

ASX ANNOUNCEMENT

31 October 2018

Building Australia Market Briefing

Attached is the presentation to be given today by Dale Connor, Chief Executive Officer, Building Australia, Lendlease.

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

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





Market Briefing: Building Australia

Dale Connor
Chief Executive Officer Building
Australia

31 October 2018



Market leading, established business

Building Australia

- Design and delivery capability for the integrated model:
 - 30% of revenue from integrated projects in FY18
- FY18 Key operating metrics:
 - \$3.7b in revenue
 - \$6.5b¹ construction backlog revenue, 31% of Group
 - \$4.4b new work secured
 - \$3.1b¹ preferred bidder
- Strong track record of delivery:
 - c.\$20b of project revenue delivered over last five years
 - Consistently solid profit contribution

Vision and competitive advantage

One of Australia's largest construction companies, recognised for market leading project management, design and construction services

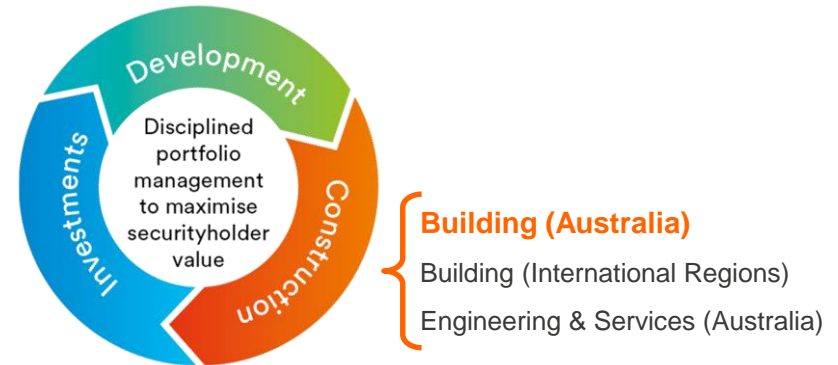
Vision: We push boundaries to create places that are innovative, sustainable and commercially viable

Competitive advantage: Economies of scale, supply chain relationships, strategic procurement models and innovative solutions

Offering:

- Sector focused approach
- Specialist design and project management teams
- Scale business provides flexibility and agility
- Localised capability, capacity and network

Integrated business model



Business structure

- Integrated service offering, national capability
- Strategic business units provide industry expertise, strategic advice and specialised service
- Regional business units focused on delivery excellence

Strategic Business Units

Applied Insight
Connected Living
Emerging Markets
Core Places
Health & Scientific Research
Defence
Major Projects
User Experience

Regional Business Units

New South Wales
Victoria
Western Australia
South Australia
Queensland/Northern Territory
Australian Capital Territory

1. As at 30 June 2018.

Building's contribution to the integrated model

Darling Harbour precinct, Sydney	Development	Construction	Investments
Places delivered by end FY19: <ul style="list-style-type: none"> • 84,000sqm office space • c.1,500 apartments, c.1,300 bed student housing⁴ • 590 room Sofitel hotel • 35,000sqm exhibition, 8,000 seat theatre, convention centre 	c.\$4.7 billion ¹	c.\$3 billion ²	c.\$1.4 billion ³
Internal building capability – value creation			
<ul style="list-style-type: none"> • Integral to origination success • Deep client relationships • Highly skilled and proven people, sector and product expertise • Demonstrated ability to deliver on time and budget 			



1. Sofitel Hotel, 2. Convention and exhibition facilities, 3. Commercial office, 4. Student Housing, 5. Residential, 6. Mixed use

1. Total development end value including public private partnership; 2. Estimated revenue; 3. Funds under management; 4. Not delivered by Lendlease Building

Strategy

Maintain a leadership position in target sectors, leverage competitive advantage, focus on key market trends

Focus

- Continuous improvement to meet objective of incident and injury free work environment
- Core sectors of workplaces, residential, retail and mixed use, education, health, defence, social infrastructure, hospitality and aviation
- Current geographic focus on Eastern Seaboard states
- Understanding customer needs and maintaining brand relevance and recognition
- Apply insights that bring together specialist design and project management expertise to deliver world leading projects

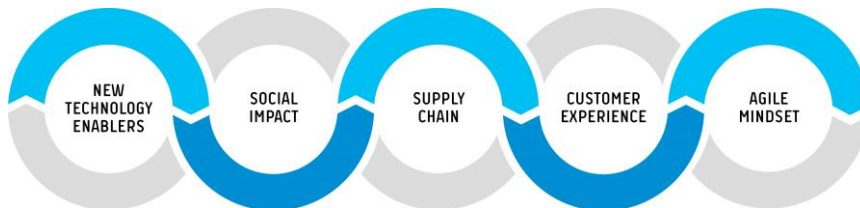
Grow

- Deepen presence into the newer regions of Western Australia and Northern Territory led by the defence, retail and health sectors
- Integrated projects to leverage urban regeneration and transport infrastructure related projects
- Expand strategic property advisory services across health, education, financial and telecommunications sectors
- Leverage emerging technology to optimise delivery initiatives
- New product offering in the growth sectors of social and affordable housing, aged care and education

Strategic initiatives

Enhancing our operating platform via:

- The use of technology
- Understanding social and environmental impacts
- Unlocking supply chain synergies
- Honouring the customer experience – premium nature of offering
- Realising operational efficiencies



The enhanced operating platform will facilitate:

- Integrating technology into the built environment
- Strategic partnering in new sectors of social housing and education
- Creation of innovation precincts
- New types of infrastructure



Target sectors for future pipeline

MAJOR TRANSPORT INFRASTRUCTURE

Leveraging our project management leadership to capture integrated opportunities for Lendlease.

OTHER EMERGING MARKETS

Identifying sectors where disruptive change can offer customers new solutions.

EDUCATION

Strong pipeline and opportunity to provide vertical and modular school solutions to the growing population of school aged children.

RETIREMENT LIVING AND AGED CARE

Partnering with Lendlease's Retirement Living business to provide senior living accommodation solutions.

MAJOR URBANISATION

Leveraging the integrated model to support new product and unlocking future projects at current precincts.

SOCIAL HOUSING

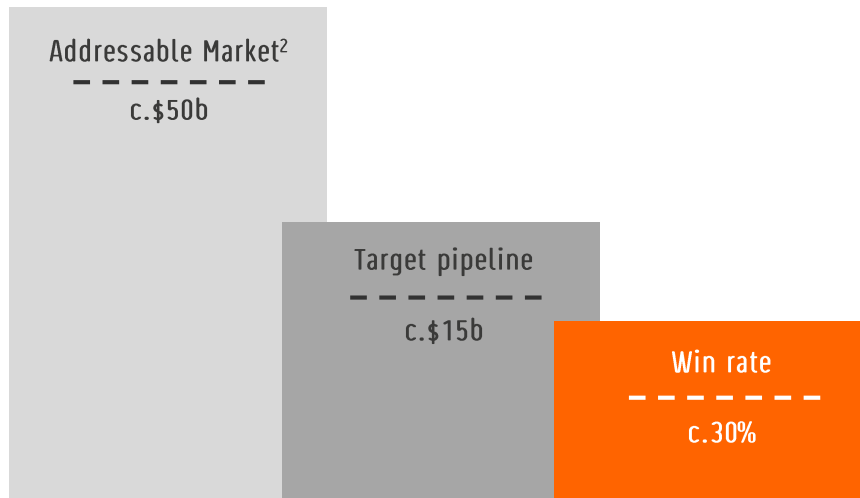
Developing a scalable model to facilitate participation in government social and affordable housing initiatives.

Portfolio Management Framework

Objectives

- Target framework to improve Building's market leading position
- Maintain leadership position in existing sectors
- Growth from new sectors
- Increase proportion of internally generated work
- Diversity by sector, geography, contract size, risk and client

Medium term outlook, per annum estimates



Portfolio targets¹

Geography	<ul style="list-style-type: none"> • NSW/ACT: 35 – 45% • VIC: 15 – 25% • Qld/NT: 15 – 25% • Other: 10 – 30%
Size	<ul style="list-style-type: none"> • Mega: 30 – 40% • Large: 30 – 40% • Medium: 10 – 20% • Small: 10 – 20%
Risk profile	<ul style="list-style-type: none"> • Risk: 55 – 65% • Fee: 35 – 45%
Client type	<ul style="list-style-type: none"> • Federal: 20 – 30% • State: 15 – 25% • Internal: 40 – 50% • Corporate: 5 – 15%
Sectors	<ul style="list-style-type: none"> • Traditional sectors: 70 – 90% • New sectors: 10 – 30%

1. Mega > \$500m, Large \$200m - \$500m, Medium \$100m - \$200m, Small < \$100m.

2. Source: Lendlease Research.

FY18 Portfolio snapshot¹

Revenue by Sector

- Defence: 29%
- Workplaces: 16%
- Social infrastructure: 11%
- Residential: 8%
- Education: 8%
- Health: 8%
- Retail: 7%
- Hospitality: 4%
- Other: 9%

Revenue by Contract Type

- Risk: 53%
- Fee: 47%

Revenue by Client Type

- Internal Lendlease: 30%
- Federal Govt: 29%
- State/Territory Govt: 18%
- Corporate: 23%

Revenue by Contract Size

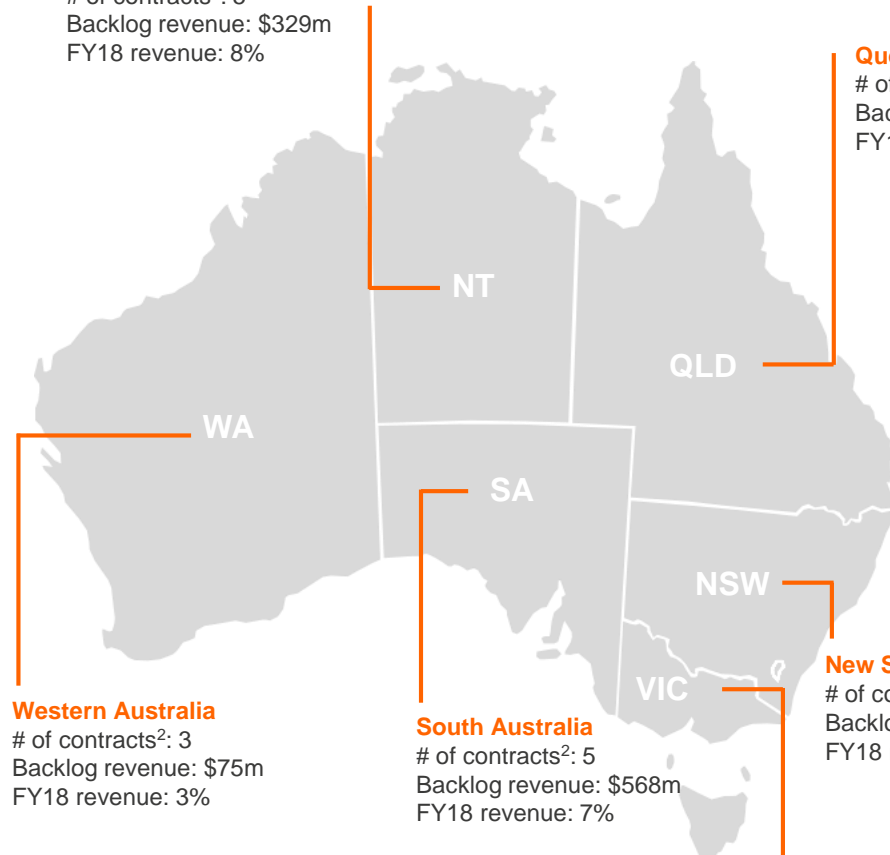
- Mega >\$500m: 34%
- Large >\$200m & < \$500m: 40%
- Medium >\$100m & < \$200m: 9%
- Small <\$100m: 17%

Northern Territory

of contracts²: 5
Backlog revenue: \$329m
FY18 revenue: 8%

Queensland

of contracts²: 17
Backlog revenue: \$340m
FY18 revenue: 13%



Western Australia

of contracts²: 3
Backlog revenue: \$75m
FY18 revenue: 3%

South Australia

of contracts²: 5
Backlog revenue: \$568m
FY18 revenue: 7%

New South Wales / ACT

of contracts²: 34
Backlog revenue: \$3,252m
FY18 revenue: 48%

Victoria

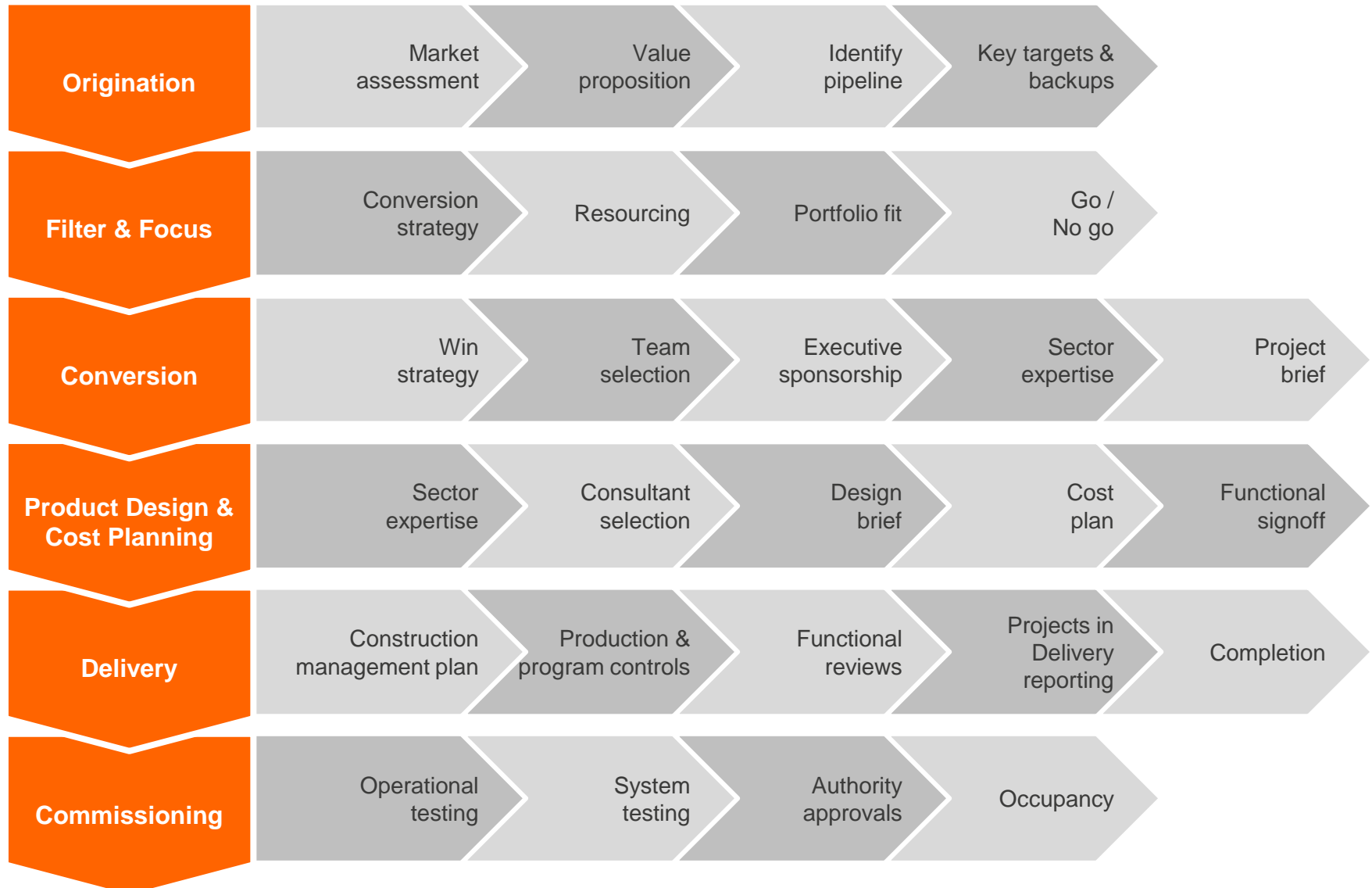
of contracts²: 21
Backlog revenue: \$1,957m
FY18 revenue: 21%

1. As at 30 June 2018.

2. >\$10 million.

Securing, creating and delivering projects

More than just building delivery



Risk Management Framework

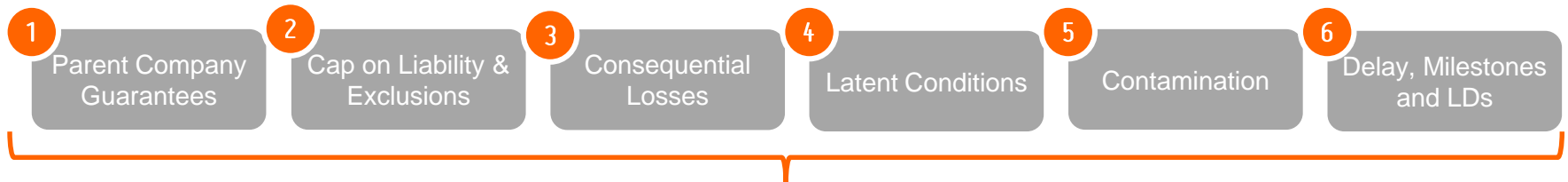
Four key elements to risk management



Five contract types – in order of risk



Specific risks that are managed



Key Risk Assessment Criteria

Innovation & technology

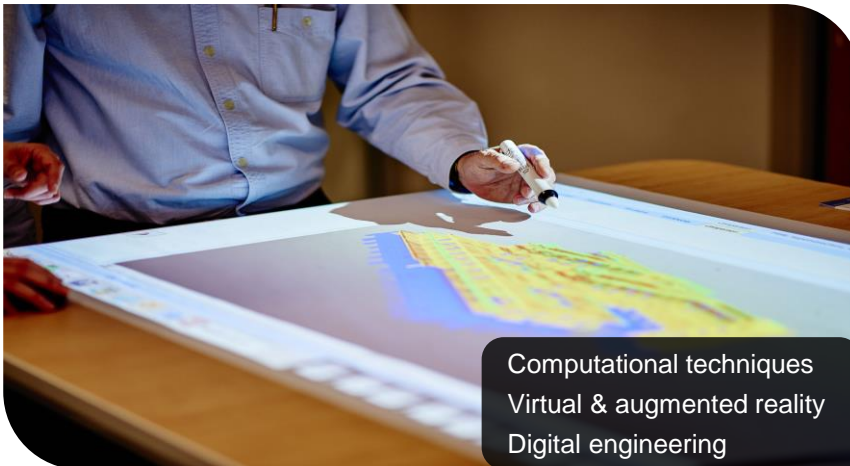
Modular & Prefabrication



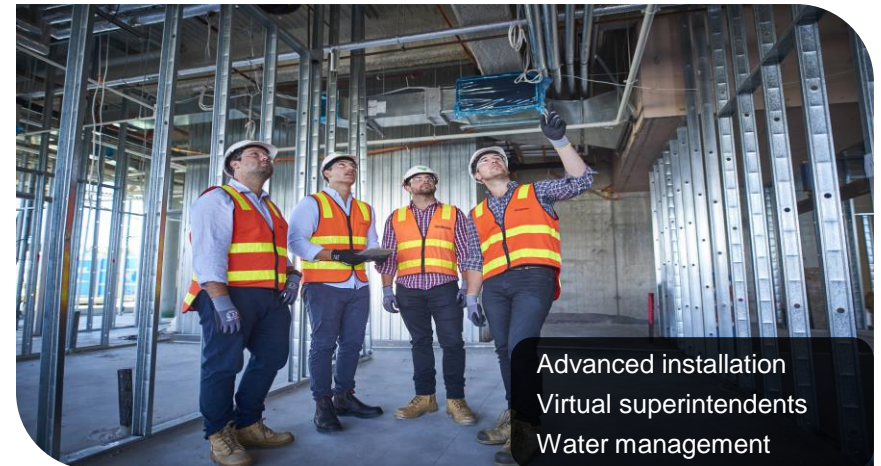
Supply Chain Management



Digital Technology & Strategic Procurement



Safety Systems



Non Financial Pillars of Value

Health & Safety

- More than a 72 per cent reduction in critical incidents from 30 June 2015 to 30 June 2018
- Continued focus on:
 - Training to enhance the skills of front line supervisors
 - Screening of multi-storey projects
 - Interface with people and moving plant

Our People

- Flexibility and Inclusion:
 - Renewed culture that values, respects and actively fosters flexibility and inclusion
 - Five in Seven initiative – flexibility and work/life balance
- Diversity:
 - More than 50 per cent of 2017 and 2018 graduate intakes' female
- Employee wellbeing:
 - Targeted mental health programs: Mates in Construction, mental health first aid training
 - Wellbeing days

Our Customers

- Customer focus has recorded significant improvements
- Measured customer satisfaction (CSAT) and advocacy (NPS)¹
 - 92 customers completed the survey
 - Results indicate the business outperforms in the categories of 'What matters to customers' and 'What is expected by customers'
 - Customers are attracted to the business' design capability and brand

Sustainability

- Environment:
 - More than 100 projects delivered for clients have achieved Green Star² ratings
 - Awarded highest possible third party² accreditation for the Sunshine Coast University Hospital, Australia's largest six star green star rated building
- Social:
 - More than 800 Indigenous subcontractors have been inducted on our Defence projects
 - An Indigenous JV between PSG Holdings and Lendlease is delivering the \$213m Bayinguwa Project at Garden Island, NSW

1. Lendlease Building May 2018 Quantitative Customer Satisfaction Survey.

2. Green Building Council of Australia.

Outlook

Well placed for continued success

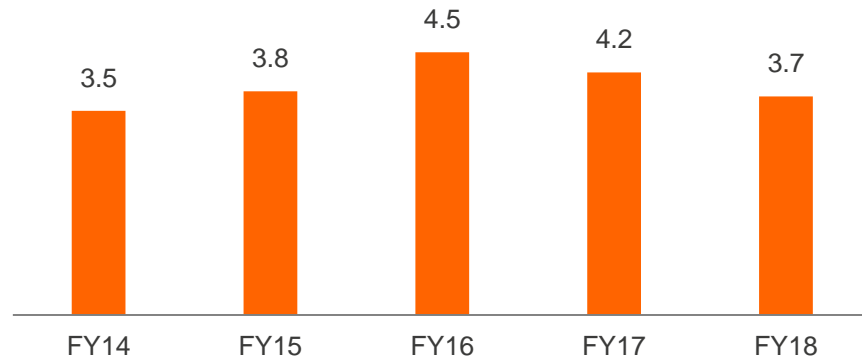
- Strong track record of delivery:
 - c.\$20b project revenue delivered over the last five years
 - Average EBITDA margin of 4 per cent over the last five years
- Leading project management, design and construction capability:
 - Integrated strategic offering with sector focused business units and national capability delivered regionally
 - Scale business offering flexibility and agility
- Critical component of the integrated model:
 - Delivery capability provides design excellence and certainty of outcome
 - Contribution to origination of integrated projects e.g. Barangaroo South, Victoria Harbour, Brisbane Showgrounds, Melbourne Quarter and Darling Harbour precinct
 - Future of urbanisation increasingly tied to precincts and hubs
- Strategically focused business:
 - Enhanced operating platform to lead innovation and disruption
 - Portfolio management framework provides disciplined origination and diversity
 - Industry leading risk management processes



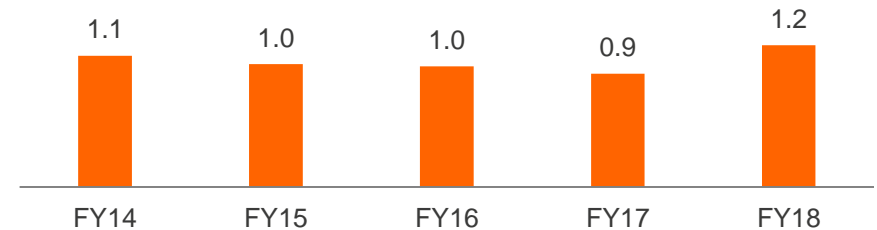
Appendix

Historical financials

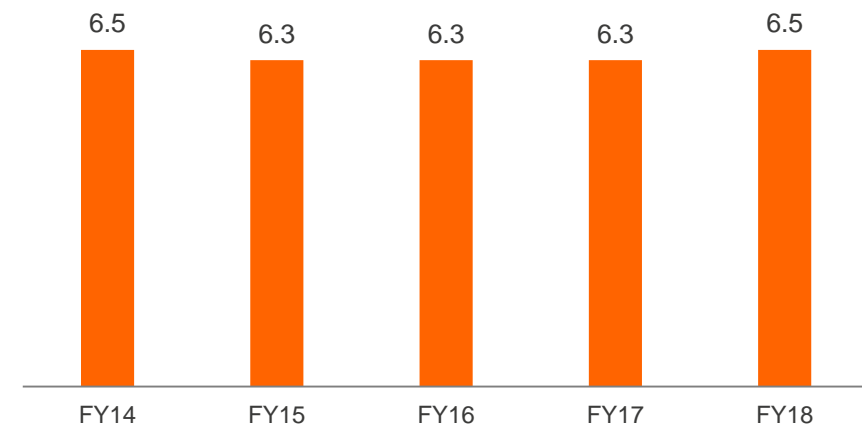
Revenue (\$b)



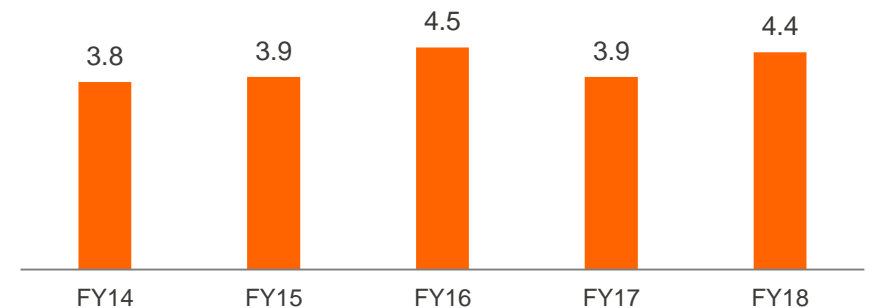
Book to bill ratio



Backlog revenue (\$b)



New work secured (\$b)



Australia: Major Projects at 30 June 2018 – Building^{1,2}

Project	Location	Contract Value ³ (\$m)	Secured Date ⁴	Completion Date ^{4,5}	Sector
Crown Sydney Hotel Resort	NSW	1,060.0	2015	2021	Hotel/Entertainment
New Air Combat Capability - RAAF Williamtown	NSW	847.3	2015	2019	Defence
Osborne Naval Shipbuilding Project (Surface Ships)	SA	448.2	2018	2020	Defence
New Air Combat Capability - RAAF Tindal	NT	429.5	2016	2021	Defence
HMAS Cerberus - Delivery Phase	VIC	426.8	2018	2026	Defence
AIR 7000 Phase 2B	SA	383.3	2016	2020	Defence
ADF Air Traffic Control Complex Infrastructure Project	National	352.3	2016	2020	Defence
Sunshine Plaza Redevelopment	QLD	308.5	2017	2019	Other
Carlton Connect Initiative	VIC	303.0	2018	2021	Other
Western Sydney Stadium	NSW	285.6	2017	2019	Hotel/Entertainment
60 Martin Place	NSW	278.1	2016	2020	Commercial
Melbourne Quarter - Two Melbourne Quarter	VIC	276.1	2018	2021	Commercial
Melbourne Quarter - East Tower	VIC	275.1	2018	2020	Residential
130 Lonsdale Street	VIC	274.5	2018	2020	Commercial
Darling Square - Darling North, Harbour Place and Trinity House (formerly North East Residential Plot)	NSW	272.9	2016	2019	Residential
Land 121 Stage 2 Unit Sustainment Facilities	National	253.1	2016	2020	Defence
Growler Airbourne Attack Facility Phase 1 & 2 Project	QLD/NT	238.5	2016	2020	Defence
Australian National University Union Court Redevelopment	ACT	236.8	2018	2019	Social Infrastructure
Victoria Harbour - 839 Collins Street	VIC	235.0	2017	2019	Commercial
Gosford Hospital Redevelopment	NSW	225.9	2016	2020	Social Infrastructure
Rod Laver Arena	VIC	220.1	2016	2020	Hotel/Entertainment
Campbell Barracks Redevelopment Project	WA	216.9	2016	2020	Defence
Joan Kirner (formerly Western) Women's and Children's Hospital	VIC	209.2	2016	2019	Social Infrastructure
Darling Square - Darling Rise, Barker House and Arena (formerly South East Residential Plot)	NSW	194.5	2017	2019	Residential
BaptistCare SAHF	NSW	183.5	2017	2020	Residential
Melbourne Quarter - One Melbourne Quarter (formerly Commercial One)	VIC	175.0	2017	2019	Commercial
Goulburn Valley Hospital Redevelopment	VIC	149.4	2018	2021	Social Infrastructure
Delamere Air Weapons Range & Growler Mobile Threat Training Emitter Project	NT	149.1	2017	2019	Defence
Victoria Harbour - Collins Wharf 1	VIC	141.1	2017	2019	Residential
South Coast Correctional Centre Nowra	NSW	124.0	2017	2019	Social Infrastructure

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

2. Backlog revenue as at 30 June 2018 for the projects listed totals \$4.9b, representing 75% of total Australia Building backlog revenue.

3. Includes 100% of joint venture contract value, where applicable.

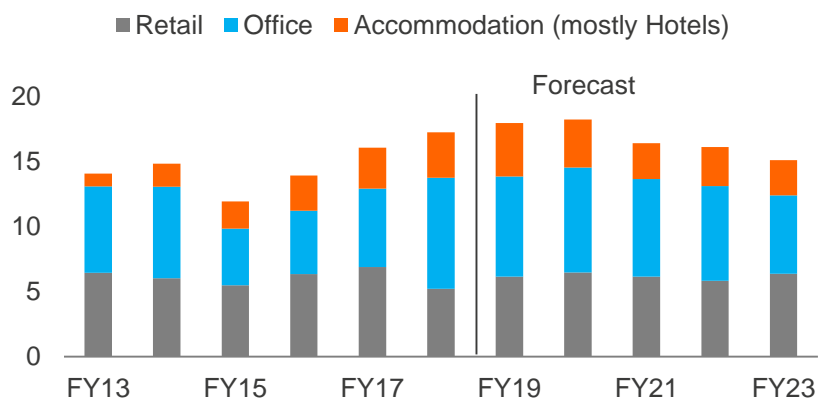
4. Financial year.

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

Market trends

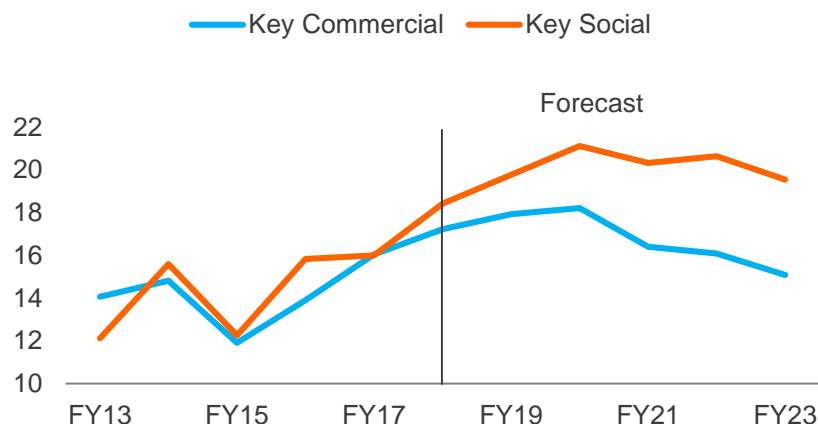
Construction outlook (real \$b):

Key Commercial by sector



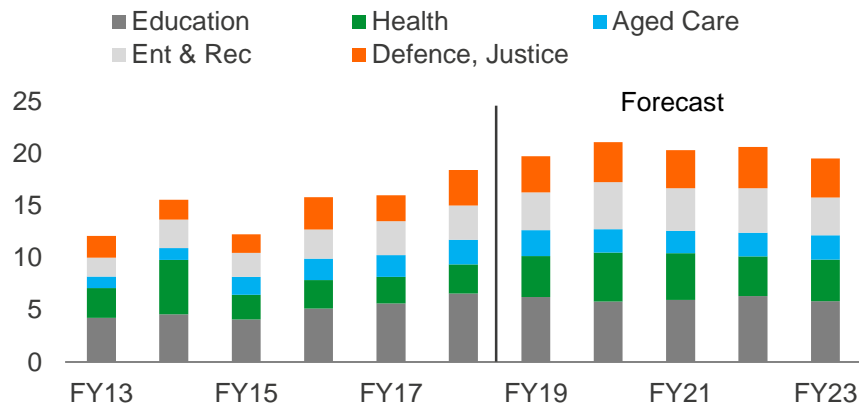
Construction outlook (real \$b):

Key Commercial v. Key Social sectors



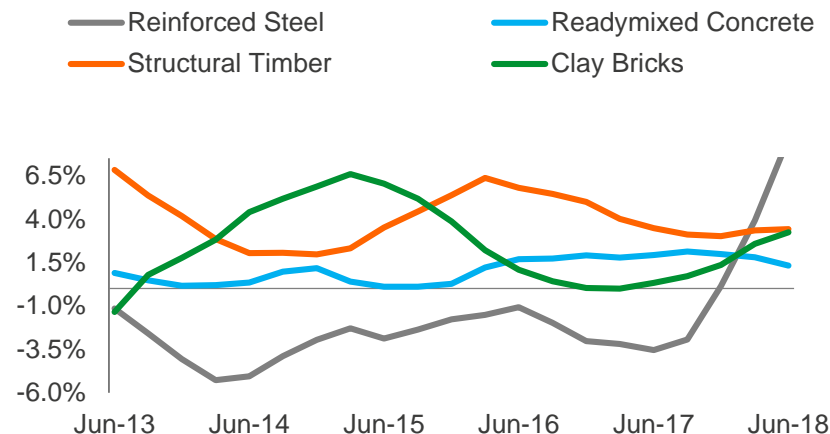
Construction outlook (real \$b):

Key Social by sector



Key materials – Annual Cost Changes:

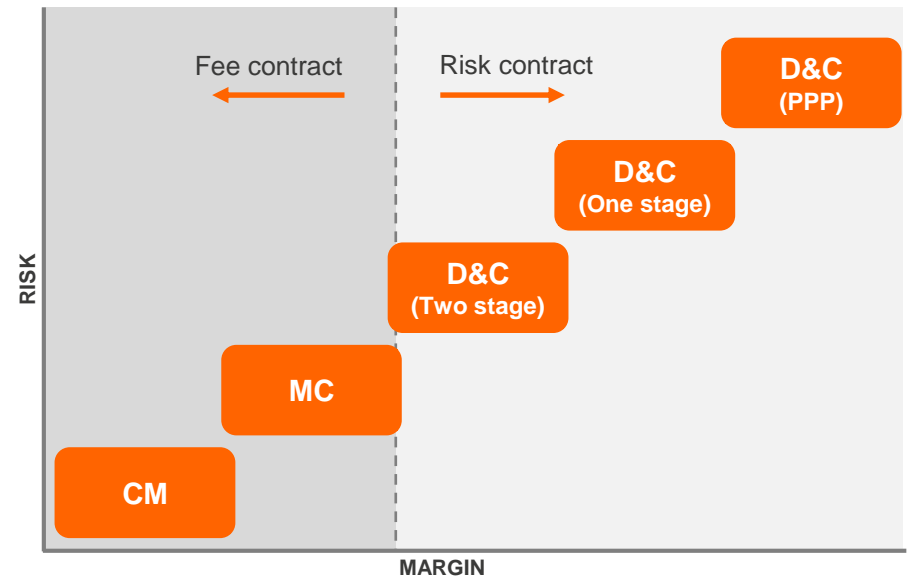
Six Capital City Average



Contract types

Five typical contract types

- **Construction Management (CM):** Contractor is the consultant to the client in the management of construction activities of the project. The time and cost of the project is typically not the risk of the contractor. The quality risk may also not be the risk of the contractor as the contractor may engage subcontractors as agent of the client.
- **Managing Contractor (MC):** Contractor manages the design and construction of the project. Typically cost risk is shared such that the contractor is entitled to fixed fees for P&S, project/design management, overhead and margin plus reimbursable subcontractor costs. Under some contracts the contractor may assume the risk of a guaranteed maximum price (GMP) or otherwise a form of painshare/gainshare. Contractor typically assumes time and quality risk.
- **Design and Construct (D&C):** Contractor designs and constructs the project in accordance with the customer's project brief and typically assumes time, cost and quality risk with limited entitlements for relief. Three contract types: two stage; single stage and PPP.
 - **Two stage:** Fee is paid to manage the design to a stage to prepare a Lump Sum (LS) or a GMP offer which, if agreed, allows the contractor to proceed to stage 2 to design and construct the works.
 - **Single stage:** Preliminary design is completed by the client. Design and construction of the project agreed on either LS or GMP basis.
 - **PPP:** Design and construction of project in accordance with a performance specification based project brief for a LS.



Distinction between GMP & LS:

- **Guaranteed maximum price (GMP):** Fixed price where contractor bears risk if costs exceed the GMP but shares the benefit of the cost savings based upon an agreed formula.
- **Lump sum (LS):** Fixed price where contractor bears risk if costs exceed the price but keeps the full benefit of cost savings.

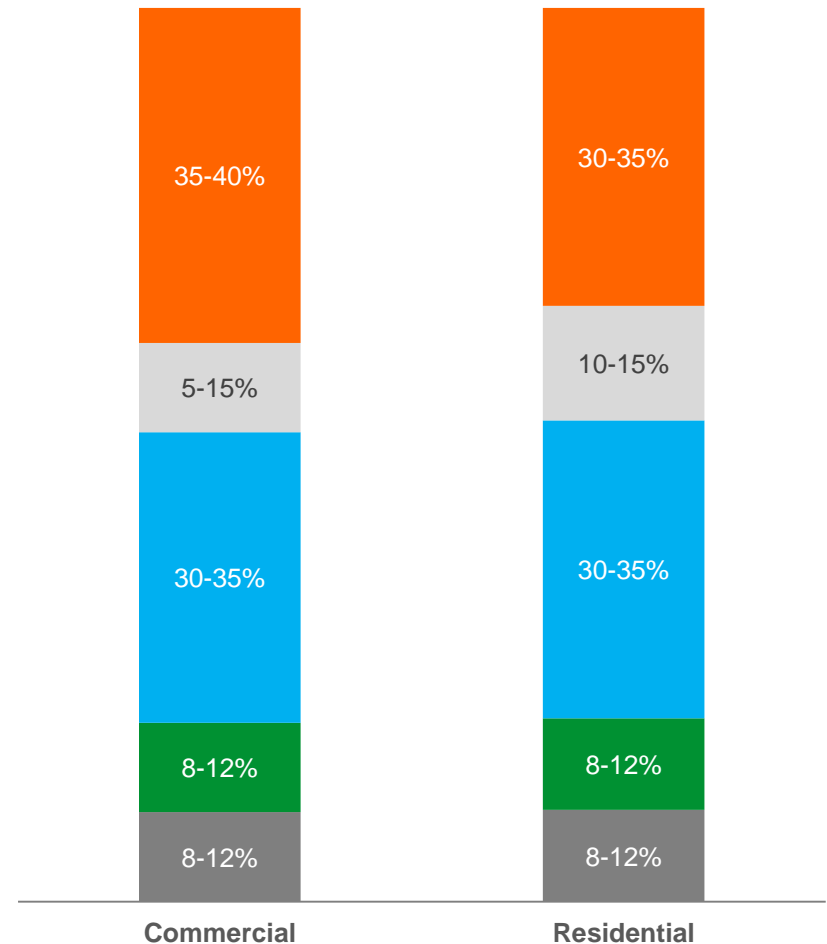
Cost components of typical buildings

Elements

- Services
- Wall, floor and ceiling finishes
- Substructure / superstructure
- Supervision and wages
- Preliminaries

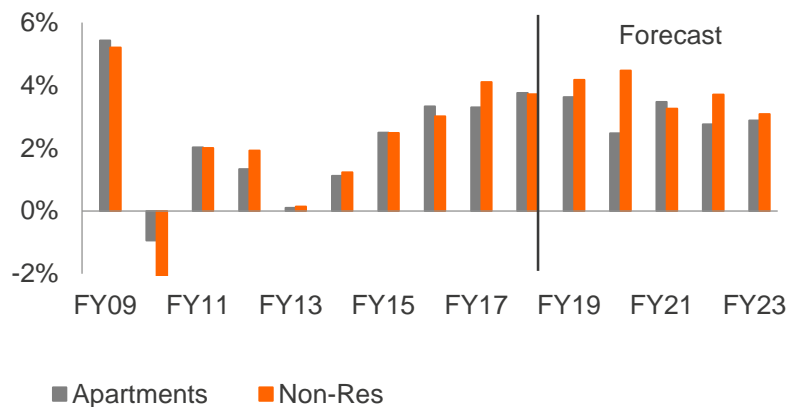
Composition of elements

- **Preliminaries:** plant, scaffold, offices, sheds, hoardings and fences
- **Supervision and wages:** insurances, wages and supervision
- **Substructure / superstructure:** excavation, foundations, piers, piles, ground floor structures, columns, floors, stairs, roof, external walls and windows, internal and external walls and doors
- **Wall, floor and ceiling finishes:** wall, floor, ceiling finishes, fixed and non fixed fitment items, cupboards, shelving, racks, furnishings
- **Services:** plumbing, mechanical, fire, electrical, vertical transportation

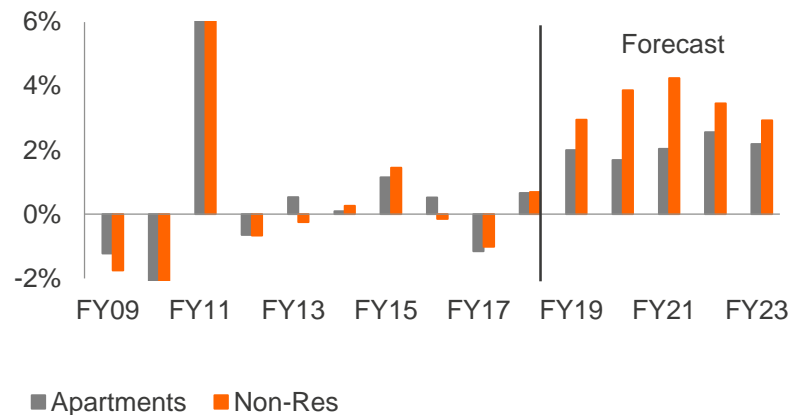


Cost escalation by state

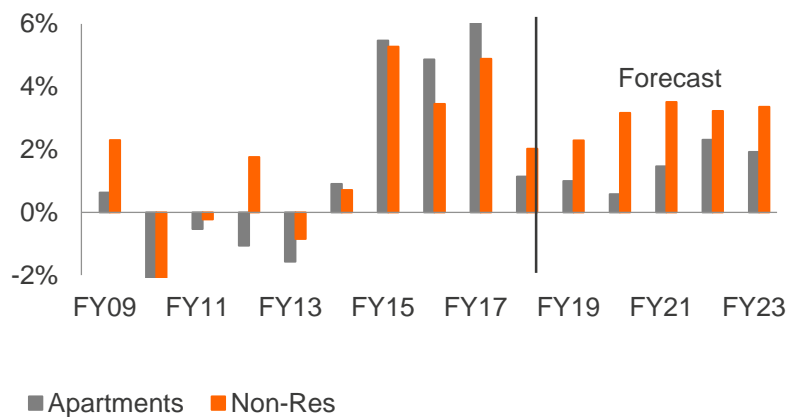
New South Wales



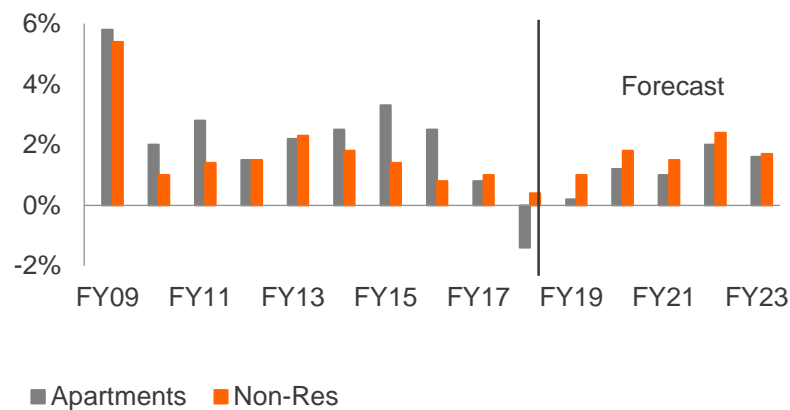
Victoria



Queensland



Western Australia





Building Projects



Image: Artists' impression of Melbourne Quarter, Vic

BARANGAROO SOUTH AND CROWN SYDNEY HOTEL RESORT SYDNEY, NSW

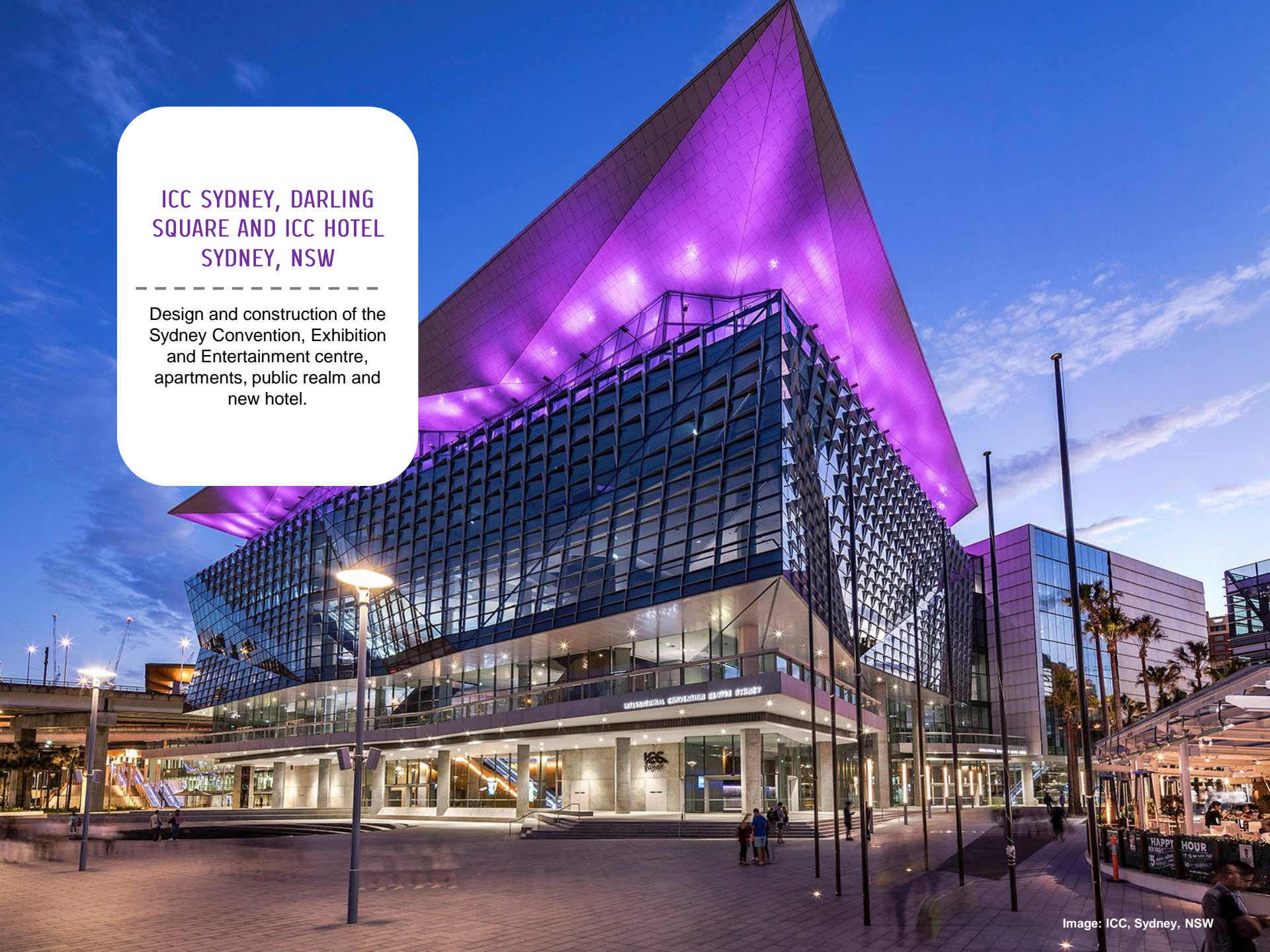
Design and construction of the basement, infrastructure, commercial, residential and retail, along with the delivery of a new Crown Hotel Resort.



Image: Barangaroo South, NSW

ICC SYDNEY, DARLING SQUARE AND ICC HOTEL SYDNEY, NSW

Design and construction of the Sydney Convention, Exhibition and Entertainment centre, apartments, public realm and new hotel.



WESTERN SYDNEY STADIUM PARRAMATTA, NSW

Design and construction of a new 30,000 seat stadium, including new public domain and community spaces, landscaping and new car parking spaces.



THE NEW BENDIGO HOSPITAL BENDIGO, VIC

Design and construction of a
new 372 bed hospital.

Lendlease is a part of the
Exemplar Health Consortia –
Lendlease with Siemens,
Capella Capital and Spotless.

ROD LAVER ARENA REFURBISHMENT MELBOURNE, VIC

Redeveloped with a new eastern entrance to the arena, automated retractable seating, a more efficient loading bay that will reduce the down time between concerts and better equipment rigging facilities so the arena can host bigger shows.



Image: Rod Laver Arena, Vic

MELBOURNE QUARTER PRECINCT MELBOURNE, VIC

A vibrant commercial, residential and cultural destination, an integrated part of Melbourne's CBD. Key features include 110,000sqm of commercial office space in three Collins Street towers, 1,600 apartments and 4,000sqm retail offering.

SUNSHINE COAST UNIVERSITY HOSPITAL SUNSHINE COAST, QLD

The new public tertiary teaching hospital opened at the end of 2016 with around 450 beds and will expand to 738 beds by 2021, with capacity to be expanded to 900 beds beyond that time if needed.



25 KING BRISBANE, QLD

25 King is set to be the largest and tallest engineered timber office building in the world.

With a strength akin to concrete and steel, the columns, beams and floors are constructed of glue laminate and Cross Laminated Timber.



Image: Artists' impression of 25 King, QLD

DARLING EXCHANGE SYDNEY, NSW

Standing at six-storeys high and wrapped in 20 kilometres of sustainably sourced timber, The Exchange is Sydney's architectural icon and a platform for innovation. Features a state of the art City of Sydney library, a new childcare facility, a ground floor market food hall, mezzanine restaurant, and rooftop restaurant and bar with sweeping views of Sydney's skyline.



Image: Artists' impression of Darling Exchange, NSW

DEFENCE

10 projects across
a national portfolio
with a contract value of \$3.7b.

We are averaging c.80% of local
participation across our Defence
projects nationally.



Image: AIR7000 Stage 2B, RAAF Base Edinburgh, SA

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Lendlease Group's statutory results are prepared in accordance with International Financial Reporting Standards (IFRS). This document also includes material that is not included in Lendlease Group's statutory results and contains non-IFRS measures. Material that is not included in Lendlease Group's statutory results has not been subject to audit.

A reference to FY18 refers to the full year period ended 30 June 2018 unless otherwise stated. All figures are in AUD and as at 30 June 2018 unless otherwise stated.