ASX ANNOUNCEMENT

1 July 2020

FY20 Unaudited Results update

- Core profit after tax expected to be in the range of $50m to $150m reflecting COVID-19 impacts across the Group. This includes the impact of reductions in investment valuations in H2 FY20 in the range of $130 - $160 million after tax.
- Engineering exit costs of $550 million pre tax anticipated, with approximately $525 million pre tax ($370 million after tax) expected to be accounted for in FY20[1]
- Total unaudited statutory loss expected to be in the range of $230 to $340 million[2] after tax
- Group enters FY21 in a strong financial position with gearing at 30 June 2020 expected to be below 10 per cent and total liquidity above $5 billion
- Development joint venture to deliver the first residential tower at One Sydney Harbour anticipated to contribute approximately $100 million to FY21 profit after tax

Core business

On 28 April 2020, Lendlease provided a market update, stating that the profit for FY20 for the Core business would be dependent on:

- the conclusion of some material transactions in the Development segment which may be delayed
- the impact of reduced productivity in the Construction segment
- the impact of any revaluations in the Investments segment.

As a result, the forward looking statements included in the HY20 results announcements were withdrawn.

The Group is now able to provide greater clarity on the impact of these issues.

The Development segment has experienced delay in the conversion of a number of opportunities across urbanisation projects due to the impact of COVID-19, including at Melbourne Quarter, Barangaroo and International Quarter London. The segment has also been impacted by delays in apartment settlements along with elevated cancellations across the Communities business.

Performance of the Construction segment was impacted by COVID-19 in all regions. The impact was greater in our international regions, particularly in cities where mandated shutdowns were implemented. This has included lower productivity, projects being put on hold and delays in the commencement or securing of new projects.

Performance in the Investments segment will be impacted by reductions in valuations across the Group's c.$4 billion Investment portfolio, including the Group's co-investments within the funds

[1] $15m pre tax accounted for in FY19.

[2] This includes an anticipated small loss from the non core operations.

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platform, Retirement Living business and other asset positions. The reduction in valuations in H2 FY20 is expected to have an impact on FY20 Core profit after tax in the range of $130 - $160 million. The retail asset management business within Investments has been working with retail partners as they navigate through a difficult period. This will have a negative impact on the operating earnings of the Investments segment in both FY20 and FY21.

Following an assessment of these and other impacts, the Group expects FY20 profit after tax for the Core business to be in the range of $50 to $150 million.

Good progress has been made in the Core business since the announcement on 28 April 2020, including:

- Satisfaction of the remaining conditions on the partnership formed to develop the c.$4 billion Milano Santa Giulia project with PSP Investments, one of Canada's largest Pension funds, being named our development partner. The forward sale of the first two buildings has contributed to the results for FY20.
- We have executed agreements to establish a development joint venture with Mitsubishi Estate, who will acquire a 25 per cent interest in the delivery of the first residential tower at One Sydney Harbour, Barangaroo. This is expected to contribute approximately $100 million profit after tax in FY21.
- Progress has been made on planning consents for projects in the urbanisation pipeline, including approval being obtained for Milan Innovation District and 30 Van Ness, San Francisco which supports the conversion of these projects to delivery.
- In our Australian Communities business enquiries have recently returned to pre COVID-19 levels.
- Other than a small number of projects, our construction projects are currently operational. Revised methodologies, designed to comply with social distancing and additional health and safety standards, remain in place with some continuing impacts on productivity.

This provides a solid platform for the Core business as we enter FY21, noting that the impacts of COVID-19 continue to be uncertain.

Non Core business

Further progress has been made on the exit of Engineering. The sale to Acciona is expected to complete in early FY21, subject to outstanding conditions, including third party consents, being satisfied. The Melbourne Metro Tunnel Project, NorthConnex and Kingsford Smith Drive projects are being retained by Lendlease.

As previously advised, the Cross Yarra Partnership consortium for the Melbourne Metro Tunnel Project is continuing to work with the Victorian Government on a confidential basis to resolve issues in relation to the scope and costs on the project. The NSW Government has indicated that NorthConnex will be operational in the coming months and the Kingsford Smith Drive project in Brisbane is scheduled to complete by the end of CY20.

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Lendlease has previously disclosed a restructuring cost estimate to exit the Engineering and Services businesses of $450 - $550 million on a pre-tax basis. This cost estimate included implementation and selling costs, indemnities included in any sale agreements and potential costs to cover concluding projects retained by the Group.

Lendlease now expects these costs to be approximately $550 million pre tax, with approximately $525 million pre tax ($370 million after tax) anticipated to be accounted for in FY20[3].

Statutory Result and Financial Position

The unaudited statutory result for FY20 is expected to be a loss in the range of $230 to $340 million[4] after tax.

In view of the expected FY20 result and given the current economic environment, a final dividend for FY20 is not expected to be paid from Lendlease Corporation Limited. Subject to the final income of the Trust for FY20, it is anticipated a small distribution will be paid from the Lendlease Trust.

The Group will enter FY21 in a strong financial position with gearing at 30 June 2020 expected to be below 10 per cent and total liquidity above $5 billion, representing cash on hand and undrawn facilities. Cash on hand includes the net proceeds from a PLLACes[5] transaction on One Sydney Harbour which was completed prior to 30 June 2020.

COVID-19 has had a material effect on the Group for FY20. Our priorities have been to keep our people safe and protect our balance sheet. While the duration of the impacts of the pandemic are uncertain, the Group is well positioned to execute the delivery of the global development pipeline and take advantage of other investment opportunities when the time is right.

ENDS

Lendlease will host a teleconference on the announcement at 11:30am (AEST) today. A link to listen to the call is available below and will also be made available on Lendlease.com

https://edge.media-server.com/mmc/p/dguzoc4t

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Authorised for lodgement by the Lendlease Group Disclosure Committee

[3] $15m pre tax accounted for in FY19.
[4] This includes an anticipated small loss from the non core operations.
[5] Pre-sold Lendlease Apartment Cash Flows. The transaction has no impact on profit.