

# ASX ANNOUNCEMENT

11 May 2018

## Lendlease Group European Project Tour

Lendlease Group is hosting investors on a tour of its major projects in Milan and London. Attached is the accompanying tour book.

### ENDS

FOR FURTHER INFORMATION, PLEASE CONTACT:

**Investors:**

Justin McCarthy

Mob: +61 422 800 321

**Media:**

Stephen Ellaway

Mob: +61 417 851 287

**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

Level 14, Tower Three, International Towers Sydney  
Exchange Place, 300 Barangaroo Avenue  
Barangaroo NSW 2000 Australia

Telephone +61 2 9236 6111  
Facsimile +61 2 9252 2192  
lendlease.com





**lendlease**  
**European  
Project Tour**  
13 – 15 May 2018

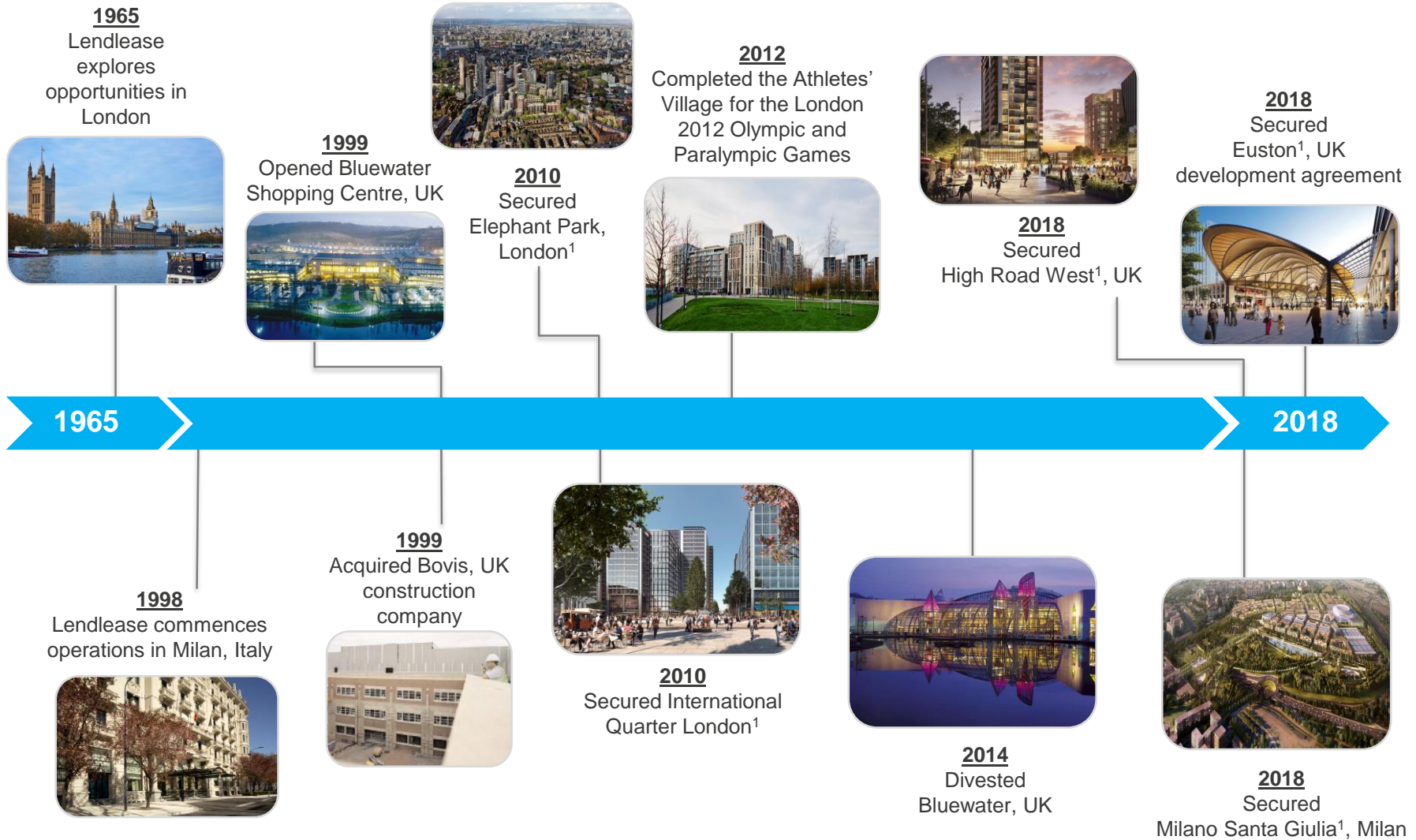








# Experience in Europe spans over 50 years



1. Artist's impression

# Established business

## Contribution to Group

- \$70m HY18 EBITDA, 9% of Group operating result
- >\$20b<sup>1</sup> Total development pipeline, c.35% of Group
- \$1.5b Construction backlog revenue, 7% of Group
- \$1.4b Funds under management, 5% of Group
- \$0.9b Assets under management, 7% of Group
- \$0.9b Invested capital, 14% of Group<sup>2</sup> (target range is 5-20%)
  - \$0.8b Development<sup>3</sup>

## Business model



## Established business – current structure

	Development	Construction	Investments
<b>Business Activities</b>	<ul style="list-style-type: none"> <li>• Urbanisation projects</li> <li>• Residential for rent</li> </ul>	<ul style="list-style-type: none"> <li>• Construction management</li> <li>• Design and construct</li> </ul>	<ul style="list-style-type: none"> <li>• Funds management platform</li> <li>• Retail asset management platform</li> </ul>
<b>Earnings Drivers</b>	<ul style="list-style-type: none"> <li>• Development profit and development management fees from urbanisation projects</li> </ul>	<ul style="list-style-type: none"> <li>• Construction margins</li> <li>• Project management margins</li> </ul>	<ul style="list-style-type: none"> <li>• Fund, asset and property management fees</li> </ul>

1. Includes projects secured post 31 December 2017, eg Euston Station project

2. Excluding Corporate invested capital

3. Balance is invested capital in other parts of European business

# Strategy

## Group strategic framework

### FOCUS

Delivering optimal performance safely

### GROW

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

## Lendlease Europe Strategy

### Leverage the integrated model in European gateway cities

- Strong track record of execution excellence, established and experienced team
- Partnering with like-minded governments and stakeholders to create sustainable mixed use precincts
- Work with select external construction clients

### Priority areas:

- Resourcing to execute on extensive urbanisation pipeline
- Construction business to benefit from urbanisation pipeline and selective bidding approach
- Grow Investment Management platform and deepen capital partner relationships
- Extend residential for rent capabilities in London

## Alignment with Group strategic direction



### Urbanisation

- Six major urbanisation projects in two European gateway cities
- >\$20b Europe urbanisation pipeline<sup>1</sup>



### Infrastructure

- Social infrastructure:
  - Treviso PFI Hospital, Italy – PPP structure
  - Milano Innovation District<sup>2</sup> – Framework Agreement for PPP



### Funds growth

- \$1.4b Funds under management
- Product creation from development pipeline, eg residential for rent



### Sustainability

- Elephant Park recognised globally as part of the C40 Climate Positive Development Programme



### Technology

- Increasing innovation in the design and construction process
- Driving innovation to achieve safe outcomes

1. Includes projects secured post 31 December 2017

2. Formerly known as Arexpo project

# Operating model:

## Disciplined approach to delivery and growth

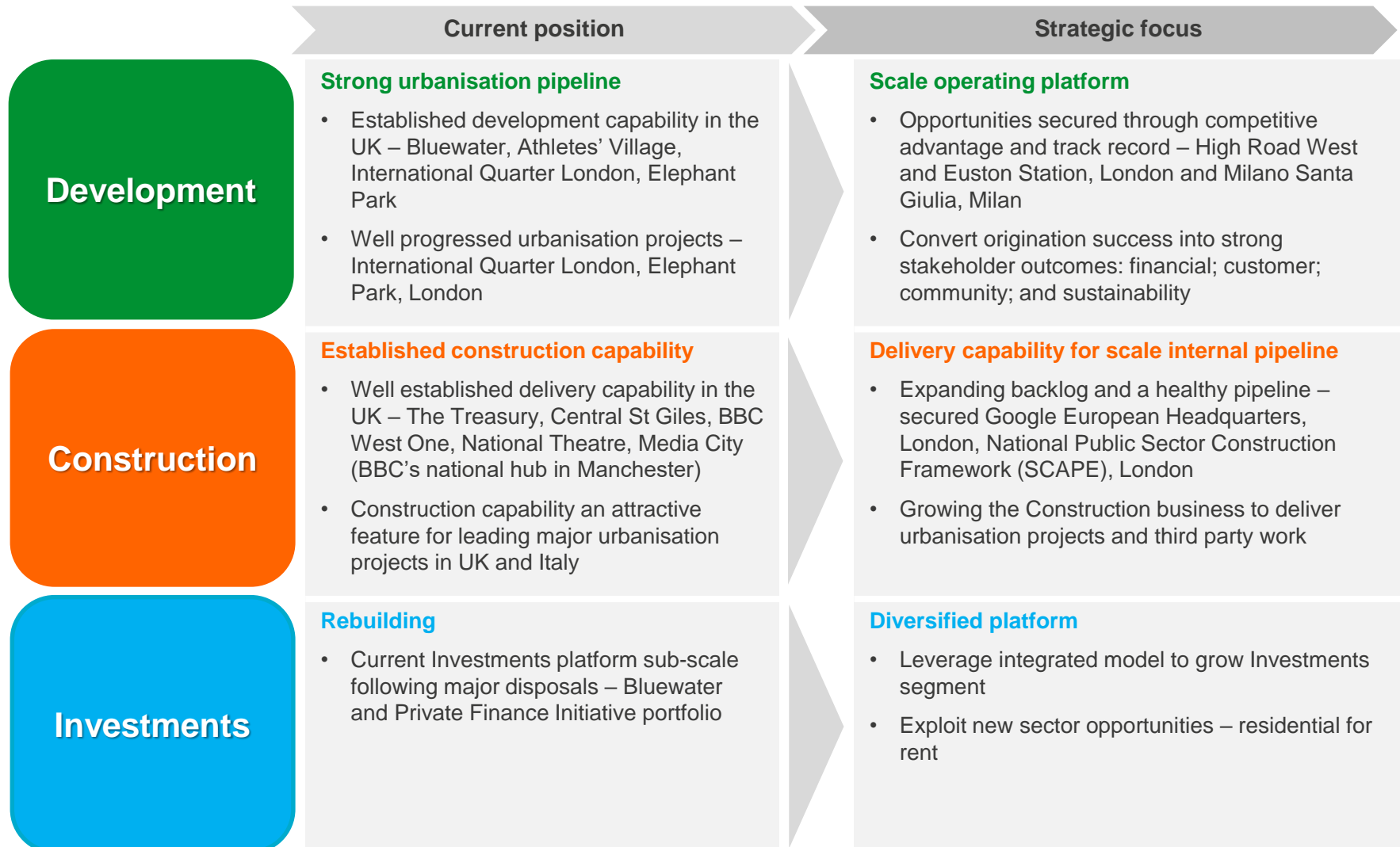
### Promoting Best Practice

- **Health & Safety:** consistent approach to safety via the Global Minimum Requirements (GMR) framework
- **Customer:** core focus on customer engagement, differentiation and brand promotion
  - Strategic partnerships with Government
- **People:** leadership, role-specific and functional programs, eg Project Director Program
- **Sustainability:** recognised leadership in environmental, social and economic outcomes
  - Enhanced social outcomes including skilling, training and employment, small business support and affordable housing
- **Financial:** aligned to Group Portfolio Management Framework

### Governance and risk management

- **Enterprise wide risk management:** centralised and business independent Group research, continuous macroeconomic and geopolitical analysis
- **Common processes:** consistent origination, conversion and project execution – Global and Regional Investment Committee process and regular Business Reviews
- **Policies:** limits of authority, GMRs and Code of Conduct
- **Business:** diversification by gateway city, sector and segment
- **Financial:** project return hurdles, capital efficient fund through, residential pre-sales
- **Delivery:** diversification by contract and client type, regular project reviews, Centre of Excellence independent reviews

# Strategic direction: Scale integrated business





# Development opportunities in gateway cities



## Lendlease value proposition

- Strong track record, established and experienced team
- Capability to create sustainable mixed use precincts for future generations
- Global perspective and capability for customers that value place creation, masterplanning and product innovation
- Integrated model: originate, plan, fund, deliver, manage
- Co-investment strategy creates strong alignment with capital partners
- Safety and sustainability focus

## London – pipeline

- **Urbanisation projects:**
  - Projects in delivery: International Quarter London, Elephant Park, The Timberyard, Deptford
  - Secured: High Road West and Euston Station
  - Preferred: Haringey Development Vehicle
  - Identified pipeline of potential opportunities
- **Residential for rent:**
  - Phase one 663 units in delivery across two buildings at Elephant Park
  - Investment Partnership with CPPIB<sup>1</sup> with initial target of GBP1.5 billion

## Milan – pipeline

- **Milano Santa Giulia, Milan**
  - Estimated end development value of \$3.5 billion
- **Milano Innovation District<sup>2</sup>**
  - First stage Framework Agreement for the Public Private Partnership
  - Well placed to secure development rights post completion of consultancy agreement

1. Canada Pension Plan Investment Board

2. Formerly known as Arexpo project

## Development: Major Urbanisation project summary

Project	Project secured <sup>6</sup>	Delivery commenced	Expected completion date <sup>2</sup>	Residential units backlog	Commercial sqm backlog '000s	Total remaining end value \$b <sup>3</sup>
Milano Santa Giulia	2018	-	2034	2,558	253	3.5
Elephant Park, London	2010	2012	2024	2,127	18	3.1
International Quarter London	2010	2014	2026	-	249	2.8
High Road West, Tottenham, London	2018	-	2027	2,501	14	1.9
The Timberyard, Deptford, London	2014	2016	2024	1,132	7	1.1
<b>Major Projects<sup>1</sup></b>				<b>8,318</b>	<b>541</b>	<b>12.4</b>
Other Projects <sup>1</sup>				1,012	2	0.8
<b>Total Projects as at 31 December 2017</b>				<b>9,330</b>	<b>543</b>	<b>13.2</b>
Euston Station <sup>4</sup> , London	2018	-	2040+	c.2,000	c.400	9 - 12.5
<b>Total Projects<sup>5</sup></b>				<b>c.11,300</b>	<b>c.950</b>	<b>&gt;20.0</b>

1. As at 31 December 2017

2. Based on expected completion date of buildings, subject to change in delivery program

3. Reflects the remaining estimated total project end development value. Values for any project can vary and are subject to change

4. Secured post balance date. Delivered in phases and subject to program for HS2 and Network Rail station delivery

5. Includes secured projects post balance date

6. Financial year

# Europe Outlook

## Leveraging the integrated model in targeted gateway cities

- Track record of delivery across Europe – 17% contribution to Group operating earnings since 2010
- Competitive advantage – track record, integrated model, balance sheet strength, customer focus and sustainable solutions
- Increased capital allocation across International Operations expected to drive future international earnings growth
- Secured development pipeline with an estimated end value in excess of \$20 billion
- Several urbanisation projects secured in the last few years in targeted gateway cities
  - London: The Timberyard, Deptford; High Road West, Tottenham; Euston Station
  - Milan: Milano Santa Giulia
  - Healthy pipeline of identified opportunities, eg Milano Innovation District
- Continue to grow platform by using an enterprise wide approach across Europe
  - Risk management framework
  - Disciplined origination and execution excellence
- Rebalance towards Investments segment, pursuing opportunities to grow recurring earnings
  - Successful entry into residential for rent sector
- Apply disciplined execution under the Group Portfolio Management Framework





**Milan: 13, 14 May 2018**

# Milan, Italy

## Set to benefit from the strongest Eurozone growth in a decade and an improving banking sector

- Strengths of Milan, Lendlease's gateway city analysis: standing as a major global business centre; preeminent status in select industries such as high end manufacturing and fashion<sup>1</sup>
- Population of 3.22 million, ~5% of Italy's population<sup>2</sup>
- Accounts for ~10% of Italian GDP<sup>2</sup>
- One of seven cities ranked 'A' on Global and World Cities Index<sup>3</sup>
- Leader in higher education – seven universities and nine other higher education facilities
- Institutional property transactions worth ~\$US 4.7 billion p.a. over last 3 years, c.40% of total across Italy<sup>4</sup>
- Historical outperformance vs national average:
  - Population growth since 2012 of 1% p.a. has comfortably exceeded the national average of 0.3% p.a.<sup>2</sup>
  - Economic growth over the last decade 1.1% p.a. vs. a national average of -0.6% p.a.<sup>5</sup>
  - Unemployment rate 6.5% vs. national 11.2%<sup>2</sup>
  - **Economy on the mend** – Clear signs of improvement in the Milanese and Italian economy – 4 years of gradually accelerating national economic growth after GDP shrank almost 9% between 2007 and 2013<sup>2</sup>
  - **Banking sector healing** – Italian banks' gross non performing loans have fallen from peak of 18% to around 16%. New corporate default rates have dropped from ~9% to ~3% over the last 2-3 years<sup>6</sup>

1. Lendlease Group Research

2. Italian National Institute of Statistics

3. World Cities Index, University of Loughborough

4. Real Capital Analytics

5. Oxford Economics

6. Banca D'Italia



# Milano Innovation District<sup>1</sup> (MIND) Milan

## Framework Agreement – secured in 2018

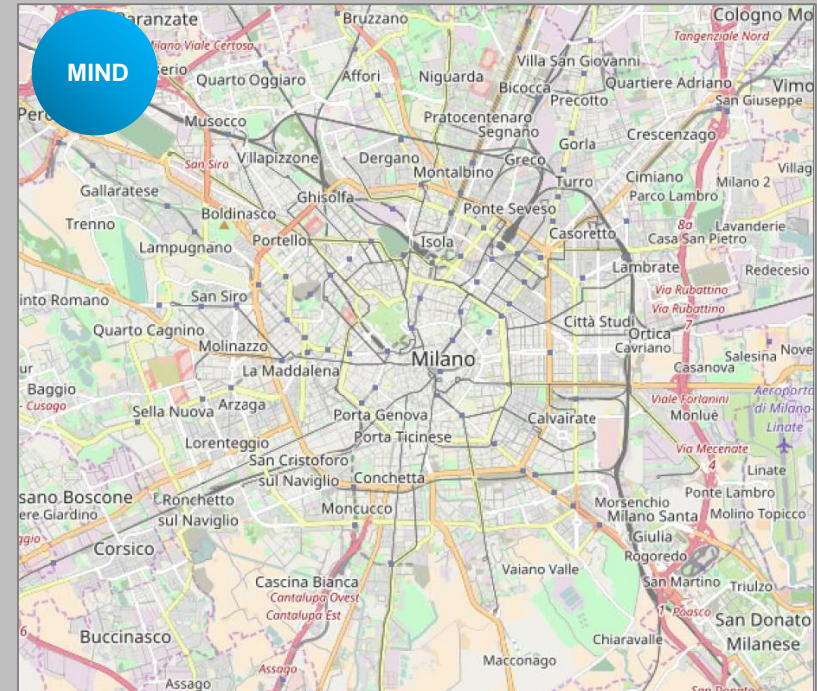
- Framework Agreement with Arexpo SpA<sup>2</sup> to masterplan the site that hosted the 2015 World Expo
- Well placed to secure a portion of the development rights post completion of consultancy agreement

## Potential Project Scheme – mixed use

- 100 hectare site
- Current masterplan envisages:
  - Public Institutions<sup>3</sup>: University of Milan and National Research Institute Campus and Galeazzi Hospital
  - Mixed use multi-phase with up to c.500,000sqm of developable area with up to c.\$3 billion total estimated end development value

## Community Investment

- c.400,000sqm public realm



Located 7kms to the north west of the Milan CBD  
Benefits from excellent transport links and infrastructure

1. Formerly known as Arexpo project  
2. The Agency set up in 2011 to acquire the land for the Expo and develop it  
3. To be delivered by Government



# Milano Innovation District<sup>1</sup> (MIND)



- c.2.5kms of new cycle paths will reconnect to a wider 80km network
- Precinct designed according to LEED ND + WELL certification standards
- A social impact investment fund to be established to fund social innovation initiatives aimed at creating quality jobs and promote circular economy

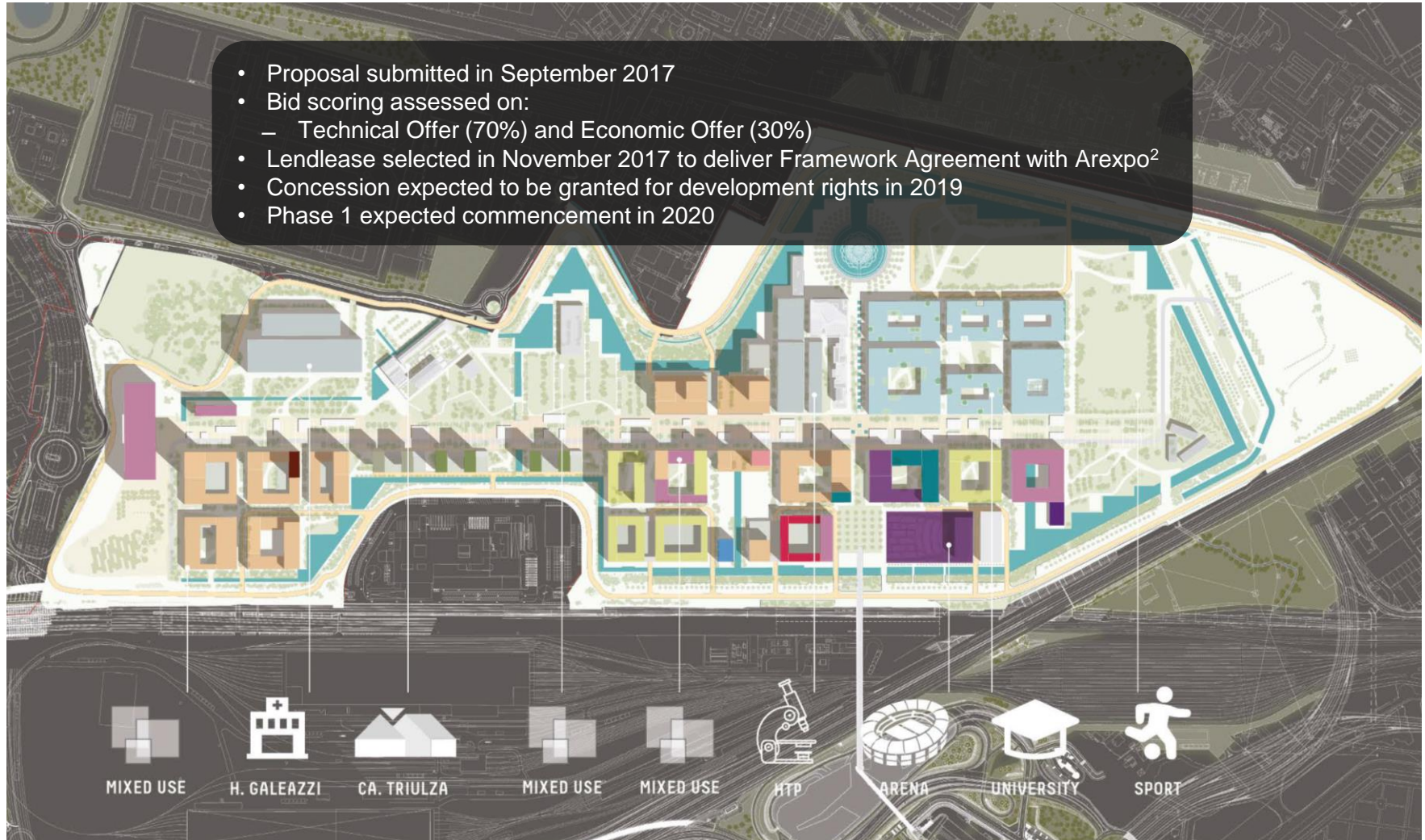
Artist's impression:  
Milano Innovation Precinct, Milan

1. Formerly known as Arexpo project



# Milano Innovation District<sup>1</sup> (MIND) Current Masterplan

- Proposal submitted in September 2017
- Bid scoring assessed on:
  - Technical Offer (70%) and Economic Offer (30%)
- Lendlease selected in November 2017 to deliver Framework Agreement with Arexpo<sup>2</sup>
- Concession expected to be granted for development rights in 2019
- Phase 1 expected commencement in 2020



1. Formerly known as Arexpo project  
2. The Agency set up in 2011 to acquire the land for the Expo and develop it

# Milano Santa Giulia

## Milan

### \$3.5<sup>1</sup> billion total estimated end development value

- Secured 2018, expected completion 2035
- Project expected to commence in 2019

### Project Structure

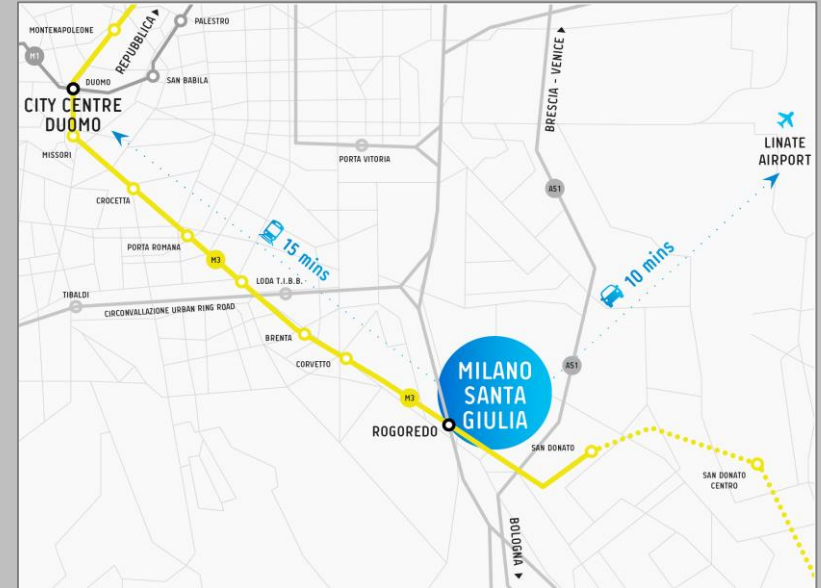
- 100% Lendlease<sup>1</sup>
- Land payments funded from project development proceeds similar to land management model
- Mixed use scheme including residential, office, retail and leisure space

### Project Scheme

- To be delivered in multiple phases including:
  - c.2,500 residential units
  - c.110,000sqm office
  - c.80,000sqm retail

### Community Investment

- c.500,000sqm public space



5km from the Milan CBD, high speed rail connection  
20 mins to Linate regional airport

1. South Area (estimated end development value of \$0.2b) is a 50% joint venture with Milano Santa Giulia SpA, part of Risanamento SpA Group



# Milano Santa Giulia

*One of Europe's largest regeneration projects*

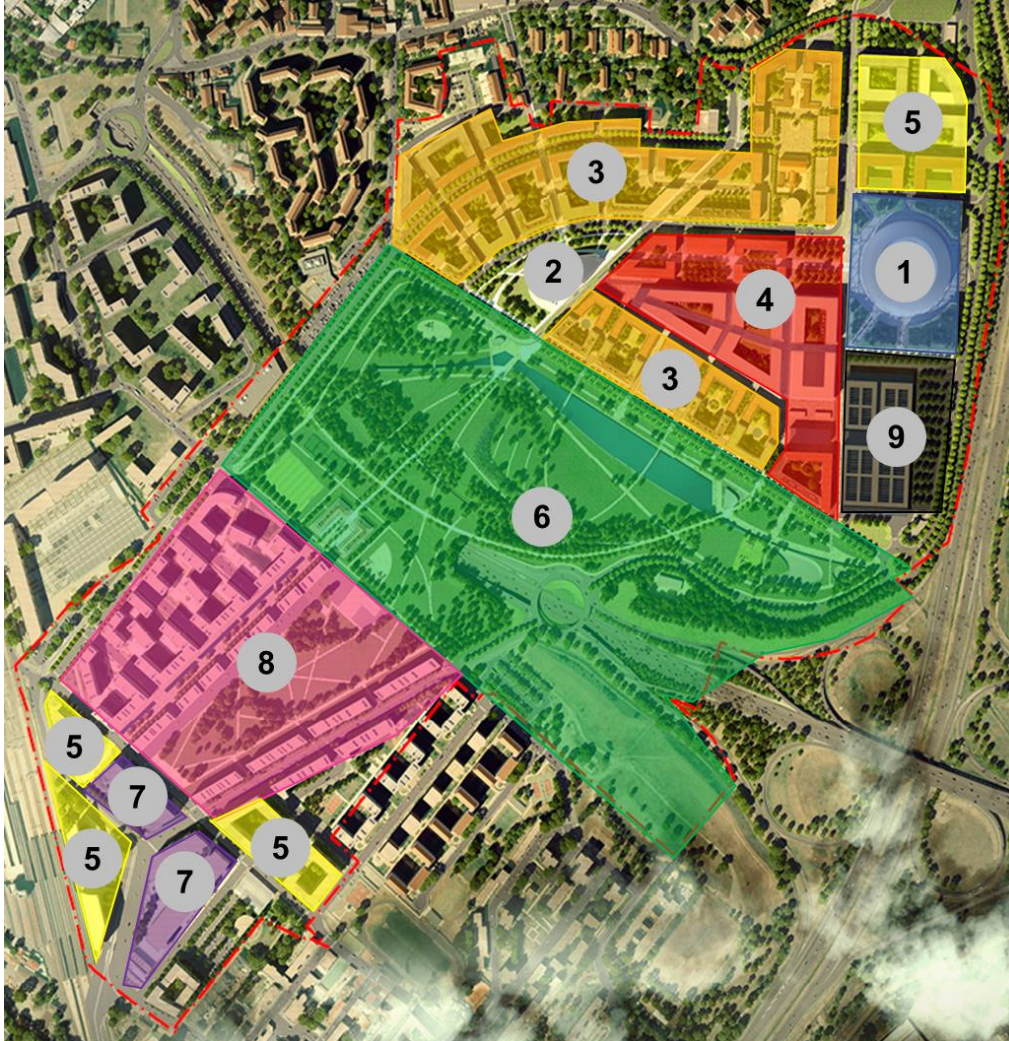


Artist's impression: Milano Santa Giulia, Milan



# Milano Santa Giulia

## Current Masterplan



### Proposed uses

1

Arena

2

Children's Museum

3

Residential

4

Retail &amp; Leisure

5

Commercial Office

6

Parklands

### Completed areas

7

Sky HQ

8

Residential

9

Esselunga (land sale)





**London: 14, 15 May 2018**

# London, UK

## Despite current challenges around Brexit, London's fundamentals remain strong

- Top ranked in Lendlease gateway city analysis, scoring highly across all sub categories<sup>1</sup>
- Consistently ranking in top 2 global financial centres alongside New York<sup>2</sup>
- Top ranked European city for digital start ups<sup>3</sup>
- Population of 8.8 million<sup>4</sup>
- Deep, liquid property markets – institutional transactions<sup>5</sup> for all property types over the last 3 years:
  - \$US 25 billion p.a. in Central London – 39% of total UK
  - \$US 38 billion p.a. across all of London – 59% of total UK
- Historical outperformance vs national average over the last decade:
  - Population growth of 1.4% p.a. vs 0.8% p.a.<sup>4</sup>
  - Economic growth of 2.7% p.a. vs. 1.2% p.a.<sup>4</sup>
  - Employment growth of 2.2% p.a. vs 0.8% p.a.<sup>4</sup>
- **Residential markets in London consistently undersupplied** – Household growth of 47,000 p.a. projected over next decade compares to completions of 20,000 p.a. over the last decade with a maximum in any one year of 27,000<sup>4,6</sup>
- **Strong residential for rent thematic:**
  - Ongoing decline in home ownership rate – 49% from a peak of 60% at the turn of the millennium
  - Proportion renting privately has risen from 15% to 28% since 2000<sup>6</sup>

1. Lendlease Group Research  
2. Various, including Global Financial Centres Index  
3. European Digital City Index 2016  
4. Office National Statistics  
5. Real Capital Analytics  
6. Greater London Authority



# Elephant Park

## Elephant & Castle, London

### \$4.1 billion total estimated end development value

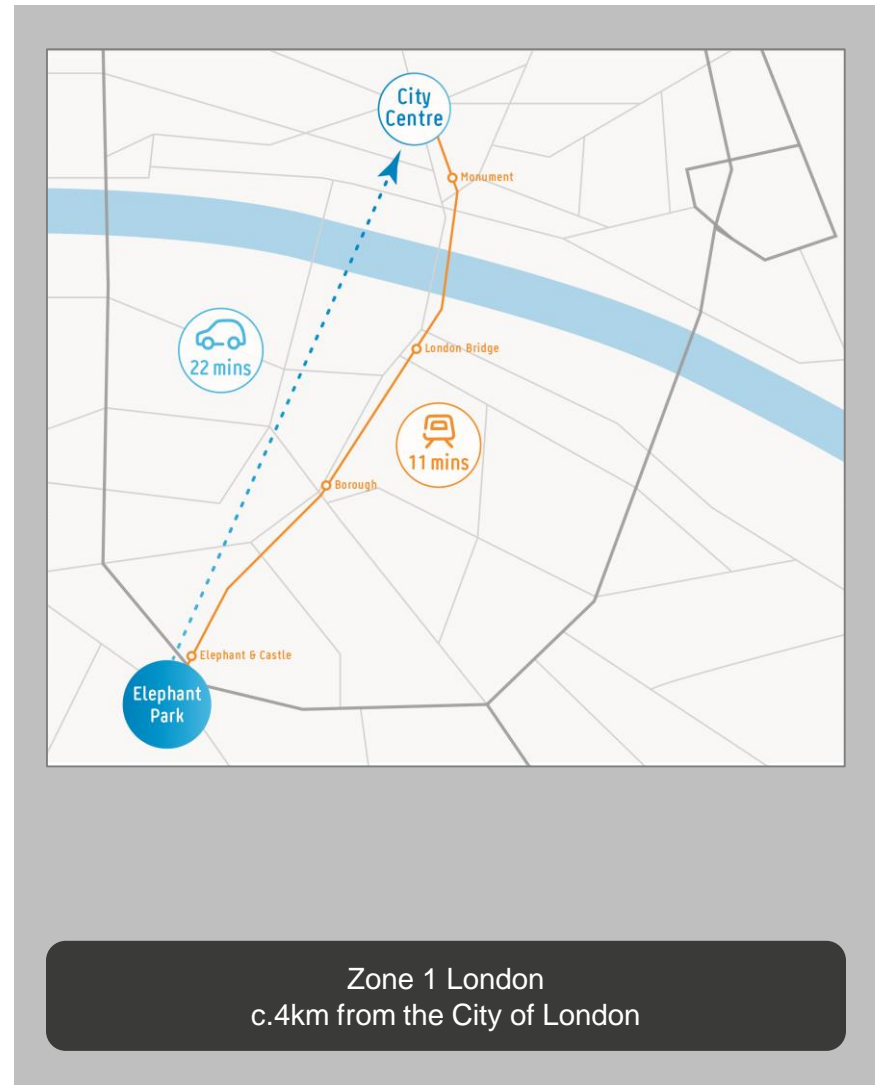
- Secured 2010, expected completion 2024
- 24% complete by estimated end value
- \$3.1 billion remaining estimated end development value

### Project Structure

- Partnership with London Borough of Southwark
- Land paid for in instalments
- Residential led mixed use regeneration scheme
- Provided assets for establishment of residential for rent platform

### Project Scheme

- Development agreement across three sites:
  - c.3,000 residential units (25% affordable)
  - c.55,000sqm of new public realm (c.47% of site)
  - c.20,000sqm of retail, business, community and leisure uses



# Elephant Park

## Elephant & Castle, London



### Community outcomes

- Trafalgar Place chosen by the Mayor of London as 'London's Best New Place to Live' as part of the London Planning Awards
- One of 19 projects worldwide included in C40 Cities Climate Positive Development Programme
- Jobs provided for 927 local residents, 416 of whom were previously unemployed

Artist's impression: Elephant Park, London



# Elephant Park

## Current Masterplan

### Delivered to date

- Commenced in 2012
- 879 residential units delivered of which 130 are affordable

### Remaining stages

- Expected completion 2024
- Future plots encompassing c.900 residential units



### In delivery

- West Grove – 593 residential units:
  - 470 residential for sale and 123 affordable
- Phase 3 – 829 residential units:
  - 663 residential for rent and 166<sup>1</sup> affordable

1. Put into delivery post 31 December 2017

# Haringey Development Vehicle London

## c.\$7 billion<sup>1</sup> total estimated end development value

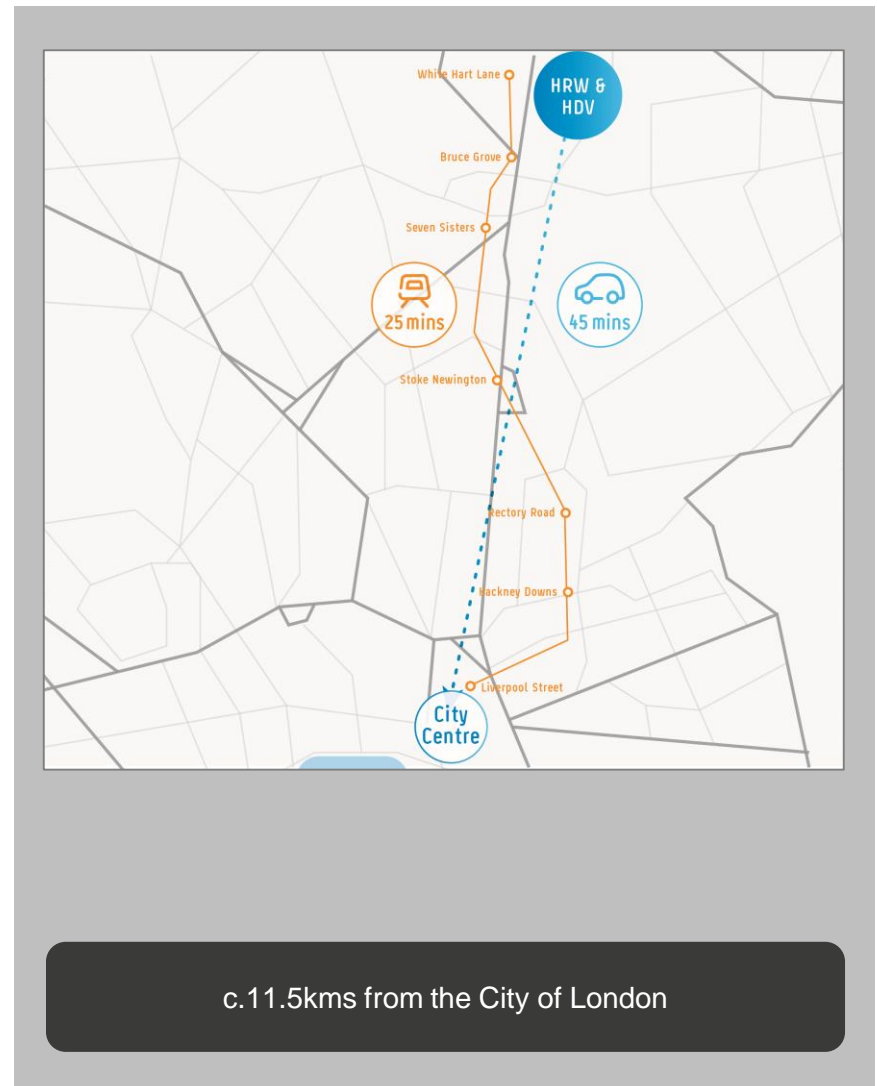
- Selected as preferred bidder<sup>2</sup>
- Twenty year project horizon

## Project Structure

- 50:50 joint venture partnership with Haringey Council
- Residential led scheme

## Project Scheme

- c.5,000 new homes across the borough
  - 40% affordable housing
  - 60% mix of private rental and for sale housing



1. Current estimate subject to financial close  
 2. Subject to discussions with the recently elected London Borough Haringey Council



# High Road West Tottenham, London

## \$1.9 billion estimated end development value

- Secured 2018, expected completion 2027
- Project yet to commence, subject to planning

## Project Structure

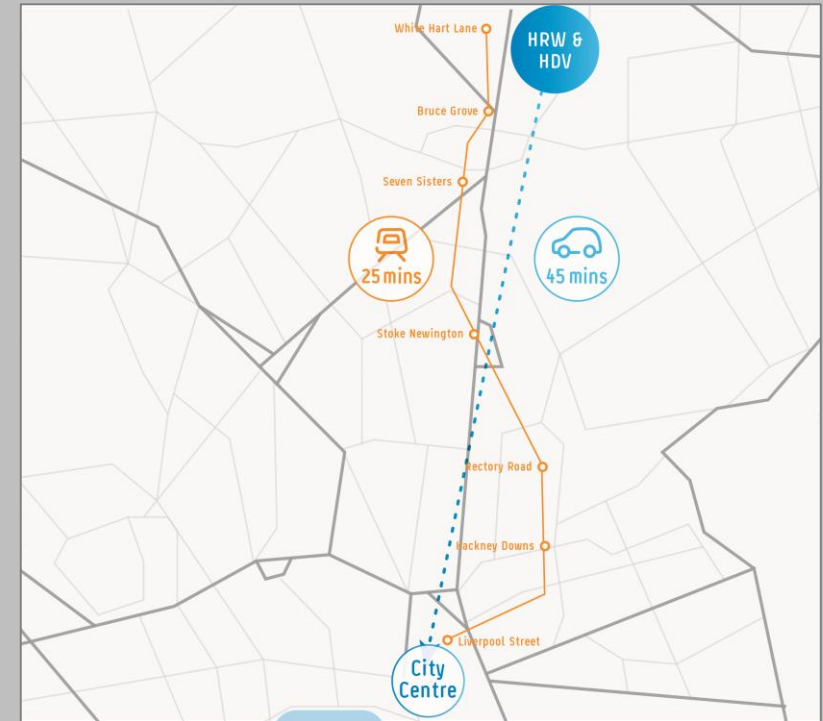
- Development Partner for London Borough Haringey
- Land paid on phased draw down, subject to pre-conditions
- Residential led scheme

## Project Scheme

- To be delivered in multiple phases
- c.2,500 residential units:
  - 30% affordable housing
  - 70% mix of private rental and for sale housing
- c.14,000sqm commercial

## Community Investment

- c.750 new affordable homes



c.11.5kms from the City of London

# High Road West

## Current aerial view



Image: High Road West, London



# High Road West Tottenham, London



1. Building Research Establishment Environmental Assessment Method  
2. Targeting 40% local people and 20% long term unemployed



# International Quarter London Stratford, London

## \$4.1 billion total estimated end development value

- Secured 2010, expected completion 2026
- 32% complete
- \$2.8 billion remaining estimated end development value

## Project Structure

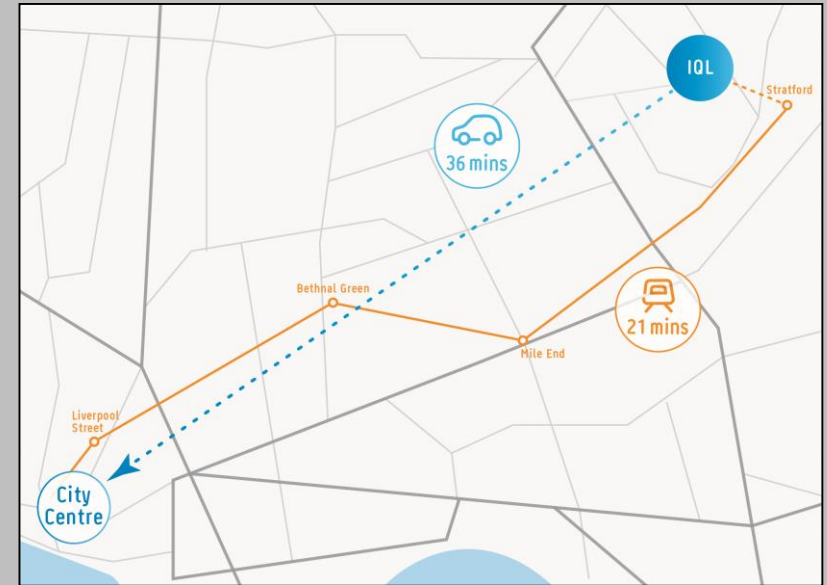
- Joint venture between Lendlease and LCR
- Land paid as plots drawn down
- Office led mixed use scheme

## Project Scheme

- Multiple phases across a 22 acre site:
  - c.275,000sqm of office space
  - 333 residential units

## Community Investment

- 940 local jobs, 172 apprenticeships and 1,000 training opportunities created
- First Lendlease office building to achieve BREEAM Outstanding Interim Certificate: Design Stage



c.10kms from the City of London

# International Quarter London Stratford, London

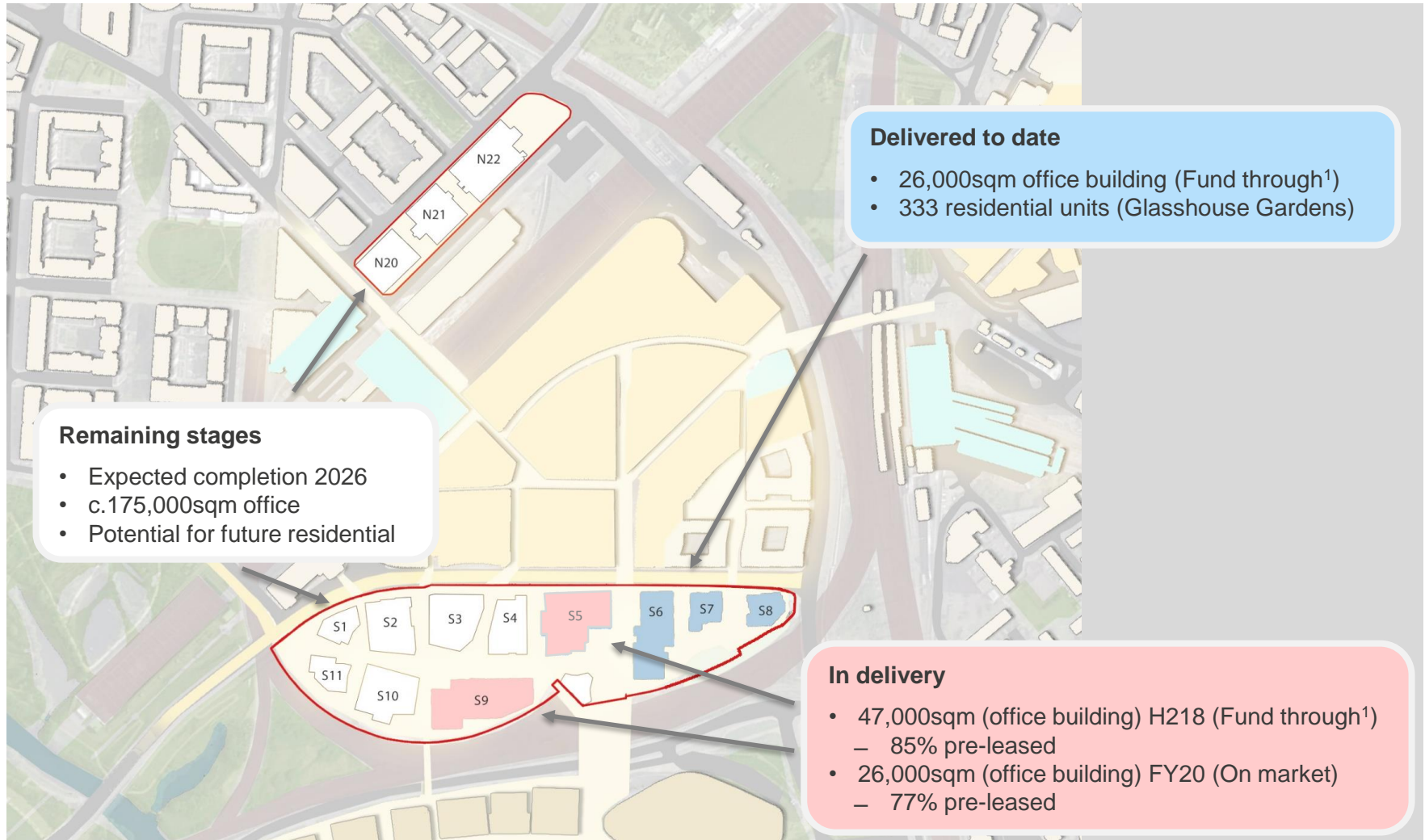
## Community outcomes

- c.940 local jobs, 172 apprenticeships and 1,000 training opportunities created
- First Lendlease office building to achieve BREEAM Outstanding Interim Certificate: Design Stage



Image: International Quarter London, London

# International Quarter London Proposed Masterplan



1. Forward sold to a third party



# Euston Station London

## \$9-12.5 billion total estimated end development value

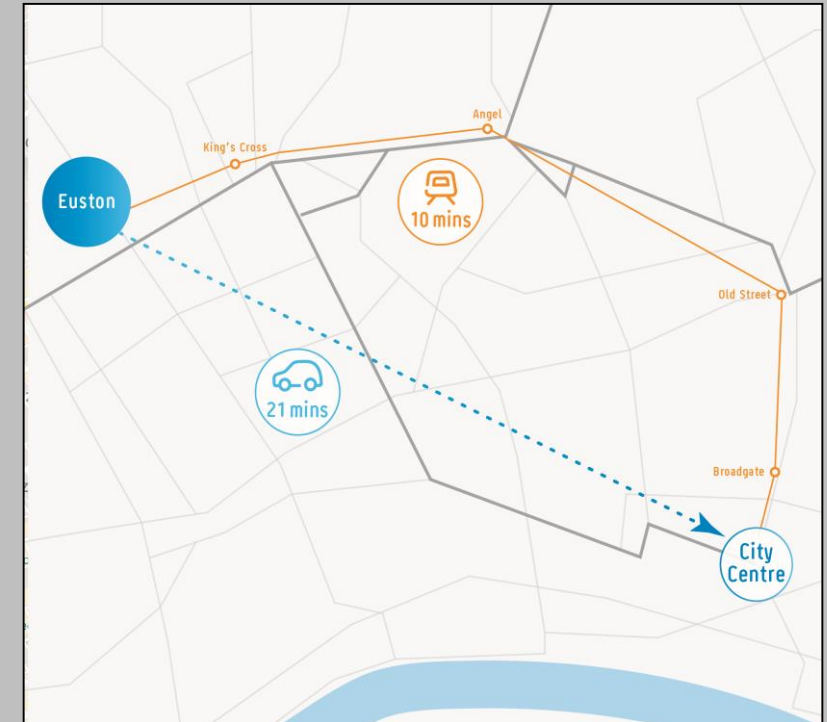
- Secured 2018, expected completion 2040+
- Project yet to commence, subject to business plan approvals and outline planning consent

## Project Structure

- Lendlease is Master Development Partner
- Development Agreement with Secretary of State for Transport and Network Rail

## Project Scheme<sup>1</sup>

- Phased program subject to HS2 and Network Rail station delivery
- Sustainable mixed use district to be delivered in multiple phases including:
  - c.400,000sqm of office, retail, hotel and cultural uses
  - c.2,000 residential units



c.4.5kms from the City of London

# Euston Station London



- Euston is one of the best connected parts of the UK
- Within three hours by rail of the UK's largest cities and the European capitals of Paris and Brussels

Artist's impressions: Euston Station, London

# The Timberyard Deptford, London

## \$1.1 billion remaining estimated end development value

- Secured 2014, expected completion 2024
- Project commenced in 2016
- Plot 2 expected to complete in 2019

## Project Structure

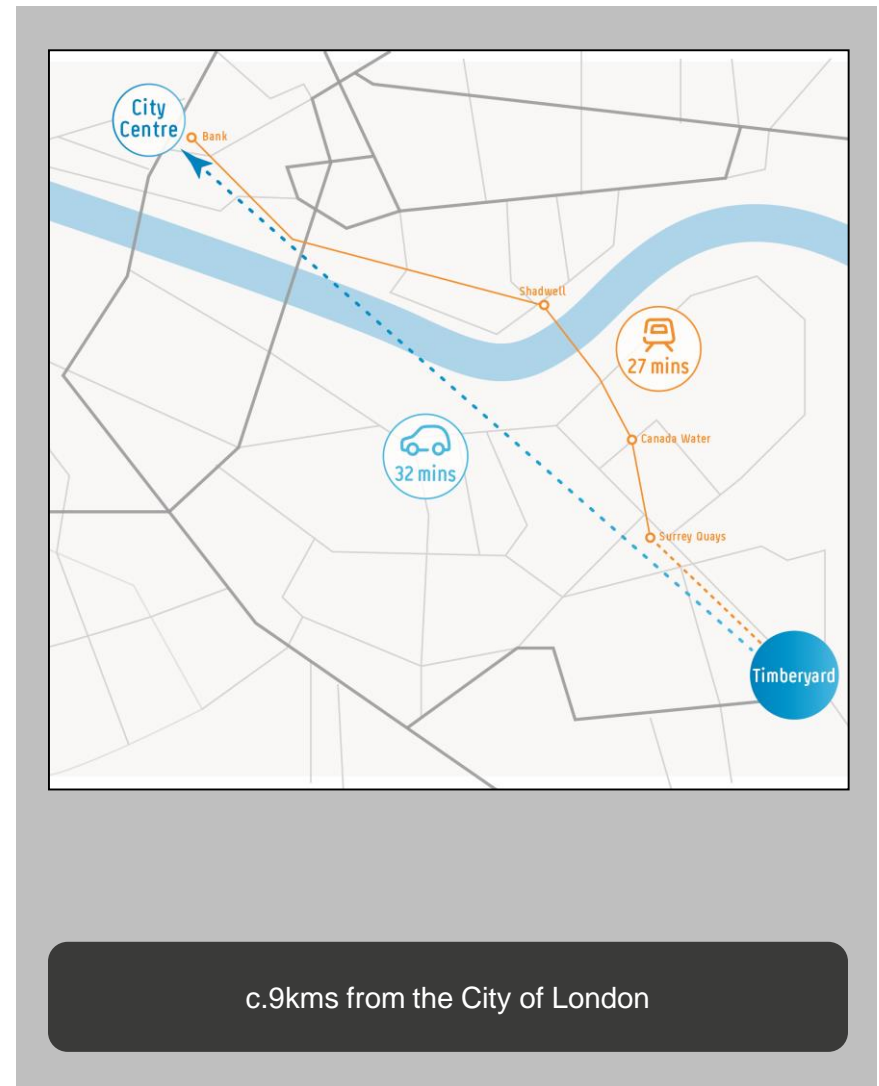
- Working with London Borough of Lewisham
- Upfront land purchase
- Residential led mixed use scheme

## Project Scheme

- c.4.7 hectares
- c.1,100 one, two and three bedroom apartments over six plots
- c.10,000sqm mixed use space:

## Community Investment

- Victoria Park regeneration
- Significant public realm





# The Timberyard Deptford, London

## Targeted community outcomes

### Employment and skills

- c.70 apprenticeships
- c.55 local people into employment

### Education

- c.200 students supported to develop their employability skills
- c.60 students supported to develop coding skills

### Health and wellbeing

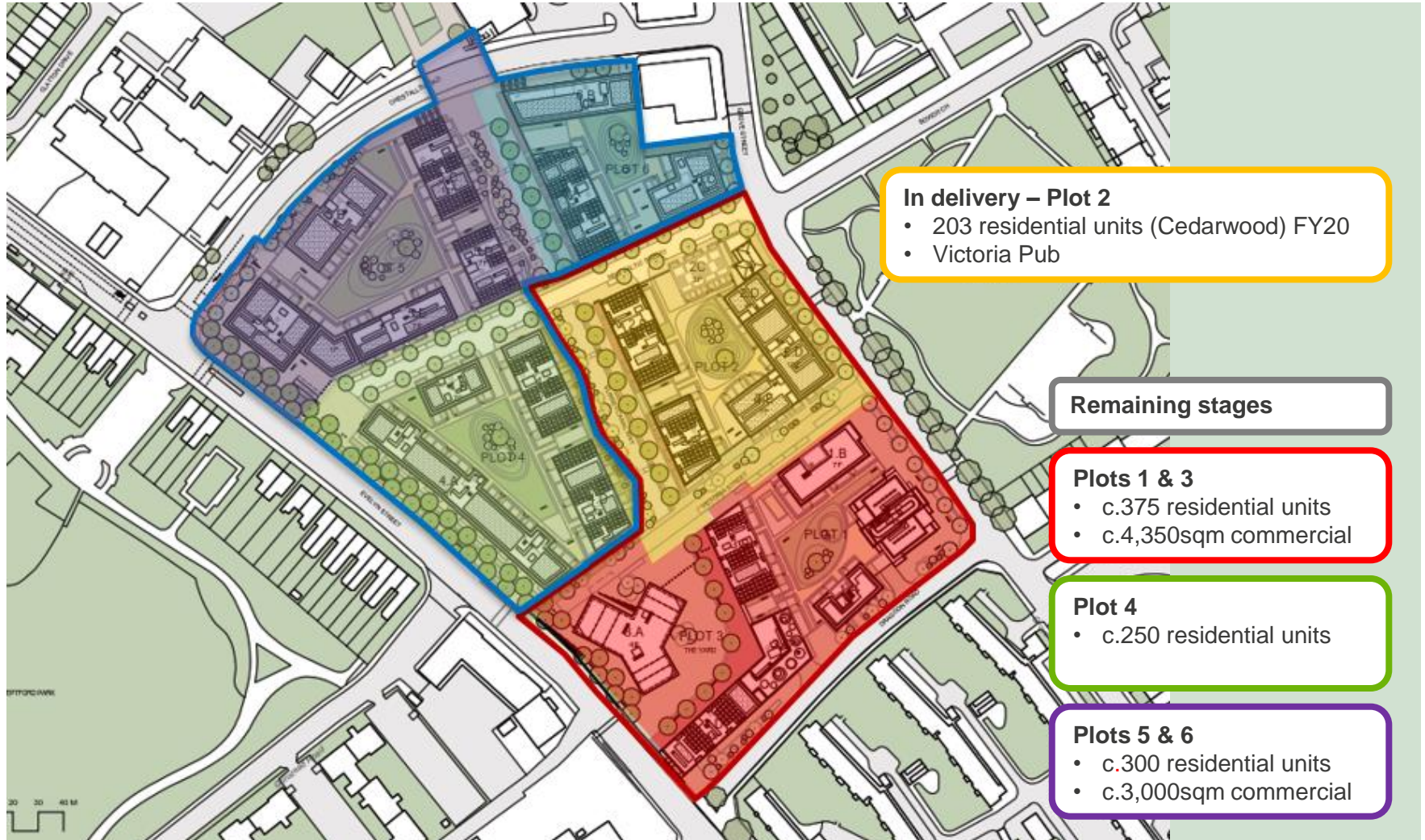
- c.500 local residents supported with access to health and wellbeing interventions



Artist's impression: The Timberyard, Deptford.



# The Timberyard Current Masterplan



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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 and as at 31 December 2017 unless otherwise stated.