

UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST FINANCIAL HALF YEAR PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2020
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DBS Bank Ltd. is the Sole Financial Adviser and Issue Manager for the initial public offering of Lendlease Global Commercial REIT (the "Offering"). DBS Bank Ltd. and Citigroup Global Markets Singapore Pte. Ltd. were the joint global coordinators, bookrunners and underwriters for the Offering.

LENLEASE GLOBAL COMMERCIAL REIT

UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST FINANCIAL HALF YEAR PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 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’s property 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 “313@somerset”); and
- (ii) a freehold interest in Sky Complex, which comprises three office buildings located in Milan, Italy (the “Sky Complex”).

LREIT holds a 5.0% stake in Lendlease Asian Retail Investment Fund 3 Limited (“ARIF 3”)², which holds a 75.0% indirect interest in the property known as Jem. Jem is an integrated office and retail development located in Jurong Gateway, the commercial hub of the Jurong Lake District, Singapore.

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.

2. ARIF 3 is managed by an indirect wholly-owned subsidiary of the sponsor of LREIT. Management fees will be paid at the respective levels and will not be double counted.

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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 first distribution for FY2021 will be for the period from 1 July 2020 to 31 December 2020 and will be paid on or before 31 March 2021. LREIT intends 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		Variance
	6 months ended 31 Dec 2020	6 months ended 31 Dec 2019	
	Actual	Annualised ^C	
Gross Revenue (S\$'000)	41,608	40,326	3.2%
Net Property Income (S\$'000)	30,393	29,905	1.6%
Amount Distributable (S\$'000) - to Unitholders	27,546	27,164	1.4%
Available Distribution per Unit ("DPU") (cents)	2.34	2.32	0.8%
Annualised Distribution yield (%)^A			
Based on IPO listing price of S\$0.88	5.27%	5.25%	2 bp
Based on closing price of the period ^B	6.36%	4.97%	139 bp

Footnotes:

A. The annualised distribution yield is calculated on a pro-rata basis.

B. The closing price as at 31 December 2020 is S\$0.73 and the closing price as at 31 December 2019 is S\$0.93.

C. The annualised results for the 6 months ended 31 December 2019 is based on the actual results from 2 October 2019 to 30 June 2020 (273 days) pro-rated to 366 days, deducting for the actual results from 1 January 2020 to 30 June 2020.

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

	GROUP		Variance %*
	(S\$'000)		
	6 months ended 31 Dec 2020	2 Oct 2019 to 31 Dec 2019	
Gross revenue	41,608	21,407	
Property operating expenses	(11,215)	(5,227)	
Net property income	30,393	16,180	
Manager's base fee	(1,970)	(951)	
Manager's performance fee	(1,520)	(809)	
Other management fees	(401)	(185)	
Trustee's fee	(103)	(49)	
Other trust expenses ¹	(1,440)	(449)	
Net foreign exchange (loss)/ gain ²	(14,633)	5,016	
Finance income	40	66	
Finance costs ³	(5,057)	(2,455)	Please see footnote *
Profit before tax and change in fair value	5,309	16,364	
Net change in fair value of investment properties ⁴	-	(48,997)	
Net change in fair value of derivative financial instruments ⁵	(851)	(20)	
Profit/ (Loss) before tax	4,458	(32,653)	
Tax expense	-	-	
Profit/ (Loss) after tax attributable to Unitholders before distribution adjustments	4,458	(32,653)	
Add: Distribution adjustments ⁶	23,088	47,665	
Amount available for distribution to Unitholders (Note A)	27,546	15,012	

*Not meaningful as LREIT was listed on the 2 October 2019. Please refer to Note 8 "Review of performance" for a review of the actual results for the period against the annualised results for the same period in the previous financial period.

Footnotes:

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

2. Net foreign exchange loss/gain 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/ loss recognised in the comprehensive income, resulting from the stronger/ weaker €/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 exchange risks. This is a non-tax chargeable/ deductible item and therefore does not affect income available for distribution to Unitholders.

6. 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 investment properties and derivative financial instruments, amortisation of debt-related transaction costs, incentive amounts, acquisition costs for equity instrument 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		
(S\$'000)		Variance % *
6 months ended 31 Dec 2020	2 Oct 2019 to 31 Dec 2019	
Distribution from:		Please see footnote *
- Singapore	18,162	
- Foreign source ¹	9,384	
Total	27,546	15,012

Note A

Distribution from:

- Singapore

- Foreign source ¹

Total

Footnotes:

1. Foreign source distribution mainly pertains to income from the Sky Complex. 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		
(S\$'000)		Variance % *
6 months ended 31 Dec 2020	2 Oct 2019 to 31 Dec 2019	
Profit/ (Loss) after tax	4,458	(32,653)
<i>Item that may be reclassified subsequently to profit or loss:</i>		Please see footnote *
Other comprehensive income:		
Net currency translation differences relating to financial statements of a foreign subsidiary	14,986	(5,035)
Total comprehensive income	19,444	(37,688)

* Not meaningful as LREIT was listed on the 2 October 2019. Please refer to Note 8 "Review of performance" for a review of the actual results for the period against the annualised results for the same period in the previous financial period.

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1(b)(i) Statement of Financial Position

	Note	GROUP 31 Dec 2020 (S\$'000)	GROUP 30 Jun 2020 (S\$'000)
Current assets			
Cash and cash equivalents	i	46,436	83,678
Trade and other receivables		11,678	10,553
Other current assets		3,562	4,663
		61,676	98,894
Non-current assets			
Investment properties	ii	1,456,719	1,442,598
Investment property under development	iii	2,354	-
Equity instrument at fair value	iv	45,533	-
Other receivables		10,318	12,845
Other non current assets		923	1,012
Derivative financial instruments ¹		-	149
		1,515,847	1,456,604
Total assets		1,577,523	1,555,498
Current liabilities			
Trade and other payables		22,815	21,827
Lease liability ²		97	-
Derivative financial instruments ¹		866	320
		23,778	22,147
Non-current liabilities			
Trade and other payables		6,510	7,999
Lease liability ²		2,200	-
Loans and borrowings		545,769	528,999
Derivative financial instruments ¹		4,259	4,103
		558,738	541,101
Total liabilities		582,516	563,248
Net assets		995,007	992,250
Represented by:			
Unitholders' funds		995,007	992,250
NAV per Unit (S\$) ³		0.85	0.85

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 exchange risks.

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

3. 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

	LREIT	LREIT
	31 Dec 2020 (S\$'000)	30 Jun 2020 (S\$'000)
Current assets		
Cash and cash equivalents	28,540	60,664
Trade and other receivables	5,891	4,942
Other current assets	3,464	4,359
	37,895	69,965
Non-current assets		
Investment properties	1,008,308	1,008,000
Investment property under development	2,354	-
Investment in subsidiary	435,245	435,245
Equity instrument at fair value	45,533	-
Other non current assets	923	1,012
Derivative financial instruments ¹	-	149
	1,492,363	1,444,406
Total assets	1,530,258	1,514,371
Current liabilities		
Trade and other payables	19,279	17,555
Lease liability ²	97	-
Derivative financial instruments ¹	866	320
	20,242	17,875
Non-current liabilities		
Trade and other payables	6,510	7,999
Lease liability ²	2,200	-
Loans and borrowings	545,769	528,999
Derivative financial instruments ¹	4,259	4,103
	558,738	541,101
Total liabilities	578,980	558,976
Net assets	951,278	955,395
Represented by:		
Unitholders' funds	951,278	955,395
NAV per Unit (S\$) ³	0.81	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 exchange risks.

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

3. 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 Cash and cash equivalents

The decrease in cash and cash equivalents is mainly due to the acquisition of equity instrument at fair value.

ii Investment properties

The increase in investment properties is mainly due to foreign exchange revaluation gain on a Euro denominated investment property (Sky Complex) attributed to stronger €/S\$ exchange rate.

iii Investment property under development

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

iv Equity instrument at fair value

Equity instrument at fair value relates to LREIT's 5.0% stake in ARIF 3.

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

	GROUP	GROUP
	31 Dec 2020 (S\$'000)	30 Jun 2020 (S\$'000)
Unsecured loans and borrowings		
Amount repayable after one year	559,495	545,319
Less: unamortised transaction costs	(13,726)	(16,320)
	545,769	528,999

Details of loans and borrowings

On 2 October 2019, the Group put in place a 4-year Euro term loan facility of €285.0 million (S\$460.2 million) and a 3-year Singapore dollar term loan facility of S\$99.3 million (collectively, the "Facilities"), translating to a gearing ratio of 35.5%.

The interest payable 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 8.5 times in accordance with the requirements in the Facilities. The interest coverage ratio is 4.5 times in accordance with the Property Funds Appendix.

On 1 October 2020, the Group and LREIT established a 4-year multicurrency revolving facility of S\$50.0 million-equivalent for general corporate funding purposes. As at 31 December 2020, the revolving credit facility was undrawn.

In addition, the Group and LREIT has aggregate uncommitted undrawn debt facilities of approximately S\$98.4 million¹ to fund its working capital. In aggregate, Group and LREIT has approximately S\$148.4 million of undrawn debt facilities.

On 8 January 2021, LREIT established a S\$1 billion multicurrency debt issuance programme.

All of the Group's loans and borrowings are unsecured.

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	
	6 months ended 31 Dec 2020 (S\$'000)	2 Oct 2019 to 31 Dec 2019 (S\$'000)
Cash flows from operating activities		
Profit/ (Loss) after tax	4,458	(32,653)
Adjustments for:		
Manager's fee paid/ payable in units	3,945	1,760
Property manager's fee paid/ payable in units	846	470
Transaction costs related to purchase of equity instrument	48	-
Finance income	(40)	(66)
Interest expense	2,463	1,163
Amortisation of debt-related transactions costs	2,594	1,292
Net unrealised foreign exchange loss/ (gain) ¹	14,198	(5,016)
Net change in fair value of investment properties	-	48,997
Net change in fair value of derivatives financial instruments	851	20
Operating income before working capital changes	29,363	15,967
Changes in working capital:		
Trade and other receivables	2,352	(27,984)
Trade and other payables	(1,817)	25,826
Other current assets	1,044	(1,667)
Other non current assets	89	(2,016)
Net cash generated from operating activities	31,031	10,126
Cash flows from investing activities		
Interest received	40	66
Acquisition of investment properties ²	-	(1,447,004)
Capital expenditure on investment properties	(352)	-
Purchase of equity instrument at fair value	(45,533)	-
Transaction costs related to purchase of equity instrument	(48)	-
Net cash used in investing activities	(45,893)	(1,446,938)
Cash flows from financing activities		
Proceeds from issuance of new units	-	1,027,792
Payment of issue costs ³	-	(16,048)
Payment of financing expenses	-	(19,821)
Proceeds from loans and borrowings	-	534,237
Distribution to Unitholders	(20,600)	-
Interest paid	(1,983)	(713)
Net cash flows (used in)/ generated from financing activities	(22,583)	1,525,447
Net (decrease)/ increase in cash and cash equivalents	(37,445)	88,635
Cash and cash equivalents at beginning of the period	83,678	-
Effect of exchange rate changes on balances held in foreign currency	203	(153)
Cash and cash equivalents at end of the period	46,436	88,482

Footnotes:

1. Net unrealised foreign exchange loss/ gain 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/ loss in the comprehensive income, which relates to net currency translation difference as a result of the stronger/ weaker €/S\$ exchange rate.

2. During the financial period ended 31 December 2019, LREIT issued an aggregate of 8,548,000 new units amounting to S\$7.5 million as payment for 313@somerset's acquisition fee.

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	GROUP
	6 months ended 31 Dec 2020 (S\$'000)	28 Jan 2019 to 31 Dec 2019 (S\$'000)
Operations		
Balance as at the beginning of the period	(8,616)	-
Profit/ (Loss) after tax attributable to Unitholders	4,458	(32,653)
Balance as at end of the period	(4,158)	(32,653)
Unitholders' transactions		
Balance as at the beginning of the period	989,648	*
Issue of new units on the Listing Date	-	1,027,792
Issue costs ¹ on the Listing Date	-	(29,566)
Manager's base fee paid in units	967	-
Manager's performance fee paid in units	2,015	-
Manager's acquisition fee paid in units	455	-
Property Manager's fee paid in units	476	-
Distributions	(20,600)	-
Balance as at end of the period	972,961	998,226
Foreign currency translation reserve		
Balance as at the beginning of the period	11,218	-
Translation differences relating to financial statements of a foreign subsidiary	14,986	(5,035)
Balance as at end of the period	26,204	(5,035)
Total Unitholders' funds as at end of the period	995,007	960,538

Footnotes:

* Less than S\$1,000.

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

	LREIT	LREIT
	6 months ended 31 Dec 2020 (S\$'000)	28 Jan 2019 to 31 Dec 2019 (S\$'000)
Operations		
Balance as at the beginning of the period	(34,253)	-
Profit/ (Loss) after tax attributable to Unitholders	12,570	(25,231)
Balance as at end of the period	(21,683)	(25,231)
Unitholders' transactions		
Balance as at the beginning of the period	989,648	*
Issue of new units on the Listing Date	-	1,027,792
Issue costs ¹ on the Listing Date	-	(29,566)
Manager's base fee paid in units	967	-
Manager's performance fee paid in units	2,015	-
Manager's acquisition fee paid in units	455	-
Property Manager's fee paid in units	476	-
Distributions	(20,600)	-
Balance as at end of the period	972,961	998,226
Total Unitholders' funds as at end of the period	951,278	972,995

* 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

	6 months ended 31 Dec 2020 (Units)	28 Jan 2019 to 31 Dec 2019 (Units)
Balance as at beginning of the period	1,171,795,224	3
<u>New units issued</u>		
Issue of new units on the Listing Date ¹	-	1,167,945,997
Manager's base fee paid in units	1,320,113	-
Manager's performance fee paid in units	2,749,738	-
Manager's acquisition fee paid in units	631,431	-
Property Manager's fee paid in units	649,446	-
Total issued units as at end of the period ²	1,177,145,952	1,167,946,000

Footnotes:

1. As at Listing date, LREIT issued an aggregate of 8,548,000 new units amounting to S\$7.5 million as payment for 313@somerset's acquisition fee.

2. There were no convertibles and treasury units held by LREIT and its subsidiaries as at 31 December 2020 and 31 December 2019.

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 same accounting policies and methods of computation applied in the preparation of the consolidated financial statements for the current reporting period are consistent with those used in the audited financial statements for the period 30 June 2020.

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.

	6 months ended 31 Dec 2020	2 Oct 2019 to 31 Dec 2019
Weighted average number of units in issue	1,173,004,307	1,155,250,935
Earnings per unit ("EPU") (cents) ¹	0.38	(2.83)

	6 months ended 31 Dec 2020	2 Oct 2019 to 31 Dec 2019
No. of units in issue at end of the period	1,177,145,952	1,167,946,000
Distribution per unit ("DPU")	2.34	1.29

Footnotes:

1. Includes unrealised foreign exchange, net change in fair value of derivatives, net change in fair value of investment properties as at 31 Dec 2019 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	
	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
NAV/ NTA per unit (S\$) ¹	0.85	0.85	0.81	0.82
Adjusted NAV/ NTA per unit (excluding the amount distributable) (S\$)	0.82	0.83	0.78	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.

LENLEASE GLOBAL COMMERCIAL REIT

UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST FINANCIAL HALF YEAR PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2020

8 Review of Performance

	GROUP			
	(S\$'000)		Variance %	(S\$'000)
	Actual	Annualised ²		Annualised ³
	6 months ended 31 Dec 2020	6 months ended 31 Dec 2019		FY 2020
<u>Consolidated Statement of Profit or Loss</u>				
Gross revenue	41,608	40,326	3.2	74,455
Property operating expenses	(11,215)	(10,421)	(7.6)	(20,441)
Net property income	30,393	29,905	1.6	54,014
Manager's base fee	(1,970)	(1,922)	(2.5)	(3,821)
Manager's performance fee	(1,520)	(1,495)	(1.7)	(2,701)
Other management fees	(401)	(383)	(4.7)	(778)
Trustee's fee	(103)	(99)	(4.0)	(198)
Other trust expense	(1,440)	(867)	(66.1)	(1,646)
Net foreign exchange (loss)/ gain ¹	(14,633)	5,016	NM	(10,999)
Finance income	40	247	(83.8)	712
Finance costs	(5,057)	(4,921)	(2.8)	(9,706)
Profit before tax and change in fair value	5,309	25,481	(79.2)	24,877
Amount available for distribution to Unitholders	27,546	27,164	1.4	47,824
Available distribution per unit (cents)	2.34	2.32	0.8	4.08

NM: Not meaningful

Footnotes:

1. Net foreign exchange loss is not annualised as foreign exchange loss is based on foreign exchange rate differences.
2. The annualised results for the 6 months ended 31 December 2019 is based on the actual results from 2 October 2019 to 30 June 2020 (273 days) pro-rated to 366 days, deducting for the actual results from 1 January 2020 to 30 June 2020.
3. The annualised results for the 6 months ended 31 December 2019 is based on the actual results from 2 October 2019 to 30 June 2020 (273 days) pro-rated to 366 days.

6 months ended: Actual vs Annualised

Gross revenue of S\$41.6 million for the period was S\$1.3 million or 3.2% higher than the annualised 6 months ended 31 December 2019. The higher revenue was mainly attributed to improvement in better operational performance from 313@somerset and higher revenue from Sky Complex due to a stronger Euro against the Singapore Dollar.

Property operating expenses were S\$0.8 million or 7.6% higher than the annualised 6 months ended 31 December 2019. The higher expenses were mainly attributed to provision for doubtful debts of \$1.5 million, partly offset by S\$0.7 million of lower expenses contributed from repair & maintenance expenses, salary & related expenses, property taxes, operating expenses and utilities expenses.

As a result, net property income for the period was S\$30.4 million or 1.6% higher than the annualised 6 months ended 31 December 2019.

After accounting for management fees and other trust expenses, the amount distributable to Unitholders was S\$27.5 million, translating to a DPU of 2.34 cents, which is 0.8% higher than the annualised 6 months ended 31 December 2019.

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9 Variance between Actual and Forecast Results

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 and the profit and distribution projection for the financial year ending 30 June 2021, as it may no longer be a fair basis against which the actual performance of LREIT could be compared given current circumstances. Please refer to “Review of performance” for a review of the actual results for the period against the annualised results for the same period in the previous financial period.

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 has projected global growth to be 5.2%¹ in 2021, lower than its forecast of 5.4%² in June 2020. This reflects a moderate downturn projection for 2020 and expectations of persistent safe distancing that could impede economic activity. While the projection assumes safe distancing measures to continue into 2021, this may relax over time as vaccine coverage expands and therapies improve. With expected widespread adoption of COVID-19 vaccines and treatments coupled with strict safe distancing measures implemented globally to help reduce transmission, activities may be allowed to return more rapidly to pre-COVID-19 levels, without triggering repeated waves of infection. In addition, an extension of fiscal countermeasures into 2021 could lift growth above the current projection.

The COVID-19 outbreak has affected tourism-related segments, with spillovers to domestic-facing segments such as retail and restaurants. While the gradual availability of vaccines is seen as an effective solution to combat the pandemic, some uncertainties remain until the virus is under control. The extent of global spillovers from soft demand and weak tourism, damage to supply chains, efficacy and duration of policy support, and potential shifts in financial market sentiments are some near-term challenges that could weigh on economic growth.

Singapore

Based on advance estimates by the Ministry of Trade and Industry, the Singapore economy contracted by 3.8%³ year-on-year (“YoY”) in the fourth quarter of 2020. This was an improvement from the 5.6% YoY contraction recorded in the third quarter. For the full year 2020, the Singapore economy contracted by 5.8% YoY.

In the last quarter of 2020, the slight pickup in economic activities and mega sales events have led to a higher consumption of goods and services domestically. According to the Department of Statistics, the decline in retail sales eased in November, falling 1.9%⁴ YoY. This was an improvement compared to the 8.5% YoY contraction seen in October.

¹ World Economic Outlook, October 2020: A Long and Difficult Ascent

² World Economic Outlook, June 2020: A Crisis Like No Other, An Uncertain Recovery

³ Singapore’s GDP Contracted by 3.8 Per Cent in the Fourth Quarter of 2020

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

On 28 December 2020, Singapore moved into Phase Three of its reopening plans, with increased capacity limits in public places such as retail malls, attractions, and indoor live performances. While economic and social activities have partially resumed in a careful and calibrated manner, safe distancing requirements and travel restrictions continue to have an impact on some businesses. To provide targeted support for impacted small and microenterprise tenants, the Singapore government passed the Re-Align Framework in November 2020. The framework, which commenced from 15 January 2021 to 26 February 2021, allows eligible tenants to renegotiate their contracts with landlords.

While the move into Phase Three of Singapore's reopening marks a more positive outlook for Singapore in 2021, demand for retail space will likely remain soft with the continued safe distancing measures being implemented and border closures. In the short term, the weak demand may continue to weigh on rental performance.

Milan

According to the preliminary estimates by the Italian National Institute of Statistics, the consumer price index for October was -0.3%⁵ YoY and +0.2% month-on-month. While industrial production and retail trade by volume have returned to pre-COVID-19 levels, confidence, exports and employment remain below last year's level.

In the office sector, vacancy rates in Milan remained stable at 9.9%⁶ in Q3 2020. The quarter saw a decline in overall absorption in the Milan submarkets. Pre-let transactions have lagged, resulting in a slowdown in Grade A office absorption. This was mainly attributable to occupiers putting a lid on rental costs as they continue to seek flexible office spaces as an alternative to traditional spaces – in preparation for a new office world post-COVID-19.

Nonetheless, flight to quality has brought the total office investments for the nine months in 2020 to approximately €1.9 billion⁶, an increase of 25% YoY. While domestic investors concluded most of the acquisition transactions in the first half of the year, foreign investors account for 83% of the total investments in the third quarter.

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

Looking ahead

The Manager will continue to closely monitor developments relating to the COVID-19 pandemic. The Manager has taken necessary precautionary measures at LREIT's assets in accordance with guidelines from local health authorities. For the retail asset in Singapore, the Manager prioritises in maintaining occupancy levels and keeping ongoing communications with tenants to help them stay viable.

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

⁵ Italian National Institute of Statistics, Monthly Report October 2020

⁶ CBRE, Milan Office MarketView 3Q 2020

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11 Distributions

(a) Current financial period

Any distributions declared for the current financial period? Yes

Name of distribution: 3rd distribution for the period from 1 July 2020 to 31 December 2020

Distribution type: Income / Capital

Distribution rate: Taxable Income – 1.543 cents per unit
Tax-Exempt Income – 0.797 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) Books closure date: 19 Feb 2021

(c) Date payable: 17 Mar 2021

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11 Distributions

(d) Corresponding period of the preceding financial period

Any distributions declared for the preceding financial period? Yes

Name of distribution: 1st distribution for the period from 2 October 2019 to 31 December 2019

Distribution type: Income / Capital

Distribution rate: Taxable Income – 0.89 cents per unit
Capital – 0.40 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%.

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.

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.

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14 Segmented revenue and results for geographical segments

		GROUP			
		6 months ended 31 Dec 2020		2 Oct 2019 to 31 Dec 2019	
<u>Total Gross Revenue</u>		S\$'000	%	S\$'000	%
Singapore		28,437	68.3	15,338	71.6
Milan		13,171	31.7	6,069	28.4
		41,608	100.0	21,407	100.0

		GROUP			
		6 months ended 31 Dec 2020		2 Oct 2019 to 31 Dec 2019	
<u>Net Property Income</u>		S\$'000	%	S\$'000	%
Singapore		18,542	61.0	10,687	66.1
Milan		11,851	39.0	5,493	33.9
		30,393	100.0	16,180	100.0

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 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.

17 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 2020 to 31 December 2020 to be false or misleading in any material aspect.

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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
Mr Cho Form Po
Company Secretary
Lendlease Global Commercial Trust Management Pte. Ltd.
(Company Registration No. 201902535N)
As Manager of Lendlease Global Commercial REIT

10 February 2021