

Schroder European Real Estate Investment Trust plc  
Half Year Report and Consolidated Financial Statements  
for the six month period ended 31 March 2017

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## **Corporate Information**

# Schroder European Real Estate Investment Trust plc

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### Company Summary

Schroder European Real Estate Investment Trust plc (the “Company”) invests in European growth cities and 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 2017 the Company had 133,734,686 shares in issue and had 11 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 and specifically institutional quality, income-producing commercial real estate in major continental European cities and regions. Target markets must be mature and liquid and have growth prospects exceeding those of their domestic economy.

The underlying investment theme driving investment is urbanisation. This focus is on those winning cities and regions with a competitive advantage in terms of:

- Higher levels of GDP, employment and population growth;
- Well developed and/or improving infrastructure;
- Mixed-use areas where people want to live, as well as work, creating competing demands for different uses;
- Supply constrained locations; and
- Affordable and/or sustainable rents which are capable of growth.

The Company targets office, retail, logistics/light industrial, leisure investments 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 separate placing programmes 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'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. However, the Company has the ability to invest in any country in Continental Europe, although preference will be given to mature and liquid markets.

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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<sup>1</sup>

### Half year ended 31 March 2017

- NAV of **€175.9m** at 31 March 2017 (131.5 cps/111.7 pps), an increase of 11.4% over the period including a gross equity raise of **€6.7m**
- EPRA earnings of **€2.6m** (IFRS earnings of €4.2m), grown from €1.0m for 10 months to 30 September 2016
- Further progress on delivering target dividend yield of 5.5%<sup>2</sup> once fully invested – total dividends declared relating to half year of **2.2cps** (including 1.2cps to be paid by way of a second interim dividend in July 2017) representing a 29% increase on prior half year
- NAV total return of **2.5%** over the reporting period
- Acquisition of an office building in Paris for **€30.0m** with a net property income yield of 9.5%
- Portfolio valued at **€182.7m** at 31 March 2017 reflecting an uplift of approximately **6.7%** on purchase price
- Debt financing at **22% LTV** at a weighted average interest rate of **1.19%** and weighted average duration of **7.3 years**
- Portfolio is **100%** occupied with **5.1** years average lease term and at a net property income yield of **6.1%**

### Post period end

- Completed acquisition of a 50% share in a JV with Schroder managed Immobilien Europa Direkt of a shopping centre in Seville, Spain for **€26.2m** (excluding costs) providing a net property income yield of **6.2%**
- Portfolio now comprises nine assets with a value of **€208.9m** and **4.8** years average lease term
- New loan drawn against Seville acquisition taking overall LTV to **26%** at a weighted interest cost of **1.3%** and a weighted duration of 7.3 years
- **€30m** investment capacity remaining (including additional debt)

<sup>1</sup> Relates to the Group's share only and excludes the non-controlling interests in the Company's subsidiaries

<sup>2</sup> Yield based on the Euro equivalent of the issue price as at admission

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## Performance summary<sup>1</sup>

### Financial summary

	Six months ended 31 March 2017	Year ended 30 September 2016
NAV (excluding non-controlling interests)	€175.9m	€157.8m
NAV per ordinary share	131.5c	130.2c
NAV total return (Euro)	2.5%	(4.6%)
EPRA earnings	€2.6m	€1.0m
Equity raised (gross)	€16.7m	€166.5m

### Capital values

	Six months ended 31 March 2017	Year ended 30 September 2016
Share price	£1.08/ZAR 17.70	£1.28/ZAR 24.00
NAV per share	£1.12/ZAR 16.95	£1.13/ZAR 20.09
Share price premium/(discount) to NAV GBP/Rand	(3.6%)/4.2%	13.5%/16.29%

### Earnings and dividends

	31 March 2017	30 September 2016
Profit/(loss) per share	3.2c	(2.1)c
EPRA earnings per share	2.0c	0.9c
Headline Earnings per share	1.9c	0.7c
Dividends declared per share	2.2c	1.7c
Annualised dividend yield on period end share price	3.5%	2.6%

### Bank borrowings

	31 March 2017	30 September 2016
External bank debt (excluding costs)	€48.7m	€48.7m
Loan to value (LTV) ratio	22%	22%

### Ongoing charges<sup>2</sup>

	31 March 2017	30 September 2016
Ongoing charges (including fund only expenses)	1.94%	1.57%
Ongoing charges (including fund and property expenses)	2.08%	1.57%

<sup>1</sup> Relates to the Group's share only and excludes the non-controlling interests in the Company's subsidiaries

<sup>2</sup> Ongoing charges calculated in accordance with AIC recommended methodology as a percentage of average NAV over the period

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## Chairman's Statement

### Overview

Following our launch just over a year ago, and subsequent equity placings during 2016, the Company is now close to being fully invested. The focus remains on delivering investment performance from the property portfolio and exploring further opportunities to grow the Company.

In 2017 we have added two assets to the portfolio: the Saint Cloud office building in Paris for €30.0 million in February and the Metromar Shopping Centre in Seville, Spain subsequent to the period end in May for €26.2 million, the latter being our first acquisition outside France and Germany. These investments grow the Company's net earnings and increase the dividend capacity.

The target cities in Europe are demonstrating positive levels of investor and occupier demand supporting continued performance, our investment strategy and growth ambitions.

### Results

The Company's net asset value ("NAV") at 31 March 2017, excluding non-controlling interests, was €175.9 million or 131.5 euro cents per share (£149.3 million or 111.7 pence per share). Including dividends the NAV total return over the period was 2.5%.

### Portfolio

The portfolio valuation has risen by 2.5% to €182.7 million during the period from 1 October 2016. This valuation increase includes the valuation uplift from the newly-acquired Saint Cloud, Paris asset against its purchase price. Following the acquisition in Seville post period end, the portfolio value increased to approximately €209 million.

The Company now owns nine institutional grade office and retail assets across winning cities and regions in France, Germany and Spain. These are beneficiaries of improving economic growth and the long term theme of urbanisation. This diversified portfolio provides both a stable income base as a result of its high occupancy rates and also the opportunity for long-term capital growth through active asset management.

### Strategy

The key strategic objective is to continue growing the Company in a disciplined and accretive way that improves earnings, shareholder value and brings benefits such as improved liquidity and economies of scale. This was an objective set out at launch and, as long as the market opportunity remains attractive, is one to which the Board remains committed.

During the period, the Company raised €6.7 million of gross proceeds from an equity placing to fund further investments. The Company currently has authority to issue up to a further 10% of its share capital.

Further investments to support growth will be focused in those locations in Europe which are growing most quickly. These assets are likely to benefit from strengthening occupier demand to support investment performance. The seven locally based investment teams across Europe, and the in-house research at Schrodgers, offer a competitive advantage with the execution of this strategy.

### Debt strategy

Including the new loan for the acquisition of the Metromar Shopping Centre in Seville, the Company has total third party debt of €60.4 million representing a prudent Loan to Value ("LTV") of 26%.

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The Company is focused on maintaining a robust balance sheet and overall leverage is capped at 35% at the time of drawing debt. Debt is used with the objective of improving shareholder returns, with the Company's average weighted interest rate on its debt facilities being 1.30% compared to the average net initial property yield on the portfolio of 6.1%. Given the positive yield spread it is likely the Company will draw further debt facilities 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 2017 of 1.2 euro cents per share payable on 7 July 2017 to shareholders on the register on 23 June 2017. This represents the third consecutive increase in dividend rates since the Company's IPO.

The latest declared dividend represents an annualised rate of 3.5% based on the euro equivalent of the issue price at admission. The Company is targeting an annualised euro dividend yield of 5.5% based on the euro equivalent share price as at admission and fully covered by contractual income receivable from the portfolio.

### Outlook

The Company has executed the strategy outlined at IPO and has constructed a portfolio aligned to the investment objective. It provides shareholders with a regular and attractive level of income together with the potential for long-term income and capital growth.

Recent political developments and economic data suggest the backdrop in Western Europe is stable, which is expected to have a positive impact on the local real estate markets. Alongside this, occupier demand may also be further strengthened as the outcome of the Brexit negotiations becomes clearer. Some international businesses have already made announcements about relocating operations to Continental European cities in which the Company is already invested. Such winning cities are also likely to be more resilient in the event of a change in market conditions.

We will continue to implement the strategy and actively manage the portfolio in order to maximise investment performance. This will be important in supporting the growth of the Company.

**Sir Julian Berney Bt.**  
**Chairman**  
**24 May 2017**



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## Investment Manager's Report

### Results

The Company's NAV as at 31 March 2017 stood at €175.9 million, or 131.5 euro cents (111.7 pence) per share, and achieved a NAV total return of 2.5% for the six months ended 31 March 2017.

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

Net Asset Value ("NAV") Movement	€million	Cps	% change per cps
<b>Brought forward as at 1 October 2016</b> <sup>1</sup>	<b>157.8</b>	<b>130.2</b>	-
Net equity raise impact	16.4	0.1	0.1
<b>NAV post equity raise</b>	<b>174.2</b>	<b>130.3</b>	-
Transaction costs of investments made during the period <sup>2</sup>	(3.0)	(2.2)	(1.7)
Unrealised gain in valuation of the property portfolio	4.6	3.4	2.6
Post tax net revenue	2.6	1.9	1.5
Dividends paid	(2.5)	(1.9)	(1.5)
<b>Carried forward as at 31 March 2017</b>	<b>175.9</b>	<b>131.5</b>	<b>1.0</b>

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.

<sup>1</sup> NAV as at 30 September 2016 based on the number of shares pre-October equity raise of 121,234,686; all other numbers are based on the number of shares subsequent to the equity raise of 133,734,686 shares.

<sup>2</sup> Represents mainly transaction costs for the Saint Cloud purchase. There was no other capital expenditure on the portfolio during the period.

### Market overview

The Eurozone economy is displaying a number of positive indicators. GDP is growing above trend; business confidence is strong; unemployment fell to 9.5% in March and core inflation is steady at 1%. The Investment Manager expects the Eurozone economy to grow by 1.5%-1.8% p.a. through 2017-2018. While higher energy prices will dampen consumer spending a little, the improvement in the world economy, and last year's depreciation of the euro against the dollar, should help exports and that, in turn, should support an increase in business investment. Germany, the Nordics and Spain are likely to lead while France and Italy will probably lag behind.

### Office

Most European cities saw an increase in prime office rents last year. Sustained growth in Eurozone employment over the last three to four years has meant that a lot of the office space which was vacant in 2013 has now been reoccupied. The other supporting factor has been high residential prices which have encouraged developers to convert obsolete office space into apartments and discouraged them from building new offices. We think that the rise in office rents has a lot further to run, particularly in winning cities such as Hamburg, Paris and Stuttgart.

### Retail

While the recovery in employment is boosting retail sales in continental Europe, a lot of the sales growth is online rather than through physical stores. The internet now accounts for around 10% of retail sales in France and Germany and, although the percentage is lower in southern Europe, it is increasing. Accordingly, the Company's strategy is to focus on mid-sized supermarkets, convenience stores and retail warehouses selling goods which are relatively internet immune.

### Industrial

Despite the rapid growth of online sales, industrial rental growth has been modest, partly because logistics operators work on thin margins and partly because of the supply of large distribution warehouses has increased.

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Smaller industrial estates which are benefiting from the growth in “last mile” deliveries and urban logistics in built-up areas appear better value.

### Investment markets

Strong competition between domestic and foreign investors caused further yield compression with prime office yields in many major cities now at 3.0-3.5%. While that might suggest that European real estate is now expensive by historic standards, the investment market is different from the last cycle in several key respects. First, prime yields are currently 2-3% above 10 year government bond yields, whereas in 2007 they were 0-1% below. Second, investors have not bought indiscriminately and whereas the gap between prime and secondary office yields narrowed to 0.3% in 2007-2008, it is currently around 1.25% (source: CBRE).

### Property portfolio

As at 31 March 2017 the Company owned eight properties independently valued at €182.7 million, reflecting a net initial yield of 6.1% against valuation.

Post reporting period end the Company completed the purchase of a €52.4 million shopping centre in Seville, Spain reflecting a net initial yield of 6.2%. The acquisition was made via a 50:50 joint venture with another Schroder-advised fund, Immobilien Europa Direkt (IED). Following completion, this purchase has increased the portfolio value to approximately €209 million meaning the Company is close to being fully invested.

The statistics all reflect a 50% ownership of Seville and a 70% ownership of the Biarritz and Rennes assets.

The table below gives an overview of the portfolio:

Property	Country	Sector	Contracted rents		Value/purchase price			
			€m	% total	€0-€20m	€20m-€40m	€40m-€60m	>€60m
Paris (SC)	France	Office	3.1	22.3%		X		
Paris (B-B)	France	Office	2.4	16.7%			X	
Berlin	Germany	Retail	1.6	11.4%		X		
Biarritz	France	Retail	1.3	8.9%		X		
Rennes	France	Retail	0.9	6.7%	X			
Hamburg	Germany	Office	1.2	8.2%	X			
Stuttgart	Germany	Office	0.8	5.7%	X			
Frankfurt	Germany	Retail	0.7	5.1%	X			
<b>Portfolio at 31/03/2017</b>			<b>12.0</b>					
Seville	Spain	Retail	2.1	15.0%		X		
<b>Portfolio including Seville purchase</b>			<b>14.1</b>					

The portfolio’s country and sector allocations, pre and post the Seville acquisition, are specified below:

Country allocation (% contracted rent)	Portfolio at 31/03/2017	Portfolio including Seville purchase
France	64%	55%
Germany	36%	30%
Spain	0%	15%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Sector allocation (% contracted rent)	Portfolio at 31/03/2017	Portfolio including Seville purchase
Office	62%	53%
Retail	38%	47%
Other	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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

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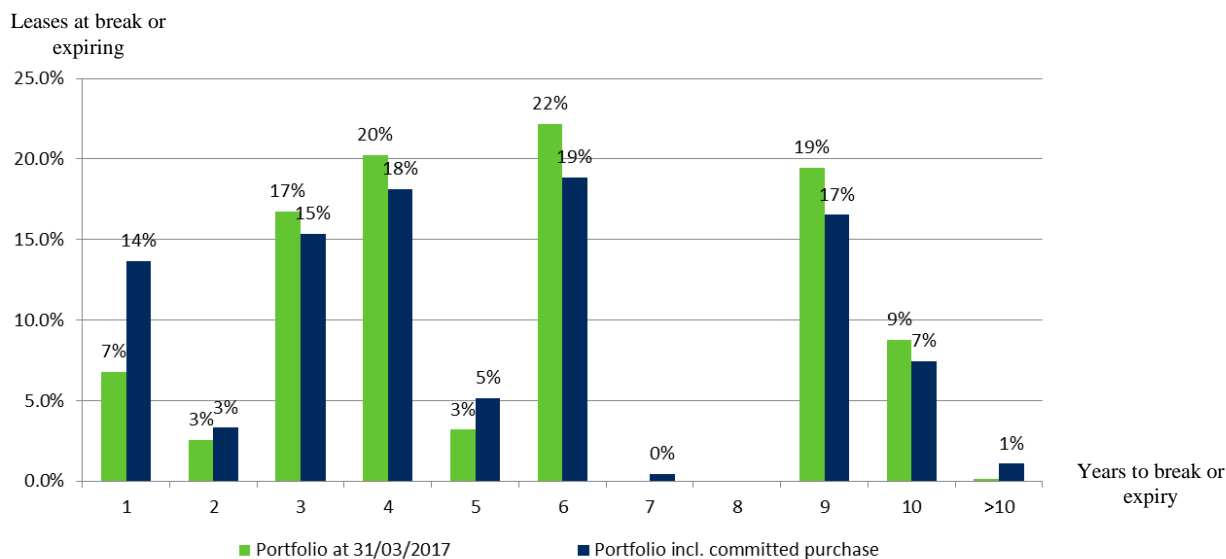
### Lease expiry profile

The assets are fully-let generating €14.1 million p.a. contracted income. The average unexpired lease term, including Seville, is 4.8 years to first break and 7.1 years to expiry (5.1 years and 6.8 years excluding Seville).

The lease expiry profile to earliest break is shown overleaf. 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.

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### Top ten tenants

As at 31 March 2017 the ten largest tenants account for 81% of contracted rents. This falls to 68% following the completion of Seville.

	Tenant	Property	Tenant risk <sup>1</sup>	Contracted rent (€000 p.a.)	Contracted rent (%) <sup>3</sup>	Unexpired lease term (years) <sup>4</sup>
1	Alten	Paris (B-B)	Low	2,308	19%	4.0
2	Casino	Rennes & Biarritz	Low	1,856	16%	5.2
3	Hornbach	Berlin	Low	1,607	13%	8.8
4	City BKK	Hamburg	High <sup>2</sup>	838	7%	7.9
5	LandBW	Stuttgart	Low	654	5%	8.9
6	Thessee	Paris (SC)	Medium	564	5%	2.4
7	Ethyparm	Paris (SC)	Low	554	5%	0.8
8	Fileassistance	Paris (SC)	Low	458	4%	2.2
9	Garantie assistance	Paris (SC)	Low	408	3%	5.2
10	Moody's	Paris (SC)	Low	381	3%	2.3
<b>Subtotal</b>				<b>9,628</b>	<b>80%</b>	<b>5.3</b>
Remainder current portfolio				2,327	20%	4.4
<b>Portfolio at 31/03/2017</b>				<b>11,955</b>	<b>100%</b>	<b>5.1</b>
Seville				2,107		3.0
<b>Portfolio including Seville purchase</b>				<b>14,062</b>		<b>4.8</b>

<sup>1</sup> Regular tenant risk assessments are undertaken for tenants above €100,000 of contracted rent. Among other considerations, our risk assessments are based on D&B ratings and D&B failure scores.

<sup>2</sup> City BKK is part of a national insurance co-operative which mitigates their risk assessment as the co-operative must cover the liabilities of all members. The Company is in negotiations with City BKK to surrender their lease and contract directly with sub-tenants occupying the property.

<sup>3</sup> Percentage based on total contracted rent as at financial period end.

<sup>4</sup> Unexpired lease term until earliest termination in years as at 31 March 2017.

### Valuation

The 31 March 2017 valuation of €182.7 million reflects an increase of 6.7% compared to the combined purchase price of the eight asset portfolio. Almost 90% of the transaction costs have been recovered through valuation uplifts since acquisition.

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The portfolio valuation, excluding transaction costs, has risen by 2.5% during the period from 1 October 2016. This valuation increase is also reflecting the valuation uplift from the newly-acquired Saint Cloud, Paris asset against its purchase price.

### Strategy and investment

The Company invests in European growth cities and targets institutional quality, income-producing commercial real estate in major continental European cities and regions. Consistent with this strategy, over the half year to 31 March 2017, the Group acquired an additional investment in Paris for a total purchase price, excluding costs, of approximately €30 million.

Post period end, the Group acquired a fifty per cent interest in a retail asset in Seville, Spain for €26.2 million bringing the total portfolio to €209 million. Further details of these two assets are provided below:

#### **Saint Cloud, Paris , France ('Le Directoire')**

With completion in February 2017, this asset was the Group's eighth investment and the second in Paris. The property was acquired for c.€30 million at a net initial yield of approximately 9.5%. The investment is located in Saint Cloud, a mixed use office and residential area that will benefit from a new train station on the Grand Paris extension. The investment is fully let at modest rents and is a good example of the strategy to invest in growth cities and micro locations where there are competing demands for different uses and that will benefit from infrastructure enhancements. The business plan is centred on a rolling refurbishment and establishing tenant relations to maintain the attractive yield and improve income security.

#### **Metromar, Seville, Spain ('Metromar')**

Metromar is the Group's first investment outside of its core markets of France and Germany. The €52.4 million (100%) acquisition generates a 6.2% net yield and was made via a 50:50 joint venture with the Schroder-advised Immobilien Europa Direkt (IED). The 23,500 sqm shopping centre is let to 50 tenants, anchored by a Mercadona grocery supermarket and other major occupiers including Zara, Mango, Sfera, H&M, Pull & Bear, Stradivarius, Bershka and Cortefiel. The centre also has an enhanced leisure offering compared with peers including a 12 screen cinema and a number of restaurants. The centre trades well with an annual footfall of four million people of which 50% are classified as 'walk-in' and a dominant local catchment. The asset business plan is focused on redesigning the leisure offer and improving the energy, vibrancy and consumer appeal. There are a number of added value initiatives already in hand to improve value.

### Asset management activity

The initial portfolio provides a solid foundation of income to support the Company's income distribution objective. In addition, there are a range of asset management initiatives to be implemented as follows:

- Lease extension in Le Directoire where an existing tenant will take an additional 550 sqm;
- Creating new income sources such as a new antenna license (€15,000 p.a.) and letting vacant storage space (€30,000 p.a.);
- Surrendering the lease to City BKK in Hamburg in return for a capital payment and agreeing new leases with sub-tenants; and
- New letting in Metromar to a new children's leisure operator to grow revenue, increase footfall and provide an additional point of difference to strengthen the dominance of this scheme in its local catchment.

### Finance

The use of leverage is assessed on an asset-by-asset basis and secured against those properties that are most suitable for debt financing and where financing costs and terms are attractive.

As at 31 March 2017 the Company's total external third party bank debt was €48.7 million across three loan facilities. This represents a loan to value of 22% against the Company's gross asset value. The loans drawn are

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secured against the four German properties in Berlin, Frankfurt, Stuttgart and Hamburg and the two retail assets in Biarritz and Rennes.

The blended all-in interest rate as at 31 March 2017 was 1.19%, significantly below the portfolio yield of 6.1% p.a. The average unexpired loan term was 7.3 years.

Financing has been drawn against the Seville asset post period end. The loan has a seven year duration at an LTV of approximately 45% and all-in fixed rate of 1.76%. Following this, at portfolio level the blended all-in interest rate is 1.3% and the loan to value is 26%. The average unexpired loan term remains at 7.3 years.

Lender	Property	Maturity Date	Outstanding Principal <sup>(1)</sup>	Interest rate
Deutsche Pfandbrief Bank	Berlin/Frankfurt	30/06/2026	16,500,000	1.31%
	Stuttgart/Hamburg	30/06/2023	14,000,000	0.85%
Credit Agricole	Biarritz/Rennes	30/07/2023	18,200,000	3M Euribor + 1.35%
<b>Debt portfolio as of 31/03/2017</b>			<b>48,700,000</b>	
	Seville	22/05/2024	11,678,750	1.76%
<b>Debt portfolio including Seville debt</b>			<b>60,378,750</b>	

<sup>1</sup> All statistics in the 'Investment Manager Report' reflect a 50% ownership share of Seville and a 70% ownership share of Biarritz and Rennes investments. As a result, debt allocations for those investments in the table above are proportioned, too.

The German and Spanish loans are fixed rate for the duration of the loan term. The French loan is 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 cap is 1.25% p.a. The market value of the interest cap is positive at €0.3m as at end of March 2017.

## Outlook

A high quality, income-producing portfolio in growing European cities and regions has been established. The portfolio has both an attractive, long-term income stream and value add potential.

Investing the final €30 million of available capital will result in a fully invested portfolio of approximately €230 million. This should enable a 5.5% dividend yield on the IPO issue price to be fully covered by income.

The economic recovery in the target markets is robust and rents are growing at a faster rate than for many years. The investment opportunity therefore remains compelling and the team continues to identify attractive opportunities in growth markets. Maximising shareholder value remains the Company's priority. This will be done through actively managing the existing portfolio and continuing to find value in the market to support the Company's growth ambitions.

**Tony Smedley**  
**Head of Continental European Investment**  
**Schroder Real Estate Investment Management Limited**  
**24 May 2017**

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### 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 28 and 29 of the Company's published Annual Report and Accounts for the year ended 30 September 2016. These risks and uncertainties have not materially changed during the six months ended 31 March 2017 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 29 of the published Annual Report and Accounts for the year ended 30 September 2016, 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 2017.

### Directors' Responsibilities Statement

The Directors confirm that to the best of their knowledge:

- the condensed consolidated set of half year financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting*; 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**  
**24 May 2017**



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Condensed Consolidated Statement of Comprehensive Income

	Note	Six months to 31/03/2017 €000 (unaudited)	Six months to 31/03/2016 €000 (unaudited)	Year to 30/09/2016 €000 (audited)
Rental income		7,416	-	4,891
Property operating expenses		(2,011)	-	(969)
<b>Net rental and related income</b>		<b>5,405</b>	<b>-</b>	<b>3,922</b>
Net profit/(loss) from fair value adjustment on investment property	3	1,588	(650)	(4,537)
Realised loss on foreign exchange		(6)	(314)	(101)
Net change in fair value of financial instruments through profit or loss		158	-	(60)
<b>Expenses</b>				
Investment management fee		(962)	(540)	(1,402)
Valuers' and other professional fees		(418)	(125)	(425)
Administrators and accounting fee		(146)	(88)	(185)
Auditors' remuneration		(148)	(62)	(161)
Directors' fees		(64)	(67)	(129)
Other expenses		(155)	(27)	(122)
<b>Total expenses</b>		<b>(1,893)</b>	<b>(909)</b>	<b>(2,424)</b>
<b>Operating profit/(loss) before net finance costs</b>		<b>5,252</b>	<b>(1,873)</b>	<b>(3,200)</b>
Finance income		5	2	5
Finance costs		(471)	(2)	(157)
<b>Net finance costs</b>		<b>(466)</b>	<b>-</b>	<b>(152)</b>
<b>Profit/(loss) before income tax</b>		<b>4,786</b>	<b>(1,873)</b>	<b>(3,352)</b>
Income tax expense		(158)	(5)	(47)
<b>Profit/(loss) for the period</b>		<b>4,628</b>	<b>(1,878)</b>	<b>(3,399)</b>
<b>Other comprehensive profit/(loss) items that may be subsequently reclassified to profit or loss</b>				
Currency translation differences		35	(247)	(226)
<b>Total other comprehensive profit/(loss)</b>		<b>35</b>	<b>(247)</b>	<b>(226)</b>
<b>Total comprehensive income/(loss) for the period attributable to the equity holders</b>		<b>4,663</b>	<b>(2,125)</b>	<b>(3,625)</b>
<b>Total comprehensive profit/(loss) attributable to:</b>				
Owners of the parent		4,246	(2,125)	(2,742)
Non-controlling interests		417	-	(883)
		<b>4,663</b>	<b>(2,125)</b>	<b>(3,625)</b>



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<b>Basic and diluted profit/(loss) per share attributable to the equity holders during the period (expressed in € per share)</b>	<b>2</b>	<b>3.2c</b>	<b>(1.7c)</b>	<b>(2.9c)</b>
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All items in the above statement are derived from continuing operations. The accompanying notes 1 to 11 form an integral part of the condensed consolidated financial statements.

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Condensed Consolidated Statement of Financial Position

Assets	Notes	31/03/2017 €000 (unaudited)	30/09/2016 €000 (audited)	31/03/2016 €000 (unaudited)
<b>Non-current assets</b>		<b>199,881</b>	<b>165,365</b>	<b>65,650</b>
Investment property	3	199,881	165,365	65,650
<b>Current assets</b>		<b>46,878</b>	<b>61,053</b>	<b>98,805</b>
Trade and other receivables		3,542	2,377	7,351
Interest rate derivative contracts	4	359	200	-
Cash and cash equivalents		42,977	58,476	91,454
<b>Total assets</b>		<b>246,759</b>	<b>226,418</b>	<b>164,455</b>
<b>Equity</b>				
Share capital	5	15,751	13,994	15,298
Share premium		31,379	14,882	16,270
Retained earnings		(1,817)	(3,486)	(2,125)
Other reserves		130,597	132,370	129,948
<b>Issued capital and reserves attributable to owners</b>		<b>175,910</b>	<b>157,760</b>	<b>159,391</b>
Non-controlling interest		7,221	6,804	-
<b>Equity</b>		<b>183,131</b>	<b>164,564</b>	<b>159,391</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	6	58,707	58,724	-
Deferred tax		141	30	-
<b>Non-current liabilities</b>		<b>58,848</b>	<b>58,754</b>	<b>-</b>
<b>Current liabilities</b>				
Trade and other payables		4,729	3,084	5,059
Current income tax liabilities		51	16	5
<b>Current liabilities</b>		<b>4,780</b>	<b>3,100</b>	<b>5,064</b>
<b>Total liabilities</b>		<b>63,628</b>	<b>61,854</b>	<b>5,064</b>
<b>Total equity and liabilities</b>		<b>246,759</b>	<b>226,418</b>	<b>164,455</b>
Net Asset Value per ordinary share	7	136.9c	135.7c	131.5c

The condensed consolidated financial statements on pages 14-18 were approved at a meeting of the Board of Directors held on 24 May 2017 and signed on its behalf by:

*Sir Julian Berney Bt.*  
Chairman

The accompanying notes 1 to 11 form an integral part of the condensed consolidated financial statements.

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## Condensed Consolidated Statement of Changes in Equity

For the period from 1 October 2016 to 31 March 2017 (unaudited)

Group	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
<b>Balance as at 30 September 2016</b>		<b>13,994</b>	<b>14,882</b>	<b>(3,486)</b>	<b>132,370</b>	<b>157,760</b>	<b>6,804</b>	<b>164,564</b>
Total comprehensive income		-	-	4,211	35	<b>4,246</b>	417	<b>4,663</b>
Dividends paid	8	-	-	(2,542)	-	<b>(2,542)</b>	-	<b>(2,542)</b>
New equity issuance		1,390	15,288	-	(232)	<b>16,446</b>	-	<b>16,446</b>
Share premium reduction		-	-	-	-	-	-	-
Unrealised foreign exchange		367	1,209	-	(1,576)	-	-	-
Investment from non-controlling interest		-	-	-	-	-	-	-
<b>Balance as at 31 March 2017</b>		<b>15,751</b>	<b>31,379</b>	<b>(1,817)</b>	<b>130,597</b>	<b>175,910</b>	<b>7,221</b>	<b>183,131</b>

For the period from 1 October 2015 to 31 March 2016 (unaudited)

Group	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
<b>Balance as at 30 September 2015</b>		-	-	-	-	-	-	-
Loss for the period		-	-	(2,125)	-	<b>(2,125)</b>	-	<b>(2,125)</b>
Dividends paid		-	-	-	-	-	-	-
New equity issuance		16,576	149,874	-	(4,934)	<b>161,516</b>	-	<b>161,516</b>
Share premium reduction		-	(122,156)	-	122,156	-	-	-
Unrealised foreign exchange		(1,278)	(11,448)	-	12,726	-	-	-
Investment from non-controlling interest		-	-	-	-	-	-	-
<b>Balance as at 31 March 2016</b>		<b>15,298</b>	<b>16,270</b>	<b>(2,125)</b>	<b>129,948</b>	<b>159,391</b>	-	<b>159,391</b>

The accompanying notes 1 to 11 form an integral part of the condensed consolidated financial statements.

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Condensed Consolidated Statement of Cash Flows

	Note	Six months to 31/03/2017 €000 (unaudited)	Six months to 31/03/2016 €000 (unaudited)	Year to 30/09/2016 €000 (audited)
<b>Operating activities</b>				
Profit/(loss) before tax for the year		4,786	(1,873)	(3,352)
Adjustments for:				
Net valuation profit/(loss) on fair value adjustment in investment property	3	(1,588)	650	4,537
Realised foreign exchange losses		6	314	101
Finance income		(5)	-	(5)
Finance expense		471	-	157
Movement in fair value of derivative interest rate contracts		(158)	-	60
<b>Operating cash generated/(used) before changes in working capital</b>		<b>3,512</b>	<b>(909)</b>	<b>1,498</b>
Increase in trade and other receivables		(1,614)	(742)	(2,376)
Increase in trade and other payables		2,288	1,379	2,728
<b>Cash generated from/(used in) operations</b>		<b>4,186</b>	<b>(272)</b>	<b>1,850</b>
Interest rate cap purchased		-	-	(260)
Finance costs paid		(424)	(2)	(903)
Interest received		5	2	5
Tax paid		(12)	-	-
<b>Net cash generated/used in operating activities</b>		<b>3,755</b>	<b>(272)</b>	<b>692</b>
<b>Investing Activities</b>				
Acquisition of investment property		(33,185)	(62,736)	(169,647)
Payments in advance for investment property		-	(6,609)	-
<b>Net cash used in investing activities</b>		<b>(33,185)</b>	<b>(69,345)</b>	<b>(169,647)</b>
<b>Financing Activities</b>				
New bank loan advance		-	-	56,500
New loan advance – non-controlling interest		-	-	10,753
Loan repayment – non-controlling interest		-	-	(7,689)
New equity – non controlling interest		-	-	7,687
Share issue net proceeds		16,446	161,632	161,477
Dividends paid	8	(2,542)	-	(970)
<b>Net cash generated from financing activities</b>		<b>13,904</b>	<b>161,632</b>	<b>227,758</b>
<b>Net increase/(decrease) in cash and cash equivalents for the year</b>		<b>(15,526)</b>	<b>92,015</b>	<b>58,803</b>
<b>Opening cash and cash equivalents</b>		<b>58,476</b>	<b>-</b>	<b>-</b>
Foreign exchange losses		27	(561)	(327)
<b>Closing cash and cash equivalents</b>		<b>42,977</b>	<b>91,454</b>	<b>58,476</b>

The accompanying notes 1 to 11 form an integral part of the condensed consolidated financial statements

# Schroder European Real Estate Investment Trust plc

## Half Year Report and Consolidated Financial Statements for the six month period ended 31 March 2017

### Notes to the 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 2017 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 2016 were approved by the Board of Directors on 13 December 2016 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. 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 2016. 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 2016. The financial statements for the year ended 30 September 2016 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. 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 relate to the carrying value of investment properties, including those within joint ventures, which are stated at fair value. The Group uses external professional valuers to determine the relevant amounts.

# Schroder European Real Estate Investment Trust plc

## Half Year Report and Consolidated Financial Statements for the six month period ended 31 March 2017

### Notes to the financial statements (continued)

#### *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 2016 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. 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 €4,211,000 and the weighted average number of ordinary shares in issue during the period of 131,811,609.

#### *EPRA<sup>1</sup> earnings reconciliation*

	Six months to 31/03/2017 €000	Six months to 31/03/2016 €000	Year to 30/09/2016 €000
Profit/(loss) attributable to equity holders	4,211	(1,878)	(3,584)
<i>Adjustments to calculate EPRA Earnings exclude:</i>			
Net valuation gain/(loss) on investment property	(1,588)	650	4,537
Changes in fair value of financial instruments	(111)	-	60
Deferred tax	111	-	-
<b>EPRA profit/(loss)</b>	<b>2,623</b>	<b>(1,228)</b>	<b>1,013</b>
Weighted average number of ordinary shares	131,811,609	113,640,347	118,319,687
<b>IFRS earnings/(loss) per share (cents per share)</b>	<b>3.2</b>	<b>(1.7)</b>	<b>(2.9)</b>
<b>EPRA earnings/(loss) per share (cents per share)</b>	<b>2.0</b>	<b>(1.1)</b>	<b>0.9</b>

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

# Schroder European Real Estate Investment Trust plc

## Half Year Report and Consolidated Financial Statements for the six month period ended 31 March 2017

### Notes to the financial statements (continued)

#### Headline <sup>2</sup> Earnings reconciliation

	Six months to 31/03/2017 €000	Six months to 31/03/2016 €000	Year to 30/09/2016 €000
Profit/(loss) after tax	4,663	(1,878)	(3,625)
<b>Adjustments to calculate Headline Earnings exclude:</b>			
Net valuation loss on investment property	(1,588)	650	4,537
Adjustment for Minority Interests net revenue	(370)	-	(185)
Finance costs: interest rate cap	(158)	-	60
<b>Headline earnings</b>	<b>2,547</b>	<b>(1,228)</b>	<b>787</b>
Weighted average number of ordinary shares	131,811,609	113,640,347	118,319,687
<b>Headline and diluted headline earnings per share (cents per share)</b>	<b>1.9</b>	<b>(1.1)</b>	<b>(0.7)</b>

<sup>2</sup> Headline earnings per share reflect the underlying performance of the company calculated in accordance with the Johannesburg Stock Exchange listing requirements.

### 3. Investment property

	Leasehold €000	Freehold €000	Total €000
<b>Fair value as at 31 March 2016</b>	-	<b>65,650</b>	<b>65,650</b>
Additions	-	103,602	103,602
Net valuation gain/(loss) on investment property	-	(3,887)	(3,887)
<b>Fair value as at 30 September 2016</b>	-	<b>165,365</b>	<b>165,365</b>
Additions	-	32,928	32,928
Net valuation gain/( loss) on investment property	-	1,588	1,588
<b>Fair value as at 31 March 2017</b>	-	<b>199,881</b>	<b>199,881</b>

Fair value of investment properties, as determined by the valuer, totals €200,000,000 (30 September 2016: €165,500,000) 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 €19,000 (30 September 2016: €135,000).

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 – Professional Standards January 2014 Global and UK Edition, issued by the Royal Institution of Chartered Surveyors (the “Red Book”) including the International Valuation Standards.

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.

# Schroder European Real Estate Investment Trust plc

## Half Year Report and Consolidated Financial Statements for the six month period ended 31 March 2017

### Notes to the financial statements (continued)

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:

#### Quantitative information about fair value measurement using unobservable inputs (Level 3)

		Industrial	Retail (including retail warehouse)	Office	Other	Total
Fair value (€m)		-	€4.5m	€105.5m	-	€200m
Area ('000 sq m)		-	50.273	35.504	-	85.777
Net passing rent €psm per annum	Range Weighted average <sup>2</sup>	-	94.73 – 145.32 108.54	131.03 – 345.10 241.50	-	94.73 – 345.10 178.68
Gross ERV psm per annum	Range Weighted average <sup>2</sup>	-	96.45 – 157.80 112.66	126.12 – 413.10 267.84	-	96.45 – 413.10 194.51
Net initial yield <sup>1</sup>	Range Weighted average <sup>2</sup>	-	4.62 – 5.72 5.25	4.68 – 9.08 6.50	-	4.62 – 9.08 5.91
Equivalent yield	Range Weighted average <sup>2</sup>	-	4.60 – 5.93 5.27	4.56 – 7.50 5.58	-	4.56 – 7.50 5.43

Notes:  
<sup>1</sup> Yields based on rents receivable after deduction of head rents and non-recoverables  
<sup>2</sup> Weighted by Market Value

#### 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 2017	Industrial €	Retail €	Office €	Other €	Total €
Increase in ERV by 5%	-	+€2,875,000	+€4,700,000	-	+€7,575,000
Decrease in ERV by 5%	-	-€3,000,000	-€4,700,000	-	-€7,700,000
Increase in net initial yield by 0.25%	-	-€4,350,000	-€5,350,000	-	-€9,700,000
Decrease in net initial yield by 0.25%	-	+€4,700,000	+€5,850,000	-	+€10,550,000

#### 4. 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



# Schroder European Real Estate Investment Trust plc

## Half Year Report and Consolidated Financial Statements for the six month period ended 31 March 2017

### Notes to the financial statements (continued)

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 2017 the fair value of the interest rate cap was €359,000 reflecting an increase in the interest rate curve since the interest rate cap was purchased. Transaction costs incurred in obtaining the instrument are being amortised over the extended period of the above mentioned loan.

### 5. Issued capital and reserves

#### Share capital

The share capital of the Company is represented by 133,734,686 Ordinary Shares with a par value of 10.00 pence.

#### Issued and fully paid share capital

As at 1 October 2016 the Company had 121,234,686 ordinary shares in issue.

On 28 October 2016 a further 12,500,000 shares were allotted under the placing programme at a price of £1.20 per share. Issue costs in relation to this placing were €32,000.

As at the date of this Report, the Company has 133,734,686 ordinary shares in issue (no shares are held in Treasury). The total number of voting rights of the Company is 133,734,686.

### 6. Interest-bearing loans and borrowings

	Six months to 31/03/2017 €000	Year ended 30/09/2016 €000
<b>Brought forward</b>	<b>58,724</b>	-
Receipt of borrowings	-	<b>67,523</b>
Repayment of borrowings	-	<b>(7,689)</b>
Capitalisation of finance costs	<b>(81)</b>	<b>(861)</b>
Amortisation of finance costs	<b>64</b>	<b>21</b>
<b>Carried forward</b>	<b>58,707</b>	<b>58,724</b>

#### *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 €7,700,000. 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%.

# Schroder European Real Estate Investment Trust plc

## Half Year Report and Consolidated Financial Statements for the six month period ended 31 March 2017

### Notes to the financial statements (continued)

The loan is collateralised by property assets owned by the Group with a carrying value of €57,800,000.

#### *Business Partner Loan – Mercialys*

On 28 June 2016 the Group entered into a €10.75 million loan facility with Mercialys, 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 2017 of €3.06 million.

### 7. NAV per ordinary share

The NAV per ordinary share is based on the net assets of €183,131,000 (30 September 2016: €164,564,000, 31 March 2016: €159,391,000) and 133,734,686 ordinary shares in issue at the Statement of Financial Position reporting date (30 September 2016: 121,234,686, 31 March 2016: 121,234,686).

### 8. Dividends paid

<b>In respect of the six months ended 31 March 2017</b>	<b>Number of ordinary shares</b>	<b>Rate (cents)</b>	<b>31/03/2017 €000</b>
Second interim dividend for the year ended 30 September 2016, dividend paid 27 January 2017	133,734,686	0.9	<b>1,205</b>
First interim dividend for the year ended 30 September 2017, dividend paid 17 March 2017	133,734,686	1.0	<b>1,337</b>
<b>Total</b>		<b>1.9</b>	<b>2,542</b>

<b>In respect of the year ended 30 September 2016</b>	<b>Number of ordinary shares</b>	<b>Rate (cents)</b>	<b>30/09/2016 €000</b>
First interim dividend for the year ended 30 September 2016, dividend paid 7 September 2016	121,234,686	0.8	<b>970</b>
<b>Total</b>		<b>0.8</b>	<b>970</b>

### 9. Related party transactions

Schroder Real Estate Investment Management Limited is the Company'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 €62,000 (six months ended 31 March 2016: €54,000, year ended 30 September 2016: €1,402,000). At the period end €480,000 was outstanding (six months ended 31 March 2016: €540,000, year ended 30 September 2016: €438,000).

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 2017 was €64,000 (six months ended 31 March 2016: €67,000, year ended 30 September 2016: €129,000) equivalent to £54,055.

# Schroder European Real Estate Investment Trust plc

## Half Year Report and Consolidated Financial Statements for the six month period ended 31 March 2017

### Notes to the financial statements (continued)

#### 10. Capital commitments

At 31 March 2017 the Group had no capital commitments (30 September 2016: £Nil).

#### 11. Post balance sheet events

##### Acquisition of Investment Property

In May 2017 the Group exchanged and completed on a purchase of a fifty per cent share of a shopping centre in Seville, Spain.

The transaction was structured as a JV with another Schroder-advised Fund, Immobilien Europa Direkt, with the Group paying approximately €26.2 million for its fifty per cent share excluding costs.

This acquisition was part funded by a new loan facility secured against the asset. The Group's share of this debt is €1.68m representing a loan to value of approximately 45%. The respective loan term is 7 years and the interest rate is fixed at 1.76% per annum.

Schroder European Real Estate Investment Trust plc  
Half Year Report and Consolidated Financial Statements for the six  
month period ended 31 March 2017

## ***Independent review report to Schroder European Real Estate Investment Trust plc***

### **Report on the consolidated financial statements**

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#### **Our conclusion**

We have reviewed Schroder European Real Estate Investment Trust plc's consolidated financial statements (the "interim financial statements") in the interim report and consolidated financial statements of Schroder European Real Estate Investment Trust plc for the 6 month period ended 31 March 2017. 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.

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#### **What we have reviewed**

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 31 March 2017;
- the Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Interim Statement of Cash Flows for the period then ended;
- the Consolidated 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 interim report and consolidated 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.

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### **Responsibilities for the interim financial statements and the review**

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#### **Our responsibilities and those of the directors**

The interim report and consolidated 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 interim report and consolidated 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 interim report and consolidated 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.

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#### **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 Ireland) 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.

# Schroder European Real Estate Investment Trust plc

## Half Year Report and Consolidated Financial Statements for the six month period ended 31 March 2017

We have read the other information contained in the interim report and consolidated 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  
24 May 2017

- a) The maintenance and integrity of the Schroder European Real Estate Investment Trust plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Schroder European Real Estate Investment Trust plc

## Half Year Report and Consolidated Financial Statements for the six month period ended 31 March 2017

### *Directors*

Sir Julian Berney Bt.  
Jonathan Thompson  
Mark Patterson

### *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

### *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](http://www.schroders.co.uk/its).

### *Joint Sponsor and Brokers*

#### **London:**

**Numis Securities Limited**

10 Paternoster Square  
London, EC4M 7LT

#### **South Africa:**

**PSG Corporate Services (Pty) Limited**

1<sup>st</sup> 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](http://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.

#### *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

Schroder European Real Estate Investment Trust plc  
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