

ASX ANNOUNCEMENT

16 November 2018

2018 Annual General Meetings – Chairman and Chief Executive Officer & Managing Director Addresses

In accordance with ASX Listing Rule 3.13, attached are the addresses to be given at the 2018 Annual General Meeting of shareholders of Lendlease Corporation Limited and General Meeting of Unitholders of Lendlease Trust (together Lendlease Group).

The meeting will be held today at 10.00am (AEDT) in Sydney. The addresses will be given by the Chairman and Group Chief Executive Officer and Managing Director.

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ADDRESS BY THE LENDLEASE CHAIRMAN TO THE LENDLEASE ANNUAL GENERAL MEETING

Friday 16 November 2018

Good morning Ladies and Gentlemen.

My name is David Crawford and I am Chairman of the Lendlease Board.

On behalf of the Board, I acknowledge that we are on the land of the Gadigal people of the Eora nation. The Gadigal people are the traditional custodians of this land and I extend my respect to their Elders past, present and future.

I now declare the meeting open and will introduce your Board of Directors.

At my far left we have Steve Dobbs, David Craig, Elizabeth Proust, our Chairman-elect Michael Ullmer, and our Company Secretary Wendy Lee.

To my right is our Group CEO and Managing Director Steve McCann, Jane Hemstritch, Phillip Colebatch, Nicola Wakefield Evans, Colin Carter and Phil Coffey.

Seated in the front rows are the Lendlease executive team.

Also in attendance are the Group's auditors, KPMG, who will answer questions relating to the audit of the Group's financial statements.

Firstly, I want to refer to last Friday's announcement relating to a likely provision in the Engineering and Services business. This was extremely disappointing and has overshadowed a strong performance for FY18. I will be speaking to this shortly, as will Steve McCann our CEO.

At Lendlease, safety is our number one priority. We remain committed to the health and safety of all our people.

Tragically, two fatalities occurred on Lendlease projects in the 2018 fiscal year. On behalf of the Board and all at Lendlease, I extend my heartfelt condolences to the family, friends and colleagues of these workers.

This is a strong reminder of the need to always keep safety at the forefront. The Board is committed to working with management to maintain a relentless focus on safety leadership throughout the organisation.



Now turning to the FY18 performance.

Profit after Tax was \$793 million, up five per cent from the previous financial year. This result was pleasing as it highlights the strength of the business model and the diversity of earnings by both segment and geography.

Securityholders received a distribution of 69 cents per security for FY18. The payout ratio for the year was 50 per cent, the middle of the Board's stated target range of 40 to 60 per cent of earnings.

The Group began the 2019 financial year in a strong financial position. We had cash and cash equivalents of \$1.2 billion and gearing of eight per cent.

The Group successfully executed key strategic initiatives alongside capital partners. We secured a number of major urbanisation projects in Europe which have substantially grown the development pipeline. These wins reinforce our leadership position in urbanisation.

Now to the recent market update on the Engineering and Services business.

Last Friday, Lendlease announced it anticipates that it will take a provision for the Engineering and Services business of approximately \$350m post tax at the half year. The provision predominantly relates to a small number of projects.

In accordance with good corporate governance practices, the Board determined to immediately advise the market as soon as it became aware there would likely be a material earnings impact from underperforming projects in the current half. This resulted in an ASX announcement prior to market opening on Friday.

In the short time since then, the Board has worked to further understand the position including meeting with various levels of management and key members of the relevant project teams. Steve will be addressing the issues further when he speaks.

Following these meetings, the Board considers the provision announced last Friday is conservative and is sufficient to cover the issues on these projects.

The Board is confident that Steve and the senior leadership team are taking the necessary actions to address the problems within the Engineering business and to put it on the right footing.

Hans Dekker, Group Head of Engineering and Building, has been undertaking an operational review and has identified processes to reset and strengthen the operations.

Today, the Board also announces a wide ranging strategic review and external advisors have been appointed. This will include consideration of structural alternatives for the Engineering business, such as retaining the business, demerger or divestment. All options will be considered.



Lendlease will update the market on this review at the Half Year Results on 25 February 2019.

Again, I acknowledge this is a disappointing situation and on behalf of the Board, I apologise to securityholders.

Now turning to other matters before us today.

Securityholders will note the Board announced a number of changes to executive reward which it intends to implement in FY19.

One of the Board's objectives in making the changes was that rewards should recognise the long-dated nature of our business. Investment decisions we make today have an impact on earnings several years into the future.

Our new approach to reward is designed to create further alignment between executive reward and long term securityholder value.

Our long term incentive plan provides for a total securityholder return test, against 50% of each award and a return on equity test against the balance.

Consequently, the security price performance and any change in earnings should have a direct impact on whether or not long-term awards vest for executives going forward, and the value of those awards.

The impact on earnings and the security price fall as a result of last Friday's announcement, will adversely affect the remuneration received by our senior executives.

This brings me to an issue that has been raised publicly.

At least half of Steve's target remuneration is delivered in securities. When they vest he incurs a tax liability. To fund this tax liability, in past years, Steve has sold Lendlease securities. Consistent with this, in September 2018 Steve sold some of his Lendlease securities to fund tax liabilities and reduce debt.

The details of these sales of securities have always been disclosed to the market and comply with Lendlease's securities trading policy. This policy includes restricted trading periods for certain executives, including Steve.

As part of the Group's remuneration scheme, Steve is required to hold Lendlease securities and currently holds four times his mandatory holding requirement.
I will now address the composition of the Board.

I will retire as Chairman of the Board following today's meeting. It has been a privilege to serve as your Chairman since 2003.



I am delighted the Board has selected current Non Executive Director, Michael Ullmer, as my successor.

After almost 13 years of service, Phillip Colebatch will also retire from the Board at the conclusion of this meeting. Phillip has made an outstanding contribution to the Board. His commercial insight and judgement in the areas of risk management, strategy and finance were deeply respected and invaluable during Board discussions. On behalf of the Board, I thank Phillip and wish him all the best for the future.

In February we welcomed our newest Director, Elizabeth Proust. Elizabeth is one of Australia's leading business figures and has been an excellent addition to the Board. Elizabeth is seeking election at this meeting. You will have the opportunity to hear from Elizabeth when we move to the resolution covering her election.

The Board continuously monitors and reviews its composition and capabilities, in the context of Lendlease's strategy and external trends.

The skill level and calibre of the directors on our Board is very strong. It covers experience in executive and board careers over a range of industries relevant to Lendlease. These include our operating segments of development, construction and investments. Directors have worked in diverse fields such as finance, retail, legal, Government, technology and professional services.

The Board has a mix of local and international experience as well as specialised skills to assist with decision making and to effectively govern and direct the organisation, for the benefit of securityholders.

I have been Chairman for 15 years. During that time I am proud Lendlease has built execution capability, grown internationally and delivered many city defining projects including Barangaroo and Darling Harbour Live in Sydney, Victoria Harbour in Melbourne, and Elephant Park in London. The Group has also strengthened its governance and improved its safety practices.

I acknowledge the tireless contributions of my fellow Board members. It has been a pleasure working with the Board during my tenure and I have no doubt their passion for Lendlease and its values will drive future success.

I also acknowledge the support and contributions of Steve, the Lendlease senior leadership team and its people. Their commitment and dedication have helped to uphold our vision to create the best places.

To you, our valued securityholders, thank you for your continued support.

I am confident the challenges in our Engineering business will be successfully addressed. Our other businesses are performing strongly. Lendlease's financial position is strong.



As such, I leave Lendlease confident in the belief the company is well positioned to prosper into the future under the leadership of your Chairman elect Michael Ullmer, and your CEO Steve McCann.

I will now hand over to Steve.



ADDRESS BY THE LENDLEASE GROUP CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR TO THE LENDLEASE ANNUAL GENERAL MEETING

Friday 16 November 2018

Thank you, David.

I too would like to acknowledge the Gadigal people of the Eora nation and pay my respects to their Elders past, present and future.

As David mentioned, I will be addressing the issues related to the anticipated provision we have announced in relation to our Engineering and Services business shortly. However, I will start, as I always do, on the very important topic of safety.

There is nothing more important than the health, safety and wellbeing of our people and those who work with us.

During FY18, two people tragically lost their lives in workplace incidents on Lendlease projects.

Jonathan Lupinsky, a 22 year old labourer, lost his life while working on our 277 5th Avenue project in New York on 18 August 2017.

Harry Ranmauth, a 67 year old security guard, died while working at the 217 West 57th Street project in New York on 26 May 2018.

I offer my sincerest condolences to the families and friends of Jonathan and Harry.

The consistent application of our Global Minimum Requirements has reduced the frequency and volume of critical incidents and fatalities. It is imperative we remain focused on our operating methodologies and safety performance because everyone has the right to return to their families, friends and loved ones each day.

Our core strategy remains clear and unchanged.

We are committed to pursuing our integrated model in targeted gateway cities, leveraging more than one of our operating segments of Development, Construction and Investments.

Our integrated business model provides us with a sustainable competitive advantage, and is critical to delivering long term securityholder value.



In combination, our business model, financial strength and track record provide a point of difference we believe very few can match. This is evident in the strength of our development pipeline which stands at \$71.1 billion.

Despite the news in recent days, we have the right strategy for the long term success of Lendlease.

Last Friday we announced an anticipated provision arising from underperforming projects in our Engineering operations.

Before I go any further, I would like to reiterate this is a very disappointing position for us to be in, for which I apologise. Consistent with our culture of accountability, I accept responsibility for this problem. Accordingly, I have agreed with our Chairman that I will forgo any short-term incentives for this financial year.

I want to provide some further information regarding the provision and the Engineering business.

Approximately 90 per cent of the \$350 million post tax provision relates to three projects. These projects also impacted the FY18 results.

Further deterioration on NorthConnex and two other projects was identified during reviews completed last week. Due to client confidentiality and commercial considerations, we are unable to name the latter two projects.

The cumulative impact of these issues is material and resulted in the need to announce the anticipated provision.

Following the reviews, I am confident the provision reflects the full estimated cost of completing the projects, which are well advanced.

NorthConnex is approximately 65 per cent complete. The tunnel boring phase is now complete and was delivered at a cost within the range estimated in our previous provision.

Unfortunately, productivity rates and costs on recently commenced phases of work have not achieved our estimates and we have now reforecast these costs. We have also reforecast costs arising from an acceleration of the mechanical and electrical works, the final major phase of the NorthConnex project.

The second project, which is approximately 90 per cent complete, has experienced unforeseen access issues resulting in our team not being able to work the number of hours per month required to finish the project within the forecast program. Associated delays including inclement weather have resulted in higher estimated costs to complete.

The third project is approximately 75 per cent complete. We have recently identified a defect in the design undertaken by external design consultants. This design defect has meant the



work is outside the required tolerances and therefore requires rectification. In addition to the costs of rectification work, this has resulted in increased provisions for delay and other ancillary costs.

We expect to complete all these projects by calendar year 2020.

We have learned lessons from these projects which we are applying in the Engineering business. We have become more selective and rigorous in our bid strategy and place greater focus on the set-up phase of new projects. We have also recruited a number of key people including Hans Dekker, our new Group Head of Engineering and Building, who was formerly the President of Infrastructure with the global engineering and construction company, Fluor Corporation.

Hans has been conducting an operational review of the Engineering business, looking at all processes, methodologies, operating procedures, contract structures, risk profile and personnel from project set up right through to demobilisation when a project nears completion.

As David already announced, we are also conducting a strategic review to assess all structural options.

We have also been working closely with State Government agencies and industry bodies to help drive improved efficiency and productivity, and a more balanced allocation of risk on major projects within the Australian engineering sector.

We are confident the application of these learnings and the strengthening of our team will be reflected in an improved performance from the Engineering and Services business.

I will now move to the broader performance of our organisation.

David has already touched on the financial performance in FY18. While Lendlease recorded a strong financial result, the highlight for me was the successful implementation of our strategic agenda, which sets the Group up very well for the future.

We made substantial progress extending and broadening our already deep third party capital relationships.



Two investment partnerships were launched in the residential for rent sector. The UK partnership in conjunction with Canada Pension Plan has initial funding commitments of GBP1.5 billion and will be seeded with residential product being developed at Elephant Park in London. The US partnership, finalised post balance date, in conjunction with Australia's First State Super has initial funding commitments of US\$1 billion and its first projects will be at Southbank in Chicago and Clippership Wharf in Boston.

In the US we also established a joint venture to develop and own telecommunications infrastructure.

We secured capital partners for three office developments in London and Australia that are expected to add \$1 billion to future funds under management upon their completion.

We also established a joint venture in our Retirement Living business with the large Dutch pension fund, APG, endorsing our strategy to focus on the ageing demographic.

Several years ago we outlined our intention to shift our origination focus towards targeted international gateway cities. We emphasised this would be done organically, in a disciplined way by leveraging our existing capabilities.

We had considerable success in FY18 with the addition of four new major urbanisation projects in Europe. These projects have a combined end value of \$21.9 billion.

We consolidated our strong position in London with Euston Station, Silvertown Quays and High Road West. And we secured our first major urbanisation project in Milan, Milano Santa Giulia.

At Euston Station, Lendlease will work with the relevant authorities to develop a masterplan for, and deliver a 54-hectare site above and around the new station. This highly sought after project provides Lendlease with the opportunity to develop a globally significant precinct in the middle of central London.

Located in the East End of London, Silvertown Quays will feature extensive public realm and include approximately 3,000 homes.

The High Road West project will deliver a new civic square, a retail precinct and more than 2,500 homes in the Tottenham area of London.

In April we extended our extensive retirement living capabilities into China, where we are developing our first Retirement Village in Shanghai. This is an exciting pilot project which could potentially lead to further opportunities in the ageing demographic in Asia. We will be patient, and methodical but over time this could develop into a significant opportunity.

Maintaining a strong balance sheet is a priority for the Group. The balance sheet is in a strong position notwithstanding the provision we anticipate we will take for the Engineering and Services business.



We are committed to an investment grade credit rating.

Earlier this year, the Board approved capital management in the form of a buyback of up to \$500 million. To date, we have acquired 17 million securities for a consideration of \$313 million.

We have the financial capacity to continue the buyback, subject to market conditions.

We have a diversified business model and a proven track record of executing our integrated capabilities with the support of our capital partners.

Our development pipeline grew by more than \$20 billion in FY18 and now stands at \$71 billion. This alone provides over a decade of future earnings visibility.

Only a few years ago our residential portfolio focused on the four cities of Sydney, Melbourne, Brisbane and London. Over the next 12 months we'll be completing product in Boston, New York and Singapore, and in the coming years we'll add the cities of Kuala Lumpur, Milan, San Francisco and Perth.

Residential markets in our Australian gateway cities and London are now well past their cyclical peak, with sales rates across both detached and apartment markets slowing. Nonetheless, FY19 will be a strong year for the apartments business with almost \$2 billion of presold revenue expected to be generated towards the end of the financial year, resulting in a significant second half skew to both earnings and cash flow in the development business.

A key element of our diversification strategy is our new residential for rent sector. Progress has been ahead of our expectations with the formation of capital partnerships in the UK and the US that I outlined earlier. The US partnership will contribute to profit in FY19.

Our Construction segment has backlog revenue of \$21.1 billion and there is approximately \$12 billion of additional work for which we are preferred across the diverse geographies and sectors where we operate.

Our Investments segment provides a solid base of recurring earnings and growth opportunities for the integrated model. Our ability to partner with third party capital, as demonstrated by the progress made on strategic opportunities, is a key feature of our business model.

The funds management platform is well placed to grow from the \$30 billion currently under management. There is approximately \$4 billion of additional secured funds under management based on development projects currently in delivery. Together with the considerable growth of our platform in the new sectors of residential for rent and telecommunications infrastructure and the embedded growth from the current urbanisation pipeline, we can see a clear trajectory well beyond \$40 billion.



In closing, I would like to personally acknowledge the tremendous contribution of David Crawford and Phillip Colebatch to the Lendlease Board. I would also like to congratulate Michael Ullmer on his appointment as Chairman. Michael, I have no doubt you will steer us well.

David and Phillip supported my appointment as CEO at a very challenging time for our industry during the financial crisis and have both offered me outstanding support and guidance over the years.

In particular, David, I have learned a lot from you over the years and sincerely appreciate your guidance. You have done a wonderful job as Chairman and rest assured we will address the current issues. This is a great organisation with a great future which you should be very proud of guiding.

I'll now hand back to the Chairman.