Lendlease Global Commercial REIT Reports Distribution Per Unit of 2.34 cents for 1H FY2021

Operational efficiency to reduce costs and conserve cash at 313@somerset and stable revenue from Sky Complex mitigates risks

- Distribution per unit of 2.34 cents for 1H FY2021
- Net property income was S$30.4 million for 1H FY2021
- Gearing ratio of 35.5% with average running cost of debt of 0.88% p.a.
- Weighted average debt maturity of 2.7 years with no refinancing until FY2023
- Weighted interest coverage ratio of 8.5 times[1]
- Portfolio occupancy remained strong at 99.7%
- Weighted average lease expiry ("**WALE**") of 9.3 years by net lettable area ("**NLA**") and 4.9 years by gross rental income ("**GRI**")
- Approximately 2% (by NLA) and 6% (by GRI) of the portfolio remain for renewal and review in FY2021

DBS Bank Ltd. is the Sole Financial Adviser and Issue Manager for the initial public offering of Lendlease Global Commercial REIT (the "**Offering**"). DBS Bank Ltd. and Citigroup Global Markets Singapore Pte. Ltd. were the joint global coordinators, bookrunners and underwriters for the Offering.

Singapore, 10 February 2021 - Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**"), the manager of Lendlease Global Commercial REIT ("**LREIT**"), today announces its unaudited financial statements and distribution announcement for the first financial half year period from 1 July 2020 to 31 December 2020.

Financial performance

LREIT's distributable income for 1H FY2021 increased 1.4% to S$27.5 million against the annualised[2] results for the 6 months ended 31 December 2019, translating to a distribution per unit ("**DPU**") of 2.34 cents.

Gross revenue for 1H FY2021 was S$41.6 million, up 3.2% compared to the annualised results. This was driven by the strengthening of the Euro against the Singapore Dollar for Sky Complex as well as improved operational efficiency to reduce costs and conserve cash at 313@somerset.

[1] The interest coverage ratio of 8.5 times is in accordance with requirements in its debt agreements and 4.5 times in accordance with the Property Funds Appendix of the Code on Collective Investment Schemes.
[2] As announced on 9 April and 20 April 2020, the Manager will provide year-on-year comparisons of LREIT's financial results for FY2021 against its financial results for FY2020, in the announcements of LREIT's full year financial results for FY2021.

The increase in gross revenue has resulted in a higher net property income of S$30.4 million for 1H FY2021.

Property expenses for the period were S$0.8 million or 7.6% higher than the annualised 6 months ended 31 December 2019. The higher expenses were mainly attributed to the provision of S$1.5 million doubtful debts amid the impact of COVID-19 on some tenants at 313@somerset. However, this was partially offset by S$0.7 million of lower repair & maintenance expenses, salary & related expenses, property taxes, operating expenses and utilities expenses.

Summary of Financial Results

	1H FY2021	1H FY2020[3]	Variance (%)
Gross revenue (S$'000)	41,608	40,326	3.2
Property operating expenses (S$'000)	(11,215)	(10,421)	(7.6)
Net property income (S$'000)	30,393	29,905	1.6
Distributable income to Unitholders (S$'000)	27,546	27,164	1.4
DPU (cents)	2.34	2.32	0.8
Annualised distribution yield[4] (%)	6.36	4.97	139bp

Capital Management

On 1 October 2020, the Group and LREIT established a 4-year multicurrency revolving facility of S$50.0 million-equivalent for general corporate funding purposes. The revolving credit facility was undrawn as at 31 December 2020. In addition, the Group and LREIT have uncommitted undrawn debt facilities of S$98.4 million equivalent to fund its working capital as at the period end.

Gross borrowings stood at S$559.5 million as at 31 December 2020, equating to a gearing ratio of 35.5%. The ratio is well below the regulatory limit of 50.0% and provides LREIT with debt headroom to grow its portfolio. The weighted average debt maturity was 2.7 years with an average running cost of debt of 0.88% per annum. LREIT's interest coverage ratio was 8.5 times in accordance with requirements in its debt agreements, and 4.5 times in accordance with the

[3] The annualised results for the 6 months ended 31 December 2019 is based on the actual results from 2 October 2019 to 30 June 2020 (273 days) pro-rated to 366 days, deducting for the actual results from 1 January 2020 to 30 June 2020.
[4] Based on the closing price of S$0.73 and S$0.93 as at 31 December 2020 and 31 December 2019, respectively.

Property Funds Appendix of the Code on Collective Investment Schemes. The current levels of the interest rate coverage ratios provide ample buffer from the debt covenant of 2.0 times.

To mitigate foreign currency risks, LREIT has put in place a Euro term loan, which provides a natural hedge against its Euro capital investment in Sky Complex. It has diverse sources of funding from a lending group of well-rated financial institutions to further strengthen the REIT's capital structure over the medium term. All of LREIT's debt is unsecured debt, ensuring that it has balance sheet flexibility.

LREIT has established a S$1 billion multicurrency debt issuance programme as at the date of this announcement.

Operations Update

Portfolio occupancy remained high at 99.7% as at 31 December 2020, with a long WALE of 9.3 years[5] by NLA and 4.9 years[5] by GRI. Approximately 2% and 6% of the portfolio NLA and GRI remain for renewal and review, respectively, in FY2021.

313@somerset, prime retail mall in Singapore

Tenant sales and footfall continue to gain positive traction quarter-on-quarter ("**QoQ**"). Compared to pre-COVID-19 levels, tenant sales and footfall have recovered approximately 75% and 60%, respectively. In 1H FY2021, approximately 40%[6] of the leases were rejuvenated with new offerings such as experiential retail and food & beverage concepts being introduced to the mall. Occupancy rate as at 31 December 2020, improved to 98.7% from 95.6% in the last quarter due to the new tenants secured.

While economic and social activities have partially resumed in a careful and calibrated manner in Singapore, safe distancing requirements and travel restrictions continue to have an impact on some businesses. To provide targeted support for impacted small and microenterprise tenants, the government passed the Re-Align Framework in November 2020. The framework, which commenced from 15 January 2021 to 26 February 2021, allows eligible tenants to renegotiate their contracts with landlords.

The Manager prioritises maintaining occupancy levels and keeping ongoing communications with tenants to help them stay viable. However, in the short term, the weak demand may weigh on rental performance.

Meanwhile, LREIT has commenced its lease for the former Grange Road car park site, adjacent to 313@somerset, in December 2020. Set to be operational in the first half of 2022, the multiple

[5] Assumes that Sky Italia does not exercise its break option in 2026.
[6] Based on NLA due in FY2021

dedicated event spaces will include an indoor live performance venue, an independent cinema, hawker stalls serving local delights as well as a food and beverage attraction.

Sky Complex, grade-A offices in Milan

The tenant's broadcasting business continued to remain in operation with safe management measures in place. Stable revenue contribution from Sky Complex continues to mitigate downside risks during the COVID-19 pandemic.

The Milano Santa Giulia ("**MSG**") urban redevelopment project is currently underway and continues to make good progress. In the masterplan, the southern zone of the MSG district, where Sky Complex is located, has been designated to be the new business district in Milan. Two grade-A office development projects, adjacent to Sky Complex, with a total NLA of approximately 90,000 square metres are expected to be completed in the next two years. To-date, approximately 80% of space in one of the projects has been pre-let to a global engineering company.

In-principle approval has been granted to develop the northern zone of the MSG district into a large urban park that integrates smart technology and sustainability initiatives. The Winter Olympics, which is due to take place in the northern zone in 2026, is expected to attract political and foreign investments to the district in the coming years.

These upcoming projects and developments, alongside the infrastructure development of a new metro line that connects to Rogoredo station and Linate airport, are expected to add further momentum and support from the Milan Metropolitan Government to accelerate the redevelopment of the MSG district into one of Milan's key decentralised office and mixed-use destinations.

Mr Kelvin Chow, Chief Executive Officer of the Manager, said, "We are encouraged by the improving signs seen in Singapore's retail sales and the moderation in the rate of economic contraction in fourth quarter 2020. While leasing may continue to remain challenging in the near term, we believe that 313@somerset, given its prime location, will continue to attract new prospects to showcase their brands in this youth-oriented mall."

"We are also pleased to see the redevelopment of Milano Santa Giulia gaining progress. The district, to be redeveloped in multiple phases, will further reinforce the Milano Santa Giulia district as a major office and business destination in greater Milan when completed", he added.

Commitment to sustainability

The Manager's proactive approach on sustainability to raise its environmental, social and governance standards has been recognised through the multiple achievements in the 2020 Global Real Estate Sustainability Benchmark ("**GRESB**") assessment.

Participating in the assessment for the first time, LREIT has achieved GRESB 5-star rating – the highest rating and recognition for being an industry leader. It has outperformed its peers and was ranked first in the Asia Retail (Overall), Asia Retail (Listed), Asia (Overall) and Asia (Listed) categories. In the Global Retail (Listed) category, LREIT was ranked second, cementing its leadership on the sustainability front.

Market Outlook

Singapore Retail Industry

Based on advance estimates by the Ministry of Trade and Industry, the Singapore economy contracted by 3.8%[7] year-on-year ("**YoY**") in the fourth quarter of 2020. This was an improvement from the 5.6%[7] YoY contraction recorded in the third quarter. For the full year 2020, the Singapore economy contracted by 5.8%[7] YoY.

In the last quarter of 2020, the slight pickup in economic activities and mega sales events have led to a higher consumption of goods and services domestically. According to the Department of Statistics, the decline in retail sales eased in November, falling 1.9%[8] YoY. This was an improvement compared to the 8.5%[8] YoY contraction seen in October.

While the move into Phase Three of Singapore's reopening marks a more positive outlook for Singapore in 2021, demand for retail space will likely remain soft with the continued safe distancing measures being implemented and border closures.

Milan Office Industry

In the office sector, vacancy rates in Milan remained stable at 9.9%[9] in Q3 2020. The quarter saw a decline in overall absorption in the Milan submarkets. Pre-let transactions have lagged, resulting in a slowdown in Grade A office absorption. This was mainly attributable to occupiers putting a lid on rental costs as they continue to seek flexible office spaces as an alternative to traditional spaces – in preparation for a new office world post-COVID-19.

Nonetheless, flight to quality has brought the total office investments for the nine months in 2020 to approximately €1.9 billion[9], an increase of 25% YoY. While domestic investors concluded most of the acquisition transactions in the first half of the year, foreign investors account for 83%[9] of the total investments in the third quarter.

In the short term, businesses will assess how they could integrate new and flexible ways of working into their traditionally rigid working culture. While smaller office footprints could help firms lower their occupancy costs, it could soften the demand for office space. Hence, assets with strong and financially sound tenants will likely perform better and ride the wave of recovery when the COVID-19 pandemic is fully contained.

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[7] Singapore's GDP Contracted by 3.8 Per Cent in the Fourth Quarter of 2020
[8] Department of Statistics Singapore, Retail Sales Index and Food & Beverage Services Index, November 2020
[9] CBRE, Milan Office MarketView 3Q 2020

Distribution Policy

LREIT intends to make distributions to Unitholders semi-annually and will distribute at least 90.0% of its adjusted net cashflow from operations for each financial year. The actual level of distribution will be determined at the Manager's discretion. LREIT intends to distribute 100.0% of its adjusted net cashflow from operations for the period from 2 October 2019 (being the date LREIT was listed) to the end of 30 June 2021.

ENDS

About Lendlease Global Commercial REIT

Listed on 2 October 2019, Lendlease Global Commercial REIT (**"LREIT"**) is established with the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of stabilised income-producing real estate assets located globally, which are used primarily for retail and/or office purposes.

Its portfolio comprises a leasehold interest in, 313@somerset, a prime retail property located in Singapore and a freehold interest in Sky Complex, which comprises three grade-A office buildings located in Milan. These two assets have a total NLA of approximately 1.3 million square feet, with an appraised value of S$1.4 billion. On 1 October 2020, LREIT acquired a stake in Jem, an integrated office and retail development in Singapore, through a 5 per cent interest in Lendlease Asian Retail Investment Fund 3.

LREIT is managed by Lendlease Global Commercial Trust Management Pte. Ltd., an indirect wholly-owned subsidiary of Lendlease. Its key objectives are to provide Unitholders with regular and stable distributions, achieve long-term growth in distribution per unit and net asset value per unit, and maintain an appropriate capital structure.

About the Sponsor - Lendlease Corporation Limited

The Sponsor, Lendlease Corporation Limited, is part of the Lendlease Group[10], an international property and infrastructure group with core expertise in shaping cities and creating strong and connected communities, with operations in Australia, Asia, Europe and the Americas.

Headquartered in Sydney and established in 1958, the Lendlease Group's vision is *Together we create value through places where communities thrive.*

The Lendlease Group's approach is to maintain a portfolio of operations that deliver diversification of earnings by segment and region, providing a mitigant to property cycles. This approach means that through cycles the composition of earning from each segment or region may vary.

The Lendlease Group has a development pipeline value of approximately A$113 billion[11], core construction backlog of A$14 billion[11] and funds under management of A$36 billion[11]. The Lendlease Group is a trusted investment manager to over 150 key capital partners in property and investments. **For more information, please contact Investor Relations:**

[10] Lendlease Group comprises the Sponsor, Lendlease Trust and their subsidiaries.
[11] As at 30 June 2020.

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The value of units in LREIT (the **"Units"**) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by Lendlease Global Commercial Trust Management Pte. Ltd. (the **"Manager"**), RBC Investor Services Trust Singapore Limited (as trustee of LREIT) or any of their affiliates.

This press release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, (including employee wages, benefits and training costs), property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Holders of Units (**"Unitholder"**) have no right to request the Manager to redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (**"SGX-ST"**). Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

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The past performance of LREIT is not necessarily indicative of its future performance.