Lendlease
Investor Strategy Day

20 October 2016

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Agenda

Strategy Update and Q&A

Steve McCann - Group Chief Executive Officer and Managing Director

Portfolio Management Framework

Tarun Gupta - Group Chief Financial Officer

Vikas Kaul - Group Head of Research

Closing and Final Q&A

Steve McCann - Group Chief Executive Officer and Managing Director

Image: 56 Leonard Street, New York

Indigenous engagement and reconciliation

Lendlease’s vision for Reconciliation is one in which all our employees acknowledge and celebrate the proud heritage of Australia’s First Peoples and promote opportunities for career development, sustainable business growth and economic participation of Aboriginal and Torres Strait Islander Australians within our sector

Illustration: Barangaroo South, Sydney

Section 1
Strategy Update

Steve McCann
Group Chief Executive Officer and
Managing Director

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Our vision

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Our strategic framework

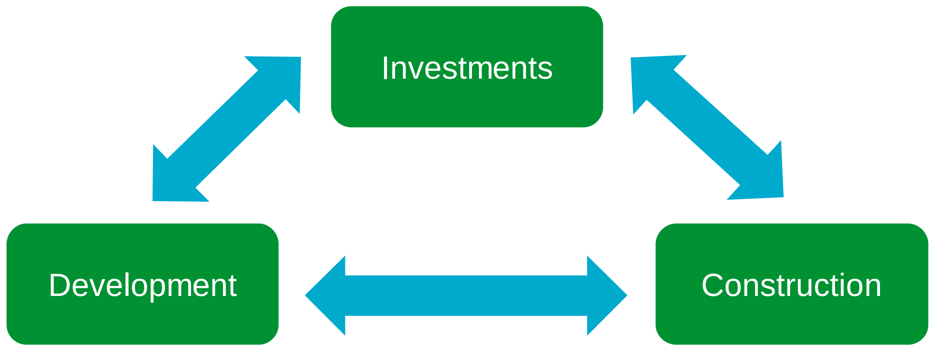
FOCUS
We focus on delivering optimal performance safely at our target returns

GROW
We target disciplined growth in sectors aligned with global trends and with a focus on our target global Gateway Cities

Our pillars of value

- Financial
- Health & Safety
- Our Customers
- Our People
- Sustainability

Our integrated business model



Maximising long term securityholder value

Global trends influencing our strategy

		Lendlease leadership
Urbanisation	By 2014, 54% of the world's population were estimated to live in urban areas; this will reach 60% by 2030[1]	• $37b[2] Urban Regeneration pipeline • 12 major urban regeneration projects[3] across 8 Gateway Cities
Infrastructure	Worldwide infrastructure spending will grow from US$4 trillion per year in 2012 to more than US$9 trillion per year by 2025[4]	• A leading tier 1 Engineering business in Australia • $4b+ PPPs secured in last 5 years[5]
Funds growth	Global assets under management are forecast to rise from US$64 trillion in 2012 to US$102 trillion by 2020[6]	• Lendlease accounted for ~10% of new equity raised globally for core wholesale mandates since 2009[7]
Sustainability	Cities occupy 2% of the world's land mass, but are responsible for up to 70% of harmful greenhouse gases[8]	• Recognised by GRESB as an international leader[9] • Development pipeline targeting 98% green certification
Ageing population	Internationally, people aged 60+ will grow the most in number between 2015 and 2050[10]	• A market leader in retirement living sector in Australia • Actively seeking to transfer skills offshore
Technology	Global investment in real estate technology start-ups has grown from $0.2b in 2012 to $1.7b in 2015[11]	• A pioneer of new delivery technologies e.g. Cross Laminated Timber, pre-fab and modular; a leader in new safety initiatives

1. World Urbanization Prospects: The 2014 Revision, United Nations
2. As at 30 June 2016
3. Urban Regeneration development projects with end value >$1b
4. Capital project and infrastructure spending outlook to 2025, PwC 2015
5. Cumulative data from FY12 - FY16
6. Asset Management 2020: A Brave New World, PwC 2014
7. Preqin Ltd; represents period 2009 to 2015
8. UN-HABITAT's Global Report on Human Settlements 2011
9. Global Real Estate Sustainability Benchmark (GRESB) 2016 survey; 5 funds achieved no.1 ranking in respective global or regional category
10. World Population Prospects: The 2015 Revision, United Nations
11. CB Insights: Real Estate Tech Start-ups Funding Overview 2016

Our competitive advantage

We distinguish ourselves through our integrated model, financial strength and strong track record of execution

1

INTEGRATED MODEL

Capability and scale to deliver large, long term, complex projects that leverage more than one of our segments on a single project

2

FINANCIAL STRENGTH

Financial capacity through our balance sheet strength and access to third party capital

3

TRACK RECORD

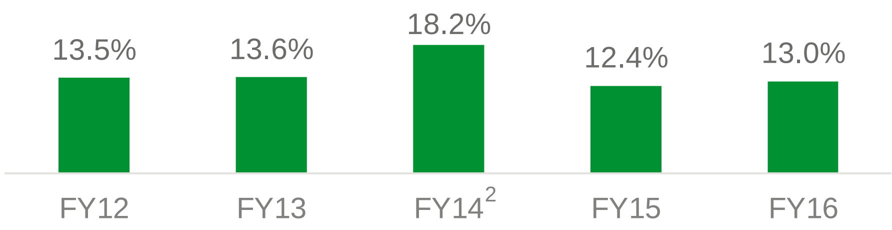
Strong track record of delivering quality design and sustainable outcomes safely

1. As at 30 June 2016

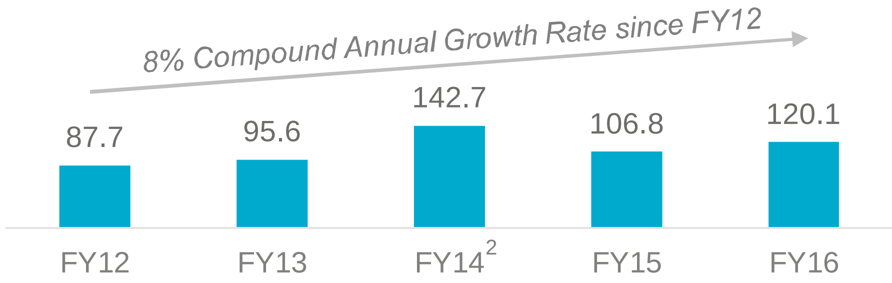
Execution excellence remains our priority

Over the past 5 years Lendlease has delivered…

Return on Equity[1](%)



Earnings per Stapled Security[3] (cents)



Operational highlights

Last 5 years[4]

- **~25,000** Residential units / lots sold
- **~600k sqm** Commercial space completed[5]
- **~$55.9b** Construction revenue
- **$4b+** PPP projects secured[6]
- **~$8.2b** Equity raised (wholesale)

FY16

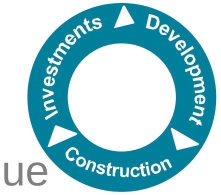
Safety
- **1.8** LTIFR[7]
- **86%** operations without critical incident

Sustainability
- **98%** Development pipeline targeting green certification
- **5 Lendlease** funds top-ranked in 2016 GRESB survey[8]

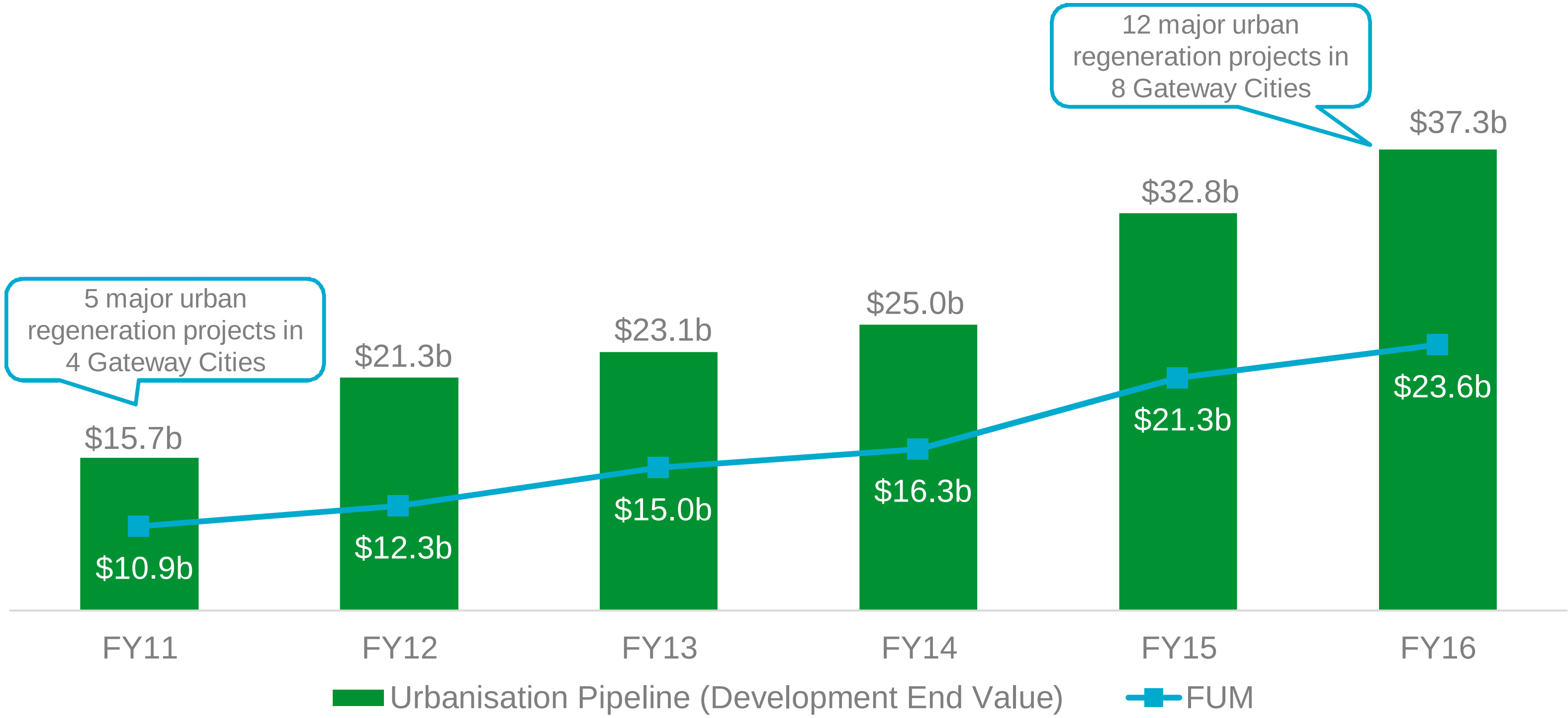
Employee engagement
- **84%** (broadly in line with global high performing companies)[9]

1. Calculated as the annual Profit after Tax divided by the arithmetic average of beginning, half year and year end securityholder equity
2. FY14 includes Bluewater sale
3. Calculated using the weighted average number of securities on issue including treasury securities
4. Cumulative data from FY12 - FY16
5. Reflects major commercial projects (>10,000 sqm; office and retail) completed by the Development segment
6. Excludes ~$5b East West Link PPP secured in 2014 and subsequently cancelled
7. Lost Time Injury Frequency Rate
8. Global Real Estate Sustainability Benchmark (GRESB) 2016 survey; 5 funds achieved no.1 ranking in respective global or regional category
9. Survey managed by Willis Towers Watson. Employee engagement is a measure of overall employee satisfaction across our business

Urbanisation continues to underpin our growth strategy



Our focus on major urban regeneration projects[1] in global Gateway Cities has underpinned our record pipeline position and will deliver long term securityholder value



1

- Major urban regeneration projects have more than doubled since FY11 with 12 major projects in the secured pipeline
- Projects typically secured through capital light (land management or staged payment) approach enabling flexibility in delivery

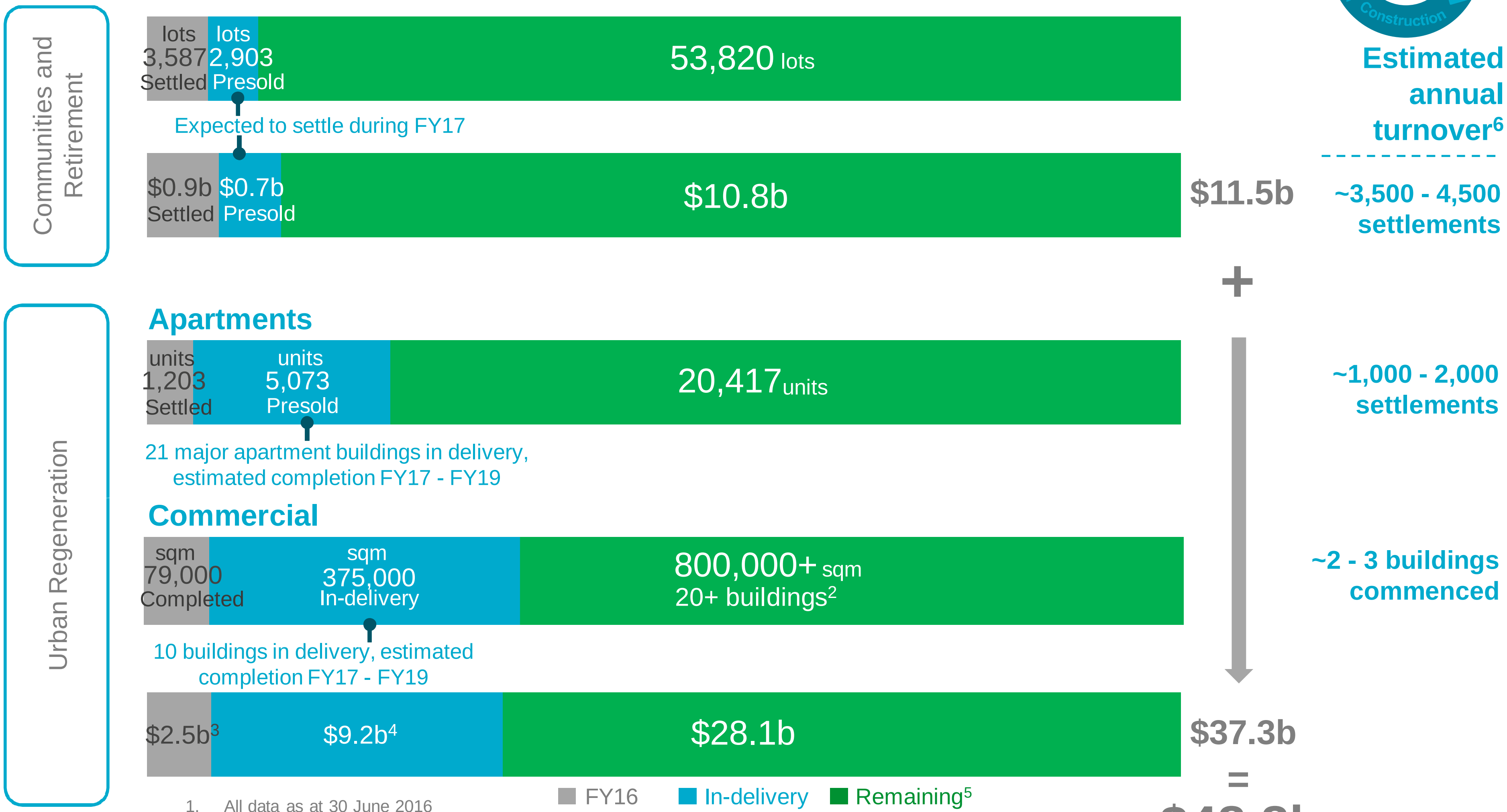
2

- Growth in pipeline supports the integrated model
- FUM growth of ~17% per annum since FY11
- Construction internal pipeline accounts for 23%[2] of backlog, providing design and delivery capability and execution certainty

1. Urban Regeneration development projects with end value >$1b
2. Based on analysis of major construction projects backlog disclosed in the Portfolio Report as at 30 June 2016, which represents 51.2% ($10.6b) of total backlog ($20.7b) as at 30 June 2016. Major construction projects are those with a construction value >$100m and have received client approval for disclosure

Development pipeline provides long term earnings visibility[1]

Record secured pipeline of $48.8b controlled by invested capital of $2.9b



1. All data as at 30 June 2016
2. Assumes average building size of ~40,000 sqm, consistent with current average of ~37,500 sqm for those in delivery
3. $1.2b apartments settled and $1.3b end value commercial completed
4. $4.7b apartments presold and in delivery; $6.5b end value commercial in delivery, with $2b completed to date
5. Note some of remaining pipeline will convert in FY17
6. Subject to market conditions

=

$48.8b

Total pipeline end value

Development deal structuring tailored to local market

	Communities / Retirement	Urban Regeneration		
		Apartments (Australia, Europe)	Commercial Forward Sale	JV Structure / LP-GP[1]
Project examples	• Jordan Springs, Sydney • Yarrabilba, Brisbane	• Darling Square, Sydney • Elephant & Castle, London	• Barangaroo (ITS), Sydney • Phase 1 International Quarter, London	• Paya Lebar Quarter, Singapore • Phase 1 Riverline, Chicago
Land funding[2]	• Land ownership • Land management • Staged payments	• Land management • Staged payments	• Land management • Staged payments	• Land ownership via JV (including project financing)
Production funding[2]	• 100% on-balance sheet	• Largely 100% on-balance sheet	• Capital partner progress or staged payments	• Funded via JV (including project financing)
P&L returns	• Development profit on settlement • Construction margin on infrastructure delivery	• Development profit on practical completion • Construction margin on practical completion[3]	• Development profit typically upfront at time of sale • Development management fees, Construction margin[4] and Investment Management fees[4] during delivery	• Development profit tied to equity interests • Development management fees, Construction margin[4] and Investment Management fees[4] (including performance fees) during delivery
Cash returns (Development only)	• On settlement	• On settlement	• Over life of project during delivery	• Linked to cash equity returns or sell down of investment typically post practical completion

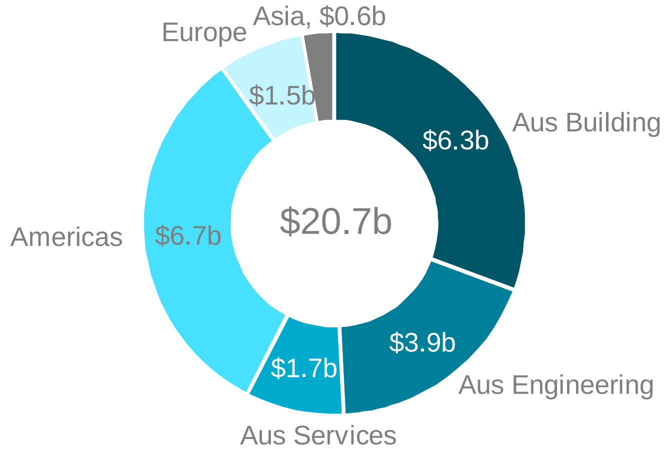
1. Limited Partnership / General Partnership
2. Reflects typical funding models used across segment examples
3. Based on apartment projects delivered 100% on-balance sheet
4. Only where Construction and / or Investments segments are engaged to play a role in the project

Construction

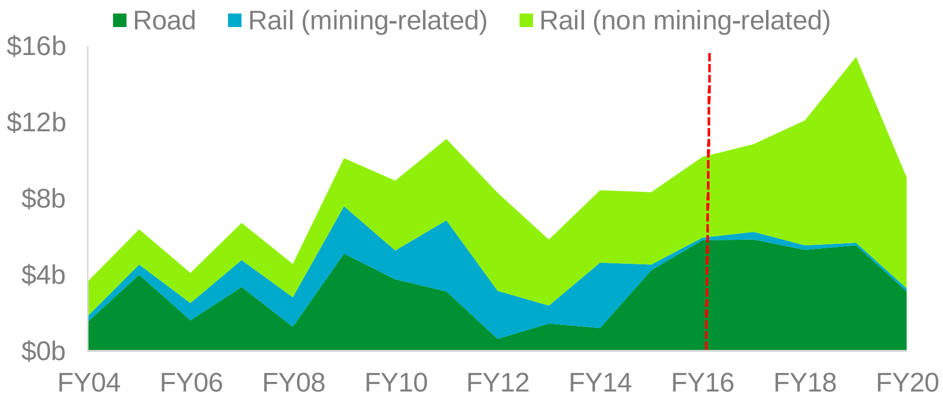
Design and delivery capability is key to origination and execution across platform

- Backlog revenue of $20.7b at 30 June 2016, representing 8% compound annual growth over the last 5 years[1]
- Solid diversification by both sector and client
- Strong recent growth in Australian Engineering. Future origination pipeline remains attractive
- Internal development pipeline to continue to support global workflow
- Continue to target segment Group EBITDA margin of 3-4%

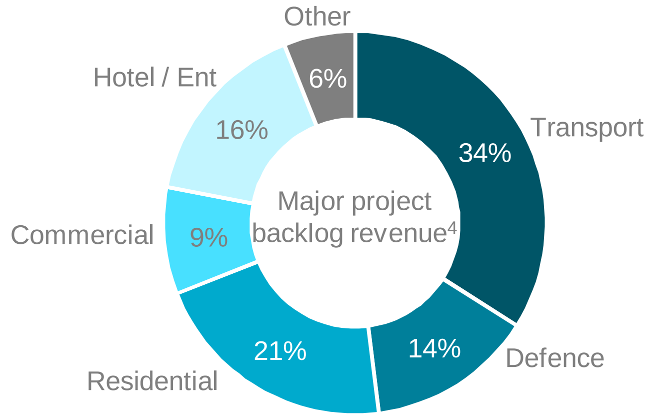
Backlog revenue by region[2]



Australian Engineering pipeline remains strong[3]



Backlog revenue by sector[2,4]



1. FY12 - FY16
2. As at 30 June 2016
3. Project commencements in real terms, ABS and Lendlease Group Research, road pipeline = toll road or public project >$500m
4. Based on analysis of major construction projects backlog disclosed in the Portfolio Report as at 30 June 2016, which represents 51.2% ($10.6b) of total backlog ($20.7b) as at 30 June 2016. Major construction projects are those with a construction value >$100m and have received client approval for disclosure

Investments

Fee and ownership returns deliver attractive recurring income streams

~150 institutional investors[1]

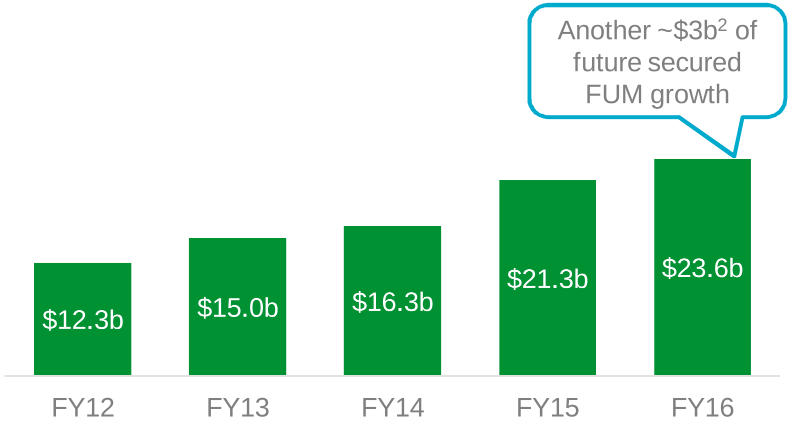
$1.4b co-investment in funds[1]

$1.5b capital across 73 retirement villages[1]

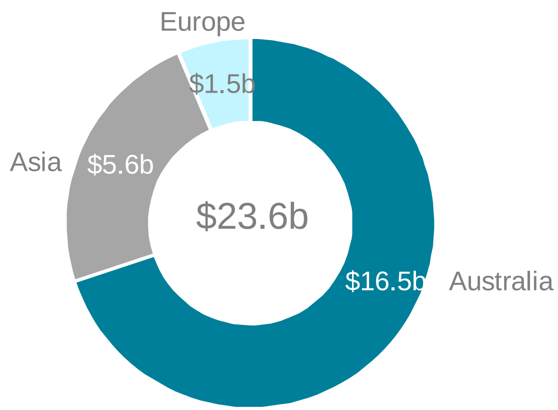
53,055 military housing units under management[1]

- Strong growth in FUM supported by global investor demand for quality product
- Access to internal development pipeline provides key competitive advantage
- Continue to provide capital solutions via capital partners and JV opportunities
- Potential to grow in new investment classes including residential and infrastructure
- Capital solution opportunity in retirement

Growth in FUM



Global FUM platform[1]



1. As at 30 June 2016
2. Represents secured future FUM increase from funds with development projects in delivery

Our global diversified pipeline provides long term earnings visibility[1]

$48.8b
Development pipeline

$20.7b
Construction backlog revenue

$23.6b
FUM

Americas
$3.4b Development pipeline
$6.7b Construction backlog revenue

Europe
$10.5b Development pipeline
$1.5b Construction backlog revenue
$1.5b FUM

Asia
$5.9b Development pipeline
$0.6b Construction backlog revenue
$5.6b FUM

Australia
$29.0b Development pipeline
$11.9b Construction backlog revenue
$16.5b FUM

1. All data as at 30 June 2016

Q&A

Strategy Update

Section 2
Portfolio Management Framework

Tarun Gupta
Group Chief Financial Officer
Vikas Kaul
Group Head of Research

Illustration: Melbourne Quarter, Melbourne

Portfolio Management Framework Introduction

Purpose of the framework

- Shape and guide investment across geographies, segments and sectors based on in-house research
- Provide clarity and transparency around capital allocation
- Maximise long term securityholder value creation through optimising risk-adjusted return outlook

Key conclusions of the updated framework

- Continued reallocation to International markets and Gateway Cities
- Maintain shift to Investments segment and recurring income streams
- Clear targets for segments and Group
- Disciplined capital management

Vikas Kaul
Group Head of Research

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Illustration: Riverline, Chicago

What should our geographic and sectoral capital mix be?

Shaped by our forward efficient frontier, current presence, business model and origination capability

Market outlook **Alpha factors**

Forward outlook for markets and sectors

Risk factors

Market correlation

Lendlease current platform and presence

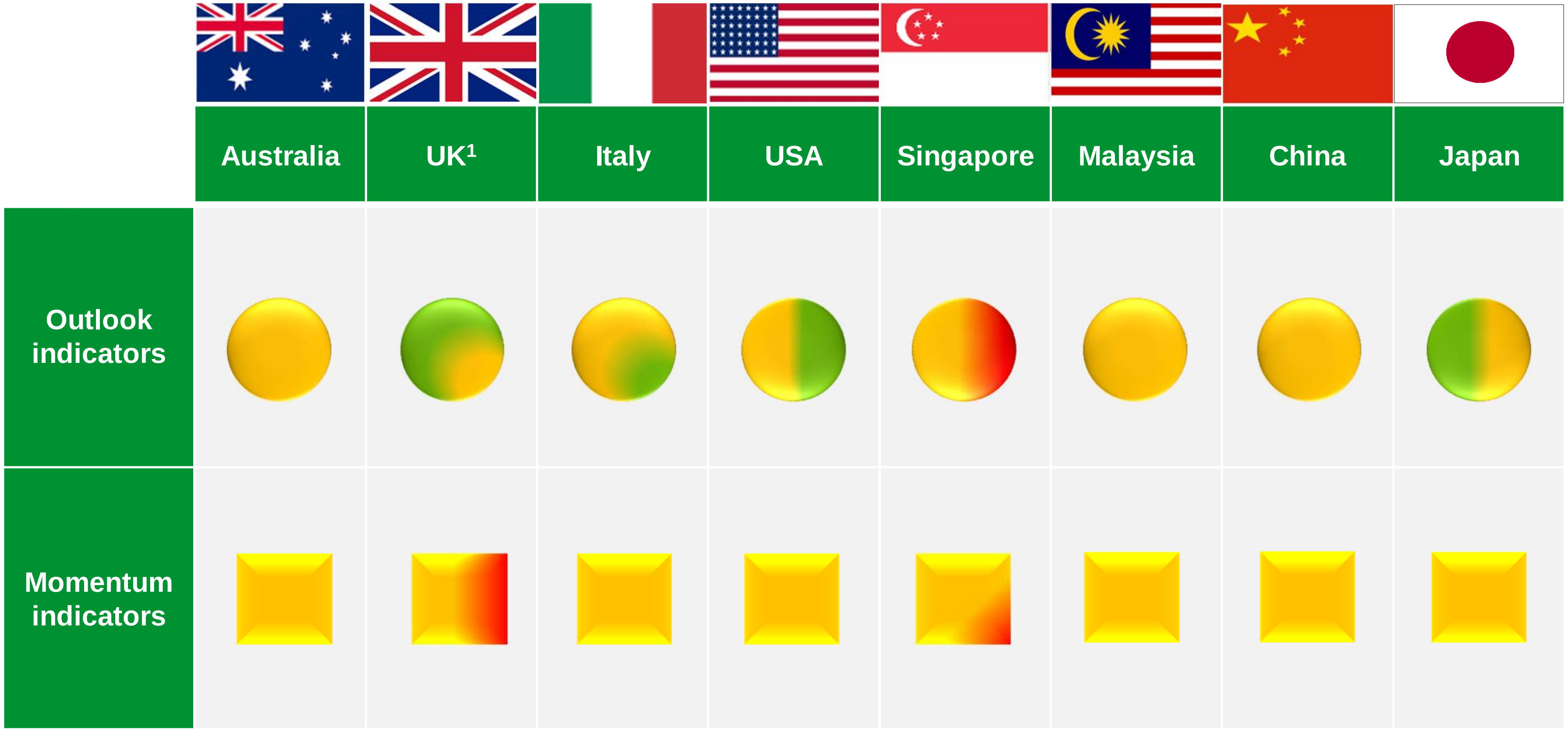
Portfolio optimisation model

Maximise total or risk-adjusted returns

Country allocation

Sector allocation

Leading economic indicators



Legend Strengthening Neutral Weakening

Note - Outlook based on comparison of current reading to 10YR average | Momentum based on comparison of current reading to last 1YR

1. The impact of Brexit is yet to reflect in the lead indicators

Source: Lendlease Group Research

Australian outlook

- **Sydney Office** sector is benefitting from service sector led growth with a strong rent growth trajectory, which should support valuations
- **Sydney Apartments** activity is peaking with **Communities** sector still marginally under-supplied. Historical under-supply has underpinned strong demand but affordability is becoming a challenge
- **Melbourne Office** is also benefitting from strong white collar employment growth but an increasing supply profile implies modest rent growth ahead
- **Melbourne Apartments** sector is navigating through a high level of incoming supply while the **Communities** sector is in balance. Planning controls (Amendment C262) and forecast rise in vacancy are likely to taper supply from FY19
- **Australian Retail** sector is emerging from the bottom but cost of living escalation and low retail inflation are challenging headline demand growth
- **Australian Infrastructure** activity is expected to accelerate, underpinned by a number of major road and rail projects
- **Australian Building** activity is expected to shift into a lower gear after peaking in 2016

Australian outlook is expected to moderate over the medium term (excluding Infrastructure sector) after a stellar performance over the past few years

 Source: Lendlease Group Research

International outlook

- **London Office** faces a challenging environment due to Brexit but London has a history of resilience
- **London Residential** to benefit from a low-rate environment against the backdrop of being one of the most under-supplied global cities. Policy support for institutional rental product can be expected
- **Kuala Lumpur Retail** is undergoing supply-induced softening at present but the strength of demand supports a positive outlook beyond the near term
- **Kuala Lumpur Apartments** sector is witnessing strong supply but the strength of household formation and policy measures support a positive medium-term outlook
- **Singapore** is currently going through structural changes combined with strong supply in both **Retail** and **Office** sectors. As the market moves towards a new equilibrium, a supportive fundamental backdrop is expected to emerge
- **Chicago's Multi-Family** sector is witnessing strong activity while the **Condominium** sector is emerging from a low base
- **Shanghai Residential** has been gaining momentum, both in activity and price terms, after cooling measures were withdrawn in early 2015, but the Government is keeping a watchful eye to prevent market from heating

International outlook, in comparison to Australia, is expected to gain momentum and be relatively stronger on a medium term view

 Source: Lendlease Group Research

Lendlease carried out an extensive global study to identify high potential Urban Regeneration cities

Phase 1: 206 countries

National GDP >$100b

62 countries

No significant political risk

48 countries

Adequate civil liberties

43 countries

More than 1 city with >1.5m population

39 countries

Phase 2: 39 countries

Economic Indicators

Urban Regeneration indicators

Business climate

Investor confidence

18 countries

Phase 3: 18 countries

18 scale cities[1] in Lendlease footprint[2] countries

+

14 scale cities in other countries

+

6 cities added by exception
from countries filtered in Phase 2

=

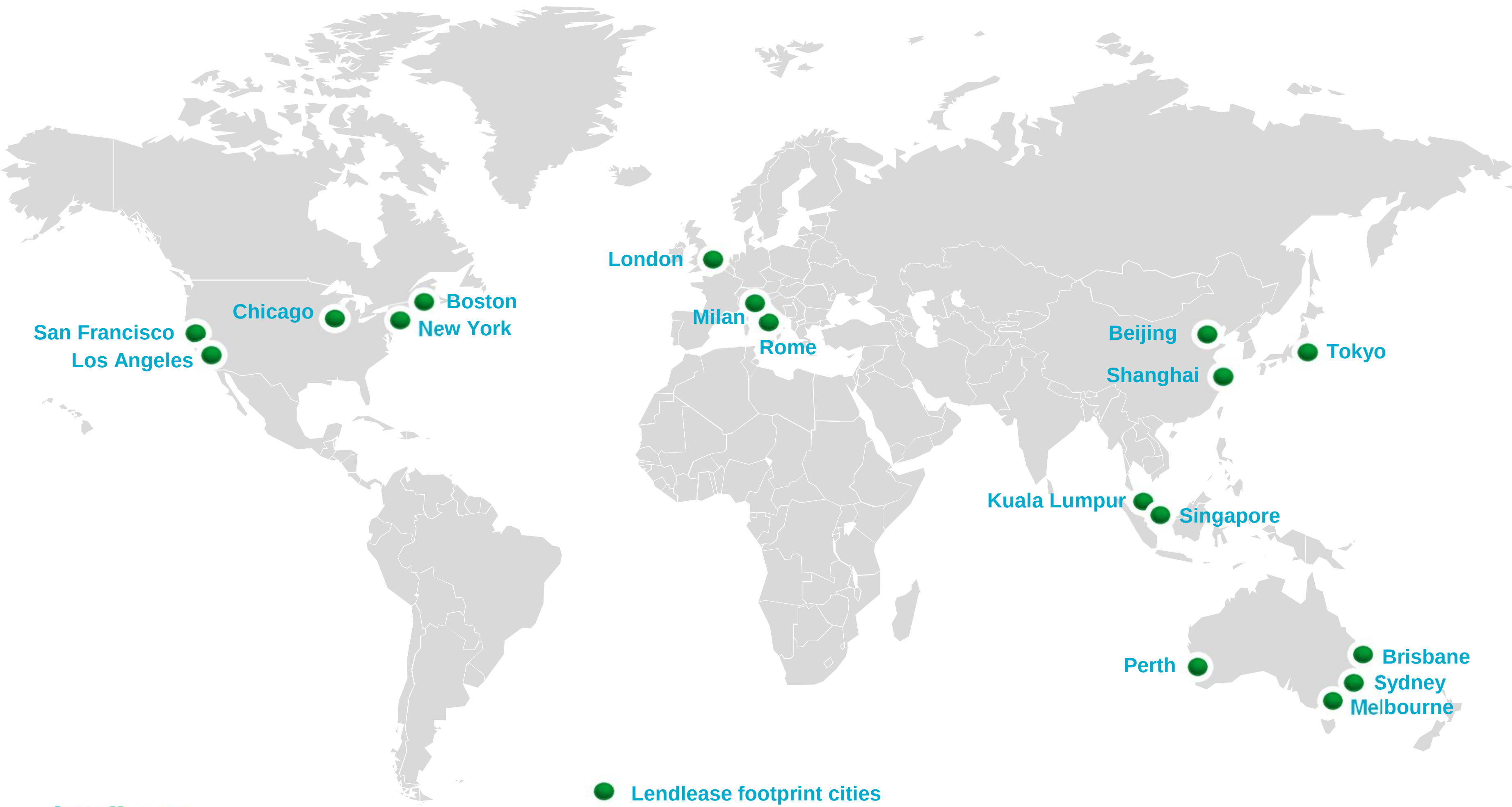
38 target Urban Regeneration cities

Target cities ranked by Z-score comprising 30 variables to determine relative attractiveness

1. Cities in developed markets with at least 1.5m population and the largest cities in the emerging markets
2. Lendlease's current countries of operation within those 18 countries

Source: Lendlease Group Research. Study carried out in mid-2014

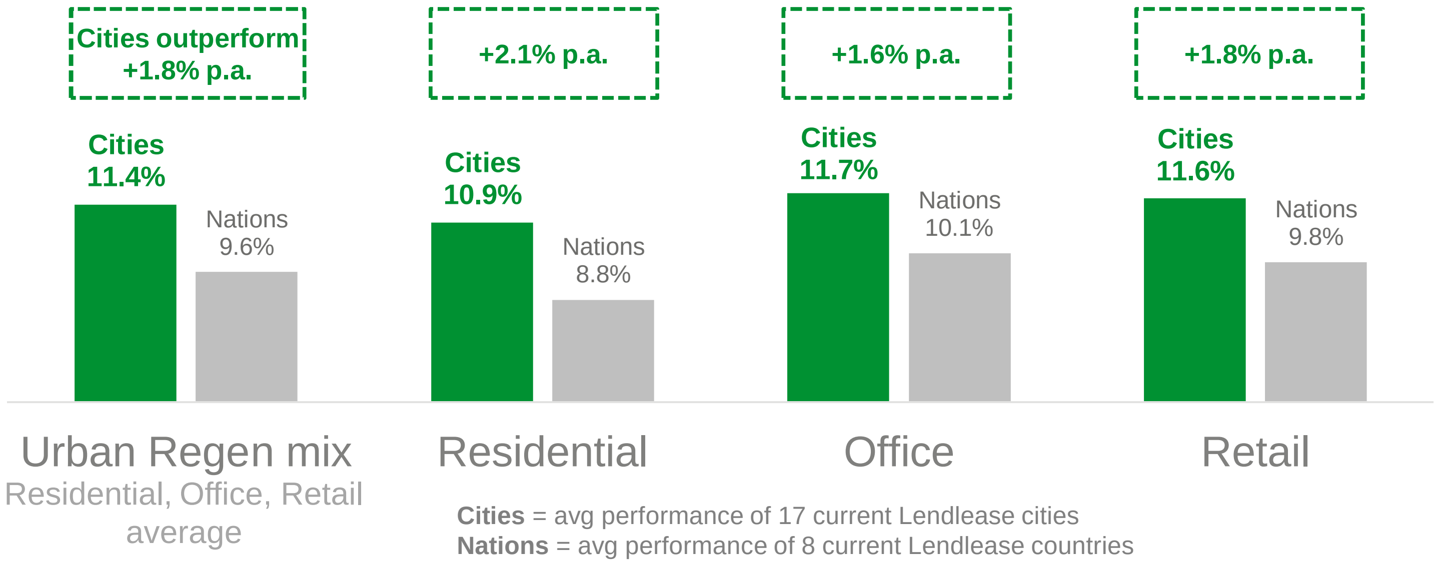
We have 17 footprint cities within the identified 38 global Gateway Cities



Our Gateway Cities continue to outperform their respective countries…..

Economic performance
Annual average 2010-2015

Property market performance
Annual average total return 2010-2015



Cities = avg performance of 17 current Lendlease cities
Nations = avg performance of 8 current Lendlease countries

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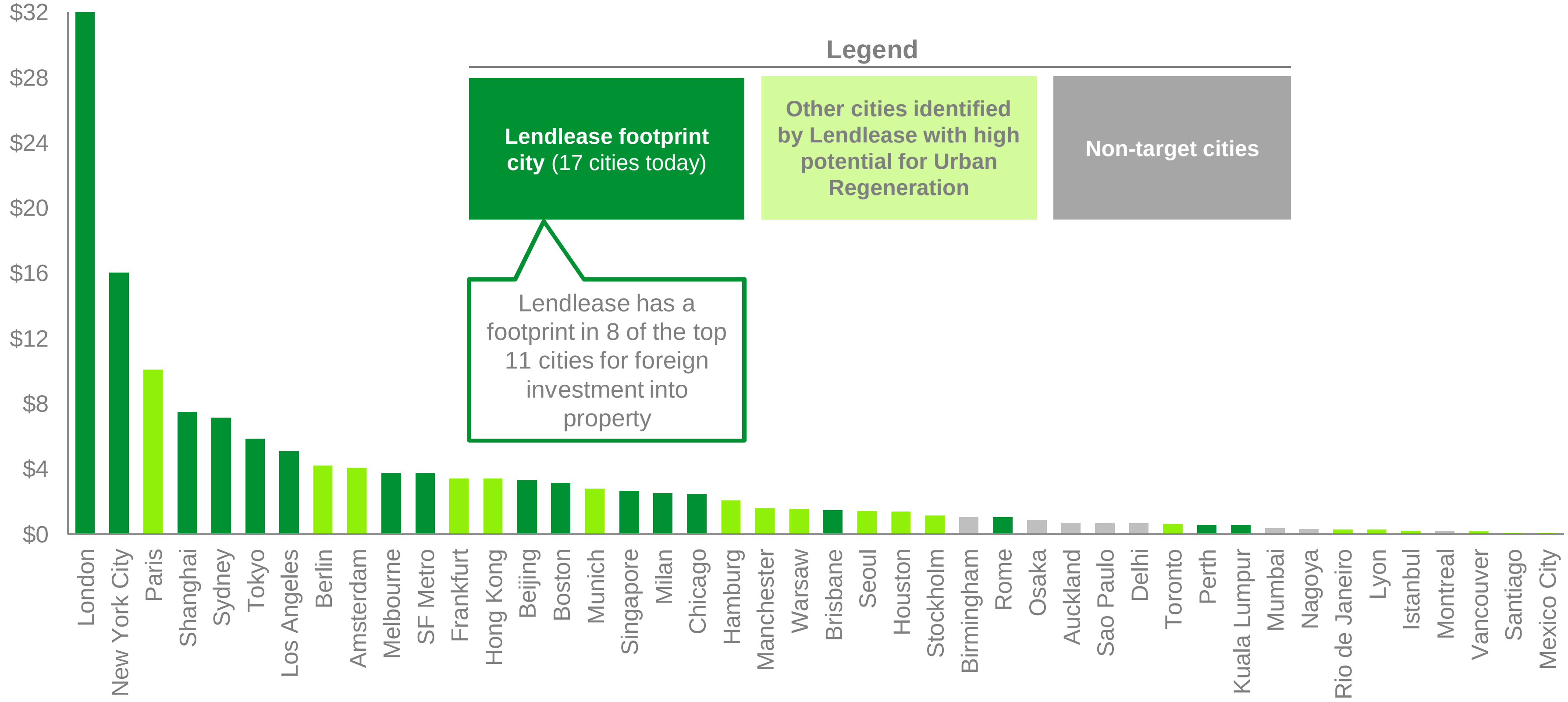
Note: Sector performance based on combinations where both city and country returns data is available
Source: Lendlease Group Research

… and attract the bulk of foreign investment into property globally

Global cities with largest foreign investment into property
US$b, annual average 2012-2015



Source: Lendlease Group Research, Real Capital Analytics

Tarun Gupta

Group Chief Financial Officer

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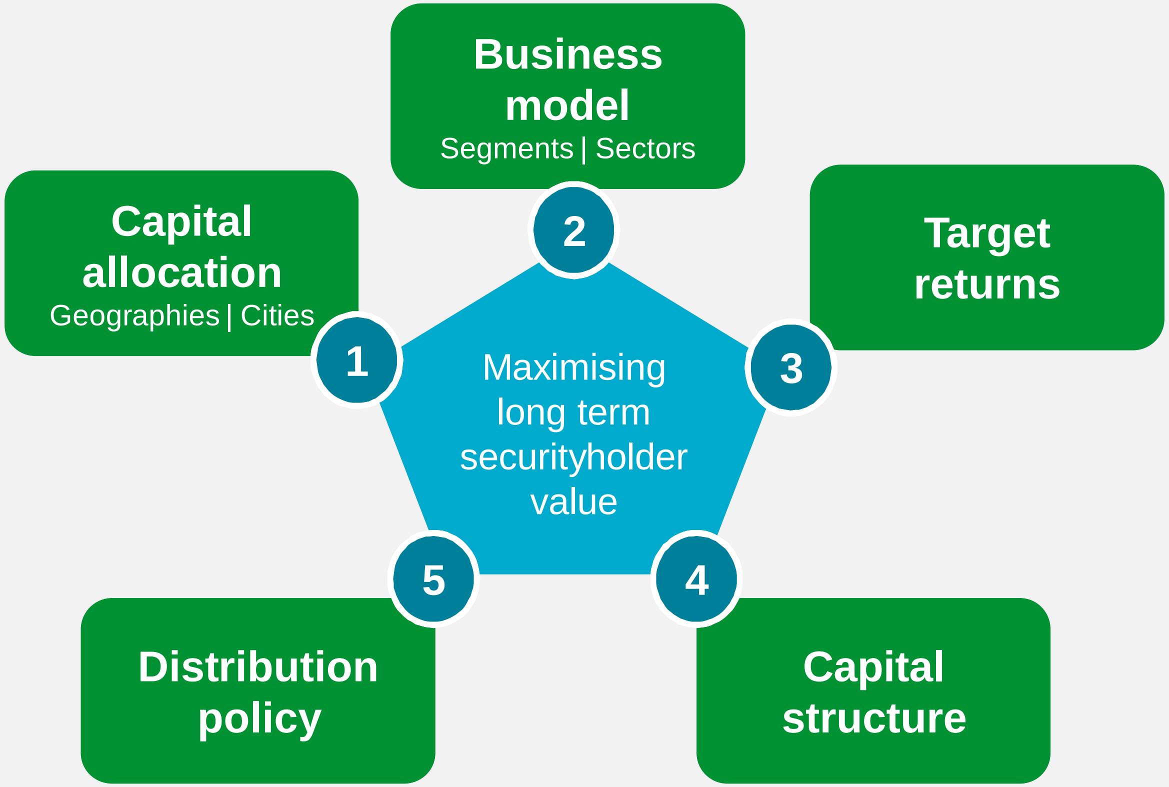
Illustration: Paya Lebar Quarter, Singapore

Portfolio Management Framework

Objectives

- Maximise long term securityholder value through a well diversified, risk-adjusted portfolio
- Leverage the competitive advantage of our integrated model
- Optimise our business relative to the outlook for our markets on a long term basis
- Ensure financial strength to execute our strategy and maintain a strong financial profile with flexibility to withstand shocks

Components



1

Capital allocation

Continuing to increase exposure to International markets

	Current Invested Capital[1,2]		Target Weighting[3]	Expected Trend[4]
Australia	$4.8b	74%	50-70%	↓
Asia	$0.5b	8%	5-20%	↑
Americas	$0.4b	6%	5-20%	↑
Europe	$0.8b	12%	5-20%	↑

- Focus on identified Gateway Cities
- International regions have contributed average 39% Operating PAT since FY10
- Ultimate allocation subject to quality of deal pipeline

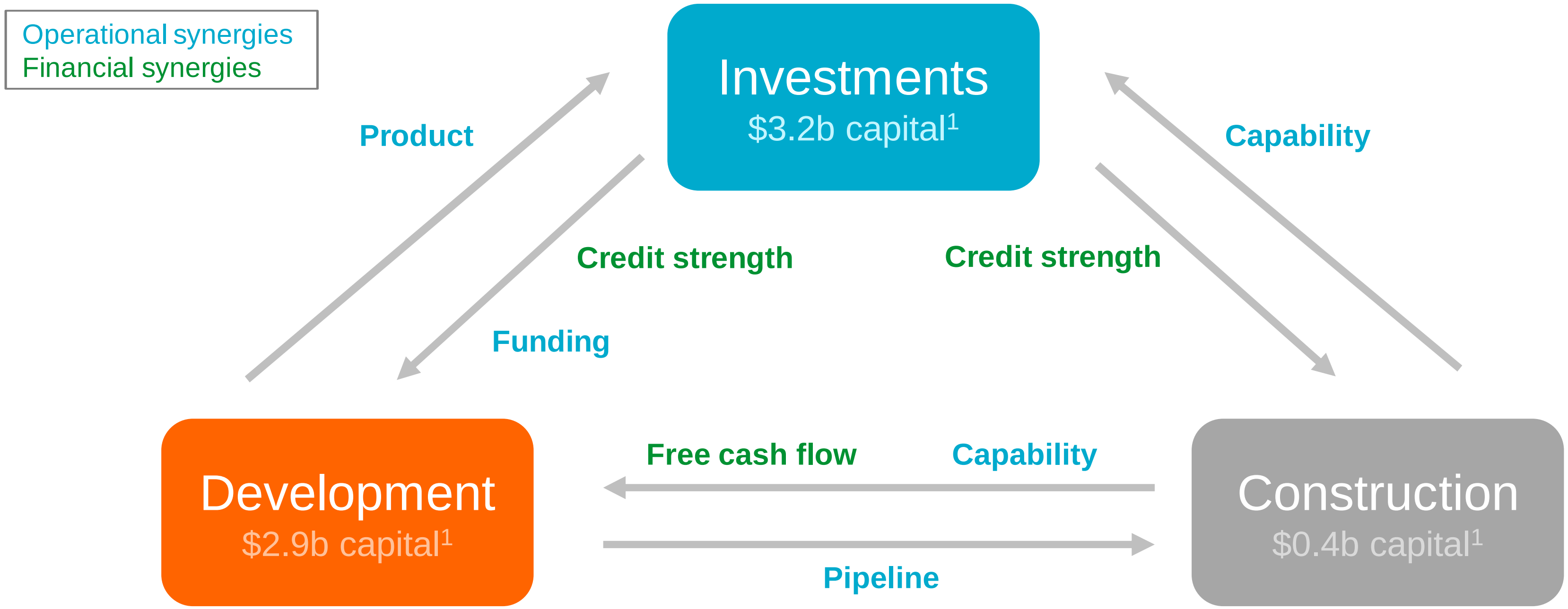
1. Invested Capital definition: Securityholder equity + Net debt. Total Lendlease Invested Capital at 30 June 2016 was $6.7b
2. Regional Invested Capital (per above) totalled $6.5b at 30 June 2016, remaining Invested Capital represents Corporate ($0.2b)
3. No individual International region to exceed 20% total Invested Capital (ex Corporate)
4. Based on impact to current position from expected flows of capital on existing and new projects

2

Business model

Optimising synergies from our integrated model

- World-class Development pipeline leverages the capabilities of our integrated model
- Recurring returns and fees from Investments support our investment grade credit rating
- Construction segment provides design and delivery capability and is a source of free cash flow

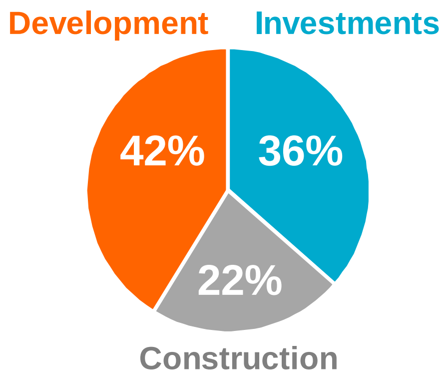
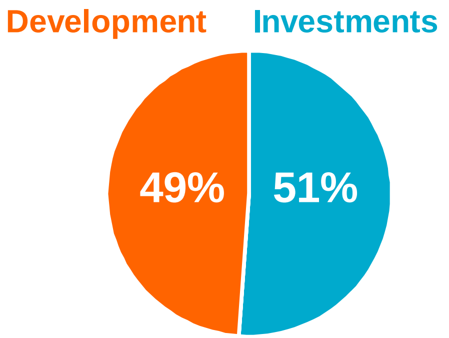


1. Total Lendlease Invested Capital at 30 June 2016 was $6.7b. Development, Investments and Construction Invested Capital totalled $6.5b (per above), with remaining Invested Capital representing Corporate ($0.2b)

2

Business model

Balanced segment mix including 30-40% earnings from Investments (prior target 20-30%[1])

	Average last 3 years	Target segment mix
EBITDA mix		EBITDA mix Development = 35-45% Investments = 30-40% Construction = 20-30%
Invested Capital mix[2]		Invested Capital mix Development = 40-60% Investments = 40-60%

Key sector focus

Development and Investments

- Residential (for sale and for rent)
- Office
- Retail
- Infrastructure
- Other including Telco, Health and Education
- Capital solution opportunity in retirement

Construction

- Government
- Healthcare
- Engineering
- Commercial
- Defence
- Residential

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1. Lendlease Investor Day 2013 presentation (recurring earnings target)
2. Capital-intensive segments only (i.e. excludes Construction and Corporate)

3 Target returns

Targeting our business to sustainable through-cycle returns[1]

Capital intensive segments targeted to ROIC[2]

Development
Target ROIC: 9-12%

Investments
Target ROIC: 8-11%

Construction targeted to operating margin

Construction
Target EBITDA margin: 3-4%

Group
Segment returns adjusted for corporate overheads

Debt
Net Debt / Invested Capital: ~20-30%
(10-15% Gearing[3])

Group ROE
10-14%

Delivering economic return over cost of equity through the cycle

Reflects ongoing target mix shift to Investments segment and long term decline in the risk-free rate

1. Through-cycle returns based on rolling 3-5 year timeline
2. ROIC definition: Operating Profit after Tax / Average Invested Capital
3. Gearing definition: Net Debt / Total Tangible Assets less Cash

4 Capital structure

Ensuring financial strength to execute our strategy efficiently

KEY CAPITAL STRUCTURE OBJECTIVES

1. Investment grade credit rating
2. Minimise Weighted Average Cost of Capital (WACC)
3. Sufficient buffer to manage cycles and risk

TARGETS

Gearing (Net Debt / Total Tangible Assets less Cash) = 10-15% target, 20% max

Broadly equivalent to Debt / Invested Capital of 20-30%

CAPITAL MANAGEMENT

- Tool to optimise long term securityholder value
- Priority remains executing existing projects in delivery and replenishing pipeline subject to availability of appropriate opportunities and returns
- Capital management will be explored in the event of a surplus capital position, subject to market outlook across our portfolio and maintaining ongoing capacity for future pipeline and flexibility to withstand shocks

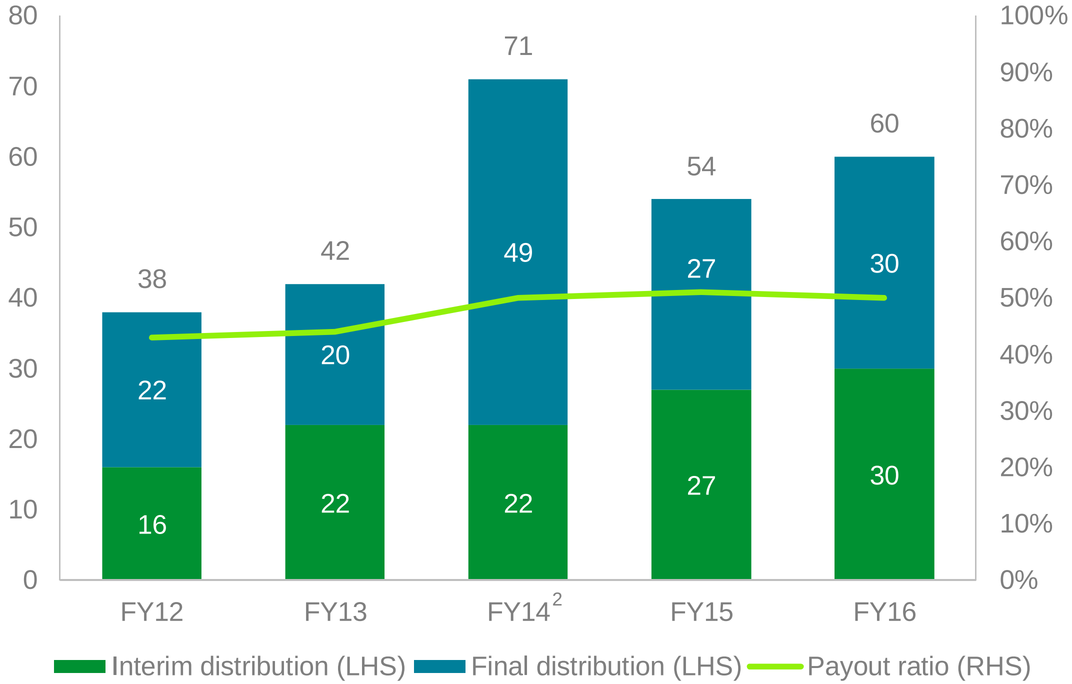
5

Distribution policy

Target 40-60% of earnings paid out to securityholders

- Since FY10, the distribution policy has targeted a payout of 40-60% of earnings
- Lendlease has consistently paid distributions in the policy range since this time
- Over the last 5 years[1], distributions have grown at a compound annual rate of 12%, largely based on underlying earnings growth delivered by the business
- No change in distribution policy is being proposed as part of the new framework

Distributions (cents per share) and payout ratio



1. FY12 - FY16
2. FY14 includes the impact of the Bluewater sale

Portfolio Management Framework summary

Business model

- Integrated model synergies
- Target EBITDA mix:
  35-45% Development
  30-40% Investments
  20-30% Construction

Capital allocation

- Focussed on Gateway Cities
- 50-70% capital in Australia
- 20% max per International region
- Shift towards Investments and International regions

Target returns

- Group ROE 10-14%
- Development ROIC 9-12%
- Investments ROIC 8-11%
- Construction EBITDA margin 3-4%

1 2 3 4 5

Maximising long term securityholder value

Distribution policy

- Payout 40-60% of earnings
- Capital management discipline

Capital structure

- Investment grade credit rating
- Optimised WACC
- Gearing[1] 10-15% (max 20%)

1. Gearing definition: Net Debt / Total Tangible Assets less Cash

Section 3
Closing and Final Q&A

Steve McCann

Group Chief Executive Officer and Managing Director

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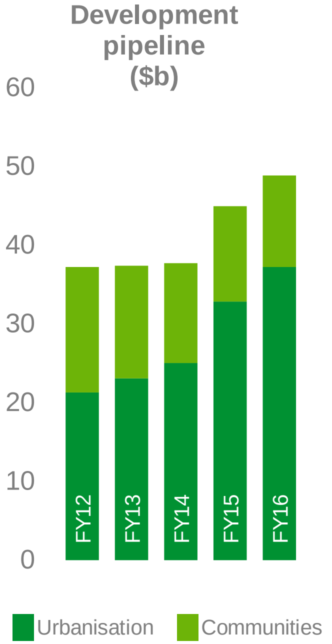
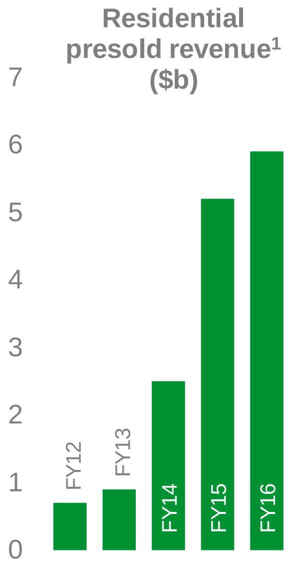
Image: Barangaroo Reserve towards Barangaroo South, Sydney

Summary and outlook

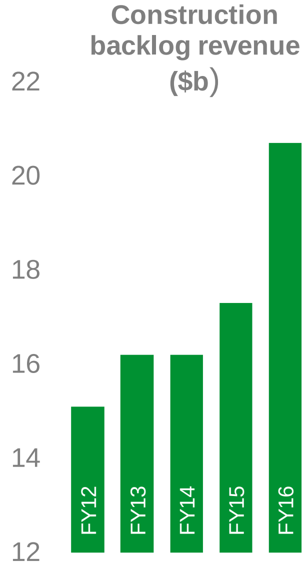
Development pipeline of $48.8b (76.4% urbanisation projects)[1]



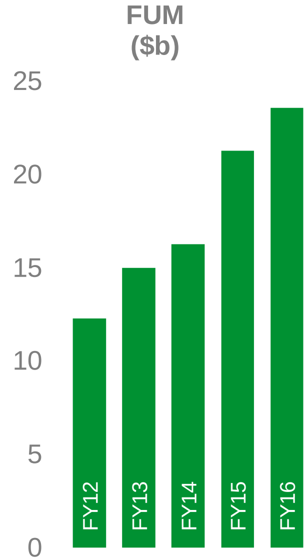
Record residential presold revenue of $5.9b[1,2]



Construction backlog revenue of $20.7b[1]



FUM of $23.6b[1]



Strong pipeline provides long term earnings visibility

Current focus on execution excellence remains our key priority

Portfolio management framework to maximise long term securityholder value

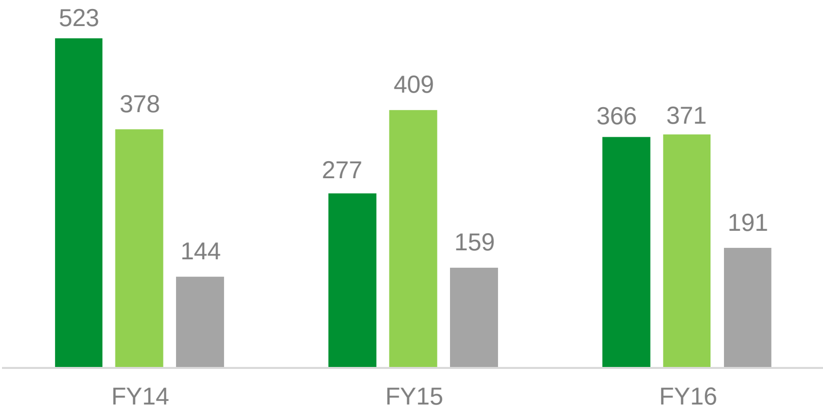
1. As at 30 June 2016
2. Excludes Retirement development and includes 100% of revenue from joint venture projects. Joint venture partner share of revenue is $190.3m

Q&A

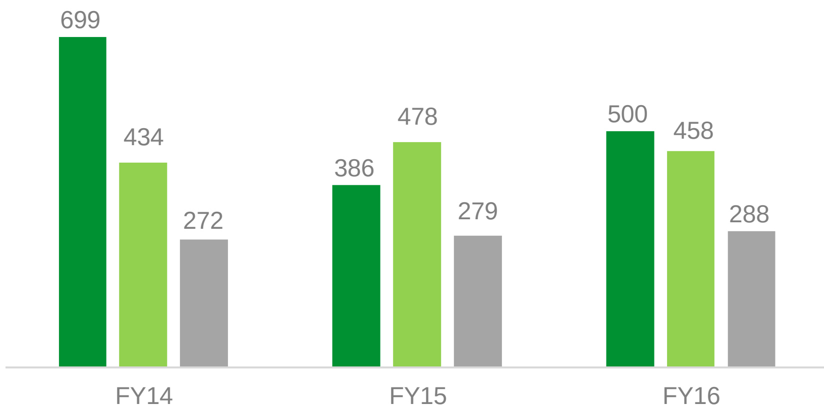
Appendix

Segment financial metrics

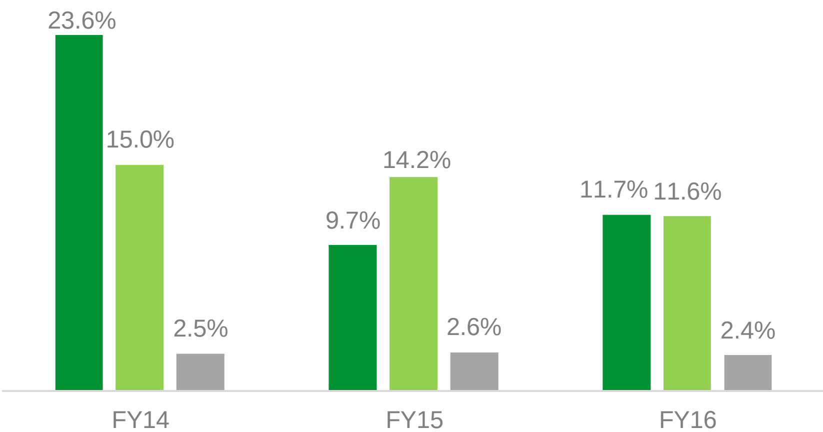
Operating Profit after Tax ($m)



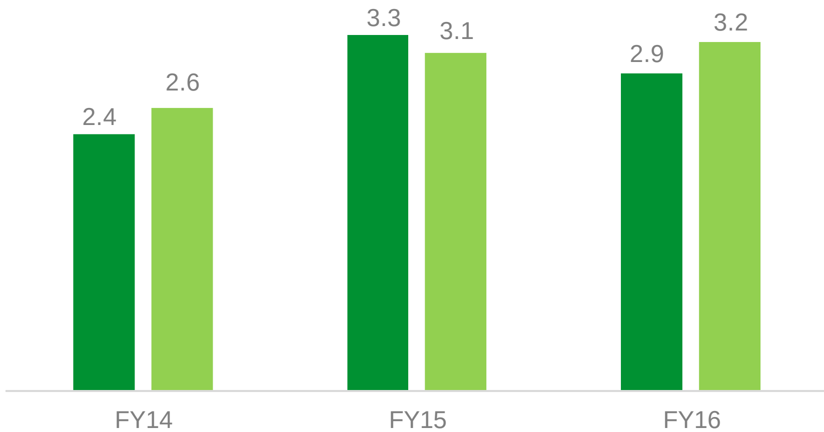
EBITDA ($m)



ROIC[1] (Development and Investments), EBITDA margin (Construction)



Invested Capital (Development and Investments) ($b)



Development Investments Construction

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1. ROIC definition: Operating Profit after Tax / Average Invested Capital

Segment and region financial metrics

By segment

	Revenue ($m)			EBITDA ($m)			Profit After Tax ($m)			Invested Capital ($b)		
	FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16
Development	2,313	1,876	2,544	699	386	500	523	277	366	2.4	3.3	2.9[1]
Investments	625	468	510	434	478	458	378	409	371	2.6	3.1	3.2[2]
Construction	11,016	10,937	12,032	272	279	288	144	159	191			
Corporate	19	18	19	(212)	(176)	(191)	(222)	(226)	(230)			
Group	13,973	13,299	15,105	1,193	967	1,055	823	619	698			

By region

	Revenue ($m)			EBITDA ($m)			Profit After Tax ($m)			Invested Capital ($b)		
	FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16
Australia	7,635	7,744	8,665	590	819	972	446	625	719	4.9	5.1	4.8
Asia	601	271	406	94	39	(10)	73	17	(20)	0.3	0.5	0.5
Americas	3,052	3,642	4,217	129	155	104	79	90	78	(0.1)[3]	0.1	0.4
Europe	2,666	1,624	1,798	592	130	180	447	113	151	0.2	0.8	0.8
Corporate	19	18	19	(212)	(176)	(191)	(222)	(226)	(230)			
Group	13,973	13,299	15,105	1,193	967	1,055	823	619	698			

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1. FY16 Development Invested Capital comprises $3.7b of Inventory, $0.1b of Investments, and ($0.9b) of Working Capital / Other
2. FY16 Investments Invested Capital comprises $1.5b of Retirement investments, $1.4b of co-investments, $0.1b of Infrastructure investments and $0.2b of Other
3. Americas negative Invested Capital position in FY14 driven by Construction working capital balance

Important notice