

ASX ANNOUNCEMENT

13 November 2020

Response to Melbourne Metro media reports

Lendlease refers to reporting in *The Age* newspaper in relation to the Melbourne Metro project.

As previously advised, the Cross Yarra Partnership and the D&C Subcontractor joint venture between Lendlease, John Holland and Bouygues Construction (together CYP), has been working with the Victorian Government on a confidential basis to resolve issues in relation to the scope and costs on the Melbourne Metro project.

CYP signed a Commercial Principles Deed with the Victorian Government on 30 June 2020 which agreed a set of non binding principles to resolve the issues on the project.

Confidential negotiations between the parties to formalise amending documents are continuing and are expected to be finalised in the coming weeks. The amending documents are expected to be consistent with the Commercial Principles Deed.

Lendlease has previously disclosed a cost estimate to exit the Engineering and Services businesses of \$450 - \$550 million¹. On 17 August 2020 in the announcement of its FY20 results, Lendlease advised the market that Lendlease expects these costs to be approximately \$550 million pre tax, with \$525 million pre tax accounted for in FY20². This includes the position on the Melbourne Metro project on the basis the amending documents reflect the principles agreed in the Commercial Principles Deed.

The Melbourne Metro project involves the design and construction of the tunnels and stations package which is part of the larger Victorian Government's Melbourne Metro Tunnel project. The tunnels and stations package is more than 30 per cent complete with major tunneling works and station construction progressing well.

Lendlease completed the sale of its engineering operations to Acciona on 9 September 2020 but retained three engineering projects, including the Melbourne Metro project. Since that time, two of the projects, Kingsford Smith Drive and NorthConnex, have achieved project completion.

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Authorised for lodgement by the Lendlease Group Disclosure Committee

¹ The cost estimate included implementation and selling costs, indemnities included in any sale agreements and potential costs to cover concluding projects retained by the Group

² \$15m accounted for in FY19 with a further \$10m expected in FY21

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