Schroders

Schroder European Real Estate Investment Trust plc

Half Year Report and Condensed Consolidated Interim Financial Statements

For the six month period ended 31 March 2018

Contents

Company Summary

Schroder European Real Estate Investment Trust plc (the "Company") invests in European growth cities and regions. It is a UK closed-ended real estate investment company incorporated on 9 January 2015. The Company has a premium listing on the Official List of the UK Listing Authority and its shares have been trading on the Main Market of the London Stock Exchange (ticker: SERE) since 9 December 2015. It also has a secondary listing on the Main Board of the Johannesburg Stock Exchange (ticker: SCD).

At 31 March 2018 the Company had 133,734,686 shares in issue and had 14 subsidiaries which, together with the Company, form the Group.

Investment objective

To provide shareholders with a regular and attractive level of income return together with the potential for long-term income and capital growth through investing in commercial real estate in Continental Europe.

Investment strategy

The Company invests in European growth cities, specifically institutional quality, income-producing commercial real estate in major continental European cities and regions. Target markets are mature and liquid and have growth prospects exceeding those of their domestic economy.

The strategy is focused on winning cities and regions, being locations experiencing higher levels of GDP, employment and population growth, with diversified local economies, sustainable occupational demand and favourable supply and demand characteristics.

The Company targets office, retail, logistics/light industrial and assets which offer the potential for multiple uses. The risk profile of the investments will be focused on core/core plus real estate (c.70%) with the remaining 30% in value add opportunities e.g. refurbishments, changes of use etc. The current portfolio is consistent with the strategy, generating strong income whilst also providing asset management opportunities which can be implemented through the experts in the local offices of the Investment Manager.

Investment policy

The Company owns a diversified portfolio of commercial real estate in Continental Europe with good property fundamentals. The Company may invest directly in real estate assets (both listed and unlisted) or through investment in special purpose vehicles, partnerships, trusts or other structures.

Diversification

The Company invests in a portfolio of institutional grade, income-producing properties with low vacancy and creditworthy tenants. The portfolio is diversified by location, use, size, lease, duration and tenant concentration.

Once all the proceeds of the placing programme have been fully invested, and the Company has implemented its borrowing policy, the value of any individual property at the date of its acquisition will not exceed 20% of the Company's gross assets.

A preference is given to multi-let properties over single-occupier properties to diversify exposure to underlying tenant risk.

Asset class and geographic restrictions

The Company has the ability to invest in any country in Continental Europe, although preference will be given to mature and liquid markets. The Company's primary focus is on the core cities in France and Germany where the Investment Manager believes there are positive growth prospects and real estate markets which are considered to be well established, mature and liquid.

The Company invests principally in the office, retail, logistics and light industrial property sectors. It may also invest in other sectors including, but not limited to, leisure, residential, healthcare, hotels and student accommodation.

Highlights and Financial Summary[1]

Half year ended 31 March 2018

Interim profit increased by 157% to

€10.8m

as portfolio is fully invested in winning European cities

Net Asset Value ("NAV") of

€187.1m

at 31 March 2018 (139.9 cps/123.0 pps), an increase of 4.9% over the period[2]

EPRA earnings of

€6.5m

compared to €2.6m for the 2017 half year

NAV total return of

6.1%

Debt financing at

28% LTV

at a weighted average total interest rate of

1.3%

and weighted average duration of

6.4 years

Total declared dividends for the period grown by

68%

compared to 2017 half year

Annualised dividend yield of

5.5%

against the euro equivalent of the issue price as at admission, achieving the dividend target set at IPO

[1]Relates to the Company's share only and excludes the non-controlling interests in the Company's subsidiaries

[2]Deducting the interim dividend declared in December 2017 that was paid in April 2018 from income, the NAV would have been €184.6m as at 31 March 2018 which would have equated to 138.1cps/121.3 pps. The approved and declared dividend for the December 2017 quarter went ex-dividend on 20 March 2018 in South Africa and 23 March 2018 in the UK. The dividend was paid to investors on 13 April 2018 and was fully covered from prior income. In line with IAS 10, no recognition of any liability has been made in the 31 March 2018 NAV

Highlights and Financial Summary

Half year ended 31 March 2018

Portfolio valued at

€237.3m

at 31 March 2018 reflecting an uplift of approximately

9.5%

on purchase price

Portfolio is 97% occupied with

6.7 years

average lease term and at a net property income yield of 5.8%

Eurozone economic growth supporting occupational and investment markets

Acquisition of a data centre in the Netherlands for a price of

€19.8m

reflecting a 10% income yield took the Company to full investment

Sale contracted for two Casino supermarkets in France at a

10%

premium to 31 December 2017 valuation, due to complete in July

Lease surrender at Hamburg office in return for a

€3.9m

surrender premium, equating to 4.7 years of rental income[3]

[3]During the period €2.4m of the surrender premium was received with the remainder due in 2019

Performance summary[1]

Financial summary

	Six months ended/ as at 31 March 2018	Year ended/as at 30 September 2017
NAV (excluding non-controlling interests)[2]	€187.1m	€178.3m
NAV per ordinary share	139.9c	133.3c
NAV total return (euro)	6.1%	6.0%
NAV assuming deduction of the December 2017 quarterly dividend that was paid in April[2]	€184.6m	N/a
IFRS earnings	€10.8m	€10.3m
EPRA earnings	€6.5m	€6.9m
Equity raised (gross)	Nil	€16.7m

Capital values

	31 March 2018	30 September 2017
Share price	110.0 pps/ZAR 18.00	110.5 pps/ZAR 19.25
NAV per share	123.0 pps/ZAR 20.43	117.6pps/ZAR 21.37
Share price premium/(discount) to NAV GBP/ZAR	(10.5%)/(11.9%)	(6.0%)/(9.9%)

Earnings and dividends

	Six months ended 31 March 2018	Year ended 30 September 2017
Profit per share (euro cents)	8.1	7.7
EPRA earnings per share (euro cents)	4.8	5.2
Headline earnings per share (euro cents)	4.8	5.2
Dividends declared per share (euro cents)	3.7	5.2
Annualised dividend yield of most recent dividend declared on the euro equivalent of the issue price as at admission	5.5%	4.4%

Bank borrowings

	31 March 2018	30 September 2017
External bank debt (excluding costs)	€73.4m	€60.4m
Loan to value ("LTV") ratio based on Gross Assets	28%	25%

Ongoing charges[3]

	Six months ended 31 March 2018	Year ended 30 September 2017
Ongoing charges (including fund only expenses)	1.82%	1.87%
Ongoing charges (including fund and property expenses)	2.39%	2.11%

[1]Relates to the Company's share only and excludes the non-controlling interests in the Company's subsidiaries

[2]The NAV excludes the €2.5m dividend paid on 13 April 2018, fully covered from prior income, which went ex-dividend on 20 March 2018 in South Africa and 23 March 2018 in the UK. The inclusion of this item would have reduced the NAV to €184.6m

[3]Ongoing charges are calculated in accordance with AIC recommended methodology as a percentage of average NAV over the period

Chairman's Statement

Overview

During the period the Company has achieved two significant milestones: full investment, following acquisition of an office and data centre in the Netherlands; and growing the dividend to the target level set at IPO. The dividend yield is 5.5% p.a. against the euro equivalent of the issue price as at admission and, based on the Euro:GBP exchange rate as at 31 March 2018, the dividend represents 6.5% p.a. against £1 invested at IPO.

The acquisition in the Netherlands has taken the real estate portfolio to 10 assets, located in growth cities and regions of continental Europe. These markets are benefiting from the continued favourable Eurozone economic outlook and mega-themes such as urbanisation and improving infrastructure.

In February the Company announced the sale of its interest in the two Casino supermarkets, representing a 10% premium to the 31 December 2017 valuation. Leveraging its extensive European local presence, the Investment Manager is pursuing new investment opportunities for the redeployment of the proceeds that will be received in July. There are also a number of other value and income-enhancing asset management initiatives underway across the portfolio which will maximise performance. Further detail on these matters is set out in the Investment Manager's Review.

Results

The Company's net asset value ("NAV") at 31 March 2018, excluding non-controlling interests, was €187.1 million or 139.9 euro cents per share (£164.4 million or 123.0 pence per share). Including dividends, the NAV total return over the period was 6.1%.

Including the recognition of the interim dividend declared in December 2017, which went ex-dividend in March 2018 and was paid on 13 April 2018 from income, the Company's NAV would have reduced to €184.6m or 138.1 euro cents per share (£162.2 million or 121.3 pence per share).

The profit for the six month period to 31 March 2018 was €10.8 million and the EPRA earnings were €6.5 million.

Strategy

The investment strategy is based on targeting high quality assets in winning cities and regions in Continental Europe. The current portfolio demonstrates this, with all of the assets located in cities with GDP growth forecasts in the top two quartiles of all European regions (Source: Oxford Economics).

Our target markets in Europe are benefiting from a broad-based economic recovery, with positive growth forecasts, declining unemployment and inflation under control. Rental growth is returning to most parts of the market as occupier demand for good quality, well-located assets remains healthy and development activity is reasonably subdued. This will be positive for the Company's portfolio and supports our growth ambitions for the Company.

The Investment Manager's in-house research and local teams, which totals 145 people across eight key target markets in Europe, provide a market-leading platform to identify assets fitting the investment strategy. The focus is on locations that are benefiting from supply/demand imbalances, infrastructure improvements and competing land uses. These assets are actively managed by the local teams, with the objective of improving rental income and delivering long-term capital growth.

Execution of this investment strategy has underpinned the delivery of shareholder returns. The Company is keen to build on this by growing in a disciplined way that continues to improve earnings and value and brings additional benefits such as improved share liquidity.

Debt

During the period the Company completed a new €13m debt facility secured against the Saint-Cloud office building in Paris. This loan takes the Company's total third party debt as at 31 March 2018 to €73.4 million, representing a Loan to Value ("LTV") of approximately 28% against the overall gross asset value of the Company.

The Company is focused on maintaining a robust balance sheet and overall leverage is capped at 35% at the time of drawing debt. The debt strategy tailors gearing against those assets most suitable for debt financing. The Company has five debt facilities in place with an average weighted total interest rate of 1.30%. All interest rates are either fixed or capped. Given the positive yield spread it is likely the Company will draw further debt facilities against future acquisitions and target overall gearing at around the capped level.

Dividend

The Company has declared a second interim dividend in respect of the year ending 30 September 2018 of 1.85 euro cents per share payable on 20 July 2018 to shareholders on the register on 6 July 2018. The first and second interim dividends in respect of the year ending 30 September 2018 amount to 3.7 euro cents per share, representing a 68% increase compared to dividends declared over the same period in respect of the year ended 30 September 2017.

The dividend is approximately 100% covered from recurring income from the portfolio. This excludes the positive impact of the receipt of €2.4 million in respect of the first payment for the Hamburg lease surrender. Including the Hamburg surrender premium receipt, the dividend cover is 172%.

The latest declared dividend represents an annualised rate of 5.5% based on the euro equivalent of the issue price at admission, achieving the target dividend stated at IPO. Based on the Euro: GBP exchange rate as at 31 March 2018, this equates to an annualised rate of 6.5% on the GBP issue price at IPO of 100 pence per share.

The Company will continue to pursue a progressive dividend policy, which is sustainable from recurring income.

Outlook

Having delivered on the strategy outlined at IPO, the Company is well-positioned for the next phase of its growth. The high quality real estate portfolio across the growth cities of continental Europe provides a strong platform for the Company. It generates an attractive level of stable income which covers the dividend and provides opportunities to grow income and values over the long term.

Occupier demand and rental growth in the target markets of Western Europe is increasing, underpinned by the continued economic growth. This presents an opportunity for the Company and we look forward to working with the Investment Manager to progress the strategy.

Sir Julian Berney Bt.
Chairman

11 June 2018

Investment Manager's Report

Results

The Company's Net Asset Value ("NAV") as at 31 March 2018 stood at €187.1 million (£164.4m), or 139.9 euro cents (123.0 pence) per share, achieving a NAV total return for the first six months of the financial year of 6.1%.

The table below provides an analysis of the movement in NAV during the reporting period as well as a corresponding reconciliation in the movement in the NAV cents per share:

NAV Movement	€ million[1]	Cps[2]	% change per cps[3]
Brought forward as at 1 October 2017	**178.3**	**133.3**	**–**
Transaction costs of investments made during the period	(1.3)	(1.0)	(0.8)
Capital expenditure	(0.1)	(0.1)	(0.1)
Unrealised gain in valuation of the real estate portfolio	6.2	4.7	3.5
EPRA earnings	6.5	4.9	3.7
Non-cash items	(0.5)	(0.4)	(0.3)
Dividend paid[4]	(2.0)	(1.5)	(1.1)
Carried forward as at 31 March 2018	**187.1**	**139.9**	**4.9**

[1]Management reviews the performance of the Company principally on a proportionally consolidated basis. As a result, figures quoted in this table include the Company's share of joint ventures on a line-by-line basis and exclude non-controlling interests in the Company's subsidiaries

[2]Based on 133,734,686 shares

[3]Percentage change based on the starting NAV as at 1 October 2017

[4]This represents the fourth interim dividend for the year ended 30 September 2017 which was paid in January 2018. The first interim dividend for the year ending 30 September 2018 was paid to investors from prior income on 13 April 2018 and is not included as a NAV movement during the period

Market overview

The Eurozone has enjoyed its strongest period of growth during the last ten years with Schroders forecasting that Eurozone GDP will grow by 2-2.5% through 2018-2019. Investment is increasing, while unemployment continues to fall with consumer spending increases. The acceleration in world trade means that external demand in the form of exports should continue to grow. While stronger growth will feed through to higher inflation, Schroders expects it to remain at around 1.5% p.a. over the next couple of years, with the result that the ECB is unlikely to raise interest rates before 2019. The main downside risk is a trade war which would hurt the export-orientated Eurozone.

Offices

The economic momentum continues to drive strong demand in most European office markets and vacancy, particularly for modern space in central locations, continues to erode. At the same time, the supply pipeline for the next two years remains muted and new supply is often pre-let. This in turn continues to filter through to broad-based rental growth not just in CBD locations, but also in other established and well-connected office locations.

Retail

While consumer spending is rising, much of the growth is generated online with varying effects on the various physical retail formats and sectors. The food sector remains resilient to online sales and the trend away from big hypermarkets to smaller supermarkets, convenience stores and organic food stores continues. Retail warehouses that sell bulky goods or DIY products seem also relatively immune. On the other hand, fashion sees the biggest pressure from online sales. Several smaller chains have fallen into insolvency and major retailers such as H&M and Inditex are closing stores and investing heavily in their websites and logistics. Yet for these brands prime high street unit shops, or a presence in dominant shopping centres, is key for branding and marketing.

Logistics/warehousing

In many respects the industrial sector resembles the office market. Logistics take-up in continental Europe hit a new record in 2017, reflecting the cyclical recovery in demand from manufacturers and third party logistics firms (3PLs) and the rapid structural growth in online retail. Although development is increasing, the vast majority of schemes are being built on a pre-let "build to suit" basis and vacancy in most locations remains low. Prime logistics rents increased by 3% on average last year (source: CBRE).

Investment market

Retail was the one sector where liquidity declined last year. The value of retail investment deals in Continental Europe was 16% lower in 2017 than 2016 (source: RCA). Conversely, office and industrial deals increased while, in the search for yield, investment alternatives such as hotels increased, too. Looking forward, the investment market is likely to remain highly competitive in 2018. While the gap between prime real estate and government bond yields has narrowed since 2015 to around 3.0%, it still looks attractive given the favourable outlook for rental and income growth in most sectors.

Investment progress

Over the six months since 1 October 2017, the Company completed the following three significant transactions:

- **Purchase completed:** The Company acquired a long-term fully leased, three storey office building and data centre in Apeldoorn, The Netherlands for an all-in cost of €21.1 million and generating a net income yield of approximately 10%.
- **Lease surrender completed:** The Company agreed terms for City BKK to surrender its lease at the Hamburg office asset in Germany in return for a cash payment to the Company of €3.9 million (of which €2.4 million was received during this period). This €3.9 million cash payment represents 4.7 years of annual rental income from City BKK. Negotiating a surrender with City BKK was a key initiative within the acquisition strategy. The agreement gives the Company the opportunity to reposition the property and re-lease the space into a strengthening office sub-market which will also diversify the property's income profile.
- **Sale committed:** The Casino Group has exercised a buy-back option for the Company's 70% interest in two Casino supermarkets in Biarritz and Rennes. The combined sale value for the 70% share is €44.8 million, representing a 10% premium to the 31 December 2017 valuation. The sale will complete on 31 July 2018. The Company will continue to receive rental income from the properties until the sale completes.

The Company has invested €232 million since IPO and as of today is fully deployed. The sale of the Casino supermarkets in Rennes and Biarritz will provide the Company with investment capacity of approximately €45m-€50m (including further gearing). The Investment Manager is reviewing, and in exclusivity, on a number of new investment opportunities that could be suitable for redeployment of this capital when it is received later in the year.

Real estate portfolio

The portfolio comprises 10 institutional grade properties, c.97% let, across winning cities and regions in France, Germany, Spain and the Netherlands. All investments are owned 100% except for the Rennes and Biarritz supermarkets (70% interest) and the Metromar shopping centre, Seville (50% interest).

The redeployment of the Casino sale proceeds will be focused on acquiring assets that complement the existing portfolio and maintain good asset diversity, a stable income base and the opportunity for long-term capital growth through active asset management. The Investment Manager has an identified pipeline of acquisitions spanning a number of sectors, including light industrial and logistic investments, and is confident of deploying the capital in the near term.

The table below gives an overview of the portfolio:

			Contracted rents		Value			
Property	**Country**	**Sector**	**€m**	**% total**	**€0-€20m**	**€20m-€40m**	**€40m-€60m**	**>€60m**
Paris (B-B)	France	Office	2.4	14.8%			X	
Paris (SC)	France	Office	3.5	21.7%		X		
Berlin	Germany	Retail	1.6	10.0%		X		
Seville	Spain	Retail	2.0	12.2%		X		
Casino Supermarket, Biarritz*	France	Retail	1.3	7.8%		X		
Apeldoorn	Netherlands	Mixed	2.4	14.9%		X		
Casino Supermarket, Rennes*	France	Retail	0.9	5.9%		X		
Hamburg	Germany	Office	0.5	3.4%	X			
Stuttgart	Germany	Office	0.8	5.0%	X			
Frankfurt	Germany	Retail	0.7	4.3%	X			
Portfolio at 31/03/2018*			**16.1**	**100.0**		**237.3**		
Biarritz & Rennes*	France	Retail	2.2	13.8%				
Portfolio excluding Casino supermarkets			**13.9**	**86.2%**		**192.5**		

* The value assigned to the Casino supermarkets in this table reflects the option price exercised by the Casino Group. The Casino buy-back prices are at a 10% premium to the 31 December 2017 valuation.

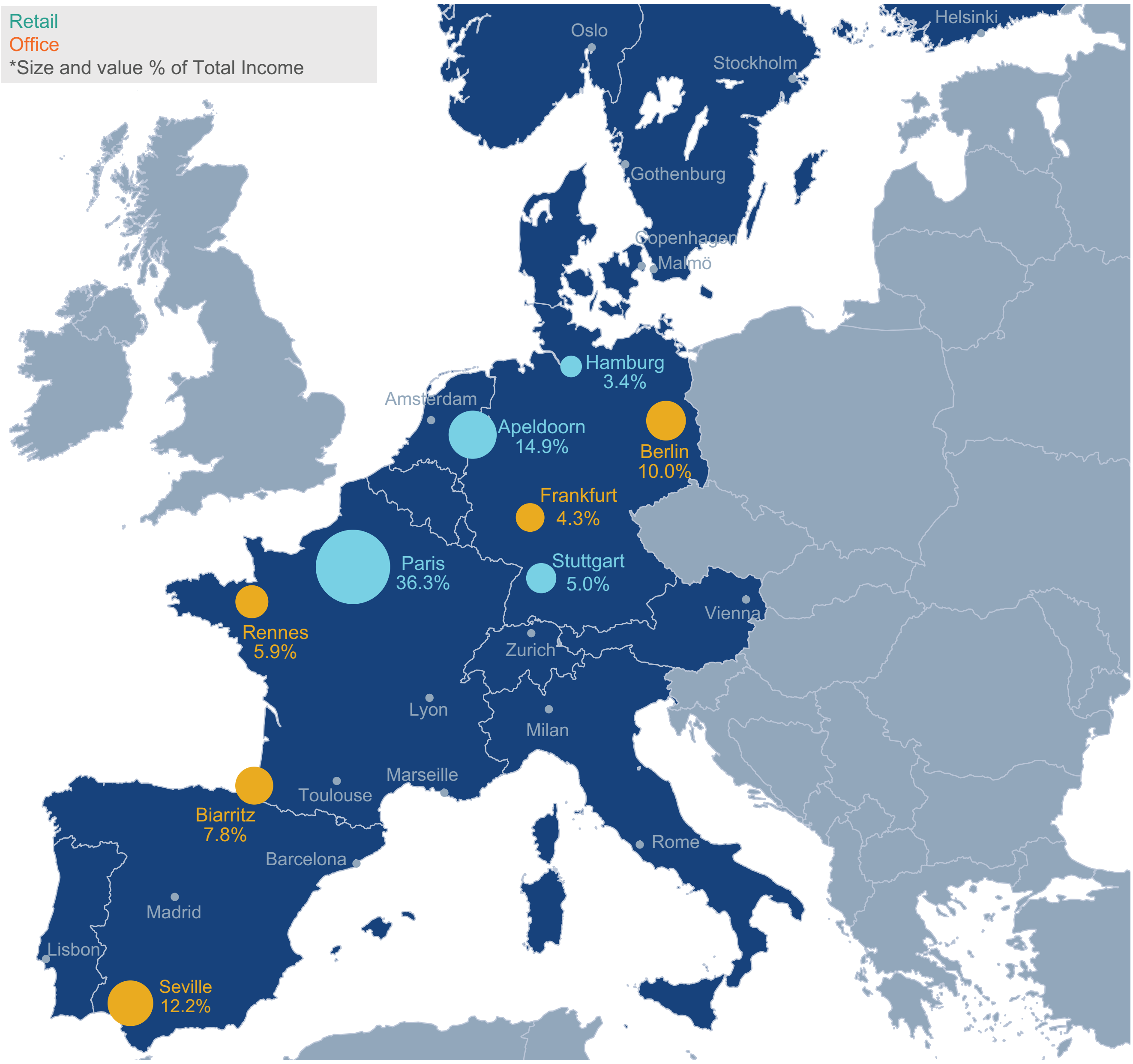
Investment Manager's Report

The portfolio's country and sector allocations, pre and post the Casino supermarket sales, are specified below:

Country allocation (% contracted rent)	Portfolio at 31/03/2018	Portfolio excluding Casino supermarkets
France	50.2%	42.1%
Germany	22.7%	26.4%
Spain	12.2%	14.2%
Netherlands	14.9%	17.3%
Total	**100.0%**	**100.0%**

Sector allocation (% contracted rent)	Portfolio at 31/03/2018	Portfolio excluding Casino supermarkets
Office	44.8%	51.9%
Retail	40.3%	30.8%
Mixed	14.9%	17.3%
Other	0.0%	0.0%
Total	**100.0%**	**100.0%**

The map below shows the portfolio locations and also indicates city allocations by contracted rent (as a percentage of total contracted rent from the ten asset portfolio).

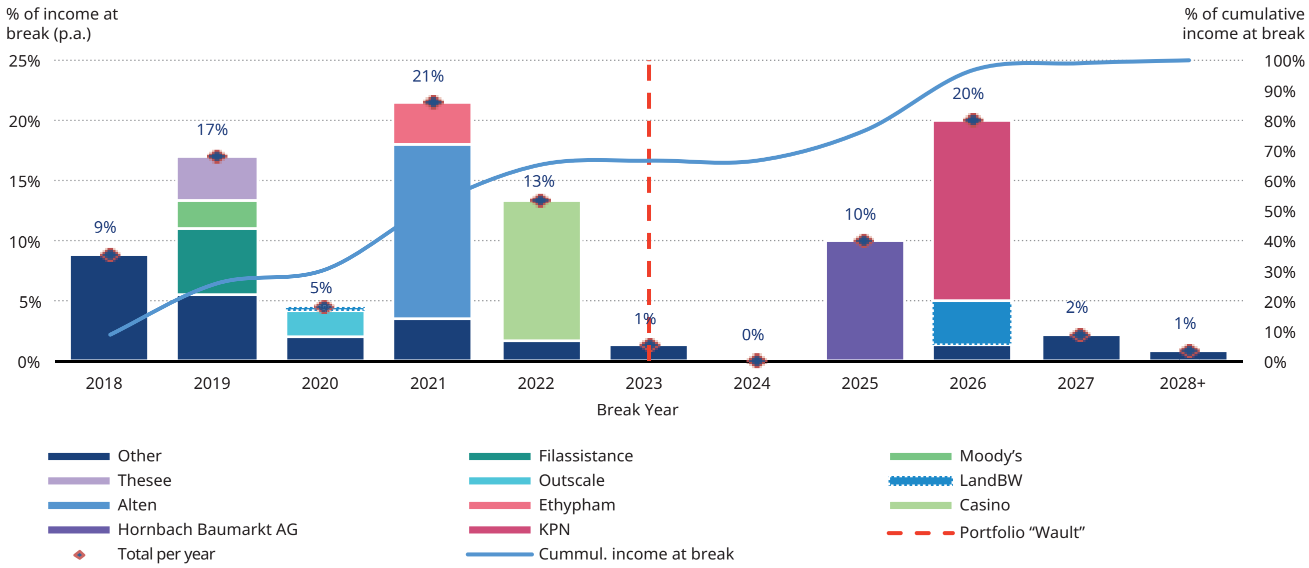


Lease expiry profile

The ten asset portfolio is 97% let generating €16.1 million p.a. in contracted income. The rent on all leases is indexed to inflation and individual asset business plans are being implemented to improve future earnings and capital growth potential.

The average unexpired lease term is 4.6 years to first break and 6.7 years to expiry. Excluding the Casino supermarkets, the contracted rents are €13.9m with average unexpired lease terms to first break and expiry of 4.7 years and 6.1 years.

The lease expiry profile to earliest break is shown below. The near-term lease expiries provide asset management opportunities to renegotiate leases, extend weighted average unexpired lease terms, improve income security and generate rental growth. In turn, this activity benefits NAV total return.



Top 10 tenants

The top 10 tenants comprise a wide range of occupiers from different industry segments as shown below:

	Tenant	Property	Tenant risk[1]	Contracted rent (€m p.a.)	Contracted rent (%)[2]	Unexpired lease term (years)[3]
1	KPN	Apeldoorn	Low	2.4	15%	8.8
2	Alten	Paris (B-B)	Low	2.3	14%	3.0
3	Casino	Rennes & Biarritz	Low	1.9	12%	4.2
4	Hornbach	Berlin	Low	1.6	10%	7.8
5	Filassistance	Paris (SC)	Low	0.9	5%	1.3
6	LandBW	Stuttgart	Low	0.7	4%	7.9
7	Thesee	Paris (SC)	Medium	0.6	4%	1.4
8	Ethypharm	Paris (SC)	Low	0.5	3%	3.2
9	Moody's	Paris (SC)	Low	0.4	2%	1.3
10	Outscale	Paris (SC)	Low	0.4	2%	2.1
Total top ten tenants				**11.7**	**71%**	**5.0**
Remaining tenants				4.4	29%	3.3
Total				**16.1**	**100%**	**4.6**

[1] Regular tenant risk assessments are undertaken for the largest tenants. Among other considerations, the Investment Manager's risk assessments are based on Dun & Bradstreet ratings and failure scores
[2] Percentage based on total contracted rent as at financial period end
[3] Unexpired lease term until earliest termination in years as at 31 March 2018 weighted by contracted rent

Investment Manager’s Report

Valuation

The current portfolio value of €237.3 million reflects an increase of 9.5% (€20.5 million) compared to the combined purchase price of the 10 asset portfolio. Transaction costs have already been fully recovered through valuation uplifts since acquisition.

The portfolio valuation has increased by 2.8% for the six months to 31 March 2018. Valuation uplift is positive for most assets. The Hamburg office asset was the notable exception as the property had a value decline of -4.2%, reflecting €0.7 million. The main reason for this is the surrender agreed with City BKK for its lease at the Hamburg asset in return for a cash payment to the Company of €3.9 million to be received in two instalments: €2.4 million in 2018 and another €1.5 million to be received in 2019.

A fall in the Seville valuation has been offset by a corresponding reduction in the initial purchase price as a result of certain purchase conditions being met. The Seville valuation remains above initial purchase price by 1.9%. Including the purchase price reduction, Seville valuation performance was positive for the six months since 1 October 2017.

With regard to the assets which saw their values increase, the valuation uplift was particularly strong for the properties in Paris Saint-Cloud (+3.8%/€1.3 million), Stuttgart (+2.3%/€0.4 million) and Paris B-B (+1.4%/€0.6 million), all benefiting from strong rental and investment markets.

The external valuation of the Casino supermarkets remained flat over the six month period. However, the sale price of the buy-back option exercised by the Casino Group is at a 10% premium (€4.1 million) to the current external valuation. Therefore these properties are held at a value reflecting the sale price.

The newly acquired property in Apeldoorn witnessed a valuation uplift against its purchase price (+2.0%/€0.4 million).

Asset management

We manage each asset around an identified business plan, constructed by our local real estate professionals and approved by the Investment Manager’s investment committee. Our asset management expertise assists in de-risking assets, enhancing income profiles and positioning investments to benefit from occupier demand and ultimately growth, all positively contributing to the delivery of the Company’s return performance.

Fauststraat 1, Apeldoorn, the Netherlands

- Acquired in February 2018 for a purchase price of €19.8 million
- Valuation at 31 March 2018: €20.2 million
- Lettable area: c.23,700 sq.m
- Investment rationale:
  - Attractive nine year income stream from a strong tenant;
  - Established and strategic location c.1 hour from Amsterdam;
  - Longer term alternative use potential;
  - Mixed-use asset comprising data centre/office use; and
  - The technology (ICT) influence provides additional portfolio diversification into a growth sector

Due to the core, long-term lease profile asset management initiatives are limited in the short term. In the longer term we continue to explore alternative use potential.

Boulevard Jean Jaurès, Boulogne-Billancourt (Paris) 92100, France

- Acquired in March 2016 for a purchase price of €37.5 million
- Valuation at 31 March 2018: €42.1 million
- Lettable area: c.6,900 sq.m
- Investment rationale:
  - Mixed-use area with a high incidence of competing uses;
  - Affordable and sustainable rents;
  - Supply-constrained location; and
  - Modest capital value per sq.m

Asset management over the period centred on the investigation of alternative use potential and liaising with the tenant to advance longer term occupational intentions.

Großbeerenstraße, 12107 Berlin, Germany

- Acquired in March 2016 for a purchase price of €24.3 million
- Valuation at 31 March 2018: €26.0 million
- Lettable area: c.16,800 sq.m
- Investment rationale:
  - Above average population growth;
  - Supply-constrained location;
  - Mixed-use area with a high incidence of competing uses; and
  - Large site area of 4 hectares

Due to the core, long-term lease profile, asset management initiatives are limited in the short-term. We continue to explore ways to utilise the site to a greater density and income potential.

Neckarstraße, 70190, Stuttgart, Germany

- Acquired in April 2016 for a purchase price of €14.4 million
- Valuation at 31 March 2018: €15.6 million
- Lettable area: c.5,800 sq.m
- Investment rationale:
  - Supply-constrained location;
  - Mixed-use area with a high incidence of competing uses;
  - Affordable/sustainable rents; and
  - Improving infrastructure driven by the neighbouring "Stuttgarter 21" redevelopment

Asset management over the period has centred on improving neighbouring fire certification conformance.

Hammerbrookstraße, 20097, Hamburg, Germany

- Acquired in April 2016 for a purchase price of €14.4 million
- Valuation at 31 March 2018: €16.0 million
- Lettable area: c.7,000 sq.m
- Investment rationale:
  - Modest capital value per sq.m;
  - Mixed-use area with a high incidence of competing uses;
  - The City-Sud sub-market is one stop from the city centre and is evolving as a destination where people want to live, work and socialise;
  - Affordable/sustainable rents that represent approximately a third of the prime city centre; and
  - Location has medium to longer term growth potential

Asset management over the period included the negotiation of the €3.9 million lease surrender premium with City BKK. With vacancy rates in the sub-market falling substantially, we felt now was the right time to take on leasing risk and utilise our asset management expertise to de-risk.

Investment Manager's Report

Lorscher Straße, 60489, Frankfurt – Rodelheim, Germany

- Acquired in May 2016 for a purchase price of €11.1 million
- Valuation at 31 March 2018: €11.5 million
- Lettable area: c.4,500 sq.m
- Investment rationale:
  - Supermarket anchored convenience retail centre servicing a growing urban catchment;
  - Larger than standard supermarket size allowing for a broader grocery offer relative to local competition;
  - Mixed-use area with a dense residential population; and
  - Above average provision of parking

Asset management over the period has included the prolongation of the beverage store lease on a short-term basis and review of the building's fire safety regulations.

Le Directoire, Saint-Cloud (Paris), France

- Acquired in February 2017 for a purchase price of €30.0 million
- Valuation at 31 March 2018: €35.2 million
- Lettable area: c.15,800 sq.m
- Investment rationale:
  - Supply-constrained location;
  - Leased on affordable/sustainable rents;
  - Attractive capital value per sq.m substantially less than replacement cost;
  - Benefits from future infrastructure improvements; and
  - Mixed-use area with strong competition from multiple uses

Asset management over the period included:

- Re-gearing of c.25% of the office area with the merging of Fila Assistance and Garantie Assistance. Revised lease is on a 4/6/9 year term at an annual rent 13% above ERV;
- A new six year lease agreement with Ethypharm, a pharmaceutical company, for 2,450 sq.m;
- Progression of a long-term lease with a local governmental body, for c.270 sq.m of vacant storage accommodation; and
- Commencement of the renovation of lift lobbies, with completion in H2 2018, demonstrating to tenants our commitment to the premises

Metromar Shopping Centre, Seville, Spain

*Values refer to 50% interest

- Acquired in May 2017 for a purchase price of €26.2 million which has been subsequently adjusted to €25.5 million
- Valuation at 30 September 2018: €26.0 million
- Lettable area: c.23,000 sq.m
- Investment rationale:
  - Dominant retail offer for the local urban catchment;
  - Anchored by grocery and leisure, both relatively immune to e-commerce;
  - Attractive capital value per sq.m substantially less than replacement cost; and
  - Local region is undergoing strong population growth driven by infrastructure improvements

Asset management over the period included:

- Signing of a new lease with leisure specialist Urban Planet for c.1,200 sq.m to an historically non-income-producing space. This addition will complement the centre's existing leisure offering and is expected to significantly drive customer footfall and dwell time;
- Removed underperforming restaurant and added a new burger specialist, strengthening the restaurant offer for consumers;
- Progressed design initiatives to improve brand, signage, wayfaring, lighting and general vibrancy; and
- Progressed discussions concerning the leasing of the former Massimo Dutti space

The Casino supermarket properties have been excluded from this asset management overview due to their pending sale to the Casino Group. The sale's price represents a 10% premium to last quarter's independent valuation.

Finance

As at 31 March 2018, the Company's total debt was €73.4 million across five loan facilities. This represents a loan to value of 28% against the Company's gross asset value.

The loans drawn are secured against the four German properties in Berlin, Frankfurt, Stuttgart and Hamburg, the Spanish asset in Seville and three French assets in Paris Saint-Cloud, Biarritz and Rennes.

The current blended all-in interest rate is 1.3%, significantly below the portfolio yield of 5.8% p.a.

The average unexpired loan term is 6.4 years.

As part of the sale of the Casino supermarkets the Company's share of the debt associated with that investment will be transferred to the buyer.

Lender	Property	Maturity Date	Outstanding Principal[1]	Interest rate
Deutsche Pfandbriefbank	Berlin/Frankfurt	30/06/2026	16,500,000	1.31%
	Stuttgart/Hamburg	30/06/2023	14,000,000	0.85%
Credit Agricole[1]	Casino supermarkets	30/07/2023	18,200,000	3M Euribor + 1.35%
BRED Banque Populaire	Paris (SC)	15/12/2024	13,000,000	3M Euribor + 1.30%
Münchener Hypothekenbank[1]	Seville	22/05/2024	11,678,750	1.76%
Total			**73,378,750**	

[1]All statistics in the Investment Manager's report reflect a 50% ownership share of Seville and a 70% ownership share of the Casino supermarket investments. As a result, debt allocations for those investments in the table above are similarly proportioned.

The German and Spanish loans are fixed rate for the duration of the loan term.

The French loans are based on a margin above 3 month Euribor and the Company has acquired an interest rate cap to limit future potential interest costs if Euribor were to increase. The strike rate on the caps are 1.25% p.a. The market value of the interest caps are positive at €0.4 million as at the end of March 2018.

Outlook

Having reached full investment, the current focus is centred on maximising performance from the portfolio. The disposal and reinvestment of the Casino supermarket sale proceeds, and value-enhancing asset management initiatives such as the surrender and re-letting of space in the Company's Hamburg asset, are good examples of how we are actively pursuing this strategy.

We have identified new investments which are in various stages of exclusivity for the redeployment of the profitable Casino sale. We will continue to take a disciplined approach to growth to enhance shareholder returns and the aspirations are to grow the portfolio in an accretive way in order to deliver investors with further diversification, cost economies of scale and ultimately enhanced liquidity.

Schroder Real Estate Investment Management Limited

11 June 2018

Regulatory Information

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following risk categories: strategic; investment management; custody; gearing and leverage; accounting, legal and regulatory; and service provider. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 31 and 32 of the Company's published Annual Report and Accounts for the year ended 30 September 2017. The Company is aware of potential changes to tax legislation, one retrospective, which, if implemented, may impact the Company. The Company is monitoring these matters closely. Otherwise, these risks and uncertainties have not materially changed during the six months ended 31 March 2018 and are not expected to change during the remaining six months of the financial year.

Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 32 of the published Annual Report and Accounts for the year ended 30 September 2017, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 31 March 2018.

Directors' Responsibilities Statement

The Directors confirm that to the best of their knowledge:

- the condensed consolidated set of half year interim financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union; and
- the Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Sir Julian Berney Bt.
Chairman

11 June 2018

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Six months to 31/03/2018 €'000 (unaudited)	Six months to 31/03/2017 €'000 (unaudited)	Year to 30/09/2017 €'000 (audited)
Rental and service charge income		10,347	7,416	17,296
Other income	2	2,400	–	–
Property operating expenses		(3,899)	(2,011)	(5,527)
Net rental and related income		**8,848**	**5,405**	**11,769**
Net valuation gain on investment property	4	6,359	1,588	4,284
Realised gain/(loss) on foreign exchange		1	(6)	(4)
Net fair value (loss)/gain of financial instruments at fair value through profit or loss		(39)	158	72
Expenses				
Investment management fee		(849)	(962)	(1,849)
Valuers' and other professional fees		(309)	(418)	(666)
Administrators and accounting fee		(147)	(146)	(306)
Auditors' remuneration		(134)	(148)	(280)
Directors' fees		(62)	(64)	(120)
Other expenses		(119)	(155)	(291)
Total expenses		**(1,620)**	**(1,893)**	**(3,512)**
Operating profit before net finance costs		**13,549**	**5,252**	**12,609**
Finance income		378	5	174
Finance costs		(502)	(471)	(918)
Net finance costs		**(124)**	**(466)**	**(744)**
Share of profit/(loss) of joint venture	5	292	–	(185)
Profit before taxation		**13,717**	**4,786**	**11,680**
Taxation		(815)	(158)	(505)
Profit after taxation		**12,902**	**4,628**	**11,175**
Attributable to:				
Owners of the parent		10,798	4,211	10,288
Non-controlling interests		2,104	417	887
		12,902	**4,628**	**11,175**
Basic and diluted earnings per share attributable to owners of the parent	3	**8.1c**	**3.2c**	**7.7c**
Profit after taxation		**12,902**	**4,628**	**11,175**
Other comprehensive profit/(loss) items that may be subsequently reclassified to profit or loss:				
Currency translation differences		–	35	(3)
Total other comprehensive profit/(loss)		**–**	**35**	**(3)**
Total comprehensive profit for the period		**12,902**	**4,663**	**11,172**
Total comprehensive profit attributable to:				
Owners of the parent		10,798	4,246	10,285
Non-controlling interests		2,104	417	887
		12,902	**4,663**	**11,172**

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 14 form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Interim Statement of Financial Position

	Notes	31/03/2018 €'000 (unaudited)	30/09/2017 €'000 (audited)	31/03/2017 €'000 (unaudited)
Assets				
Non-current assets				
Investment property	4	166,173	202,563	199,881
Investment in joint ventures	5	6,582	6,290	–
Loans to joint ventures		10,035	10,035	–
Non-current assets		**182,790**	**218,888**	**199,881**
Trade and other receivables		850	2,063	3,542
Interest rate derivative contracts	7	232	273	359
Cash and cash equivalents		21,268	28,521	42,977
Current assets		**22,350**	**30,857**	**46,878**
Assets of disposal group held for sale	6	**70,389**	**–**	**–**
Total assets		**275,529**	**249,745**	**246,759**
Equity				
Share capital	8	15,215	15,167	15,751
Share premium		30,310	30,215	31,379
Retained earnings		9,442	650	(1,817)
Other reserves		132,151	132,294	130,597
Issued capital and reserves attributable to owners		**187,118**	**178,326**	**175,910**
Non-controlling interest		9,795	7,691	7,221
Total equity		**196,913**	**186,017**	**183,131**
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	9	43,079	58,772	58,707
Deferred tax		883	473	141
Non-current liabilities		**43,962**	**59,245**	**58,848**
Current liabilities				
Trade and other payables		3,980	4,483	4,729
Current income tax liabilities		114	–	51
Current liabilities		**4,094**	**4,483**	**4,780**
Liabilities of disposal group held for sale		**30,560**	**–**	**–**
Total liabilities		**78,616**	**63,728**	**63,628**
Total equity and liabilities		**275,529**	**249,745**	**246,759**
Net Asset Value per ordinary share	10	**139.9c**	**133.3c**	**131.5c**

The condensed consolidated financial statements on pages 17 to 20 were approved at a meeting of the Board of Directors held on 11 June 2018 and signed on its behalf by:

Sir Julian Berney Bt.
Chairman

The accompanying notes 1 to 14 form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

	Note	Share capital €'000	Share premium €'000	Retained earnings €'000	Other reserves €'000	Owners of the parent €'000	Non-controlling interests €'000	Total equity €'000
Balance as at 1 October 2017		**15,167**	**30,215**	**650**	**132,294**	**178,326**	**7,691**	**186,017**
Total comprehensive income		–	–	10,798	–	10,798	2,104	12,902
Dividends paid	11	–	–	(2,006)	–	(2,006)	–	(2,006)
Unrealised foreign exchange		48	95	–	(143)	–	–	–
Balance as at 31 March 2018 (unaudited)		**15,215**	**30,310**	**9,442**	**132,151**	**187,118**	**9,795**	**196,913**

	Note	Share capital €'000	Share premium €'000	Retained earnings €'000	Other reserves €'000	Owners of the parent €'000	Non-controlling interests €'000	Total equity €'000
Balance as at 1 October 2016		**13,994**	**14,882**	**(3,486)**	**132,370**	**157,760**	**6,804**	**164,564**
Profit for the year		–	–	10,288	–	10,288	887	11,175
Other comprehensive loss for the year		–	–	–	(3)	(3)	–	(3)
Dividends paid	11	–	–	(6,152)	–	(6,152)	–	(6,152)
New equity issuance		1,390	15,288	–	(245)	16,433	–	16,433
Unrealised foreign exchange		(217)	45	–	172	–	–	–
Balance as at 30 September 2017 (audited)		**15,167**	**30,215**	**650**	**132,294**	**178,326**	**7,691**	**186,017**

	Note	Share capital €'000	Share premium €'000	Retained earnings €'000	Other reserves €'000	Owners of the parent €'000	Non-controlling interests €'000	Total equity €'000
Balance as at 1 October 2016		**13,994**	**14,882**	**(3,486)**	**132,370**	**157,760**	**6,804**	**164,564**
Total comprehensive income		–	–	4,211	35	4,246	417	4,663
Dividends paid	11	–	–	(2,542)	–	(2,542)	–	(2,542)
New equity issuance		1,390	15,288	–	(232)	16,446	–	16,446
Unrealised foreign exchange		367	1,209	–	(1,576)	–	–	–
Balance as at 31 March 2017 (unaudited)		**15,751**	**31,379**	**(1,817)**	**130,597**	**175,910**	**7,221**	**183,131**

The accompanying notes 1 to 14 form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Interim Statement of Cash Flows

	Note	Six months to 31/03/2018 €'000 (unaudited)	Six months to 31/03/2017 €'000 (unaudited)	Year to 30/09/2017 €'000 (audited)
Operating activities				
Profit before tax for the period/year		13,717	4,786	11,680
Adjustments for:				
Net valuation gain on investment property	4	(6,359)	(1,588)	(4,284)
Share of (profit)/loss of joint venture		(292)	–	185
Realised foreign exchange (gains)/losses		(1)	6	4
Finance income		(378)	(5)	(174)
Finance expense		502	471	918
Net fair value (loss)/gain of financial instruments at fair value through profit or loss		39	(158)	(72)
Operating cash generated before changes in working capital		**7,228**	**3,512**	**8,257**
Decrease/(increase) in trade and other receivables		(113)	(1,614)	434
Increase in trade and other payables		816	2,288	1,647
Cash generated from/(used in) operations		**7,931**	**4,186**	**10,338**
Finance costs paid		(664)	(424)	(751)
Interest received		381	5	9
Tax paid		(224)	(12)	(145)
Net cash generated from operating activities		**7,424**	**3,755**	**9,451**
Investing Activities				
Acquisition of investment property		(21,070)	(33,182)	(33,159)
Additions		(123)	(3)	(12)
Investment in joint ventures		–	–	(16,510)
Net cash used in investing activities		**(21,193)**	**(33,185)**	**(49,681)**
Financing Activities				
New bank loan advance		13,000	–	–
Interest rate cap purchased		(227)	–	–
Share issue net proceeds		–	16,446	16,434
Dividends paid	11	(2,006)	(2,542)	(6,152)
Net cash generated from financing activities		**10,767**	**13,904**	**10,282**
Net decrease in cash and cash equivalents for the year		**(3,002)**	**(15,526)**	**(29,948)**
Opening cash and cash equivalents		**28,521**	**58,476**	**58,476**
Foreign exchange losses		1	27	(7)
Transfer to disposal group held for sale	6	(4,252)	–	–
Closing cash and cash equivalents		**21,268**	**42,977**	**28,521**

The accompanying notes 1 to 14 form an integral part of the condensed consolidated financial statements

Notes to the Consolidated Interim Financial Statements

1. Significant accounting policies

The Company is a closed-ended investment company incorporated in England and Wales. The condensed interim financial statements of the Company for the period ended 31 March 2018 comprise those of the Company and its subsidiaries (together referred to as the "Group"). The shares of the Company are listed on the London Stock Exchange (Primary listing) and the Johannesburg Stock Exchange (Secondary listing). The registered office of the Company is 31 Gresham Street, London, EC2V 7QA.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2017 were approved by the Board of Directors on 5 December 2017 and were delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed interim financial statements have been reviewed and not audited.

Statement of compliance

The condensed interim financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom Financial Conduct Authority and IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 September 2017. The condensed interim financial statements have been prepared on the basis of the accounting policies set out in the Group's annual financial statements for the year ended 30 September 2017. The financial statements for the year ended 30 September 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Group's annual financial statements refer to new Standards and Interpretations none of which had a material impact on the financial statements.

Basis of preparation

The financial statements are presented in euros rounded to the nearest thousand. They are prepared on a going concern basis, applying the historical cost convention except for the measurement of investment property and derivative financial instruments that have been measured at fair value.

The accounting policies have been consistently applied to the results, assets, liabilities and cash flow of the entities included in the consolidated financial statements and are consistent with those of the year end financial report.

Going concern

The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants. The Directors have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than twelve months from the date of the approval of the financial statements. The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future.

Use of estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most significant estimates made in preparing these financial statements are the same as that applied in the consolidated financial statements for the year ended 30 September 2017.

Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being property investment, and in one geographical area, Continental Europe. The chief operating decision-maker is considered to be the Board of Directors who are provided with consolidated IFRS information on a quarterly basis.

Financial risk factors

The Directors are of the opinion that there have been no significant changes to the financial risk profile of the Group since the end of the last annual financial reporting period for the year ended 30 September 2017 of which they are aware.

The main risks arising from the Group's financial instruments and properties are: market price risk, currency risk, credit risk, liquidity risk and interest rate risk. The Board regularly reviews and agrees policies for managing each of these risks.

2. Other income

Other income relates to a lease surrender premium agreement at the Company's Hamburg office asset in Germany, part of the principal of which was received during the period.

Notes to the Consolidated Interim Financial Statements

3. Basic and diluted earnings per share

The basic and diluted earnings per share for the Group is based on the net profit for the period, excluding non-controlling interests and currency translation differences, of €10,798,000 (31 March 2017: €4,211,000, 30 September 2017: €10,288,000) and the weighted average number of ordinary shares in issue during the period of 133,734,686 (31 March 2017: 131,811,609, 30 September 2017: 132,775,782).

EPRA[1] earnings reconciliation

	Six months to 31/03/2018 €'000	Six months to 31/03/2017 €'000	Year to 30/09/2017 €'000
Total comprehensive profit	12,902	4,663	11,172
Adjustments to calculate EPRA earnings exclude:			
Net valuation gain on investment property	(6,359)	(1,588)	(4,284)
Exchange differences on monetary items (unrealised)	–	(35)	3
Share of joint venture (gain)/loss on investment property	(156)	–	429
Minority interest's net revenue	(378)	(370)	(744)
Deferred tax	410	111	443
Finance costs/(income): interest rate cap	39	(158)	(72)
EPRA profit	**6,458**	**2,623**	**6,947**
Weighted average number of ordinary shares	133,734,686	131,811,609	132,775,782
IFRS earnings per share (cents per share)	**8.1**	**3.2**	**7.7**
EPRA earnings per share (cents per share)	**4.8**	**2.0**	**5.2**

[1]European Public Real Estate Association ('EPRA') earnings per share reflects the underlying performance of the company calculated in accordance with the EPRA guidelines.

Headline[2] earnings reconciliation

	Six months to 31/03/2018 €'000	Six months to 31/03/2017 €'000	Year to 30/09/2017 €'000
Total comprehensive profit	12,902	4,663	11,172
Adjustments to calculate headline earnings exclude:			
Net valuation gain on investment property	(6,359)	(1,588)	(4,284)
Share of joint venture (gain)/loss on investment property	(156)	–	429
Minority Interests net revenue	(378)	(370)	(744)
Deferred tax	410	–	443
Finance costs: interest rate cap	39	(158)	(72)
Headline earnings	**6,458**	**2,547**	**6,944**
Weighted average number of ordinary shares	133,734,686	131,811,609	132,775,782
Headline and diluted headline earnings per share (cents per share)	**4.8**	**1.9**	**5.2**

[2]Headline earnings per share reflects the underlying performance of the company calculated in accordance with the Johannesburg Stock Exchange listing requirements.

4. Investment property

	Freehold €'000
Fair value as at 30 September 2016	**165,365**
Property acquisitions	32,925
Additions	3
Net valuation gain on investment property	1,588
Fair value as at 31 March 2017	**199,881**
Property acquisitions	–
Additions	(14)
Net valuation gain on investment property	2,696
Fair value as at 30 September 2017	**202,563**
Property acquisitions	21,127
Additions	124
Net valuation gain on investment property	6,359
	230,173
Transfer to disposal group held for sale	(64,000)
Fair value as at 31 March 2018	**166,173**

The fair value of investment properties, as determined by the valuer, and excluding the Rennes/Anglet Casino supermarket assets held for sale and valued at the option price, totals €166,500,000 (30 September 2017: €202,700,000) with the valuation amount relating to a hundred per cent ownership share for all the assets in the portfolio.

None of this amount is attributable to trade or other receivables in connection with lease incentives. The fair value of investment properties disclosed above includes a tenant incentive adjustment of €327,000 (30 September 2017: €137,000).

The fair value of investment property has been determined by Knight Frank LLP, a firm of independent chartered surveyors, who are registered independent appraisers. The valuation has been undertaken in accordance with the RICS Valuation – Global Standards 2017, incorporating the International Valuations Standards, and RICS Professional Standards UK January 2014 (revised April 2015).

The properties have been valued on the basis of "Fair Value" in accordance with the RICS Valuation – Professional Standards VPS4 (1.5) Fair Value and VPGA1 Valuations for Inclusion in Financial Statements which adopt the definition of Fair Value used by the International Accounting Standards Board.

The valuation has been undertaken using appropriate valuation methodology and the Valuer's professional judgement. The Valuer's opinion of Fair Value was primarily derived using recent comparable market transactions on arm's length terms, where available, and appropriate valuation techniques (The Investment Method).

The properties have been valued individually and not as part of a portfolio.

All investment properties are categorised as Level 3 fair values as they use significant unobservable inputs. There have not been any transfers between levels during the period. Investment properties have been classed according to their real estate sector. Information on these significant unobservable inputs per class of investment property is disclosed below:

Notes to the Consolidated Interim Financial Statements

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 31 March 2018 (unaudited)

		Retail (including retail warehouse)	Office	Total
Fair value (€m)		€147.65m	€129.05m	€276.70m[3]
Area ('000 sq m)		73.330	60.423	133.753
Net passing rent € psm per annum	Range Weighted average[2]	94.73 – 140.01 118.50	65.73 – 344.78 198.01	94.73 – 344.78 155.58
Gross ERV psm per annum	Range Weighted average[2]	97.39 – 193.45 141.34	79.76 – 419.91 239.86	97.39 – 419.91 187.29
Net initial yield[1]	Range Weighted average[2]	4.62 – 5.57 5.27	2.61 – 10.78 6.20	2.61 – 10.78 5.70
Equivalent yield	Range Weighted average[2]	4.60 – 6.06 5.52	4.48 – 9.97 6.15	4.48 – 9.97 5.81

Notes:

[1]Yields based on rents receivable after deduction of head rents and non-recoverables

[2]Weighted by Market Value

[3]This table includes the Joint Venture investment property and the Held for Sale investment property

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 30 September 2017 (audited)

		Retail (including retail warehouse)	Office	Total
Fair value (€000)		148,300	107,300	255,600
Area ('000 sq.m)		73.330	35.504	108.834
Net passing rent € per sqm per annum	Range Weighted average[2]	94.73 – 145.32 118.92	131.03 – 344.63 240.86	94.73 – 344.63 170.11
Gross ERV per sqm per annum	Range Weighted average[2]	97.39 – 185.61 139.03	126.12 – 413.10 265.45	97.39 – 413.10 192.10
Net initial yield[1]	Range Weighted average[2]	4.62 – 5.62 5.29	4.59 – 8.96 6.43	4.59 – 8.96 5.77
Equivalent yield	Range Weighted average[2]	4.60 – 5.93 5.49	4.47 – 7.25 5.46	4.47 – 7.25 5.48

Notes:

[1]Yields based on rents receivable after deduction of head rents and non-recoverables

[2]Weighted by market value

[3]This table includes the Joint Venture investment property valued at €52.9 million which is disclosed within the summarised information within note 12 as part of total assets

Sensitivity of measurement to variations in the significant unobservable inputs

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the Group's property portfolio, together with the impact of significant movements in these inputs on the fair value measurement, are shown below:

Unobservable input	Impact on fair value measurement of significant increase in input	Impact on fair value measurement of significant decrease in input
Passing rent	Increase	Decrease
Gross ERV	Increase	Decrease
Net initial yield	Decrease	Increase
Equivalent yield	Decrease	Increase

There are interrelationships between the yields and rental values as they are partially determined by market rate conditions. The sensitivity of the valuation to changes in the most significant inputs per class of investment property is shown below:

Estimated movement in fair value of investment properties at 31 March 2018	Retail €'000	Office €'000	Total €'000
Increase in ERV by 5%	5,250	5,200	10,450
Decrease in ERV by 5%	–5,300	–5,500	–10,800
Increase in net initial yield by 0.25%	–6,650	–6,050	–12,700
Decrease in net initial yield by 0.25%	7,300	6,300	13,600

Estimated movement in fair value of investment properties at 30 September 2017	Retail €'000	Office €'000	Total €'000
Increase in ERV by 5%	5,200	4,600	9,800
Decrease in ERV by 5%	-5,200	-4,950	-10,150
Increase in net initial yield by 0.25%	-6,700	-5,750	-12,450
Decrease in net initial yield by 0.25%	7,350	5,900	13,250

5. Investment in joint ventures

The Group has a 50% interest in a joint venture called Urban SEREIT Holdings Spain S.L. The principal place of business of the joint venture is Calle Velazquez 3, 4th Madrid 28001 Spain.

	31/03/2018 €'000
Balance as at 1 October 2017	**6,290**
Share of profit/(loss) for the period	442
Dividends	(150)
Balance as at 31 March 2018	**6,582**

Notes to the Consolidated Interim Financial Statements

	30/09/2017 €'000
Balance as at 1 October 2016	**–**
Purchase of interest in joint venture	6,475
Share of profit/(loss) for the period	(185)
Balance as at 30 September 2017	**6,290**

During the period ended 31 March 2017 there were no interests in joint ventures.

Summarised joint venture financial information

	31/03/2018 €'000	30/09/2017 €'000
Total assets	59,586	59,719
Total liabilities	(46,422)	(47,139)
Net assets	**13,164**	**12,580**
Net asset value attributable to the Group	6,582	6,290

	Six months to 31/03/2018 €'000	Year ended 30/09/2017 €'000
Revenues	2,838	–
Total comprehensive profit	884	–
Total comprehensive profit attributable to the Group	442	–

6. Non-current assets classified as held for sale

The assets and liabilities related to the Group company SCI Rennes Anglet, comprising the Casino supermarkets, were presented as held for sale at 31 March 2018 following the decision by Casino Group to exercise a buy-back option on the Group's 70% share of these assets. Under the option, the repurchase will complete on 31 July 2018. Casino Group will also take over the Group's share of the existing debt facility on the assets.

The two investment properties held for sale are at their respective option price and do not form part of the Knight Frank valuation.

All other assets and liabilities of the disposal group are presented at their carrying amount or fair value as required by IFRS 5.

Net assets of disposal group classified as held for sale

	31/03/2018 €'000
Investment property	64,000
Derivatives	228
Trade and other receivables	1,909
Cash and cash equivalents	4,252
Total assets	**70,389**
Interest-bearing loans and borrowings	28,561
Trade and other payables	1,999
Total liabilities	**30,560**
Net assets held for sale	**39,829**

7. Derivative financial instruments

The group has an interest rate cap in place purchased for €260,000 from Credit Agricole Corporate and Investment Bank on 10 August 2016 in connection to a €26.0 million loan facility drawn from the same bank with a maturity date of July 2023. The cap interest rate is 1.25% with a floating rate option being Euribor 3 months. In line with IFRS 9 this derivative is reported in the financial statements at its fair value. As at 31 March 2018 the fair value of the interest rate cap was €228,000. Transaction costs incurred in obtaining the instrument are being amortised over the extended period of the above mentioned loan. During the period this asset has been reclassified as part of a disposal group held for sale (note 6).

During the period the group entered into another interest rate cap purchased for €227,000 from BRED Banque Populaire on 20 December 2017 in connection to a €13.0 million loan facility drawn from the same bank with a maturity of 15 December 2024. The cap interest rate is 1.25% with a floating rate option being Euribor 3 months. In line with IFRS 9, this derivative is reported in the financial statements at its fair value. As at 31 March 2018 the fair value of the interest rate cap was €232,000.

8. Issued capital and reserves

Share capital

As at the date of this report, the Company has 133,734,686 ordinary shares in issue with a par value of 10.00 pence (no shares are held in Treasury). The total number of voting rights of the Company is 133,734,686.

The Sterling value of issued share capital was £13,373,000 (30 September 2017: £13,373,000, 31 March 2017: £13,373,000) and the Euro value at the period end was €15,215,000 (30 September 2017: €15,167,000, 31 March 2017: €15,751,000).

9. Interest-bearing loans and borrowings

	Six months to 31/03/2018 €'000
Brought forward	**58,772**
Drawdown of borrowings	13,000
Capitalisation of finance costs	(204)
Amortisation of finance costs	72
	71,640
Transfer to disposal group held for sale	(28,561)
Carried forward	**43,079**

	Year ended 30/09/2017 €'000
Brought forward	**58,724**
Capitalisation of finance costs	(80)
Amortisation of finance costs	128
Carried forward	**58,772**

	Six months to 31/03/2017 €'000
Brought forward	**58,724**
Capitalisation of finance costs	(81)
Amortisation of finance costs	64
Carried forward	**58,707**

Notes to the Consolidated Interim Financial Statements

Bank loan – BRED Banque Populaire

The Group entered into a €13.0 million loan facility with BRED Banque Populaire on 18 December 2017.

The facility matures on 15 December 2024 and carries an interest rate of 1.30% plus Euribor 3 months per annum payable quarterly. The facility was subject to a €70,000 arrangement fee which is being amortised over the period of the loan. The debt has an LTV covenant of 60% and the interest cover ratio should be above 400%. The loan is collateralised by property assets owned by the Group with a carrying value of €35,200,000.

Bank loan – Deutsche Pfandbriefbank AG

On 3 August 2016 the Group entered into two loan facilities totalling €30.50 million with Deutsche Pfandbriefbank AG.

Of the total amount drawn €14.0 million matures on 30 June 2023 and carries a fixed interest rate of 0.85% payable quarterly; the remaining €16.5 million matures on 30 June 2026 and carries a fixed interest rate of 1.31%. The facility was subject to a 0.35% arrangement fee which is being amortised over the period of the loan. The debt has an LTV covenant of 65% and the debt yield must be at least 8.0%.

The lender has a charge over property owned by the Group with a value of €69,000,000. A pledge of all shares in the borrowing Group companies is in place.

Bank loan – Credit Agricole Corporate and Investment Bank

The Group entered into a €26.0 million loan facility with Credit Agricole Corporate and Investment Bank on 29 July 2016.

The facility matures on 29 July 2023 and carries an interest rate of 1.35% plus Euribor 3 months per annum payable quarterly. The facility was subject to a 0.85% arrangement fee which is being amortised over the period of the loan.

The debt has an LTV covenant of 65% and the interest cover ratio should be above 200%. The loan is collateralised by property assets owned by the Group with a carrying value of €64,000,000.

During the period this loan has been reclassified as part of a disposal group held for sale (note 6).

Business partner loan – Casino Group

On 28 June 2016 the Group entered into a €10.75 million loan facility with Casino Group, a 30% minority investor in the share capital of SCI Rennes Anglet, a 70% owned subsidiary of the Group. The loan matures on 28 June 2031 and carries an interest rate of 2.08% payable annually. The interest can be capitalised if not paid. On 1 August 2016 €7.69 million was repaid leaving a loan balance outstanding as at 31 March 2018 of €3.06 million.

During the period this loan has been reclassified as part of a disposal group held for sale (note 6).

10. NAV per ordinary share

The NAV per ordinary share is based on the net assets excluding non-controlling interests of €187,118,000 (30 September 2017: €178,326,000, 31 March 2017: €175,910,000) and 133,734,686 ordinary shares in issue at the Statement of Financial Position reporting date (30 September 2017: 133,734,686, 31 March 2017: 133,734,686).

11. Dividends paid

In respect of the six months ended 31 March 2018	Number of ordinary shares	Rate (cents)	31/03/2018 €'000
Interim dividend paid 19 January 2018	133,734,686	1.50	2,006

A dividend for the quarter ended 31 December 2017 of €2,474,000 was paid on 13th April 2018.

In respect of the six months ended 31 March 2017	Number of ordinary shares	Rate (cents)	31/03/2017 €'000
Interim dividend paid 27 January 2017	133,734,686	0.9	1,205
Interim dividend paid 17 March 2017	133,734,686	1.0	1,337
Total		**1.9**	**2,542**

In respect of the year ended 30 September 2017	Number of ordinary shares	Rate (cents)	30/09/2017 €'000
Interim dividend paid on 27 January 2017	133,734,686	0.90	1,205
Interim dividend paid on 17 March 2017	133,734,686	1.00	1,337
Interim dividend paid on 7 July 2017	133,734,686	1.20	1,604
Interim dividend paid on 1 September 2017	133,734,686	1.50	2,006
Total interim dividends paid		**4.60**	**6,152**

12. Related party transactions

Schroder Real Estate Investment Management Limited is the Group's Investment Manager.

The Investment Manager is entitled to a fee, together with reasonable expenses, incurred in the performance of its duties. The fee is payable monthly in arrears and shall be an amount equal to one twelfth of the aggregate of 1.1% of the EPRA NAV of the Company. The Investment Management Agreement can be terminated by either party on not less than twelve months written notice, such notice not to expire earlier than the third anniversary of admission, or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. The total charge to profit and loss during the period was €849,000 (six months ended 31 March 2017: €962,000, year ended 30 September 2017: €1,849,000). At the period end €881,000 was outstanding (six months ended 31 March 2017: €480,000, year ended 30 September 2017: €125,000).

Directors are the only officers of the Company and there are no other key personnel. The Directors' remuneration for services to the group for the six months ended 31 March 2018 was €62,000 (six months ended 31 March 2017: €64,000, year ended 30 September 2017: €120,000) equivalent to £54,055. Each of the three directors owns 10,000 shares in the Company.

13. Capital commitments

At 31 March 2018 the Group had capital commitments of €400,000 (30 September 2017: £Nil, 31 March 2017: £Nil).

14. Post balance sheet events

There were no post balance sheet events.

Independent Review Report

to Schroder European Real Estate Investment Trust plc

Report on the consolidated financial statements

Our conclusion

We have reviewed Schroder European Real Estate Investment Trust plc's Condensed Consolidated Interim Financial Statements (the "interim financial statements") in the Half Year Report and Condensed Consolidated Interim Financial Statements of Schroder European Real Estate Investment Trust plc for the 6 month period ended 31 March 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Interim Statement of Financial Position as at 31 March 2018;
- the Condensed Consolidated Interim Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Interim Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Interim Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year Report and Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half Year Report and Condensed Consolidated Interim Financial Statements, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half Year Report and Condensed Consolidated Interim Financial Statements in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Report and Condensed Consolidated Interim Financial Statements based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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 United Kingdom. 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.

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.

We have read the other information contained in the Half Year Report and Condensed Consolidated Interim Financial Statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
11 June 2018

Corporate Information

Directors

Sir Julian Berney Bt.
Jonathan Thompson
Mark Patterson

Advisers

Investment Manager

Schroder Real Estate Investment Management Limited
31 Gresham Street
London EC2V 7QA

Registered Office

31 Gresham Street
London EC2V 7QA

Company Secretary

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

Solicitors to the Company

Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Auditor

PricewaterhouseCoopers LLP
7 More London
Riverside
London SE1 2RT

Property Valuers

Knight Frank LLP
55 Baker Street
London W1U 8AN

Tax Advisers

KPMG
15 Canada Square
London E14 5GL

Joint Sponsor and Brokers

London:
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

South Africa:
PSG Corporate Services (Pty) Limited
1st Floor, OU Kollege
35 Kerk Street
Stellenbosch 7600

Transfer Secretary

Computershare Investor Services (Pty) Limited
PO Box 61051
Marshall Town
2107
South Africa

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Shareholder Helpline

0800 032 0641*

Website: **www.shareview.co.uk**

*Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

ISA

The Company's shares are eligible for Individual Savings Accounts (ISAs).

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found on the website www.schroders.co.uk/its.

Dealing Codes

ISIN Number: GB00BY7R8K77
SEDOL Number: BY7R8K7
Ticker (LSE): SERE
Ticker (JSE): SCD

Global Intermediary Identification Number (GIIN)

SU6VCJ.99999.SL.826
Legal Entity Identifier (LEI) 549300BHT1Z8NI4RLD52

Schroders

Schroder Investment Management Limited
31 Gresham Street, London EC2V 7QA, United Kingdom
Tel: +44 (0) 20 7658 6000

schroders.com
@schroders