD      | Land management    | 2059                                      | 10,675  | 1,060  |
| Springfield Lakes                        | QLD      | Land management    | 2026                                      | 4,015   | 57   |
| Fernbrooke Ridge                         | QLD      | Land management    | 2018                                      | 25  | -  |
| Blakes Crossing                          | SA       | Staged acquisition | 2020                                      | 370   | 22   |
| Atherstone                               | VIC      | Land management    | 2026                                      | 3,785   | 89   |
| Harpley                                  | VIC      | Land management    | 2025                                      | 3,005   | 373  |
| Aurora                                   | VIC      | Owned              | 2025                                      | 2,465   | 129  |
| Alkimos                                  | WA       | Land management    | 2025                                      | 1,320   | 28   |
| Alkimos Vista (formerly Alkimos Central) | WA       | Land management    | 2021                                      | 580   | -  |
| Horizon Uptown                           | Americas | Owned              | 2033                                      | 1,626   | -  |
| Other Communities                        |          |                    |   | 142   | 2  |
| Subtotal                                 |          |                    |   | 51,093  | 4,534  |
| Retirement                               |          |                    |   | 5,040   | -  |
| Total                                    |          |                    |   | 56,133  | 4,534  |

- 1. Estimated completion date represents the expected financial year in which the last unit will be settled, subject to change
- 2. Represents estimated backlog (including Retirement units and built form units to be sold with land lots) and includes the total number of units in Group owned, Joint Venture and managed projects. The actual number of units for any particular project can vary as planning approvals are obtained
- 3. Represents the net developable land in relation to master-planned urban communities. The actual land area for any particular project can vary as planning approvals are obtained

## Development deal structuring tailored to local market

|                                       |  | Urbanisation  |   |  |  |  |  |  |
|---------------------------------------|--|---|---|--|--|--|--|--|
|                                       | Communities / Retirement   | Apartments<br>(Australia, Europe)   | Commercial Forward Sale JV Structure / LP-GP <sup>1</sup>   |  |  |  |  |  |
| Project<br>examples                   | <ul><li>Jordan Springs, Sydney</li><li>Yarrabilba, Brisbane</li></ul>            | <ul><li>Darling Square, Sydney</li><li>Elephant Park, London</li></ul>                                    | <ul> <li>Barangaroo South (ITS),<br/>Sydney</li> <li>Stage 1 International<br/>Quarter, London</li> <li>Paya Lebar Quarter,<br/>Singapore</li> <li>Riverline, Chicago</li> </ul>  |  |  |  |  |  |
| Land<br>funding <sup>2</sup>          | <ul><li>Land ownership</li><li>Land management</li><li>Staged payments</li></ul> | <ul><li>Land management</li><li>Staged payments</li></ul>   | <ul> <li>Land management</li> <li>Staged payments</li> <li>Land ownership via JV (including project financing)</li> </ul>   |  |  |  |  |  |
| Production<br>funding <sup>2</sup>    | <ul> <li>100% on-balance sheet</li> </ul>  | <ul> <li>Largely 100% on-balance<br/>sheet</li> </ul>   | <ul> <li>Capital partner progress or<br/>staged payments</li> <li>Funded via JV (including<br/>project financing)</li> </ul>  |  |  |  |  |  |
|                                       | <ul> <li>Development profit on</li> </ul>  | Development profit on   | <ul> <li>Development profit typically upfront at time of sale</li> <li>Development profit tied to equity interests</li> </ul>   |  |  |  |  |  |
| P&L returns                           | completion  Construction margin on infrastructure delivery                       | <ul> <li>practical completion</li> <li>Construction margin on practical completion<sup>3</sup></li> </ul> | <ul> <li>Development management fees, Construction margin<sup>4</sup> and Investment Management fees<sup>4</sup> during delivery</li> <li>Development management fees, Construction margin<sup>4</sup> and Investment Management fees<sup>4</sup> (including performance fees) during delivery</li> </ul> |  |  |  |  |  |
| Cash returns<br>(Development<br>only) | <ul> <li>On completion</li> </ul>  | On completion   | <ul> <li>Over life of project during delivery</li> <li>Linked to cash equity returns or sell down of investment typically post practical completion</li> </ul>  |  |  |  |  |  |

- 1. Limited Partnership / General Partnership
- 2. Reflects typical funding models used across segment examples
- 3. Based on apartment projects delivered 100% on-balance sheet
- 4. Only where Construction and / or Investments segments are engaged to play a role in the project

## **New asset classes for Lendlease**

|                      | Residential for Rent  | US Telecommunication Infrastructure   |
|----------------------|---|---|
| Strategic rationale  | <ul><li>Integrated model</li><li>Aligned with targeted gateway city strategy</li><li>Housing affordability / supply</li></ul>   | <ul><li>Integrated model</li><li>Aligned with identified trends influencing strategy</li></ul>  |
| Market opportunity   | <ul><li>Mature asset class in the US</li><li>Emerging asset class in the UK</li><li>Potential asset class in Australia</li></ul>  | <ul> <li>Highly concentrated mature market</li> <li>Significant capex plans from telecommunications operators to cater for demand growth from 5G rollout</li> </ul>   |
| Business<br>strategy | <ul> <li>Leverage urbanisation pipeline</li> <li>Capital partner introduced in the UK, and to be introduced in the US over time</li> <li>Build operating platform</li> </ul>  | <ul> <li>Leveraging relationship with Softbank (over 75,000 telecommunication towers and rooftop antenna sites deployed in Japan)</li> <li>Build development and asset management capability</li> <li>Differentiated customer offer</li> <li>Intention to introduce capital partners over time</li> </ul>   |
| Current<br>status    | <ul> <li>UK – Investment Partnership with CPPIB¹ with initial target of GBP1.5 billion         <ul> <li>663 units in delivery with estimated total end value of \$739 million</li> </ul> </li> <li>US – 850 units in delivery with estimated total end value of \$502 million         <ul> <li>Intention to introduce capital partners in the US over time</li> </ul> </li> </ul> | <ul> <li>Existing tower portfolio and development pipeline</li> <li>JV with Softbank with committed equity of USD400 million, targeting USD5 billion of assets over the medium term</li> <li>c. 8,000 Sprint telecommunication sites providing potential seed assets for JV</li> <li>Building relationships with other major telecommunication operators</li> </ul> |
| P&L returns          | Development ROIC target of 9% to 12%)   | nent profit (MOC and IRR at project level; returns consistent with<br>nt fees, Investment income from balance sheet investments and co-<br>c target of 8% to 11%)   |





### **Construction HY18**

#### **Overview**

- Provides a project management, design, and construction service, predominantly in the infrastructure, defence, mixed-use, commercial and residential sectors
- Financial returns are generated via project management and construction management fees, in addition to construction margin

#### Drivers<sup>1</sup>

- EBITDA loss of \$26.1 million
- Revenue up 2% to \$6.4 billion

#### Australia

- Revenue up 4% to \$3.4 billion, EBITDA loss of \$66.1 million
- EBITDA impacted by a small number of underperforming engineering projects
  - HY18 EBITDA includes the reversal of previously booked margin and recognition of expected losses
- Solid outcome for Building business

#### Asia

- Revenue down 14% to \$0.2 billion, EBITDA margin 0.2%
- Focus remains on internal pipeline

#### **Europe**

Revenue down 44% to \$0.3 billion, EBITDA margin 3.0%

#### **Americas**

- Revenue up 14% to \$2.5 billion, margin down 200 bps to 1.2%
- Prior period result supported by a number of successful project close outs

#### **Performance**

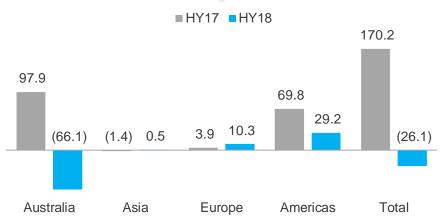
|                        | HY17 | HY18  |
|------------------------|------|-------|
| % Operating EBITDA     | 24   | (3)   |
| EBITDA margin (%)      | 2.7  | (0.4) |
| New Work Secured (\$b) | 6.3  | 8.8   |
| Backlog Revenue (\$b)  | 20.5 | 22.4  |

#### **Outlook**

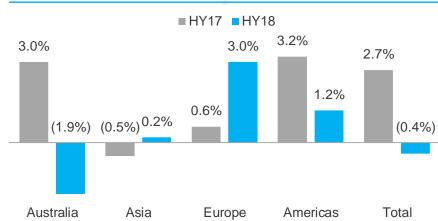
- Target EBITDA margin of 3% to 4% globally, 4% to 5% Australia
- Diversity by region, client and sector
- New work secured of \$8.8 billion, key highlights include:
  - \$3.0 billion in Australian transport infrastructure
  - \$2.8 billion in Australian building
  - \$1.0 billion in Europe and \$1.5 billion in Americas
- Backlog revenue \$22.4 billion, mainly consisting of:
  - Australia \$13.8 billion: Building \$7.2 billion, Engineering \$5.0 billion, and Services \$1.6 billion
  - Americas \$6.5 billion
- Preferred bidder status c.\$12 billion including:
  - Australia: Martin Place Metro (Building), Circular Quay Tower
  - Asia: The Lifestyle Quarter at Tun Razak Exchange
  - Europe: Google Headquarters

## **Construction earnings**

### EBITDA (\$m)



### **EBITDA** margins

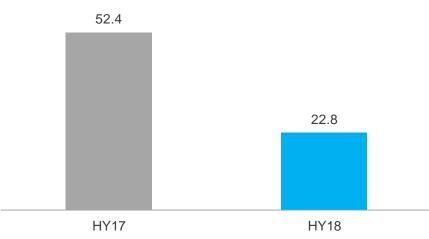


## **EBITDA Europe (GBPm)**



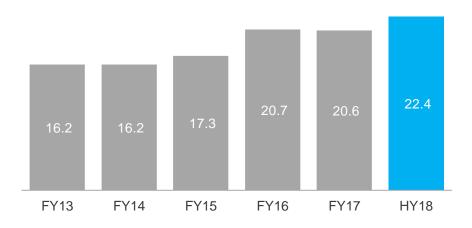


### **EBITDA Americas (USDm)**

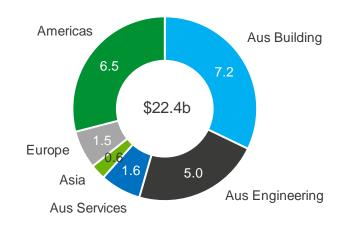


## **Construction backlog**

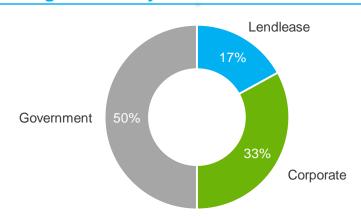
### **Backlog revenue (\$b)**



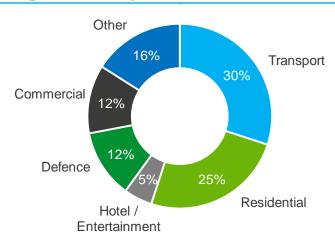
### Backlog revenue by region (\$b)1



### Backlog revenue by client<sup>1,2</sup>



## Backlog revenue by sector<sup>1,2</sup>



- 1. As at 31 December 2017
- 2. Includes all construction projects greater than \$100 million, which represents 81% (\$18.1 billion) of secured backlog

## Construction new work secured / backlog

### New work secured revenue (\$b)

|                                       | Australia |        | Asia   |        | Europe |        | Americas |        | Total  |        |
|---------------------------------------|-----------|--------|--------|--------|--------|--------|----------|--------|--------|--------|
|                                       | Dec-16    | Dec-17 | Dec-16 | Dec-17 | Dec-16 | Dec-17 | Dec-16   | Dec-17 | Dec-16 | Dec-17 |
| New work secured revenue <sup>1</sup> |           |        |        |        |        |        |          |        |        |        |
| Building                              | 2.4       | 2.8    | 0.6    | 0.1    | 0.4    | 1.0    | 2.5      | 1.5    | 5.9    | 5.4    |
| Engineering                           | 0.3       | 3.0    | -      | -      | -      | -      | -        | -      | 0.3    | 3.0    |
| Services                              | 0.1       | 0.4    | -      | -      | -      | -      | -        | -      | 0.1    | 0.4    |
| Total new work secured revenue        | 2.8       | 6.2    | 0.6    | 0.1    | 0.4    | 1.0    | 2.5      | 1.5    | 6.3    | 8.8    |

### **Backlog revenue (\$b)**

|                                      | Austr  | Australia Asia Eur |        | Euro   | Europe Americas |        |        | Total  |        |        |
|--------------------------------------|--------|--------------------|--------|--------|-----------------|--------|--------|--------|--------|--------|
|                                      | Dec-16 | Dec-17             | Dec-16 | Dec-17 | Dec-16          | Dec-17 | Dec-16 | Dec-17 | Dec-16 | Dec-17 |
| Backlog revenue <sup>2</sup>         |        |                    |        |        |                 |        |        |        |        |        |
| Building                             | 6.8    | 7.2                | 0.9    | 0.6    | 1.1             | 1.5    | 6.9    | 6.5    | 15.7   | 15.8   |
| Engineering                          | 3.3    | 5.0                | -      | -      | -               | -      | -      | -      | 3.3    | 5.0    |
| Services                             | 1.5    | 1.6                | -      | -      | -               | -      | -      | -      | 1.5    | 1.6    |
| Total backlog revenue                | 11.6   | 13.8               | 0.9    | 0.6    | 1.1             | 1.5    | 6.9    | 6.5    | 20.5   | 22.4   |
| Backlog realisation (%)              |        |                    |        |        |                 |        |        |        |        |        |
| Second half of year ending June 2018 | 31     | 29                 | 38     | 41     | 63              | 20     | 31     | 36     | 31     | 31     |
| Year ending June 2019                | 42     | 38                 | 55     | 9      | 26              | 42     | 42     | 34     | 43     | 36     |
| Post June 2019                       | 27     | 33                 | 7      | 50     | 11              | 38     | 27     | 30     | 26     | 33     |
| Total                                | 100    | 100                | 100    | 100    | 100             | 100    | 100    | 100    | 100    | 100    |

<sup>1.</sup> Total revenue to be earned from projects secured during the half year, rounded to the nearest \$100 million

<sup>2.</sup> Current period backlog revenue is the total revenue expected to be earned from projects in future financial periods, based on the average foreign exchange rate for that period. Although backlog revenue is realised over several periods, the average foreign exchange rate for the current period has been applied to the closing backlog revenue balance in its entirety, as the average rates for later years cannot be predicted

## Construction backlog revenue by region



<sup>1.</sup> Ratio calculated as new work secured over revenue realised to the nearest million

**Forecast** 

## Market opportunity for Engineering and Services in Australia

14.0

11.2

8.4

5.6

#### Engineering construction<sup>1</sup> c.\$75b<sup>2</sup>

### Major transport construction<sup>1,4</sup> (\$b)

Value of work done, inflation adjusted<sup>5</sup>

#### Projected composition<sup>1</sup>:

Transport c.\$30 billion

Resources c.\$15 billion

Utilities c.\$25 billion

Other civil c.\$5 billion

#### Sector outlook<sup>1,3</sup>:

Transport

Resources

Utilities

Other civil







### Transport project outlook<sup>1,3,4</sup>:

Major



Minor





- 1. Lendlease Group Research estimates incorporating Australian Bureau of Statistics historic data
- 2. Estimated annual engineering construction activity in real terms, adjusted for imported component of mining
- Direction of activity versus decade to FY17
- Includes major projects > \$500 million. Colours represent individual projects
- 5. FY16 prices

## Australia: Major Projects – Building<sup>1,2</sup>

| Project   | Location | Contract<br>Type <sup>3</sup> | Contract Value (\$m) | Secured<br>Date <sup>4</sup> | Completion<br>Date <sup>4,5</sup> | Sector              |
|---|----------|-------------------------------|----------------------|------------------------------|-----------------------------------|---------------------|
| Crown Sydney Hotel Resort   | NSW      | MC                            | 1,060.0              | 2015                         | 2021                              | Hotel/Entertainment |
| New Air Combat Capability - RAAF Williamtown                                  | NSW      | MC                            | 845.7                | 2015                         | 2019                              | Defence             |
| New Air Combat Capability - RAAF Tindal                                       | NT       | MC                            | 458.7                | 2016                         | 2021                              | Defence             |
| HMAS Cerberus - Delivery Phase  | VIC      | MC                            | 426.8                | 2018                         | 2026                              | Defence             |
| Air 7000 Phase 2B   | SA       | MC                            | 383.3                | 2016                         | 2019                              | Defence             |
| ADF Air Traffic Control Complex Infrastructure Project                        | National | MC                            | 349.0                | 2016                         | 2020                              | Defence             |
| Sunshine Plaza Redevelopment  | QLD      | LS                            | 308.5                | 2017                         | 2019                              | Other               |
| Western Sydney Stadium  | NSW      | LS                            | 281.1                | 2017                         | 2019                              | Hotel/Entertainment |
| 130 Lonsdale St   | VIC      | D&C                           | 275.0                | 2018                         | 2020                              | Commercial          |
| 60 Martin Place   | NSW      | LS                            | 275.0                | 2016                         | 2020                              | Commercial          |
| Darling Square (formerly Darling Harbour Live) North East Residential Plot    | NSW      | CM                            | 270.6                | 2016                         | 2019                              | Residential         |
| Growler Airbourne Attack Facility Phase 1 & 2 Project                         | QLD/NT   | MC                            | 259.0                | 2016                         | 2020                              | Defence             |
| Land 121 Stage 2 Unit Sustainment Facilities                                  | National | MC                            | 258.3                | 2016                         | 2020                              | Defence             |
| Australian National University Union Court Redevelopment                      | ACT      | D&C                           | 230.0                | 2018                         | 2019                              | Other               |
| Gosford Hospital Redevelopment  | NSW      | LS                            | 222.7                | 2016                         | 2020                              | Other               |
| Rod Laver Arena   | VIC      | MC                            | 220.7                | 2016                         | 2019                              | Hotel/Entertainment |
| Campbell Barracks Redevelopment Project                                       | WA       | LS                            | 215.5                | 2016                         | 2019                              | Defence             |
| Victoria Harbour - 839 Collins  | VIC      | LS                            | 210.0                | 2017                         | 2019                              | Commercial          |
| Darling Square (formerly Darling Harbour Live) South<br>East Residential Plot | NSW      | CM                            | 194.1                | 2017                         | 2019                              | Residential         |
| Western Women's & Children's Hospital   | VIC      | MC                            | 191.7                | 2016                         | 2019                              | Other               |
| BaptistCare SAHF  | NSW      | D&C                           | 183.7                | 2017                         | 2020                              | Residential         |
| Melbourne Quarter - Commercial One  | VIC      | LS                            | 172.3                | 2017                         | 2019                              | Commercial          |
| Palmerston Hospital   | NT       | MC                            | 167.2                | 2016                         | 2018                              | Other               |
| Goulburn Valley Hospital Redevelopment  | VIC      | MC                            | 149.4                | 2018                         | 2021                              | Other               |
| Delamere Air Weapons Range Redevelopment Project                              | NT       | MC                            | 143.7                | 2017                         | 2019                              | Defence             |
| Victoria Harbour - Collins Wharf 1  | VIC      | CM                            | 140.6                | 2017                         | 2019                              | Residential         |
| South Coast Correctional Centre Nowra   | NSW      | LS                            | 120.8                | 2017                         | 2019                              | Other               |
|   |          |                               |                      |                              |                                   |                     |

- 1. Disclosure of major projects is subject to client approval. This could impact the projects available for disclosure
- 2. Backlog revenue as at 31 December 2017 for the projects listed totals \$4.9 billion, representing 68% of the total backlog revenue
- 3. Contract types are Managing Contractor (MC), Lump Sum (LS), Design & Construct (D&C) and Construction Management (CM)
- 4. Financial year
- 5. Based on expected completion date of buildings, subject to change in delivery program

## **Australia: Major Projects – Engineering<sup>1,2</sup>**

| Project                                     | Location | Contract Type <sup>3</sup> | Contract Value<br>(\$m) | Secured Date <sup>4</sup> | Completion<br>Date <sup>4,5</sup> | Sector    |
|---|----------|----------------------------|-------------------------|---------------------------|-----------------------------------|-----------|
| Melbourne Metro Rail Tunnel                 | VIC      | D&C                        | $6,000.0^6$             | 2018                      | 2024                              | Transport |
| NorthConnex M1 / M2 Tunnel                  | NSW      | D&C                        | 1,305.5                 | 2015                      | 2020                              | Transport |
| Northern Connector                          | SA       | D&C                        | 885.0                   | 2016                      | 2019                              | Transport |
| Gateway Upgrade North                       | QLD      | D&C                        | 677.0                   | 2016                      | 2018                              | Transport |
| Oxley Highway to Kundabung, Pacific Highway | NSW      | D&C                        | 612.0                   | 2014                      | 2018                              | Transport |
| Caulfield to Dandenong                      | VIC      | ALL                        | 564.0                   | 2016                      | 2019                              | Transport |
| Kingsford Smith Drive                       | QLD      | D&C                        | 499.5                   | 2016                      | 2020                              | Transport |
| Northern Road 2                             | NSW      | CON                        | 436.0                   | 2017                      | 2020                              | Transport |
| CityLink Tulla Widening                     | VIC      | D&C                        | 319.0                   | 2016                      | 2019                              | Transport |
| Ballarat Line Upgrade                       | VIC      | ALL                        | 220.0                   | 2018                      | 2019                              | Transport |
| Woolgoolga to Ballina - Section 10 & 11     | NSW      | CON                        | 207.0                   | 2018                      | 2019                              | Transport |
| Northern Road 3                             | NSW      | D&C                        | 196.0                   | 2016                      | 2019                              | Transport |
| Southern Program Alliance                   | VIC      | ALL                        | 180.0                   | 2018                      | 2021                              | Transport |
| Gateway / Pacific Motorway Merge            | QLD      | D&C                        | 152.0                   | 2018                      | 2019                              | Transport |

<sup>1.</sup> Disclosure of major projects is subject to client approval. This could impact the projects available for disclosure.

<sup>2.</sup> Backlog revenue as at 31 December 2017 for the projects listed totals \$4.9 billion, representing 98% of the total backlog revenue

<sup>3.</sup> Contract types are Design and Construct (D&C), Alliance (ALL) and Construction Only (CON)

<sup>4.</sup> Financial year

<sup>5.</sup> Based on expected completion date of infrastructure, subject to change in delivery program

<sup>6.</sup> Represents total project value. The Lendlease contract value is subject to client confidentially. Lendlease Engineering is an equal third partner in the Cross Yarra Partnership.

## Asia: Major Projects – Building<sup>1,2</sup>

| Project            | Location  |     | Contract<br>Value (\$m) |      | Completion<br>Date <sup>4,5</sup> | Sector                   |
|--------------------|-----------|-----|-------------------------|------|-----------------------------------|--------------------------|
| Paya Lebar Quarter | Singapore | GMP | 792.7                   | 2016 | 2020                              | Commercial & Residential |

# **Europe: Major Projects – Building<sup>1,2</sup>**

| Project                                   | Location | Contract<br>Type <sup>3</sup> | Contract<br>Value (\$m) | Secured<br>Date <sup>4</sup> | Completion<br>Date <sup>4,5</sup> | Sector                   |
|---|----------|-------------------------------|-------------------------|------------------------------|-----------------------------------|--------------------------|
| International Quarter London - Building 1 | London   | D&C                           | 377.6                   | 2016                         | 2018                              | Commercial               |
| Elephant Park - West Grove                | London   | D&C                           | 374.8                   | 2016                         | 2019                              | Residential              |
| Rathbone Square                           | London   | D&C                           | 372.8                   | 2015                         | 2018                              | Commercial & Residential |
| North Wales Prison                        | Wales    | D&C                           | 301.6                   | 2015                         | 2018                              | Other                    |
| 1 Triton Square                           | London   | D&C                           | 249.7                   | 2017                         | 2020                              | Commercial               |
| International Quarter London - Building 2 | London   | D&C                           | 208.3                   | 2016                         | 2018                              | Commercial               |
| 245 Hammersmith Road                      | London   | D&C                           | 179.4                   | 2017                         | 2019                              | Commercial               |
| International Quarter London - Building 3 | London   | D&C                           | 145.5                   | 2017                         | 2019                              | Commercial               |
| The Timberyard Deptford - Plot 2          | London   | D&C                           | 111.0                   | 2017                         | 2020                              | Residential              |

- 1. Disclosure of major projects is subject to client approval. This could impact the projects available for disclosure
- 2. Backlog revenue as at 31 December 2017 for the projects listed totals \$428 million (Asia) and \$658 million (Europe), representing 70% (Asia) and 44% (Europe) of total backlog revenue for these regions
- 3. Contract types are Guaranteed Maximum Price (GMP) and Design & Construct (D&C)
- 4. Financial year
- 5. Based on expected completion date of buildings, subject to change in delivery program

## **Americas: Major Projects – Building<sup>1,2</sup>**

| Project                          | Location         | Contract Type <sup>3</sup> | Contract Value (\$m) | Secured Date <sup>4</sup> | Completion<br>Date <sup>4,5</sup> | Sector      |
|----------------------------------|------------------|----------------------------|----------------------|---------------------------|-----------------------------------|-------------|
| 432 Park Ave                     | New York         | CM                         | 935.9                | 2012                      | 2018                              | Residential |
| Jacob K. Javits Convention Cente | r New York       | LS                         | 777.6                | 2017                      | 2021                              | Government  |
| 56 Leonard Avenue                | New York         | CM                         | 487.6                | 2012                      | 2018                              | Residential |
| 252 East 57th Street             | New York         | CM                         | 457.4                | 2014                      | 2018                              | Residential |
| 520 Park Avenue                  | New York         | GMP                        | 390.8                | 2014                      | 2018                              | Residential |
| New York Methodist Hospital      | New York         | CM                         | 286.9                | 2016                      | 2019                              | Healthcare  |
| 277 Fifth Avenue                 | New York         | CM                         | 268.1                | 2017                      | 2019                              | Residential |
| Clippership Wharf                | Boston           | GMP                        | 228.3                | 2016                      | 2020                              | Residential |
| Avalon - 1865 Broadway           | New York         | CM                         | 221.2                | 2016                      | 2019                              | Residential |
| 9 W Walton                       | Chicago          | GMP                        | 213.7                | 2015                      | 2018                              | Residential |
| Half and N Street                | Washington, D.C. | GMP                        | 143.6                | 2017                      | 2019                              | Residential |

<sup>1.</sup> Disclosure of major projects is subject to client approval. This could impact the projects available for disclosure

<sup>2.</sup> Backlog revenue as at 31 December 2017 for the projects listed totals \$1.5 billion, representing 23% of total backlog revenue

<sup>3.</sup> Contract types are Guaranteed Maximum Price (GMP), Lump Sum (LS) and Construction Management (CM)

<sup>4.</sup> Financial year

<sup>5.</sup> Based on expected completion date of buildings, subject to change in delivery program



**Investments** 



## **Investments HY18**

#### **Overview**

- Owns and / or manages investments including a leading wholesale investment management platform and also the Group's ownership interests in property and infrastructure co-investments, Retirement and US Military Housing
- Financial returns include fund and property management fees, yield and capital growth on investment positions, and returns from the Group's investment in Retirement Living and the US Military Housing business

#### Drivers<sup>1</sup>

- · Ownership earnings increased by 41% to \$319 million
  - Retirement Living
    - Sell down of 25% interest in Retirement Living to APG Asset Management N.V.
    - Uplift in the remaining investment carrying value post 25% sell down
    - Average unit prices on resales increased 3%
  - Co-investments:
    - Higher income and revaluations for Barangaroo Towers
  - Equity returns on US Military Housing including uplift in the valuations
  - Telecommunication infrastructure investment returns
- Operating earnings increased 3% to \$64 million
  - FUM of \$28.3 billion, up 15% on the prior year
    - Growth in base fees in line with FUM
    - Operating earnings impacted by investment in operating platforms in Europe and the Americas
    - Ongoing asset and management fees for military housing
- 1. Comparative period the half year ended 31 December 2016 (the prior corresponding period)
- 2. Equity Accounted Investment in Retirement Living
- B. Represents secured future FUM from funds with development projects in delivery

#### **Performance**

|   | HY17 | HY18 |
|---|------|------|
| % Operating EBITDA                                | 40   | 48   |
| ROIC (%)  | 13.4 | 16.5 |
| Invested capital (\$b)                            | 3.2  | 3.0  |
| Co-investment revaluations (\$m)                  | 35.7 | 92.4 |
| Co-investment revaluations / Operating EBITDA (%) | 5.0  | 11.6 |

#### **Outlook**

- · Well positioned to deliver future recurring earnings through:
  - FUM of \$28.3 billion, c.150 institutional investors
  - \$1.6 billion co-invested in funds
  - \$1.2 billion<sup>2</sup> of capital in Retirement Living investment
  - Investment in US Military Housing and US telecommunication infrastructure
  - 53,105 military housing units under management
  - \$12.8 billion of retail assets under management
- Growing FUM and asset management income
  - c.\$4 billion<sup>3</sup> of additional secured future FUM across the Group's development projects in delivery
  - Opportunities from development pipeline yet to enter delivery
  - New assets classes for Lendlease platform:
    - US telecommunication infrastructure
    - Residential for Rent

## Investments earnings / ownership

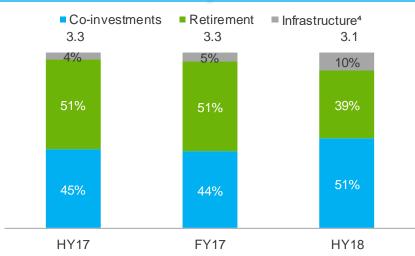
#### **EBITDA** by region (\$m)

# HY17 HY18 383.1 244.2 267.4 16.9 18.7 1.2 (0.1) Australia Asia Europe Americas Total

#### EBITDA by activity (\$m)



#### Investments by product (\$b)<sup>3</sup>



#### Investments by region (\$b)<sup>3</sup>



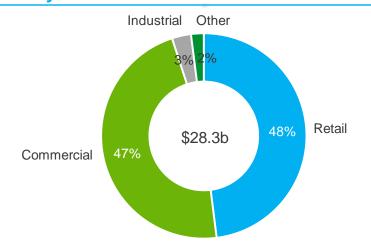
- . Earnings derived from Co-investments, the Retirement business, equity returns from US Military Housing and telecommunication infrastructure investment
- 2. Earnings primarily derived from the Investment management platform and the management of US Military Housing operations
- 3. Represents the Group's assessment of market value
- 4. Includes the Group's investments in US Military Housing and telecommunication infrastructure

# **Funds Under Management (FUM)**

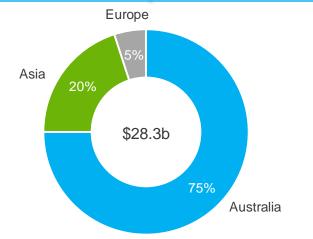
#### **Growth in FUM (\$b)**



#### **FUM** by asset class<sup>2</sup>

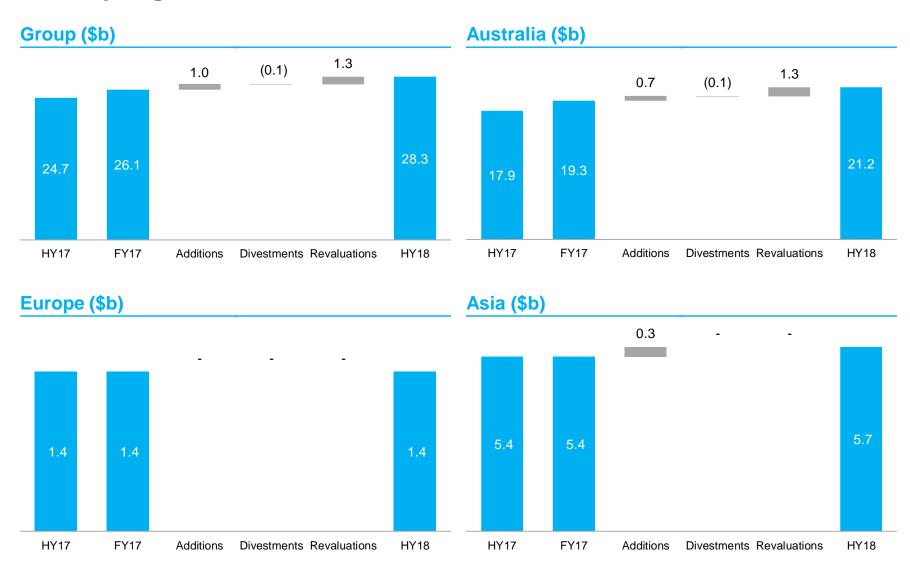


## **FUM** by region<sup>2</sup>



- 1. Compound Annual Growth Rate (CAGR)
- 2. As at 31 December 2017

# **FUM** by region



# **FUM** by region

| Australia FUM                                      | Fund Type | Asset Class    | Market Value <sup>1</sup><br>June 2017 (\$b) | Market Value <sup>1</sup><br>December 2017 (\$b) |
|--|-----------|----------------|--|--|
| Australian Prime Property Fund Retail              | Core      | Retail         | 5.2  | 5.4  |
| Lendlease International Towers Sydney Trust        | Core      | Commercial     | 3.5  | 3.8  |
| Australian Prime Property Fund Commercial          | Core      | Commercial     | 3.8  | 4.5  |
| Managed Investment Mandates                        | Core      | Various        | 2.7  | 3.0  |
| Lendlease One International Towers Sydney Trust    | Core      | Commercial     | 2.0  | 2.4  |
| Australian Prime Property Fund Industrial          | Core      | Industrial     | 0.8  | 0.8  |
| Lendlease Sub Regional Retail Fund                 | Core      | Retail         | 0.6  | 0.6  |
| Lendlease Public Infrastructure Investment Company | Core      | Infrastructure | 0.4  | 0.4  |
| Lendlease Real Estate Partners New Zealand         | Core      | Retail         | 0.3  | 0.3  |
| Total  |           |                | 19.3   | 21.2   |

| Asia FUM                               | Fund Type | Asset Class         | Market Value <sup>1</sup><br>June 2017 (\$b) | Market Value <sup>1</sup><br>December 2017 (\$b) |
|--|-----------|---------------------|--|--|
| Lendlease Asian Retail Investment Fund | Core      | Retail & Commercial | 2.3  | 2.3  |
| Managed Investment Mandate             | Value Add | Retail & Commercial | 1.4  | 1.7  |
| Parkway Parade Partnership Limited     | Core Plus | Retail & Commercial | 1.2  | 1.2  |
| Lendlease Jem Partners Fund Limited    | Core      | Retail & Commercial | 0.5  | 0.5  |
| Total                                  |           |                     | 5.4  | 5.7  |

| Europe FUM          | Fund Type | Asset Class | Market Value <sup>1</sup><br>June 2017 (\$b) | Market Value <sup>1</sup><br>December 2017 (\$b) |
|---------------------|-----------|-------------|--|--|
| Lendlease Retail LP | Core      | Retail      | 1.4  | 1.4  |
| Total               |           |             | 1.4  | 1.4  |

<sup>1.</sup> Represents the Group's assessment of the market value

## Major fund summary as at 31 December 2017

|                               |                    | F                  | unds Mana          | gement Plat         | form <sup>1</sup>    |                                   |                              |                   |                   |
|-------------------------------|--------------------|--------------------|--------------------|---------------------|----------------------|-----------------------------------|------------------------------|-------------------|-------------------|
|                               | APPFR <sup>2</sup> | APPFC <sup>3</sup> | APPFI <sup>4</sup> | LLITST <sup>5</sup> | LLOITST <sup>6</sup> | ARIF <sup>7</sup> 1<br>(Somerset) | ARIF <sup>7</sup> 3<br>(Jem) | PPPL <sup>8</sup> | LLRP <sup>9</sup> |
| Total assets (\$b)            | 5.4                | 4.5                | 0.8                | 3.8                 | 2.4                  | 0.8                               | 1.4                          | 1.2               | 1.4               |
| Gearing (%)                   | 11.5               | 14.7               | 6.5                | 17.8                | 19.8                 | 66.0                              | 45.5                         | 38.6              | 2.4               |
| Co-investment (%)             | 1.7                | 7.7                | 10.6               | 15.0                | 12.5                 | 10.1                              | 20.1                         | 6.1               | -                 |
| Co-investment (\$m)           | 77.0               | 285.0              | 72.4               | 446.5               | 230.2                | 25.7                              | 155.4                        | 37.7              | -                 |
| Region                        | Aus                | Aus                | Aus                | Aus                 | Aus                  | Asia                              | Asia                         | Asia              | Eur               |
| Asset class                   | Retail             | Commercial         | Industrial         | Commercial          | Commercial           | Retail                            | Retail                       | Retail            | Retail            |
| Number of assets              | 11                 | 21                 | 29                 | 4                   | 1                    | 1                                 | 1                            | 1                 | 2                 |
| Occupancy (%)                 | 98.1               | 90.1               | 95.0               | 83.4                | 94.0                 | 93.1                              | 99.6                         | 100.0             | 95.4              |
| Weighted average cap rate (%) | 5.1                | 5.3                | 7.0                | 4.8                 | 4.8                  | 4.5                               | 4.6                          | 5.2               | 4.8               |

- 1. The above highlights only selected major funds and does not comprise Lendlease's complete Funds Management Platform
- 2. Australian Prime Property Fund Retail
- 3. Australian Prime Property Fund Commercial
- 4. Australian Prime Property Fund Industrial
- 5. Lendlease International Towers Sydney Trust (Barangaroo South T2 & T3), International House and Towns Place Car Park
- 6. Lendlease One International Towers Sydney Trust (Barangaroo South T1)
- 7. Asian Retail Investment Fund
- 8. Parkway Parade Partnership Limited
- 9. Lendlease Retail LP

## **Investments**

| Australia Co-investments                           | Lendlease Interest (%) | Market Value <sup>1</sup><br>June 2017 (\$m) | Market Value <sup>1</sup><br>December 2017 (\$m) |
|--|------------------------|--|--|
| Australian Prime Property Fund Retail              | 1.7                    | 73.2   | 77.0   |
| Lendlease International Towers Sydney Trust        | 15.0                   | 411.5  | 446.5  |
| Australian Prime Property Fund Commercial          | 7.7                    | 211.6  | 285.0  |
| Lendlease One International Towers Sydney Trust    | 12.5                   | 202.7  | 230.2  |
| Australian Prime Property Fund Industrial          | 10.6                   | 71.0   | 72.4   |
| Lendlease Sub Regional Retail Fund                 | 9.9                    | 39.3   | 40.4   |
| Lendlease Public Infrastructure Investment Company | 10.0                   | 40.7   | 41.0   |
| Lendlease Real Estate Partners New Zealand         | 5.3                    | 9.5  | 9.5  |
| Lendlease Communities Fund 1                       | 20.8                   | 1.2  | 1.2  |
| Craigieburn Central                                | 25.0                   | 79.0   | 80.1   |
| Total  |                        | 1,139.7                                      | 1,283.3  |

| Asia Co-investments                           | Lendlease Interest (%) | Market Value <sup>1</sup><br>June 2017 (\$m) | Market Value <sup>1</sup><br>December 2017 (\$m) |
|---|------------------------|--|--|
| Lendlease Asian Retail Investment Fund (ARIF) |                        |  |  |
| ARIF 1 (313@somerset)                         | 10.1                   | 24.9   | 25.7   |
| ARIF 2 (Setia City Mall)                      | 36.8                   | 23.4   | 24.6   |
| ARIF 3 (Jem)                                  | 20.1                   | 151.8  | 155.4  |
| Parkway Parade Partnership Limited            | 6.1                    | 37.2   | 37.7   |
| 313@somerset                                  | 25.0                   | 80.1   | 83.3   |
| Total   |                        | 317.4  | 326.7  |

| Americas   | June 2017 | December 2017 |
|--|-----------|---------------|
| MHPI Portfolio, invested equity <sup>1</sup> (\$m)                       | 101.9     | 187.8         |
| US Telecommunications Infrastructure, invested equity <sup>1</sup> (\$m) | 43.7      | 104.8         |
| Completed telecommunications towers (number)                             | 135       | 173           |

<sup>1.</sup> Represents the Group's assessment of the market value

# **Assets Under Management (AUM) by region**

| AUM Australia    | Asset Class           | GLA <sup>1</sup> sqm ('000)          | Market Value <sup>2</sup><br>June 2017 (\$b) | Market Value <sup>2</sup><br>December 2017 (\$b) |
|------------------|-----------------------|--------------------------------------|--|--|
| Total            | Retail                | 748.1                                | 7.2  | 7.6  |
| AUM Asia         | Asset Class           | GLA <sup>1</sup> sqm ('000)          | Market Value <sup>2</sup><br>June 2017 (\$b) | Market Value <sup>2</sup><br>December 2017 (\$b) |
| Total            | Retail and Commercial | 286.9                                | 4.2  | 4.3  |
|                  |                       |                                      |  |  |
| AUM Europe       | Asset Class           | GLA <sup>1</sup> sqm ('000)          | Market Value <sup>2</sup><br>June 2017 (\$b) | Market Value <sup>2</sup><br>December 2017 (\$b) |
| AUM Europe Total | Asset Class Retail    | GLA <sup>1</sup> sqm ('000)<br>141.7 |  |  |
|                  |                       |                                      | June 2017 (\$b)                              | December 2017 (\$b)                              |

<sup>1.</sup> Gross Lettable Area

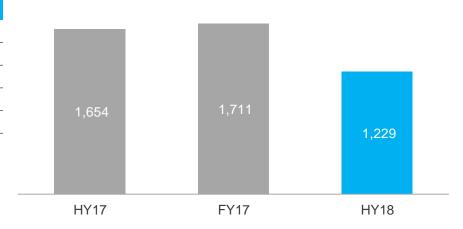
<sup>2.</sup> Represents the Group's assessment of the market value

# **Retirement summary**

#### Value drivers<sup>1</sup>

| Valuation drivers                     | HY17   | HY18   |
|---------------------------------------|--------|--------|
| Long term growth rate                 | 3.6%   | 3.5%   |
| Discount rate                         | 13.0%  | 12.3%  |
| Average length of stay – ILUs (years) | 11     | 12     |
| Number of established units           | 12,433 | 12,664 |
| Units resold                          | 453    | 325    |

## **Investments (\$m)**



## Villages / units<sup>1</sup>

| Location | Number of villages | Units  |
|----------|--------------------|--------|
| QLD      | 12                 | 2,931  |
| NSW      | 17                 | 3,301  |
| VIC      | 26                 | 4,070  |
| SA       | 4                  | 511    |
| WA       | 10                 | 1,631  |
| ACT      | 2                  | 220    |
| Total    | 71                 | 12,664 |

## Units by state<sup>1</sup>



<sup>1.</sup> Represents 100% of Retirement Living Trust Joint Venture for HY18

## Retirement business and transaction

- Lendlease sold 25% of its investment in the Retirement Living business to APG for a price of \$0.5b (\$2.04b at 100%), representing a c.7% premium to book value
- Total cash received was \$0.8b, representing a combination of cash received directly from APG and debt proceeds
- APG obtained joint control and Lendlease's 75% investment is recognised as an Equity Accounted Investment on the balance sheet
- The sale results in the Retirement Living business moving out of the Lendlease tax consolidated group. Deferred tax balances associated with the business were written off
- Total after tax loss on sale is \$15.5m. The estimated loss as at 17
   October 2017 (noted in the ASX announcement) of \$35 million was
   based on a 31 December 2017 settlement date. The transaction
   occurred earlier than this anticipated date

#### **Investment reconciliation (\$b)**

| Lendlease Investment 30 June 2017 to transaction completion |     |                              |  |  |
|---|-----|------------------------------|--|--|
| Net Investment  | 1.7 | Retirement Portfolio         |  |  |
| Development WIP   | 0.1 | Development Inventory        |  |  |
| Total Retirement Living                                     | 1.8 | As at 30 June 2017           |  |  |
| Book value movements post 30 June 2017                      | 0.1 | Includes capex and DMF       |  |  |
| Total Retirement Living                                     | 1.9 | As at transaction completion |  |  |

| Joint Venture Investment as at 31 December 2017 |       |  |  |  |
|---|-------|--|--|--|
| Joint Venture investment value                  | 2.0   |  |  |  |
| Joint Venture debt                              | (0.4) |  |  |  |
| Net investment value (100%)                     | 1.6   |  |  |  |
| Net investment value (75%)                      | 1.2   |  |  |  |

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A reference to HY18 refers to the half year period ended 31 December 2017 unless otherwise stated. All figures are in AUD unless otherwise stated.