

ASX ANNOUNCEMENT

9 November 2018

Australian Engineering and Services Business Update

Market Update

Lendlease announces it has identified further underperformance in the financial position of its Engineering and Services Business. To account for this underperformance it is anticipated Lendlease will take a provision in the order of \$350 million after tax for 1H19.

This underperformance predominantly relates to further deterioration in the small number of projects previously identified. This is attributed to a number of issues including lower productivity in the post tunnelling phases of NorthConnex; and excessive wet weather, access issues and remedial work arising from defective design on other projects.

Measures are being undertaken to mitigate the anticipated losses including negotiations with third parties. However, at this stage it is unclear as to the extent to which these negotiations will be successful to mitigate the underperformance.

Review of Engineering and Services Business

Lendlease is undertaking a comprehensive review of the Engineering and Services Business in light of this underperformance.

To date, Lendlease has made significant changes to this business including strengthening the leadership with the appointment of Hans Dekker in May 2018 as the Group Head of Building and Engineering.

As part of the review, Hans is identifying processes to reset and strengthen the operations in order to reduce the risk profile, and evaluate alternatives to reduce the volatility of earnings in the business.

Lendlease Group Chief Executive Officer and Managing Director, Steve McCann said "Today's announcement about the Engineering and Services Business is extremely disappointing particularly given the underlying performance across Lendlease's other businesses. Our international pipeline of landmark urbanisation projects, especially those in Europe has materially grown in the last 12 months giving us earnings visibility well into the future."

Ends

Lendlease will be hosting a teleconference call on this announcement at 10:00am (AEDT) today. A link to listen to the call live is available below and will also be made available on Lendlease.com.

<https://edge.media-server.com/m6/p/rzyi4ox2>

Lendlease Corporation Limited ABN 32 000 226 228 and
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