

APPENDIX 4D

Half Year Report for the period ended 31 December 2018

Name of Entity: Charter Hall Long WALE REIT ("REIT") comprising of the two Australian registered schemes listed below (collectively referred to as the "Stapled Trusts"):

- Charter Hall Direct Industrial Fund ("DIF") and its controlled entities (ARSN 144 613 641); and
- LWR Finance Trust ("Finance Trust") and its controlled entity (ARSN 614 713 138).

Results for announcement to the market

	6 months to 31 December 2018 \$m	6 months to 31 December 2017 \$m	Variance (%)
Revenue from ordinary activities ¹	35.5	32.2	10%
Profit from ordinary activities after tax attributable to members	26.3	45.9	(43%)
Operating earnings ²	31.1	27.3	14%

¹ Gross revenue does not include share of net profits of joint ventures of \$31.0 million (2017: \$24.4 million).

² Operating earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items. Operating earnings also aligns to the Funds from Operations (FFO) as defined by the Property Council of Australia. The inclusion of operating earnings as a measure of the REIT's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare. A reconciliation of the REIT's statutory profit to operating earnings is provided in Note A1 of the consolidated interim financial statements.

	6 months to 31 December 2018 cents per stapled security	6 months to 31 December 2017 cents per stapled security	Variance (%)
Basic earnings per stapled security	10.94	21.88	(50%)
Operating earnings per stapled security	12.94	13.01	(1%)

Distributions	Amount per stapled security, cents per stapled security
<i>Current period:</i>	
Distributions made by:	
- DIF	12.90
- Other Stapled Trusts	-
	12.90
<i>Previous corresponding period:</i>	
Distributions made by:	
- DIF	10.00
- Other Stapled Trusts	3.00
	13.00
Record date for determining entitlements to the distribution	31 December 2018

Results for announcement to the market (continued)

The REIT recorded a statutory profit of \$26.3 million for the period ended 31 December 2018 (31 December 2017: \$45.9 million).

Operating earnings amounted to \$31.1 million for the period ended 31 December 2018 (31 December 2017: \$27.3 million).

The REIT's statutory accounting profit of \$26.3 million includes a number of unrealised, non-cash and capital items:

- \$12.5 million of net fair value gain on investment properties;
- \$2.4 million of straightlining of rental income, amortisation of lease fees and incentives;
- \$0.1 million of net fair value gain on financial assets;
- (\$15.7) million of acquisition and disposal related costs;
- (\$2.9) million of net loss from derivative financial instruments; and
- (\$1.2) million of income support

Refer to the attached consolidated balance sheet, consolidated statement of comprehensive income and consolidated cash flow statement for further detail.

Details of Distributions

Refer attached interim financial report (Directors' Report and Note A2: Distributions and earnings per security).

Net Tangible Assets

	31 December 2018	30 June 2018
Net tangible asset backing per stapled security ¹	4.01	4.05

¹ Under the listing rules NTA Backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e., all liabilities, preference shares, outside equity interest, etc.)

Control gained or lost over entities during the period

During the period, the REIT established control over the following wholly owned subsidiaries of DIF: LWR Tank Street Trust, LWR Club Hotel Waterford Trust, LWR George St Trust, LWR Optima Centre Trust, Charter Hall Chester Hill Trust and LWR AL Holding Trust and WPC Subtrust No.1.

Details of Associates and Joint Venture entities

Refer attached interim financial report (Note B2: Investments in joint venture entities).

Other significant information

For additional information regarding the results of the REIT for the half year ended 31 December 2018 please refer to the Half Year Results – ASX Media Announcement and the Half Year Results Presentation for the six months to 31 December 2018 lodged with the ASX. Attached with this Appendix 4D is a copy of the interim financial report for the half year ended 31 December 2018.

Audit

This report is based on accounts to which one of the following applies.

<input type="checkbox"/>	The accounts have been audited (refer attached financial statements).	<input checked="" type="checkbox"/>	The accounts have been subject to review (refer attached financial statements).
<input type="checkbox"/>	The accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The accounts have not yet been audited or reviewed.

Charter Hall Long WALE REIT

ARSN 144 613 641

Interim financial report and other information
For the period ended 31 December 2018



Important Notice

The Charter Hall Long WALE REIT (REIT or CLW) consists of the securities of the two Australian registered schemes listed below (collectively referred to as the “Stapled Trusts”):

- Charter Hall Direct Industrial Fund (“DIF”) and its controlled entities (ARSN 144 613 641); and
- LWR Finance Trust (“Finance Trust”) and its controlled entity (ARSN 614 713 138).

Charter Hall WALE Limited ABN 20 610 772 202; AFSL 486721 (CHWALE) is the Responsible Entity of the Stapled Trusts and is a controlled entity of Charter Hall Limited ABN 57 113 531 150 (Charter Hall).

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information; however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of CHWALE. Actual results may vary from forecasts and any variation may be materially positive or negative.

This report has been prepared for general information purposes only and is not an offer or invitation for subscription or purchase of, or recommendation of, securities. It does not take into account the investment objectives, financial situation or needs of any investor. Before investing, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

CHWALE does not receive fees in respect of the general financial product advice it may provide; however, it will receive fees for operating the REIT which, in accordance with the REIT's constitutions, are calculated by reference to the value of the assets. Controlled entities of Charter Hall may also receive fees for managing the assets of, and providing resources to, the REIT. Charter Hall and its related entities, together with their officers and directors, may hold securities in the REIT from time to time.

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Directors' Report

The Directors of Charter Hall WALE Limited (CHWALE) present the consolidated interim financial report of Charter Hall Direct Industrial Fund (DIF) and LWR Finance Trust (Finance Trust) and their respective controlled entities (together Charter Hall Long WALE REIT, REIT or CLW) for the period ended 31 December 2018.

The units of DIF and Finance Trust are 'stapled' and collectively referred to as the "Stapled Trusts". A stapled security comprises of one unit in each of the Stapled Trusts. The stapled securities cannot be traded or dealt with separately.

CHWALE is the Responsible Entity of the Stapled Trusts and is a controlled entity of Charter Hall Limited.

Principal activities

The principal activity of the REIT during the period was property investment. There were no significant changes in the nature of the REIT's activities during the period.

Directors

The following persons have held office as directors of the Responsible Entity during the period and up to the date of this report:

- Peeyush Gupta AM - Chairman and Non-Executive Director
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer / Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

Distributions

Distributions paid or declared during the period are as follows:

	Number of securities on issue	31 Dec 2018 Cents per security	\$'m	Number of securities on issue	31 Dec 2017 Cents per security	\$'m
Ordinary unitholders of DIF						
30 September	232,300,142	6.40	14.9	208,673,257	5.00	10.5
31 December ¹	280,706,919	6.50	18.2	232,300,142	5.00	11.6
Sub-total		12.90	33.1		10.00	22.1
Ordinary unitholders of Stapled Trusts other than DIF						
30 September	232,300,142	-	-	208,673,257	1.50	3.1
31 December ¹	280,706,919	-	-	232,300,142	1.50	3.5
Sub-total		-	-		3.00	6.6
Total distributions		12.90	33.1		13.00	28.7

¹ Includes \$2.0m paid on stapled securities issued at cum-price under Entitlement Offer (31 December 2017: \$1.4m).

Distribution Reinvestment Plan (DRP)

The REIT has established a Distribution Reinvestment Plan (DRP) under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issues of new securities rather than being paid in cash.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all securities traded on the ASX during the 10 business days commencing on the third business day following the distribution record date. The DRP was activated for the December 2018 distribution payable in February 2019.

Review and results of operations

The REIT recorded a statutory profit of \$26.3 million for the period ended 31 December 2018 (31 December 2017: \$45.9 million). Operating earnings amounted to \$31.1 million or 12.9 cents per stapled security for the period ended 31 December 2018 (31 December 2017: \$27.3 million or 13.0 cents per security) and a distribution of \$33.1m or 12.9 cents per stapled security was declared for the same period (31 December 2017: \$28.7 million or 13.0 cents per security).

Prior period results comprise those of CHPT Dandenong Trust (CHPT DT), CPOF Kogarah Holding Trust (CPOF KHT), 218 Bannister Road Trust (218 BRT) and Canning Vale Logistics Trust No.1 (CVLT1) for the period from 1 July 2017 to 22 September 2017, when these entities were de-stapled and acquired by DIF.

Directors' Report (continued)

The table below sets out income and expenses that comprise operating earnings on a proportionate consolidation basis:

	6 months to 31 Dec 2018	6 months to 31 Dec 2017
	\$'m	\$'m
Net property income	48.1	42.9
Interest income	0.1	0.1
Fund management fees	(3.3)	(3.2)
Finance costs	(12.5)	(11.3)
Administration and other expenses	(1.3)	(1.2)
Operating earnings	31.1	27.3

* Further detail on Operating Earnings is contained in Note A1.

Operating earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items. Operating earnings also aligns to the Funds from Operations (FFO) as defined by the Property Council of Australia.

The inclusion of operating earnings as a measure of the REIT's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Reconciliation of operating earnings to statutory profit is set out below:

	6 months to 31 Dec 2018	6 months to 31 Dec 2017
	\$'m	\$'m
Operating earnings	31.1	27.3
Net fair value movements on investment properties ¹	12.5	16.6
Net fair value movements on derivative financial instruments ¹	(2.9)	0.1
Net fair value movements on investments at fair value through profit or loss	0.1	0.2
Straightlining of rental income, amortisation of lease fees and incentives ¹	2.4	1.7
Acquisition and disposal related costs	(15.7)	-
Income support	(1.2)	-
Statutory profit for the period	26.3	45.9
Basic weighted average number of stapled securities (millions)²	240.4	209.8
Basic earnings per stapled security (cents)	10.94	21.88
Operating earnings per stapled security (cents)	12.94	13.01

¹ Includes the REIT's proportionate share of non-operating items of equity accounted investments on a look through basis.

² Takes into account equity raised during the period.

Property valuation gains

Valuation gains totalling \$30.7 million were recorded during the period (31 December 2017: \$21.0 million). These gains were partially offset by revaluation decrements attributable to acquisition costs \$15.8 million (31 December 2017: \$2.7 million) and straightlining of rental income, amortisation of lease fees and incentives \$2.4 million (31 December 2017: \$1.7 million).

Directors' Report (continued)

The financial results are summarised as follows:

	6 months to 31 December 2018	6 months to 31 Dec 2017
Revenue (\$ millions)	35.5	32.2
Statutory profit for the period (\$ millions)	26.3	45.9
Basic earnings per stapled security (cents)	10.94	21.88
Operating earnings (\$ millions)	31.1	27.3
Operating earnings per stapled security (cents)	12.94	13.01
Distributions (\$ millions) ¹	33.1	28.7
Distributions per stapled security (cents)	12.90	13.00

¹ Includes \$2.0m paid on stapled securities issued at cum-price under Entitlement Offer (31 December 2017: \$1.4m).

	31 December 2018	30 June 2018
Total assets (\$ millions)	1,706.5	1,395.0
Total liabilities (\$ millions)	581.1	454.6
Net assets attributable to securityholders (\$ millions)	1,125.4	940.4
Stapled securities on issue (millions)	280.7	232.3
Net assets per stapled security (\$)	4.01	4.05
Balance sheet gearing - total debt (net of cash) to total assets (net of cash)	31.5%	30.6%
Look through gearing - total debt (net of cash) to total assets (net of cash)	37.3%	37.2%

Significant changes in the state of affairs

Simplification of REIT's structure

On 22 August 2018, DIF acquired all of the securities of Franklin Street Property Trust (FSPT) from Securityholders for \$232.4 million which represents the relative net tangible asset value of FSPT, in exchange for additional securities in DIF. As part of simplification, equity attributable to the securityholders of FSPT has been reduced by \$232.4 million. Immediately thereafter, the DIF securities were consolidated to preserve the one to one stapling ratio. The stapled securities of the REIT traded on a deferred settlement basis from 20 to 23 August 2018 in connection with this transaction. Following simplification, the REIT now comprises two Stapled Trusts (DIF and Finance Trust).

Equity raising

During October and November 2018, the REIT raised \$70.9 million of equity, issuing 17.6 million stapled securities at \$4.04 per stapled security to both institutional and retail investors. The proceeds were used to partially fund the acquisition of 85 George Street in Brisbane, QLD, National Archives in Chester Hill, NSW and the Optima Centre in Perth, WA as well as associated transaction and capital raising costs.

In December 2018, the REIT raised \$124.9 million of equity, issuing 30.8 million stapled securities at \$4.05 per stapled security to both institutional and retail investors. The proceeds were used to partially fund the acquisition of the Ingham's Portfolio consisting of 27 agri-logistics properties and associated transaction and capital raising costs.

Acquisitions

During the period the REIT acquired the following assets:

	Acquisition date	Acquisition price \$'m
40 Tank Street, Brisbane (50% interest)	20/08/2018	46.5
LWIP units*	4/09/2018	20.9
Coles, Waterford QLD	10/09/2018	22.0
85 George Street, Brisbane QLD (50% interest)	19/10/2018	30.0
National Archives, Chester Hill NSW	23/10/2018	54.1
Optima Centre, Perth WA (50% interest)	26/10/2018	62.6
Ingham's Portfolio (National)	28/12/2018	207.0
		443.1

* 4.9% LWIP units acquired from a related party, increasing the REIT's ownership interest to 49.9%.

Directors' Report (continued)

Disposals

During the period the REIT disposed of the following assets:

	Disposal date	Acquisition price \$'m
ATO, Adelaide SA (50% interest)*	13/08/2018	135.0
Grace, Willawong QLD	16/08/2018	38.7
		173.7

* The REIT also disposed of 50% of its entitlement to the related income support fund (\$7.7m). Refer to Note B3.

Debt arrangements

During the period, the REIT entered into a new unsecured \$100 million debt facility maturing in August 2023 and increased its existing syndicated debt facility limit by \$10 million to \$480 million.

There were no other significant changes in the state of affairs of the REIT that occurred during the period under review.

Matters subsequent to the end of the financial period

On 11 February 2019, the REIT entered into an agreement with Ingham's to extend the lease term of a number of properties in the portfolio recently acquired by the REIT and to provide a related \$8 million incentive. Properties representing 62% of the Ingham's portfolio income were subject to lease extensions, resulting in the Ingham's portfolio WALE increasing from 15.8 years to approximately 24.6 years.

The directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in this report or the financial report that has significantly affected or may significantly affect the operations of the REIT, the results of its operations or the state of affairs of the REIT in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Rounding of Amounts to the Nearest Hundred Thousand Dollars

As permitted by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors' report and consolidated financial statements, amounts in the Directors' report and consolidated financial statements have been rounded to the nearest hundred thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Board of Directors of Charter Hall WALE Limited.



Peeyush Gupta AM
Chairman

Sydney
11 February 2019



Auditor's Independence Declaration

As lead auditor for the review of Charter Hall Long WALE REIT for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Charter Hall Long WALE REIT (the consolidated stapled entity). The consolidated stapled entity comprises Charter Hall Direct Industrial Fund and the LWR Finance Trust and the entities they controlled during the period.

A handwritten signature in black ink, appearing to read 'J A Dunning', with a large, stylized loop at the end.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
11 February 2019

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Consolidated statement of comprehensive income

For the period ended 31 December 2018

		6 months to 31 Dec 2018	6 months to 31 Dec 2017
	Notes	\$'m	\$'m
Revenue			
Property rental income	A1	35.4	32.1
Interest income	A1	0.1	0.1
Total revenue		35.5	32.2
Other income			
Share of equity accounted profit		31.0	24.4
Net fair value gain on financial assets	B3	0.1	0.2
Net fair value gain on investment properties	B1	-	5.4
Net gain from derivative financial instruments		-	0.2
Total other income		31.1	30.2
Total revenue and other income		66.6	62.4
Expenses			
Property expenses		(5.7)	(4.3)
Fund management fees		(3.3)	(3.2)
Finance costs		(8.6)	(7.8)
Acquisition and disposal related costs		(15.7)	-
Administration and other expenses		(1.2)	(1.2)
Net fair value loss on investment properties	B1	(3.2)	-
Net loss from derivative financial instruments		(2.6)	-
Total expenses		(40.3)	(16.5)
Net profit for the period		26.3	45.9
Other comprehensive income		-	-
Total comprehensive income		26.3	45.9
Net profit and total comprehensive income attributable to:			
DIF		27.7	36.2
Stapled Trusts other than DIF		(1.4)	9.7
		26.3	45.9
Basic and diluted earnings per ordinary securityholder of the REIT			
Earnings per stapled security (cents)	A2	10.94	21.88
Earnings per unit of DIF (cents)	A2	12.48	25.77

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 31 December 2018

		31 Dec 2018	30 Jun 2018
	Notes	\$'m	\$'m
Assets			
Current assets			
Cash and cash equivalents		5.5	5.5
Receivables		8.4	4.7
Other assets		2.5	0.6
Investment property held for sale	B1	-	38.7
Total current assets		16.4	49.5
Non-current assets			
Investment properties	B1	1,165.4	855.6
Investments accounted for using the equity method	B2	517.3	474.1
Investment in financial assets at fair value	B3	7.4	15.7
Derivative financial instruments	C2	-	0.1
Total non-current assets		1,690.1	1,345.5
Total assets		1,706.5	1,395.0
Liabilities			
Current liabilities			
Payables		15.9	5.8
Distribution payable	A2	18.2	15.8
Other liabilities		3.7	2.7
Total current liabilities		37.8	24.3
Non-current liabilities			
Borrowings	C1	538.6	428.1
Derivative financial instruments	C2	4.7	2.2
Total non-current liabilities		543.3	430.3
Total liabilities		581.1	454.6
Net assets		1,125.4	940.4
Equity			
<i>Equity holders of DIF</i>			
Contributed equity	C3	1,085.7	661.5
Retained profits		43.3	48.7
Parent entity interest		1,129.0	710.2
<i>Equity holders of Stapled Trusts other than DIF</i>			
Contributed equity	C3	1.9	174.1
(Accumulated losses)/Retained profits		(5.5)	56.1
Equity holders of Stapled Trusts other than DIF		(3.6)	230.2
Total equity		1,125.4	940.4

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the period ended 31 December 2018

	Notes	Attributable to unitholders of DIF		Total \$'m
		Contributed equity \$'m	Retained profits \$'m	
Balance at 1 July 2017		434.8	24.4	459.2
Total comprehensive income		-	36.2	36.2
DIF's acquisition of CVL1T, 218BRT, CHPT DT and CPOF KHT	C3	153.2	-	153.2
Contributions of equity, net of issue costs	C3	73.4	-	73.4
Distributions provided for or paid	A2	-	(22.1)	(22.1)
Balance at 31 December 2017		661.4	38.5	699.9
Balance at 1 July 2018		661.5	48.7	710.2
Total comprehensive income		-	27.7	27.7
DIF's acquisition of FSPT	C3	232.4	-	232.4
Contributions of equity, net of issue costs	C3	191.8	-	191.8
Distributions provided for or paid	A2	-	(33.1)	(33.1)
Balance at 31 December 2018		1,085.7	43.3	1,129.0

	Notes	Attributable to unitholders of Stapled Trusts other than DIF		Total \$'m
		Contributed equity \$'m	(Accumulated losses)/ Retained profit \$'m	
Balance at 1 July 2017		261.5	96.7	358.2
Total comprehensive income		-	9.7	9.7
DIF's acquisition of CVL1T, 218BRT, CHPT DT and CPOF KHT		(113.4)	(39.8)	(153.2)
Contributions of equity, net of issue costs		26.0	-	26.0
Distributions provided for or paid		-	(6.6)	(6.6)
Balance at 31 December 2017		174.1	60.0	234.1
Balance at 1 July 2018		174.1	56.1	230.2
Total comprehensive income		-	(1.4)	(1.4)
DIF's acquisition of FSPT		(172.2)	(60.2)	(232.4)
Balance at 31 December 2018		1.9	(5.5)	(3.6)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cash flow statement

For the period ended 31 December 2018

	Notes	6 months to 31 Dec 2018 \$'m	6 months to 31 Dec 2017 \$'m
Cash flows from operating activities			
Property rental income received		34.8	34.7
Property expenses paid		(9.6)	(6.3)
Distributions received from investment in joint venture entities		14.8	12.9
Interest received		0.1	0.1
Finance costs paid		(8.3)	(7.4)
Fund management fees paid		(3.5)	(3.4)
Administration and other expenses paid		(1.8)	(1.5)
Net GST paid with respect to operating activities		(2.7)	(2.2)
Net cash flows from operating activities		23.8	26.9
Cash flows from investing activities			
Payments for investment properties		(447.6)	(26.5)
Receipts from sale of investment property		173.7	-
Payments for investments in joint venture entities		(29.0)	(6.5)
Receipt from disposal of income support fund		7.7	-
Drawn from income support fund		0.7	-
Acquisition and disposal related costs		(0.7)	-
Net cash flows from investing activities		(295.2)	(33.0)
Cash flows from financing activities			
Proceeds from issue of units, net of equity raising costs		192.2	92.1
Distributions paid to unitholders		(30.7)	(19.3)
Proceeds from borrowings (net of borrowing costs)		475.4	25.2
Repayment of borrowings		(365.5)	-
Net cash flows from financing activities		271.4	98.0
Net increase in cash and cash equivalents		-	91.9
Cash and cash equivalents at the beginning of the period		5.5	2.9
Cash and cash equivalents at the end of the period		5.5	94.8

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

About this report

The notes to these consolidated financial statements include additional information which is required to understand the operations, performance and financial position of the REIT. They are organised in four key sections:

- A. REIT performance** – provides key metrics used to define financial performance.
- B. Property portfolio assets** – explains the investment property portfolio structure.
- C. Capital structure** – details how the REIT manages its exposure to capital and financial risks.
- D. Further information** – provides additional disclosures relevant in understanding the REIT's financial statements.

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A. REIT performance

This section provides additional information on the key financial metrics used to define the results and performance of the REIT, including: operating earnings by segment, distributions and earnings per stapled security.

Operating earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items. Operating earnings also aligns to the Funds from Operations (FFO) as defined by the Property Council of Australia.

The inclusion of operating earnings as a measure of the REIT's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

A1. Segment information

(a) Description of segments

The Directors of the Responsible Entity have determined the operating segments based on the reports reviewed by the chief operating decision maker, being the Board of the Responsible Entity. The REIT has one operating segment being its Australian operations.

(b) Segment information provided to the Board

The operating earnings reported to the Board for the period ended 31 December 2018 are as follows:

	6 months to 31 Dec 2018 \$'m	6 months to 31 Dec 2017 \$'m
Property lease revenue	34.4	31.2
Services income - outgoings recovered	1.0	0.9
Property rental income	35.4	32.1
Income support	1.2	-
Non-cash adjustments	(1.9)	(1.7)
Property expenses	(5.7)	(4.3)
Net property income from wholly owned properties (NPI)	29.0	26.2
Share of operating earnings from investments accounted for using the equity method	15.1	13.2
Interest income	0.1	0.1
Fund management fees	(3.3)	(3.2)
Finance costs	(8.6)	(7.8)
Administration and other expenses	(1.2)	(1.2)
Operating earnings	31.1	27.3
Weighted average number of stapled securities	240.4	209.8
Operating earnings per stapled security (cents)	12.94	13.01

The operating earnings on a proportionate consolidation basis are set out below:

	6 months to 31 Dec 2018 \$'m	6 months to 31 Dec 2017 \$'m
Net property income	48.1	42.9
Interest income	0.1	0.1
Fund management fees	(3.3)	(3.2)
Finance costs	(12.5)	(11.3)
Administration and other expenses	(1.3)	(1.2)
Operating earnings	31.1	27.3

A. REIT performance (continued)

Reconciliation between operating earnings to statutory profit is set out below:

	6 months to 31 Dec 2018 \$'m	6 months to 31 Dec 2017 \$'m
Operating earnings	31.1	27.3
Net fair value movements on investment properties ¹	12.5	16.6
Net fair value movements on derivative financial instruments ¹	(2.9)	0.1
Net fair value movements on investments at fair value through profit or loss	0.1	0.2
Straightlining of rental income, amortisation of lease fees and incentives ¹	2.4	1.7
Acquisition and disposal related costs	(15.7)	-
Income support	(1.2)	-
Statutory profit for the period	26.3	45.9

¹ Includes the REIT's proportionate share of non-operating items of equity accounted investments on a look through basis.

A2. Distributions and earnings per security

(a) Distributions paid and payable

	Number of securities on issue	31 Dec 2018 Cents per security	\$'m	Number of securities on issue	31 Dec 2017 Cents per security	\$'m
Ordinary unitholders of DIF						
30 September	232,300,142	6.40	14.9	208,673,257	5.00	10.5
31 December ¹	280,706,919	6.50	18.2	232,300,142	5.00	11.6
Sub-total		12.90	33.1		10.00	22.1
Ordinary unitholders of Stapled Trusts other than DIF						
30 September	232,300,142	-	-	208,673,257	1.50	3.1
31 December ¹	280,706,919	-	-	232,300,142	1.50	3.5
Sub-total		-	-		3.00	6.6
Total distributions		12.90	33.1		13.00	28.7

¹ Includes \$2.0m paid on stapled securities issued at cum-price under Entitlement Offer (31 December 2017: \$1.4m).

Pursuant to the REIT's constitutions, the amount distributed to securityholders is at the discretion of the Responsible Entity. The Responsible Entity uses operating earnings as a guide to assessing an appropriate distribution to declare.

(b) Earnings per stapled security

	6 months to 31 Dec 2018	6 months to 31 Dec 2017
Basic and diluted earnings		
Earnings per stapled security (cents)	10.94	21.88
Operating earnings per stapled security (cents)	12.94	13.01
Earnings per DIF (cents) [^]	12.48	25.77
Earnings used in the calculation of basic and diluted earnings per security		
Net profit of the REIT for the period (\$ millions)	26.3	45.9
Net profit of DIF for the period (\$ millions)	27.7	36.2
Operating earnings of the REIT for the period (\$ millions)	31.1	27.3
Weighted average number of stapled securities used in the calculation of basic and diluted earnings per security (millions)	240.4	209.8

[^] Takes into account conversion of each security issued by DIF into approximately 0.75 securities on 22 August 2018 and the conversion of each security issued by DIF into approximately 0.75 securities on 22 September 2017.

Basic and diluted earnings per unit is determined by dividing statutory profit attributable to the stapled securityholders by the weighted average number of stapled securities on issue during the period.

Operating earnings per stapled security is determined by dividing operating earnings attributable to the stapled securityholders by the weighted average number of stapled securities on issue during the period.

B. Property portfolio assets

The REIT's property portfolio assets comprise directly held investment properties, indirectly held interests in investment property held through joint ventures and an investment in financial assets at fair value. Investment properties comprise investment interests in land and buildings held for long term rental yields, including properties that are under development for future use as investment properties.

The following table summarises the property portfolio assets detailed in this section.

	Note	31 Dec 2018 \$'m	30 Jun 2018 \$'m
Assets held for sale	B1	-	38.7
Investment properties	B1	1,165.4	855.6
Investments in joint ventures	B2	517.3	474.1
Investment in financial asset at fair value	B3	7.4	15.7
Total property portfolio assets		1,690.1	1,384.1

B1. Investment properties

Reconciliation of the carrying amount of investment properties at the beginning and end of period

	Notes	6 months to 31 Dec 2018 \$'m	Year to 30 Jun 2018 \$'m
Carrying amount at the beginning of the period		855.6	760.4
Additions		431.0	120.8
Acquisition and disposal costs incurred		15.1	3.3
Disposals		(135.0)	-
Revaluation increment		13.8	13.1
Straightlining of rental income and amortisation of incentives and leasing fees		1.9	3.6
Revaluation decrement attributable to acquisition costs, straightlining of rental income and amortisation of incentives and leasing fees		(17.0)	(6.9)
Transfer of assets classified as held for sale		-	(38.7)
Carrying amount at the end of the period		1,165.4	855.6

B2. Investment in joint venture entities

The REIT has investments in joint venture entities. The REIT exercises joint control over the joint venture entities, but neither the REIT nor its joint venture partners have control in their own right, irrespective of their ownership interest. The principal activity of all joint venture entities during the period was investment into Australian properties.

Information relating to the joint venture entities are detailed below:

Name of entity	Properties	31 Dec 2018 Ownership %	30 Jun 2018 Ownership %	31 Dec 2018 \$'m	30 Jun 2018 \$'m
Perth RDC Trust	Coles, Perth WA	49.9%	49.9%	123.2	123.1
LWIP	ALH, National Portfolio	49.9%	45.0%	230.1	189.2
CH DC Fund	Woolworths, Dandenong VIC	26.0%	26.0%	58.2	58.0
Kogarah Trust	Westpac, Kogarah NSW	50.1%	50.1%	105.8	103.8
				517.3	474.1

B. Property portfolio assets (continued)

B3. Investment in financial asset at fair value

	Note	6 months to 31 Dec 2018 \$'m	Year to 30 Jun 2018 \$'m
Balance at the beginning of the period		15.7	17.2
Withdrawals		(0.7)	(1.8)
Disposals		(7.7)	-
Net fair value movement on investment at fair value		0.1	0.3
Balance at the end of the period		7.4	15.7

B4. Commitments and contingent liabilities

As at 31 December 2018, the REIT had \$16.0 million of capital commitments.

As at 31 December 2017, the REIT had a \$49.3 million equity commitment to CH DC Fund being the balance owing on partially paid units which was used to fund the development of the Woolworths Dandenong, VIC which achieved practical completion in March 2018.

These commitments have not been reflected in the consolidated financial statements of the REIT.

C. Capital structure

The REIT's activities are funded through contributed equity and borrowings.

C1. Borrowings and liquidity

Borrowings

All borrowings are classified as non-current liabilities as they have maturities greater than 12 months.

	31 Dec 2018		30 Jun 2018	
	Total carrying amount	Fair value	Total carrying amount	Fair value
	\$'m	\$'m	\$'m	\$'m
Bank loan - term debt	540.8	541.2	430.1	432.0
Unamortised borrowing cost	(2.2)	-	(2.0)	-
Total	538.6	541.2	428.1	432.0
Credit facility	580.0		470.0	
Drawn balances	(540.8)		(430.1)	
Available facility	39.2		39.9	

Bank loans

	Maturity Date	Facility limit at at 31 Dec 2018	Utilised at 31 Dec 2018	Facility limit at at 30 Jun 2018	Utilised amount at 30 Jun 2018
		\$'m	\$'m	\$'m	\$'m
Syndicated bank facility	February 2022	480.0	445.2	470.0	430.1
Bank facility	August 2023	100.0	95.6	-	-
		580.0	540.8	470.0	430.1

During the period, the REIT entered into a new unsecured \$100 million debt facility maturing in August 2023 and increased its existing syndicated debt facility limit by \$10 million to \$480 million.

Borrowing in Joint Ventures

During the period, LWIP (owned 49.9% by the REIT) increased its syndicated debt facility limit by \$20.0 million to \$170.0 million and extended the term of the facility to December 2023. LWIP also has \$200.0 million US Private Placement (USPP) notes which mature in May 2027.

C2. Derivative financial instruments

Amounts reflected in the financial statements are as follows:

	31 Dec 2018		30 Jun 2018	
	Asset \$'m	Liability \$'m	Asset \$'m	Liability \$'m
Non-current				
Interest rate swaps	-	4.7	0.1	2.2
Total	-	4.7	0.1	2.2

(a) Valuation techniques used to derive level 2 fair values

Derivatives are classified as level 2 on the fair value hierarchy as the inputs used to determine fair value are observable market data but not quoted prices.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Credit value adjustments are calculated based on the counterparty's credit risk using the counterparty's credit default swap curve as a benchmark. Debit value adjustments are calculated based on the REIT's credit risk using debt financing available to the REIT as a benchmark.

C. Capital structure

C3. Contributed equity

		6 months to 31 Dec 2018	Year to 30 Jun 2018
		\$'m	\$'m
<i>Details</i>	<i>No. of securities</i>		
Securities on issue - 1 Jul 2017	207,787,175	-	434.8
Securities issued to fund acquisition of CVL1T, 218BRT, CHPT DT and CPOF KHT	68,851,727	-	153.2
Change in number of securities after reorganisation	(68,851,727)	-	-
Securities issued via Equity Raise	22,664,846	-	68.5
Securities issued via DRP	1,848,121	-	5.0
Securities on issue - 30 Jun 2018	232,300,142	661.5	661.5
Securities issued to fund acquisition of FSPT	75,618,617	232.4	-
Change in number of securities after reorganisation	(75,618,617)	-	-
Securities issued via Equity Raise	48,406,777	191.8	-
Securities on issue - 31 Dec 2018	280,706,919	1,085.7	-
Balance at the end of the period attributable to the securityholders of:			
DIF	280,706,919	1,085.7	661.5
LWR Finance Trust	280,706,919	1.9	1.9
FSPT	-	-	172.2
Equity holders of Stapled Trusts other than DIF		1.9	174.1

As stipulated in the REIT's constitutions, each security represents a right to an individual share in the REIT and does not extend to a right to the underlying assets of the REIT. There are no separate classes of securities and all securities have the same rights.

Each stapled security confers the right to vote at meetings of securityholders, subject to any voting restrictions imposed on a securityholder under the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules.

Distribution Reinvestment Plan (DRP)

The REIT has established a Distribution Reinvestment Plan (DRP) under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issuance of new securities rather than being paid in cash.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all securities traded on the ASX during the 10 business days commencing on the third business day following the distribution record date. The DRP was activated for the December 2018 distribution payable in February 2019.

Simplification of REIT's structure

On 22 August 2018, DIF acquired all of the securities of FSPT from Securityholders for \$232.4 million which represents the relative net tangible asset value of FSPT, in exchange for additional securities in DIF. As part of simplification, equity attributable to the securityholders of FSPT has been reduced by \$232.4 million. Immediately thereafter, the DIF securities were consolidated to preserve the one to one stapling ratio. The stapled securities of the REIT traded on a deferred settlement basis from 20 to 23 August 2018 in connection with this transaction. Following simplification, the REIT now comprises two Stapled Trusts (DIF and Finance Trust).

Equity raising

During October and November 2018, the REIT raised \$70.9 million of equity, issuing 17.6 million stapled securities at \$4.04 per stapled security to both institutional and retail investors. The proceeds were used to partially fund the acquisition of 85 George Street in Brisbane, QLD, National Archives in Chester Hill, NSW and the Optima Centre in Perth WA as well as associated transaction and capital raising costs.

In December 2018, the REIT raised \$124.9 million of equity, issuing 30.8 million stapled securities at \$4.05 per stapled security to both institutional and retail investors. The proceeds were used to partially fund the acquisition of the Ingham's Portfolio consisting of 27 agri-logistics properties and associated transaction and capital raising costs.

D. Further Information

D1. Working capital

The REIT maintains a proactive cash management practice of using excess available cash to reduce drawn revolving debt facilities. This practice, when combined with the REIT's distribution liability at the end of the reporting period, results in the excess of current liabilities over current assets of \$21.4 million.

The entity has readily accessible credit facilities with \$39.2 million of undrawn non-current debt facilities at 31 December 2018 and operating cash flows to meet current liabilities. The REIT does not foresee any issues in meeting the current liabilities over the course of the next 12 months, and therefore, these financial statements have been prepared on a going concern basis.

D2. Events occurring after balance date

On 11 February 2019, the REIT entered into an agreement with Ingham's to extend the lease term of a number of properties in the portfolio recently acquired by the REIT and to provide a related \$8 million incentive. Properties representing 62% of the Ingham's portfolio income were subject to lease extensions, resulting in the Ingham's portfolio WALE increasing from 15.8 years to approximately 24.6 years.

Since the end of the period, the Directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in this report or the annual consolidated financial statements that has significantly affected or may significantly affect the operations of the REIT, the results of those operations or the state of affairs of the REIT in the future financial years.

D3. Other significant accounting policies

(a) Basis of preparation

The interim financial report of the Charter Hall Long WALE REIT comprises Charter Hall Direct Industrial Fund, LWR Finance Trust and their respective controlled entities.

These general purpose consolidated financial statements have been prepared in accordance with the requirements of the REIT's constitutions, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The REIT is a for-profit entity for the purpose of preparing the consolidated financial statements. The consolidated financial statements are presented in Australian dollars, which is the REIT's functional and presentation currency.

The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Charter Hall Long WALE REIT during the half year ended 31 December 2018 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year.

(b) Comparative information

Where necessary, comparative information has been adjusted to conform to changes in presentation in the current year.

(c) Rounding of amounts

Under the option provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the financial statements, amounts in the REIT's consolidated financial statements have been rounded to the nearest hundred thousand dollars in accordance with that Class Order, unless otherwise indicated.

(d) Impact of new standards and interpretations issued and adopted by the REIT

The REIT adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The REIT has elected to utilise the retrospective transitional concessions. The impact of adopting these new standards is described below.

AASB 9 Financial Instruments

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and liabilities and sets out new rules for hedge accounting. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

D. Further information (continued)

Classification and measurement

The adoption of AASB 9 has not impacted the carrying value of the financial assets or liabilities but has resulted in classification changes on initial application at 1 July 2018. These changes are illustrated in the table below.

Financial Asset	Classification under AASB 139	Classification under AASB 9	Carrying amount as at 31 December 2018 \$'m
Receivables	Loans and receivables	Financial asset at amortised cost	\$8.4
Other assets	Loans and receivables	Financial asset at amortised cost	\$2.5

Financial assets at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method less any impairment.

Impairment of financial assets

AASB 9 replaces the incurred loss model under AASB 139 with an expected credit loss (ECL) model. The ECL model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income (FVOCI). Measurement under ECLs is based on the anticipated impact of default events arising either in the 12 months after reporting date, or the entire lifetime of the asset.

The REIT assessed the ECL associated with:

- Receivables by applying the simplified impairment approach permitted by AASB 9. This requires expected lifetime losses to be recognised on initial recognition of the receivables.
- All other financial assets, other than trade receivables, on a forward looking basis and measured using the expected lifetime ECL.

The REIT's impairment provision has not been materially impacted by the adoption of this standard.

Hedging

The adoption of AASB 9 has not impacted the carrying value of the REIT's derivatives. The REIT's risk management strategies are aligned with the requirements of AASB 9.

AASB 15 Revenue from Contracts with Customers

AASB 15 is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts.

The table below summarises the changes in respect to the timing of revenue recognition under AASB 118 compared to AASB 15 and the new revenue recognition policies under AASB 15.

Type of revenue	Description	Revenue recognition policy under AASB 118	Revenue recognition policy under AASB 15
Recoveries revenue	The REIT recovers the costs associated with tenancy operations from certain lessees in accordance with tenancy acts and specific clauses within lease agreements. These are invoiced monthly based on an annual estimate. The consideration is due 30 days from invoice date. Should any adjustment be required based on actual costs incurred, this is recognised in the statement of financial performance within the same reporting period and billed annually.	Recognised on an accruals basis based on the contract terms	Over time
Recharge revenue	The REIT recovers costs for any additional specific services requested by the lessee under the lease agreement. These costs are recovered in accordance with specific clauses within the lease agreements. Revenue from recharges is recognised as the services are provided. The lessee is invoiced on a monthly basis, where applicable. Consideration is due 30 days from invoice date.	Recognised when costs are incurred	Point in time

An assessment has been undertaken of when the REIT's performance obligations are satisfied and no changes have been identified that impact the timing of revenue recognition.

E. Further information (continued)

(e) Impact of new standards and interpretations issued but not yet adopted by the REIT

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 31 December 2018 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the REIT) is set out below:

(i) **AASB 16 Leases (Applicable for year commencing 1 July 2019)**

The accounting by lessors will not significantly change. The REIT currently plans to apply AASB 16 for the reporting period beginning on 1 July 2019. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the REIT's consolidated financial statements.

Directors' declaration to stapled securityholders

In the opinion of the Directors of Charter Hall WALE Limited, the Responsible Entity of Charter Hall Long WALE REIT:

- a the consolidated financial statements and notes set out on pages 9 to 22 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the REIT's financial position as at 31 December 2018 and of its performance for the period ended on that date; and
- b there are reasonable grounds to believe that the REIT will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'P. Gupta', with a long horizontal stroke extending to the right.

Peeyush Gupta AM

Director

Sydney

11 February 2019



Independent auditor's review report to the unitholders of Charter Hall Long WALE REIT

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Charter Hall Long WALE REIT (the "REIT"), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected other explanatory notes and the directors' declaration of Charter Hall WALE Limited (the Responsible Entity) for Charter Hall Long WALE REIT, being the consolidated stapled entity. The consolidated stapled entity comprises Charter Hall Direct Industrial Fund and LWR Finance Trust and the entities they controlled during that half-year.

Directors of the Responsible Entity's responsibility for the half-year financial report

The directors of the Responsible Entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated stapled entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Charter Hall Long WALE REIT, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report 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 Australian Auditing Standards 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Charter Hall Long WALE REIT is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated stapled entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'J A Dunning'.

J A Dunning
Partner

Sydney
11 February 2019