

AEW UK REIT plc

Interim Report and Financial Statements for the six months ended 30 September 2019

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Financial Highlights

- Unaudited Net Asset Value ("NAV") of £147.55 million and of 97.36 pence per share ("pps") as at 30 September 2019 (31 March 2019: £149.46 million and 98.61 pps).
- Operating profit before fair value changes of £7.26 million for the period (six months ended 30 September 2018: £6.86 million).
- Profit Before Tax ("PBT") of £4.16 million and 2.74 pps (six months ended 30 September 2018: £11.68 million and 7.71 pps).
 PBT includes a £2.41 million loss arising from changes to fair value of the investment properties in the period (six months ended 30 September 2018: gain of £5.65 million). This change explains the significant fall in PBT for the period.
- Unadjusted EPRA Earnings Per Share ("EPRA EPS") for the period of 4.37 pps (six months ended 30 September 2018: 4.10 pps). See page 24 for the calculation of EPRA EPS.
- Total dividends of 4.00 pps have been declared for the period (six months ended 30 September 2018: 4.00 pps).
- Shareholder Total Return for the period of 5.50% (six months ended 30 September 2018: 3.56%).
- The price of the Company's Ordinary Shares on the Main Market of the London Stock Exchange was 93.90 pps as at 30 September 2019 (31 March 2019: 92.80 pps).
- As at 30 September 2019, the Company had drawn £50.00 million (31 March 2019: £50.00 million) of a £60.00 million (31 March 2019: £60.00 million) term credit facility with the Royal Bank of Scotland International Limited ("RBSi") and was geared to 25.50% of the portfolio valuation (31 March 2019: 25.30%).
- The Company held cash balances totalling £2.01 million as at 30 September 2019 (31 March 2019: £2.13 million). Under the terms of its loan facility, the Company can draw a further £1.64 million (31 March 2019: £2.31 million) up to the maximum 35% loan to NAV at drawdown.

Property Highlights

- As at 30 September 2019, the Company's property portfolio had a fair value of £196.05 million across 35 properties (31 March 2019: £197.61 million across 35 properties) and a historical cost of £197.02 million (31 March 2019: £196.86 million).
- As at 30 September 2019, the Company's property portfolio had an EPRA vacancy rate of 3.96% (31 March 2019: 2.99%).
- Rental income generated during the period was £8.78 million (six months ended 30 September 2018: £8.46 million). The number of tenants as at 30 September 2019 was 92 (31 March 2019: 95).
- EPRA Net Initial Yield ("EPRA NIY") of 7.45% as at 30 September 2019 (31 March 2019: 7.62%).
- Weighted Average Unexpired Lease Term ("WAULT") of 4.33 years to break and 5.82 years to expiry (31 March 2019: 4.87 years to break and 6.10 years to expiry). See pages 4 and 5 for definition and relevance to strategy.

Chairman's Statement

Overview

I am pleased to present the unaudited interim results of AEW UK REIT plc (the "Company") for the six month period from 1 April 2019 to 30 September 2019. As at 30 September 2019, the Company has established a diversified portfolio of 35 commercial investment properties throughout the UK with a value of £196.05 million. On a like-for-like basis, the portfolio valuation decreased by 0.79% over the six months.

The Company achieved EPRA EPS of 4.37 pps for the period, which represents a dividend cover of 109.3%, having paid dividends of 4.00 pps in relation to the period. This is an improvement on the EPRA EPS reported for the year ended 31 March 2019, which produced a dividend cover of 100.9% and reflects the success of key asset management transactions which have boosted rental income and maintained a vacancy rate below 4% by Estimated Rental Value ('ERV') over the six months to September 2019. The portfolio has a short WAULT of 4.33 years to break and 5.82 years to expiry, which we anticipate will provide the opportunity to add further value through an active approach to asset management.

The Company's share price was 93.90 pps as at 30 September 2019, representing a 3.55% discount to NAV. Over the six month period, the Company generated a shareholder total return of 5.50% and a NAV total return of 2.79%.

Financial Results

| | 6 month period from 1 April 2019 to 30 September 2019 (unaudited) | 6 month period from 1 April 2018 to 30 September 2018 (unaudited) | 12 month period from 1 April 2018 to 31 March 2019 (audited) |
|--|---|---|--|
| Operating Profit before fair value changes (£'000) | 7,264 | 6,859 | 13,524 |
| Operating Profit (£'000) | 4,901 | 12,334 | 17,226 |
| PBT (£'000)* | 4,159 | 11,678 | 15,544 |
| EPRA EPS (basic and diluted) (pence) | 4.37 | 4.10 | 8.07 |
| Ongoing Charges (%) | 1.34 | 1.26 | 1.40 |
| NAV per share (pence) | 97.36 | 100.06 | 98.61 |
| EPRA NAV per share (pence) | 97.32 | 100.06 | 98.51 |

* PBT includes a £2.41 million loss arising from changes to fair value of the investment properties in the period (six months ended 30 September 2018: gain of £5.65 million). This change explains the significant fall in PBT for the period.

Financing

The Company has a £60.00 million loan facility, of which it had drawn a balance of £50.00 million as at 30 September 2019 (31 March 2019: £60.00 million facility; £50.00 million drawn), producing a gearing of 25.50% (31 March 2019: 25.30%) loan to property valuation.

The unexpired term of the facility was 4.1 years as at 30 September 2019 (31 March 2019: 4.6 years). The loan incurs interest at 3 month LIBOR +1.4%, which equated to an all-in rate of 2.17% as at 30 September 2019 (31 March 2019: 2.32%). The Company is protected from a significant rise in interest rates as it currently has effective interest rate caps with a combined notional value of £36.51 million (31 March 2019: £36.51 million), with £26.51 million capped at 2.50% and £10.00 million capped at 2.00%, resulting in the loan being 73% hedged (31 March 2019: 73%). These interest rate caps are effective until 19 October 2020. The Company has entered into additional interest rate caps on a notional value of £46.51 million at 2.00% covering the extension period of the loan from 20 October 2020 to 19 October 2023.

On 9 October 2019, the Company announced that it had completed an amendment to its loan facility, increasing the loan to NAV covenant from 45% to 55% (subject to certain conditions). There are no changes to the margin currently charged under the facility.

The long term gearing target remains 25% or less, however the Company can borrow up to 35% of Gross Asset Value ("GAV") in advance of an expected capital raise or asset disposal. The Board and Investment Manager will continue to monitor the level of gearing and may adjust the target gearing according to the Company's circumstances and perceived risk levels.

Chairman's Statement (continued)

Dividends

The Company has continued to deliver on its target of paying dividends of 8.00 pps per annum. During the period, the Company declared and paid two quarterly dividends of 2.00 pps, in line with its target.

On 18 October 2019, the Board declared an interim dividend of 2.00 pps in respect of the period from 1 July 2019 to 30 September 2019. This interim dividend will be paid on 29 November 2019 to shareholders on the register as at 1 November 2019.

The Directors will declare dividends taking into account the current level of the Company's earnings and the Directors' view on the outlook for sustainable recurring earnings. As such, the level of dividends paid may increase or decrease from the current annual dividend of 8.00 pps. Based on the current profile of the portfolio, the Company expects to pay an annualised dividend of 8.00 pps in respect of the year ending 31 March 2020, subject to market conditions.

The following shows the dividend paid (in pps) in relation to each quarter from the Company's inception:

| Quarter ended | 2015 | 2016 | 2017 | Quarter ended | 2017 | 2018 | 2019 |
|---------------|------|------|------|---------------|-------|------|------|
| January | | 2.00 | 2.00 | March | | 2.00 | 2.00 |
| April | | 2.00 | 2.00 | June | | 2.00 | 2.00 |
| July | | 2.00 | 2.00 | September | | 2.00 | 2.00 |
| October | 1.50 | 2.00 | 2.00 | December | *1.33 | 2.00 | |

* Note that the Company changed its quarter end dates starting in December 2017 and the dividend payment of 1.33 pps relates to the two month period from 1 November 2017 to 31 December 2017.

Outlook

The Board and the Investment Manager are pleased with the strong income returns delivered to shareholders to date. Based on annualised dividend payments of 8.00 pps, the Company delivered a dividend yield of 8.52% as at 30 September 2019.

The Company was fully invested at the start of the period and achieved returns during the period which fully covered its dividend payments. The Board expects this level of returns to continue, based on the projected income from the portfolio which had a NIY of 7.45% and a Reversionary Yield of 7.82% as at 30 September 2019.

In the wider political and economic environment, the country is preparing for a general election on 12 December 2019. The outcome of this should provide better clarity to the ongoing Brexit debate, for which the deadline to reach an agreement with the EU has been pushed back to 31 January 2020. It is hoped that the coming months will see an end to the continued uncertainty which has hampered the investment markets.

Looking forward, our focus remains on continuing to grow the Company as part of the 12 month share-issuance programme closing on 28 February 2020, as set out in the Company's Prospectus, subject to market conditions. Subject to future fund raising, the Investment Manager will focus on finding further acquisitions which will deliver an attractive return as part of a well-diversified portfolio. There will be a continuation vote at the AGM of the Company to be held in 2020, under the provisions of the Articles, at which the Board will propose an ordinary resolution that the Company continue its business as presently constituted.

Board Composition

James Hyslop retired from the Board at the AGM on 12 September 2019. The Board expresses its appreciation for his valuable contribution to the Company since its IPO in 2015. The Board will instigate a search for a replacement independent non-executive Director at an appropriate time.

Mark Burton Chairman 27 November 2019

Key Performance Indicators

KPI AND DEFINITION

1. EPRA NIY*

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property expense, divided by the market value of the property, increased with (estimated) purchasers' costs.

2. True Equivalent Yield

The average weighted return a property will produce according to the present income and estimated rental value assumptions, assuming the income is received quarterly in advance.

3. Reversionary Yield

The expected return the property will provide once rack rented.

4. WAULT to expiry

The average lease term remaining to expiry across the portfolio, weighted by contracted rent.

RELEVANCE TO STRATEGY

The NIY is in line with the Company's target dividend yield meaning that, after costs, the Company should have the ability to meet its target dividend through property income.

A True Equivalent Yield profile in line with the Company's target dividend yield shows that, after costs, the Company should have the ability to meet its proposed dividend through property income.

A Reversionary Yield profile that is in line with an Initial Yield profile shows a potentially sustainable income stream that can be used to meet dividends past the expiry of a property's current leasing arrangements.

The Investment Manager believes that current market conditions present an opportunity whereby assets with a shorter unexpired lease term are often mispriced. It is also the Investment Manager's view that a shorter WAULT is useful for active asset management as it allows the Investment Manager to engage in direct negotiation with tenants rather than via rent-review mechanisms.

PERFORMANCE

7.45%

at 30 September 2019 (31 March 2019: 7.62%).

7.93%

at 30 September 2019 (31 March 2019: 7.94%).

7.82%

at 30 September 2019 (31 March 2019: 7.75%).

5.82 years

at 30 September 2019 (31 March 2019: 6.10 years).

* For the current and comparative reporting dates, the calculation of NIY has been revised to use EPRA methodology to bring consistency with disclosures made elsewhere in the Interim Report and Financial Statements. The difference in output is considered immaterial.

Key Performance Indicators (continued)

KPI AND DEFINITION

5. WAULT to break

The average lease term remaining to break, across the portfolio weighted by contracted rent.

6. NAV

NAV is the value of an entity's assets minus the value of its liabilities.

7. Leverage (Loan to property valuation)

The proportion of the property portfolio that is funded by borrowings.

8. Vacant ERV

The space in the property portfolio which is currently unlet, as a percentage of the total ERV of the portfolio.

9. Dividend

Dividends declared in relation to the year. The Company targets a dividend of 8.00 pps per annum.

RELEVANCE TO STRATEGY

The Investment Manager believes that current market conditions present an opportunity whereby assets with a shorter unexpired lease term are often mispriced. It is also the Investment Manager's view that a shorter WAULT is useful for active asset management as it allows the Investment Manager to engage in direct negotiation with tenants rather than via rent-review mechanisms.

The change in NAV reflects the Company's ability to grow the portfolio and add value to it throughout the life cycle of its assets.

The Company utilises borrowings to enhance returns over the medium term. Borrowings will not exceed 35% of GAV (measured at drawdown) with a long term target of 25% or less of GAV.

The Company's aim is to minimise vacancy of the properties. A low level of structural vacancy provides an opportunity for the Company to capture rental uplifts and manage the mix of tenants within a property.

The dividend reflects the Company's ability to deliver a sustainable income stream from its portfolio.

PERFORMANCE

4.33 years

at 30 September 2019 (31 March 2019: 4.87 years).

£147.55 million

at 30 September 2019 (31 March 2019: £149.46 million).

25.50%

at 30 September 2019 (31 March 2019: 25.30%).

3.96%

at 30 September 2019 (31 March 2019: 2.99%).

4.00 pps

for the six months to 30 September 2019. This supports an annualised target of 8.00 pps (six months to 30 September 2018: 4.00 pps).

Key Performance Indicators (continued)

KPI AND DEFINITION

10. Ongoing Charges

The ratio of total administration and operating costs expressed as a percentage of average NAV throughout the period.

11. PBT

PBT is a profitability measure which considers the Company's profit including fair value changes before the payment of income tax.

12. Shareholder Total Return

The percentage change in the share price assuming dividends are reinvested to purchase additional Ordinary Shares.

13. EPRA EPS

Earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. See note 7.

RELEVANCE TO STRATEGY

The Ongoing Charges ratio provides a measure of total costs associated with managing and operating the Company, which includes the management fees due to the Investment Manager. This measure is to provide investors with a clear picture of operational costs involved in running the Company.

The PBT is an indication of the Company's financial performance for the period in which its strategy is exercised.

This reflects the return seen by shareholders on their shareholdings through share price movements and dividends received.

This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.

PERFORMANCE

1.34%

for the six months to 30 September 2019 (six months to 30 September 2018: 1.26%).

£4.16 million

for the six months to 30 September 2019 (six months to 30 September 2018: £11.68 million).

5.50%

for the six months to 30 September 2019 (six months to 30 September 2018: 3.56%).

4.37 pps

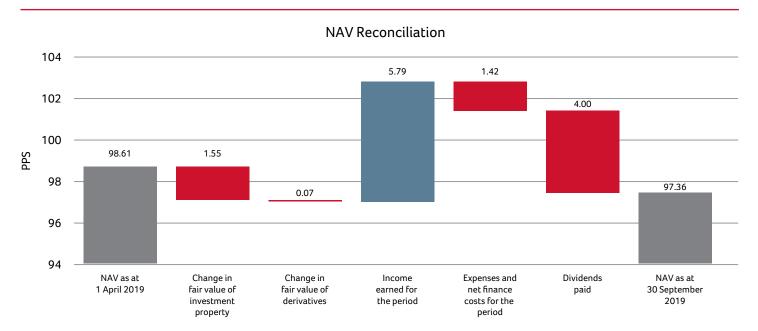
for the six months to 30 September 2019 (six months to 30 September 2018: 4.10 pps).

Investment Manager's Report

Market Outlook

The portfolio, now increasingly mature, is offering us numerous opportunities to undertake asset management initiatives which provide various potential routes to add value. Despite the backdrop of ongoing political uncertainty, the Company remains confident in its ability to deliver on its objectives. The value of our assets has remained robust, particularly in the office and industrial sectors, where assets have either been acquired at conservative levels or provide exciting value-add opportunities. There has been some loss of value in retail assets, in line with the structural changes that we are seeing across the retail sector. However, this has been mitigated by the portfolio's light exposure to the sector and also by valuation gains in other parts of the portfolio. Despite our positive outlook for the portfolio, we are conscious of the opportunity to limit downside risk in an uncertain macro environment and, with this in mind, we have recently taken a number of steps to reduce risk associated with the Company's debt facility, details of these are set out below.

Financial Results



The Company's NAV as at 30 September 2019 was £147.55 million or 97.36 pps (31 March 2019: £149.46 million or 98.61 pps). This is a decrease of 1.25 pps or 1.27% over the six months, with the underlying movement in NAV set out in the chart below:

EPRA EPS for the six month period was 4.37 pps which, based on dividends paid of 4.00 pps, reflects a dividend cover of 109.3%.

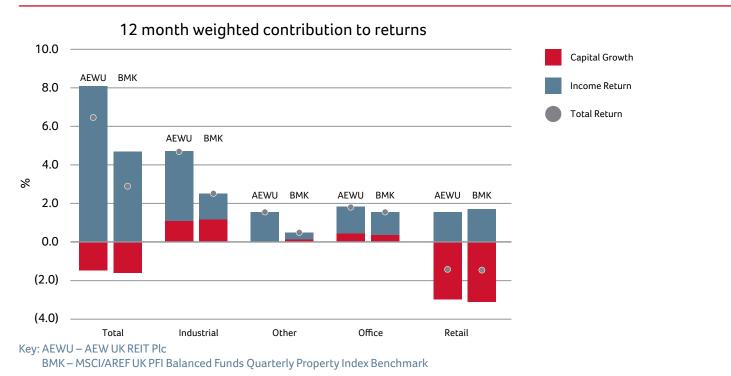
Financing

As at 30 September 2019, the Company had a £60.0 million loan facility with RBSi, in place until October 2023, the details of which are presented below:

| | 30 September 2019 | 31 March 2019 |
|---------------------------------------|-----------------------------|-----------------------------|
| Facility | £60.00 million | £60.00 million |
| Drawn | £50.00 million | £50.00 million |
| Gearing (Loan to Property Value) | 25.50% | 25.30% |
| Gearing (Loan to NAV) | 33.89% | 33.45% |
| Interest rate | 2.17% all-in (LIBOR + 1.4%) | 2.32% all-in (LIBOR + 1.4%) |
| Notional Value of Loan Balance Hedged | 73.02% | 73.02% |

On 9 October 2019, the Company announced that it had completed an amendment to its loan facility to increase the hard loan to NAV covenant from 45% to 55% (subject to certain conditions), although the target gearing remains as set out in the Prospectus. There are no changes to the margin currently charged under the facility.

Property Portfolio



Source: MSCI 30 September 2019

The Company has not made any acquisitions or disposals during the period. The following tables illustrate the composition of the portfolio in relation to its properties, tenants and income streams:

Summary by Sector as at 30 September 2019

| Total | 35 | 196.05 | 3,007 | 96.0 | 4.3 | 16.34 | 17.51 |
|------------------|-------------------------|--------------------------------------|----------------------|----------------------------|------------------------------|--|-------------|
| Retail Warehouse | 1 | 6.10 | 51 | 100.0 | 4.5 | 0.61 | 0.51 |
| Standard Retail | 5 | 21.65 | 169 | 92.1 | 3.8 | 1.94 | 2.00 |
| Other | 3 | 30.02 | 165 | 100.0 | 5.6 | 2.82 | 2.33 |
| Office | 6 | 44.35 | 287 | 88.8 | 2.8 | 3.42 | 4.30 |
| Industrial | 20 | 93.93 | 2,335 | 99.4 | 4.1 | 7.55 | 8.37 |
| Sector | Number of Properties | Knight Frank Valuation (£m) | Area ('000 sq ft) | Occupancy by ERV (%) | WAULT to break (years) | Gross Passing Rental Income (£m) | ERV (£m) |

Summary by Geographical Area as at 30 September 2019

| | | Knight Frank | | Occupancy | WAULT to | Gross Passing Rental | |
|--------------------------|------------|-----------------|--------------|-----------|----------|----------------------------|-------|
| | Number of | Valuation | Area | by ERV | break | Income | ERV |
| Geographical Area | Properties | (£m) | ('000 sq ft) | (%) | (years) | (£m) | (£m) |
| Yorkshire and Humberside | 8 | 34.80 | 1,028 | 98.5 | 2.8 | 2.63 | 3.38 |
| South East | 5 | 28.65 | 195 | 89.7 | 3.5 | 2.05 | 2.42 |
| Eastern | 5 | 23.20 | 345 | 100.0 | 3.5 | 1.90 | 2.11 |
| South West | 3 | 22.05 | 125 | 100.0 | 3.3 | 1.73 | 1.77 |
| West Midlands | 4 | 19.00 | 397 | 100.0 | 3.2 | 1.69 | 1.83 |
| East Midlands | 2 | 17.62 | 81 | 100.0 | 2.5 | 1.85 | 1.47 |
| North West | 4 | 15.40 | 302 | 100.0 | 3.7 | 1.45 | 1.33 |
| Wales | 2 | 14.73 | 376 | 100.0 | 9.6 | 1.25 | 1.29 |
| Greater London | 1 | 12.00 | 72 | 100.0 | 12.1 | 0.96 | 0.75 |
| Scotland | 1 | 8.60 | 86 | 65.8 | 1.8 | 0.83 | 1.16 |
| Total | 35 | 196.05 | 3,007 | 96.0 | 4.3 | 16.34 | 17.51 |

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Sector and Geographical Allocation by Market Value as at 30 September 2019

Sector Allocation

Geographical Allocation





Greater London, 6%
South East, 15%
South West, 11%
Eastern, 12%
West Midlands, 10%
East Midlands, 9%
North West, 8%
Yorkshire & Humberside, 18%
Wales, 7%
Scotland, 4%

Properties by Market Value

| | Property | Sector | Region | Market Value Range (£m) |
|----|--|---------------------|--------------------------|----------------------------|
| 1 | 2 Geddington Road, Corby | Other (Car parking) | East Midlands | 10.0–15.0 |
| 2 | 40 Queen Square, Bristol | Offices | South West | 10.0–15.0 |
| 3 | London East Leisure Park, Dagenham | Other (Leisure) | Greater London | 10.0–15.0 |
| 4 | Eastpoint Business Park, Oxford | Offices | South East | 10.0–15.0 |
| 5 | Gresford Industrial Estate, Wrexham | Industrial | Wales | 7.5–10.0 |
| 6 | 225 Bath Street, Glasgow | Offices | Scotland | 7.5–10.0 |
| 7 | Lockwood Court, Leeds | Industrial | Yorkshire and Humberside | 5.0-7.5 |
| 8 | Langthwaite Grange Industrial Estate, South Kirkby | Industrial | Yorkshire and Humberside | 5.0-7.5 |
| 9 | Above Bar Street, Southampton | Standard Retail | South East | 5.0-7.5 |
| 10 | Storeys Bar Road, Peterborough | Industrial | Eastern | 5.0-7.5 |

The Company's top ten properties listed above comprise 48.0% of the total value of the portfolio.

| | Property | Sector | Region | Market Value Range (£m) |
|----|--|------------------|--------------------------|----------------------------|
| 11 | Sarus Court Industrial Estate, Runcorn | Industrial | North West | 5.0–7.5 |
| 12 | Barnstaple Retail Park | Retail Warehouse | South West | 5.0-7.5 |
| 13 | Sandford House, Solihull | Offices | West Midlands | 5.0-7.5 |
| 14 | Apollo Business Park, Basildon | Industrial | Eastern | 5.0-7.5 |
| 15 | Euroway Trading Estate, Bradford | Industrial | Yorkshire and Humberside | 5.0–7.5 |
| 16 | Brockhurst Crescent, Walsall | Industrial | West Midlands | 5.0-7.5 |
| 17 | Odeon Cinema, Southend | Other (Leisure) | Eastern | 5.0-7.5 |
| 18 | Oak Park, Droitwich | Industrial | West Midlands | 5.0-7.5 |
| 19 | Commercial Road, Portsmouth | Standard Retail | South East | 5.0-7.5 |
| 20 | Diamond Business Park, Wakefield | Industrial | Yorkshire and Humberside | <5.0 |
| 21 | Pearl Assurance House, Nottingham | Standard Retail | East Midlands | <5.0 |

| | Property | Sector | Region | Market Value Range (£m) |
|----|--|-----------------|--------------------------|----------------------------|
| 22 | Excel 95, Deeside | Industrial | Wales | <5.0 |
| 23 | Walkers Lane, St. Helens | Industrial | North West | <5.0 |
| 24 | Cedar House, Gloucester | Offices | South West | <5.0 |
| 25 | Bank Hey Street, Blackpool | Standard Retail | North West | <5.0 |
| 26 | Brightside Lane, Sheffield | Industrial | Yorkshire and Humberside | <5.0 |
| 27 | Bessemer Road, Basingstoke | Industrial | South East | <5.0 |
| 28 | Magham Road, Rotherham | Industrial | Yorkshire and Humberside | <5.0 |
| 29 | Pipps Hill Industrial Estate, Basildon | Industrial | Eastern | <5.0 |
| 30 | Eagle Road, Redditch | Industrial | West Midlands | <5.0 |
| 31 | Vantage Point, Hemel Hempstead | Offices | Eastern | <5.0 |
| 32 | Clarke Road, Milton Keynes | Industrial | South East | <5.0 |
| 33 | Knowles Lane, Bradford | Industrial | Yorkshire and Humberside | <5.0 |
| 34 | Moorside Road, Salford | Industrial | North West | <5.0 |
| 35 | Fargate and Chapel Walk, Sheffield | Standard Retail | Yorkshire and Humberside | <5.0 |

Tenancy Profile

Top Ten Tenants by Passing Rent

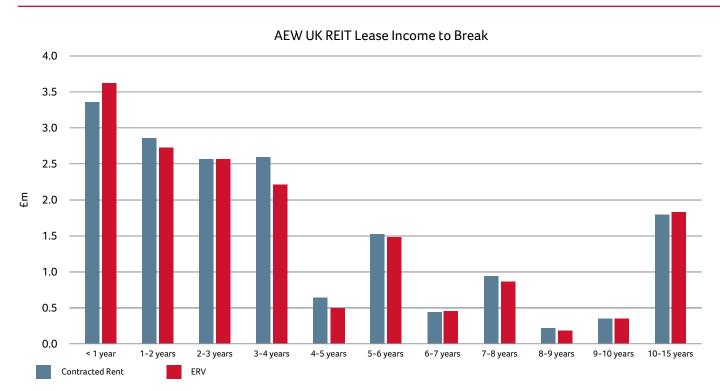
| | Tenant | Sector | Property | Passing Rental Income (£'000) | % of Portfolio Total Passing Rental Income |
|----|------------------------------------|--------------------|--|--|---|
| 1 | GEFCO UK Limited | Logistics | 2 Geddington Road, Corby | 1,320 | 8.1 |
| 2 | Plastipak UK Limited | Manufacturing | Gresford Industrial Estate, Wrexham | 883 | 5.4 |
| 3 | The Secretary of State | Government Body | Sandford House, Solihull and Cedar House, Gloucester | 832 | 5.1 |
| 4 | Ardagh Glass Limited | Manufacturing | Langthwaite Industrial Estate, South Kirkby | 676 | 4.1 |
| 5 | Mecca Bingo Limited | Leisure | London East Leisure Park, Dagenham | 625 | 3.8 |
| 6 | Egbert H Taylor & Company Limited | Manufacturing | Oak Park, Droitwich | 620 | 3.8 |
| 7 | Odeon Cinemas | Leisure | Odeon Cinema, Southend | 535 | 3.3 |
| 8 | Sports Direct | Retail | Barnstaple Retail Park and Bank Hey Street, Blackpool | 525 | 3.2 |
| 9 | Wyndeham Peterborough Limited | Manufacturing | Storeys Bar Road, Peterborough | 525 | 3.2 |
| 10 | Advance Supply Chain (BFD) Limited | Logistics | Euroway Trading Estate, Bradford | 428 | 2.6 |

The Company's top ten tenants, listed above, represent 42.6% of the total passing rental income of the portfolio.

Asset Management

Knowles Lane, Bradford – in September 2019, the Company settled a rent review back-dated to September 2018 at this industrial property. The review documents a new passing rent of \pm 182,500, representing a 14% increase on the previous rent and which was also ahead of the valuer's ERV at the date of signing.

Bessemer Road, Basingstoke – in September 2019, a lease extension for a term of six months was completed with HFC Prestige Manufacturing in Basingstoke. Due to the short extension period, a rental level was agreed 46% ahead of the previous passing rent.



Lease Expiry Profile

Approximately £3.36 million of the Company's current contracted income stream is subject to an expiry or break within the 12 month period commencing 1 October 2019. Of this £3.36 million, £940,000 (28%) is already subject to an agreed renewal in principle, either at or above the current level of passing rent. In respect of a further £1.52 million (45%), the Investment Manager is currently engaged in active renewal discussions where tenants are expected to remain in occupation subject to agreeing final lease terms. The Investment Manager expects to engage further tenants in renewal discussion throughout the period. To date, tenants that have served notice to vacate within this period and have made clear that they intend to do so amount to c. £71,000 (2%).

AEW UK Investment Management LLP

27 November 2019

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Interim Management Report and Directors' Responsibility Statement

Interim Management Report

The important events that have occurred during the period under review, the key factors influencing the financial statements and the principal risks and uncertainties for the remaining six months of the financial year are set out in the Chairman's Statement on page 2 and the Investment Manager's Report on pages 7 to 12.

The principal risks facing the Company are unchanged since the date of the Annual Report and Financial Statements for the year ended 31 March 2019 and continue to be as set out in that report on pages 29 to 34 and Note 20 to the Financial Statements on pages 92 to 95.

Risks faced by the Company include, but are not limited to: property market, property valuation, tenant default, asset management initiatives, due diligence, fall in rental rates, breach of borrowing covenants, interest rate rises, availability and cost of debt, use of service providers, dependence on the Investment Manager, ability to meet objectives, Company REIT status, political/economic risks, market price risk, real estate risk, credit risk and liquidity risk.

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Mark Burton Chairman

27 November 2019

Independent Review Report to AEW UK REIT plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the Interim Report & Financial Statements for the six months ended 30 September 2019 which comprises the Condensed Statement of Comprehensive Income, Condensed Statement of Changes in Equity, Condensed Statement of Financial Position, Condensed Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the DTR of the UK's Financial Conduct Authority (the "FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the Interim Report & Financial Statements and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

The Interim Report & Financial Statements is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report & Financial Statements in accordance with the DTR of the FCA.

The annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the Interim Report & Financial Statements in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Report & Financial Statements based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Henry Todd for and on behalf of KPMG LLP

Chartered Accountants 15 Canada Square London E14 5GL 27 November 2019

Financial Statements

Condensed Statement of Comprehensive Income

for the six months ended 30 September 2019

| | | Period from | Period from | |
|--|-------|----------------------|----------------------|------------------|
| | | 1 April 2019 to | 1 April 2018 to | Year ended |
| | | 30 September 2019 | 30 September 2018 | 31 March 2019 |
| | | (unaudited) | (unaudited) | (audited) |
| | Notes | £'000 | £'000 | £'000 |
| Income | - | | | |
| Rental and other income | 3 | 8,777 | 8,459 | 17,183 |
| Property operating expenses | 4 | (509) | (630) | (1,462) |
| Net rental and other income | | 8,268 | 7,829 | 15,721 |
| Other operating expenses | 4 | (1,004) | (970) | (2,197) |
| Operating profit before fair value changes | | 7,264 | 6,859 | 13,524 |
| Change in fair value of investment properties | 9 | (2,407) | 5,653 | 4,184 |
| Gain/(loss) on disposal of investment properties | 9 | 44 | (178) | (482) |
| Operating profit | | 4,901 | 12,334 | 17,226 |
| Finance expense | 5 | (742) | (656) | (1,682) |
| Profit before tax | | 4,159 | 11,678 | 15,544 |
| Taxation | 6 | | | _ |
| Profit after tax | | 4,159 | 11,678 | 15,544 |
| Other comprehensive income | _ | | | - |
| Total comprehensive income for the period | | 4,159 | 11,678 | 15,544 |
| Earnings per share (pence per share) | | | | |
| (basic and diluted) | 7 | 2.74 | 7.71 | 10.26 |

The notes on pages 20 to 34 form an integral part of these condensed financial statements.

Condensed Statement of Changes in Equity for the six months ended 30 September 2019

| For the period 1 April 2019 to 30 September 2019 (unaudited) | Notes | Share capital £'000 | Share premium account £'000 | Capital reserve and retained earnings £'000 | Total capital and reserves attributable to owners of the Company £'000 |
|---|-------|---------------------------|--------------------------------------|---|---|
| Balance as at 1 April 2019 | | 1,515 | 49,770 | 98,171 | 149,456 |
| Total comprehensive income | | - | _ | 4,159 | 4,159 |
| Dividends paid | 8 | - | - | (6,062) | (6,062) |
| Balance as at 30 September 2019 | | 1,515 | 49,770 | 96,268 | 147,553 |
| For the period 1 April 2018 to 30 September 2018 (unaudited) | Notes | Share capital £'000 | Share premium account £'000 | Capital reserve and retained earnings £'000 | Total capital and reserves attributable to owners of the Company £'000 |
| Balance as at 1 April 2018 | | 1,515 | 49,768 | 94,751 | 146,034 |
| Total comprehensive income | | _ | _ | 11,678 | 11,678 |
| Share issue costs | | _ | 3 | _ | 3 |

3 (6,062)

151,653

| Balance as at 30 September 2018 | _ | 1,515 | 49,771 | 100,367 |
|---------------------------------|---|-------|--------|---------|
| Dividends paid | 8 | _ | | (6,062) |
| Share issue costs | | - | 3 | - |
| lotal completionsite medine | | | | 11,070 |

The notes on pages 20 to 34 form an integral part of these condensed financial statements.

Condensed Statement of Changes in Equity (continued) for the six months ended 30 September 2019

| | | | | | Total capital |
|--|-------|---------|---------|-------------|-----------------|
| | | | | Capital | and reserves |
| | | | Share | reserve and | attributable to |
| | | Share | premium | retained | owners of |
| | | capital | account | earnings | the Company |
| For the year ended 31 March 2019 (audited) | Notes | £'000 | £'000 | £'000 | £'000 |
| | - | | | | |
| Balance at 1 April 2018 | | 1,515 | 49,768 | 94,751 | 146,034 |
| Total comprehensive income | | - | - | 15,544 | 15,544 |
| Share issue costs | | - | 2 | - | 2 |
| Dividends paid | 8 | - | | (12,124) | (12,124) |
| Balance as at 31 March 2019 | - | 1,515 | 49,770 | 98,171 | 149,456 |
| | - | | | | |

The notes on pages 20 to 34 form an integral part of these condensed financial statements.

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Condensed Statement of Financial Position

as at 30 September 2019

| | | As at 30 September 2019 (unaudited) | As at 30 September 2018 (unaudited) | As at 31 March 2019 (audited) |
|--|-------|---|---|-------------------------------------|
| | Notes | £'000 | £'000 | £'000 |
| Assets | | | | |
| Non-Current Assets | | | | |
| Investment property | 9 | 193,979 | 192,519 | 196,129 |
| | | 193,979 | 192,519 | 196,129 |
| Current Assets | | | | |
| Receivables and prepayments | 10 | 7,621 | 3,394 | 4,469 |
| Other financial assets held at fair value | 11 | 58 | 9 | 162 |
| Cash and cash equivalents | | 2,012 | 8,145 | 2,131 |
| | | 9,691 | 11,548 | 6,762 |
| Total assets | | 203,670 | 204,067 | 202,891 |
| Non-Current Liabilities | | | | |
| Interest bearing loans and borrowings | 12 | (49,528) | (49,714) | (49,476) |
| Finance lease obligations | 14 | (636) | (573) | (636) |
| | | (50,164) | (50,287) | (50,112) |
| Current Liabilities | | | | |
| Payables and accrued expenses | 13 | (5,905) | (2,080) | (3,275) |
| Finance lease obligations | 14 | (48) | (47) | (48) |
| | | (5,953) | (2,127) | (3,323) |
| Total Liabilities | | (56,117) | (52,414) | (53,435) |
| Net Assets | | 147,553 | 151,653 | 149,456 |
| Equity | | | | |
| Share capital | | 1,515 | 1,515 | 1,515 |
| Share premium account | | 49,770 | 49,771 | 49,770 |
| Capital reserve and retained earnings | | 96,268 | 100,367 | 98,171 |
| Total capital and reserves attributable to equity holders of the Company | | 147,553 | 151,653 | 149,456 |
| Net Asset Value per share (pps) | 7 | 97.36 | 100.06 | 98.61 |
| | | | | |

The financial statements on pages 15 to 19 were approved by the Board of Directors on 27 November 2019 and were signed on its behalf by:

Mark Burton Chairman AEW UK REIT plc Company number: 09522515

The notes on pages 20 to 34 form an integral part of these condensed financial statements.

Condensed Statement of Cash Flows

for the six months ended 30 September 2019

| ror the six months ended 30 September 2019 | Period from 1 April 2019 to 30 September 2019 (unaudited) £'000 | Period from 1 April 2018 to 30 September 2018 (unaudited) £'000 | Year ended 31 March 2019 (audited) £'000 |
|--|--|--|--|
| Cash flows from operating activities | | | |
| Profit after tax | 4,159 | 11,678 | 15,544 |
| Adjustment for non-cash items: | | | |
| Finance expenses | 742 | 656 | 1,682 |
| Loss/(gain) from change in fair value of investment property | 2,407 | (5,653) | (4,184) |
| Realised (gain)/loss on disposal of investment property | (44) | 178 | 482 |
| Increase in other receivables and prepayments | (3,152) | (455) | (1,318) |
| Increase/(decrease) in other payables and accrued expenses | 2,640 | (385) | 587 |
| Net cash generated from operating activities | 6,752 | 6,019 | 12,793 |
| Cash flows from investing activities | | | |
| Additions to investment property | (257) | (506) | (7,945) |
| Proceeds from disposal of investment property | 44 | 4,508 | 6,629 |
| Net cash (used in)/generated from investing activities | (213) | 4,002 | (1,316) |
| Cash flows from financing activities | | | |
| Share issue costs | - | (31) | (32) |
| Loan arrangement fees | - | - | (294) |
| Premiums on interest rate caps | - | - | (531) |
| Finance costs | (596) | (494) | (1,076) |
| Dividends paid | (6,062) | (6,062) | (12,124) |
| Net cash used in financing activities | (6,658) | (6,587) | (14,057) |
| Net (decrease)/increase in cash and cash equivalents | (119) | 3,434 | (2,580) |
| Cash and cash equivalents at start of the period/year | 2,131 | 4,711 | 4,711 |
| | 2,101 | 7,711 | 7,711 |

The notes on pages 20 to 34 form an integral part of these condensed financial statements.

for the six months ended 30 September 2019

1. Corporate information

AEW UK REIT plc (the 'Company') is a closed ended Real Estate Investment Trust ('REIT') incorporated on 1 April 2015 and domiciled in the UK.

The comparative information for the year ended 31 March 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The auditor reported on those accounts. Its report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

2.1 Basis of preparation

These interim condensed unaudited financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and should be read in conjunction with the Company's last financial statements for the year ended 31 March 2019. These condensed unaudited financial statements do not include all information required for a complete set of financial statements proposed in accordance with IFRS as adopted by the EU ('EU IFRS'). However, selected explanatory notes have been included to explain events and transactions that are significant in understanding changes in the Company's financial position and performance since the last financial statements. A review of the interim financial information has been performed by the Independent Auditor of the Company for issue on 27 November 2019.

The comparative figures disclosed in the condensed unaudited financial statements and related notes have been presented for both the six month period ended 30 September 2018 and year ended 31 March 2019 and as at 30 September 2018 and 31 March 2019.

These condensed unaudited financial statements have been prepared under the historical-cost convention, except for investment property and interest rate derivatives that have been measured at fair value. The condensed unaudited financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

The Company is exempt by virtue of section 402 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information solely about the Company as an individual undertaking.

New standards, amendments and interpretations

There were a number of new standards and amendments to existing standards which are required for the Company's accounting periods beginning after 1 April 2019, which have been considered and applied. These being:

- IFRS 16, Leases. In January 2016, the IASB published the final version of IFRS 16 Leases. IFRS specifies how an IFRS reporter will recognise, measure, present and disclose leasing arrangements. The accounting for lessors did not significantly change. For finance lease obligations, the Company is already carrying a right of use asset at fair value so treatment remains in line with prior years in that regard.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation. This seeks to enable companies to measure at amortised cost some prepayable financial assets with negative compensation.
- IFRIC 23, Uncertainty over Income Tax Treatments. This seeks to clarify the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatment.

for the six months ended 30 September 2019

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

- Amendments to IAS 28 Long Term interests in Associates and Joint Ventures. This seeks to clarify the impact of expected credit loss model in IFRS 9 on any long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in associate or joint venture.
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement. This seeks to clarify when an entity is required to determine the current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement.

The Company has applied the new standards and there has been no impact on the financial statements.

There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2020 or later. The following are the most relevant to the Company and their impact on the financial statements is as follows:

- Definition of Material amendments to IAS 1 and IAS 8.
- Annual improvements to IFRS 2015-2017 Cycle: amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements.

The impact of the adoption of new accounting standards issued and becoming effective for accounting periods beginning on or after 1 April 2020 has been considered and is not considered to be significant.

2.2 Significant accounting judgements and estimates

The preparation of financial statements in accordance with IAS 34 requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

i) Valuation of investment property

The Company's investment property is held at fair value as determined by the independent valuer on the basis of fair value in accordance with the internationally accepted Royal Institution of Chartered Surveyors ('RICS') Appraisal and Valuation Standards.

2.3 Segmental information

In accordance with IFRS 8, the Company is organised into one main operating segment being investment in property and property-related investments in the UK.

2.4 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for at least 12 months. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

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for the six months ended 30 September 2019

2. Accounting policies (continued)

2.5 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied within the Company's Annual Report and Financial Statements for the year ended 31 March 2019 except for the changes as detailed in note 2.1.

3. Revenue

| | Period from 1 April 2019 to | Period from 1 April 2018 to | Year ended |
|-------------------------------|--------------------------------|--------------------------------|--------------------|
| | 30 September 2019 | 30 September 2018 | 31 March 2019 |
| | (unaudited) £'000 | (unaudited) £'000 | (audited) £'000 |
| Gross rental income received | 8,777 | 8,456 | 17,179 |
| Other property income | | 3 | 4 |
| Total rental and other income | 8,777 | 8,459 | 17,183 |

Rent receivable under the terms of the leases is adjusted for the effect of any incentives agreed.

4. Expenses

| | Period from 1 April 2019 to 30 September 2019 (unaudited) £'000 | Period from 1 April 2018 to 30 September 2018 (unaudited) £'000 | Year ended 31 March 2019 (audited) £'000 |
|--------------------------------|--|--|--|
| Property operating expenses | 509 | 630 | 1,462 |
| Other operating expenses | | | |
| Investment management fee | 665 | 648 | 1,302 |
| Auditor remuneration | 48 | 43 | 98 |
| Operating costs | 230 | 226 | 675 |
| Directors' remuneration | 61 | 53 | 122 |
| Total other operating expenses | 1,004 | 970 | 2,197 |
| Total operating expenses | 1,513 | 1,600 | 3,659 |

for the six months ended 30 September 2019

5. Finance expense

| | Period from | Period from | |
|---|-----------------|-----------------|------------|
| | 1 April 2019 to | 1 April 2018 to | Year ended |
| | 30 September | 30 September | 31 March |
| | 2019 | 2018 | 2019 |
| | (unaudited) | (unaudited) | (audited) |
| | £'000 | £'000 | £'000 |
| Interest payable on loan borrowings | 556 | 540 | 1,103 |
| Amortisation of loan arrangement fee | 53 | 71 | 127 |
| Agency fee payable on loan borrowings | - | 2 | 3 |
| Commitment fee payable on loan borrowings | 29 | 26 | 54 |
| | 638 | 639 | 1,287 |
| Change in fair value of interest rate derivatives | 104 | 17 | 395 |
| Total | 742 | 656 | 1,682 |
| | | | |

6. Taxation

| | Period from 1 April 2019 to 30 September 2019 (unaudited) £'000 | Period from 1 April 2018 to 30 September 2018 (unaudited) £'000 | Year ended 31 March 2019 (audited) £'000 |
|--|--|--|--|
| Analysis of charge in the period | | | |
| Profit before tax | 4,159 | 11,678 | 15,544 |
| Theoretical tax at UK corporation tax standard rate of 19% (30 September 2018: 19%; 31 March 2019: 19%) | 790 | 2,219 | 2,953 |
| Adjusted for: | | | |
| Exempt REIT income | (1,239) | (1,178) | (2,249) |
| Non taxable investment losses/(gains) | 449 | (1,041) | (704) |
| Total | _ | | _ |

for the six months ended 30 September 2019

7. Earnings per share and NAV per share

| | Period from 1 April 2019 to 30 September 2019 (unaudited) | Period from 1 April 2018 to 30 September 2018 (unaudited) | Year ended 31 March 2019 (audited |
|---|---|---|--|
| | £'000 | £'000 | £'000) |
| EPS: | | | |
| Total comprehensive income (£'000) | 4,159 | 11,678 | 15,544 |
| Weighted average number of shares | 151,558,251 | 151,558,251 | 151,558,251 |
| EPS (basic and diluted) (pence) | 2.74 | 7.71 | 10.26 |
| EPRA EPS: | | | |
| Total comprehensive income (£'000) Adjustment to total comprehensive income: | 4,159 | 11,678 | 15,544 |
| Change in fair value of investment property (£'000) | 2,407 | (5,653) | (4,184) |
| (Gain)/loss on disposal of investment property (£'000) | (44) | 178 | 482 |
| Change in fair value of interest rate derivatives (£'000) | 104 | 17 | 395 |
| Total EPRA Earnings (£'000) | 6,626 | 6,220 | 12,237 |
| EPRA EPS (basic and diluted) (pence) | 4.37 | 4.10 | 8.07 |
| NAV per share: | | | |
| Net assets (£'000) | 147,553 | 151,653 | 149,456 |
| Ordinary Shares | 151,558,251 | 151,558,251 | 151,558,251 |
| NAV per share (pence) | 97.36 | 100.06 | 98.61 |
| EPRA NAV per share: | | | |
| Net assets (£'000) | 147,553 | 151,653 | 149,456 |
| Adjustments to net assets: | | | |
| Other financial assets held at fair value (£'000) | (58) | (9) | (162) |
| EPRA NAV (£'000) | 147,495 | 151,644 | 149,294 |
| EPRA NAV per share (pence) | 97.32 | 100.06 | 98.51 |

EPS amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. As at 30 September 2019, EPRA NNNAV was equal to IFRS NAV and as such a reconciliation between the two measures has not been presented.

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for the six months ended 30 September 2019

8. Dividends paid

| | Period from | Period from | |
|---|-----------------|-----------------|------------|
| | 1 April 2019 to | 1 April 2018 to | Year ended |
| | 30 September | 30 September | 31 March |
| | 2019 | 2018 | 2019 |
| Dividends paid during the period | £'000 | £'000 | £'000 |
| Represents two/two/four interim dividends | | | |
| of 2.00 pps each | 6,062 | 6,062 | 12,124 |
| | Period from | Period from | |
| | 1 April 2019 to | 1 April 2018 to | Year ended |
| | 30 September | 30 September | 31 March |
| | 2019 | 2018 | 2019 |
| Dividends relating to the period | £'000 | £'000 | £'000 |
| Represents two/two/four interim dividends | | | |
| of 2.00 pps each | 6,062 | 6,062 | 12,124 |
| Dividends paid during the period relate to Ordinary Shares only | | | |

Dividends paid during the period relate to Ordinary Shares only.

for the six months ended 30 September 2019

9. Investments

9.a) Investment property

| | Period from 1 April 2019 to 30 September 2019 (unaudited) | | | Period from 1 April 2018 to 30 September | Year ended 31 March |
|---|--|--|----------------|--|-------------------------------------|
| | Investment properties freehold £'000 | Investment properties leasehold £'000 | Total £'000 | 2018 (unaudited) Total £'000 | 2019 (audited) Total £'000 |
| UK Investment property | | | | | |
| As at beginning of period | 159,080 | 38,525 | 197,605 | 192,342 | 192,342 |
| Additions in the period | 262 | (5) | 257 | 151 | 7,590 |
| Disposals in the period | - | - | - | (4,628) | (7,053) |
| Revaluation of investment property | (2,617) | 805 | (1,812) | 5,665 | 4,726 |
| Valuation provided by Knight Frank | 156,725 | 39,325 | 196,050 | 193,530 | 197,605 |
| Adjustment for rent free debtor | | | (2,755) | (1,631) | (2,160) |
| Adjustment for finance lease obligations* | | | 684 | 620 | 684 |
| Total Investment property | | | 193,979 | 192,519 | 196,129 |
| Change in fair value of investment proper Change in fair value before adjustments for | - | | (1,812) | 5,665 | 4,726 |
| incentives Adjustment for movement in the period: | | | | | |
| in value of rent free debtor | | | (595) | (12) | (542) |
| | | | (2,407) | 5,653 | 4,184 |
| Gain/(loss) on disposal of investment prop | perty | | | | |
| Net proceeds from disposals of investment p the period | - | | 44 | 4,508 | 6,629 |
| Cost of disposal | | | - | (4,628) | (7,053) |
| Lease incentives amortised in current period | l/year | | | (58) | (58) |
| Gain/(loss) on disposal of investment prop | perty | | 44 | (178) | (482) |

* Adjustment in respect of minimum payment under head leases separately included as a liability within the Condensed Statement of Financial Position.

for the six months ended 30 September 2019

9. Investments (continued)

9.a) Investment property (continued)

Valuation of investment property

Valuation of investment property is performed by Knight Frank LLP, an accredited external valuer with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued.

The valuation of the Company's investment property at fair value is determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards (incorporating the International Valuation Standards).

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those flows.

9.b) Fair value measurement hierarchy

The following table provides the fair value measurement hierarchy for non-current assets:

| Assets measured at fair value | Quoted prices in active markets (Level 1) £'000 | Significant observable inputs (Level 2) £'000 | Significant unobservable inputs (Level 3) £'000 | Total £'000 |
|-------------------------------|--|---|---|----------------|
| 30 September 2019 | | | | |
| Investment property | | - | 193,979 | 193,979 |
| 30 September 2018 | | | | |
| Investment property | | | 192,519 | 192,519 |
| 31 March 2019 | | | | |
| Investment property | | - | 196,129 | 196,129 |

Explanation of the fair value hierarchy:

- Level 1 Quoted prices for an identical instrument in active markets;
- Level 2 Prices of recent transactions for identical instruments and valuation techniques using observable market data; and
- Level 3 Valuation techniques using non-observable data.

There have been no transfers between Level 1 and Level 2 during either period, nor have there been any transfers in or out of Level 3.

for the six months ended 30 September 2019

9. Investments (continued)

9.b) Fair value measurement hierarchy (continued)

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolios of investment properties are:

1) ERV

2) Equivalent yield

Increases/(decreases) in the ERV (per sq ft per annum) in isolation would result in a higher/(lower) fair value measurement. Increases/(decreases) in the yield in isolation would result in a lower/(higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement, categorised within Level 3 of the fair value hierarchy of the portfolio of investment property are:

| Class | Fair value £'000 | Valuation technique | Significant unobservable inputs | Range |
|---|---------------------|------------------------|------------------------------------|-----------------------------------|
| 30 September 2019 Investment property | 196,050 | Income capitalisation | ERV Equivalent yield | £0.50 – £127.00 5.95% – 9.69% |
| 30 September 2018 Investment property | 193,530 | Income capitalisation | ERV Equivalent yield | £1.00 – £127.00 4.23% – 12.09% |
| 31 March 2019 Investment property | 197,605 | Income capitalisation | ERV Equivalent yield | £1.00 – £127.00 5.87% – 10.25% |

Where possible, sensitivity of the fair values of Level 3 assets are tested to changes in unobservable inputs to reasonable alternatives.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property and investments held at the end of the reporting period.

With regards to both investment property and investments, gains and losses for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, prior to adjustment for rent free debtor and rent guarantee debtor, are recorded in profit and loss.

for the six months ended 30 September 2019

9. Investments (continued)

9.b) Fair value measurement hierarchy (continued)

The carrying amount of the assets and liabilities, detailed within the Condensed Statement of Financial Position, is considered to be the same as their fair value.

The tables below sets out a sensitivity analysis for each of the key sources of estimation uncertainty with the resulting increase/(decrease) in the fair value of investment property.

| | Fair value | Fair value Change in ERV | | Change in equivalent yield | |
|----------------------|------------|--------------------------|---------|----------------------------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Sensitivity Analysis | | +5% | -5% | +5% | -5% |
| 30 September 2019 | 196,050 | 204,427 | 187,935 | 185,802 | 207,198 |
| 30 September 2018 | 193,530 | 200,241 | 183,820 | 181,321 | 203,387 |
| 31 March 2019 | 197,605 | 205,803 | 189,720 | 187,352 | 208,707 |

| | Fair value Change in ERV | | ge in ERV | Change in equivalent yield | |
|----------------------|--------------------------|---------|-----------|----------------------------|---------|
| | £'000 | £'000 | £'000 | £,000 | £'000 |
| Sensitivity Analysis | | +10% | -10% | +10% | -10% |
| 30 September 2019 | 196,050 | 213,858 | 179,153 | 178,444 | 217,351 |
| 30 September 2018 | 193,530 | 208,704 | 175,911 | 173,762 | 213,834 |
| 31 March 2019 | 197,605 | 215,108 | 181,156 | 179,876 | 219,000 |

for the six months ended 30 September 2019

10. Receivables and prepayments

| | 30 September 2019 (unaudited) £'000 | 30 September 2018 (unaudited) £'000 | 31 March 2019 (audited) £'000 |
|--------------------------------------|--|--|--|
| Receivables | | | |
| Rent debtor | 2,789 | 1,283 | 1,477 |
| Allowance for expected credit losses | (51) | - | (39) |
| Rent agent float account | 1,363 | 184 | 92 |
| Other receivables | 481 | 221 | 381 |
| | 4,582 | 1,688 | 1,911 |
| Rent free debtor | 2,755 | 1,631 | 2,160 |
| Prepayments | 284 | 75 | 398 |
| Total | 7,621 | 3,394 | 4,469 |

The aged debtor analysis of receivables as follows:

| | 30 September | 30 September | 31 March |
|----------------------------------|--------------|--------------|----------|
| | 2019 | 2018 | 2019 |
| | £'000 | £'000 | £'000 |
| Less than three months due | 4,257 | 1,688 | 1,911 |
| Between three and six months due | 325 | | _ |
| Total | 4,582 | 1,688 | 1,911 |

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for the six months ended 30 September 2019

11. Interest rate derivatives

| | 30 September 2019 (unaudited) £'000 | 30 September 2018 (unaudited) £'000 | 31 March 2019 (audited) £'000 |
|--|--|--|--|
| At the beginning of the period | 162 | 26 | 26 |
| Interest rate cap premium paid | - | _ | 531 |
| Changes in fair value of interest rate derivatives | (104) | (17) | (395) |
| At the end of the period | 58 | 9 | 162 |

The Company is protected from a significant rise in interest rates as it has interest rate caps with a combined notional value of £36.51 million (31 March 2019: £36.51 million), resulting in the loan being 73% hedged (31 March 2019: 73%). These interest rate caps are effective until 19 October 2020. In October 2018, the Company entered into additional interest rate caps on a notional value of £46.51 million at 2.00% covering the extension period of the loan from October 2020 to October 2023.

Fair Value hierarchy

The following table provides the fair value measurement hierarchy for interest rate derivatives:

| Valuation date | Quoted prices in active markets (Level 1) £'000 | Significant observable input (Level 2) £'000 | Significant unobservable inputs (Level 3) £'000 | Total £'000 |
|-------------------|--|---|---|----------------|
| 30 September 2019 | - | 58 | _ | 58 |
| 30 September 2018 | - | 9 | _ | 9 |
| 31 March 2019 | - | 162 | _ | 162 |

Assets measured at fair value

The fair value of these contracts are recorded in the Condensed Statement of Financial Position as at the period end.

There have been no transfers between Level 1 and Level 2 during the period, nor have there been any transfers between Level 2 and Level 3 during the period.

The carrying amount of the assets and liabilities, detailed within the Condensed Statement of Financial Position, is considered to be the same as their fair value.

for the six months ended 30 September 2019

12. Interest bearing loans and borrowings

| | Bank borrowings drawn | | |
|---|-----------------------|--------------|-----------|
| | 30 September | 30 September | 31 March |
| | 2019 | 2018 | 2019 |
| | (unaudited) | (unaudited) | (audited) |
| | £'000 | £'000 | £'000 |
| At the beginning of the period | 50,000 | 50,000 | 50,000 |
| Bank borrowings drawn in the period | | | |
| Interest bearing loans and borrowings | 50,000 | 50,000 | 50,000 |
| Unamortised loan arrangement fees | (472) | (286) | (524) |
| At the end of the period | 49,528 | 49,714 | 49,476 |
| Repayable between two and five years | 50,000 | 50,000 | 50,000 |
| Bank borrowings available but undrawn in the period | 10,000 | 10,000 | 10,000 |
| Total facility available | 60,000 | 60,000 | 60,000 |

The Company has a £60.00 million (31 March 2019: £60.00 million) credit facility with RBSi of which £50.00 million (31 March 2019: £50.00 million) has been utilised as at 30 September 2019.

Under the terms of the Prospectus, the Company has a target gearing of 25% loan to GAV, but can borrow up to 35% loan to GAV in advance of a capital raise or asset disposal. As at 30 September 2019, the Company's gearing was 25.50% loan to property valuation (31 March 2019: 25.30%).

Under the terms of the loan facility, the Company can draw up to 35% loan to NAV at drawdown. On 9 October 2019, the Company announced that it had completed an amendment to its loan facility, increasing the loan to NAV covenant from 45% to 55% (subject to certain conditions). There are no changes to the margin currently charged under the facility.

Borrowing costs associated with the credit facility are shown as finance costs in note 5 to these financial statements.

13. Payables and accrued expenses

| | 30 September 2019 (unaudited) £'000 | 30 September 2018 (unaudited) £'000 | 31 March 2019 (audited) £'000 |
|-----------------|--|--|--|
| Deferred income | 3,312 | 929 | 1,137 |
| Accruals | 1,037 | 467 | 1,189 |
| Other creditors | 1,556 | 684 | 949 |
| Total | 5,905 | 2,080 | 3,275 |

for the six months ended 30 September 2019

14. Finance lease obligations

Finance leases are capitalised at the lease's commencement at the present value of the minimum lease payments. The present value of the corresponding rental obligations are included as liabilities.

The following table analyses the minimum lease payments under non-cancellable finance leases:

| | 30 September 2019 (unaudited) £'000 | 30 September 2018 (unaudited) £'000 | 31 March 2019 (audited) £'000 |
|---|---|---|-------------------------------------|
| Not later than one year | 48 | 47 | 48 |
| Later than one year but not later than five years | 160 | 152 | 160 |
| Later than five years | 476 | 421 | 476 |
| | 636 | 573 | 636 |
| Total | 684 | 620 | 684 |

15. Issued share capital

There was no change to the issued share capital during the period. The number of ordinary shares in issue and fully paid remains 151,558,251 of £0.01 each.

16. Transactions with related parties

As defined by IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

For the six months ended 30 September 2019, the Directors of the Company are considered to be the key management personnel. Directors' remuneration is disclosed in note 4.

The Company is party to an Investment Management Agreement with the Investment Manager, pursuant to which the Company has appointed the Investment Manager to provide investment management services relating to the respective assets on a day-to-day basis in accordance with their respective investment objectives and policies, subject to the overall supervision and direction of the Board of Directors.

Under the Investment Management Agreement, the Investment Manager receives a quarterly management fee which is calculated and accrued monthly at a rate equivalent to 0.9% per annum of NAV (excluding uninvested proceeds from fundraising).

During the period from 1 April 2019 to 30 September 2019, the Company incurred £665,344 (six months ended 30 September 2018: £648,247) in respect of investment management fees and expenses of which £664,962 was outstanding at 30 September 2019 (31 March 2019: £328,323).

for the six months ended 30 September 2019

17. Events after reporting date

Dividend

On 18 October 2019, the Board declared its second interim dividend of 2.00 pps in respect of the period from 1 July 2019 to 30 September 2019. The dividend payment will be made on 29 November 2019 to shareholders on the register as at 1 November 2019. The ex-dividend date was 31 October 2019.

The dividend of 2.00 pps was designated as an interim property income distribution ("PID"). Unless shareholders have elected to receive the PID gross, 20% tax will be deducted at source.

Financing

On 9 October 2019, the Company announced that it had completed an amendment to its loan facility, increasing the loan to NAV covenant from 45% to 55% (subject to certain conditions).

EPRA Performance Measures

Detailed below is a summary table showing the EPRA performance measures of the Company

All EPRA performance measures have been calculated in line with EPRA Best Practices Recommendations Guidelines which can be found at www.epra.com.

| MEASURE AND DEFINITION | PURPOSE | PERFORMANCE |
|--|--|--|
| 1. EPRA Earnings Earnings from operational activities. | A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings. | £6.63 million/4.37 pps EPRA earnings for the six month period ended 30 September 2019 (six month period ended 30 September 2018: £6.22 million/4.10 pps) |
| 2. EPRA NAV NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business. | Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy. | £147.50 million/97.32 pps EPRA NAV as at 30 September 2019 (At 31 March 2019: £149.29 million/ 98.51 pps) |
| 3. EPRA NNNAV EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt; and (iii) deferred taxes. | Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company. | £147.55 million/97.36 pps EPRA NNNAV as at 30 September 2019 (At 31 March 2019: £149.46 million/ 98.61 pps) |
| 4.1 EPRA NIY Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. | A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y. | 7.45% EPRA NIY as at 30 September 2019 (At 31 March 2019: 7.62%) |
| 4.2 EPRA 'Topped-Up' NIY This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents). | A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y. | 8.27% EPRA 'Topped-Up' NIY as at 30 September 2019 (At 31 March 2019: 8.58%) |
| 5. EPRA Vacancy Estimated Market Rental Value ('ERV') of vacant space divided by ERV of the whole portfolio. | A "pure" (%) measure of investment property space that is vacant, based on ERV. | 3.96% EPRA vacancy as at 30 September 2019 (At 31 March 2019: 2.99%) |
| 6. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income. | A key measure to enable meaningful measurement of the changes in a company's operating costs. | 16.93% EPRA Cost Ratio (including direct vacancy cost) as at 30 September 2019 (At 30 September 2018: 18.68%) 13.76% |

EPRA Cost ratio excluding direct vacancy

costs as at 30 September 2019 (At 30 September 2018: 14.96%)

EPRA Performance Measures (continued)

Calculation of EPRA NIY and 'topped-up' NIY

| | 30 September 2019 £'000 |
|--|-------------------------------|
| Investment property – wholly-owned | 196,050 |
| Allowance for estimated purchasers' costs | 13,331 |
| Gross up completed property portfolio valuation | 209,381 |
| Annualised cash passing rental income | 16,335 |
| Property outgoings | (738) |
| Annualised net rents | 15,597 |
| Rent expiration of rent-free periods and fixed uplifts | 1,716 |
| 'Topped-up' net annualised rent | 17,313 |
| EPRA NIY | 7.45% |
| EPRA 'topped-up' NIY | 8.27% |

EPRA NIY basis of calculation

EPRA NIY is calculated as the annualised net rent, divided by the gross value of the completed property portfolio.

The valuation of grossed up completed property portfolio is determined by our external valuers as at 30 September 2019, plus an allowance for estimated purchasers' costs. Estimated purchasers' costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers' assumptions on future recurring non-recoverable revenue expenditure.

In calculating the EPRA 'topped-up' NIY, the annualised net rent is increased by the total contracted rent from expiry of rent-free periods and future contracted rental uplifts.

EPRA Performance Measures (continued)

Calculation of EPRA Vacancy Rate

| | 30 September 2019 £'000 |
|--|-------------------------------|
| Annualised potential rental value of vacant premises | 694 |
| Annualised potential rental value for the completed property portfolio | 17,512 |
| EPRA Vacancy Rate | 3.96% |
| Calculation of EPRA Cost Ratios | |
| | 30 September 2019 £'000 |
| Administrative/operating expense per IFRS income statement | 1,513 |
| Less: Ground rent costs | (33) |
| EPRA Costs (including direct vacancy costs) | 1,480 |
| Direct vacancy costs | (277) |
| EPRA Costs (excluding direct vacancy costs) | 1,203 |
| Gross Rental Income less ground rent costs | 8,744 |
| EPRA Cost Ratio (including direct vacancy costs) | 16.93% |
| EPRA Cost Ratio (excluding direct vacancy costs) | 13.76% |

Company Information

Share Register Enquiries

The register for the Ordinary Shares is maintained by Computershare Investor Services PLC. In the event of queries regarding your holding, please contact the Registrar on 0370 889 4069 or email: web.queries@computershare.co.uk.

Changes of name and/or address must be notified in writing to the Registrar, at the address shown on page 39. You can check your shareholding and find practical help on transferring shares or updating your details at www.investorcentre.co.uk. Shareholders eligible to receive dividend payments gross of tax may also download declaration forms from that website.

Share Information

| Ordinary £0.01 Shares | 151,558,251 |
|-----------------------|--------------|
| SEDOL Number | BWD2415 |
| ISIN Number | GB00BWD24154 |
| Ticker/TIDM | AEWU |

The Company's Ordinary Shares are traded on the Main Market of the London Stock Exchange.

Annual and Interim Reports

Copies of the Annual and Interim Reports are available from the Company's website: www.aewukreit.com.

Provisional Financial Calendar

| 31 March 2020 | Year end |
|-------------------|---------------------------------|
| June 2020 | Announcement of annual results |
| September 2020 | Annual General Meeting |
| 30 September 2020 | Half-year end |
| November 2020 | Announcement of interim results |

Dividends

The following table summarises the dividends declared in relation to the period:

| Interim dividend for the period 1 April 2019 to 30 June 2019 (payment made on 30 August 2019) | 3,031,165 |
|---|-----------|
| Interim dividend for the period 1 July 2019 to 30 September 2019 (payment to be made on 29 November 2019) | 3,031,165 |
| Total | 6,062,330 |

£

Frequency of NAV publication:

38

The Company's NAV is released to the London Stock Exchange on a quarterly basis and is published on the Company's website.

Company Information (continued)

Independent Directors

Mark Burton (Non-executive Chairman) Bim Sandhu (Non-executive Director) Katrina Hart (Non-executive Director)

Registered Office

6th Floor 65 Gresham Street London EC2V 7NQ

Investment Manager and AIFM

AEW UK Investment Management LLP 33 Jermyn Street London SW1Y 6DN

Tel: 020 7016 4880 Website: www.aewuk.co.uk

Property Manager

M J Mapp 180 Great Portland Street London W1W 5QZ

Corporate Broker

Liberum Ropemaker Place 25 Ropemaker Street London EC2Y 9LY

Legal Adviser

Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU

Depositary

Langham Hall UK LLP 8th Floor 1 Fleet Place EC4M 7RA

Administrator

Link Alternative Fund Administrators Limited Beaufort House 51 New North Road Exeter EX4 4EP

Company Secretary

Link Company Matters Limited 6th Floor 65 Gresham Street London EC2V 7NQ

Registrar

Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE

Auditor

KPMG LLP 15 Canada Square London E14 5GL

Valuer

Knight Frank LLP 55 Baker Street London W1U 8AN

Glossary

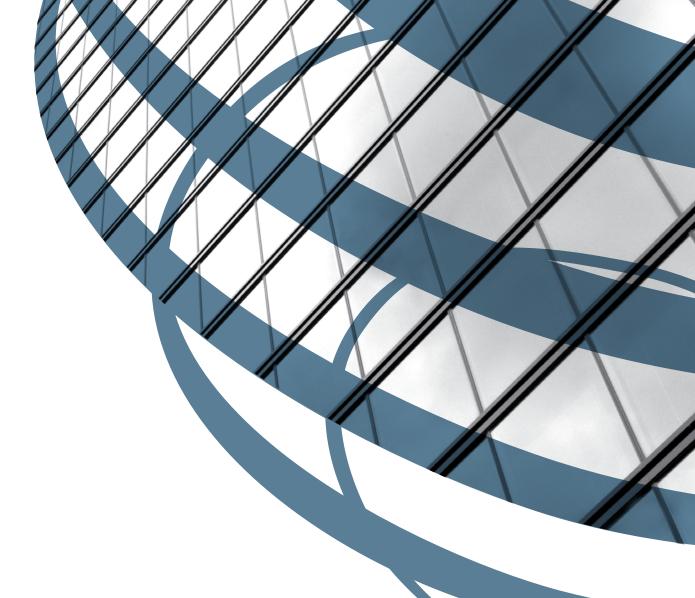
| AIC | Association of Investment Companies. This is the trade body for Closed-end Investment Companies (www.theaic.co.uk). |
|--|--|
| AIFMD | Alternative Investment Fund Managers Directive. |
| AIFM | Alternative Investment Fund Manager. The entity that provides portfolio management and risk management services to the Company and which ensures the Company complies with the AIFMD. The Company's AIFM is AEW UK Investment Management LLP. |
| Company | AEW UK REIT plc. |
| Company Secretary | Link Company Matters Limited. |
| Company Website | www.aewukreit.com |
| Contracted rent | The annualised rent adjusting for the inclusion of rent subject to rent-free periods. |
| Covenant strength | The strength of a tenant's financial status and its ability to perform the covenants in the lease. |
| DTR | Disclosure Guidance and Transparency Rules, issued by the FCA. |
| Earnings Per Share ('EPS') | Profit for the period attributable to equity shareholders divided by the weighted average number of Ordinary Shares in issue during the period. |
| EPC | Energy Performance Certificate. |
| EPRA | European Public Real Estate Association, the industry body representing listed companies in the real estate sector. |
| EPRA cost ratio (including direct vacancy costs) | The ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses. |
| EPRA cost ratio (excluding direct vacancy costs) | The ratio calculated above, but with direct vacancy costs removed from net overheads and operating expenses balance. |
| EPRA Earnings Per Share ('EPRA EPS') | Recurring earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. |
| EPRA NAV | NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business. |
| EPRA NNNAV | EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations. |
| EPRA Net Initial Yield ('EPRA NIY') | Annualised rental income based on the cash rents passing at the balance sheet date, less non- recoverable property operating expenses, divided by the fair value of the property, increased with (estimated) purchasers' costs. |
| EPRA Topped-Up Net Initial Yield | This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents). |
| EPRA Vacancy Rate | Estimated Market Rental Value of vacant space as a percentage of the ERV of the whole portfolio. |
| Equivalent Yield | The internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review or lease expiry. No future growth is allowed for. |
| Estimated Rental Value ('ERV') | The external valuer's opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property. |
| External Valuer | An independent external valuer of a property. The Company's External Valuer is Knight Frank LLP. |
| | |

Glossary (continued)

| Fair value | The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where parties had each acted knowledgeably, prudently and without compulsion. |
|------------------------------|--|
| Fair value movement | An accounting adjustment to change the book value of an asset or liability to its fair value. |
| FCA | The Financial Conduct Authority. |
| FRI lease | A lease which imposes full repairing and insuring obligations on the tenant, relieving the landlord from all liability for the cost of insurance and repairs. |
| Gross Asset Value | The aggregate value of the total assets of the Company as determined in accordance with IFRS. |
| IASB | International Accounting Standards Board. |
| IFRS | International Financial Reporting Standards, as adopted by the European Union. |
| Investment Manager | The Company's Investment Manager is AEW UK Investment Management LLP. |
| IPD | Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry. |
| IPO | The admission to trading on the London Stock Exchange's Main Market of the share capital of the Company and admission of Ordinary Shares to the premium listing segment of the Official List on 12 May 2015. |
| Lease incentives | Incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules the value of the lease incentive is amortised through the Statement of Comprehensive Income on a straight-line basis until the lease expiry. |
| Lease Surrender | An agreement whereby the landlord and tenant bring a lease to an end other than by contractual expiry or the exercise of a break option. This will frequently involve the negotiation of a surrender premium by one party to the other. |
| LIBOR | The London Interbank Offered Rate, the interest rate charged by one bank to another for lending money. |
| Like-for-like | The like-for-like valuation movement compares the valuation (as provided by the external valuer and before adjustments for lease incentives) of properties at the end of the period in question with the valuation at the start of the period. This measure only compares movements for those properties which were held at both the start and end of the period, so excludes the effects of acquisitions and disposals. |
| Loan to Value ('LTV') | The value of outstanding loans and borrowings (before adjustments for issue costs) expressed as a percentage of the combined valuation of the property portfolio (as provided by the valuer) and the fair value of other investments. |
| Net Asset Value ('NAV') | Net Asset Value is the equity attributable to shareholders calculated under IFRS. |
| Net Asset Value per share | Equity shareholders' funds divided by the number of Ordinary Shares in issue. |
| Net Asset Value Total Return | The percentage change in NAV from the start of a period to the end of a period, assuming that dividends paid to shareholders are reinvested at NAV. |
| Net equivalent yield | Calculated by the Company's external valuers, equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears. |
| Net Initial Yield ('NIY') | The initial net rental income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase. |
| Net rental income | Rental income receivable in the period after payment of ground rents and net property outgoings. |

Glossary (continued)

| Non-PID | Non-Property Income Distribution. The dividend received by a shareholder of the Company arising from any source other than profits and gains of the Tax Exempt Business of the Company. |
|--|--|
| Ongoing charges | A measure, expressed as a percentage of the NAV, of the regular, recurring costs of running an investment company which is calculated in line with AIC methodology. |
| Ordinary Shares | The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Company, and any capital growth. |
| Over-rented | Space where the passing rent is above the ERV. |
| Passing rent | The gross rent, less any ground rent payable under head leases. |
| PID | Property Income Distribution. A dividend received by a shareholder of the Company in respect of profits and gains of the tax exempt business of the Company. |
| Rack-rented | Space where passing rent is the same as the ERV. |
| REIT | A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation tax Act 2010. Subject to the continuing relevant UK REIT criteria being met, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax. |
| Reversion | Increase in rent estimated by the Company's External Valuers, where the passing rent is below the ERV. |
| Reversionary yield | The anticipated yield, which the initial yield will rise (or fall) to once the rent reaches the ERV. |
| Share price | The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange. |
| Total returns | The returns to shareholders calculated on a per share basis by adding dividend paid in the period to the increase or decrease in the Share Price of NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets. |
| Shareholder Total Return | The percentage change in the share price assuming dividends are reinvested to purchase additional Ordinary Shares. |
| Under-rented | Space where the passing rent is below the ERV. |
| UK Corporate Governance Code | A code issued by the Financial Reporting Council which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the Code in their annual report and accounts. |
| Voids | The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of ERV. |
| Weighted Average Unexpired Lease Term ('WAULT') | The average lease term remaining for first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees). |
| Yield compression | Occurs when the net equivalent yield of a property decreases, measured in basis points. |



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