

UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FINANCIAL PERIOD FROM 2 OCTOBER 2019 (LISTING DATE) TO 30 JUNE 2020
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The sole financial advisor and sole issue manager for the Offering is DBS Bank Ltd. DBS Bank Ltd. and Citigroup Global Markets Singapore Pte. Ltd. are the joint global coordinators, bookrunners and underwriters for the Offering.

LENDLEASE GLOBAL COMMERCIAL REIT

UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FINANCIAL PERIOD FROM 2 OCTOBER 2019 (LISTING DATE) TO 30 JUNE 2020

Introduction

Lendlease Global Commercial REIT (“LREIT”) is a Singapore real estate investment trust constituted by the Trust Deed dated 28 January 2019 (as amended). It is principally regulated by the Securities and Futures Act, Chapter 289 of Singapore, the Code on Collective Investment Schemes issued by the MAS (“CIS Code”), including Appendix 6 of the CIS Code (the “Property Funds Appendix”), other relevant regulations and the Trust Deed. LREIT was listed on the Mainboard of Singapore Exchange Securities Trading Limited (“SGX-ST”) on 2 October 2019 (“Listing Date”).

The Sponsor, Lendlease Corporation Limited (“Sponsor” or “Lendlease Corporation”), is part of the Lendlease Group, comprising Lendlease Corporation, Lendlease Trust and their subsidiaries (the “Lendlease Group”, and the Sponsor and its subsidiaries, the “Sponsor Group”). Lendlease Group is a leading international property and infrastructure group with operations in Australia, Asia, Europe and the Americas and is listed on the Australian Securities Exchange.

Lendlease Global Commercial Trust Management Pte. Ltd. (the “Manager”) is an indirect wholly-owned subsidiary of the Sponsor.

The Trustee of LREIT is RBC Investor Services Trust Singapore Limited (the “Trustee”).

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, as well as real estate-related assets in connection with the foregoing.

LREIT completed the acquisition of its initial portfolio on the Listing Date. The initial portfolio comprises a leasehold interest in one retail mall located in Singapore and a freehold interest in three office buildings located in Milan, Italy (the “Properties”).

The details of each of these properties are as follows:

- (i) a 99-year leasehold¹ interest in 313@somerset, which is a retail mall located in Singapore (the “Singapore Property”); and
- (ii) a freehold interest in Sky Complex, which comprises three office buildings located in Milan, Italy (the “Milan Property”).

The Manager had made announcements on 9 April 2020 and 20 April 2020 respectively, with regard to the IPO profit and distribution forecast for the financial year ending 30 June 2020 (“FY2020”) and the profit and distribution projection for the financial year ending 30 June 2021 (“FY2021”), as it may no longer be a fair basis against which the actual performance of LREIT could be compared given current circumstances.

Footnotes:

1. Commencing on 21 November 2006 and ending on 20 November 2105.

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Financial Statements Presentation

As disclosed in the Prospectus, SGX-ST granted LREIT a waiver from compliance with Rule 705(2)(b) of the SGX-ST Listing Manual in relation to the announcement of results for the financial quarter ended 30 September 2019 on the basis that LREIT did not have any meaningful financial results for the quarter as it was a private trust and the Properties had not been acquired. Accordingly, LREIT announced its first financial results on 10 February 2020 for the period from the Listing Date to 31 December 2019. No comparative figures have been presented as LREIT was dormant from its date of constitution, 28 January 2019 to the Listing Date.

Any discrepancies in the tables included in this announcement between the listed amounts and the totals thereof are due to rounding.

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.

The second distribution will be for the period from 1 January 2020 to 30 June 2020 and will be paid on or before 30 September 2020. LREIT intend to distribute 100.0% of LREIT's adjusted net cashflow from operations for the period from the Listing Date to the end of 30 June 2021.

Summary of Lendlease Global Commercial REIT Group Results

	GROUP			
	3 months ended 30 Jun 2020		2 Oct 2019 (Listing Date) to 30 Jun 2020	
	Actual	Forecast ^A	Actual	Forecast ^A
Gross Revenue (S\$'000)	12,466	21,514	55,536	63,910
Net Property Income (S\$'000)	7,514	16,092	40,289	47,722
Amount Distributable (S\$'000) - to Unitholders	5,693	15,078	35,672	44,671
Available Distribution per Unit ("DPU") (cents)	0.48	1.28	3.05	3.80
Annualised Distribution yield (%) ^B				
Based on IPO listing price of S\$0.88	2.19%	5.86% ^C	4.64%	5.79% ^C
Based on closing price of S\$0.68 ^D	2.83%	7.59%	6.00%	7.49%

Footnotes:

A. The Forecast is derived from the forecast year 1 October 2019 to 30 June 2020 as disclosed in the Prospectus. This footnote is applicable from page 3 to page 23.

B. The annualised distribution yield from Listing Date to 30 June 2020 is on a pro-rata basis of 273 days.

C. The Forecast yield from Listing Date to 30 June 2020 is 5.80% as per the Prospectus.

D. As at 30 June 2020.

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1(a)(i) Consolidated Statement of Profit or Loss and Distribution Statement

	GROUP		
	3 months ended 30 Jun 2020		
	Actual (S\$'000)	Forecast ^A (S\$'000)	Variance %
Gross revenue	12,466	21,514	(42.1)
Property operating expenses	(4,952)	(5,422)	8.7
Net property income	7,514	16,092	(53.3)
Manager's Base Fee	(967)	(925)	(4.5)
Manager's Performance Fee	(376)	(805)	53.3
Other management fees	(198)	(175)	(13.1)
Trustee's fee	(50)	(55)	9.1
Other trust expenses ¹	(478)	(375)	(27.5)
Net foreign exchange loss ²	(83)	-	NM
Finance income	195	-	NM
Finance costs ³	(2,349)	(2,707)	13.2
Profit before tax and change in fair value	3,208	11,050	(71.0)
Net change in fair value of investment properties ⁴	28,895	-	NM
Net change in fair value of derivative financial instruments ⁵	(1,707)	-	NM
Profit before tax	30,396	11,050	>100
Tax expense	-	(45)	NM
Profit after tax attributable to Unitholders before distribution adjustments	30,396	11,005	>100
Add: Distribution adjustments ⁶	(24,703)	4,073	NM
Amount available for distribution to Unitholders (Note A)	5,693	15,078	(62.2)

NM: Not meaningful

Footnotes:

1. Other trust expenses include recurring operating expenses such as annual listing fees, auditing and tax advisory fees, valuation costs, investor communication costs and other miscellaneous expenses.

2. Net foreign exchange loss relates mainly to the translation difference of Euro term loan to Singapore Dollars during the period. Due to the effect of natural hedging, there is a corresponding gain recognised in the comprehensive income on page 5, resulting from the stronger €/S\$ exchange rate on the Euro investment.

3. Finance costs comprise interest expense and amortisation of debt-related transaction costs.

4. The recorded fair value change in the profit or loss statement is from year end revaluation of investment properties. This is a non-tax chargeable/ deductible item and therefore does not affect income available for distribution to Unitholders.

5. Comprises mainly net change in fair value of interest rate swaps, options and currency forwards which were entered to hedge interest rate and foreign currency risks. This is a non-tax chargeable/ deductible item and therefore does not affect income available for distribution to Unitholders.

6. Comprise 100.0% of the Manager's Base Fee and Performance Fee paid/ payable in Units, property management fee paid/ payable in Units, net change in fair value of investment properties and derivative financial instruments, amortisation of debt-related transaction costs, incentive amounts and other adjustments related to non-cash or timing differences in income and expenses.

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1(a)(i) Consolidated Statement of Profit or Loss and Distribution Statement

GROUP		
3 months ended 30 Jun 2020		
Actual (S\$'000)	Forecast ^A (S\$'000)	Variance %
Distribution from:		
- Singapore	996	10,269 (90.3)
- Foreign source ¹	4,697	4,809 (2.3)
Total	5,693	15,078 (62.2)

Note A

Distribution from:

- Singapore

- Foreign source ¹

Total

Footnotes:

1. Foreign source distribution mainly pertains to income from the Milan Property. Any income from this property that has not been distributed to LREIT by the date LREIT makes distribution to its Unitholders will constitute a capital distribution.

1(a)(ii) Consolidated Statement of Comprehensive Income

GROUP		
3 months ended 30 Jun 2020		
Actual (S\$'000)	Forecast ^A (S\$'000)	Variance %
Profit after tax	30,396	11,005 >100
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Other comprehensive income:		
Net currency translation differences relating to financial statement of foreign subsidiary	537	- NM
Total comprehensive income	30,933	11,005 >100

NM: Not meaningful

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1(a)(i) Consolidated Statement of Profit or Loss and Distribution Statement

	GROUP		
	2 Oct 2019 to 30 Jun 2020		
	Actual (S\$'000)	Forecast ^A (S\$'000)	Variance %
Gross revenue	55,536	63,910	(13.1)
Property operating expenses	(15,247)	(16,188)	5.8
Net property income	40,289	47,722	(15.6)
Manager's Base Fee	(2,850)	(2,774)	(2.7)
Manager's Performance Fee	(2,015)	(2,387)	15.6
Other management fees	(580)	(523)	(10.9)
Trustee's fee	(148)	(165)	10.3
Other trust expenses ¹	(1,228)	(1,125)	(9.2)
Net foreign exchange loss ²	(10,999)	-	NM
Finance income	531	-	NM
Finance costs ³	(7,240)	(8,115)	10.8
Profit before tax and change in fair value	15,760	32,633	(51.7)
Net change in fair value of investment properties ⁴	(20,102)	(48,230)	58.3
Net change in fair value of derivative financial instruments ⁵	(4,274)	-	NM
Loss before tax	(8,616)	(15,597)	44.8
Tax expense	-	(135)	NM
Loss after tax attributable to Unitholders before distribution adjustments	(8,616)	(15,732)	45.2
Add: Distribution adjustments ⁶	44,288	60,403	(26.7)
Amount available for distribution to Unitholders (Note A)	35,672	44,671	(20.1)

NM: Not meaningful

Footnotes:

1. Other trust expenses include recurring operating expenses such as annual listing fees, auditing and tax advisory fees, valuation costs, investor communication costs and other miscellaneous expenses.

2. Net foreign exchange loss relates mainly to the translation difference of Euro term loan to Singapore Dollars during the period. Due to the effect of natural hedging, there is a corresponding gain recognised in the comprehensive income on page 7, resulting from the stronger €/S\$ exchange rate on the Euro investment.

3. Finance costs comprise interest expense and amortisation of debt-related transaction costs.

4. All transaction costs directly attributable to the acquisition of the Properties have been capitalised in accordance with IAS 40. This is then recorded as a fair value change in the profit or loss statement from revaluation of investment properties. This is a non-tax chargeable/ deductible item and therefore does not affect income available for distribution to Unitholders.

5. Comprises mainly net change in fair value of interest rate swaps, options and currency forwards which were entered to hedge interest rate and foreign currency risks. This is a non-tax chargeable/ deductible item and therefore does not affect income available for distribution to Unitholders.

6. Comprise 100.0% of the Manager's Base Fee and Performance Fee paid/ payable in Units, property management fee paid/ payable in Units, net change in fair value of investment properties and derivative financial instruments, amortisation of debt-related transaction costs, incentive amounts and other adjustments related to non-cash or timing differences in income and expenses.

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1(a)(i) Consolidated Statement of Profit or Loss and Distribution Statement

GROUP		
2 Oct 2019 to 30 Jun 2020		
Actual (S\$'000)	Forecast ^A (S\$'000)	Variance %
Note A		
Distribution from:		
- Singapore	21,396	30,355 (29.5)
- Foreign source ¹	14,276	14,316 (0.3)
Total	35,672	44,671 (20.1)

Footnotes:

1. Foreign source distribution mainly pertains to income from the Milan Property. Any income from this property that has not been distributed to LREIT by the date LREIT makes distribution to its Unitholders will constitute a capital distribution.

1(a)(ii) Consolidated Statement of Comprehensive Income

GROUP		
2 Oct 2019 to 30 Jun 2020		
Actual (S\$'000)	Forecast ^A (S\$'000)	Variance %
Loss after tax	(8,616)	(15,732) 45.2
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Other comprehensive income:		
Net currency translation differences relating to financial statement of foreign subsidiary	11,218	- NM
Total comprehensive income	2,602	(15,732) NM

NM: Not meaningful

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UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FINANCIAL PERIOD FROM 2 OCTOBER 2019 (LISTING DATE) TO 30 JUNE 2020

1(b)(i) Statement of Financial Position

	Note	GROUP 30 Jun 2020 (S\$'000)	LREIT 30 Jun 2020 (S\$'000)
Current assets			
Cash and cash equivalents		83,678	60,664
Trade and other receivables		10,553	4,942
Other current assets		4,663	4,359
		98,894	69,965
Non-current assets			
Investment properties	i	1,442,598	1,008,000
Investment in subsidiary		-	435,245
Other receivables		12,845	-
Other non current assets		1,012	1,012
Derivative financial instruments ¹		149	149
		1,456,604	1,444,406
Total assets		1,555,498	1,514,371
Current liabilities			
Trade and other payables		21,827	17,555
Derivative financial instruments ¹		320	320
		22,147	17,875
Non-current liabilities			
Trade and other payables		7,999	7,999
Loans and borrowings		528,999	528,999
Derivative financial instruments ¹		4,103	4,103
		541,101	541,101
Total liabilities		563,248	558,976
Net assets		992,250	955,395
Represented by:			
Unitholders' funds		992,250	955,395
NAV per Unit (S\$) ²		0.85	0.82

Footnotes:

1. Derivative financial instruments reflect the fair value of interest rate swaps, options and currency forwards which were entered to hedge interest rate and foreign currency risks.

2. Please refer to Paragraph 7 on net asset value ("NAV") and net tangible asset ("NTA") backing per unit based on issued units at the end of the period.

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1(b)(i) Statement of Financial Position

Notes to the Statements of Financial Position

i Investment properties

	GROUP
	30 Jun 2020 (S\$'000)
Property	
313@somerset	1,008,000
Sky Complex	434,598
Investment Properties	1,442,598

	GROUP
	2 Oct 2019 to 30 Jun 2020 (S\$'000)
As at 2 October 2019 (Listing Date)	-
Acquisitions (including acquisition costs)	1,451,542
Capital expenditure	624
Currency translation difference	10,534
Change in fair value of investment properties at Listing Date	(48,997)
Change in fair value of investment properties at 30 June 2020	28,895
As at 30 Jun 2020	1,442,598

1(b)(ii) Aggregate Amount of Loans and Borrowings

	GROUP	LREIT
	30 Jun 2020 (S\$'000)	30 Jun 2020 (S\$'000)
Unsecured loans and borrowings		
Amount repayable after one year	545,319	545,319
Less: unamortised transaction costs	(16,320)	(16,320)
	528,999	528,999

Details of loans and borrowings

On 2 October 2019, the Group put in place an unsecured 4-year Euro term loan facility of €285.0 million (S\$446.0 million) and an unsecured 3-year Singapore dollar term loan facility of S\$99.3 million (collectively, the "Facilities"), translating to a gearing ratio of 35.1%.

The interest payables on the Facilities are on a floating basis. The Group has entered into interest rate swap and options to hedge the interest rate risk. The Group has an interest coverage ratio of 9.0 times in accordance with the requirements in the Facilities. The interest coverage ratio is 4.6 times in accordance with Property Funds Appendix.

As at 30 June 2020, the Group and LREIT have an uncommitted undrawn debt facility of up to S\$20 million to fund its working capital. As at the date of this announcement, LREIT has received further offers of bank debt facilities which increased its aggregate uncommitted undrawn debt facilities to approximately S\$97 million¹.

Footnote:

1. Aggregate uncommitted undrawn debt facilities comprise S\$50 million and €30 million.

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1(c) Consolidated Statement of Cash Flow

	GROUP	
	3 months ended 30 Jun 2020 (S\$'000)	2 Oct 2019 to 30 Jun 2020 (S\$'000)
Operating activities		
Profit/ (Loss) after tax	30,396	(8,616)
Adjustments for:		
Manager's fee paid/ payable in units	1,343	4,865
Property manager's fee paid/ payable in units	476	1,374
Finance income	(195)	(531)
Interest expense	1,056	3,373
Amortisation of debt-related transactions costs	1,293	3,867
Net unrealised foreign exchange loss ¹	80	11,078
Net change in the fair value of investment properties	(28,895)	20,102
Net change in fair value of derivatives financial instruments	1,707	4,274
Operating income before working capital changes	7,261	39,786
Changes in working capital:		
Trade and other receivables	1,021	(22,942)
Trade and other payables	2,407	25,197
Other current assets	(2,702)	(4,663)
Other non current assets	(1,012)	(1,012)
Cash generated from operating activities	6,975	36,366
Investing activities		
Interest received	195	531
Acquisition of investment properties ²	(563)	(1,451,542)
Capital expenditure on investment properties	(188)	(233)
Cash flows used in investing activities	(556)	(1,451,244)
Financing activities		
Proceeds from issuance of new units	-	1,027,792
Refund/ (Payment) of issue costs ³	282	(25,858)
Payment of financing expenses	(4)	(20,187)
Proceeds from loans and borrowings	-	534,237
Distribution to Unitholders	(739)	(15,067)
Interest paid	(729)	(2,593)
Cash flows (used in)/ generated from financing activities	(1,190)	1,498,324
Net increase in cash and cash equivalents	5,229	83,446
Cash and cash equivalents at beginning of the period	78,245	-
Effect of exchange rate changes on balances held in foreign currency	204	232
Cash and cash equivalents at end of the period	83,678	83,678

Footnotes:

1. Net unrealised foreign exchange loss relates mainly to the currency difference of the Euro term loan in Singapore Dollar terms. Due to the effect of natural hedging, there is a corresponding gain in the comprehensive income, which relates to net currency translation difference as a result of the stronger €/S\$ exchange rate.

2. Cash flows used in acquisition of investment properties during the period 3 months ended 30 Jun 2020 comprise mainly acquisition costs for Sky Complex.

3. Issue costs comprise underwriting and selling commission, professional and other fees, and miscellaneous issue expenses.

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1(d)(i) Statements of Movements in Unitholders' Funds

	GROUP	LREIT
	3 months ended 30 Jun 2020 (S\$'000)	3 months ended 30 Jun 2020 (S\$'000)
Operations		
Balance as at beginning of the period	(39,012)	(31,820)
Profit/ (Loss) after tax attributable to Unitholders	30,396	(2,433)
Balance as at end of the period	(8,616)	(34,253)
Unitholders' transactions		
Balance as at beginning of the period	984,580	984,580
Refund of issue costs ¹ on the Listing Date	3,708	3,708
Manager's Base Fee paid in Units	932	932
Property Manager's Fee paid in Units	428	428
Balance as at end of the period	989,648	989,648
Foreign currency translation reserve		
Balance as at beginning of the period	10,681	-
Translation differences relating to financial statements of foreign subsidiary	537	-
Balance as at end of the period	11,218	-
Total Unitholders' funds as at end of the period	992,250	955,395

Footnotes:

1. Issue costs comprise underwriting and selling commission, professional and other fees, and miscellaneous issue expenses.

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1(d)(i) Statements of Movements in Unitholders' Funds

	GROUP	LREIT
	28 Jan 2019 to 30 Jun 2020 (S\$'000)	28 Jan 2019 to 30 Jun 2020 (S\$'000)
Operations		
As at 28 January 2019 (Date of Constitution)	-	-
Loss after tax attributable to Unitholders	(8,616)	(34,253)
Balance as at end of the period	(8,616)	(34,253)
Unitholders' transactions		
As at 28 January 2019 (Date of Constitution)	*	*
Issue of new units on the Listing Date	1,027,792	1,027,792
Issue costs ¹ on the Listing Date	(25,858)	(25,858)
Manager's Base Fee paid in Units	1,883	1,883
Property Manager's Fee paid in Units	898	898
Distributions	(15,067)	(15,067)
Balance as at end of the period	989,648	989,648
Foreign currency translation reserve		
As at 28 January 2019 (Date of Constitution)	-	-
Translation differences relating to financial statements of foreign subsidiary	11,218	-
Balance as at end of the period	11,218	-
Total Unitholders' funds as at end of the period	992,250	955,395

* Less than S\$1,000.

Footnotes:

1. Issue costs comprise underwriting and selling commission, professional and other fees, and miscellaneous issue expenses.

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1(d)(ii) Details of Any Change in Units

	1 Apr 2020 to 30 Jun 2020 (Units)	28 Jan 2019 to 30 Jun 2020 (Units)
As at 28 January 2019 (Date of Constitution)	-	3
Balance as at beginning of the period	1,169,480,379	-
<u>New units issued</u>		
Issue of new units on the Listing Date	-	1,167,945,997
Manager's base fee paid in Units	1,715,929	2,742,736
Property Manager's fee paid in Units	598,916	1,106,488
Total issued units as at end of the period ¹	1,171,795,224	1,171,795,224

Footnotes:

1. There were no convertibles and treasury units held by LREIT and its subsidiaries as at 30 June 2020.

- 2 Whether the figures have been audited, or reviewed and in accordance with which standard (eg. the Singapore Standard on Auditing 910 (Engagement to Review Financial Statements), or an equivalent standard)**

The figures have not been audited nor reviewed by our auditors.

- 3 Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of matter)**

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recent audited annual financial statements have been applied**

The Group has applied the same accounting policies and methods of computation as described in the Prospectus dated 25 September 2019 in the preparation of the consolidated financial statements for the current reporting period.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not applicable.

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6 Earnings Per Unit ("EPU") and Distribution Per Unit ("DPU") for the financial period (Group)

In computing the EPU, the weighted average number of units as at the end of each period is used for the computation. The diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the period.

	3 months ended 30 Jun 2020	2 Oct 2019 to 30 Jun 2020
Weighted average number of units in issue	1,170,141,763	1,164,558,271
Earnings per unit ("EPU") (cents) ¹	2.60	(0.74)

	3 months ended 30 Jun 2020	2 Oct 2019 to 30 Jun 2020
No. of units in issue at end of the period	1,171,795,224	1,171,795,224
Distribution per unit ("DPU")	0.48	3.05

Footnotes:

1. Includes unrealised foreign exchange, net change in fair value of derivatives, net change in fair value of investment properties as at 30 June 2020 and transaction costs directly attributable to the acquisition of the Properties.

7 Net Asset Value ("NAV") and Net Tangible Asset ("NTA") Per Unit

	GROUP	LREIT
	30 Jun 2020	30 Jun 2020
NAV/NTA per unit (S\$) ¹	0.85	0.82
Adjusted NAV/NTA per unit (excluding the amount distributable) (S\$)	0.83	0.80

Footnotes:

1. NTA per unit was the same as NAV per unit as there was no intangible asset as at the statement of financial position date.

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8 Review of performance

Please refer to “Variance Between Actual and Forecast Results” for a review of the actual results for the period from Listing Date to 30 June 2020 against the forecast as disclosed in the Prospectus.

9 Variance between Actual and Forecast Results

<u>Consolidated Statement of Profit or Loss</u>	GROUP		
	3 months ended 30 Jun 2020		
	Actual (S\$'000)	Forecast ^A (S\$'000)	Variance %
Gross revenue	12,466	21,514	(42.1)
Property operating expenses	(4,952)	(5,422)	8.7
Net property income	7,514	16,092	(53.3)
Manager's Base Fee	(967)	(925)	(4.5)
Manager's Performance Fee	(376)	(805)	53.3
Other management fees	(198)	(175)	(13.1)
Trustee's fee	(50)	(55)	9.1
Other trust expense	(478)	(375)	(27.5)
Net foreign exchange loss	(83)	-	NM
Finance income	195	-	NM
Finance costs	(2,349)	(2,707)	13.2
Profit before tax and change in fair value	3,208	11,050	(71.0)
Amount available for distribution to Unitholders	5,693	15,078	(62.2)
Available distribution per unit (cents)	0.48	1.28	(62.7)

3 months ended 30 June 2020: Actual vs Forecast

Gross revenue of S\$12.5 million for the period was S\$9.0 million or 42.1% lower than forecast. The lower revenue was mainly attributed to the effect of the circuit-breaker and rental waivers granted by landlord to the tenants at 313@somerset. This was partly offset by higher revenue from Sky Complex due to a stronger Euro against the Singapore Dollar.

Property operating expenses were S\$0.5 million or 8.7% lower than forecast. The lower expenses were mainly attributed to lower repair & maintenance expenses, salary & related expenses, property taxes, operating expenses and utilities expenses.

As a result, net property income for the period was S\$8.6 million or 53.3% lower than forecast.

Finance costs were lower by S\$0.4 million or 13.2% lower than forecast, mainly due to lower effective interest cost achieved through hedging.

After accounting for management fees and other trust expenses, the amount distributable to Unitholders was S\$5.7 million, translating to a DPU of 0.48 cents, which is 62.7% or 0.80 cents lower than forecast.

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9 Variance between Actual and Forecast Results

	GROUP		
	2 Oct 2019 to 30 Jun 2020		
	Actual (S\$'000)	Forecast ^A (S\$'000)	Variance %
<u>Consolidated Statement of Profit or Loss</u>			
Gross revenue	55,536	63,910	(13.1)
Property operating expenses	(15,247)	(16,188)	5.8
Net property income	40,289	47,722	(15.6)
Manager's Base Fee	(2,850)	(2,774)	(2.7)
Manager's Performance Fee	(2,015)	(2,387)	15.6
Other management fees	(580)	(523)	(10.9)
Trustee's fee	(148)	(165)	10.3
Other trust expense	(1,228)	(1,125)	(9.2)
Net foreign exchange loss	(10,999)	-	NM
Finance income	531	-	NM
Finance costs	(7,240)	(8,115)	10.8
Profit before tax and change in fair value	15,760	32,633	(51.7)
Amount available for distribution to Unitholders	35,672	44,671	(20.1)
Available distribution per unit (cents)	3.05	3.80	(19.7)

Listing Date to 30 June 2020: Actual vs Forecast

Gross revenue of S\$55.5 million for the period was S\$8.4 million or 13.1% lower than forecast. The lower revenue was mainly attributed to the effect of the circuit-breaker and rental waivers granted by landlord to the tenants at 313@somerset. This was partly offset by higher revenue from Sky Complex due to a stronger Euro against the Singapore Dollar.

Property operating expenses were S\$0.9 million or 5.8% lower than forecast. The lower expenses were mainly attributed to lower repair & maintenance expenses, salary & related expenses, property taxes, operating expenses and utilities expenses.

As a result, net property income for the period was S\$7.4 million or 15.6% lower than forecast.

Finance costs were lower by S\$0.9 million or 10.8% lower than forecast, mainly due to lower effective interest cost achieved through hedging.

After accounting for management fees and other trust expenses, the amount distributable to Unitholders was S\$35.7 million, translating to a DPU of 3.05 cents, which is 19.7% or 0.75 cents lower than forecast.

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10 **Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The International Monetary Fund (“IMF”) has projected the global economy to contract 4.9%¹ in 2020 against the backdrop of a challenging environment. In the first half of 2020, the COVID-19 pandemic had negative impacts rippled across businesses around the world and recovery is projected to be more gradual than IMF’s previous forecast.

Most countries have decided it was necessary to gradually open up the economy to protect the livelihood of its people. While this provides an encouraging backdrop for post-pandemic recovery, the risk of secondary outbreaks remains. The success in containing the spread of COVID-19 will have implications on the recovery of global trade and economic growth. Economic recovery may take longer than expected and could be more gradual if strict border controls remain in place for longer periods.

Similarly, persistent outbreaks may force authorities to reintroduce lockdowns and safe distancing measures. While temporal but necessary fiscal stimulus measures such as wage support schemes and job support initiatives have helped cushioned some of these short-term impacts, there are concerns on longer term ramifications once these stimulus measures and support packages cease.

With continued uncertainties, the global economic outlook is expected to remain challenging for the rest of 2020.

Singapore

Based on advance estimates by the Ministry of Trade and Industry, the Singapore economy contracted by 12.6%² year-on-year (“YoY”) in the second quarter of 2020 due to the Circuit Breaker measures that were implemented to reduce the spread of COVID-19.

Singapore entered phase two of its reopening plan in June as the authorities eased restriction measures. A gradual resumption in activity could be seen in the second half of 2020 as most entertainment venues and retail outlets have reopened and dining-in at restaurants are allowed. However, a seamless return to pre-COVID-19 store-operations norms cannot be expected as safe distancing management remain in place. The measures may continue to weigh on shopper traffic and tenant sales in the short term.

In an attempt to provide further support to small and medium-sized enterprises (“SMEs”), the Singapore government has passed the COVID-19 (Temporary Measures) (Amendment) Bill in June. The amendments seek to provide a rental relief framework for SMEs and enhance the relief available for tenants who are unable to fulfil their contractual obligations due to COVID-19. Under the COVID-19 (Temporary Measures) Act 2020 introduced in April, tenants who cannot fulfil contractual obligations are able to seek temporary relief from paying rent and other obligations under their leases for a period of up to six months from April 2020 to October 2020. This period may be extended for up to a year depending on the COVID-19 situation. As a result, it remains uncertain at this point whether tenants will be able to fulfil their rental obligations after the temporary relief period.

¹ International Monetary Fund, World Economic Outlook June 2020.

² Ministry of Trade and Industry Singapore’s GDP Contracted by 12.6 Per Cent in the Second Quarter of 2020, 14 July 2020.

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10 Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

In the medium term, the retail space market fundamentals continue to look encouraging with little supply expected over the next two to three years³. This points to a tightening of vacancy environment, which will likely support modest leasing activities.

Milan

Italy, on the other hand, has seen gradual recovery from COVID-19. According to the latest report by the Italian National Institute of Statistics, Italy's short-term key indicators have shown slight improvement in economic activity following the large declines in March and April. The consumer confidence index⁴ registered an increase of 6.3 points to 100.6 points. According to the preliminary estimates, the consumer price index³ for June was -0.2% YoY and +0.1% month-on-month, respectively. While lockdown measures have eased significantly, the near-term outlook remains cautious as the risk of secondary outbreaks still lingers.

In the office space, vacancy rates in Milan was 9.9%⁵ in Q1 2020, an improvement of 1.2 percentage points YoY. Total office investments in first quarter of 2020 amounted to approximately €343 million⁵, representing 70% of the total amount invested in Italy and 20% higher than the average investments in the first quarters for the past ten years. In terms of absorption by sub-markets, the Periphery sub-market, where Sky Complex is located, took the lead and accounted for 64%⁵ of total absorption.

In the near term, the impact from COVID-19 is expected to weigh on the demand for office space with vacancy rate expected to increase. The weak demand may drag on rents with capital values and investment returns to come under pressure.

The long-term tightening of supply and demand conditions, especially in Grade A office space, will likely place upward pressures on rents in both the central and peripheral areas of Milan. The reduction of the available vacant supply across the city will be a challenge for occupiers to secure large floor plates in high-quality Grade A buildings, particularly in coveted locations in established business districts and near metro and rail stations.

Looking ahead

The Manager will continue to monitor the development of the COVID-19 pandemic and has taken necessary precautionary measures at LREIT's assets in accordance with guidelines from local health authorities. Against the backdrop of a changing retail landscape where retailers will need to recalibrate their cost structures and prepare their workforce for in-store activities, the Manager is also tapping on technology to open up new choices and experiences for shoppers, in delivering a pleasant omnichannel shopping experience.

To enhance Unitholders' value, the Manager will continue to improve the underlying performance of LREIT's assets, engage with tenants in meeting their space requirements and adopt disciplined capital and asset management strategies to reduce costs and non-core expenditures.

³ JLL, Singapore Retail Forecast 3Q 2019.

⁴ Italian National Institute of Statistics, Monthly Report May-June 2020.

⁵ CBRE, Milan Office MarketView 1Q 2020.

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11 Distributions

(a) Current financial period

Any distributions declared for the current financial period? Yes

Name of distribution: 2nd distribution for the period from 1 January 2020 to 30 June 2020

Distribution type: Income / Capital

Distribution rate: Taxable Income – 0.938 cents per unit
Tax-Exempt Income – 0.286 cents per unit
Capital – 0.534 cents per unit

Par value of units: Not meaningful

Tax rate: Taxable Income Distribution

Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession in which case, such distributions are not exempt from tax and the individual must declare the gross distribution received as income in their Singapore tax returns.

Qualifying foreign non-individual investors and qualifying non-resident funds will receive their distributions after deduction of tax at the rate of 10%.

All other investors will receive their distributions after deduction of tax at the rate of 17%.

Tax-Exempt Income Distribution

Tax-Exempt Income Distribution is exempt from tax in the hands of all Unitholders.

Capital Distribution

Capital Distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of LREIT Units, the amount of Capital Distribution will be applied to reduce the cost base of their LREIT Units for Singapore income tax purposes.

(b) Books closure date: 19 Aug 2020

(c) Date payable: 15 Sep 2020

(d) Corresponding period of the preceding financial period

Any distribution declared for the corresponding period of the immediate preceding financial period?

Not applicable.

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12 If no distribution has been declared / recommended, a statement to that effect

Not applicable.

13 General mandate from Unitholders for Interested Person Transactions

No general mandate has been obtained from the Unitholders for Interested Person Transactions.

14 Segmented revenue and results for geographical segments

GROUP				
3 months ended 30 Jun 2020				
Actual		Forecast ^A		
<u>Total Gross Revenue</u>	S\$'000	%	S\$'000	%
Singapore	6,155	49.4	15,316	71.2
Milan	6,311	50.6	6,198	28.8
	12,466	100.0	21,514	100.0

GROUP				
3 months ended 30 Jun 2020				
Actual		Forecast ^A		
<u>Net Property Income</u>	S\$'000	%	S\$'000	%
Singapore	1,824	24.3	10,500	65.2
Milan	5,690	75.7	5,592	34.8
	7,514	100.0	16,092	100.0

GROUP				
2 Oct 2019 to 30 Jun 2020				
Actual		Forecast ^A		
<u>Total Gross Revenue</u>	S\$'000	%	S\$'000	%
Singapore	36,844	66.3	45,445	71.1
Milan	18,692	33.7	18,465	28.9
	55,536	100.0	63,910	100.0

GROUP				
2 Oct 2019 to 30 Jun 2020				
Actual		Forecast ^A		
<u>Net Property Income</u>	S\$'000	%	S\$'000	%
Singapore	23,410	58.1	31,060	65.1
Milan	16,879	41.9	16,662	34.9
	40,289	100.0	47,722	100.0

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- 15 In the review of the performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to section 8 for review of actual performance.

- 16 Breakdown of Revenue

	Group		
	2 Oct 2019 to 30 Jun 2020		
	Actual (S\$'000)	Forecast ^A (S\$'000)	Variance %
Gross revenue reported for first half year	21,407	21,199	1.0
Loss after tax reported for first half year	(32,653)	(37,611)	13.2
Gross revenue reported for second half year	34,129	42,711	(20.1)
Profit after tax reported for second half year	24,037	21,879	9.9

- 17 Breakdown of Total Distributions

	Group
	2 Oct 2019 to 30 Jun 2020 (S\$'000)
In respect of the period: 2 Oct 2019 - 31 Dec 2019	15,067

- 18 Confirmation pursuant to Rule 720(1) of the Listing Manual

We, on behalf of the board of directors of the Manager, confirm that the Manager has procured undertakings from all its directors and executive officers in the form as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

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19 Use of Proceeds from Initial Public Offering

The use of proceeds raised from the initial public offering and the issuance of the Lendlease SREIT Sub-Trust Units, the Cornerstone Units¹ and the IPO Acquisition Fee Units, as well as proceeds from the Facilities, is in accordance with the stated uses and amounts allocated as disclosed in the prospectus, and is set out below:

	Amount allocated	Amount utilised	Variance
	S\$'000	S\$'000	S\$'000
Acquisition of initial Portfolio ²	1,397,229	1,397,531	(302)
Stamp Duty & other acquisition costs ³	64,524	64,197	327
Transaction costs and other fees ^{3,4}	66,137	60,161	5,976
Working capital	33,824	33,824	-
Total	1,561,714	1,555,713	6,001

Footnotes:

1. The cornerstone investors being AEW, Asdew Acquisitions Pte Ltd, funds and accounts under management by investment management subsidiaries of BlackRock, Inc., DBS Bank Ltd. (on behalf of certain wealth management clients), DBS Vickers (on behalf of certain corporate clients), Fullerton (acting as manager for and on behalf of certain funds and investment accounts under its management), Lion Global Investors, Moon Capital, Nikko Asset Management, Principal Singapore, Soon Lee Land Pte. Ltd., The Segantii Asia-Pacific Equity Multi-Strategy Fund and TMBAM.

2. The variance is mainly due to a stronger Euro against the Singapore Dollar.

3. The variance is mainly due to lower than expected Other acquisition costs & IPO related costs. These savings have been reallocated for working capital purposes.

4. Transaction costs and other fees include S\$11.5m payment of IPO Acquisition Fee and S\$1.2m prepayment of Italy management fee.

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20 Confirmation Pursuant to Rule 704 (13) of The Listing Manual

Pursuant to Rule 704 (13) of the Listing Manual of Singapore Exchange Securities Trading Limited, the Manager confirmed that there is no person occupying a managerial position in the Manager who is a relative of a director, chief executive officer, or substantial unitholder of the Manager or LREIT.

Certain statements in this release constitute “forward-looking statements”. This release also contains forward-looking financial information. Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Manager’s present and future business strategies and the environment in which the Group will operate in the future. Because these statements and financial information reflect the current views of the Manager concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information. You should not place any reliance on these forward-looking statements and financial information.

By Order of the Board
Tan Wee Sin
Company Secretary
Lendlease Global Commercial Trust Management Pte. Ltd.
(Company Registration No. 201902535N)
As Manager of Lendlease Global Commercial REIT

11 August 2020