

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 28 January 2019 (as amended))

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST FINANCIAL HALF YEAR PERIOD FROM 1 JULY 2022 TO 31 DECEMBER 2022

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LENDLEASE GLOBAL COMMERCIAL REIT

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Introduction & Corporate Information

Lendlease Global Commercial REIT (“LREIT”) is a Singapore-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 28 January 2019 (as amended). It is principally regulated by the Securities and Futures Act 2001, 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. Effective 18 July 2022, the trustee of LREIT is DBS Trustee Limited.

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’s property portfolio comprises the following properties in Singapore and Milan, Italy (the “Properties”):

(i) a 99-year leasehold¹ interest in Jem, an integrated office and retail mall located in Jurong East, Singapore (“Jem”);

(ii) a 99-year leasehold² interest in 313@somerset, a retail mall located in Orchard, Singapore (“313@somerset”); and

(iii) a freehold interest in Sky Complex, which comprises three office buildings located in Milan, Italy (“Sky Complex”).

Footnotes:

1. Commencing on 27 September 2010 and ending on 26 September 2109.

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

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Distribution

The first distribution for financial year 2023 ("FY2023") will be for the period from 1 July 2022 to 31 December 2022 and will be paid on or before 31 March 2023.

Summary of Lendlease Global Commercial REIT Group Results

	GROUP		
	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021	Variance %
Gross Revenue (S\$'000)	101,733	39,190	>100
Net Property Income (S\$'000)	76,424	29,643	>100
Amount Distributable (S\$'000)			
- to Perpetual Securities holders	9,528	4,234	>100
- to Non-controlling interests	89	2,186	(95.9)
- to Unitholders	56,030	28,602	95.9
Available Distribution per Unit ("DPU") (cents)	2.45	2.40	2.1

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

		GROUP		
		(S\$'000)		Variance %
Note		6 months ended 31 Dec 2022	6 months ended 31 Dec 2021	
	Gross revenue	101,733	39,190	>100
	Property operating expenses	(25,309)	(9,547)	(>100)
	Net property income	76,424	29,643	>100
	Manager's base fee	(5,210)	(2,085)	(>100)
	Manager's performance fee	(3,821)	(1,655)	(>100)
	Other management fees	(385)	(682)	43.5
	Trustee's fee	(210)	(120)	(75.0)
	Other trust expenses ¹	(1,205)	(1,130)	(6.6)
	Net foreign exchange gain/(loss) ²	8,227	16,914	(51.4)
	Finance income	59	90	(34.4)
	Finance costs ³	(23,586)	(5,688)	(>100)
	Profit/(Loss) before tax, change in fair value, impairment and share of profit/(loss)	50,293	35,287	42.5
	Net change in fair value of equity instrument ⁴	-	330	NM
	Share of profit/(loss) of associates	667	7,419	(91.0)
	Net change in fair value of derivative financial instruments ⁵	7,385	2,804	>100
	Profit/(Loss) before tax	58,345	45,840	27.3
	Tax expense	-	-	NM
	Profit/(Loss) after tax	58,345	45,840	27.3
	Attributable to:			
	Unitholders	48,728	39,420	23.6
	Non-controlling interests	89	2,186	(95.9)
	Perpetual securities holders ⁶	9,528	4,234	>100
	Profit/(Loss) after tax	58,345	45,840	27.3
	Distribution Statement			
	Profit attributable to Unitholders	48,728	39,420	23.6
	Add: Distribution adjustments ⁷	7,302	(10,818)	NM
	Amount available for distribution to Unitholders (Note A)	56,030	28,602	95.9

NM: Not meaningful

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

Footnotes:

1. Other trust expenses include operating expenses such as annual listing fees, audit and tax advisory fees, valuation costs, investor relations expenses, acquisition costs and other miscellaneous expenses.

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

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

4. 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, interest rate options and currency forwards which were entered to hedge interest rate and foreign exchange risks. This is a non-tax chargeable/deductible item and therefore does not affect income available for distribution to Unitholders.

6. LREIT has issued two series of perpetual securities with an aggregate amount of S\$400 million with no fixed final redemption date. Both series of perpetual securities confer rights to its holders to receive distribution payments at a fixed rate. Distributions are payable semi-annually in arrears on a discretionary basis and are non-cumulative in accordance with the terms and conditions of the perpetual securities.

7. Comprises Manager's base fee and performance fee paid/payable in units, property management fee paid/payable in units, net change in fair value of equity instrument and derivative financial instruments, amortisation of debt-related transaction costs, acquisition costs and other adjustments related to non-cash or timing differences in income and expenses.

Note A

Distribution from:

- Singapore

- Foreign source ¹

Total

GROUP			Variance %
(S\$'000)			
6 months ended 31 Dec 2022	6 months ended 31 Dec 2021		
45,117	18,226		>100
10,913	10,376		5.2
56,030	28,602		95.9

Footnote:

1. Foreign source distribution mainly pertains to income from Sky Complex.

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

	GROUP		
	(S\$'000)		Variance %
	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021	
Profit/(Loss) after tax	58,345	45,840	27.3
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Other comprehensive income:			
Net currency translation differences relating to financial statements of a foreign subsidiary	(7,840)	(17,115)	54.2
Total comprehensive income	50,505	28,725	75.8
Total comprehensive income attributable to:			
Unitholders	40,888	22,305	83.3
Non-controlling interests	89	2,186	(95.9)
Perpetual securities holders	9,528	4,234	>100
	50,505	28,725	75.8

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1(b)(i) Condensed Interim Statement of Financial Position

		GROUP	
		31 Dec 2022 (S\$'000)	30 Jun 2022 (S\$'000)
	Note		
Current assets			
Cash and cash equivalents		58,624	49,230
Trade and other receivables		5,061	16,820
Other current assets		7,712	6,798
Derivative financial instruments ¹		10,707	2,415
		82,104	75,263
Non-current assets			
Investment properties	ii	3,588,977	3,593,332
Investment property under development	iii	6,434	6,105
Investment in associates	iv	8,439	14,511
Intangible assets ²		159	-
Other receivables		-	1,479
Other non current assets		1,982	1,294
Derivative financial instruments ¹		11,193	9,980
		3,617,184	3,626,701
Total assets		3,699,288	3,701,964
Current liabilities ³			
Trade and other payables		54,116	56,120
Loans and borrowings	v	604,512	297,754
Lease liability ⁴		236	234
		658,864	354,108
Non-current liabilities			
Trade and other payables		19,446	15,146
Lease liability ⁴		1,753	1,871
Loans and borrowings	v	820,438	1,152,146
Derivative financial instruments ¹		2,120	-
		843,757	1,169,163
Total liabilities		1,502,621	1,523,271
Net assets		2,196,667	2,178,693
Represented by:			
Unitholders' funds		1,794,755	1,775,412
Non-controlling interests		2,430	3,839
Perpetual securities holders		399,482	399,442
		2,196,667	2,178,693
NAV per Unit (S\$) ⁵	vi	0.78	0.78

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1(b)(i) Condensed Interim Statement of Financial Position

Footnotes:

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

2. *Intangible assets comprise renewable energy certificates acquired by the Group and are measured at cost less accumulated amortisation over the useful lives less any accumulated impairment losses.*

3. *The Group is in a net current liabilities position mainly due to a current portion of long-term borrowings taken to fund investment properties (long-term assets) that are maturing within the next 12 months. Please refer to Notes to the Condensed Interim Financial Statements (v) Loans and Borrowings.*

4. *This relates to the lease liability recognised by the Group on its existing operating lease arrangements in accordance with the principles of IFRS 16.*

5. *Net asset value ("NAV") and net tangible asset ("NTA") backing per unit are based on issued units at the end of the period.*

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1(b)(i) Condensed Interim Statement of Financial Position

		LREIT	
		31 Dec 2022 (S\$'000)	30 Jun 2022 (S\$'000)
	Note		
Current assets			
Cash and cash equivalents		42,896	32,373
Trade and other receivables		1,126	13,153
Other current assets		7,608	6,481
Derivative financial instruments ¹		10,707	2,415
		62,337	54,422
Non-current assets			
Investment properties	ii	3,122,806	3,121,000
Investment property under development	iii	6,434	6,105
Investment in subsidiaries		444,480	448,666
Intangible assets ²		159	-
Other non current assets		1,982	1,294
Derivative financial instruments ¹		11,193	9,980
		3,587,054	3,587,045
Total assets		3,649,391	3,641,467
Current liabilities ³			
Trade and other payables		49,584	51,824
Loans and borrowings	v	604,512	297,754
Lease liability ⁴		236	234
		654,332	349,812
Non-current liabilities			
Trade and other payables		19,446	15,146
Lease liability ⁴		1,753	1,871
Loans and borrowings	v	820,438	1,152,146
Derivative financial instruments ¹		2,120	-
		843,757	1,169,163
Total liabilities		1,498,089	1,518,975
Net assets		2,151,302	2,122,492
Represented by:			
Unitholders' funds		1,751,820	1,723,050
Perpetual securities holders		399,482	399,442
		2,151,302	2,122,492
NAV per Unit (S\$) ⁵	vi	0.77	0.76

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1(b)(i) Condensed Interim Statement of Financial Position

Footnotes:

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

2. Intangible assets comprise renewable energy certificates acquired by LREIT and are measured at cost less accumulated amortisation over the useful lives less any accumulated impairment losses.

3. LREIT is in a net current liabilities position mainly due to a current portion of long-term borrowings taken to fund investment properties (long-term assets) that are maturing within the next 12 months. Please refer to Notes to the Condensed Interim Financial Statements (v) Loans and Borrowings.

4. This relates to the lease liability recognised by LREIT on its existing operating lease arrangements in accordance with the principles of IFRS 16.

5. Net asset value ("NAV") and net tangible asset ("NTA") backing per unit are based on issued units at the end of the period.

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1(c) Condensed Interim Consolidated Statement of Cash Flow

	GROUP	
	6 months ended 31 Dec 2022 (S\$'000)	6 months ended 31 Dec 2021 (S\$'000)
Cash flows from operating activities		
Profit/(Loss) after tax	58,345	45,840
Adjustments for:		
Manager's fee paid/payable in units	9,031	3,740
Property manager's fee paid/payable in units	2,912	792
Transaction costs related to purchase of equity instrument	-	54
Finance income	(59)	(90)
Interest expense	17,092	2,698
Amortisation of debt-related transactions costs	6,333	2,941
Amortisation of intangible assets	3	-
Net unrealised foreign exchange (gain)/loss ¹	(6,413)	(17,090)
Share of (profit)/loss of associates	(667)	(7,419)
Net change in fair value of equity instrument	-	(330)
Net change in fair value of derivatives financial instruments	(7,385)	(2,804)
Operating income before working capital changes	79,192	28,332
Changes in working capital:		
Trade and other receivables	13,037	3,820
Trade and other payables	(1,058)	(739)
Other current assets	(914)	(2,545)
Other non current assets	(688)	(481)
Net cash generated from/(used in) operating activities	89,569	28,387

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1(c) Condensed Interim Consolidated Statement of Cash Flow

	GROUP	
	6 months ended 31 Dec 2022 (S\$'000)	6 months ended 31 Dec 2021 (S\$'000)
Cash flows from investing activities		
Dividends received from associates (including net capital returns)	6,925	12,130
Interest received	59	90
Acquisition of investment property	(1,352)	-
Capital expenditure on investment properties	(2,661)	(1,876)
Capital expenditure on investment property under development	(598)	(1,343)
Transaction costs related to purchase of equity instrument	-	129
Acquisition of investment in associate	(353)	(169,933)
Acquisition of subsidiary	(144)	(157,965)
Acquisition of intangible assets	(162)	-
Net cash generated from/(used in) investing activities	1,714	(318,768)
Cash flows from financing activities		
Refund / (Payment) of issue costs	3	-
Payment of issue costs for perpetual securities	(12)	-
Payment of financing expenses	(2,400)	(2,701)
Proceeds from loans and borrowings	131,000	150,000
Repayment of loans and borrowings	(153,397)	(20,000)
Distribution to Unitholders	(29,353)	(27,576)
Distribution to perpetual securities holders	(9,476)	(4,212)
Distribution to non-controlling interests	(1,498)	(3,210)
Interest paid	(16,294)	(2,690)
Payment of lease liability	(135)	(231)
Net cash flows generated from/(used in) financing activities	(81,562)	89,380
Net increase/(decrease) in cash and cash equivalents	9,721	(201,001)
Cash and cash equivalents at beginning of the period	49,230	249,264
Effect of exchange rate changes on balances held in foreign currency	(327)	(734)
Cash and cash equivalents at end of the period	58,624	47,529

Footnote:

1. Net unrealised foreign exchange gain/loss relates mainly to the translation difference of the Euro term loan to Singapore dollar during the period. Due to the effect of natural hedging, there is a corresponding gain/loss in the comprehensive income, resulting from the stronger/weaker €/S\$ exchange rate on the Euro-denominated investment.

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

	GROUP	
	6 months ended 31 Dec 2022 (S\$'000)	6 months ended 31 Dec 2021 (S\$'000)
Operations		
Balance as at the beginning of the period	129,833	(10,553)
Profit/(Loss) after tax attributable to Unitholders	48,728	39,420
Balance as at end of the period	178,561	28,867
Unitholders' transactions		
Balance as at the beginning of the period	1,664,765	948,232
Refund of issue costs	3	-
Manager's base fee paid in units	3,157	1,963
Manager's performance fee paid in units	3,436	2,923
Manager's acquisition fee paid in units	-	3,275
Property manager's fee paid in units	1,212	825
Distributions	(29,353)	(27,576)
Balance as at end of the period	1,643,220	929,642
Foreign currency translation reserve		
Balance as at the beginning of the period	(19,186)	20,223
Translation differences relating to financial statements of a foreign subsidiary	(7,840)	(17,115)
Balance as at end of the period	(27,026)	3,108
Total Unitholders' funds as at end of the period	1,794,755	961,617
Perpetual securities holders		
Balance as at beginning of the period	399,442	198,897
Issue expenses	(12)	-
Profit attributable to perpetual securities holders	9,528	4,234
Distributions	(9,476)	(4,212)
Balance at end of the period	399,482	198,919
Non-controlling interests		
Balance as at beginning of the period	3,839	-
Acquisition of subsidiary	-	140,516
Profit/(Loss) after tax attributable to non-controlling interests	89	2,186
Distribution to non-controlling interests (including capital returns)	(1,498)	(3,210)
Balance at end of the period	2,430	139,492

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

	LREIT	
	6 months ended 31 Dec 2022 (S\$'000)	6 months ended 31 Dec 2021 (S\$'000)
Operations		
Balance as at the beginning of the period	58,285	(17,512)
Profit/(Loss) after tax attributable to Unitholders	50,315	37,248
Balance as at end of the period	108,600	19,736
Unitholders' transactions		
Balance as at the beginning of the period	1,664,765	948,232
Refund of issue costs	3	-
Manager's base fee paid in units	3,157	1,963
Manager's performance fee paid in units	3,436	2,923
Manager's acquisition fee paid in units	-	3,275
Property manager's fee paid in units	1,212	825
Distributions	(29,353)	(27,576)
Balance as at end of the period	1,643,220	929,642
Total Unitholders' funds as at end of the period	1,751,820	949,378
Perpetual securities holders		
Balance as at beginning of the period	399,442	198,897
Issue expenses	(12)	-
Profit attributable to perpetual securities holders	9,528	4,234
Distributions	(9,476)	(4,212)
Balance at end of the period	399,482	198,919

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

	6 months ended 31 Dec 2022 (Units)	6 months ended 31 Dec 2021 (Units)
Balance as at beginning of the period	2,277,125,819	1,180,996,040
<u>New units issued</u>		
Manager's base fee paid in units	3,998,883	2,439,193
Manager's performance fee paid in units	4,330,102	3,610,539
Manager's acquisition fee paid in units	-	3,683,816
Property Manager's fee paid in units	1,533,900	916,788
Total issued units as at end of the period ¹	2,286,988,704	1,191,646,376

Footnote:

1. There were no convertible and treasury units held by LREIT and its subsidiaries as at 31 December 2022 and 31 December 2021.

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1(d)(iii) Notes to the Condensed Interim Financial Statements

Basis of Preparation

The condensed interim financial statements for the six-month period ended 31 December 2022 have been prepared in accordance with the IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 30 June 2022.

The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last audited financial statements for the year ended 30 June 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with the International Financial Reporting Standards ("IFRS"), except for the adoption of new and amended standard as set out below.

The condensed interim financial statements are presented in Singapore dollars ("S\$"), which is the functional currency of LREIT. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

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

New and amended standards adopted by the Group

A number of amendments to standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

Use of estimates and judgements

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements and estimates made in applying the Group's accounting policies that have the most significant effect on the amounts recognised in the condensed interim financial statements are described in note ii – investment properties and note iii - investment property under development.

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1(d)(iii) Notes to the Condensed Interim Financial Statements

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Manager has overall responsibility for the appointment of external valuers, where necessary, and all significant fair value measurements and reports directly to the Board of Directors of the Manager.

When measuring the fair value of an asset or a liability, the Manager uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note ii: Investment properties; and
- Note iii: Investment property under development

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST FINANCIAL HALF YEAR PERIOD FROM 1 JULY 2022 TO 31 DECEMBER 2022

1(d)(iii) Notes to the Condensed Interim Financial Statements

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Makers ("CODMs") which comprise mainly the Board of Directors including the Chief Executive Officer ("CEO") of the Manager to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated items mainly comprise fees, other trust expenses, foreign exchange gain/loss, finance costs, finance and other income, fair value of derivative financial instruments and income tax expense as these are centrally managed by the Group.

Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment, investment properties and investment property under development.

i Gross revenue and operating segment

Operating segment

For segment reporting purpose, the primary segment is by geography and it comprises Singapore and Italy. The Group's reportable operating segments are as follows:

- (i) Singapore – leasing of retail and office buildings in Singapore; and
- (ii) Italy – leasing of three office buildings in Milan, Italy.

Segment information is presented in respect of the Group's geographical segments. The operations of each of the Group's geographical segments are separately managed because of different economic and regulatory environments in which they operate in. For the purpose of making resource allocation and the assessment of segment performance, the Group's CODMs have focused on its investment properties. For each of the reporting segments, the Manager reviews internal management reports on a monthly basis. This forms the basis of identifying the operating segments of the Group under IFRS 8 Operating Segments.

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i Gross revenue and operating segment

Operating segment

	Singapore (S\$'000)	Italy (S\$'000)	Group (S\$'000)
6 months ended 31 Dec 2022			
Gross revenue	89,515	12,218	101,733
Property operating expenses	(24,022)	(1,287)	(25,309)
Total segment net property income	65,493	10,931	76,424
<i>Unallocated items:</i>			
<i>Manager's base fees</i>			(5,210)
<i>Manager's performance fees</i>			(3,821)
<i>Other management fees</i>			(385)
<i>Trustee's fee</i>			(210)
<i>Other trust expenses</i>			(1,205)
<i>Net foreign exchange gain/(loss)</i>			8,227
<i>Finance income</i>			59
<i>Finance costs</i>			(23,586)
Profit/(Loss) before tax, change in fair value, impairment and share of profit/(loss)			50,293
Share of profit/(loss) of associates	667	-	667
<i>Unallocated item:</i>			
<i>Fair value gains/(losses) of derivative financial instruments</i>			7,385
Profit/(Loss) before tax			58,345
Segment assets	3,214,079	485,209	3,699,288
Segment liabilities	1,498,129	4,492	1,502,621

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i Gross revenue and operating segment

Operating segment

6 months ended 31 Dec 2021

Gross revenue
Property operating expenses
Total segment net property income

Unallocated items:

Manager's base fees

Manager's performance fees

Other management fees

Trustee's fee

Other trust expenses

Net foreign exchange gain/(loss)

Finance income

Finance costs

Profit/(Loss) before tax, change in fair value, impairment and share of profit/(loss)

Share of profit/(loss) of associates

Fair value gains/(losses) of equity instrument

Unallocated item:

Fair value gains/(losses) of derivative financial instruments

Profit/(Loss) before tax

Segment assets

Segment liabilities

	Singapore (S\$'000)	Italy (S\$'000)	Group (S\$'000)
Gross revenue	26,230	12,960	39,190
Property operating expenses	(8,251)	(1,296)	(9,547)
Total segment net property income	17,979	11,664	29,643
<i>Unallocated items:</i>			
<i>Manager's base fees</i>			(2,085)
<i>Manager's performance fees</i>			(1,655)
<i>Other management fees</i>			(682)
<i>Trustee's fee</i>			(120)
<i>Other trust expenses</i>			(1,130)
<i>Net foreign exchange gain/(loss)</i>			16,914
<i>Finance income</i>			90
<i>Finance costs</i>			(5,688)
Profit/(Loss) before tax, change in fair value, impairment and share of profit/(loss)			35,287
Share of profit/(loss) of associates	7,419	-	7,419
Fair value gains/(losses) of equity instrument	330	-	330
<i>Unallocated item:</i>			
<i>Fair value gains/(losses) of derivative financial instruments</i>			2,804
Profit/(Loss) before tax			45,840
Segment assets	1,543,681	446,034	1,989,715
Segment liabilities	686,329	3,358	689,687

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST FINANCIAL HALF YEAR PERIOD FROM 1 JULY 2022 TO 31 DECEMBER 2022

i Gross revenue and operating segment

Breakdown of gross revenue

	Group	
	(S\$'000)	
	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021
Rental income	92,196	36,909
Turnover rent ¹	3,258	565
Other property income	6,279	1,716
	101,733	39,190

Footnote:

1. Turnover rent is contingent rent derived from operating leases.

ii Investment properties

	GROUP	
	31 Dec 2022 (S\$'000)	30 Jun 2022 (S\$'000)
Property		
Singapore	3,122,806	3,121,000
Italy	466,171	472,332
Investment properties	3,588,977	3,593,332

	GROUP	
	31 Dec 2022 (S\$'000)	30 Jun 2022 (S\$'000)
Balance as at the beginning of the period	3,593,332	1,419,857
Purchase price for new acquisition ¹	-	2,079,000
Acquisition costs ¹	1,062	78,697
Capital expenditure	1,967	2,648
Currency translation difference	(7,384)	(38,033)
Change in fair value of investment properties	-	51,163
Balance as at the end of the period	3,588,977	3,593,332

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST FINANCIAL HALF YEAR PERIOD FROM 1 JULY 2022 TO 31 DECEMBER 2022

ii Investment properties

Property

313@somerset

Jem

LREIT	
31 Dec 2022 (S\$'000)	30 Jun 2022 (S\$'000)
987,681	987,000
2,135,125	2,134,000
3,122,806	3,121,000

Balance as at the beginning of the period

Purchase price for new acquisition ¹

Acquisition costs ¹

Capital expenditure

Change in fair value of investment properties

Balance as at the end of the period

LREIT	
31 Dec 2022 (S\$'000)	30 Jun 2022 (S\$'000)
3,121,000	983,000
-	2,079,000
1,062	78,697
744	2,597
-	(22,294)
3,122,806	3,121,000

Footnote:

1. This relates to the acquisition of a 99-year leasehold interest in Jem.

The decrease in Group's investment properties is mainly due to foreign exchange revaluation loss on a Euro-denominated investment property (Sky Complex) attributed to weaker €/S\$ exchange rate.

Measurement of fair value

Fair value hierarchy

The carrying amounts of the investment properties as at 31 December 2022 were based on the valuations performed by independent professional valuers, Colliers Valuation Italy S.r.l., Cushman & Wakefield VHS Pte. Ltd. and Jones Lang LaSalle Property Consultants Pte Ltd, as at 30 June 2022, adjusted for capital expenditure incurred subsequent to the valuation date and currency translation differences.

The fair value measurement for investment properties has been categorised as Level 3 based on inputs to the valuation techniques used (see item 1(d)(iii)).

Valuation techniques

The fair values take into consideration the market values of the properties, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion. The specific condition and characteristics inherent in each of the properties are taken into consideration in arriving at the property valuation.

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ii Investment properties

In determining the fair value, the external valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of investment properties include market-corroborated discount rate, terminal capitalisation rate, capitalisation rate and/or adjusted price per square metre. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions and the valuation reports are prepared in accordance with recognised appraisal and valuation standards.

The external valuers have considered valuation techniques including the income capitalisation method, discounted cash flow analysis and/or direct comparison method in arriving at the open market value as at the reporting date.

The discounted cash flow analysis involves the estimation and projection of a net income stream over a period and discounting the net income stream with an internal rate of return to arrive at the market value. The discounted cash flow analysis requires the external valuers to assume a rental growth rate indicative of market and the selection of a target internal rate of return consistent with current market requirements. The capitalisation method is an investment approach whereby the estimated gross passing income (on both a passing and market rent basis) has been adjusted against anticipated operating costs to produce a net income on a fully leased basis. The adopted fully leased net income is capitalised at an appropriate investment yield. Thereafter, various adjustments including assumed vacancy allowance are made, where appropriate, for the capitalisation method. The direct comparison method provides an indication of value by comparing the investment property with identical or similar properties where reliable sales evidence is available.

Key unobservable inputs

The following table shows the key unobservable inputs used in the valuation models:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows analysis	• Discount rate of 5.65% to 7.00%	The estimated fair value would increase (decrease) if discount rate was lower (higher).
	• Terminal capitalisation rate of 3.50% to 5.00%	The estimated fair value would increase (decrease) if terminal capitalisation rate was lower (higher).
Capitalisation method	• Capitalisation rate of 3.50% to 4.50%	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).
Direct comparison method	• Adjusted price per square metre	The estimated fair value would increase (decrease) if adjusted price per square metre was higher (lower).

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iii Investment property under development

	GROUP	
	31 Dec 2022 (S\$'000)	30 Jun 2022 (S\$'000)
Balance as at the beginning of the period	6,105	5,521
Development expenditure capitalised	445	3,048
Net change in fair value of investment property under development	-	(2,048)
Net change in fair value of right-of-use asset	(116)	(416)
Balance as at the end of the period	6,434	6,105

Investment property under development relates to the development of a site adjacent to 313@somerset into a multi-functional event space.

Measurement of fair value

Fair value hierarchy

The carrying amounts of the investment property under development as at 31 December 2022 was based on valuation performed by an independent professional valuer, Jones Lang LaSalle Property Consultants Pte Ltd as at 30 June 2022, adjusted for development expenditure incurred subsequent to the valuation date and net change in fair value of right-of-use asset.

The fair value measurement for investment property under development has been categorised as a Level 3 based on the inputs to the valuation techniques used (see item 1(d)(iii)).

Level 3 fair value measurement

Reconciliation of movements in Level 3 fair value measurement

The reconciliation of Level 3 fair value measurements for investment property under development is presented in the table above.

Valuation techniques

In determining the fair value of investment property under development, the valuer has considered valuation techniques including the income capitalisation method and discounted cash flow analysis in arriving at the open market value as at the reporting date (see Note ii).

The key assumptions include market-corroborated discount rate and capitalisation rate.

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iii Investment property under development

Key unobservable inputs

The following table shows the key unobservable inputs used in the valuation models:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows analysis	<ul style="list-style-type: none">Discount rate of 7.50%	The estimated fair value would increase (decrease) if discount rate was lower (higher).
Capitalisation method	<ul style="list-style-type: none">Capitalisation rate of 5.00%	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).

iv Investment in associates

	Group	
	31 Dec 2022 (S\$'000)	30 Jun 2022 (S\$'000)
Investment in associates	8,439	14,511

Investment in associates decreased mainly due to return of capital post acquisition of Jem.

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v Loans and Borrowings

	GROUP	
	31 Dec 2022 (S\$'000)	30 Jun 2022 (S\$'000)
Unsecured loans and borrowings		
Amount repayable within one year	608,351	299,297
Amount repayable after one year	842,900	1,180,837
Less: unamortised transaction costs	(26,301)	(30,234)
	1,424,950	1,449,900

Details of loans and borrowings

As at 31 December 2022, the Group and LREIT has in place the following loan facilities:

- 5-year unsecured term loan facility of S\$100.0 million;
- 5-year unsecured term loan facility of S\$200.0 million;
- 5-year unsecured revolving credit loan facility of S\$100.0 million;
- 4-year unsecured term loan facility of €285.0 million (S\$408.4 million);
- 4-year unsecured term loan facility of S\$200.0 million;
- 4-year unsecured term loan facility of S\$90.0 million;
- 4-year unsecured multicurrency revolving loan facility of S\$50.0 million;
- 4-year unsecured revolving credit loan facility of S\$30.0 million;
- 3-year unsecured term loan facility of S\$160.0 million; and
- 3-year¹ unsecured term loan facility of S\$200.0 million.

As at 31 December 2022, S\$1,451.3 million of the loan facilities were drawn.

S\$608.4 million of unsecured loans and borrowings repayable within one year comprise:

- €285.0 million (S\$408.4 million) unsecured term loan facility; and
- S\$200.0 million unsecured term loan facility.

The S\$200.0 million unsecured term loan facility may be extended to April 2025 at the option of LREIT. The Manager has commenced discussions with lenders to refinance the €285.0 million unsecured term loan facility.

In addition, the Group and LREIT has approximately S\$230.1 million of undrawn debt facilities.

The Group aggregate gearing stands at 39.2% and has an interest coverage ratio of 5.5 times in accordance with the requirements under its loan facilities².

Footnotes:

1. 1-year term loan facility with an option to extend to 3-years at the discretion of LREIT.
2. The interest coverage ratio of 3.1 times (2.1 times for adjusted ICR) is in accordance with the Property Funds Appendix of the Code on Collective Investment Schemes.

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vi Net Asset Value (“NAV”) and Net Tangible Asset (“NTA”) Per Unit

	GROUP		LREIT	
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
NAV/ NTA per unit (S\$) ¹	0.78	0.78	0.77	0.76
Adjusted NAV/ NTA per unit (excluding the amount distributable) (S\$)	0.76	0.75	0.74	0.73

Footnote:

1. NTA per unit approximates NAV per unit.

vii 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.

	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021
Weighted average number of units in issue	2,279,859,553	1,183,890,153
Earnings per unit (“EPU”) (cents)¹	2.14	3.33

	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021
No. of units in issue at end of the period	2,286,988,704	1,191,646,376
Distribution per unit (“DPU”) (cents)	2.45	2.40

Footnote:

1. Includes unrealised foreign exchange, net change in fair value of derivatives, net change in fair value of equity instrument and transaction costs directly attributable to acquisitions.

viii Fair value of assets and liabilities

The following methods and assumptions are used to estimate fair values of the following significant classes of financial instruments:

- (i) Derivative financial instruments

Interest rate derivatives are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present valuation calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate and forward rate curves.

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viii Fair value of assets and liabilities

(ii) Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted using the market rate of interest at the reporting date. The carrying amounts of loans and borrowings approximate their fair values as these loans and borrowings are interest-bearing at floating rates and reprice at an interval of one to twelve months.

(iii) Financial instruments that are not measured at fair value

Other non-derivative financial liabilities are measured at fair value at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. Other non-derivative financial liabilities include loans and borrowings.

Interest rates used in determining fair values

The weighted average interest rates used to discount estimated cash flows, where applicable, are based on forward rates as at 31 December 2022 and 30 June 2022 plus a credit spread, and are as follows:

	GROUP		LREIT	
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	%	%	%	%
Unsecured interest-bearing term loans	3.77	1.85	3.77	1.85

(iv) Financial instruments for which fair value is equal to the carrying value

These financial instruments include cash and cash equivalents, trade and other receivables, other current assets, other non-current assets and trade and other payables. The carrying amounts of these financial instruments are approximations of their fair values because they are either short term in nature or effect of discounting is immaterial.

(v) Equity instrument at fair value

The fair value measurement for equity instrument at fair value has been categorised as Level 3 based on inputs to the valuation techniques used.

The fair value of the equity instrument is calculated using the net asset value of the unquoted entity adjusted for the fair value of the underlying property. The estimated fair value would increase/(decrease) if the net asset value was higher/(lower).

Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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viii Fair value of assets and liabilities

	Carrying amount			Fair value				
	At amortised cost	FVTPL	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
31 Dec 2022	\$'000							
Group								
Financial assets not measured at fair value								
Trade and other receivables ¹	1,126	-	-	1,126				
Other non-current assets	1,982	-	-	1,982				
Cash and cash equivalents	58,624	-	-	58,624				
Other current assets ²	5,533	-	-	5,533				
	67,265	-	-	67,265				
Financial assets measured at fair value								
Derivative financial asset	-	21,900	-	21,900	-	21,900	-	21,900
Financial liabilities not measured at fair value								
Trade and other payables ³	-	-	(63,658)	(63,658)				
Loans and borrowings	-	-	(1,424,950)	(1,424,950)	-	(1,563,589)	-	(1,563,589)
Lease liability	-	-	(1,989)	(1,989)				
	-	-	(1,490,597)	(1,490,597)				
Financial liabilities measured at fair value								
Derivative financial liabilities	-	(2,120)	-	(2,120)	-	(2,120)	-	(2,120)

Footnotes:

1. Excludes net VAT receivables.
2. Excludes deposits and prepayments.
3. Excludes net GST payables and rental received in advance.

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viii Fair value of assets and liabilities

	Carrying amount				Fair value			
	At amortised cost	FVTPL	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
30 Jun 2022	\$'000							
Group								
Financial assets not measured at fair value								
Trade and other receivables ¹	10,736	-	-	10,736				
Other non-current assets	1,294	-	-	1,294				
Cash and cash equivalents	49,230	-	-	49,230				
Other current assets ²	3,569	-	-	3,569				
	64,829	-	-	64,829				
Financial assets measured at fair value								
Derivative financial asset	-	12,395	-	12,395	-	12,395	-	12,395
Financial liabilities not measured at fair value								
Trade and other payables ³	-	-	(62,342)	(62,342)				
Loans and borrowings	-	-	(1,449,900)	(1,449,900)	-	(1,586,023)	-	(1,586,023)
Lease liability	-	-	(2,105)	(2,105)				
	-	-	(1,514,347)	(1,514,347)				

Footnotes:

1. Excludes net GST/VAT receivables.

2. Excludes deposits and prepayments.

3. Excludes rental received in advance.

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viii Fair value of assets and liabilities

	Carrying amount				Fair value			
	At amortised cost	FVTPL	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
31 Dec 2022	\$'000							
LREIT								
Financial assets not measured at fair value								
Trade and other receivables	1,126	-	-	1,126				
Other non-current assets	1,982	-	-	1,982				
Cash and cash equivalents	42,896	-	-	42,896				
Other current assets ¹	5,533	-	-	5,533				
	51,537	-	-	51,537				
Financial assets measured at fair value								
Derivative financial asset	-	21,900	-	21,900	-	21,900	-	21,900
Financial liabilities not measured at fair value								
Trade and other payables ²	-	-	(62,245)	(62,245)				
Loans and borrowings	-	-	(1,424,950)	(1,424,950)	-	(1,563,589)	-	(1,563,589)
Lease liability	-	-	(1,989)	(1,989)				
	-	-	(1,489,184)	(1,489,184)				
Financial liabilities measured at fair value								
Derivative financial liabilities	-	(2,120)	-	(2,120)	-	(2,120)	-	(2,120)

Footnotes:

1. Excludes deposits and prepayments.

2. Excludes net GST payables and rental received in advance.

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viii Fair value of assets and liabilities

30 Jun 2022

LREIT

Financial assets not measured at fair value

Trade and other receivables ¹

Other non-current assets

Cash and cash equivalents

Other current assets ²

Financial assets measured at fair value

Derivative financial asset

Financial liabilities not measured at fair value

Trade and other payables ³

Loans and borrowings

Lease liability

	Carrying amount			Fair value				
	At amortised cost	FVTPL	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
	\$'000							
Trade and other receivables ¹	12,335	-	-	12,335				
Other non-current assets	1,294	-	-	1,294				
Cash and cash equivalents	32,373	-	-	32,373				
Other current assets ²	3,569	-	-	3,569				
	49,571	-	-	49,571				
Derivative financial asset	-	12,395	-	12,395	-	12,395	-	12,395
Trade and other payables ³	-	-	(61,038)	(61,038)				
Loans and borrowings	-	-	(1,449,900)	(1,449,900)	-	(1,586,023)	-	(1,586,023)
Lease liability	-	-	(2,105)	(2,105)				
	-	-	(1,513,043)	(1,513,043)				

Footnotes:

1. Excludes net GST receivables.

2. Excludes deposits and prepayments.

3. Excludes rental received in advance.

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ix Capital commitments

As at 31 December 2022, the Group had approximately \$1.3 million of capital expenditure contracted but not provided for in the unaudited condensed interim financial statements.

2 Review of Condensed Interim Financial Statements

The condensed interim financial statements and distribution announcement for first financial half year period from 1 July 2022 to 31 December 2022 including the explanatory notes have not been audited or reviewed.

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3 Review of Performance

	GROUP		
	(\$'000)		Variance %
	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021	
<u>Consolidated Statement of Profit or Loss</u>			
Gross revenue	101,733	39,190	>100
Property operating expenses	(25,309)	(9,547)	(>100)
Net property income	76,424	29,643	>100
Manager's base fee	(5,210)	(2,085)	(>100)
Manager's performance fee	(3,821)	(1,655)	(>100)
Other management fees	(385)	(682)	43.5
Trustee's fee	(210)	(120)	(75.0)
Other trust expense	(1,205)	(1,130)	(6.6)
Net foreign exchange gain/(loss)	8,227	16,914	(51.4)
Finance income	59	90	(34.4)
Finance costs	(23,586)	(5,688)	(>100)
Profit/(Loss) before tax, change in fair value, impairment and share of profit/(loss)	50,293	35,287	42.5
Amount available for distribution to Unitholders	56,030	28,602	95.9
Available distribution per unit (cents)	2.45	2.40	2.1

1H FY2023 vs 1H FY2022

Gross revenue of S\$101.7 million for the period was S\$62.5 million higher than in 1H FY2022. The increased revenue was mainly contributed by the acquisition of Jem in April 2022 (FY2022) and the easing of COVID-19 measures. The higher revenue was partly offset by lower revenue from Sky Complex due to a weaker €/€ exchange rate.

Property operating expenses were S\$25.3 million for the period, S\$15.8 million higher than in 1H FY2022. The higher expenses were mainly contributed by the acquisition of Jem.

As a result, net property income for the period was S\$46.8 million higher than in 1H FY2022.

After accounting for distribution adjustments such as unrealised foreign exchange gain/loss, net change in fair value of derivatives, amortisation of debt-related transaction costs, management fees paid in units, distribution to perpetual securities holders and the enlarged issued unit base, the amount distributable to Unitholders was S\$56.0 million. This translates to a DPU of 2.45 Singapore cents, which is 2.1% higher than the DPU in 1H FY2022.

4 Variance between Actual and Forecast Results

LREIT has not disclosed any forecast to the market.

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5 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

According to the International Monetary Fund (“IMF”), global growth is forecast to slow to 2.7%¹ in 2023 (vs 3.2%¹ in 2022) due to macroeconomic challenges in most of the regions. With the tightening of monetary policy across the world to put a lid on inflation, the IMF predicts global inflation to ease to 6.5%¹ and 4.1%¹, respectively, in 2023 and 2024 (vs 8.8%¹ in 2022).

As policymakers are currently facing an unusually challenging financial environment, central banks, in the near term, are expected to maintain their stance to keep monetary policy on target.

Singapore

Based on the advance estimates by the Ministry of Trade and Industry (“MTI”), the Singapore economy grew 2.2%² year-on-year (“YoY”) in the fourth quarter of 2022, moderating from the 4.2%² growth in the previous quarter. For 2022, the economy grew 3.8%² (vs. 7.6%² in 2021). Come 2023, the MTI forecast economic growth to be in the range of 0.5%³ to 2.5%³.

Retail sales (excluding motor vehicles) continued to improve in the second half of 2022. In November 2022, retail sales increased 8.7%⁴ YoY with an estimated total retail sales value of S\$3.6 billion⁴, of which online sales accounted for 16.5%⁴. With China reopening its borders in January 2023, Singapore is expected to be one of the beneficiaries from the influx of Chinese tourists, the largest inbound travel demand source before the pandemic.

Office demand, particularly by the tech sector, has begun to slow for the larger occupiers towards the end of 2022. Vacancy rates in the core CBD and fringe CBD submarkets climbed 0.1 and 0.2 percentage point to 5.3%⁵ and 6.3%⁵ quarter-on-quarter (“QoQ”), respectively, in Q4 2022. Rental growth in Q4 2022, on the other hand, improved slightly compared to the previous quarter. Grade A core CBD rents improved 0.9%⁵ QoQ to \$11.70 per square feet per month⁵.

With the limited Grade A office supply in core CBD for 2024 and 2025, Grade A core CBD rents is expected to increase marginally by approximately 1.0%⁵ YoY. Suburban office spaces will continue to be relevant as more businesses adopt the hybrid workplace model and workspace strategies brought about by the pandemic.

¹ International Monetary Fund, World Economic Outlook, Countering the Cost-of-Living Crisis, October 2022

² Ministry of Trade and Industry Singapore, Singapore’s GDP Grew by 2.2 Per Cent in the Fourth Quarter of 2022 and by 3.8 Per Cent in 2022, 3 January 2023.

³ Ministry of Trade and Industry Singapore, MTI Forecasts GDP Growth of “around 3.5 Per Cent” in 2022 and “0.5 to 2.5 Per Cent” in 2023, 23 November 2022.

⁴ Department of Statistics Singapore, Retail Sales Index and Food & Beverage Services Index, November 2022

⁵ CBRE Research, Singapore Figures Q4 2022, 11 January 2023

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5 **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**

Milan

According to the preliminary estimates by the Italian National Institute of Statistics (“ISTAT”), the consumer price index in December 2022 increased 11.6%⁶ YoY and 0.3%⁶ month-on-month. Business and consumer confidence also improved 1.3 and 4.4 points to 107.8⁷ and 102.5⁷, respectively, in December 2022.

Milan office market sets a new record in Q3 2022 with a take up of 108,000 sqm⁸, bringing the total take up year-to-date to 370,000 sqm⁸. The CBD area accounted for the highest absorption of 29.7%⁸, followed by the Periphery area, where Sky Complex is located, accounted for 25.4%⁸.

While the office vacancy rate stood relatively stable at 10.6%⁸ in 3Q 2022, the average office rental continues to increase QoQ to €680 per sqm per annum⁸.

With the ongoing trend of flight-to-quality, high quality office spaces that provide flexible space solution and promote sustainability and wellness are likely preferred by office occupiers.

Looking ahead

Retail activities have improved as borders reopen, with many retailers trading at pre-pandemic levels. With China reopening its border in January 2023, LREIT’s retail assets will likely benefit from the higher tourist flows. In the meantime, it will continue its proactive asset management strategy to ensure that the malls stay vibrant and relevant for shoppers.

In the Singapore office market, there could be some right-sizing and consolidations across various sectors. In Milan, there have been active negotiations on office leasing for locations that serve as a complete ecosystem: with good transport connections, services and a context already established by other tenants. Rental for Sky Complex, pegged to 75% of ISTAT consumer price index variance, increased approximately 4% effective May 2022. For LREIT, its fully leased office assets will continue to enjoy stable cashflow.

⁶ Italian National Institute of Statistics, Consumer Prices, December 2022

⁷ Italian National Institute of Statistics, Consumer and Business Confidence, December 2022

⁸ Cushman & Wakefield, Milan Office Q3 2022

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6 Distributions

(a) Current financial period

Any distributions declared for the current financial period? Yes

Name of distribution: 8th distribution for the period from 1 July 2022 to 31 December 2022

Distribution type: Income

Distribution rate: Taxable Income – 2.0447 cents per unit
Tax-Exempt Income – 0.4052 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.

(b) Record date: 15 February 2023

(c) Date payable: 30 March 2023

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6 Distributions

(d) Corresponding period of the preceding financial period

Any distributions declared for the current financial period? Yes

Name of distribution: 5th distribution for the period from 1 July 2021 to 31 December 2021

Distribution type: Income

Distribution rate: Taxable Income – 1.3748 cents per unit
Tax-Exempt Income – 1.0254 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.

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

Not applicable.

8 General mandate from Unitholders for Interested Person Transactions

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

9 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 1 and section 3 for review of actual performance.

10 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.

11 Negative Confirmation pursuant to Rule 705(5) of the Listing Manual

We, on the behalf of the board of directors of the Manager confirmed that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Manager which may render unaudited financial results of LREIT for the period from 1 July 2022 to 31 December 2022 to be false or misleading in any material aspect.

For and on behalf of the Manager
Lendlease Global Commercial Trust Management Pte. Ltd.

Ng Hsueh Ling
Chairperson and Non-Independent
Non-Executive Director

Tsui Kai Chong
Lead Independent
Non-Executive Director

LENLEASE GLOBAL COMMERCIAL REIT

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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
Ms Jill Chay
Joint Company Secretary
Lendlease Global Commercial Trust Management Pte. Ltd.
(Company Registration No. 201902535N)
As Manager of Lendlease Global Commercial REIT

7 February 2023