PRESS RELEASE

SEGRO

26 JULY 2016

SEGRO plc

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

SEGRO plc ('SEGRO' / 'Company' / 'Group') today announces its results for the six months ended 30 June 2016.

- **Strong operating metrics supported by good occupational market fundamentals and active management of the portfolio.** 43 per cent increase in new annualised gross rent commitments in the half year to £21.5 million.

- **Adjusted EPS up 6.5 per cent to 9.8 pence** (H1 2015: 9.2 pence), underpinned by a 4.1 per cent increase in like-for-like net rental income, a continued low vacancy rate at 4.8 per cent and strong income from development completions. IFRS EPS of 25.9 pence (H1 2015: 44.4 pence), which includes the impact of unrealised capital gains on the portfolio, was lower due mainly to stable property investment yields on our investment portfolio.

- **EPRA NAV per share up 2.6 per cent to 475 pence**, driven by a 1.9 per cent increase in the value of the portfolio, due primarily to development gains and active asset management.

- **Future earnings prospects underpinned by largely de-risked development programme** with £125 million of development expenditure to complete the current pipeline (£26.5 million of new rent, 67 per cent pre-let) and advanced discussions or contracts signed subject to planning approval on a further £160 million of expenditure (£15m of new rent).

- **Interim dividend increased by 4.0 per cent to 5.2 pence** (2015 interim dividend: 5.0 pence).

Commenting on the results, David Sleath, Chief Executive, said:

"Our strong first half operating performance reflects the continuing occupier demand for modern, well located urban and big box warehouses which appeared to be largely unaffected by pre-referendum uncertainty. Active asset management, combined with tight demand-supply dynamics, has driven healthy like-for-like net rental income growth.

"While it is too early to assess the full effects of the EU referendum result on our business, we remain optimistic about the outlook for our occupational markets given the underlying structural drivers for, and the limited supply of, well located, modern warehouse buildings. These drivers are clearly reflected in the strong first half leasing activity, which has allowed us to start the third quarter with record low vacancy and a pipeline of over 440,000 sq m of new warehouse space under construction or due to commence shortly, over two-thirds of which is pre-let, and which will be reflected in rental income by the first half of 2017 at the latest. The relatively short construction timescales in our sector means that we are able to add further accretive pre-let and speculative development exposure in the months ahead, should the occupational demand outlook remain supportive."

FINANCIAL AND OPERATING HIGHLIGHTS[1]

Strong occupier demand and successful asset management reflected in first half operating performance

- **43 per cent increase in new rent contracted** to £21.5 million (H1 2015: £15.0 million), including £8.0 million from standing stock and £8.7 million from new development pre-let agreements and lettings of speculative space prior to completion.
- **4.1 per cent like-for-like net rental income growth**, including 6.2 per cent in the UK, partly offset by a 1.0 per cent fall in Continental Europe, the latter mainly due to slightly increased operating costs and lower rents on renewal in Central Europe.
- **Vacancy rate remains at record low of 4.8 per cent** (31 December 2015: 4.8 per cent) due to strong demand for modern, well-located warehouse space. Average vacancy during the period improved to 5.0 per cent from 6.8 per cent in H1 2015, contributing to the like-for-like net rental income growth.
- **Completed developments added £8.2 million of annualised rental income** (increasing to £9.9 million when fully leased). Additionally, the committed development pipeline, most of which will be completed in the second half, is 67 per cent pre-let and expected to deliver a further £26.5 million of annualised rental income when fully leased.

Capital growth rate reflects maturing investment cycle

- **Portfolio capital value growth of 1.9 per cent.** Completed assets increased by 1.5 per cent, reflecting asset management initiatives, stable yields and improving UK rental values. The portfolio return was enhanced by developments completed during the period or under construction, which delivered a valuation uplift of 14.2 per cent.
- **EPRA NAV per share increased by 2.6 per cent to 475 pence** (31 December 2015: 463 pence), primarily the result of the improvement in the value of the portfolio.

Capital allocation towards accretive development investment

- **£173 million of investment in our portfolio**, focused on developing new assets (£115 million) and adding to the land bank (£44 million), as well as £14 million of urban warehouse acquisitions in Continental Europe. In addition to this investment, we secured a number of options over development sites in London and the South East and Midlands regions of the UK, providing a secure but flexible and scalable development pipeline.
- **£383 million of disposals** of assets not core to our strategy, including the Bath Road office portfolio and two small industrial estates in London, which resulted in a **look-through LTV ratio of 36 per cent** (31 December 2015: 38 per cent).

[1] Figures quoted on pages 1 to 12 refer to SEGRO's share, except for land (hectares) and space (square metres) which are quoted at 100 per cent, unless otherwise stated. Please refer to the Presentation of Financial Information statement in the Financial Review for further details.

FINANCIAL SUMMARY

Income statement metrics	6 months to 30 June 2016	6 months to 30 June 2015	Change per cent
Adjusted[1] profit before tax (£m)	74.2	69.2	7.2
IFRS profit before tax (£m)	200.7	330.0	(39.2)
Adjusted[2] earnings per share (pence)	9.8	9.2	6.5
IFRS basic earnings per share (pence)	25.9	44.4	(41.7)
Dividend per share (pence)	5.2	5.0	4.0

Balance sheet metrics	30 June 2016	31 December 2015	Change per cent
Portfolio valuation (SEGRO share, £m)	5,911	5,773	1.5[5]
EPRA[3 4] net asset value per share (pence, diluted)	475	463	2.6
IFRS net asset value per share (pence, diluted)	483	468	3.2
Group net borrowings (£m)	1,707	1,807	(5.5)
Loan to value ratio including joint ventures at share (per cent)	36	38	–

1 A reconciliation between Adjusted profit before tax and IFRS profit before tax is shown in Note 2 to the condensed financial information.

2 A reconciliation between Adjusted earnings per share and IFRS earnings per share is shown in Note 11 to the condensed financial information.

3 A reconciliation between EPRA net asset value per share and IFRS net asset value per share is shown in Note 11 to the condensed financial information.

4 Calculations for EPRA performance measures are shown in the Supplementary Notes to the condensed financial information.

5 Percentage valuation movement during the period based on the difference between opening and closing valuations for completed properties, adjusting for capital expenditure, acquisitions and disposals.

WEBCAST / CONFERENCE CALL FOR INVESTORS AND ANALYSTS

A live webcast of the results presentation will be available from 08:30 (UK time) at:

http://www.emincote.com/segro017/default1.asp?Media

The webcast will be available for replay at SEGRO's website at: http://www.segro.com/investors by the close of business.

A conference call facility will be available at 08:30 (UK time) on the following number:

Dial-in: +44 (0) 20 3059 8125
Access code: SEGRO Half Year Results

An audio recording of the conference call will be available until 1 August 2016 on:

UK & International: +44 (0) 121 260 4861
USA: +1 844 230 8058
Access code: 3614363#

A video interview with David Sleath, Chief Executive, discussing the results is now available to view on www.segro.com, together with this announcement, the H1 2016 Property Analysis Report and other information about SEGRO.

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FINANCIAL CALENDAR

2016 interim dividend ex-div date	18 August 2016
2016 interim dividend record date	19 August 2016
2016 interim dividend scrip dividend price announced	25 August 2016
Last date for scrip dividend elections	9 September 2016
2016 interim dividend payment date	30 September 2016
2016 Third Quarter Trading Update	20 October 2016
Full Year 2016 Results	17 February 2017

ABOUT SEGRO

SEGRO is a UK Real Estate Investment Trust (REIT), and a leading owner, manager and developer of modern warehouses and light industrial property. It owns or manages over six million square metres of space valued at £7.4 billion serving customers from a wide range of industry sectors. Its properties are located in and around major cities and at key transportation hubs in the UK and in nine other European countries.

See www.SEGRO.com for further information.

Forward-Looking Statements: This announcement contains certain forward-looking statements with respect to SEGRO's expectations and plans, strategy, management objectives, future developments and performances, costs, revenues and other trend information. These statements are subject to assumptions, risk and uncertainty. Many of these assumptions, risks and uncertainties relate to factors that are beyond SEGRO's ability to control or estimate precisely and which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Certain statements have been made with reference to forecast process changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of SEGRO are based upon the knowledge and information available to Directors on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and SEGRO's shareholders are cautioned not to place undue reliance on the forward-looking statements. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), SEGRO does not undertake to update forward-looking statements to reflect any changes in events, conditions or circumstances on which any such statement is based. Past share performance cannot be relied on as a guide to future performance. Nothing in this announcement should be construed as a profit forecast.

Neither the content of SEGRO's website nor any other website accessible by hyperlinks from SEGRO's website are incorporated in, or form part of, this announcement.

CHIEF EXECUTIVE'S REVIEW

STRATEGY

Our goal is to be the best owner-manager and developer of industrial and warehouse properties in Europe and a leading income-focused REIT.

To that end, our strategy is to create a portfolio which generates attractive, low risk, income-led returns with above average rental and capital growth when market conditions are positive, and is resilient in a downturn. We seek to enhance returns through development, while ensuring that the short-term income 'drag' associated with holding land does not outweigh the long-term potential benefits.

Fundamental to our strategy are three key pillars of activity which should combine to deliver an attractive, income-led total property return:

- **Disciplined Capital Allocation:** picking the right markets and assets to create the right portfolio shape; by actively managing the portfolio composition; and by adapting our capital deployment according to our assessment of the property cycle.
- **Operational Excellence:** optimising performance from the portfolio through dedicated customer service, expert asset management, development and operational efficiency.
- **Efficient capital and corporate structure:** we aim to underpin the property level returns from our portfolio with a lean overhead structure and appropriate financial leverage through the cycle.

The combination of these three elements should translate into sustainable, attractive returns for our shareholders in the form of progressive dividends and net asset value growth over time.

Our portfolio comprises modern big box and urban warehouses which are well specified and located, with good sustainability credentials, and which should benefit from a low structural void rate and relatively low-intensity asset management requirements. Our assets are concentrated in the strongest European sub-markets which have attractive property market characteristics, including good growth prospects, limited supply availability and where we already have, or can achieve, critical mass.

DISCIPLINED CAPITAL ALLOCATION — ACQUISITION ACTIVITY

As we expected, very few acquisition opportunities met our return requirements and, consequently, we only acquired £14.5 million of assets during the period at a blended topped-up net initial yield of 6.7 per cent. We also invested £43.8 million in additions to our development land bank.

The level of asset pricing in the investment market means that the focus of our investment activity has been on development rather than acquisitions. As a result, during the first half we acquired £14.5 million of urban warehouses in Continental Europe at an average topped-up initial yield of 6.7 per cent, compared to £158.5 million of investment in new developments and land.

Although we will continue to monitor acquisition opportunities, particularly disposals triggered by some owners which need to sell assets to generate liquidity, we retain strict investment criteria in terms of quality, location and price.

Acquisitions completed in H1 2016

Asset location / type	Purchase price[1] (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Urban distribution & light industrial	14.5	5.9	6.7
Land[3]	43.8	n/a	n/a
Total acquisitions completed in H1 2016	**58.3**	**5.9**[2]	**6.7**[2]

1 Excluding acquisition costs.
2 Yield excludes land transactions.
3 Land acquisitions are discussed in Future Development Projects.

DISCIPLINED CAPITAL ALLOCATION — DISPOSING OF NON-STRATEGIC ASSETS

We disposed of £383 million of land and assets in H1 2016 in line with 31 December 2015 book values. The asset disposals reflect an average topped-up initial yield of 6.2 per cent.

In addition to completing the disposal of the Bath Road office portfolio in Slough for £325 million in January 2016, we disposed of £20 million of non-strategic, light industrial assets during the period. We also transferred €97 million (£75.6 million; SEGRO share £37.8 million) of big box warehouses and development land from our wholly-owned Continental Europe portfolio into the SEGRO European Logistics Partnership (SELP) joint venture, the bulk of which was three standing assets acquired as part of the Vailog transaction in 2015. The figures below show the disposal of a 50 per cent interest.

We will continue to evaluate opportunities to dispose of more mature assets, deploying the proceeds in our development programme to allow us to grow and improve our portfolio without over-levering the balance sheet.

<u>Disposals completed in H1 2016</u>

Asset location / type	Gross proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Big box logistics	32.0	2.3	6.3
Light industrial	20.2	3.2	4.1
Offices	325.0	5.6	6.3
Land	5.8	n/a	n/a
Total disposals completed in H1 2016	**383.0**	**5.2**[1]	**6.2**[1]

1 Yield excludes land transactions.

ASSET VALUE GAINS REFLECT SUCCESSFUL ASSET MANAGEMENT AND DEVELOPMENT ACTIVITY IN A STABLE YIELD ENVIRONMENT

Valuation gains were driven primarily by our own active asset management and development activity, outweighing the impact of a rise in stamp duty taxes in both the UK and France. Yields on our standing assets were stable in the period, with UK values benefiting from rental value growth across our portfolio.

According to CBRE, market investment volumes in European industrial assets increased by 1 per cent during the first half of the year, demonstrating the ongoing appeal of the asset class amid wider economic uncertainty in contrast to the 17 per cent fall in investment volumes of real estate assets as a whole. In relation to the valuation of our own portfolio at 30 June 2016, our independent valuer, CBRE, has highlighted a lack of transactional evidence in the aftermath of the EU referendum to gauge the impact of the result on values at 30 June (see Note 12 to the condensed financial information for more details).

The Group's property portfolio totalled £5.9 billion (£7.4 billion of assets under management) at 30 June 2016. The portfolio valuation, including completed assets, land and buildings under construction, increased by 1.9 per cent on a like-for-like basis (adjusted for capital expenditure and asset recycling during the year). This mainly reflects a 1.5 per cent increase in the value of completed properties, assisted by a 14.2 per cent valuation gain on development properties.

The UK portfolio of completed properties delivered a 1.9 per cent valuation uplift, outperforming the MSCI-IPD UK Industrial Monthly Index which increased by 0.5 per cent, and despite the 1 per cent increase in stamp duty. This outperformance reflects the high quality of our portfolio and the continued impact of our asset management initiatives across the business. Yields applied to our UK portfolio were stable at 5.7 per cent (true equivalent yield; 31 December 2015: 5.8 per cent), while rental values improved by 2.9 per cent.

In Continental Europe, the completed portfolio held throughout the period increased by 0.4 per cent during the period on a constant currency basis reflecting stable yields and rental values. Modest increases in our Southern and Central European portfolios were partially offset by isolated weakness in the Netherlands and Germany, where the last remnants of the non-core portfolio identified in 2011 are located. The portfolio in France increased by 0.5 per cent despite the impact of a 1 per cent increase in stamp duty applied to logistics properties in the Paris region.

More details of our property portfolio can be found in Note 12 to the condensed financial information and in the H1 2016 Property Analysis Report available at www.segro.com/investors.

Property portfolio metrics at 30 June 2016

	Lettable area (100%) sq m	Portfolio value, £m Completed	Land & dvpt	Combined property portfolio	Valuation movement[1 2] %	Yield[2] Net initial %	Net true equivalent %	Vacancy (ERV)[3] %
UK								
Greater London	1,149,428	2,080.2	204.7	2,284.9	2.5	4.0	5.5	6.0
Thames Valley and National Logistics	1,047,763	1,653.6	151.9	1,805.5	1.1	5.0	6.0	4.2
UK Total	**2,197,191**	**3,733.8**	**356.6**	**4,090.4**	**1.9**	**4.4**	**5.7**	**5.2**
Continental Europe								
Germany/Austria	1,196,660	497.2	100.7	597.9	(0.4)	5.6	6.3	4.0
Belgium/Netherlands	296,395	146.8	20.1	166.9	(0.5)	7.0	6.8	5.2
France	1,013,553	436.4	48.5	484.9	0.5	6.3	7.0	2.5
Italy/Spain	202,576	70.4	68.4	138.8	5.6	2.6	6.9	1.9
Poland	1,085,757	336.6	39.1	375.7	0.9	6.6	6.9	5.3
Czech Republic/Hungary	125,918	37.1	19.7	56.8	1.3	6.0	7.1	7.4
Continental Europe Total	**3,920,859**	**1,524.5**	**296.5**	**1,821.0**	**0.4**	**6.1**	**6.7**	**4.0**
GROUP TOTAL	**6,118,050**	**5,258.3**	**653.1**	**5,911.4**	**1.5**	**4.9**	**6.0**	**4.8**

1 Valuation movement is based on the difference between the opening and closing valuations for completed properties (properties held throughout the period, acquisitions and completed developments), allowing for capital expenditure, acquisitions and disposals.
2 In relation to completed properties only.
3 Vacancy rate excluding short term lettings for the Group at 30 June 2016 is 5.2 per cent.

OPERATIONAL EXCELLENCE

At 30 June 2016, our portfolio comprised two main asset types: urban warehouses and big box warehouses. The demand-supply dynamics differ, varying by both type and by geography.

- **Urban warehouses** account for 54 per cent of our portfolio value. They are located mainly on the edges of London, Paris, Düsseldorf, Berlin and Warsaw, where land supply is restricted and there is strong demand for warehouse space, particularly catering for the needs of last mile delivery and, in Slough, data centre users.
- **Big box warehouses**, classed as those over 10,000 sq m in size, account for 40 per cent of our portfolio value. These are focused on the major logistics hubs and corridors in the UK (South-East and Midlands regions), France (the logistics 'spine' linking Paris, Lyon and Marseille), Germany (Düsseldorf, Berlin, Leipzig and Hamburg) and Poland (Warsaw, Lodz, Silesia and Poznan).

Growing rental income from letting existing space and new developments

The occupier market for warehouses during the first half of 2016 proved resilient across our major markets. Even in the UK, where the prospect of the EU referendum weighed on overall economic sentiment, JLL reports 0.95 million sq m of logistics take-up in the first half of 2016, 18 per cent higher than in the second half of 2015. At the same time, availability of Grade A space continued to fall. Retailers were the most active occupiers, accounting for well over half of transactions, demonstrating their sustained need for modern, efficient warehouse space to cater for the structural changes in consumer behaviour. In France, levels of quarterly take-up in the first half are well ahead of their historic average, and there is now less than a year's supply of available space, compared to nearly two years' supply in 2010.

These positive trends were echoed in our own experience. During H1 2016, we contracted new leases and pre-let agreements totalling £21.5 million of annualised rental income (H1 2015: £15.0 million), 43 per cent higher than in the previous year. We generated £8.0 million from new leases on existing space, offset by £6.6 million of rent lost from space returned to us, resulting in net take-up of £1.4 million of existing space (H1 2015: £1.3 million).

- Retailers and companies involved with retail distribution accounted for around one-third of take-up during the first half, including sofa retailer DFS which took 4,000 sq m of distribution space in Park Royal.
- Third party logistics companies accounted for a further quarter of lettings, including Kuehne + Nagel which leased an 8,000 sq m distribution unit in West London from which to operate its contract with Whitbread, and B+S Logistics which leased an 11,600 sq m warehouse in Alzenau (Frankfurt) from which it will operate its contract with Nestlé.

- Manufacturing companies accounted for a further 20 per cent of take-up, including a number of food producers such as Plane Catering (3,400 sq m in Heathrow to service its airline customers) and Patisfrance (11,500 sq m in Paris to service its stores in the city).

Developments completed during the period added £11.5 million to the rent roll, of which £5.0 million was contracted in warehouses built speculatively. Around 30 per cent of the speculative lettings were agreed prior to practical completion and the average period between practical completion and letting was approximately six months. Since the referendum, we have seen continued occupier interest in our space and we continue to secure and work on a number of leasing and pre-let transactions which were initiated before 23 June.

Summary of key leasing data for H1 2016[1]

Summary of key leasing data for the half year to 30 June[1]		**H1 2016**	**H1 2015**
Take-up of existing space[2] (A)	£m	8.0	9.5
Space returned[3] (B)	£m	(6.6)	(8.2)
NET ABSORPTION OF EXISTING SPACE (A-B)	**£m**	**1.4**	**1.3**
Other rental movements (rent reviews, renewals, indexation)[2] (C)	£m	0.8	0.2
RENT ROLL GROWTH FROM EXISTING SPACE	**£m**	**2.2**	**1.5**
Take-up of developments completed in the period – pre-let space[2] (D)	£m	6.5	2.9
Take-up of developments completed in the period – speculative space[2] (D)	£m	5.0	0.6
TOTAL TAKE UP[2] (A+C+D)	**£m**	**20.3**	**13.2**
Less take-up of pre-lets and speculative lettings signed in prior periods[2]	£m	(7.5)	(3.0)
Pre-lets signed in the period for delivery in later periods[2]	£m	8.7	4.8
RENTAL INCOME CONTRACTED IN THE PERIOD[2]	**£m**	**21.5**	**15.0**
Take-back of space for redevelopment	£m	(0.5)	(0.7)
Retention rate[4]	%	76.1	79.0

1 All figures reflect exchange rates at 30 June and include joint ventures at share.
2 Annualised rental income, after the expiry of any rent-free periods.
3 Annualised rental income, excluding space taken back for redevelopment.
4 Headline rent retained as a percentage of total headline rent at risk from break or expiry during the period.

Our customers represent a wide range of industries and we therefore avoid over-reliance on any single sector or individual customer. Our top 20 customers represent 26 per cent of our rent roll, and our largest customer represents just over 3.5 per cent.

The rent roll from our standing assets is influenced by three main factors: lettings of available space (discussed above), space returned to us, and rent agreed at rent reviews and lease renewals. Overall operating performance is also dependent on the level of vacancy, pre-let agreements, lease terms agreed and operating cost efficiencies.

- **Rent reviews and lease renewals: rental uplift of 3.9 per cent.** Rents are improving in our UK markets, especially in London and South-East England. During the period, new rents on review and renewal were 4.6 per cent higher in the UK and 1.7 per cent lower in our Continental European portfolio. In Continental Europe, lower rents on renewal in Central Europe, where competition for customers is greater, offset broadly stable rents elsewhere.
- **Vacancy remains at record low of 4.8 per cent.** The vacancy rate at 30 June 2016 remained stable at 4.8 per cent (compared to 31 December 2015), of which approximately 0.6 percentage points relates to speculative developments completed in 2015 and H1 2016. This compares to our target vacancy rate of between 5 and 7 per cent. Treating short-term lettings as vacant space would increase the vacancy rate to 5.2 per cent (31 December 2015: 6.3 per cent). The average vacancy rate improved to 5.0 per cent during H1 2016 compared to 6.8 per cent in H1 2015.
- **Retention rate of 76 per cent.** During the period, space equating to £6.6 million (H1 2015: £8.2 million) of rent was returned to us, including £0.6 million of rent lost due to insolvency (H1 2015: £0.7 million). We retained 76 per cent of rent at risk from break or expiry during the year (H1 2015: 79 per cent).
- **Lease terms improve.** The level of incentives agreed for new leases (excluding those on developments completed in the period) represented 7.5 per cent of the headline rent, an improvement from 8.0 per cent during 2015 as a whole and from 8.2 per cent in H1 2015. The portfolio's weighted average lease length remained stable compared to 31 December 2015 at 6.8 years to first break (8.6 years to expiry). Lease terms are longer in the UK (7.8 years to break) than in Continental Europe (5.1 years to break).

- **£12.7 million of rent contracted from developments (H1 2015: £5.3 million).** During the period, we contracted £8.7 million of rent from pre-let agreements and lettings of speculative developments prior to completion (H1 2015: £4.8 million), of which £2.9 million was from parcel delivery and logistics companies and £4.7 million was from retailers, including Deutsche Post DHL in Germany and Austria and Italian fashion retailer Yoox Net-a-Porter in Bologna and Milan. We also secured £11.5 million from take-up of developments completed in the preceding 18 months (H1 2015: £3.5 million), of which £7.5 million (1H 2015: £3.0 million) had been contracted in prior periods.
- **Total cost ratio at 23.6 per cent.** Our total cost ratio (see Table 6 of the Supplementary Notes for detailed calculation) for H1 2016 increased to 23.6 per cent (H1 2015: 20.5 per cent) due in part to the absence of £2.2 million of previously disclosed out-of-period credits which benefitted the H1 2015 ratio by around 1.6 percentage points, increased share-based payment accruals, the impact of our new businesses in Italy and Spain and the strengthening euro exchange rate. We continue to target a 20 per cent cost ratio in the medium term.

DISCIPLINED CAPITAL ALLOCATION AND OPERATIONAL EXCELLENCE — DELIVERING GROWTH THROUGH DEVELOPMENT

We invested £115 million (SEGRO share) in new developments during H1 2016 (H1 2015: £46 million) and £44 million in our land bank to expand our development capacity. Our expected development capital expenditure for 2016 as a whole remains at approximately £300 million, of which approximately £240 million has already been deployed or committed into pre-let or leased speculative schemes. The short development cycle for warehouses enables flexibility and means that we are able to respond quickly to changes in demand.

Development projects completed

We completed 131,300 sq m of new space during the period. These projects were 65 per cent pre-let prior to the start of construction and were 83 per cent let as at 30 June 2016, generating £8 million of annualised gross rent, with a potential further £2 million to come when the remainder of the space is let (SEGRO share). This translates into a yield on total development cost (including land, construction and finance costs) of 7.9 per cent when fully let.

Amongst the development projects completed in the first half were big box warehouses pre-let to food wholesaler Bidvest Foodservice (11,000 sq m in Slough) and logistics firm Rudolph (28,300 sq m in Ingolstadt), and 32,700 sq m of speculative urban warehouses in Park Royal, Heathrow, Hostivice (Czech Republic) and Paris, of which half has already been let.

Active development projects

At 30 June 2016, we had development projects approved, contracted or under construction totalling 440,500 sq m, representing £125 million of future capital expenditure and £26.5 million of annualised gross rental income (SEGRO share) when fully let. These projects, almost all of which are due to complete in H2 2016, are 67 per cent pre-let and should yield 7.9 per cent on total development cost when fully occupied.

During the first half, we added ten pre-let projects to our pipeline:

- We now have five pre-let projects approved or under construction in Italy totalling almost 130,000 sq m of space for logistics and retail customers;
- In our Northern Europe business unit, we are building two 8,200 sq m cross-dock facilities which we have pre-let to Deutsche Post DHL in Vienna and the latest phase of our Rhine Park urban warehouse estate in Düsseldorf. We have also recently agreed a pre-let for a 15,100 sq m urban distribution warehouse for a major online retailer; and
- In Poland, we are building a 30,300 sq m big box warehouse pre-let to Tesco in Poznan.

In addition to these active pre-let projects, we are in discussion with potential customers or have signed agreements subject to planning for over 328,000 sq m of space, equating to approximately £160 million of additional capital expenditure and £15 million of additional rent.

The largest active speculative development projects are in London and Rugby:

- In Enfield, North London, we are building 16,000 sq m of urban warehouse space across three units, one of which (5,400 sq m) has been let to Camden Town Brewery prior to completion.
- In Heathrow, we are building 14,300 sq m of urban warehouse space in our APP joint venture. Warehouse space in the Heathrow area tends to be in older buildings so we are confident about the occupier demand for this development.
- In Rugby, we are building 43,700 sq m of big box warehouse space in two units which will complete the Rugby Gateway logistics park. We have had strong interest in both units before and since the referendum, reflecting the lack of supply of modern warehouse space in the Midlands.

We have a strong track record of leasing our speculative developments quickly post completion. Since the end of 2011, we have completed speculative developments capable of generating £23 million of rent, of which we have let £20 million. Over half of the remaining space to let is from developments completed in the first half of 2016.

In addition to these, we have speculative projects totalling over 165,000 sq m of space (potential capital expenditure of £68 million) ready to go at a time of our choosing, which could generate a further £10 million of rent.

Future development projects

Existing land bank

Our existing land bank identified for future development totalled 591 hectares at 30 June 2016, equating to £297 million, or around 5 per cent of our total portfolio (SEGRO share). We have invested £44 million in acquiring new land during the first half of the year, over half of which was payment for a former Unilever factory opposite the Slough Trading Estate for which we have already received interest from potential occupiers. The balance comprised a number of smaller sites mainly held under option in Vailog which will be developed on a pre-let basis.

We estimate that our existing, owned land bank can support 2.4 million sq m of development over the next five years. The prospective capital expenditure associated with the future pipeline is £950 million. It could generate £106 million of gross rental income (SEGRO share), representing a yield on total development cost (including land and notional finance costs) of 8.5 per cent. Approximately 40 per cent of the potential rent is from urban warehouse development projects. These figures are indicative of our current expectations but are dependent on our ability to secure pre-let agreements, planning permissions, construction contracts and on our outlook for occupier conditions in local markets.

Land with a total value of £90 million has been identified as suited to alternative use or surplus to our near-term requirements. This includes two sites in West London, together valued at £60 million, which we expect to convert to residential use and sell to a housing developer. One of these is part of a brownfield site in Hayes, West London, which was formerly a Nestlé factory. During the period, we selected Barratt London as the residential partner to help deliver a mixed use project incorporating over 1,000 homes and 21,000 sq m of urban warehousing. We will work together to achieve planning consent, on receipt of which we will sell the land zoned for residential use to Barratt and will develop the warehouse element ourselves.

Land held under option agreements

Land sites held under option agreements are not included in the figures above but together represent significant further development opportunities. We invested £48.8 million in acquiring land options during the period. There are three main sources of land options, secured through transactions completed over the past 12 months:

- **Vailog:** we acquired a 90 per cent interest in Italian logistics developer Vailog approximately a year ago. In addition to a number of standing assets (now held within SELP), it held land and options over land in both Italy and France. Since acquiring Vailog, we have completed a 92,900 sq m warehouse in Milan let to Leroy Merlin and an 18,000 sq m warehouse in Piacenza let to OVS, and we are underway on six pre-let warehouses in Italy and France totalling almost 150,000 sq m and £6.5 million of rent. In addition, we are in discussions on pre-let agreements on land held under option by Vailog for another c200,000 sq m of space.
- **East Plus:** during the first half of 2016, we signed an agreement with the Greater London Authority to be its development partner for 35 hectares of industrial land across five sites in East London known collectively as East Plus. Since the period-end, we have acquired a plot of land and approved speculative development of 22,000 sq m of urban warehousing on the first of the sites known as Beam Reach 5, and we are in negotiations for a pre-let urban warehouse at another of the sites.

- **Roxhill:** in February 2016, we agreed a partnership with leading UK logistics developer, Roxhill, which will provide SEGRO with access to a portfolio of big box warehouse development sites in the South East and Midlands regions of the UK. Since then, we have exercised our right to buy options over two sites in the Midlands: one at Kettering and a site known as East Midlands Gateway (EMG) which is adjacent to East Midlands International Airport, the UK's second largest cargo airport after Heathrow. Between them, these two sites can support around 700,000 sq m of big box warehousing.

Further details of our completed and active development projects are available in the H1 2016 Property Analysis Report, which is available to download at www.segro.com/investors.

MAINTAINING AN EFFICIENT AND RESILIENT CAPITAL STRUCTURE

Net debt, including our share of joint venture net debt, fell by £81 million during the year to £2.1 billion. The look-through loan to value ratio (LTV) improved to 36 per cent (31 December 2016: 38 per cent) due mainly to the disposal of the Bath Road office portfolio.

In the first half of 2016, we strengthened our financial position by disposing of the Bath Road office portfolio and by increasing and extending our committed bank facilities. We will continue to actively manage the balance sheet and keep under review all options in order to ensure that we are in a position to take advantage of future development and other investment opportunities.

The movement in net debt is primarily a function of £173 million of investment in developments and acquisitions, and £49 million of payments for land options (which are capitalised on the balance sheet but not within investment or trading properties so impact the numerator (Loan) but not the denominator (Value) of the LTV ratio), offset by £383 million of disposals (SEGRO share), in addition to the increased value of euro-denominated debt due to sterling weakening against the euro during the period.

We estimate that our entire portfolio would have to fall in value by 44 per cent before breaching the gearing covenant threshold on our debt of 160 per cent (equating to a pro forma look-through LTV ratio of around 68 per cent at 30 June 2016). To put this into context, our portfolio fell in value by approximately 35 per cent between peak values in 2007 and trough values in 2012, and our portfolio today is of substantially better quality than it was in 2007.

Sterling weakened by 12 per cent against the euro during the period. We have maintained a high degree of hedging to protect our balance sheet and earnings from the impact of future volatility. Our euro gross assets are 89 per cent hedged and our euro earnings are 53 per cent hedged against movements in the euro-sterling exchange rate. Further details can be found in the Financial Review.

INTERIM DIVIDEND OF 5.2 PENCE PER SHARE

Consistent with its previous guidance that the interim dividend would normally be set at one-third of the previous year's total dividend, the Board has declared an increase in the interim dividend of 0.2 pence per share to 5.2 pence (H1 2015: 5.0 pence). This will be paid as an ordinary dividend on 30 September 2016 to shareholders on the register at the close of business on 19 August 2016.

The Board will offer a scrip dividend option for the 2016 interim dividend, allowing shareholders to choose whether to receive the dividend in cash or new shares. 32 per cent of the 2015 final dividend was paid in new shares, equating to £22.1 million of cash retained on the balance sheet and 5.4 million new shares being issued.

OUTLOOK

The positive operating metrics we have reported for the first half of 2016 reflect the underlying strength of our business.

It has been barely a month since the referendum vote for the UK to leave the European Union and it is thus too soon to have clarity about its impact on our business, although we have seen continuing good customer demand and activity across our markets. We remain optimistic about the outlook for our occupational markets, given the underlying structural drivers of demand for, and the limited supply of, well located, modern warehouse buildings.

We began 2016 with record low vacancy and ambitious plans to grow our business by investing £300 million in our development pipeline during the year and these plans remain intact despite recent events. Thanks to one of our strongest ever first halves in terms of leasing and pre-let agreements, we start the third quarter with over 440,000 sq m of developments either under construction or due to commence shortly. Two-thirds of these projects have been de-risked from a leasing perspective and should produce very attractive returns and be income-enhancing in the first half of 2017 at the latest.

The levels of our portfolio vacancy and speculative development exposure are presently very low. However, the relatively short construction timescales in our sector enable flexibility and mean that we will be able to add further speculative and pre-let development exposure rapidly in the months ahead, should the occupational demand outlook remain strong.

We expect the values of our largely prime, modern warehouse assets to outperform the wider real estate market due to supportive underlying supply-demand fundamentals. With a loan-to-value ratio of 36 per cent and a high quality, low risk portfolio of assets (30 per cent of which is in Continental Europe), our balance sheet is well-positioned should there be any weakness in asset values, while still offering flexibility to take advantage of suitable investment opportunities which may arise.

FINANCIAL REVIEW

Like-for-like net rental income growth and development lettings were the primary drivers of the 7.2 per cent increase in Adjusted profit before tax, overcoming the dilutive effect of net disposals. EPRA NAV per share increased by 2.6 per cent to 475 pence and the balance sheet has been strengthened by disposals during the first half: the LTV ratio has improved to 36 per cent from 38 per cent at end-2015.

Financial highlights

	30 June 2016	30 June 2015	31 December 2015
Total property return (%)	**4.3**	8.7	18.4
IFRS net asset value (NAV) per share (p)	**483**	424	468
EPRA[1] NAV per share (p)	**475**	416	463
IFRS profit before tax (£m)	**200.7**	330.0	686.5
Adjusted[2] profit before tax (£m)	**74.2**	69.2	138.6
IFRS earnings per share (EPS) (p)	**25.9**	44.4	91.7
Adjusted[2] EPS (p)	**9.8**	9.2	18.4

1 A reconciliation between IFRS NAV and its EPRA equivalent is shown in Note 11. NAV per share metrics are shown on a diluted basis.
2 A reconciliation between IFRS profit before tax/EPS and Adjusted profit before tax/EPS is shown in Notes 2 and 11 and a reconciliation between Adjusted profit before tax/Adjusted EPS and their EPRA equivalents are shown in Table 2 of the Supplementary Notes.

Presentation of financial information

The condensed financial information is prepared under IFRS where the Group's interests in joint ventures are shown as a single line item on the income statement and balance sheet and subsidiaries are consolidated at 100 per cent.

The Adjusted profit measure more accurately reflects the Group's financial performance and the underlying recurring performance of the property rental business, which is our core operating activity. It is based on the Best Practices Recommendations of the European Public Real Estate Association (EPRA) which are widely used alternate metrics to their IFRS equivalents (further details on EPRA Best Practices Recommendations can be found at www.epra.com). In calculating Adjusted profit, the Directors may also exclude additional items considered to be non-recurring, not in the ordinary course of business, and significant by virtue of size and nature. See Table 2 of the Supplementary Notes for further information on these adjustments, including the adjustment made in H1 2015.

A detailed reconciliation between Adjusted profit after tax and IFRS profit after tax is provided in Note 2 of the condensed financial information.

Reconciliations between SEGRO Adjusted metrics and EPRA metrics are provided in the Supplementary Notes to the condensed financial information, which also include other EPRA metrics as well as SEGRO's Adjusted income statement and EPRA balance sheet presented on a proportionately consolidated basis.

SEGRO monitors the above alternative metrics, as well as the EPRA metrics for vacancy rate, net asset value and total cost ratio, as they provide a transparent and consistent basis to enable comparison between European property companies.

Look-through metrics for like-for-like net rental income and loan to value ratio are also provided, with joint ventures included at share, in order that our full operations are captured, therefore providing more meaningful analysis.

ADJUSTED PROFIT

Adjusted profit

	Six months to 30 June 2016 £m	Six months to 30 June 2015 £m
Gross rental income	**110.7**	101.2
Property operating expenses	**(22.1)**	(15.8)
Net rental income	**88.6**	85.4
Joint venture management fee income	**9.1**	6.7
Administration expenses	**(15.5)**	(13.0)
Share of joint ventures' Adjusted profit after tax[1]	**25.5**	23.6
Adjusted operating profit before interest and tax	**107.7**	102.7
Net finance costs	**(33.5)**	(33.5)
Adjusted profit before tax	**74.2**	69.2
Tax on Adjusted profit	**(0.8)**	(0.5)
Adjusted profit after tax[2]	**73.4**	68.7

1 Comprises net property rental income less administration expenses, net interest expenses and taxation.
2 A detailed reconciliation between Adjusted profit after tax and IFRS profit after tax is provided in note 2 to the condensed financial information.

Adjusted profit before tax increased by 7.2 per cent to £74.2 million (H1 2015: £69.2 million) reflecting increased net rental income from lettings of both existing space and completed developments as well as increased income from our joint ventures, partly offset by higher operating and central administrative costs, while interest costs remained stable. The average sterling-euro exchange rate weakened by almost 7 per cent during the period to €1.28 from €1.37 in H1 2015 adding £1.2 million to Adjusted operating profit before interest and tax.

Net rental income

Net rental income increased by £3.2 million to £88.6 million, reflecting growth in like for like net rental income, the positive net impact of development completions during the period, partly offset by the impact of net disposals.

On a like-for-like basis, net rental income increased by £4.2 million, or 4.1 per cent, compared to H1 2015. This is mainly due to rental increases in our UK portfolio and a lower overall vacancy rate during the period which enhanced gross rental income.

The like-for-like rental growth metric includes wholly owned assets (net rental income of £88.6 million) and SEGRO's share of net rental income held in joint ventures (£32.3 million). It is based on properties held throughout both H1 2016 and H1 2015. Where an asset has been sold into SELP, the 50 per cent share owned throughout the period is included in the like-for-like calculation, with the balance shown as a disposal.

Like-for-like net rental income (including joint ventures at share)

Like-for-like net rental income	**Six months to 30 June 2016 £m**	Six months to 30 June 2015 £m	Change %
UK	**77.5**	73.0	6.2
Continental Europe	**29.8**	30.1	(1.0)
Like-for-like net rental income before other items	**107.3**	103.1	4.1
Other[1]	**(1.6)**	(1.2)	
Like-for-like net rental income	**105.7**	101.9	3.7
Development lettings	**6.5**	1.0	
Properties taken back for development	**0.2**	0.6	
Like-for-like net rental income plus developments	**112.4**	103.5	
Properties acquired	**8.9**	0.1	
Properties sold	**0.9**	16.8	
Net rental income before surrenders, dilapidations and exchange	**122.2**	120.4	
Lease surrender premiums and dilapidations income	**0.6**	0.3	
Rent lost from lease surrenders and other items	**(1.9)**	(1.8)	
Impact of exchange rate difference between periods	**–**	(2.3)	
Net rental income per income statement	**120.9**	116.6	

1 Other includes the corporate centre and other costs relating to the operational business which are not specifically allocated to a geographical business unit.

Income from joint ventures

Joint venture management fee income increased by £2.4 million to £9.1 million. This increase was partly due to increased development and management fees from SELP, part of which relates to the size of the portfolio, which was €2.25 billion at 30 June 2016 compared to €1.93 billion a year earlier, and to higher performance fees from the Airport Property Partnership (APP) joint venture.

SEGRO's share of joint ventures' Adjusted profit after tax increased by £1.9 million, reflecting higher income from the growing SELP portfolio which more than offset the impact of the dissolution of the Heathrow Big Box (HBB) joint venture in June 2015. SEGRO acquired one of the two assets within HBB, the income from which is now reflected in Group net rental income.

Administrative and operating costs

The Group is focused on managing its cost base and uses a Total Cost Ratio as a key measure of cost management. The Total Cost Ratio for H1 2016 increased to 23.6 per cent from 20.5 per cent in H1 2015. The calculation is set out in Table 6 of the Supplementary Notes to the condensed financial information.

The main reasons behind the increase in total costs used for the numerator of this ratio were the absence of out-of-period credits in H1 2016 (£2.2 million in H1 2015), share based payments (£1.1 million higher) and the operating costs of our new businesses in Italy and Spain where the asset base is currently relatively small compared to our other geographies.

Net finance costs

Net finance costs were stable during the period at £33.5 million, driven by a combination of a lower level of group net debt and a slightly lower cost of debt, offset by the impact of weakening sterling against the euro.

Taxation

The tax charge on Adjusted profit of £0.8 million (H1 2015: £0.5 million) reflects an effective tax rate of 1.1 per cent (H1 2015: 0.7 per cent), consistent with a Group target tax rate of less than 3 per cent.

The Group's target tax rate reflects the fact that over three-quarters of its assets are located in the UK and France and qualify for REIT and SIIC status respectively in those countries. This status means that income from rental profits and gains on disposals of assets in the UK and France are exempt from corporation tax, provided SEGRO meets a number of conditions including, but not limited to, distributing 90 per cent of UK taxable profits.

Adjusted earnings per share

Adjusted earnings per share are 9.8 pence (H1 2015: 9.2 pence) reflecting the combination of a £4.7 million improvement in Adjusted profit after tax and an increased average number of shares as a result of take-up of the scrip dividend option offered with the 2015 interim and final dividends.

TOTAL PROPERTY RETURN

The total property return ('TPR') for the portfolio in H1 2016 (as defined in the Glossary) was 4.3 per cent, lower than for H1 2015 (8.7 per cent), reflecting mainly a lower capital return due to the lack of yield compression during the period. The TPR comprises an income return of 2.4 per cent (H1 2015: 2.7 per cent) and a capital return of 1.9 per cent (6.0 per cent). More detail on the performance of the property portfolio can be found in the Chief Executive's Review.

IFRS PROFIT

IFRS profit before tax in H1 2016 was £200.7 million (H1 2015: £330.0 million), equating to post-tax IFRS earnings per share of 25.9 pence compared with 44.4 pence for H1 2015. The IFRS profits are driven primarily by unrealised and realised gains on our property portfolio which were lower in H1 2016 than in the same period a year ago.

A reconciliation between Adjusted profit before tax and IFRS profit before tax is provided in Note 2 to the condensed financial information.

Realised and unrealised gains on wholly owned investment and trading properties of £81.1 million in H1 2016 (H1 2015: £233.9 million gain) have been recognised in the income statement, mainly comprising an unrealised valuation surplus of £76.0 million (H1 2015: £230.0 million surplus) and a profit of £6.3 million on asset disposals (H1 2015: £4.3 million profit).

SEGRO's share of realised and unrealised gains on properties held in joint ventures was £27.9 million (H1 2015: £51.1 million) and is further analysed in Note 6 to the condensed financial information.

BALANCE SHEET

EPRA net asset value

	£m	Shares million	Pence per share
EPRA net assets attributable to ordinary shareholders at 31 December 2015	**3,453.4**	**746.3**	**463**
Realised and unrealised property gain	109.0		
Adjusted profit after tax	73.4		
Dividend net of scrip shares issued (2015 final)	(57.2)		
Exchange rate movement (net of hedging)	24.7		
Other	(9.5)		
EPRA net assets attributable to ordinary shareholders at 30 June 2016	**3,593.8**	**756.0**	**475**

At 30 June 2016, IFRS net assets attributable to ordinary shareholders were £3,648.9 million (31 December 2015: £3,489.9 million), equating to 483 pence per share on a diluted basis (31 December 2015: 468 pence).

EPRA net asset value per share at 30 June 2016 was 475 pence (31 December 2015: 463 pence), the 2.6 per cent increase mainly reflecting property gains in the period. The table above highlights the other principal factors behind the increase. A reconciliation between IFRS and EPRA net assets is available in Note 11 to the condensed financial information.

Cash flow and net debt reconciliation

Free cash flow for the period was £60.2 million, a £1.3 million decrease from H1 2015 (£61.5 million). Although cash flow from operations after net finance costs was up by £15.6 million in H1 2016, the prior year period benefited from the net impact of a one-off US tax refund of £33.6 million offset by a £24.8 million cash outflow due to the early close out of interest rate swaps. Additionally, excluding the tax refund, tax paid in H1 2016 was £10.1 million higher than H1 2015 due to capital gains taxes due on prior year disposals.

The largest cash outflow for the period was £146.1 million on acquiring land and property and developing the investment property portfolio. This is lower than in the same period last year (H1 2015: £167.8 million) due primarily to lower acquisition activity. Cash flows from investment property sales were £391.2 million compared to £150.5 million in H1 2015, largely due to the receipt of £321 million of proceeds from the sale of the Bath Road office portfolio in January. The investment in joint ventures has increased by £11.0 million primarily as a result of investment into SELP and into the partnership with Roxhill (see Future Development Pipeline section for more details).

Other significant cash flows include the acquisition of land options principally through our relationship with Roxhill of £36.7 million (H1 2015: nil) and the dividends paid of £46.4 million (in addition, £10.8 million relating to the tax withheld in respect of the PID was paid post period end), which is similar to the prior period and was partially satisfied by the issue of scrip shares. Furthermore, £18.8 million was paid to settle foreign exchange derivatives (H1 2015: £39.8 million inflow), the £58.6 million variance reflecting the strengthening euro exchange rate during H1 2016 compared to a weakening in H1 2015.

As a result of these factors there was a net cash inflow of £127.9 million during the period (H1 2015: £51.3 million outflow).

Cash flow and net debt reconciliation

	Six months to 30 June 2016 £m	Six months to 30 June 2015 £m
Opening net debt	**(1,806.5)**	(1,679.2)
Cash flow from operations	**98.8**	76.3
Finance costs (net)	**(43.3)**	(36.4)
Early close out of interest rate swaps	**–**	(24.8)
Dividends received	**14.8**	12.8
Tax (paid)/received	**(10.1)**	33.6
Free cash flow	**60.2**	61.5
Dividends paid	**(46.4)**	(44.7)
Acquisitions and development of investment properties	**(146.1)**	(167.8)
Investment property sales (including joint ventures)	**391.2**	150.5
Acquisition of Vailog Srl	**–**	(23.1)
Acquisition of interests in property	**(36.7)**	–
Net settlement of foreign exchange derivatives	**(18.8)**	39.8
Net investment in joint ventures	**(72.0)**	(61.0)
Other items	**(3.5)**	(6.5)
Net funds flow	**127.9**	(51.3)
Non-cash movements	**(2.4)**	(1.8)
Debt acquired with Vailog Srl	**–**	(44.8)
Exchange rate movements	**(25.9)**	(0.1)
Closing net debt	**(1,706.9)**	(1,777.2)

Capital expenditure

The table below sets out analysis of the capital expenditure on property assets during the period. This includes acquisition and development spend, on an accruals basis, in respect of the Group's wholly-owned investment and trading property portfolios, as well as the equivalent amounts for joint ventures at share.

Total spend for the period was £244.1 million, a decrease of £249.6 million compared to H1 2015, the main difference being the much reduced level of acquisitions during the period, partially offset by higher development expenditure.

Development capital expenditure increased by £68.6 million to £114.7 million, reflecting our stated intention to increase the level of investment in developments to take advantage of strong occupier demand. Development spend incorporates interest capitalised of £2.9 million (H1 2015: £1.3 million) including joint ventures at share.

Spend on existing completed properties totalled £11.8 million (H1 2015: £16.8 million), of which £6.6 million was for value-enhancing major refurbishment and fit-out costs prior to re-letting. The balance mainly comprises minor refurbishment costs, which equates to 7 per cent of Adjusted profit before tax.

EPRA capital expenditure analysis

	Six months to 30 June 2016			Six months to 30 June 2015		
	Wholly owned £m	**Joint ventures £m**	**Total £m**	Wholly owned £m	Joint ventures £m	Total £m
Acquisitions	**65.5**[1]	**39.8**	**105.3**	349.0[1]	74.9	423.9
Development[4]	**97.1**[2]	**17.6**	**114.7**	41.9[2]	4.2	46.1
Completed properties[4]	**9.8**[3]	**2.0**	**11.8**	12.9[3]	3.9	16.8
Other[5]	**10.2**	**2.1**	**12.3**	5.7	1.2	6.9
Total	**182.6**	**61.5**	**244.1**	409.5	84.2	493.7

1 Being £65.5 million investment property and £nil trading property (2015: £349.0 million and £nil million respectively) see Note 12.
2 Being £96.8 million investment property and £0.3 million trading property (2015: £41.8 million and £0.1 million respectively) see Note 12.
3 Being £9.7 million investment property and £0.1 million trading property (2015: £12.9 million and £nil respectively) see Note 12.
4 Includes wholly owned capitalised interest of £2.4 million (2015: £1.2 million) as further analysed in Note 8 and share of joint venture capitalised interest of £0.5 million (2015: £0.1 million).
5 Tenant incentives, letting fees and rental guarantees.

TREASURY POLICIES AND GOVERNANCE

The Group Treasury function operates within a formal treasury policy covering all aspects of treasury activity, including funding, counterparty exposure and management of interest rate, currency and liquidity risks. Group Treasury policies are reviewed by the Board at least once a year, most recently in September 2015.

Group Treasury reports on compliance with these policies on a quarterly basis to the Finance Committee, which includes the Chief Executive and is chaired by the Group Finance Director.

FINANCIAL POSITION AND FUNDING

Financial Key Performance Indicators

GROUP ONLY	30 June 2016	30 June 2015	31 December 2015
Net borrowings (£m)	**1,707**	1,777	1,807
Available Group cash and undrawn facilities (£m)	**440**	299	234
Gearing (%)	**47**	56	52
Weighted average cost of debt[1] (%)	**3.7**	4.0	3.7
Interest cover[2] (times)	**2.4**	2.3	2.5
INCLUDING JOINT VENTURES AT SHARE			
Net borrowings (£m)	**2,112**	2,117	2,193
LTV ratio (%)	**36**	39	38
Weighted average cost of debt[1] (%)	**3.4**	3.9	3.5
Average duration of debt (years)	**6.3**	6.3	6.0

1 Based on gross debt, excluding commitment fees and amortised costs.
2 Net rental income/Adjusted net finance costs (before capitalisation).

At 30 June 2016, the Group's net borrowings (including the Group's share of borrowings in joint ventures) were £2,112.1 million (31 December 2015: £2,193.2 million).

Excluding the Group's share of borrowings in joint ventures, net borrowings at 30 June 2016 were £1,706.9 million comprising gross borrowings (all but £4.0 million of which were unsecured) of £1,717.8 million and cash and cash equivalent balances of £10.9 million.

The Group's share of the net borrowings in its joint ventures was £405.2 million comprising gross borrowings (all of which were secured on a non-recourse basis to SEGRO) of £470.9 million and cash and cash equivalent balances of £65.7 million.

Cash and cash equivalent balances, together with the Group's interest rate and foreign exchange derivatives portfolio, are spread amongst a strong group of banks, all but one of which currently have long-term credit ratings of A– or better.

Funds available (excluding cash and undrawn facilities held in joint ventures) at 30 June 2016 totalled £439.8 million, comprising £10.9 million of cash and short-term investments and £428.9 million of undrawn bank facilities provided by the Group's relationship banks, of which only £5.0 million were uncommitted.

At 30 June 2016, there were no debt maturities (bonds, notes and bank facilities) falling due within 18 months and the weighted average maturity of the gross borrowings of the Group (including joint ventures at share) was 6.3 years (31 December 2015: 6.0 years). In May 2016, the Group's on-balance sheet facilities were amended and extended, increasing the total facilities by £91.7 million to provide total committed revolving facilities of £650.0 million. At the same time, the margin on drawn facilities and commitment fees on the undrawn facilities were reduced and the maturities extended, with the largest (£508.3 million) facility maturing in 2021 with an option to extend the facility by a further two years at SEGRO's request and on each of banks' approval for the share of their participation. SEGRO's committed facilities are provided by ten relationship banks.

The Group seeks to maintain, over the medium term, an appropriate mix of debt funding between longer-dated core funding provided by bonds, and shorter-dated bank facilities providing funding headroom and more flexible borrowings that are cheaper and easier to repay than bonds. At 30 June 2016, 87 per cent of the gross borrowings of the Group were bonds and 13 per cent were bank borrowings.

The market value of the gross borrowings of the Group (including debt funding arrangements within joint ventures) at 30 June 2016 was £363.4 million higher than the balance sheet carrying value. This difference mainly relates to the sterling bond portfolio and term debt in joint ventures which have fixed interest coupons above current market rates. The majority (£959 million) of the sterling bonds have been swapped into floating sterling debt or fixed or floating euro debt via a combination of interest rate and currency swaps and forward foreign exchange contracts.

The market value (including accrued interest) of the Group's derivative financial instruments (mainly interest rate and currency swaps used to hedge interest rate and currency exposures) at 30 June 2016 was a liability of £36.5 million (31 December 2015: an asset of £55.8 million). The decrease during the period was mainly due to cross-currency swap maturities, lower euro interest rates causing a reduction in the fair value of euro interest rate swaps and a stronger euro at 30 June 2016, reducing the fair value of the currency swaps. These instruments are held at fair value on the Group's balance sheet within debtors and creditors.

GEARING AND FINANCIAL COVENANTS

The loan to value (LTV) ratio of the Group at 30 June 2016 on a look-through basis (including the borrowings and property assets of the Group's share of joint ventures) was 36 per cent (31 December 2015: 38 per cent).

The gearing ratio of the Group at 30 June 2016, as defined within the principal debt funding arrangements of the Group (excluding debt funding arrangements within joint ventures), was 47 per cent (31 December 2015: 52 per cent). This is significantly lower than the Group's tightest financial gearing covenant within these debt facilities of 160 per cent.

Property valuations would need to fall by around 44 per cent from their 30 June 2016 values to reach the gearing covenant threshold of 160 per cent. A 44 per cent fall in property values would equate to a look-through LTV ratio of around 64 per cent.

The Group's other key financial covenant within its principal debt funding arrangements is interest cover, requiring that net interest before capitalisation be covered at least 1.25 times by net property rental income. At 30 June 2016, the Group's multiple is comfortably above this threshold at 2.4 times. On a look-through basis, including joint ventures, the multiple was 2.8 times.

INTEREST RATE EXPOSURE

The Group's interest rate risk policy is that between 50 and 100 per cent of net borrowings (including the Group's share of borrowings in joint ventures) should be at fixed or capped rates both at a Group level and by major borrowing currency (currently euro and sterling), including the impact of derivative financial instruments.

At 30 June 2016, including the impact of derivative instruments, 83 per cent of the net borrowings of the Group (including the Group's share of borrowings within joint ventures) were at fixed rates and the weighted average maturity of fixed cover was 6.8 years.

At 30 June 2016 the weighted average interest rate for gross borrowings (excluding those within joint ventures) was 3.7 per cent (31 December 2015: 3.7 per cent) before commitment fees and amortised costs. Including the impact, at share, of gross borrowings in joint ventures, the weighted average interest rate of the Group at 30 June 2016, before commitment fees and amortised costs, was 3.4 per cent (31 December 2015: 3.5 per cent).

As a result of fixed rate cover in place, if short-term interest rates had been 1 per cent higher throughout the year to 30 June 2016, the adjusted net finance cost of the Group would have increased by approximately £3.5 million, representing around 5 per cent of Adjusted profit after tax.

The Group elects not to hedge account its interest rate derivatives portfolio. Therefore, movements in its fair value are taken to the income statement but, in accordance with EPRA Best Practices Recommendations, these gains and losses are eliminated from Adjusted profit after tax.

FOREIGN CURRENCY TRANSLATION EXPOSURE

The Group has negligible transactional foreign currency exposure, but does have a potentially significant currency translation exposure arising on the conversion of its substantial foreign currency denominated assets (mainly euro) and euro denominated earnings into sterling in the Group consolidated accounts. At 30 June 2016, the Group had gross foreign currency assets which were 88 per cent hedged by gross foreign currency denominated liabilities (including the impact of derivative financial instruments). Translation hedging has been maintained towards the upper end of the 50 to 100 per cent policy range in order to substantially reduce the impact of movements in the sterling/euro exchange rate on NAV and Adjusted profit after tax.

Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, a 5 per cent strengthening against sterling in the value of the other currencies in which the Group operates at 30 June 2016 would have increased net assets by approximately £10 million and there would have been an increase in gearing of approximately 1.7 per cent and in the look-through LTV of 0.8 per cent.

The average exchange rate used to translate euro denominated earnings generated during the period into sterling within the consolidated income statement of the Group was €1.28:£1. Based on the hedging position at 30 June 2016, if the euro had been 5 per cent stronger than it was against sterling throughout the first half of the year (€1.22: £1), Adjusted profit after tax for the period would have been approximately £1.0 million (1.4 per cent) higher than reported.

In the event of the euro weakening 5 per cent, the impact on income, net assets, gearing and LTV is approximately equal and opposite to the figures above.

GOING CONCERN

As noted in the Financial Position and Funding section, the Group has a strong liquidity position, a favourable debt maturity profile and substantial headroom against financial covenants. Accordingly, it can reasonably expect to continue to have good access to capital markets and other sources of funding.

Having made enquiries and having considered the principal risks facing the Group (see Statement of Principal Risks for further information), including liquidity and solvency risks, and material uncertainties, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future (a period of at least 12 months from the date of approval of the condensed financial information). Accordingly, they continue to adopt the going concern basis in preparing the Interim Report.

STATEMENT OF PRINCIPAL RISKS

The Group recognises that its ability to manage risk effectively across the organisation is central to its success. Risk management ensures a structured approach to decision making that aims to reduce the uncertainty surrounding expected outcomes, balanced against the objective of creating value for our shareholders.

The Group's risk appetite, its integrated approach to managing risk and the governance arrangements in place are described in the Principal Risks section of the 2015 Annual Report on pages 62 to 65.

We have reviewed the Group's risk register in the light of the outcome of the UK's EU referendum. The risk of UK exit from the EU was already on our risk register and was highlighted as a principal risk in the 2015 Annual Report. Although we acknowledge that the outcome of the referendum has created unique issues and there remains much uncertainty as to their resolution, we have concluded that the only risk to have changed significantly since publication of the 2015 Annual Report is this 'UK exit from the EU' risk. It should be noted that this risk remains within our appetite.

The description of this risk and our mitigations of it remain substantially as described in the 2015 Annual Report (on page 68), but it has been updated and restated below to reflect the current situation and what is currently known. We continue to monitor the situation closely.

UK EXIT FROM THE EU

The period of uncertainty leading up to the UK referendum did not appear to significantly adversely impact investment, capital or occupier markets in the first half of the year.

However, in the light of the UK vote to leave the EU, there is a risk that capital markets, property valuations and occupier demand in the UK may be impacted while the terms and timing of exit are negotiated and future trading relationships are established. In the longer term, exit from the EU could reduce levels of UK occupier demand as a result of lower GDP as well as potentially impacting demand in the rest of the EU (see 'European economic environment' risk below).

At this time the severity and duration of any adverse factors arising from the referendum is unknown, but the likelihood of significant adverse impact on the Group is judged to be low given the mitigants outlined below.

In particular, the Group's high quality portfolio of prime industrial assets is resilient and diverse in terms of geography and sector exposure. The Group is neither directly exposed to the asset classes nor significantly exposed to the property segments most likely to be most directly impacted by the UK vote to leave the EU.

The Group's existing mitigations for resilience through the market cycle also provide protection against this risk. As well as the underlying quality and diversity of the portfolio and the positive structural drivers of demand, these include maintaining substantial covenant headroom, access to diverse sources of funding, FX and interest rate hedging, and the natural hedge of a substantial portfolio in Continental Europe. Further information on these risk mitigations is available in the 2015 Annual Report on pages 66 to 70.

Furthermore, short development lead times and agile decision making also enable the Group to respond quickly to changing market conditions.

The Group's Board, Executive Committee, Investment Committee and other management committees have met since the referendum and have considered appropriate responses in decision making.

OTHER RISKS

There are no significant changes to the other risks presented in the 2015 Annual Report on pages 66 to 70. A summary of the Group's unchanged principal risks for the second half of 2016 is provided below.

PROPERTY RISKS

These are risks to achieving above average rental and capital growth from our portfolio, including external market and competitive conditions, portfolio strategy, and execution of acquisitions and disposals.

We recognise that, in seeking outperformance from our portfolio, the Group must accept a balanced level of property risk in order to provide opportunities for superior returns.

Market cycle. The property market is cyclical and there is an inherent continuous risk that the Group could either misinterpret the market or fail to react appropriately to changing market conditions, which could result in capital being invested or disposals taking place at the wrong price or time in the cycle.

Portfolio strategy. The Group's Total Property and/or Shareholder Returns could underperform in absolute or relative terms as a result of an inappropriate portfolio strategy.

Execution of investment plans. Decisions to buy, hold, sell or develop assets could be flawed due to uncertainty in analysis and assumptions, poor due diligence or unexpected changes in the economic or operating environment.

FINANCIAL RISKS

These are risks to the revenues, costs, cash flows, equity capital and solvency of the Group resulting from the capital structure of the Group and changes in external factors such as interest rates, foreign exchange rates and the creditworthiness of the Group's major financial counterparties.

The Group maintains a low to moderate appetite for financial risk in general, with a very low appetite for risks to solvency and to gearing covenant breaches.

Solvency and covenant breach. A substantial fall in the Group's property asset values or rental income levels could lead to a breach of financial covenants within its debt funding arrangements. This could lead to a cancellation of debt funding which could, in turn, leave the Group without sufficient long-term resources (solvency) to meet its commitments.

Financial leverage. The Group could maintain an inappropriate capital structure. Financial leverage (usually expressed as the LTV ratio, but in financial covenants defined as gearing) needs to be managed depending on the direction of the economic and property market cycle. If gearing is too high when property valuations are falling, net asset value movements can be exacerbated and financial covenants put at risk. Equally, if gearing is too conservative, there is a risk that attractive growth opportunities could be missed and the benefits of leverage not maximised.

Interest rates. A significant adverse movement in interest rates could have an unacceptable impact on the Group's earnings, on investment market conditions or on tenant covenant strength.

Counterparty default. A bank or other counterparty could default while holding SEGRO deposits or derivative assets, resulting in a significant financial loss to the Group. This could also include the loss of solvency headroom from lost undrawn committed bank facilities.

European economic environment. The risk of a significant adverse impact to the Group's earnings, net asset value, financial covenants or investor confidence arising from the exit of an economy from the Eurozone; or sustained poor economic performance in the Eurozone.

CORPORATE RISKS

These are risks to business performance, legal and regulatory compliance, health and safety, environmental impact, reputation and business continuity arising from external factors or inadequate internal processes, people or systems.

We have a very low appetite for risks to our good reputation and risks to being well-regarded by our investors, regulators, employees, customers, business partners, suppliers, lenders and by the wider communities and environments in which we operate.

Operational delivery and compliance. The Group's ability to protect its reputation, revenues and shareholder value could be damaged by operational failures such as: environmental damage; failing to attract, retain and motivate key staff; a breach of anti-bribery and corruption or other legislation; major customer default or supply chain failure. Compliance failures, such as breaches of joint venture shareholders' agreements, secured loan agreements or tax legislation could also damage reputation, revenue and shareholder value.

Health and safety. Health and safety management processes could fail, leading to a loss of life, litigation, fines and serious reputational damage to the Group.

Regulatory environment. The Group could fail to anticipate legal or regulatory changes, leading to a significant un-forecasted financial or reputational impact.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.28R (disclosure of related parties' transactions and changes therein).

By order of the Board,

David Sleath	Justin Read
Chief Executive	Group Finance Director

INDEPENDENT REVIEW REPORT TO SEGRO PLC

Report on the condensed set of financial statements

Our conclusion

We have reviewed SEGRO plc's condensed set of financial statements (the "interim financial statements") in the half-yearly financial report of SEGRO plc for the 6 month period ended 30 June 2016. 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 Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed group balance sheet as at 30 June 2016;
- the condensed group income statement and condensed group statement of comprehensive income for the period then ended;
- the condensed group cash flow statement for the period then ended;
- the condensed group statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly financial report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half-yearly financial report 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 Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and 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.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
25 July 2016

a) The maintenance and integrity of the SEGRO 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.

CONDENSED GROUP INCOME STATEMENT

For the six months ended 30 June 2016

	Notes	**Half year to 30 June 2016 (unaudited) £m**	Half year to 30 June 2015 (unaudited) £m	Year to 31 December 2015 (audited) £m
Revenue	4	**136.7**	117.4	248.5
Gross rental income	4	**110.7**	101.2	210.7
Property operating expenses	5	**(22.1)**	(15.8)	(37.7)
Net rental income		**88.6**	85.4	173.0
Joint venture management fee income		**9.1**	6.7	17.0
Administration expenses		**(15.5)**	(13.0)	(28.5)
Pension settlement costs	2	**–**	(4.8)	(4.8)
Share of profit from joint ventures after tax	6	**63.4**	71.3	156.5
Realised and unrealised property gain	7	**81.1**	233.9	461.5
Other investment (loss)/income		**–**	(2.3)	6.6
Goodwill and other amounts written off on acquisitions		**(0.1)**	(4.6)	(3.8)
Operating profit		**226.6**	372.6	777.5
Finance income	8	**47.7**	60.9	43.4
Finance costs	8	**(73.6)**	(103.5)	(134.4)
Profit before tax		**200.7**	330.0	686.5
Tax	9	**(5.9)**	0.1	(3.7)
Profit after tax		**194.8**	330.1	682.8
Attributable to equity shareholders		**194.1**	330.1	682.5
Attributable to non-controlling interests		**0.7**	–	0.3
		194.8	330.1	682.8
Earnings per share (pence)				
Basic	11	**25.9**	44.4	91.7
Diluted	11	**25.8**	44.4	91.7

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	**Half year to 30 June 2016 (unaudited) £m**	Half year to 30 June 2015 (unaudited) £m	Year to 31 December 2015 (audited) £m
Profit for the period		**194.8**	330.1	682.8
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain on defined benefit pension schemes		**0.3**	9.6	17.9
		0.3	9.6	17.9
Items that may be reclassified subsequently to profit or loss				
Foreign exchange movement arising on translation of international operations		**92.7**	(44.9)	(22.3)
(Decrease)/increase in value of available-for-sale investments		**(0.3)**	1.1	0.1
Fair value movements on derivatives in effective hedge relationships		**(72.4)**	33.4	17.9
		20.0	(10.4)	(4.3)
Tax on components of other comprehensive income		**–**	–	–
Other comprehensive loss before transfers		**20.3**	(0.8)	13.6
Transfer to income statement on sale and impairment of available-for-sale investments		**–**	2.6	(0.4)
Total comprehensive profit for the period		**215.1**	331.9	696.0
Attributable to – equity shareholders		**214.4**	331.9	695.7
– non-controlling interests		**0.7**	–	0.3
Total comprehensive profit for the period		**215.1**	331.9	696.0

CONDENSED GROUP BALANCE SHEET

As at 30 June 2016

	Notes	**30 June 2016 (unaudited) £m**	30 June 2015 (unaudited) £m	31 December 2015 (audited) £m
Assets				
Non-current assets				
Goodwill and other intangibles		**4.5**	2.3	2.4
Investment properties	12	**4,394.5**	3,905.1	4,118.1
Other interests in property		**42.4**	–	–
Plant and equipment		**16.5**	17.9	16.4
Investments in joint ventures	6	**1,050.7**	803.9	867.3
Available-for-sale investments		**0.6**	6.8	0.9
Derivative financial instruments		**112.3**	92.9	80.8
Pension assets		**24.6**	–	20.2
		5,646.1	4,828.9	5,106.1
Current assets				
Trading properties	12	**33.0**	67.3	37.6
Trade and other receivables		**98.1**	186.7	97.8
Derivative financial instruments		**4.5**	75.3	0.7
Cash and cash equivalents	13	**10.9**	24.9	16.4
Assets held for sale	12	**–**	–	305.9
		146.5	354.2	458.4
Total assets		**5,792.6**	5,183.1	5,564.5
Liabilities				
Non-current liabilities				
Borrowings	13	**1,717.8**	1,594.0	1,822.9
Deferred tax provision	9	**13.7**	9.1	12.6
Provisions		**–**	2.7	–
Trade and other payables		**–**	4.5	3.9
Derivative financial instruments		**21.7**	–	1.1
		1,753.2	1,610.3	1,840.5
Current liabilities				
Trade and other payables		**255.0**	197.2	203.6
Derivative financial instruments		**131.6**	–	24.6
Borrowings	13	**–**	208.1	–
Tax liabilities		**5.3**	7.4	7.7
		391.9	412.7	235.9
Total liabilities		**2,145.1**	2,023.0	2,076.4
Net assets		**3,647.5**	3,160.1	3,488.1
Equity				
Share capital		**75.4**	74.7	74.8
Share premium		**1,113.1**	1,090.5	1,091.4
Capital redemption reserve		**113.9**	113.9	113.9
Own shares held		**(5.8)**	(6.4)	(6.3)
Other reserves		**187.6**	162.1	165.8
Retained earnings		**2,164.7**	1,727.4	2,050.3
Total shareholders' equity		**3,648.9**	3,162.2	3,489.9
Non-controlling interests		**(1.4)**	(2.1)	(1.8)
Total equity		**3,647.5**	3,160.1	3,488.1
Net assets per ordinary share (pence)				
Basic	11	**485**	424	468
Diluted	11	**483**	424	468

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

(unaudited)	Balance 1 January 2016 £m	Exchange movement £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 30 June 2016 £m
Ordinary share capital	**74.8**	**–**	**–**	**–**	**0.1**	**–**	**0.5**	**–**	**75.4**
Share premium	**1,091.4**	**–**	**–**	**–**	**0.1**	**–**	**21.6**	**–**	**1,113.1**
Capital redemption reserve	**113.9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**113.9**
Own shares held	**(6.3)**	**–**	**–**	**–**	**–**	**(2.2)**	**–**	**2.7**	**(5.8)**
Other reserves:									
Share based payments reserve	**8.5**	**–**	**–**	**–**	**–**	**3.5**	**–**	**(2.0)**	**10.0**
Fair value reserve for AFS[1]	**0.1**	**–**	**–**	**(0.3)**	**–**	**–**	**–**	**–**	**(0.2)**
Translation and other reserves	**(11.9)**	**93.0**	**–**	**(72.4)**	**–**	**–**	**–**	**–**	**8.7**
Merger reserve	**169.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**169.1**
Total other reserves	**165.8**	**93.0**	**–**	**(72.7)**	**–**	**3.5**	**–**	**(2.0)**	**187.6**
Retained earnings	**2,050.3**	**–**	**194.1**	**0.3**	**–**	**–**	**(79.3)**	**(0.7)**	**2,164.7**
Total equity attributable to equity shareholders	**3,489.9**	**93.0**	**194.1**	**(72.4)**	**0.2**	**1.3**	**(57.2)**	**–**	**3,648.9**
Non-controlling interests[2]	**(1.8)**	**(0.3)**	**0.7**	**–**	**–**	**–**	**–**	**–**	**(1.4)**
Total equity	**3,488.1**	**92.7**	**194.8**	**(72.4)**	**0.2**	**1.3**	**(57.2)**	**–**	**3,647.5**

For the six months ended 30 June 2015

(unaudited)	Balance 1 January 2015 £m	Exchange movement £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 30 June 2015 £m
Ordinary share capital	74.2	–	–	–	0.5	–	–	–	74.7
Share premium	1,070.0	–	–	–	20.5	–	–	–	1,090.5
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(6.1)	–	–	–	–	(6.2)	–	5.9	(6.4)
Other reserves:									
Share based payments reserve	7.5	–	–	–	–	2.4	–	(2.0)	7.9
Fair value reserve for AFS[1]	0.4	–	–	1.1	–	2.6	–	–	4.1
Translation and other reserves	(7.5)	(44.9)	–	33.4	–	–	–	–	(19.0)
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	169.5	(44.9)	–	34.5	–	5.0	–	(2.0)	162.1
Retained earnings	1,467.3	–	330.1	9.6	–	–	(75.7)	(3.9)	1,727.4
Total equity attributable to equity shareholders	2,888.8	(44.9)	330.1	44.1	21.0	(1.2)	(75.7)	–	3,162.2
Non-controlling interests[2]	–	–	–	–	–	(2.1)	–	–	(2.1)
Total equity	2,888.8	(44.9)	330.1	44.1	21.0	(3.3)	(75.7)	–	3,160.1

For the year ended 31 December 2015

(audited)	Balance 1 January 2015 £m	Exchange movement £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 31 December 2015 £m
Ordinary share capital	74.2	–	–	–	0.1	–	0.5	–	74.8
Share premium	1,070.0	–	–	–	0.3	–	21.1	–	1,091.4
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(6.1)	–	–	–	–	(6.7)	–	6.5	(6.3)
Other reserves:									
Share based payments reserve	7.5	–	–	–	–	3.2	–	(2.2)	8.5
Fair value reserve for AFS[1]	0.4	–	–	0.1	–	(0.4)	–	–	0.1
Translation and other reserves	(7.5)	(22.3)	–	17.9	–	–	–	–	(11.9)
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	169.5	(22.3)	–	18.0	–	2.8	–	(2.2)	165.8
Retained earnings	1,467.3	–	682.5	17.9	–	–	(113.1)	(4.3)	2,050.3
Total equity attributable to equity shareholders	2,888.8	(22.3)	682.5	35.9	0.4	(3.9)	(91.5)	–	3,489.9
Non-controlling interests[2]	–	–	0.3	–	–	(2.1)	–	–	(1.8)
Total equity	2,888.8	(22.3)	682.8	35.9	0.4	(6.0)	(91.5)	–	3,488.1

1 AFS is the term used for "Available-for-sale investments" and is shown net of deferred tax.

2 Non-controlling interests relate to Vailog Sarl and is shown net of the estimated gross settlement amount of a put option held by the minority shareholder.

CONDENSED GROUP CASH FLOW STATEMENT

For the six months ended 30 June 2016

	Notes	**Half year to 30 June 2016 (unaudited) £m**	Half year to 30 June 2015 (unaudited) £m	Year to 31 December 2015 (audited) £m
Cash flows from operating activities	14	**98.8**	76.3	123.9
Interest received		**32.6**	43.2	87.0
Dividends received		**14.8**	12.8	20.8
Interest paid		**(75.9)**	(79.6)	(152.1)
Early close out of interest rate swaps		**–**	(24.8)	(24.8)
Tax (paid)/received		**(10.1)**	33.6	34.5
Acquisition of Vailog		**–**	–	(1.6)
Net cash received from operating activities		**60.2**	61.5	87.7
Cash flows from investing activities				
Purchase and development of investment properties		**(146.1)**	(167.8)	(470.8)
Sale of investment properties		**391.2**	150.5	226.3
Acquisition of other interests in property		**(36.7)**	–	–
Purchase of plant and equipment		**(3.7)**	(0.9)	(2.1)
Sale of available-for-sale investments		**–**	0.3	11.4
Acquisition of Big Box		**–**	–	2.6
Acquisition of Vailog		**–**	(23.1)	(24.8)
Sale of SELP portfolio		**–**	–	119.9
Investment in joint ventures		**(72.0)**	(61.0)	(28.0)
Net cash received from/(used in) investing activities		**132.7**	(102.0)	(165.5)
Cash flows from financing activities				
Dividends paid to ordinary shareholders		**(46.4)**	(44.7)	(91.5)
Proceeds from other borrowings		**36.7**	107.6	320.5
Repayment of other borrowings		**(170.4)**	(10.3)	(208.3)
Close out of Vailog debt		**–**	(44.8)	(44.8)
Net settlement of foreign exchange derivatives		**(18.8)**	39.8	101.1
Proceeds from issue of ordinary shares		**0.2**	0.3	0.4
Purchase of ordinary shares		**–**	(6.2)	(6.7)
Net cash (used in)/ received from financing activities		**(198.7)**	41.7	70.7
Net (decrease)/ increase in cash and cash equivalents		**(5.8)**	1.2	(7.1)
Cash and cash equivalents at the beginning of the period		**16.4**	23.8	23.8
Effect of foreign exchange rate changes		**0.3**	(0.1)	(0.3)
Cash and cash equivalents at the end of the period	13	**10.9**	24.9	16.4

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements for the six months ended 30 June 2016 were approved by the Board of Directors on 25 July 2016.

The condensed set of financial statements for the six months ended 30 June 2016 is unaudited and does not constitute statutory accounts within the meaning of S434 of the Companies Act 2006. The financial information contained in this report for the year ended 31 December 2015 does not constitute statutory accounts within the meaning of S434 of the Companies Act 2006 and has been extracted from the statutory accounts, which were prepared in accordance with EU-endorsed International Financial Reporting Standards (IFRSs) and were delivered to the Registrar of Companies. The auditor's opinion on these accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement made under S498(2) or S498(3) of the Companies Act 2006. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest financial statements. A number of amendments to IFRSs became effective for the financial year beginning on 1 January 2016, however the Group did not have to change its accounting policies or make material retrospective adjustments as a result of adopting these new standards. These amendments are listed below:

- Amendments to IAS 1 "Disclosure Initiative"
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Amendments to IAS 16 and IAS 41 "Bearer Plants"
- Amendments to IAS 19 "Defined Benefit Plans – Employee Contributions"
- Amendments to IAS 27 "Equity Method in Separate Financial Statements"
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"
- Annual Improvements Project "Annual Improvements to IFRSs 2010-12"
- Annual Improvements Project "Annual Improvements to IFRSs 2012-14".

The condensed set of financial statements has been prepared on a going concern basis. This is discussed in the Financial Review.

Other interests in property of £42.4 million (2015: £nil) relate to costs in respect of land options, which are tested regularly for impairment. Similarly, land option costs of £12.8 million (£6.4 million at share) (2015: £nil) are held within joint ventures' balance sheets (as disclosed in note 6).

The principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.20 (30 June 2015: £1 = €1.41; 31 December 2015: £1 = €1.36)
Income statement: £1 = €1.28 (30 June 2015: £1 = €1.37; 31 December 2015: £1 = €1.38)

The Group's business is not seasonal and the results relate to continuing operations unless otherwise stated.

2. ADJUSTED PROFIT

Adjusted profit is a non-GAAP measure and is the Group's measure of underlying profit, which is used by the Board and senior management to measure and monitor the Group's income performance.

It is based on the Best Practices Recommendations of European Public Real Estate Association (EPRA), which calculate profit excluding investment and development property revaluations and gains or losses on disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation, as well as other permitted one-off items. Refer to the Supplementary Notes for all EPRA adjustments.

The Directors may also exclude from the EPRA profit measure additional items (gains and losses) which are considered by them to be non-recurring, not in the ordinary course of business and significant by virtue of size and nature. No non-EPRA adjustments to underlying profit were made in the six months ended 30 June 2016. In the first half 2015 £4.8 million of pension settlement costs arose in rationalising the Group's pension schemes.

The following table provides a reconciliation of Adjusted profit to IFRS profit:

	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Year to 31 December 2015 £m
Gross rental income	**110.7**	101.2	210.7
Property operating expenses	**(22.1)**	(15.8)	(37.7)
Net rental income	**88.6**	85.4	173.0
Joint venture management fee income	**9.1**	6.7	17.0
Administration expenses	**(15.5)**	(13.0)	(28.5)
Share of joint ventures' adjusted profit after tax	**25.5**	23.6	44.4
Adjusted operating profit before interest and tax	**107.7**	102.7	205.9
Net finance costs	**(33.5)**	(33.5)	(67.3)
Adjusted profit before tax	**74.2**	69.2	138.6
Adjustments to reconcile to IFRS:			
Adjustments to the share of profit from joint ventures after tax[1]	**37.9**	47.7	112.1
Profit on sale of investment properties	**6.4**	4.5	23.0
Valuation surplus on investment properties	**76.0**	230.0	439.8
Loss on sale of trading properties	**(0.1)**	(0.2)	(0.1)
Increase in provision for impairment of trading properties	**(1.2)**	(0.4)	(1.2)
Other investment (loss)/income	**–**	(2.3)	6.6
Goodwill and other amounts written off on acquisitions	**(0.1)**	(4.6)	(3.8)
Cost of early close out of bank debt	**(1.0)**	–	–
Net fair value profit/(loss) on interest rate swaps and other derivatives	**8.6**	(9.1)	(23.7)
Pension settlement costs[2]	**–**	(4.8)	(4.8)
Total adjustments	**126.5**	260.8	547.9
Profit before tax	**200.7**	330.0	686.5
Tax			
On Adjusted profit	**(0.8)**	(0.5)	(1.3)
In respect of adjustments	**(5.1)**	0.6	(2.4)
	(5.9)	0.1	(3.7)
Profit after tax			
Adjusted profit after tax	**73.4**	68.7	137.3
Adjustments	**121.4**	261.4	545.5
Profit after tax	**194.8**	330.1	682.8

1 A detailed breakdown of the adjustments to the share of profit from joint ventures is included in note 6.

2 Non-EPRA related adjustment.

3. SEGMENTAL REPORTING

The Group's reportable segments are the geographical business units: Greater London, Thames Valley and National Logistics, Germany and Northern Europe, France and Southern Europe and Poland and Central Europe, which are managed and reported to the Board as separate and distinct business units.

	Gross rental income £m	Net rental income £m	Share of joint ventures' Adjusted profit £m	Adjusted operating PBIT £m	Total directly owned property assets £m	Investments in joint ventures £m	Capital expenditure[2] £m
				30 June 2016			
Greater London	**38.5**	**33.5**	**7.1**	**44.2**	**1,740.9**	**355.9**	**15.5**
Thames Valley and National Logistics	**47.3**	**43.6**	**–**	**43.5**	**1,805.5**	**12.5**	**79.5**
Germany and Northern Europe	**11.2**	**7.8**	**7.5**	**16.5**	**402.6**	**247.5**	**24.0**
France and Southern Europe	**11.2**	**7.9**	**5.0**	**13.0**	**358.5**	**189.4**	**47.6**
Poland and Central Europe	**2.5**	**1.3**	**6.1**	**8.8**	**120.0**	**230.8**	**5.8**
Other[1]	**–**	**(5.5)**	**(0.2)**	**(18.3)**	**–**	**14.6**	**0.9**
Total	**110.7**	**88.6**	**25.5**	**107.7**	**4,427.5**	**1,050.7**	**173.3**
				30 June 2015			
Greater London	32.3	30.7	8.4	42.0	1,585.3	309.2	235.7
Thames Valley and National Logistics	49.4	45.9	–	45.9	1,792.3	14.6	35.0
Germany and Northern Europe	6.8	4.3	5.5	10.4	219.2	205.4	29.7
France and Southern Europe	9.8	7.4	4.6	12.4	282.3	114.3	98.4
Poland and Central Europe	2.9	1.8	5.5	8.2	93.3	153.4	5.0
Other[1]	–	(4.7)	(0.4)	(16.2)	–	7.0	1.4
Total	101.2	85.4	23.6	102.7	3,972.4	803.9	405.2
				31 December 2015			
Greater London	67.8	62.3	12.6	82.8	1,680.8	341.2	325.2
Thames Valley and National Logistics	102.0	94.5	–	94.4	2,011.1	5.2	168.3
Germany and Northern Europe	15.3	9.8	11.8	22.8	337.6	214.8	131.7
France and Southern Europe	20.3	14.3	9.4	24.3	320.9	126.6	124.0
Poland and Central Europe	5.3	3.1	11.2	16.5	111.2	174.3	15.5
Other[1]	–	(11.0)	(0.6)	(34.9)	–	5.2	1.1
Total	210.7	173.0	44.4	205.9	4,461.6	867.3	765.8

1 Other includes the corporate centre as well as costs relating to the operational business which are not specifically allocated to a geographical business unit.

2 Capital expenditure includes additions and acquisitions of investment and trading properties but does not include tenant incentives, letting fees and rental guarantees. The "Other" category includes non-property related spend, primarily IT.

4. REVENUE

		Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Year to 31 December 2015 £m
Rental income from investment properties		**103.8**	95.3	198.6
Rental income from trading properties		**0.9**	2.9	4.1
Rent averaging		**6.0**	3.0	7.2
Surrender premiums		**–**	–	0.8
Gross rental income		**110.7**	101.2	210.7
Joint venture management fee	- property management	**8.2**	5.8	13.8
	- performance and other fees	**0.9**	0.9	3.2
Service charge income		**8.8**	8.5	17.1
Proceeds from sale of trading properties		**8.1**	1.0	3.7
Total revenue		**136.7**	117.4	248.5

5. PROPERTY OPERATING EXPENSES

	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Year to 31 December 2015 £m
Vacant property costs	**3.7**	0.9	3.4
Letting, marketing, legal and professional fees	**3.8**	3.4	7.2
Bad debt expense	**0.1**	0.2	0.6
Other expenses, net of service charge income	**4.2**	3.2	8.3
Property management expenses	**11.8**	7.7	19.5
Property administration expenses[1]	**11.8**	9.4	20.9
Costs capitalised[2]	**(1.5)**	(1.3)	(2.7)
Total property operating expenses	**22.1**	15.8	37.7

1 Property administration expenses predominantly relate to the employee staff costs of personnel directly involved in managing the property portfolio.

2 Costs capitalised relate to staff costs of those internal employees directly involved in developing the property portfolio.

6. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

6(i) Share of profit from joint ventures after tax

	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Year to 31 December 2015 £m
Gross rental income	**76.5**	73.9	146.4
Property operating expenses			
-underlying property operating expenses	**(2.3)**	(1.7)	(4.3)
-vacant property costs	**(0.9)**	(1.5)	(2.5)
-property management fees	**(8.0)**	(6.6)	(13.8)
-performance and other fees	**(0.7)**	(1.7)	(6.3)
Net rental income	**64.6**	62.4	119.5
Administration expenses	**(0.2)**	(0.9)	(2.1)
Net finance costs	**(12.4)**	(13.0)	(26.7)
Adjusted profit before tax	**52.0**	48.5	90.7
Tax	**(1.1)**	(1.3)	(1.9)
Adjusted profit after tax	**50.9**	47.2	88.8
At share	**25.5**	23.6	44.4
Adjustments:			
Profit on sale of investment properties	**4.5**	–	0.2
Valuation surplus on investment properties	**51.3**	98.8	247.6
Decrease in provision for impairment of trading properties	**–**	3.3	3.3
Cost of early close out of debt and related derivatives	**(2.8)**	–	(6.1)
Goodwill and other amounts written off on acquisitions	**(0.1)**	(0.5)	–
Other investment income	**–**	1.6	1.8
Tax in respect of adjustments	**22.9**	(7.9)	(22.7)
Total adjustments	**75.8**	95.3	224.1
At share	***37.9***	*47.7*	*112.1*
Profit after tax	**126.7**	142.5	312.9
At share	***63.4***	*71.3*	*156.5*
Other comprehensive income	**(8.2)**	1.4	2.7
At share	***(4.1)***	*0.7*	*1.3*
Total comprehensive income for the year	**118.5**	143.9	315.6
At share	***59.3***	*72.0*	*157.8*

6(ii) Summarised balance sheet information of the Group's share of joint ventures

	As at 30 June 2016 £m	As at 30 June 2015 £m	As at 31 December 2015 £m
Investment properties	**2,966.8**	2,347.2	2,607.0
Other interests in property	**12.8**	–	–
Other investments	**0.3**	0.3	0.3
Total non-current assets	**2,979.9**	2,347.5	2,607.3
Trading properties	**1.1**	26.6	11.6
Other receivables	**76.7**	38.8	37.7
Cash	**131.5**	70.8	82.8
Total current assets	**209.3**	136.2	132.1
Total assets	**3,189.2**	2,483.7	2,739.4
Borrowings	**(941.8)**	(751.1)	(485.9)
Deferred tax	**(37.8)**	(35.4)	(55.0)
Other liabilities	**(1.4)**	(0.4)	(3.9)
Total non-current liabilities	**(981.0)**	(786.9)	(544.8)
Borrowings	**–**	–	(370.4)
Other liabilities	**(95.9)**	(89.0)	(86.7)
Derivative financial instruments	**(10.8)**	–	(3.0)
Total current liabilities	**(106.7)**	(89.0)	(460.1)
Total liabilities	**(1,087.7)**	(875.9)	(1,004.9)
Net assets	**2,101.5**	1,607.8	1,734.5
At share	***1,050.7***	*803.9*	*867.3*

In February 2016, SEGRO entered into an agreement with Roxhill Development Group to develop a portfolio of big box logistics assets in the UK through a series of joint ventures which are at various stages of planning and development. Other interests in property of £12.8 million (2015: £nil) relate to costs capitalised in association with land options, which are subject to impairment testing.

7. REALISED AND UNREALISED PROPERTY GAIN

	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Year to 31 December 2015 £m
Profit on sale of investment properties	**6.4**	4.5	23.0
Valuation surplus on investment properties	**76.0**	230.0	439.8
Loss on sale of trading properties	**(0.1)**	(0.2)	(0.1)
Increase in provision for impairment of trading properties	**(1.2)**	(0.4)	(1.2)
Total realised and unrealised property gain	**81.1**	233.9	461.5

8. NET FINANCE COSTS

Finance income	**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m	Year to 31 December 2015 £m
Interest received on bank deposits and related derivatives	**16.8**	21.0	42.3
Fair value gain on interest rate swaps and other derivatives	**30.1**	39.5	0.6
Net interest income on defined benefit obligations	**0.5**	–	–
Exchange differences	**0.3**	0.4	0.5
Total finance income	**47.7**	60.9	43.4
Finance costs			
Interest on overdrafts, loans and related derivatives	**(52.1)**	(54.2)	(109.0)
Amortisation of issue costs	**(1.4)**	(1.8)	(3.8)
Net interest expense on defined benefit obligations	**–**	(0.1)	(0.2)
Cost of early close out of debt	**(1.0)**	–	–
Total borrowing costs	**(54.5)**	(56.1)	(113.0)
Less amount capitalised on the development of properties	**2.4**	1.2	2.9
Net borrowing costs	**(52.1)**	(54.9)	(110.1)
Fair value loss on interest rate swaps and other derivatives	**(21.5)**	(48.6)	(24.3)
Total finance costs	**(73.6)**	(103.5)	(134.4)
Net finance costs	**(25.9)**	(42.6)	(91.0)

9. TAX

9(i) Tax on profit

	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Year to 31 December 2015 £m
Tax on:			
Adjusted profits	**(0.8)**	(0.5)	(1.3)
In respect of adjustments	**(5.1)**	0.6	(2.4)
Total tax (charge)/credit	**(5.9)**	0.1	(3.7)
Current tax			
Current tax charge	**(6.4)**	(4.9)	(5.9)
Adjustments in respect of earlier years	**(0.1)**	–	(0.1)
Total current tax charge	**(6.5)**	(4.9)	(6.0)
Deferred tax			
Origination and reversal of temporary differences	**(0.5)**	(0.2)	(0.2)
Released in respect of property disposals in the year	**–**	5.7	5.9
On valuation movements	**1.4**	(0.6)	(2.5)
Total deferred tax in respect of investment properties	**0.9**	4.9	3.2
Other deferred tax	**(0.3)**	0.1	(0.9)
Total deferred tax	**0.6**	5.0	2.3
Total tax (charge)/credit on profit on ordinary activities	**(5.9)**	0.1	(3.7)

9(ii) Deferred tax provision

Movement in deferred tax was as follows:

	Balance 1 January 2016 £m	**Exchange movement £m**	**Recognised in income £m**	**Acquisitions/ (disposals) £m**	**Balance 30 June 2016 £m**	Balance 30 June 2015 £m
Valuation	**3.8**	**0.5**	**(1.4)**	**–**	**2.9**	(9.2)
Accelerated tax allowances	**8.0**	**0.8**	**0.5**	**–**	**9.3**	19.4
Deferred tax asset on revenue losses	**(0.3)**	**0.1**	**–**	**–**	**(0.2)**	(1.1)
Others	**1.1**	**0.3**	**0.3**	**–**	**1.7**	–
Total deferred tax provision	**12.6**	**1.7**	**(0.6)**	**–**	**13.7**	9.1

10. DIVIDENDS

	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Year to 31 December 2015 £m
Ordinary dividends paid			
Final dividend for 2015 @ 10.6 pence per share	**79.3**	–	–
Interim dividend for 2015 @ 5.0 pence per share	**–**	–	37.4
Final dividend for 2014 @ 10.2 pence per share	**–**	75.7	75.7
	79.3	75.7	113.1

The Board has declared an interim dividend of 5.2 pence per ordinary share (2015: 5.0 pence). This dividend has not been recognised in the condensed financial statements.

11. EARNINGS AND NET ASSETS PER ORDINARY SHARE

The earnings per share calculations use the weighted average number of shares in issue during the period and the net assets per share calculations use the number of shares in issue at the period end. Earnings per share calculations exclude 1.5 million shares (1.3 million for the full year 2015 and 1.1 million for half year 2015) being the average number of shares held on trust during the period for employee share schemes and net assets per share exclude 1.5 million shares (1.5 million for the full year 2015 and 1.6 million for the half year 2015) being the actual number of shares held on trust for employee share schemes at period end.

11(i) Earnings per ordinary share (EPS)

	Half year to June 2016			Half year to June 2015			Year to December 2015		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic EPS	**194.1**	**748.0**	**25.9**	330.1	742.7	44.4	682.5	744.4	91.7
Dilution adjustments:									
Employee share schemes	**–**	**3.6**	**(0.1)**	–	0.1	–	–	0.1	–
Diluted EPS	**194.1**	**751.6**	**25.8**	330.1	742.8	44.4	682.5	744.5	91.7
Basic EPS	**194.1**	**748.0**	**25.9**	330.1	742.7	44.4	682.5	744.4	91.7
Adjustments to profit before tax[1]	**(126.5)**		**(16.9)**	(260.8)		(35.1)	(547.9)		(73.6)
Deferred tax on investment property which does not crystallise unless sold	**(0.9)**		**(0.1)**	(4.2)		(0.6)	(2.4)		(0.3)
Other tax	**6.0**		**0.8**	3.6		0.5	4.8		0.6
Non-controlling interest on adjustments	**0.7**		**0.1**	–		–	0.3		–
Adjusted EPS[2]	**73.4**	**748.0**	**9.8**	68.7	742.7	9.2	137.3	744.4	18.4

1 Details of adjustments are included in note 2.

2 Based on basic number of shares.

11(ii) Net asset value per share (NAV)

	As at June 2016			As at June 2015			As at December 2015		
	Equity attributable to ordinary shareholders £m	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders £m	Shares million	Pence per share	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	**3,648.9**	**752.3**	**485**	3,162.2	745.9	424	3,489.9	746.2	468
Dilution adjustments:									
Employee share schemes	**–**	**3.7**	**(2)**	–	0.1	–	–	0.1	–
Diluted NAV	**3,648.9**	**756.0**	**483**	3,162.2	746.0	424	3,489.9	746.3	468
Fair value adjustment in respect of debt – Group	**(352.7)**		**(47)**	(322.9)		(43)	(289.1)		(39)
Fair value adjustment in respect of debt – Joint ventures	**(10.7)**		**(1)**	(8.6)		(1)	(6.6)		(1)
Fair value adjustment in respect of trading properties – Group	**–**		**–**	2.4		–	0.1		–
Fair value adjustment in respect of trading properties – Joint ventures	**–**		**–**	3.2		–	1.6		–
EPRA triple net NAV (NNNAV)	**3,285.5**	**756.0**	**435**	2,836.3	746.0	380	3,195.9	746.3	428
Fair value adjustment in respect of debt – Group	**352.7**		**47**	322.9		43	289.1		39
Fair value adjustment in respect of debt – Joint ventures	**10.7**		**1**	8.6		1	6.6		1
Fair value adjustment in respect of interest rate swap derivatives – Group	**(90.6)**		**(12)**	(98.0)		(12)	(79.7)		(11)
Fair value adjustment in respect of interest rate swap derivatives – Joint ventures	**5.4**		**–**	2.2		–	1.5		–
Deferred tax in respect of depreciation and valuation surpluses – Group	**12.2**		**2**	10.2		1	11.8		2
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**17.9**		**2**	18.5		3	28.2		4
EPRA NAV[1]	**3,593.8**	**756.0**	**475**	3,100.7	746.0	416	3,453.4	746.3	463

1 Based on diluted number of shares.

12. PROPERTIES

12(i) Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2016	**3,863.9**	**482.6**	**4,346.5**
Exchange movement	**72.7**	**24.9**	**97.6**
Property acquisitions	**15.4**	**50.1**	**65.5**
Additions to existing investment properties	**9.7**	**96.8**	**106.5**
Disposals	**(340.2)**	**(31.0)**	**(371.2)**
Transfers between completed and development properties	**129.0**	**(129.0)**	**–**
Revaluation surplus during the period	**51.1**	**24.9**	**76.0**
At 30 June 2016	**3,801.6**	**519.3**	**4,320.9**
Add tenant lease incentives, letting fees and rental guarantees	**73.6**	**–**	**73.6**
Total investment properties at 30 June 2016	**3,875.2**	**519.3**	**4,394.5**
Total investment properties at 30 June 2015	3,541.6	363.5	3,905.1

Investment properties are stated at fair value based on external valuations performed by independent, professionally qualified valuers. The 30 June 2016 valuations of the Group's wholly owned property portfolio and all its joint venture properties were performed by CBRE Ltd (in 2015 the valuation of the APP joint venture properties was performed by Jones Lang LaSalle Limited). The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties. Whilst the outcome of the UK Referendum vote on 23 June 2016 has created a period of uncertainty in relation to many factors that impact the property investment and letting markets, its timing was such that it has not been possible for the valuers to gauge its impact on values at 30 June 2016 by reference to transactions in the market. Consequently, the valuers have advised that the probability that the valuation would exactly coincide with the price achieved, were there to be a sale, has reduced. This situation is likely to remain until the number and consistency of comparable transactions in the market increases, particularly in the UK. Having consulted with the valuers subsequent to the period end, the Directors believe it is appropriate to adopt the valuations when preparing these condensed financial statements.

CBRE Ltd (and Jones Lang LaSalle Limited in 2015) also undertake some professional and agency work on behalf of the Group, although this is limited in relation to the activities of the Group as a whole. Both firms advise us that the total fees paid by the Group represent less than 5 per cent of their total revenue in any year.

Completed properties include buildings that are occupied or are available for occupation. Development properties include land available for development, land under development and construction in progress.

At 31 December 2015 investment properties included £77.5 million tenant lease incentives, letting fees and rent guarantees. Further at 31 December 2015, of the total balance of £4,424.0 million, £305.9 million was classified as held for sale (current assets) and £4,118.1 million as investment properties (non-current assets).

12(ii) Trading properties

	Completed £m	Development £m	Total £m
At 1 January 2016	**14.2**	**23.1**	**37.3**
Exchange movement	**1.8**	**2.6**	**4.4**
Additions	**0.1**	**0.3**	**0.4**
Disposals	**–**	**(8.2)**	**(8.2)**
Increase in provision for impairment in the period	**(0.9)**	**(0.3)**	**(1.2)**
At 30 June 2016	**15.2**	**17.5**	**32.7**
Add tenant lease incentives, letting fees and rental guarantees	**0.3**	**–**	**0.3**
Total trading properties at 30 June 2016	**15.5**	**17.5**	**33.0**
Total trading properties at 30 June 2015	45.2	22.1	67.3

Trading properties were externally valued resulting in a net increase in the provision for impairment of £1.2 million (31 December: £1.2 million; 30 June 2015: £0.4 million). Based on the fair value at 30 June 2016, the portfolio has an unrecognised surplus of £nil (31 December 2015: £0.1 million; 30 June 2015: £2.4 million).

At 31 December 2015 trading properties included £0.3 million tenant lease incentives, letting fees and rental guarantees (30 June 2015: £0.1 million).

13. NET BORROWINGS AND FINANCIAL INSTRUMENTS

	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
In one year or less	**–**	208.1	–
In more than one year but less than two	**–**	–	103.2
In more than two years but less than five	**849.9**	478.4	852.2
In more than five years but less than ten	**669.6**	917.4	669.2
In more than ten years	**198.3**	198.2	198.3
In more than one year	**1,717.8**	1,594.0	1,822.9
Total borrowings	**1,717.8**	1,802.1	1,822.9
Cash and cash equivalents	**(10.9)**	(24.9)	(16.4)
Net borrowings	**1,706.9**	1,777.2	1,806.5
Total borrowings is split between secured and unsecured as follows:			
Secured (on land and buildings)	**4.0**	–	3.6
Unsecured	**1,713.8**	1,802.1	1,819.3
Total borrowings	**1,717.8**	1,802.1	1,822.9
Currency profile of total borrowings after derivative instruments			
Sterling	**426.4**	788.8	700.4
Euros	**1,305.1**	1,013.9	1,134.9
US dollars	**(13.7)**	(0.6)	(12.4)
Total borrowings	**1,717.8**	1,802.1	1,822.9
Maturity profile of undrawn borrowing facilities			
In one year or less	**5.0**	5.0	5.0
In more than one year but less than two	**–**	–	102.9
In more than two years	**423.9**	268.7	110.0
Total available undrawn facilities	**428.9**	273.7	217.9
Fair value of financial instruments			
Book value of debt	**1,717.8**	1,802.1	1,822.9
Interest rate derivatives	**(90.6)**	(98.0)	(79.7)
Foreign exchange derivatives	**127.1**	(70.3)	23.9
Book value of debt including derivatives	**1,754.3**	1,633.8	1,767.1
Net fair market value	**2,107.0**	1,956.7	2,056.2
Mark to market adjustment (pre-tax)	**352.7**	322.9	289.1

Fair value measurements recognised in the Balance Sheet

The financial instruments that are measured subsequent to initial recognition at fair value are available-for-sale investments, forward exchange and currency swap contracts and interest rate swaps. All of these financial instruments are classified as Level 2 fair value measurements, as defined by IFRS 13, being those derived from inputs other than quoted prices (included in Level 1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). There were no transfers between categories in the current or prior year.

The fair values of financial assets and financial liabilities are determined as follows:

– Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

– Interest rate swaps and currency swap contracts are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and the appropriate exchange rate at the Balance Sheet date.

14. NOTES TO THE CONDENSED GROUP CASH FLOW STATEMENT

14(i) Reconciliation of cash generated from operations

	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Year to 31 December 2015 £m
Operating profit	**226.6**	372.6	777.5
Adjustments for:			
Depreciation of property, plant and equipment	**1.5**	0.8	3.5
Share of profit from joint ventures after tax	**(63.4)**	(71.3)	(156.5)
Profit on sale of investment properties	**(6.4)**	(4.5)	(23.0)
Amounts written off on acquisitions	**0.1**	4.6	3.8
Revaluation surplus on investment properties	**(76.0)**	(230.0)	(439.8)
Loss/(gain) on sale of available-for-sale investments	**–**	2.3	(6.6)
Pension settlement costs	**–**	4.8	4.8
Pensions and other provisions	**(3.2)**	(2.1)	(16.0)
	79.2	77.2	147.7
Changes in working capital:			
Decrease in trading properties	**9.0**	1.6	3.5
(Increase)/decrease in debtors	**(15.3)**	6.6	(21.6)
Increase/(decrease) in creditors	**25.9**	(9.1)	(5.7)
Net cash inflow generated from operations	**98.8**	76.3	123.9

14(ii) Analysis of net debt

	At 1 January 2016 £m	Exchange movement £m	Cash flow £m	Non-cash Adjustment[1] £m	**At 30 June 2016 £m**
Bank loans and loan capital	1,837.0	26.3	(131.1)	–	**1,732.2**
Capitalised finance costs	(14.1)	(0.1)	(2.6)	2.4	**(14.4)**
Total borrowings	1,822.9	26.2	(133.7)	2.4	**1,717.8**
Cash in hand and at bank	(16.4)	(0.3)	5.8	–	**(10.9)**
Net debt	1,806.5	25.9	(127.9)	2.4	**1,706.9**

1 The non-cash adjustment relates to the amortisation of issue costs offset against borrowings and the cost of early close out of debt.

15. RELATED PARTY TRANSACTIONS

There have been no material changes in the related party transactions as described in the last annual report, other than those disclosed elsewhere in this condensed set of financial statements.

SUPPLEMENTARY NOTES NOT PART OF CONDENSED FINANCIAL INFORMATION

TABLE 1: EPRA PERFORMANCE MEASURES SUMMARY

		Half year to June 2016		Half year to June 2015		Year to December 2015	
	Notes	**£m**	**Pence per share**	£m	Pence per share	£m	Pence per share
EPRA Earnings	Table 2	**73.4**	**9.8**	63.9	8.6	132.5	17.8
EPRA NAV	Table 3	**3,593.8**	**475**	3,100.7	416	3,453.4	463
EPRA NNNAV	11	**3,285.5**	**435**	2,836.3	380	3,195.9	428
EPRA net initial yield	Table 4		**4.9%**		5.1%		5.0%
EPRA 'topped up' net initial yield	Table 4		**5.4%**		5.5%		5.5%
EPRA vacancy rate	Table 5		**4.8%**		7.4%		4.8%
Total EPRA cost ratio (including vacant property costs)	Table 6		**23.6%**		23.9%		24.2%
Total EPRA cost ratio (excluding vacant property costs)	Table 6		**20.7%**		22.7%		22.5%

TABLE 2: EPRA INCOME STATEMENT, PROPORTIONAL CONSOLIDATION

		Half year to June 2016			Half year to June 2015			Year to December 2015		
	Notes	**Group £m**	**JV £m**	**Total £m**	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Gross rental income	2, 6	**110.7**	**38.3**	**149.0**	101.2	37.0	138.2	210.7	73.2	283.9
Property operating expenses	2, 6	**(22.1)**	**(6.0)**	**(28.1)**	(15.8)	(5.8)	(21.6)	(37.7)	(13.5)	(51.2)
Net rental income		**88.6**	**32.3**	**120.9**	85.4	31.2	116.6	173.0	59.7	232.7
Joint venture management fee income	2	**9.1**	**–**	**9.1**	6.7	–	6.7	17.0	–	17.0
Administration expenses	2	**(15.5)**	**(0.1)**	**(15.6)**	(13.0)	(0.4)	(13.4)	(28.5)	(1.1)	(29.6)
Pension settlement costs	2	**–**	**–**	**–**	(4.8)	–	(4.8)	(4.8)	–	(4.8)
EPRA operating PBIT		**82.2**	**32.2**	**114.4**	74.3	30.8	105.1	156.7	58.6	215.3
Net finance costs	2, 6	**(33.5)**	**(6.2)**	**(39.7)**	(33.5)	(6.5)	(40.0)	(67.3)	(13.3)	(80.6)
EPRA PBT		**48.7**	**26.0**	**74.7**	40.8	24.3	65.1	89.4	45.3	134.7
Tax on EPRA profit	2, 6	**(0.8)**	**(0.5)**	**(1.3)**	(0.5)	(0.7)	(1.2)	(1.3)	(0.9)	(2.2)
EPRA profit after tax		**47.9**	**25.5**	**73.4**	40.3	23.6	63.9	88.1	44.4	132.5
Non-controlling interest on EPRA profit		**–**	**–**	**–**	–	–	–	–	–	–
EPRA profit after tax and non-controlling interests		**47.9**	**25.5**	**73.4**	40.3	23.6	63.9	88.1	44.4	132.5
Number of shares				**748.0**			742.7			744.4
EPRA EPS, pence per share				**9.8**			8.6			17.8
Company adjustment:										
Exclude pension settlement costs	2	**–**	**–**	**–**	4.8	–	4.8	4.8	–	4.8
Adjusted profit after tax		***47.9***	***25.5***	***73.4***	*45.1*	*23.6*	*68.7*	*92.9*	*44.4*	*137.3*
Number of shares				***748.0***			*742.7*			*744.4*
Adjusted EPS, pence per share				***9.8***			*9.2*			*18.4*

TABLE 3: BALANCE SHEET, PROPORTIONAL CONSOLIDATION

		Half year to June 2016			Half year to June 2015			Year to December 2015		
	Notes	**Group £m**	**JV £m**	**Total £m**	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Investment properties	12, 6	**4,394.5**	**1,483.4**	**5,877.9**	3,905.1	1,173.6	5,078.7	4,424.0	1,303.5	5,727.5
Trading properties	12, 6	**33.0**	**0.5**	**33.5**	67.3	13.3	80.6	37.6	5.8	43.4
Total properties		**4,427.5**	**1,483.9**	**5,911.4**	3,972.4	1,186.9	5,159.3	4,461.6	1,309.3	5,770.9
Investment in joint ventures	6	**1,050.7**	**(1,050.7)**	**–**	803.9	(803.9)	–	867.3	(867.3)	–
Other net assets/(liabilities)		**(122.4)**	**(28.0)**	**(150.4)**	163.1	(42.8)	120.3	(32.5)	(55.3)	(87.8)
Net debt	13, 6	**(1,706.9)**	**(405.2)**	**(2,112.1)**	(1,777.2)	(340.2)	(2,117.4)	(1,806.5)	(386.7)	(2,193.2)
Net asset value		**3,648.9**	**–**	**3,648.9**	3,162.2	–	3,162.2	3,489.9	–	3,489.9
EPRA adjustments	11			**(55.1)**			(61.5)			(36.5)
EPRA net asset value				**3,593.8**			3,100.7			3,453.4
Number of shares				**756.0**			746.0			746.3
EPRA NAV, pence per share				**475**			416			463

TABLE 4: EPRA NET INITIAL YIELD AND TOPPED-UP NET INITIAL YIELD

Combined property portfolio – 30 June 2016	Notes	**UK £m**	**Continental Europe £m**	**Total £m**
Total properties per financial statements	Table 3	**4,090.4**	**1,821.0**	**5,911.4**
Adjustments		**–**	**–**	**–**
Combined property portfolio per external valuers' report		**4,090.4**	**1,821.0**	**5,911.4**
Less development properties (investment, trading and joint venture)		(356.6)	(296.5)	(653.1)
Less other properties		–	–	–
Net valuation of completed properties		**3,733.8**	**1,524.5**	**5,258.3**
Add notional purchasers' costs		251.5	76.0	327.5
Gross valuation of completed properties including notional purchasers' costs	A	**3,985.3**	**1,600.5**	**5,585.8**
Income				
Gross passing rents[1]		179.3	101.5	280.8
Less irrecoverable property costs		(3.1)	(4.5)	(7.6)
Net passing rents	B	176.2	97.0	273.2
Adjustment for notional rent in respect of rent frees		20.8	9.9	30.7
Topped up net rent	C	197.0	106.9	303.9
Including fixed minimum uplifts received in lieu of rental growth[2]		8.3	1.9	10.2
Total topped up net rent		205.3	108.8	314.1
Yields – 30 June 2016		%	%	%
EPRA net initial yield	B/A	4.4	6.1	4.9
EPRA topped up net initial yield	C/A	4.9	6.7	5.4
True net equivalent yield		5.7	6.7	6.0

1 Gross passing rent excludes short term lettings and licences.

2 Certain leases contain clauses which guarantee future rental increases, whereas most leases contain five yearly, upwards-only rent review clauses (UK) or indexation clauses (Continental Europe).

TABLE 5: EPRA VACANCY RATE

	Half year to 30 June 2016 £m	Half year to 30 June 2015 £m	Year to 31 December 2015 £m
Annualised potential rental value of vacant premises	**16.0**	23.1	15.9
Annualised potential rental value for the completed property portfolio	**334.4**	310.9	328.2
EPRA vacancy rate	**4.8%**	7.4%	4.8%

TABLE: 6 EPRA COST RATIO

	Notes	**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m	Year to 31 December 2015 £m
Costs				
Property operating expenses[1]	5	**22.1**	15.8	37.7
Administration expenses		**15.5**	13.0	28.5
Pension settlement costs	2	**–**	4.8	4.8
Share of joint venture property operating and administration expenses[2]	6	**5.7**	5.3	11.4
Less:				
Joint venture property management income fee	4	**(8.2)**	(5.8)	(13.8)
Total costs (A)		**35.1**	33.1	68.6
Group vacant property costs	5	**(3.7)**	(0.9)	(3.4)
Share of joint venture vacant property costs	6	**(0.5)**	(0.8)	(1.3)
Total costs excluding vacant property costs (B)		**30.9**	31.4	63.9
Gross rental income				
Gross rental income	4	**110.7**	101.2	210.7
Share of joint venture property gross rental income	6	**38.3**	37.0	73.2
Total gross rental income (C)		**149.0**	138.2	283.9
		%	%	%
Total EPRA cost ratio (including vacant property costs) (A)/(C)		**23.6**	23.9	24.2
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)		**20.7**	22.7	22.5

Total costs (A)		**35.1**	33.1	68.6
Pension settlement costs	2	**–**	(4.8)	(4.8)
Total costs after non-EPRA adjustments (D)		**35.1**	28.3	63.8
Group vacant property costs	5	**(3.7)**	(0.9)	(3.4)
Share of joint venture vacant property costs	6	**(0.5)**	(0.8)	(1.3)
Total costs excluding vacant property costs (E)		**30.9**	26.6	59.1
Total gross rental income (C)		**149.0**	138.2	283.9
		%	%	%
Total cost ratio[3] (including vacant property costs) (D)/(C)		**23.6**	20.5	22.5
Total cost ratio[3] (excluding vacant property costs) (E)/(C)		**20.7**	19.2	20.8

1 Property operating expenses are net of costs capitalised in accordance with IFRS of £1.5 million (H1 2015: £1.3 million, FY 2015: £2.7 million) (see note 5 for further detail on the nature of costs capitalised).

2 Share of joint venture property operating and administration expenses after deducting costs related to performance and other fees.

3 Adjusted for pension settlement costs.

GLOSSARY OF TERMS

APP

Airport Property Partnership, a 50-50 joint venture between SEGRO and Aviva Investors.

Adjusted profit/EPS

IFRS profit/EPS excluding capital and other one-off items. It is the measure that is used internally to assess the Group's income performance. See notes 2 and 11(i) to the condensed financial information for details of these adjustments.

Completed portfolio

The completed investment and trading properties and the Group's share of joint ventures' completed investment and trading properties as at the Balance Sheet date. These include assets held throughout the period, assets acquired during the period and development assets which completed during the period.

Development pipeline

The Group's current programme of developments approved or in the course of construction at the Balance Sheet date ("Current pipeline"), together with potential schemes not yet commenced on land owned or controlled by the Group ("Future pipeline").

EPRA

The European Public Real Estate Association, a real estate industry body, which has issued Best Practices Recommendations in order to provide consistency and transparency in real estate reporting across Europe. Please refer to notes 2 and 11 and the Supplementary Notes to the condensed financial information for reconciliations between IFRS and EPRA metrics.

Estimated cost to completion

Costs still to be expended on a development or redevelopment to practical completion, including attributable interest.

Estimated rental value (ERV)

The estimated annual market rental value of lettable space as determined biannually by the Group's valuers. This will normally be different from the rent being paid.

Gearing

Net borrowings divided by total shareholders' equity excluding intangible assets and deferred tax provisions.

Gross rental income

Contracted rental income recognised in the period in the Income Statement, including surrender premiums and interest receivable on finance leases. Lease incentives, initial costs and any contracted future rental increases are amortised on a straight line basis over the lease term.

Hectares (Ha)

The area of land measurement used in this analysis. The conversion factor used, where appropriate, is 1 hectare = 2.471 acres.

Investment property

Completed land and buildings held for rental income return and/or capital appreciation.

Joint venture

An entity in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each partner's consent.

Loan to value ratio (LTV)

Net borrowings divided by the carrying value of total property assets (investment, owner occupied, trading properties). Where a 'look-through' LTV is referred to, this involves the same calculation but includes SEGRO's share of assets and borrowings in joint ventures.

MSCI-IPD

MSCI Real Estate calculates the IPD indices of real estate performance around the world.

Net true equivalent yield

The internal rate of return from an investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time. It assumes that rent is received quarterly in advance.

Net initial yield

Annualised current passing rent less non-recoverable property expenses such as empty rates, divided by the property valuation plus notional purchasers' costs. This is in accordance with EPRA's Best Practices Recommendations.

Net rental income

Gross rental income less ground rents paid, net service charge expenses and property operating expenses.

Passing rent

The annual rental income currently receivable on a property as at the Balance Sheet date (which may be more or less than the ERV). Excludes rental income where a rent free period is in operation. Excludes service charge income (which is netted off against service charge expenses).

PID

A Property Income Distribution (PID) is the mandatory distribution of earnings of profits from a REIT's property business. Under the UK REIT rules, 90 per cent of the tax-exempt profit from a REIT's property rental business must be distributed to shareholders as a PID. The total distribution to shareholders will comprise a PID at minimum but may be increased by an additional distribution via an ordinary dividend.

Pre-let

A lease signed with an occupier prior to completion of a development.

REIT

A qualifying entity which has elected to be treated as a Real Estate Investment Trust for tax purposes. In the UK, such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investment activities and must meet certain ongoing qualifications. SEGRO plc and its UK subsidiaries achieved REIT status with effect from 1 January 2007.

Rent roll

See Passing Rent.

Roxhill

In February 2016, SEGRO formed a development partnership with Roxhill Development Group ("Roxhill") which will provide SEGRO with access to a portfolio of big box logistics warehouse development sites in the South East and Midlands regions of the UK. Further information on the partnership can be found at www.segro.com.

SELP

SEGRO European Logistics Partnership, a 50-50 joint venture between SEGRO and Public Sector Pension Investment Board (PSP Investments).

SIIC

Sociétés d'investissements Immobiliers Cotées are the French equivalent of UK Real Estate Investment Trusts (see REIT).

Speculative development

Where a development has commenced prior to a lease agreement being signed in relation to that development.

Square metres (sq m)

The area of buildings measurements used in this analysis. The conversion factor used, where appropriate, is one square metre = 10.7639 square feet.

Takeback

Rental income lost due to lease expiry, exercise of break option, surrender or insolvency.

Topped up net initial yield

Net initial yield adjusted to include notional rent in respect of let properties which are subject to a rent free period at the valuation date. This is in accordance with EPRA's Best Practices Recommendations.

Total property return (TPR)

A measure of the ungeared return for the portfolio and is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period concerned, as calculated by MSCI Real Estate and excluding land.

Total shareholder return (TSR)

A measure of return based upon share price movement over the period and assuming reinvestment of dividends.

Trading property

Property being developed for sale or one which is being held for sale after development is complete.

Yield on cost

Yield on cost is the expected gross yield based on the estimated current market rental value (ERV) of the developments when fully let, divided by the book value of the developments at the earlier of commencement of the development or the balance sheet date plus future development costs and estimated finance costs to completion.