HALF-YEAR REPORT

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AEW UK Long Lease REIT PLC
27 February 2019

AEW UK LONG LEASE REIT PLC (the 'Company')

Announcement of Interim Report and Financial Statements for the six months ended 31 December 2018

AEW UK Long Lease REIT plc ('the Company'), which directly owns a diversified portfolio of commercial investment properties, predominately in the alternative property sectors, is pleased to publish its interim report and financial statements for the six months from 1 July 2018 to 31 December 2018.

Steve Smith, Chairman of AEW UK Long Lease REIT, commented: *"Over the past 6 months, the fund has continued to execute the strategy laid out at its IPO. In particular, the two most recent dividends declared have been in line with the target annual dividend of 5.5 pence per share, supported by the strong portfolio of assets acquired to date. The diversification of the portfolio by sector, tenants and geographical regions is generating attractive yields and predictable income streams through long leases, of which 92% of income has contractual exposure to inflation. We continue to see a number of interesting market opportunities and as such are focussed on raising additional equity to support future growth."*

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FINANCIAL HIGHLIGHTS

• Unaudited Net Asset Value ('NAV') of £78.46 million and of 97.46 pence per share as at 31 December 2018 (30 June 2018: £76.42 million and 94.93 pence per share).

• Operating profit before fair value changes of £2.67 million for the half year (18 April 2017 to 31 December 2017: £0.25 million).

• Profit before tax ('PBT') of £4.15 million and 5.15 pence per share for the half year (18 April 2017 to 31 December 2017: Loss of £4.24 million and of 6.51 pence per share for the half year, of which £4.56 million and 6.99 pence related to acquisition costs written off).

• EPRA Earnings per Share ('EPRA EPS') for the half year were 2.69 pence (18 April 2017 to 31 December 2017: 0.38 pence). See below for more details.

• Total dividends of 2.75 pence per share have been declared for the half year (18 April 2017 to 31 December 2017: 1.00 pence per share).

• The price of the Company's Ordinary Shares on the Main Market of the London Stock Exchange was 88.82 pence per share as at 31 December 2018 (30 June 2018: 90.24 pence per share).

• As at 31 December 2018, the Group had a £30 million loan facility with Canada Life Investments and was geared to 27.7% of the Gross Asset Value ('GAV') (30 June 2018: 27.7%).

• Since the half year end, the Group increased its loan facility by £11 million with its existing lender, Canada Life Investments, taking the total loan drawn down to £41 million. The weighted average interest cost of the Group's increased facility is 3.19% and the facility is repayable on 20 October 2025.

PROPERTY HIGHLIGHTS

• Weighted average unexpired lease term ('WAULT') of 21.5 years (30 June 2018: 21.8 years) to the earlier of break and expiry and 23.4 years to expiry (30 June 2018: 24.0 years). See below for more details.

• As at 31 December 2018, the Group's property portfolio had a fair value of £112.23 million (30 June 2018: £99.09 million).

• The assets acquired are fully let as at 31 December 2018 (30 June 2018: 99.7% occupancy).

• Rental and other income generated in the half year was £3.33 million (18 April 2017 to 31 December 2017: £0.67 million). The number of tenants as at 31 December 2018 was 23 (30 June 2018: 21).

• The portfolio has annualised contracted rental income of £6.55 million as at 31 December 2018 (30 June 2018: £5.64 million).

• The portfolio has an average Net Initial Yield ('NIY') of 5.41% (30 June 2018: 5.29%).

CHAIRMAN'S STATEMENT

Overview

I am pleased to present the unaudited interim consolidated results of the Group for the six-month period from 1 July 2018 to 31 December 2018 (the 'period').

As at 31 December 2018, the Group had invested £106.16 million (excluding purchase costs) in acquiring a diversified portfolio of 18 commercial investment properties throughout the UK. At the period end, the Group's property portfolio (the 'Portfolio') has been independently valued by Knight Frank LLP in accordance with the RICS Valuations - Professional Standards (the 'Red Book') at a fair value of £112.23 million, an increase of £6.07 million (or 5.72% before purchase costs) since IPO.

To date, the Group has delivered on its targets at the time of the Company's IPO. The portfolio has a NIY of 5.41%, a WAULT to break of 21.5 years and a WAULT to expiry of 23.4 years, and 92% of the income is linked to inflation (RPI or CPI).

Financial Results

	1 July 2018 to 31 December 2018 (unaudited)	18 April 2017 to 31 December 2017 (unaudited)	18 April 2017 to 30 June 2018 (audited)
Operating profit before fair value changes (£'000)	**2,670**	254	2,445
Operating profit / (loss) (£'000)	**4,650**	(4,237)	(408)
Profit / (loss) after tax (£'000)	**4,148**	(4,243)	(895)
Earnings / (loss) per share (basic and diluted) (pence)	**5.15**	(6.51)	(1.25)
EPRA earnings per share (basic and diluted) (pence)	**2.69**	0.38	2.74
NAV per share (pence)	**97.46**	92.27	94.93
EPRA NAV per share (pence)	**97.46**	92.27	94.93

The Group has ongoing charges of 1.5% for the period (31 December 2017: 0.93%; 30 June 2018: 1.36%), which are a measure of annualised fund level operating costs for the period as a percentage of NAV.

Financing

As at 31 December 2018, the Group had utilised all of its £30 million fixed-interest loan facility with Canada Life Investments.

In December 2018, the Group agreed an increase of £11 million to its loan facility with existing lender Canada Life Investments, taking the total loan facility to £41 million. The weighted average interest cost of the Group's £41 million facility is 3.19% and the facility is repayable on 20 October 2025. The additional £11 million loan facility was fully drawn on 11 January 2019, and was used to fund the £6.65 million acquisition of Nailsea, Bristol.

As at 31 December 2018, the unexpired term of the facility was 6.8 years and the Loan to Value ('LTV') was 27.7% (as calculated on the Gross Asset Value ('GAV').

Dividends

The Company is now fully invested and during the period has begun to pay dividends of 1.375 pence per share, in line with the annual target of 5.5 pence per share and the stated dividend policy set out in the Company's Prospectus.

Please refer to Note 8 below for details on the dividends paid.

Outlook

The Group has executed its strategy since the IPO and delivered on its stated objectives. In particular, the two most recent dividends declared have been in line with the target annual dividend of 5.5 pence per share.

A strong portfolio of assets has been acquired, diversified by sector, tenants and geographical regions, at attractive yields that generate predictable income streams through long leases, of which 92% of income has contractual exposure to inflation.

Since 31 December 2018, the Group completed on the acquisition of Nailsea, Bristol for £6.65 million (net of purchase costs) that generates a further £0.41 million per annum in passing rent. This acquisition was financed using the Canada Life Investments facility extension of £11 million. The Group has a further property under offer which, if purchased, will also be funded through the debt facility.

Following the recent acquisitions, the Board and the Investment Manager, taking full account of the regressive impact of acquisition costs, believe that we have delivered a competitive total return over the period and with inflationary rent escalation will be competitive in potentially turbulent markets in the coming period.

Our current focus is to continue to grow the Company by raising additional equity, to enable the Company to gain economies of scale in its fixed cost base and to allow the Investment Manager to capitalise on the interesting market opportunities it sees.

I would like to thank our shareholders, my fellow Directors and AEW UK for their continued support.

Steve Smith
Chairman
26 February 2019

UMAUDITED KEY PERFORMANCE INDICATORS ('KPIs')

KPI and definition	Relevance to strategy	Performance
1. NIY A representation to the investor of what their initial net yield would be at a predetermined purchase price after taking account of all associated costs (e.g. void costs and rent free periods).	The NIY is an indicator of the ability of the Company to meet its target dividend after adjusting for the upward impact of leverage and deducting operating costs.	**5.41%** at 31 December 2018 (30 June 2018: 5.29%).
2. WAULT to break and expiry The average lease term remaining to expiry across the portfolio, weighted by contracted rent.	The WAULT is a key measure of the quality of our portfolio. Long leases underpin the security of our future income.	**21.5 years to break and 23.4 years to expiry** at 31 December 2018 (30 June 2018: 21.8 years to break and 24.0 years to expiry).
3. NAV NAV is the value of an entity's assets minus the value of its liabilities.	Provides stakeholders with the most relevant information on the fair value of the assets and liabilities of the Group.	**£78.46 million** at 31 December 2018 (30 June 2018: £76.42 million).
4. Dividend Dividends declared in relation to the period. The Company targets a dividend of 5.50 pence per Ordinary Share per annum once fully invested and leveraged.	The dividend reflects the Company's ability to deliver a sustainable income stream from its portfolio.	**2.75 pence per share** for the six months to 31 December 2018. This supports an annualised target of 5.50 pence per share (18 April 2017 to 31 December 2017: 1.00 pence per share).
5. Leverage (Loan to GAV) The proportion of the portfolio that is funded by borrowings.	The Group utilises borrowings to enhance returns over the medium term. Borrowing will not exceed 40% of GAV (measured at drawdown) with a long-term target of 30% or less of GAV.	**27.7%** at 31 December 2018 (30 June 2018: 27.7%)
6. Ongoing Charges The ratio of total administration and operating costs expressed as a percentage of average NAV throughout the period.	The Ongoing Charges ratio provides a measure of total costs associated with managing and operating the Group, 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 Group.	**1.5%** for the six months to 31 December 2018 (18 April 2017 to 31 December 2017 0.93%)
7. Total Shareholder Return The percentage change in the share price assuming dividends are reinvested to purchase	This reflects the return seen by shareholders on their shareholdings.	**1.47%** for the six months to 31 December 2018 (18 April to 31 December

additional Ordinary Shares.		2017: 2.75%)
8. PBT PBT is a profitability measure which considers the Group's profit before the payment of income tax.	The PBT is an indication of the Group's financial performance for the period in which its strategy is exercised.	**£4.148 million** for the six months to 31 December 2018 (18 April 2017 to 31 December 2017: loss of £4.243 million)

EPRA UNAUDITED PERFORMANCE MEASURES

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

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
1. EPRA Earnings Earnings from operational activities.	A key measure of a Group's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	£2.17 million/ 2.69 pence per share EPRA earnings for the six month period ended 31 December 2018. (Period 18 April 2017 to 31 December 2017: £0.25 million/ 0.38 pence per share)
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.	£78.46 million/ 97.46 pence per share EPRA NAV as at 31 December 2018 (At 30 June 2018: £76.42 million/ 94.93 pence per share)
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.	£78.46 million/ 97.46 pence per share EPRA NNNAV as at 31 December 2018 (At 30 June 2018: £76.42 million/ 94.93 pence per share)
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.	5.43% EPRA NIY as at 31 December 2018 (At 30 June 2018: 5.28%)
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.	6.75% EPRA 'Topped-Up' NIY as at 31 December 2018 (At 30 June 2018: 6.50%)
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.	0% EPRA vacancy as at 31 December 2018 (At 30 June 2018: 0.27%)
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.	19.36% EPRA Cost Ratio (including direct vacancy cost), as at 31 December 2018 (At 31 December 2017: 61.90%) 18.86% EPRA Cost Ratio (excluding direct vacancy cost), as at 31 December 2018 (at 31 December 2017: 61.90%)

INVESTMENT MANAGER'S REPORT

Market Outlook

UK Economic Outlook
In the second half of 2018, inflation slowed to 2.2% per annum (RPI/CPI) as both import cost-linked inflation and oil price appreciation were moderate. This is in line with our expectations that inflation is to gradually move towards the Bank of England inflation target of 2%. This will enable the Group to continue to grow its rental income stream as 92% of its rental income as at 31 December 2018 is inflation linked.

UK GDP growth for Q4 2018 is now expected at 0.3%, down from 0.6% in Q3 2018. This brings the full-year 2018 growth expectation to 1.4%, down from 1.8% earlier in the year. GDP growth is, however, forecast to rebound to 2% by 2020, based on a strong chance that the current political indecision could lead to a softer Brexit and an extension of the date on which the UK leaves the EU. That said, the real possibility of a no-deal Brexit remains and, with the UK government looking increasingly unstable, it is expected that GDP growth in this eventuality would remain subdued, albeit in positive territory.

The UK labour market remains strong with unemployment remaining at a more than 40-year low of 4.1% in October 2018. The tightening labour market has finally lifted annual pay growth to 3.3% in the three months to October 2018. Combined with 2.2% inflation for 2018, this does provide for some real pay improvement. Despite this, consumer spending is expected to slow slightly to 1.4% in 2019 from 1.7% projected for 2018.

UK Real Estate Outlook
Both in absolute terms and relative to other markets, UK property market returns continue to show a healthy spread over 10-year government bond yields. Strong investor demand for commercial property continues and for the time being we continue to see yields remaining stable in the most sought after areas of the market, predominantly in large logistics assets, prime industrial, and in the long-leased market.

On the tenant demand side, we see a rather polarised position highlighting to managers and investors alike the importance of robust and informed stock selection. Despite an uncertain outlook surrounding the UK's exit from the EU, we have seen strong take up in the industrial sector leading to rental growth of 4.2% throughout 2018 according to MSCI, down slightly from 5.3% in 2017, but outperforming other major property sectors for the ninth consecutive quarter. The regional office sector has also recorded healthy recent performance with GVA reporting a 4.3% rise in net effective rents over the year to September 2018 across the 9 largest centres. Take up for Q3 2018 exceeded 2 million sq ft which is 63% ahead of the ten-year quarterly average.

A contrast to this is seen across the majority of the retail sector, where the impact of declining footfall continues to hit the headlines, with the exception of a few large dominant centres where rental growth has been recorded at modest levels.

We are conscious that there is strong competition amongst investors looking to buy in the limited universe of long-let inflation-linked income properties and we have seen this first hand when acquiring properties. This has led to yield compression of our own assets.

We have seen a couple of higher profile REIT flotations being cancelled in recent months that highlight the difficulty in raising and deploying capital in the current UK market. Nevertheless, we are optimistic that we can continue to build an attractive portfolio with the properties in our pipeline and deliver compelling returns to our shareholders.

Financial Results
Net rental income earned from the portfolio for the six months ended 31 December 2018 was £3.33 million (18 April 2017 to 31 December 2017: £0.67 million; 18 April 2017 to 30 June 2018: £3.60 million), contributing to an operating profit before fair value changes of £2.67 million (18 April 2017 to 31 December 2017: £0.25 million; 18 April 2017 to 30 June 2018: £2.45 million).

The portfolio has seen a gain of £1.98 million in fair value of investment property over the period (18 April 2017 to 31 December 2017: loss of £4.49 million; 18 April 2017 to 30 June 2018: loss of £2.85 million).

Administrative expenses, which include the Investment Manager's fee and other costs attributable to the running of the Group, were £0.66 million for the period (18 April 2017 to 31 December 2017: £0.41 million; 18 April 2017 to 30 June 2018: £1.15 million).

The Group incurred finance costs of £0.50 million during the period (18 April 2017 to 31 December 2017: £0.01 million; 18 April 2017 to 30 June 2018: £0.49 million).

The total PBT for the period of £4.15 million (18 April 2017 to 31 December 2017: loss before tax of £4.24 million; 18 April 2017 to 30 June 2018: loss before tax of £0.89 million) equates to a basic earnings per share of 5.15 pence per share (18 April 2017 to 31 December 2017: loss of 6.51 pence per share; 18 April 2017 to 30 June 2018: loss of 1.25 pence per share).

The Group's NAV as at 31 December 2018 was £78.46 million or 97.46 pence per share (18 April 2017 to 31 December 2017: £74.28 million; 18 April 2017 to 30 June 2018: £76.42 million). This is an increase of 2.52 pence per share or 2.66% over the six months, with the underlying movement in NAV set out in the table below:

	Pence per share	£ million
NAV as at 1 July 2018	**94.935**	**76.42**
Portfolio acquisition costs	(0.714)	(0.58)
Change in fair value of investment property	3.174	2.56
Income earned for the period	4.137	3.33
Expenses for the period	(1.443)	(1.16)
Dividends paid during the period	(2.625)	(2.11)

NAV at 31 December 2018	**97.464**	**78.46**

EPRA EPS for the six-month period was 2.69 pence per share which, based on dividends declared of 2.75 pence per share, reflects a dividend cover of 97.82%.

Dividend
Refer to Note 8 below for details.

Financing
As at 31 December 2018, the Group had fully utilised its £30 million loan facility with Canada Life Investments (30 June 2018: fully utilised). This term facility, which expires in October 2025, allows up to 35% loan to property value, provided on a portfolio basis.

On 14 December 2018, the Group extended the amount of the facility by £11 million to a total of £41 million. The Group fully utilised this £11 million on 11 January 2019.

The weighted average interest cost of the Group's £41 million facility is 3.19% and the facility is repayable on 20 October 2025.

Portfolio Activity during the Period
During the period, the Group's property portfolio was subject to a total like-for-like valuation uplift of 2.41%.

The Group acquired an industrial warehousing property located on the Eurolink Industrial Estate, Sittingbourne for £3.94 million. This property comprises two warehouse buildings totalling 43,636 sq ft and is fully let to Dore Metals Services Southern Ltd, which has had its headquarters on the site since 2007. The lease provides a new 15-year term expiring in September 2033 and also has 5-yearly rental uplifts in line with RPI. The transaction reflected an attractive NIY of 6.3%. To the end of the period, the asset had already seen a valuation uplift of 4.2%.

During the period, the Group also exchanged unconditionally on a purchase agreement to acquire a 62-room, purpose-built care home located in affluent Nailsea approximately 8 miles south west of Bristol. The purchase completed on 15 January 2019. The property is fully let, on a new 30-year lease, operated by Handsale Ltd, an established national provider of care services for the elderly. A new 30-year fully repairing and insuring lease has been granted by the Group from the date of the acquisition providing the Group with annual rental uplifts in line with RPI, with a minimum uplift level of 1% and a cap of 4%. The facilities of the home and its care provision have been rated as being 'Good' by the Care Quality Commission and, in addition, the home has a history of high occupancy rates combined with a high percentage of private pay residents. The acquisition was funded through the extension of the Group's debt facility.

Property Portfolio as at 31 December 2018

Summary by Sector

Sector	**Number of Properties**	**Valuation (£m)**	**Occupancy By ERV (%)**	**WAULT To break (years)**	**Gross Passing Rental Income (£m)**	**ERV (£m)**
Hotel	3	24.20	100.0	17.4	1.43	1.43
Industrial	4	24.20	100.0	29.7	1.45	1.44
Car showroom	2	14.85	100.0	13.2	0.90	0.90
Petrol filing station	1	4.30	100.0	14.5	0.21	0.21
Student Housing	1	12.10	100.0	22.6	0.64	0.62
Care Home	3	17.98	100.0	29.9	1.06	1.06
Leisure	3	9.70	100.0	13.4	0.56	0.58
Power Station	1	4.90	100.0	13.2	0.30	0.30
Total	**18**	**112.23**	**100.0**	**21.5**	**6.55**	**6.54**

Summary by Geographical Area

Geographical Area	**Number of Properties**	**Valuation (£m)**	**Occupancy By ERV (%)**	**WAULT To break (years)**	**Gross Passing Rental Income (£m)**	**ERV (£m)**
West Midlands	3	24.00	100.0	19.9	1.41	1.39
North West	2	21.45	100.0	38.0	1.17	1.14
South East	3	17.25	100.0	13.9	0.92	0.93
Yorkshire and Humberside	3	12.93	100.0	15.7	0.79	0.80
South West	2	13.30	100.0	26.1	0.78	0.81
London	2	6.70	100.0	10.8	0.37	0.39
North East	1	3.00	100.0	18.2	0.20	0.19
Eastern	1	4.90	100.0	13.2	0.30	0.30

Scotland	1	8.70	100.0	17.8	0.61	0.59
Total	**18**	**112.23**	**100.0**	**21.5**	**6.55**	**6.54**

The tables below illustrate the sector and geographical weightings of the Group's property portfolio as at 31 December 2018, based on valuations as at that date.

Geographical Allocation	
Eastern	4.4%
North West	19.1%
Scotland	7.8%
South East	15.4%
South West	11.8%
West Midlands	21.3%
Yorkshire & Humberside	11.5%
North East	2.7%
Inner London	4.0%
Outer London	2.0%

Sector Allocation	
Industrial	21.6%
Leisure	8.6%
Hotel	21.6%
Medical/Care	16.0%
Car Showroom	13.2%
Student	10.8%
Power Station	4.4%
Petrol Station	3.8%

Income Allocation by Type	
RPI	71%
Open Market Value Reviews	8%
CPI	21%

Income by Credit Risk	
b-	2%
bb	26%
bbb-	33%
bbb	23%
bbb+	16%

Top Ten Tenants

Tenant	Property	Annual Passing Rental Income (£'000)	% of Portfolio Total Passing Rental Income
Meridian Metal Trading Limited	Grazebrook Industrial Estate, Dudley and Provincial Park, Sheffield	659	10.1
Prime Life Limited	Lyndon Croft Care Centre, Solihull and Westerlands Care Village, Brough	651	9.9
Mears Group Plc	Bramall Court, Salford	635	9.7
Juniper Hotels Limited	Mercure City Hotel, Glasgow	608	9.3
Motorpoint Limited	Motorpoint, Birmingham	500	7.6
Premier Inn Hotels Limited	Premier Inn, Camberley	449	6.9
Handsale Limited	Nailsea, Bristol	408	6.2
Volkswagen Group UK Limited	Audi, Huddersfield	396	6.0
Travelodge Hotel Limited	Travelodge, Swindon	350	5.3
Hoddesdon Energy Limited	Hoddesdon Energy, Hoddesdon	300	4.6

The Group's top ten tenants, listed above, represent 75.6% of the total passing rental income of the portfolio.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's assets consist primarily of UK commercial property. Its principal risks are therefore related to the commercial property market in general, but also to the particular circumstances of the individual properties and the tenants within the properties.

The Board has overall responsibility for reviewing the effectiveness of the systems of risk management and internal control which is operated by the Investment Manager. The Group's ongoing risk management process is designed to identify, evaluate and mitigate the significant risks the Group faces.

Twice each year, the Board undertakes a risk review with the assistance of the Audit Committee, to assess the adequacy and effectiveness of the Investment Manager's risk management and internal control processes.

The Audit Committee considers that the principal risks and uncertainties as presented on pages 26 to 31 of our 2018 Annual Report have changed as follows:

KEY PERFORMANCE INDICATORS ("KPIs")

Principal risks and their potential impact	**Risk assessment**
REAL ESTATE RISKS	
1. Tenant default	
Failure by tenants to comply with their rental obligations could affect the income that the properties earn and the ability of the Group to pay dividends to its Shareholders.	Probability: Moderate to high Impact: Moderate to high Change in period: Increase due to heightened UK economic uncertainty
2. Portfolio concentration	
Any downturn in the UK and its economy or regulatory changes in the UK could have a material adverse effect on the Group's operations or financial condition. Greater concentration of investments in any one sector or exposure to the creditworthiness of any one tenant or tenants may lead to greater volatility in the value of the Group's investments, NAV and the Share price.	Probability: Low Impact: Low to moderate Change in period: None
3. Property defects	
Due diligence may not identify all the risks and liabilities in respect of an acquisition (including any environmental, structural or operational defects) that may lead to a material adverse effect on the Group's profitability, the NAV and its Share price.	Probability: Low Impact: Moderate Change in period: None
4. Rate of inflation	
Rent review provisions may have contractual limits to the increases that may be made as a result of the rate of inflation. If inflation is in excess of such contractual limits, the Group may not be able to deliver targeted returns to shareholders.	Probability: Low Impact: Low to moderate Change in period: None
5. Property market	
Any property market recession or future deterioration in the property market could, inter alia; (i) lead to an increase in tenant defaults; (ii) make it harder for the Group to attract new tenants for its properties; (iii) lead to a lack of finance available to the Group; (iv) cause the Group to realise its investments at lower valuations; and (v) delay the timings of the Group's realisations. Furthermore, property is inherently difficult to value due to the individual nature of each property. Any of these factors could have a material adverse effect on the ability of the Group to achieve its investment objective and have an adverse effect on the Group's profitability, the NAV and the Share price.	Probability: Moderate Impact: Moderate to high Change in period: Increase due to general uncertainty
6. Investments will be illiquid	
The Group invests in commercial properties. Such investments are illiquid; they may be difficult for the Group to sell and the price achieved on any realisation may be at a discount to the prevailing valuation of the relevant property.	Probability: Low Impact: Low Change in period: None
BORROWING RISKS	
7. Breach of borrowing covenants	
The Group has entered into a term loan facility which increased on 11 January 2019. Material adverse changes in valuations and net income may lead to breaches in the LTV and interest cover ratio covenants. If the Group is unable to operate within its debt covenants, this could lead to default and the loan facility being recalled. This may result in the Group selling properties to repay the loan facility and this is likely to lead to a fall in its NAV.	Probability: Low Impact: High Change in period: Increase due to the increased use of debt post-period end
CORPORATE RISKS	

8. Use of service providers

The Group has no employees and is reliant upon the performance of third-party service providers. Failure by any service provider to carry out its obligations to the Group in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Group.	Probability: Low to moderate Impact: Moderate Change in period: None

9. Dependence on the Investment Manager

The Investment Manager is responsible for providing investment management services to the Group. The future ability of the Group to pursue successfully its investment objective and investment policy may, among other things, depend on the ability of the Investment Manager to retain its staff and/or to recruit individuals of similar experience and calibre.	Probability: Low Impact: High Change in period: None

10. Ability to meet objectives

The Group may not meet its investment objective to deliver an attractive total return to shareholders from investing predominantly in a portfolio of commercial properties in the UK. Poor relative total return performance may lead to an adverse reputational impact that affects the Group's ability to raise new capital and new funds.	Probability: Low Impact: Moderate Change in period: Decrease due to the progress achieved in meeting objectives

TAXATION RISK

11.Group REIT status

The Group has a UK REIT status that provides a tax-efficient corporate structure. If the Group fails to remain a REIT for UK tax purposes, its profits and gains will be subject to UK corporation tax. Any change to the tax status or in UK tax legislation could impact on the Group's ability to achieve its investment objective and provide attractive returns to Shareholders.	Probability: Low Impact: High Change in period: None

12.POLITICAL/ECONOMIC RISKS

Political and macroeconomic events present risks to the real estate and financial markets that affect the Group and the business of our tenants. The level of uncertainty that such events bring has been highlighted in recent times, most pertinently as a result of the EU referendum vote (Brexit) in June 2016. The arrangements that would be put in place between the UK and the EU following Brexit could impact the health of the UK economy, make it more difficult for the Group to raise capital and/or increase the regulatory compliance burden on the Group.	Probability: Moderate to high Impact: Moderate to high Change in period: Increase due to lack of certainty and imminent EU departure date of 29 March 2019

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE INTERIM FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the consolidated 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 of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the consolidated 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 of the Disclosure Guidance and Transparency Rules, 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 Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

A list of the Directors is maintained on the Company's website at www.aewukllreit.com.

Steve Smith
Chairman
26 February 2019

FINANCIAL STATEMENTS

Consolidated Condensed Statement of Comprehensive Income
for the six months ended 31 December 2018

	Notes	**Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000**	Period from 18 April 2017 to 31 December 2017 (unaudited) £'000	Period from 18 April 2017 to 30 June 2018* (audited) £'000
Income				
Rental and other income	3	3,330	666	3,600
Property operating expenses	4	(75)	(3)	(105)
Net rental and other income		**3,255**	**663**	**3,495**
Other operating expenses	4	(585)	(409)	(1,050)
Operating profit before fair value changes		**2,670**	**254**	**2,445**
Change in fair value of investment properties	9	1,980	(4,491)	(2,853)
Operating profit/(loss)		**4,650**	**(4,237)**	**(408)**
Finance expense	5	(502)	(6)	(487)
Profit/(loss) before tax		**4,148**	**(4,243)**	**(895)**
Taxation	6	-	-	-
Profit/(loss) after tax		**4,148**	**(4,243)**	**(895)**
Other comprehensive income		-	-	-
Total comprehensive income/(loss) for the period		**4,148**	**(4,243)**	**(895)**
Earnings/(loss) per share (pence per share) (basic and diluted)	7	**5.15**	**(6.51)**	**(1.25)**

The accompanying notes form an integral part of these consolidated condensed financial statements.

*Although not required by IAS 34, the comparative figures for the preceding full reporting period and related notes have been included on a voluntary basis.

Consolidated Condensed Statement of Changes in Equity
for the six months ended 31 December 2018

	Notes	**Share capital £'000**	**Share premium account £'000**	**Capital reserve and retained earnings £'000**	**Total capital and reserves attributable to owners of the Group £'000**
For the six months from 1 July 2018 to 31 December 2018 (unaudited)					
Balance as at 1 July 2018		**805**	**-**	**75,617**	**76,422**
Total comprehensive income		-	-	4,148	4,148
Dividends paid	8	-	-	(2,113)	(2,113)
Balance as at 31 December 2018		**805**	**-**	**77,652**	**78,457**

For the period 18 April 2017 to 31 December 2017 (unaudited)		Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Group £'000
Balance as at 18 April 2017		-	-	-	-
Total comprehensive loss		-	-	(4,243)	(4,243)
Ordinary shares issued	16,17	805	79,695	-	80,500
Share issue costs	17	-	(1,573)	-	(1,573)
Cancellation of share premium	17	-	(78,122)	78,122	-
Dividends paid	8	-	-	(403)	(403)
Balance as at 31 December 2017		**805**	**-**	**73,476**	**74,281**

For the period 18 April 2017 to 30 June 2018 (audited) **Capital reserve** **Total capital and reserves**

	Notes	Share capital £'000	Share premium account £'000	and retained earnings £'000	attributable to owners of the Group* £'000
Balance as at 18 April 2017		-	-	-	-
Total comprehensive loss		-	-	(895)	(895)
Ordinary shares issued	16,17	805	79,695	-	80,500
Share issue costs	17	-	(1,573)	-	(1,573)
Cancellation of share premium	17	-	(78,122)	78,122	-
Dividends paid	8	-	-	(1,610)	(1,610)
Balance as at 30 June 2018		**805**	**-**	**75,617**	**76,422**

The accompanying notes form an integral part of these consolidated condensed financial statements.

*Although not required by IAS 34, the comparative figures for the preceding full reporting period and related notes have been included on a voluntary basis.

Consolidated Condensed Statement of Financial Position
as at 31 December 2018

	Notes	As at 31 December 2018 (unaudited) £'000	As at 31 December 2017 (unaudited)* £'000	As at 30 June 2018 (audited) £'000
Assets				
Non-Current Assets				
Investment property	9	112,051	71,349	99,243
		112,051	71,349	99,243
Current Assets				
Receivables and prepayments	10	2,147	301	1,121
Cash and cash equivalents		3,112	3,878	6,594
Restricted cash		-	-	1,362
		5,259	4,179	9,077
Total Assets		**117,310**	**75,528**	**108,320**
Non-Current Liabilities				
Interest bearing loans and borrowings	12	(29,483)	-	(29,434)
Finance lease obligations	13	(480)	-	(478)
		(29,963)	-	(29,912)
Current Liabilities				
Payables and accrued expenses	11	(8,856)	(1,247)	(1,952)
Finance lease obligations	13	(34)	-	(34)
		(8,890)	(1,247)	(1,986)
Total Liabilities		**(38,853)**	**(1,247)**	**(31,898)**
Net Assets		**78,457**	**74,281**	**76,422**
Equity				
Share capital	16	805	805	805
Share premium account	17	-	-	-
Capital reserve and retained earnings		77,652	73,476	75,617
Total capital and reserves attributable to equity holders of the Company		**78,457**	**74,281**	**76,422**
Net Asset Value per share (pence per share)	7	**97.46**	**92.27**	**94.93**

The accompanying notes form an integral part of these consolidated condensed financial statements.

*Although not required by IAS 34, the comparative figures for the preceding full reporting period and related notes have been included on a voluntary basis.

The financial statements were approved by the Board of Directors on 26 February 2019 and were signed on its behalf by:

Steve Smith
Chairman
AEW UK Long Lease REIT plc
Company number: 10727886

Consolidated Condensed Statement of Cash Flows
for the six months to 31 December 2018

	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Period from 18 April 2017 to 31 December 2017 (unaudited) £'000	Period from 18 April 2017 to 30 June 2018* (audited) £'000
Cash flows from operating activities			
Operating profit/(loss)	4,650	(4,237)	(408)
Adjustment for non-cash items:			
(Gain)/loss from change in fair value of investment property	(1,980)	4,491	2,853
Increase in other receivables and prepayments	(1,030)	(204)	(1,121)
Increase in other payables and accrued expenses	14	564	1,534
Net cash flow generated from operating activities	**1,654**	**614**	**2,858**
Cash flows from investing activities			
Purchase of investment properties	(3,927)	(75,157)	(101,461)
Net cash used in investing activities	**(3,927)**	**(75,157)**	**(101,461)**
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	-	80,500	80,500
Share issue costs	-	(1,573)	(1,573)
Loan draw down	-	-	28,638
Use of restricted cash	1,362	-	-
Arrangement loan facility fee paid	-	-	(609)
Finance costs	(458)	(103)	(241)
Dividends paid	(2,113)	(403)	(1,518)
Net cash flow generated from financing activities	**(1,209)**	**78,421**	**105,197**
Net (decrease)/increase in cash and cash equivalents	(3,482)	3,878	6,594
Cash and cash equivalents at start of the period	**6,594**	**-**	**-**
Cash and cash equivalents at end of the period	**3,112**	**3,878**	**6,594**

The accompanying notes form an integral part of these consolidated condensed financial statements.

* Although not required by IAS 34, the comparative figures for the preceding full reporting period and related notes have been included on a voluntary basis.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
for the six months to 31 December 2018

1. Corporate information
The Company is a closed-ended Real Estate Investment Trust ('REIT') incorporated on 18 April 2017 and domiciled in the UK. The registered office of the Company is located at 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

The Company's Ordinary Shares were listed on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange on 6 June 2017.

The comparative information for the nine month period ended 31 December 2017 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

2. Accounting policies

2.1 Basis of preparation
These interim consolidated 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 Group's last financial statements for the fifteen-month period ended 30 June 2018. These consolidated 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 Group's financial position and performance since the last financial statements.

The comparative figures disclosed in the consolidated condensed unaudited financial statements and related notes have been presented for both the nine-month period ended 31 December 2017 and fifteen-month period ended 30 June 2018 and as at 31 December 2017 and 30 June 2018.

Although not required by IAS 34, the comparative figures as at 31 December 2017 for the Consolidated Condensed Statement of Financial Position and for the fifteen-month period ended 30 June 2018 for the Consolidated Condensed Statement of Comprehensive Income, Consolidated Condensed Statement of Changes in Equity and Consolidated Condensed Statement of Cash Flows and related notes have been included on a voluntary basis.

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

Basis of consolidation
The consolidated condensed unaudited financial statements for the six months ended 31 December 2018 incorporate the financial statements of the Company and its subsidiaries (the 'Group'). Subsidiaries are entities controlled by the Group, being AEW UK Long Lease REIT 2017 Limited and AEW UK Long Lease REIT Holdco Limited. IFRS 10 outlines the requirements for the preparation of consolidated financial statements, requiring an entity to consolidate the results of all investees it is considered to control. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

New standards, amendments and interpretations
There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2019.

The following is the most relevant to the Group:

• IFRS 16 (Leases) issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019

The impact of the adoption of new accounting standards issued and becoming effective for accounting periods beginning on or after 1 July 2018 has been considered and is not deemed to be significant. The IFRS 16 disclosure requirements will be considered in due course.

2.2 Significant accounting judgements and estimates
The preparation of financial statements in accordance with IAS 34 requires the Directors of the Group 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 Group'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 Directors are of the opinion that the Group is engaged in one main operating segment, being investment property in the UK.

2.4 Going concern
The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group 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 Group's ability to continue as a going concern. Therefore, the consolidated condensed unaudited financial statements have been prepared on the going concern basis.

2.5 Summary of significant accounting policies
The principal accounting policies applied in the preparation of these consolidated condensed unaudited financial statements are consistent with those applied within the Group's Annual Report and Financial Statements for the fifteen-month period to 30 June 2018 except for the changes as detailed in note 2.1.

3. Rental income

	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Period from 18 April 2017 to 31 December 2017 (unaudited) £'000	Period from 18 April 2017 to 30 June 2018 (audited) £'000
Gross rental income received	3,024	596	3,226
Spreading of tenant incentives and guaranteed fixed rental uplifts	305	70	359
Other property income	1	-	15
Total rental and other income	**3,330**	**666**	**3,600**

4. Expenses

	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Period from 18 April 2017 to 31 December 2017 (unaudited) £'000	Period from 18 April 2017 to 30 June 2018 (audited) £'000
Property operating expenses	75	3	105
Other operating expenses			
Investment management fee	283	105	363
Auditor remuneration	66	52	116
Operating costs	198	192	458
Directors' remuneration	38	60	113
Total other operating expenses	**585**	**409**	**1,050**
Total operating expenses	**660**	**412**	**1,155**

5. Finance expense

	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Period from 18 April 2017 to 31 December 2017 (unaudited) £'000	Period from 18 April 2017 to 30 June 2018 (audited) £'000
Interest payable on loan borrowings	463	-	419
Amortisation of loan arrangement fee	39	6	43
Other finance costs	-	-	25
Total	**502**	**6**	**487**

6. Taxation

	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Period from 18 April 2017 to 31 December 2017 (unaudited) £'000	Period from 18 April 2017 to 30 June 2018 (audited) £'000
Tax charge comprises:			
Analysis of tax charge in the period			
Profit/(loss) before tax	4,148	(4,243)	(895)
Theoretical tax at UK corporation tax standard rate of 19.00% (31 December 2017:19.00%, 2018:19.00%)	788	(806)	(170)
Adjusted for:			
Exempt REIT income	(788)	(47)	170
Non taxable investment losses	-	853	-
Total	**-**	**-**	**-**

The Group obtained REIT status on 13 October 2017, at which point any gains or losses arising from property business have been extinguished. As such, no deferred tax asset or liability has been recognised in the six month period.

Factors that may affect future tax charges
Due to the Group's status as a REIT and the intention to continue meeting the conditions required to retain approval as a REIT in the foreseeable future, the Group has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

7. Earnings/(loss) per share and NAV per share

	Six months from 1 July 2018 to 31 December 2018 (unaudited)	Period from 18 April 2017 to 31 December 2017 (unaudited)	Period from 18 April 2017 to 30 June 2018 (audited)
Earnings/(loss) per share			
Total comprehensive income/(loss) (£'000)	4,148	(4,243)	(895)
Weighted average number of shares	80,500,000	65,211,240	71,514,806
Earnings/(loss) loss per share (basic and diluted)(pence)	**5.15**	**(6.51)**	**(1.25)**

EPRA earnings per share:

Total comprehensive income/(loss) (£'000)	4,148	(4,243)	(895)
Adjustment to total comprehensive income/(loss):			
Change in fair value of investment properties (£'000)	(1,980)	4,491	2,853
Total EPRA earnings (£'000)	2,168	248	1,958
EPRA earnings per share (basic and diluted) (pence)	**2.69**	**0.38**	**2.74**
Adjusted earnings per share:			
EPRA earnings (basic and diluted) (£'000)	2,168	248	1,958
Adjustments:			
Rental income recognised in respect of tenant incentives and guaranteed fixed rental uplifts (£'000)	(305)	(70)	(359)
Amortisation of loan arrangement fee (£'000)	39	6	43
Adjusted earnings (basic and diluted) (£'000)	1,902	184	1,642
Adjusted earnings per share (basic and diluted) (pence)	**2.36**	**0.28**	**2.30**
NAV per share:			
Net assets (£'000)	78,457	74,281	76,422
Ordinary shares in issue	80,500,000	80,500,000	80,500,000
NAV per share (pence)	**97.46**	**92.27**	**94.93**

EPS amounts are calculated by dividing the profit/(loss) for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. EPRA NAV and EPRA NNNAV are equal to the NAV presented in the Consolidated Condensed Statement of Financial Position under IFRS and there are no adjusting items. As such, a reconciliation between these measures has not been presented.

8. Dividends paid

	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Period from 18 April 2017 to 31 December 2017 (unaudited) £'000	Period from 18 April 2017 to 30 June 2018 (audited) £'000
First interim dividend paid in respect of the period from incorporation to 30 September 2017 at 0.50p per Ordinary Share	-	403	402
Second interim dividend paid in respect of the period 1 October 2017 to 31 December 2017 at 0.50p per Ordinary Share*	-	-	402
Third interim dividend paid in respect of the period 1 January 2018 to 31 March 2018 at 1.00p per Ordinary Share	-	-	806
First interim dividend paid in respect of the period from 1 April 2018 to 30 June 2018 at 1.25p per share	1,006	-	-
Second interim dividend paid in respect of the period from 1 July 2018 to 30 September 2018 at 1.375p per share	1,107	-	-
Total dividends paid during the period	**2,113**	**403**	**1,610**

9. Investments

9.1) Investment property

	Six months from 1 July 2018 to 31 December 2018 (unaudited)				
	Investment properties freehold £'000	**Investment properties leasehold £'000**	**Total £'000**	Period from 18 April 2017 to 31 December 2017 (unaudited) Total £'000	Period from 18 April 2017 to 30 June 2018 (audited) Total £'000
UK Investment property					
As at beginning of year/period	53,740	45,350	99,090	-	-
Purchases and capital expenditure in the period	11,299	(444)	10,855	75,840	101,591
Revaluation of investment property	541	1,744	2,285	(4,421)	(2,501)
Valuation	**65,580**	**46,650**	**112,230**	**71,419**	**99,090**
Adjustment to fair value for rent smoothing			(693)	(70)	(359)
Adjustment for finance lease obligations			514	-	512
Total Investment property			**112,051**	**71,349**	**99,243**
Change in fair value of investment property					
Change in fair value before adjustments for lease incentives			2,285	(4,421)	(2,501)
Movements in finance lease			(1)	-	7
Adjustment to fair value for rent smoothing of lease income			(304)	(70)	(359)
			1,980	**(4,491)**	**(2,853)**

Valuation of investment property
Valuation of investment property is performed by Knight Frank LLP and Savills (UK) Limited, accredited independent external valuers with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued. Of the £112.23 million valuation, £105.58 million was provided by Knight Frank LLP and £6.65 million by Savills (UK) Limited.

The valuation of the Group'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.

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

	Quoted prices in active markets (Level 1) £'000	**Significant observable inputs (Level 2) £'000**	**Significant unobservable inputs (Level 3) £'000**	**Total £'000**
31 December 2018				
Asset measured at fair value				
Investment property*	-	-	112,230	112,230
	-	**-**	**112,230**	**112,230**

31 December 2017	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000

31 December 2017	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Asset measured at fair value				
Investment property*	-	-	71,419	71,419
	-	**-**	**71,419**	**71,419**

30 June 2018	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Asset measured at fair value				
Investment property*	-	-	99,090	99,090
	-	**-**	**99,090**	**99,090**

* before adjustments to fair value for straight lining of lease income.

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.

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) Estimated Rental Value ('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 discount rate/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 and investments are:

Class	**Fair value £'000**	**Valuation technique**	**Significant unobservable inputs**	**Range**
31 December 2018				
Investment property	112,230	Income capitalisation	ERV Equivalent yield	£3.74-£21.96 4.75%-6.89%
31 December 2017				
Investment property	71,419	Income capitalisation	ERV Equivalent yield	£4.50-£16.25 5.04%-7.63%
30 June 2018				
Investment property	99,090	Income capitalisation	ERV Equivalent yield	£3.50-£21.96 4.90%-7.06%

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 held at the end of the reporting period.

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

		31 December 2018			
	Fair Value	**Change in ERV**		**Change in equivalent yield**	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Sensitivity Analysis		**+5%**	**-5%**	**+5%**	**-5%**
Resulting fair value of investment property	112,230	113,199	111,480	108,497	116,383

		31 December 2017			
	Fair Value	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000	£'000
Sensitivity Analysis		**+5%**	**-5%**	**+5%**	**-5%**
Resulting fair value of investment property	71,419	71,653	71,038	67,672	75,297

		30 June 2018			
	Fair Value	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000	£'000

Sensitivity Analysis		+5%	-5%	+5%	-5%
Resulting fair value of investment property	99,090	100,194	98,288	94,152	104,744

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.

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

10. Receivables and prepayments

	31 December 2018 (unaudited) £'000	31 December 2017 (unaudited) £'000	30 June 2018 (audited) £'000
Receivables			
Rent debtor	526	26	304
Other receivables	1,581	100	425
	2,107	**126**	**729**
Accrued income	-	70	359
	2,107	**196**	**1,088**
Prepayments			
Unamortised finance costs	-	97	-
Other prepayments	40	8	33
	40	**105**	**33**
Total	**2,147**	**301**	**1,121**

The aged debtor analysis of receivables which are past due is as follows:

	31 December 2018 (unaudited) £'000	31 December 2017 (unaudited) £'000	30 June 2018 (audited) £'000
Less than three months due	1,414	126	304
Between three and six months due	693	-	425
Between six and twelve months due	-	-	-
Total	**2,107**	**126**	**729**

11. Payables and accrued expenses

	31 December 2018 (unaudited) £'000	31 December 2017 (unaudited) £'000	30 June 2018 (audited) £'000
Deferred income	1,010	290	657
Accruals	276	204	262
Property acquisition costs*	7,076	-	-
Other creditors	494	753	1,033
Total	**8,856**	**1,247**	**1,952**

* Represents amount payable (including purchase costs) for Nailsea, Bristol. This property exchanged unconditionally on 21 December 2018 and completed on 17 January 2019. See Note 19 for further details.

12. Interest bearing loans and borrowings

	31 December 2018 (unaudited) £'000	31 December 2017 (unaudited) £'000	30 June 2018 (audited) £'000
Bank borrowings drawn			
At the beginning of the period	30,000	-	-
Bank borrowings drawn in the period	-	-	30,000
Interest bearing loans and borrowings	**30,000**	**-**	**30,000**
Less: loan issue costs incurred	(556)	-	(566)
Plus: amortised loan issue costs	39	-	-
At the end of the period	**29,483**	**-**	**29,434**
Repayable between 1 and 2 years	-	-	-

Repayable between 2 and 5 years	30,000	-	-
Repayable over 5 Years	-	-	30,000
Total facility available	**30,000**	**-**	**30,000**

The Group entered into a £30 million term loan facility with Canada Life Investments on 5 January 2018.

On 11 January 2019, the Group increased its loan facility by £11 million with its existing lender, Canada Life Investments, taking the total loan drawn down to £41 million. The weighted average interest cost of the Group's increased facility is 3.19% and is repayable on 20 October 2025.

Borrowing costs associated with the credit facility are shown as finance costs in Note 5 to these Consolidated Condensed Financial Statements.

13. Finance lease obligations

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the property and 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 for each of the following periods:

	31 December 2018 (unaudited) £'000	31 December 2017 (unaudited) £'000	30 June 2018 £'000
Within one year	34	-	34
After one year but not more than five years	150	-	150
More than five years	330	-	328
Total	**514**	**-**	**512**

14. Guarantees and commitments

Operating lease commitments - as lessor

The Company has entered into commercial property leases on its investment property portfolio. These noncancellable leases have a remaining term of between 3 and 115 years.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2018 are as follows:

	31 December 2018 (unaudited) £'000	31 December 2017 (unaudited) £'000	30 June 2018 (audited) £'000
Within one year	6,142	4,045	5,738
After one year but not more than five years	24,590	16,090	23,187
More than five years	116,763	81,018	102,427
Total	**147,495**	**101,153**	**131,352**

During the six months ended 31 December 2018 there were nil contingent rents recognised as income (31 December 2017: £nil, 30 June 2018: £nil).

15. Investment in subsidiaries

The Company has two wholly-owned subsidiaries disclosed below:

Name and company number	**Country of registration and incorporation**	**Date of incorporation**	**Principal activity**	**Ordinary Shares held**
AEW UK Long Lease REIT Holdco Limited (Company number 11052186)	England and Wales	7 November 2017	Real Estate Company	73,158,502*
AEW UK Long Lease REIT 2017 Limited (Company number 10754641)	England and Wales	4 May 2017	Real Estate Company	73,158,501*

*Ordinary shares of £1.00 each

AEW UK Long Lease REIT plc as at 31 December 2018 owns 100% controlling stake of AEW UK Long Lease REIT Holdco Limited.

AEW UK Long Lease REIT Holdco Limited holds 100% of AEW UK Long Lease REIT 2017 Limited.

Both AEW UK Long Lease REIT Holdco Limited and AEW UK Long Lease REIT 2017 Limited are registered at 6th Floor, 65 Gresham Street, London, England, EC2V 7NQ.

16. Issued share capital

	£'000	Number of Ordinary Shares
For the six months from 1 July 2018 to 31 December 2018 (unaudited)		
Ordinary Shares issued and fully paid		
At the beginning and end of the period	**805**	**80,500,000**

	£'000	Number of Ordinary Shares
For the period 18 April 2017 to 31 December 2017 (unaudited)		
Ordinary Shares issued and fully paid		
At the beginning of the period	-	1
Issued on admission to trading on the London Stock Exchange on 6 June 2017	805	80,499,999
At the end of the period	**805**	**80,500,000**

	£'000	Number of Ordinary Shares
For the period 18 April 2017 to 30 June 2018 (audited)		
Ordinary Shares issued and fully paid		
At the beginning of the period	-	1
Issued on admission to trading on the London Stock Exchange on 6 June 2017	805	80,499,999
At the end of the period	**805**	**80,500,000**

17. Share premium account

	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Period from 18 April 2017 to 31 December 2017 (unaudited) £'000	Period from 18 April 2017 to 30 June 2018 (audited) £'000
The share premium relates to amounts subscribed for share capital in excess of nominal value:			
Balance at the beginning of the period	-	-	-
Issued on admission to trading on the London Stock Exchange on 6 June 2017	-	79,695	79,695
Share issue costs	-	(1,573)	(1,573)
Cancellation of share premium	-	(78,122)	(78,122)
Balance at the end of the period	**-**	**-**	**-**

18. 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.

Subsidiaries

AEW UK Long Lease REIT plc as at 31 December 2018 owns 100% controlling stake in AEW UK Long Lease REIT Holdco Limited and AEW UK Long Lease REIT 2017 Limited respectively.

Directors

For the six months ended 31 December 2018, the Directors of the Group are considered to be the key management personnel. Directors' remuneration is disclosed in Note 4.

Investment Manager

The Group is party to an Investment Management Agreement, with the Investment Manager, pursuant to which the Group 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 management fee which is calculated and accrued monthly at a rate equivalent to 0.75% per annum of NAV (excluding un-invested fund raising proceeds) and paid quarterly. During the six months ended 31 December 2018, the Group incurred £282,952 (period 18 April 2017 to 31 December 2017: £105,084, period 18 April 2017 to 30 June 2018: £362,589) in respect of investment management fees and expenses of which

£143,511 was outstanding at 31 December 2018 (period ended 31 December 2017: £105,084, period ended 30 June 2018: £128,793).

19. Events after reporting date

Dividend
On 31 January 2019, the Board declared its second interim dividend of 1.375 pence per share in respect of the period from 1 October 2018 to 31 December 2018. This will be paid on 28 February 2019 to shareholders on the register as at 8 February 2019. The ex-dividend date was 7 February 2019.

Credit facility
On 11 January 2019, the Group increased its loan facility by £11 million with its existing lender, Canada Life Investments, taking the total loan drawn down to £41 million. The weighted average interest cost of the Group's increased facility is 3.19% and is repayable on 20 October 2025.

Property acquisitions
On 17 January 2019, the Group announced the completion of the acquisition of a Care Home in Nailsea, Bristol for £6.65 million, reflecting a NIY of 5.8%, comprising a 62-room, purpose built care home located in an affluent suburb approximately 8 miles south west of Bristol, fully let, on a new 30 year lease, operated by Handsale Ltd, an established national provider of care services for the elderly. A new 30-year fully repairing and insuring lease has been granted by the Group from the date of the acquisition providing the Group with annual rental uplifts in line with RPI, with a minimum uplift level of 1% and a cap of 4%.

On 18 February 2019, the Group acquired the long leasehold interest of 53 Victoria Road, Woolston for £2.06 million from YMCA Nursery by way of a sale and leaseback. The purchase price reflects a NIY of 5.9%. This asset comprises a modern, purpose built nursery facility close to Southampton City Centre and the Centenary Quay development which has seen the development of some 1,500 new homes since 2012. The property is fully let to the charity operator YMCA Fairthorne Limited, a regional operation of the YMCA, the world's largest youth charity and provides the Group with an income stream of 25 years from completion of the acquisition which will increase annually in line with RPI.

EPRA UNAUDITED PERFORMANCE MEASURES CALCULATIONS

Calculation of EPRA NIY and 'topped-up' NIY

	31 December 2018 £'000	31 December 2017 £'000	30 June 2017 £'000
Investment property - wholly-owned	112,230	71,419	99,090
Allowance for estimated purchasers' costs	7,632	4,856	6,738
Gross up completed property portfolio valuation	**119,862**	**76,275**	**105,828**
Annualised cash passing rental income	6,550	4,166	5,638
Property outgoings	(40)	(5)	(48)
Annualised net rents	**6,510**	**4,161**	**5,590**
Expiration of rent-free periods and fixed rent uplifts	1,584	971	1,284
'Topped-up' net annualised rent	**8,094**	**5,132**	**6,874**
EPRA NIY	**5.43%**	**5.45%**	**5.28%**
EPRA 'topped-up' NIY	**6.75%**	**6.73%**	**6.50%**

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 31 December 2018, 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.

Calculation of EPRA Vacancy Rate

	31 December 2018 £'000	31 December 2017 £'000	30 June 2018 £'000
Annualised potential rental value of vacant premises	-	-	16
Annualised potential rental value for the completed property portfolio	6,537	4,265	5,841
EPRA Vacancy Rate	**0%**	**0%**	**0.27%**

Calculation of EPRA Cost Ratios

	31 December 2018 £'000	31 December 2017 £'000	30 June 2018 £'000
Administrative/operating expenses per IFRS income statement	660	412	1,155
Less: Ground rent costs	(18)	-	-
EPRA Costs (including direct vacancy costs)	**642**	**412**	**1,155**
Direct vacancy costs	(18)	-	-
EPRA Costs (excluding direct vacancy costs)	642	-	-
Gross Rental Income	3,311	666	3,226
EPRA Cost Ratio (including direct vacancy costs)	**19.36%**	**61.90%**	**35.80%**
EPRA Cost Ratio (excluding direct vacancy costs)	**18.86%**	**61.90%**	**35.80%**

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 707 1874 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 below. 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	80,500,000
SEDOL Number	BDVK708
ISIN Number	GB00BDVK7088
Ticker/TIDM	AEWL

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

Annual and Interim Reports
Copies of the Interim Report will be available from the Group's website at www.aewukllreit.com.

Provisional Financial Calendar

31 December 2018	Half-year end
February 2019	Announcement of interim results
30 June 2019	Year end
September 2019	Announcement of annual results
October 2019	Annual General Meeting

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Jim Prower (Independent Non-executive Director)
Alan Sippetts (Independent Non-executive Director)

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