4 March 2024

Mr Elvis Onyura
Principal Advisor, Listings Compliance
Australian Securities Exchange
20 Bridge Street, Sydney, NSW 2000

By email: ListingsComplianceSydney@asx.com.au

Dear Mr Onyura

Lendlease Group (LLC): General – Aware Query

We refer to your letter of 26 February 2024 and respond as follows using the numbers in your letter under the heading 'Request for information'.

1. The Earnings Information, as defined, is not information that a reasonable person would expect to have a material effect on the price or value of LLC's securities.

2. As part of our HY24 Results Announcements, we announced a downward revision to FY24 Return on Equity guidance from the lower end of our 8-10 per cent range to 7 per cent. We believe this to be the primary driver of the LLC security price decline.

3. LLC first became aware of the Earnings Information in the ordinary course of preparing and finalising its HY24 financial results.

   Separately in relation to LLC's FY24 guidance, based on LLC's preparation for the release of its HY24 results and for the Board and Committee meetings commencing on Wednesday 14 February and scheduled to complete on Monday 19 February2024, LLC expected to maintain the FY24 guidance reaffirmed on 18 December 2023.

   On Sunday 11 February, outside the HY24 results preparation process and after papers had been issued for the Board and Committee meetings, LLC senior finance management received updated FY24 financial forecast information from some offshore business units which suggested that certain transactions may be at greater risk of execution being delayed into FY25 than had been understood and reflected in LLC's HY24 results preparation.

   As the new information appeared to be inconsistent with what had been understood and used in the preparation of papers submitted for the Board and Committee meetings, management promptly interrogated the information and any potential impact on the guidance previously provided to the market. This involved:

   - interrogating the information that had been received including a number of discussions with people offshore to better understand the reasons for the changes from the information provided previously; and

   - undertaking an analysis of the various scenarios and pathways for FY24 earnings factoring in the new information.

Consideration was also given to the increased uncertainty of anticipated cash receipts in the second half, resulting in:

- higher than expected funding costs; and
- a delay in other income producing investments.

This work occurred expeditiously over the week of the LLC Board and Committee meetings which included consideration of the FY24 results materials.

When finalised, this analysis was shared with the Board in the afternoon of Friday 16 February. After consideration, late on Friday 16 February the Board agreed in principle that the expected FY24 Return on Equity guidance should be reduced to 7 per cent.

Until that time LLC did not have sufficient certainty to provide public comment. The HY24 results material including the revised guidance was finalised over the weekend which included incorporating comments received from the Board and final verification.

The HY24 financial results materials, including revised FY24 Return on Equity guidance, were finalised and approved by the LLC Board for release on 19 February 2024 and subsequently released on the ASX Market Announcements Platform before market open that same day.

4. LLC does not consider that the Earnings Information for the relevant reporting period as disclosed in the HY24 announcement differed materially from the earnings guidance provided by LLC outlined in the response to Question 5 below.

5. LLC has provided guidance for the relevant reporting period in the form of FY24 Return on Equity guidance. LLC does not allocate its guidance on a half year basis. LLC first provided guidance for FY24 in the Outlook statement of its FY23 results, and on subsequent occasions, as outlined below.

14 August 2023 – FY23 results announcement

"*While headwinds remain, the Group is on track to meet the lower end of its Return on Equity Target of 8-10 per cent in FY24*.

Our Investments-led strategy is progressing, with continued growth in FUM expected, in line with recent performance.

Development earnings are expected to further recover, with target completions more than doubling in FY24 to greater than $8b, underpinned by key urban projects including One Sydney Harbour, and a further recovery in Communities settlements. The Group will also continue to explore capital partnering.

In Construction, we expect margins to improve, and anticipate realisation of backlog revenue in line with historical levels and additional new work secured.

The reduction in our global workforce is expected to deliver a pre-tax benefit of ~$60m to Core Operating Profit in FY24."

In addition, on the day of our FY23 results being released to the market on 14 August 2023, there was a market briefing where it was made clear in the Q&A section that the settlements of Residences One, One Sydney Harbour would be in the second half of FY24. Both a webcast and a transcript of this briefing are posted to our website.

3 November 2023 – Lendlease and Google end development agreements:

"*Lendlease's market guidance for FY24 remains unchanged with core operating ROE at the lower end of the 8%-10% range.*"

17 November 2023 – 2023 Annual General Meeting – Chairman and Global Chief Executive Officer Addresses:

"*We expect these difficult but necessary actions will deliver further pre-tax cost savings of more than $150 million per annum, with around $60 million to be realised in FY24."*

"Residences One will see settlements from February 2024, expected to contribute more than $900 million in net cash proceeds. Residences Two follows with settlements and net cash proceeds commencing in July 2024. Across both towers we expect net cash proceeds of $1.4 billion within the next nine-month period."

"The drivers of performance including our work in production, the progress on capital recycling, and our expected completions make me confident we are on track to achieve our core FY24 target of 8- 10%, albeit at the low end of the range.

With capital recycling transactions pending and contracted cash settlements from the completing towers, we continue to expect gearing to be around the mid-point of our 10-20% range for FY24."

(Excerpts from Global Chief Executive Officer Address)

18 December 2023 – Lendlease announces $1.3b sale of 12 Australian Communities projects:

"The transaction is expected to realise a ~20% premium to book value (pre-tax) and contribute $130 to $160 million to FY24 core operating profit after tax."

"Initial approvals and first financial settlement are expected to be received in Q3 FY24."

"Lendlease's market guidance for FY24 remains unchanged with Group core operating ROE expected at the lower end of the 8-10% range. The Group continues to forecast its FY24 gearing at or around the mid-point of the 10-20% target range."

In addition, with its FY23 Results Presentation (as it does each reporting period), LLC published an appendix as part of its Results Presentation which provides significant details on the operational metrics for LLC including the size and anticipated timing of completion of Development projects.

From the above announcements it is evident that the majority of LLC's Development earnings largely comprised of:

- Residences One, One Sydney Harbour settlements (with a net end value to LLC of $1.5 billion being 97% presold as advised to the market with the FY23 results which has increased to 98% presold as advised in the Earnings Information); and
- $130 to $160 million profit after tax from the sale of 12 Australian Communities projects,

were anticipated to be achieved in the second half of FY24.

It is also evident that the cost savings initiatives would be realised in the second half, and Investments and Construction would be anticipated to deliver a largely consistent performance half on half.

6. N/A.

7. LLC confirms that it is in compliance with ASX Listing Rules in particular, Listing Rule 3.1.

8. LLC's responses have been authorised and approved by the Chair of the Board, Global CEO, and Global CFO, who have delegated authority from the Board to respond to ASX on this matter.

Yours sincerely

Wendy Lee
Company Secretary
Lendlease Group

26 February 2024

Reference: 89097

Ms Wendy Lee
Company Secretary
Lendlease Group
Level 14
Tower Three
International Towers Sydney
Exchange Place
300 Barangaroo Avenue
Barangaroo NSW 2000

By email

Dear Ms Lee

Lendlease Group ('LLC'): General – Aware Query

ASX refers to the following:

A. The announcements released on the ASX Market Announcement Platform ('MAP') on 19 February 2024, all marked as "market sensitive" and entitled:

   (a) "Half Yearly Report and Accounts" released on MAP at 8:06 AM AEDT;

   (b) "LL HY24 ASX, Presentation and Appendix" released on MAP at 8:08 AM AEDT; and

   (c) "LL HY24 Financial and Operational Metrics" released on MAP at 8:09 AM AEDT,

   (collectively, the 'HY24 Results Announcements').

B. The various disclosures in the HY24 Results Announcements that LLC's:

   (a) operating earnings before interest, tax, depreciation and amortisation ('Operating EBITDA') for the half year ended 31 December 2023 ('Relevant Reporting Period') was $207 million;

   (b) core operating profit after tax for the half year ended 31 December 2023 was $61 million; and

   (c) statutory loss after tax was $136 million,

   (collectively, the 'Earnings Information').

C. The decrease in the price of LLC's securities by 14% on 19 February 2024, from a closing price of $7.51 on 16 February 2024 to a closing price of $6.46 on 19 February 2024.

D. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities

E. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

   "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and

F. Section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."

G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed."

H. ASX's policy position on "market sensitive earnings surprises", which is detailed in section 7.3 of Guidance Note 8. In particular, the Guidance Note (relevantly) states that:

"An earnings surprise will need to be disclosed to the market under Listing Rule 3.1 if it is market sensitive – that is, it is of such a magnitude that a reasonable person would expect information about the earnings surprise to have a material effect on the price or value of the entity's securities". . .

"Where an entity does not have published earnings guidance on foot for the current reporting period and it is covered by sell-side analysts, ASX would recommend that the entity carefully consider notifying the market of a potential earnings surprise if and when it expects there to be a 15% or greater difference between its actual or projected earnings for the period and its best estimate of the market's expectations for its earnings". . .

Request for information

Having regard to the above, ASX asks LLC to respond separately to each of the following questions and requests for information:

1. Does LLC consider the Earnings Information (or any part of it) to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is "no", please advise the basis for that view.
3. When did LLC first become aware of the Earnings Information?
4. Does LLC consider that the Earnings Information for the Relevant Reporting Period, as disclosed in the HY24 Results Announcements, differed materially from market's expectations of the relevant measure of LLC's earnings for the Relevant Reporting Period, having regard to the following three base indicators which may have informed such expectations (in decreasing order of relevance and reliability):

   4.1 If LLC had published earnings guide for the Relevant Reporting Period, that guidance.

4.2 If LLC is covered by sell-side analysts, the earnings for the corresponding period, being the Relevant Reporting Period.

4.3 If paragraphs 4.1 and 4.2 are not applicable, LLC's earnings for the prior corresponding period, being the half year ended 31 December 2022.

5. Please explain the basis for the view provided in response to question 4. In doing so, please specify how LLC determined market expectations of each relevant measure of its earnings for the Relevant Report Period, including:

   5.1 If LLC had published earnings guidance for the Relevant Reporting Period, details of that guidance and when it was released to the market.

   5.2 If LLC used sell-side analysts forecasts to estimate the market's expectations of the relevant measure of its earnings for the Relevant Reporting Period, details of the method that LLC used to translate sell-side analysts forecast into its estimate of such market expectations and, in particular, whether or not LLC used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate.

6. If the answer to question 4 is "yes", did LLC make any announcement prior to 19 February 2024 which disclosed information in relation to the Earnings Information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe LLC was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps LLC took to ensure that the information was released promptly and without delay.

7. Please confirm that LLC is complying with the Listing Rules and, in particular, Listing Rule 3.1.

8. Please confirm that LLC's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of LLC with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:00 AM AEDT Tuesday, 5 March 2024**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, LLC's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require LLC to request a trading halt immediately.

Your response should be sent to ASX by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on MAP.

Trading Halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in LLC's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;

- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in LLC's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to LLC's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that LLC's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Yours sincerely

ASX Compliance