PRESS RELEASE

SEGRO

25 JULY 2017

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

SEGRO plc ('SEGRO' / 'Company' / 'Group') today announces its results for the six months ended 30 June 2017.

- **Strong first half results and operating metrics, reflecting a portfolio which is well-positioned to take advantage of favourable occupational and investment market conditions.**
- **Adjusted pre-tax profit up 23 per cent** reflects the acquisition of the Airport Property Partnership (APP) portfolio, development-led growth and our focus on customer and portfolio management, which delivered high customer retention rates, a continuing low vacancy rate and strong like-for-like rental growth.
- **Adjusted EPS up 3.2 per cent to 9.7 pence** (H1 2016: 9.4 pence[1]), incorporating the new shares issued in the March rights issue. **IFRS EPS of 41.3 pence** (H1 2016: 24.8 pence[1]), was higher due mainly to increased valuation gains on our investment portfolio.
- **EPRA NAV per share up 5.4 per cent to 504 pence** (31 December 2016: 478 pence[1]), driven by a 4.9 per cent increase in the value of the portfolio, due primarily to development and asset management gains, as well as yield compression.
- **Successful £557 million rights issue has created significant capacity for growth.** Three quarters of the proceeds already deployed or allocated to specific investment opportunities, including taking full ownership of the APP portfolio of industrial property at and around London's airports.
- **Future earnings prospects underpinned by largely de-risked and fully funded development programme.** The current development pipeline is capable of generating £46 million of rent, £31 million of which has been secured through pre-lets. In addition, near-term projects associated with a further £14 million of potential rent are at advanced stages of discussion.
- **Interim dividend increased by 5.0 per cent to 5.25 pence** (2016 interim dividend: 5.0 pence[1]).

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

"SEGRO has delivered another strong set of results in H1 2017, underpinned by active development and asset management as well as further portfolio valuation growth.

"Whilst political and economic uncertainty has increased in the UK, we are encouraged by the continued leasing momentum across our portfolio. Furthermore, business confidence in Continental Europe has picked up in recent months and there is no sign of any slowdown in the growth of internet retailing which is an important driver of demand for modern warehouse space across our markets, both in big boxes used for logistics and smaller, urban warehouses used for last mile delivery. With few signs of any meaningful new supply of speculatively developed space and investor appetite for good quality warehouse assets remaining strong, our business is well-placed to continue outperforming the wider market."

FINANCIAL AND OPERATING HIGHLIGHTS[2]

Strong development and asset management activity, supported by positive market conditions

- **28 per cent increase in new rent contracted in the period** to £27.5 million (H1 2016: £21.5 million), of which £18.4 million (H1 2016: £8.7 million) is from new development pre-let agreements and lettings of speculative space prior to completion.
- **3.9 per cent like-for-like net rental income growth**, including 5.9 per cent in the UK and stable rents in Continental Europe, aided by a 15 per cent uplift on rent reviews and renewals in the UK portfolio, capturing reversionary potential accumulated in recent years.
- **Portfolio occupancy remains high** with a vacancy rate of 5.5 per cent (31 December 2016: 5.7 per cent).

Valuation gains across the portfolio reflecting continued investor demand and asset management gains

- **Portfolio capital value growth of 4.9 per cent** (UK 5.3 per cent, Continental Europe 3.9 per cent) from asset management initiatives and market-driven yield compression (20 basis points across the portfolio), rental value growth (0.9 per cent UK; 0.4 per cent Continental Europe) and development gains.

Capital allocation focused on accretive development programme and on securing full ownership of the Airport Property Partnership (APP) portfolio

- **£46 million of potential rent from current development pipeline**, of which 68 per cent has been secured through pre-lets. Completions in the second half of 2017 potentially generate £29 million of rent, of which £21 million has been secured.
- **Further 'near-term' pre-let and speculative projects** associated with £14 million of rent are at advanced stages of discussion.
- **Total development capex for full year expected to exceed £350 million.**
- **Acquisition of 50 per cent of the £1.1 billion APP portfolio not previously owned** allowing us to add scale in the attractive Heathrow market and to take full advantage of significant asset management and development opportunities.

Balance sheet strengthened with £1.1 billion of new financing agreed in the period

- **£557 million of (net) proceeds from the rights issue in March** provided capital to acquire APP portfolio and to pursue further development. Approximately three quarters of the proceeds have been invested or are allocated to specific current or near-term development projects.
- **€650 million of debt from a US private placement** which was signed during the period and will be drawn in August 2017, improving the strength and duration of our capital structure and reducing the overall cost of debt by 30 basis points.
- **Look-through LTV ratio of 29 per cent** (31 December 2016: 33 per cent).

[1] Historic metrics for earnings per share, dividend per share and net asset value per share have been adjusted by a bonus adjustment factor of 1.046 to reflect the rights issue carried out in March 2017.

[2] Figures quoted on pages 1 to 13 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[1]

Income statement metrics	6 months to 30 June 2017	6 months to 30 June 2016	Change per cent
Adjusted[2] profit before tax (£m)	91.2	74.2	22.9
IFRS profit before tax (£m)	397.1	200.7	97.9
Adjusted[3] earnings per share (pence)	9.7	9.4	3.2
IFRS earnings per share (pence)	41.3	24.8	66.5
Dividend per share (pence)	5.25	5.00	5.0

Balance sheet metrics	30 June 2017	31 December 2016	Change per cent
Portfolio valuation (SEGRO share, £m)	7,277	6,345	4.6[6]
EPRA[4 5] net asset value per share (pence, diluted)	504	478	5.4
IFRS net asset value per share (pence, diluted)	504	480	5.0
Group net borrowings (£m)	1,742	1,598	9.0
Loan to value ratio including joint ventures at share (per cent)	29	33	–

1 Per share figures have been adjusted by a bonus adjustment factor of 1.046 to reflect the rights issue in March 2017.

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

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

4 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.

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

6 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 09:00 (UK time) at:

https://secure.emincote.com/client/segro/segro025

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 09:00 (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 2017 on:

UK & International:	+44 (0) 121 260 4861
USA:	+1 844 230 8058
Access code:	6449248#

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 2017 Property Analysis Report and other information about SEGRO.

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FINANCIAL CALENDAR

2017 interim dividend ex-div date	17 August 2017
2017 interim dividend record date	18 August 2017
2017 interim dividend scrip dividend price announced	24 August 2017
Last date for scrip dividend elections	8 September 2017
2017 interim dividend payment date	29 September 2017
2017 Third Quarter Trading Update	19 October 2017
Full Year 2017 Results	16 February 2018

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 6.3 million square metres of space (68 million square feet) valued at over £8 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 Financial Conduct Authority's Disclosure Guidance and Transparency Rules), 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 which is also 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 we believe 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.

Together 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

During the first half, we took full control of the £1.1 billion APP property portfolio through the acquisition of the 50 per cent interest from our joint venture partner, Aviva. There were no other significant asset acquisitions during the period, although we have purchased approximately £34 million of land, mainly to facilitate imminent development starts in Northern Italy and East London.

We now fully own the assets within APP, which will allow us to plan with greater certainty and flexibility. The Heathrow Cargo Area offers particular potential for growth. In the short term, re-gearing leases on peppercorn rents which expire in 2019 offers reversionary potential of £11 million, of which we have already captured 15 per cent and are in discussion over a further 40 per cent: these are the main reasons for the low initial yield on the portfolio of 4.2 per cent which rises to 5.2 per cent if the Cargo Area is excluded. In the medium term, we expect to redevelop the Cargo Area which is both one of the oldest and best located properties in our portfolio.

Excluding APP, we reviewed a number of acquisition opportunities, and continue to do so, but pricing levels mean that, for the time being, it remains more accretive to focus our investment activity on development rather than acquisition.

Acquisitions completed in H1 2017

Asset location / type	Purchase price[1] (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Urban warehousing	550.1	3.6	4.2
Land[3]	34.4	n/a	n/a
Total acquisitions completed in H1 2017	**584.5**	**3.6[2]**	**4.2[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

During the first half of 2017, we sold £206.5 million of assets at a topped-up net initial yield of 5.2 per cent, including £150 million as part consideration for the acquisition of APP. In addition, we sold a plot of land in West London to a residential developer for £81 million, well above book value.

In addition to the assets sold to Aviva Investors as part consideration for its 50 per cent interest in the APP property portfolio, we sold a portfolio of older industrial estates in Germany for £47 million. This sale continues the process of focusing our urban warehouse portfolio in Continental Europe on core markets where we see good demand-supply dynamics.

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.

Disposals completed in H1 2017

Asset location / type	Gross proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Big box logistics (sale to SELP)	9.7	4.7	6.0
Urban warehousing: UK	149.9	3.7	4.8
Urban warehousing: Continental Europe	46.9	6.5	6.5
Land	81.0	n/a	n/a
Total disposals completed in H1 2017	**287.5**	**4.4[1]**	**5.2[1]**

1 Yield excludes land transactions.

PROPERTY VALUATION GAINS FROM DEVELOPMENT ACTIVITY, ASSET MANAGEMENT AND MARKET-DRIVEN YIELD IMPROVEMENT

The Group's property portfolio was valued at £7.3 billion at 30 June 2017 (£8.4 billion of assets under management). The portfolio valuation, including completed assets, land and buildings under construction, increased by 4.9 per cent on a like-for-like basis (adjusted for capital expenditure and asset recycling during the year). This combines a 4.6 per cent increase in the value of completed properties (including acquisitions and complete developments), and a 17.2 per cent valuation gain on properties currently under construction.

Valuation gains were driven primarily by around 20 basis points of yield compression reflecting the quality of our portfolio, improved by our active asset management and development activity.

The UK portfolio of completed properties delivered a 5.5 per cent valuation uplift, slightly under-performing the MSCI-IPD UK Industrial Monthly Index which increased by 5.7 per cent in the first half. The performance reflects a combination of yield shift across the portfolio and the capture of reversionary potential in lease reviews and renewals, particularly in London. The average yield applied to our UK portfolio was 5.4 per cent (true equivalent yield), a 20 basis point improvement from 31 December 2016, while rental values improved by 0.9 per cent.

During 2017, ERV growth for our portfolio has been lower than the very strong figures seen in the last two years, particularly in London. However, we remain confident that the fundamental drivers of good occupational demand and limited supply of space continue to offer the potential of attractive rental growth over the coming years.

In Continental Europe, the completed portfolio value increased by 2.3 per cent during the period on a constant currency basis reflecting 20 basis points of yield compression to 6.4 per cent. Our properties in Germany and France were particularly strong, delivering a 2.6 per cent and 4.5 per cent uplift, respectively. Rental values increased by 0.4 per cent for the portfolio as a whole, with the increases concentrated in the wholly-owned portfolio of urban warehouses: ERVs grew 0.1 per cent in SELP, and 0.9 per cent for SEGRO's wholly-owned assets, including sizeable increases in a number of our more modern urban warehouse assets in Paris.

More details of our property portfolio can be found in Note 12 to the condensed financial information and in the H1 2017 Property Analysis Report available at www.segro.com/investors.

Property portfolio metrics at 30 June 2017[1]

		Portfolio value, £m					Yield[3]		
	Lettable area sq m (AUM)	**Completed**	**Land & development**	**Combined property portfolio**	**Combined property portfolio (AUM)**	**Valuation movement[2 3] %**	**Net initial %**	**Net true equivalent %**	**Vacancy (ERV)[4] %**
UK									
Greater London	1,055,245	2,698.4	168.5	2,866.9	2,866.9	5.7	3.9	5.2	7.0
Thames Valley and National Logistics	1,106,786	1,920.2	195.7	2,115.9	2,115.9	5.2	4.7	5.6	5.9
UK Total	**2,162,031**	**4,618.6**	**364.2**	**4,982.8**	**4,982.8**	**5.5**	**4.2**	**5.4**	**6.5**
Continental Europe									
Germany/Austria	1,167,980	577.5	134.3	711.8	1,091.0	2.6	5.2	5.7	2.8
Belgium/Netherlands	298,882	116.6	19.8	136.4	223.6	0.5	7.2	7.0	9.9
France	1,031,648	507.7	109.7	617.4	884.5	4.5	6.0	6.5	2.4
Italy/Spain	368,655	157.0	196.1	353.1	427.9	1.2	6.1	6.6	0.3
Poland	1,169,112	372.9	35.5	408.4	709.9	(0.1)	6.5	6.9	4.5
Czech Republic/Hungary	132,534	46.1	21.0	67.1	111.1	2.0	5.4	6.9	6.4
Continental Europe Total	**4,168,811**	**1,777.8**	**516.4**	**2,294.2**	**3,448.0**	**2.3**	**5.9**	**6.4**	**3.5**
GROUP TOTAL	**6,330,842**	**6,396.4**	**880.6**	**7,277.0**	**8,430.8**	**4.6**	**4.7**	**5.7**	**5.5**

1 Figures reflect SEGRO wholly owned assets and its share of assets held in joint ventures unless stated "AUM" which refers to all assets under management.

2 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.

3 In relation to completed properties only.

4 Vacancy rate excluding short term lettings for the Group at 30 June 2017 is 6.0 per cent.

OPERATIONAL EXCELLENCE

At 30 June 2017, 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, from data centre users.
- **Big box warehouses**, classed as those over 10,000 sq m in size, account for 39 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 (the central core of Poznań, Łódź and Warsaw, plus the industrial region of Silesia).

Growing rental income from letting existing space and new developments

We have continued to see strong occupier demand for warehouses across our markets, reflected in the 28 per cent increase in contracted rent compared to the first half of 2016. Our low vacancy rate means that lettings of existing space are lower than last year while our success at retaining customers is reflected in less space returned. Rental growth on existing space has instead been driven mainly by capturing significant reversionary potential from our UK portfolio and from indexation provisions attached to leases equating to approximately 40 per cent of our rent.

Data on the logistics markets in the UK (from JLL) and France (from CBRE) implies that available space continues to equate to less than one year of take-up. This supply-demand tension has manifested itself in our own experience through rent from pre-let agreements signed during the period more than doubling from the first half of 2016, as occupiers seek to secure new space in supply-constrained markets. Colliers International expects speculative completions in the UK to fall by 60 per cent in 2017 to just 0.3 million sq m, suggesting that the supply-demand imbalance is unlikely to be alleviated in the near term.

During H1 2017, we contracted new leases and pre-let agreements totalling £27.5 million of annualised rental income (H1 2016: £21.5 million), 28 per cent higher than in the previous year. We generated £5.9 million from our standing assets (H1 2016: £8.8 million), offset by £3.0 million of rent lost from space returned to us (H1 2016: £6.6 million), resulting in net take-up of £2.9 million of existing space (H1 2016: £2.2 million).

- Retailers and companies involved with retail distribution accounted for around half of our take-up during the first half, including Amazon which occupied 59,700 sq m of the Company's space in the UK (occupying the larger of the two units we developed speculatively at Rugby Gateway), Germany (in a pre-let unit just outside Munich) and Spain (occupying both of our speculatively developed warehouses on the edge of Barcelona).
- Manufacturing companies accounted for a further 14 per cent of take-up, including auto exterior manufacturer Plastic Omnium in Poland and glazing manufacturer Maxlight in London.

Developments completed during the period added £6.8 million to the rent roll, of which £3.8 million was contracted in warehouses built speculatively. Around 15 per cent of the speculative lettings were agreed prior to practical completion and the average period between practical completion and letting was approximately four months.

Summary of key leasing data for H1 2017[1]

Summary of key leasing data for the half year to 30 June[1]		H1 2017	H1 2016
Take-up of existing space[2] (A)	£m	3.5	8.0
Space returned[3] (B)	£m	(3.0)	(6.6)
NET ABSORPTION OF EXISTING SPACE (A-B)	**£m**	**0.5**	**1.4**
Other rental movements (rent reviews, renewals, indexation)[2] (C)	£m	2.4	0.8
RENT ROLL GROWTH FROM EXISTING SPACE	**£m**	**2.9**	**2.2**
Take-up of developments completed in the period – pre-let space[2] (D)	£m	3.0	6.5
Take-up of speculative developments completed in the past two years[2] (D)	£m	3.8	5.0
TOTAL TAKE UP[2] (A+C+D)	**£m**	**12.7**	**20.3**
Less take-up of pre-lets and speculative lettings signed in prior periods[2]	£m	(3.6)	(7.5)
Pre-lets and lettings on speculative developments signed in the period for future delivery[2]	£m	18.4	8.7
RENTAL INCOME CONTRACTED IN THE PERIOD[2]	**£m**	**27.5**	**21.5**
Take-back of space for redevelopment	£m	(2.6)	(0.5)
Retention rate[4]	%	92.1	76.1

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 account for 30 per cent of our rent roll, and our largest customer represents just under 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 and lease terms agreed, as well as operating cost efficiencies which are examined in the Financial Review.

- **Rent reviews and lease renewals: uplift of 11.1 per cent.** During the period, new rents agreed at review and renewal were 15.3 per cent higher in the UK, reflecting the capture of reversion accumulated over recent years, and adding £2 million of passing rent to the rent roll. In Continental Europe, rents agreed were 1.2 per cent lower than previous headline rents, equating to a reduction of less than £0.1 million of rent.
- **Vacancy remains low at 5.5 per cent.** The vacancy rate at 30 June 2017 fell slightly to 5.5 per cent, compared to 5.7 per cent at 31 December 2016. Approximately a quarter of the vacancy (1.3 percentage points) relates to recently completed speculative developments. 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 6.0 per cent (31 December 2016: 6.3 per cent). The average vacancy rate during the period was 5.5 per cent, slightly higher than in H1 2016 (5.0 per cent) due primarily to the recently completed big box warehouses in Rugby and the big box warehouse in Magna Park which was taken back in November 2016.
- **High retention rate of 92 per cent (H1 2016: 76 per cent).** During the period, space equating to just £3.0 million (H1 2016: £6.6 million) of rent was returned to us, including £0.3 million of rent lost due to insolvency (H1 2016: £0.6 million). We took back space equating to an additional £2.6 million for redevelopment, and this is almost exclusively related to a well-located, but now redundant, site near Heathrow Airport following DHL's relocation to its new facility at our Poyle development in 2016. Approximately £22 million of headline rent was at risk from a break or lease expiry during the period and we retained 89 per cent in existing space, with a further 3 per cent retained but in new premises.

- **Lease terms continue to offer attractive income security.** The level of incentives agreed for new leases (excluding those on developments completed in the period) represented 8.1 per cent of the headline rent (H1 2016: 7.6 per cent). The portfolio's weighted average lease length remained stable compared to 31 December 2016 at 7.0 years to first break (8.7 years to expiry). Lease terms are longer in the UK (8.1 years to break) than in Continental Europe (5.1 years to break).
- **£21.6 million of rent contracted from developments (H1 2016: £12.7 million).** During the period, we contracted £18.4 million of rent from pre-let agreements and lettings of speculative developments prior to completion (H1 2016: £8.7 million), of which £6.4 million was from supermarkets including Carrefour in France and £4.6 million from retailers, including Italian fashion retailer Yoox Net-a-Porter and Amazon in the second phase of our big box warehouse development outside Barcelona. We also secured £6.8 million from take-up of developments completed in the preceding 24 months (H1 2016: £11.5 million), of which £3.6 million (1H 2016: £7.5 million) had been contracted in prior periods.

DISCIPLINED CAPITAL ALLOCATION AND OPERATIONAL EXCELLENCE — DELIVERING GROWTH THROUGH DEVELOPMENT

We invested £195 million in new developments and £20 million in infrastructure during H1 2017 (H1 2016: £115 million) and £34 million in our land bank to expand our development capacity. The increased pre-let activity means that our expected development capital expenditure for 2017 as a whole should now exceed £350 million (and over £400 million including land and infrastructure expenditure).

Development projects completed

We completed 79,200 sq m of new space during the period. These projects were 61 per cent pre-let prior to the start of construction and were 91 per cent let as at 30 June 2017, generating £4.5 million of annualised gross rent, with a potential further £0.5 million to come when the remainder of the space is let. This translates into a yield on total development cost (including land, construction and finance costs) of 8.6 per cent when fully let.

Amongst the development projects completed in the first half were the warehouses let to Amazon described above. We also completed further speculative phases of urban warehouses in our City Park and Rheinpark estates in Düsseldorf, which are both almost fully let.

The additional capital provided through the two equity raises in the past 12 months has enabled us to accelerate the investment in our development pipeline:

- At the time of the equity placing in September 2016, we identified projects under development or awaiting approval associated with £456 million of capital expenditure. Projects associated with over 90 per cent of this capital expenditure have either completed or are in the current development pipeline.
- At the time of the rights issue in March 2017, we identified projects under development or awaiting approval requiring £165 million of capital expenditure. Projects associated with approximately half of this capital expenditure have either completed or are current development pipeline.
- The remaining £175 million of proceeds of the rights issue were allocated to future development on our land bank. Since the time of the rights issue, we have committed, or expect to commit, approximately £125 million to new projects of which £60 million are in the current development pipeline and £65 million are associated with new pre-let requirements.

Current development pipeline

At 30 June 2017, we had development projects approved, contracted or under construction totalling 920,400 sq m, representing £231 million of future capital expenditure and £46 million of annualised gross rental income when fully let. These projects are 68 per cent pre-let and should yield 7.7 per cent on total development cost when fully occupied.

- In the UK, we have 89,900 sq m of space approved or under construction, including two sites in East London, one of which has been pre-let to DPD. We are also continuing our rejuvenation of the Slough Trading Estate with 24,700 sq m of new space, including a Premier Inn hotel, a car showroom and a data centre.
- In Continental Europe, we have 830,500 sq m of space approved or under construction, including a number of pre-let developments in Italy, including space for Amazon, Yoox Net a Porter, Jaguar Land Rover and Leroy Merlin.

We continue to focus our speculative developments primarily on urban warehouse projects, particularly in the UK and Germany, where modern space is in short supply and occupier demand is strong. In the UK, our speculative projects are focused on the East Plus site in East London, Enfield in North London and on the Slough Trading Estate. In Continental Europe, we continue to build scale in Germany, where projects are underway in Berlin, Frankfurt and Cologne.

Future development pipeline

<u>Near-term development pipeline</u>

Within the future development pipeline are projects which are close to being approved, awaiting either final pre-let conditions to be met or planning approval to be granted. We expect to commence these projects within the next six to twelve months.

- **Pre-let near-term projects:** We are in discussions with potential customers or have signed agreements subject to planning for approximately 169,400 sq m of space, equating to approximately £92 million of additional capital expenditure and £9 million of additional rent.
- **Speculative near-term projects:** We have speculative projects totalling 73,700 sq m of space (potential capital expenditure of £54 million, excluding land) ready to proceed at a time of our choosing, which could generate a further £5 million of rent.

<u>Land bank</u>

Our land bank identified for future development totalled 610 hectares at 30 June 2017, equating to £388 million, or around 5 per cent of our total portfolio. We invested £34 million in acquiring new land during the first half of the year, including land sourced from the Roxhill and East Plus agreements and land associated with developments expected to start in the short term.

We estimate that our land bank, including the near-term projects above, can support 2.5 million sq m of development over the next five years. The prospective capital expenditure associated with the future pipeline is £1.2 billion. It could generate £127 million of gross rental income, representing a yield on total development cost (including land and notional finance costs) of 7.8 per cent. 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 £61 million has been identified as suited to alternative use or surplus to our short term requirements, halving from £125 million at 31 December, following the sale of the former Northfields industrial estate in Park Royal to a residential developer. The largest single component is a brownfield site in Hayes, West London, which was formerly a Nestlé factory. Along with our residential partner, Barratt London, we have submitted a planning application for a mixed use scheme comprising over 1,000 homes and 21,000 sq m of urban warehousing. On receipt of planning consent, 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, primarily in the UK, including sites for urban warehousing in East London and for big box warehouses in the Midlands and South East regions. The options, held on the balance sheet at a value of £19 million (including joint ventures at share), are exercisable in both the short and the longer term: those in the short term are for land capable of supporting just under 750,000 sq m of space and generating £50 million of headline rent for a blended yield of approximately 7 per cent.

Further details of our completed projects and current development pipeline are available in the H1 2017 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, was broadly stable from 31 December at £2.1 billion. The look-through loan to value ratio (LTV) improved to 29 per cent (31 December 2016: 33 per cent) due both to the proceeds from the rights issue and to improvement in asset values. This is consistent our aim to have an LTV ratio closer to 35 per cent than our through-cycle target of 40 per cent.

The small movement in net debt, including our share of debt in joint ventures, from £2,091 million to £2,086 million, primarily reflects receipt of the net proceeds from the rights issue, offset by the £216 million cash consideration for, and the £190 million of net debt associated with, the acquisition of the 50 per cent interest in the APP property portfolio, and by £215 million of development capex (including £20 million of infrastructure expenditure), as well as disposals, acquisitions and exchange rate movements.

In the first half of 2017, we have strengthened and improved our capital structure:

- We raised £573 million of gross proceeds (£557 million net proceeds) through a fully underwritten rights issue to fund the cash consideration for a 50 per cent interest in APP (£216 million), £165 million of development capital expenditure on identified projects and £175 million for future development projects on land owned and under option. Take up of the offer was high at 98 per cent, with the residual shares placed into the market.
- We signed a US private placement debt issue, raising €650 million of 10, 12 and 15 year senior unsecured notes at a weighted average coupon of 1.9 per cent and a weighted average maturity of 11.2 years. The debt, which will be drawn during August 2017, will be used to refinance the 2018 sterling bonds (which were repaid early) and the secured debt within the Airport Property Partnership. In addition to improving the average duration and cost of our debt, the raising of euro denominated debt increases the natural currency hedge: our euro denominated assets are approximately 70 per cent hedged, of which half is now natural, reducing the need for synthetic hedging through currency swaps.

The combination of the financing activity during the first half, including the impact of the US private placement once drawn, will reduce our look-through cost of debt by 30 basis points to 3.1 per cent.

The actions we have taken over the past five years to improve the quality of our portfolio and the strength of our balance sheet, including £3.3 billion of disposals and £0.9 billion of new equity, means that we estimate that our entire portfolio would have to fall in value by 55 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 64 per cent at 30 June 2017).

The number of pre-let agreements signed during the first half means that we will increase the pace of development this year and now expect to invest in excess of £350 million (from £300 million expected at the time of our 2016 full year results) during 2017. In addition, we expect to invest over £50 million in infrastructure spend and further land acquisitions to facilitate future development.

INTERIM DIVIDEND OF 5.25 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 0.25 pence per share to 5.25 pence (H1 2016: 5.0 pence, adjusted for the rights issue bonus adjustment factor), a rise of 5.0 per cent. This will be paid as an ordinary dividend on 29 September 2017 to shareholders on the register at the close of business on 18 August 2017.

The Board will offer a scrip dividend option for the 2017 interim dividend, allowing shareholders to choose whether to receive the dividend in cash or new shares. 13 per cent of the 2016 final dividend was paid in new shares, equating to £9.6 million of cash retained on the balance sheet and 2.1 million new shares being issued.

OUTLOOK

The outlook for our occupational markets remains broadly positive, given the continued shift towards online retailing, supply chain restructuring and limited speculative supply of new warehousing in core logistics and urban locations. The growth of e-commerce is gathering pace in Continental Europe and, when combined with an improving economic outlook for our major markets, the prospects for strengthening occupier demand here are good. In the UK, Brexit negotiations and the less stable political situation appear to be weighing somewhat on consumer confidence which could impact the pace of economic growth. However, online sales continue to grow strongly and increase as a proportion of total retail sales. This dynamic plays to our strength in well located, modern warehouse assets.

Investor demand for good quality, well-located warehouse assets also remains positive, attracted by the occupational market fundamentals and yield profile of the sector.

We enter the second half of the year with 920,400 sq m of buildings in the current development pipeline, 169,400 sq m of further pre-let projects in advanced discussions and numerous other opportunities on our substantial land bank. Our vacancy rate is low and our balance sheet has been significantly strengthened by the refinancing activity undertaken in the first half of the year. Accordingly, we are well-placed to continue adding to our low risk development programme and expect the overall level of development expenditure for the year to exceed £350 million, well above the level of £300 million indicated at the time of the rights issue, should occupier market conditions remain supportive.

Overall, our business is well placed to continue outperforming the wider real estate market.

FINANCIAL REVIEW

The acquisition of the remaining 50 per cent of the APP property portfolio, development lettings and like-for-like net rental income growth were the primary drivers of the 22.9 per cent increase in Adjusted profit before tax compared to H1 2016. EPRA NAV per share increased by 5.4 per cent to 504 pence compared to December 2016 and the balance sheet has been strengthened by the rights issue during the first half. The LTV ratio has improved to 29 per cent from 33 per cent at December 2016.

Financial highlights

	30 June 2017	30 June 2016	31 December 2016
Total property return (%)	**7.2**	4.3	9.3
IFRS[1 3] net asset value (NAV) per share (p)	**504**	461	480
EPRA[1 3] NAV per share (diluted) (p)	**504**	454	478
IFRS profit before tax (£m)	**397.1**	200.7	426.4
Adjusted[2] profit before tax (£m)	**91.2**	74.2	154.5
IFRS earnings per share (EPS) (p)[3]	**41.3**	24.8	51.6
Adjusted[2 3] EPS (p)	**9.7**	9.4	18.8

1 A reconciliation between IFRS NAV and its EPRA equivalent is shown in Note 11.

2 A reconciliation between IFRS profit before tax and Adjusted profit before tax is shown in Note 2 and between IFRS EPS and Adjusted EPS is shown in Note11.

3 The comparatives in pence per share have been re-presented to reflect the impact of the rights issue in March 2017 by applying a bonus adjustment factor of 1.046 as detailed in Note 11.

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 better reflects the underlying recurring performance of the Group's property rental business, which is SEGRO's 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. There are no such items reported in the current or comparative periods. Consequently the SEGRO Adjusted metrics and EPRA metrics are consistent.

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

The Supplementary Notes to the enclosed financial information include other EPRA metrics as well as SEGRO's Adjusted income statement and 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 2017 £m	Six months to 30 June 2016 £m
Gross rental income	**127.3**	110.7
Property operating expenses	**(23.9)**	(22.1)
Net rental income	**103.4**	88.6
Joint venture management fee income	**16.5**	9.1
Administration expenses	**(17.5)**	(15.5)
Share of joint ventures' Adjusted profit after tax[1]	**22.1**	25.5
Adjusted operating profit before interest and tax	**124.5**	107.7
Net finance costs	**(33.3)**	(33.5)
Adjusted profit before tax	**91.2**	74.2
Tax on Adjusted profit	**(0.7)**	(0.8)
Adjusted profit after tax[2]	**90.5**	73.4

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 22.9 per cent to £91.2 million (H1 2016: £74.2 million). The primary driver was a £14.8 million increase in net rental income to £103.4 million, mainly reflecting the acquisition of the remaining 50 per cent of the APP property portfolio on 9 March 2017, growth in like-for-like net rental income and the positive net impact of development completions during the period. In addition there was a significant increase in joint venture fee income (see Income from joint ventures below). This was partially offset by a reduction in Adjusted profit from joint ventures (due to the APP portfolio becoming wholly owned during the period) and higher operating and central administrative costs. Interest costs remained stable. The average sterling-euro exchange rate during the period was €1.16:£1 which was 9 per cent stronger than during H1 2016 (€1.28:£1) which added around £3 million to Adjusted profit after tax.

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

Like-for-like net rental income	**Six months to 30 June 2017 £m**	Six months to 30 June 2016 £m	Variance £m	Change %
UK	**79.1**	74.7	4.4	5.9
Continental Europe	**36.7**	36.7	–	–
Like-for-like net rental income before other items	**115.8**	111.4	4.4	3.9
Other[1]	**(2.3)**	(1.6)	(0.7)	
Like-for-like net rental income	**113.5**	109.8	3.7	3.4
Development lettings	**10.6**	2.0		
Properties taken back for development	**0.3**	1.1		
Like-for-like net rental income plus developments	**124.4**	112.9		
Properties acquired	**11.0**	0.4		
Properties sold	**2.2**	13.4		
Net rental income before surrenders, dilapidations and exchange	**137.6**	126.7		
Lease surrender premiums and dilapidations income	**0.5**	0.6		
Rent lost from lease surrenders and other items	**0.5**	2.1		
Impact of exchange rate difference between periods	**–**	(4.1)		
Net rental income before joint venture fees	**138.6**	125.3		
Share of joint venture fees	**(7.9)**	(4.4)		
Net rental income per income statements	**130.7**	120.9		

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

The like-for-like rental growth metric, which is based on properties held throughout both H1 2017 and H1 2016, includes wholly owned assets (net rental income of £103.4 million) and SEGRO's share of net rental income held in joint ventures (£35.2 million, before the impact of fees paid to joint venture partners of £7.9 million).

Net rental income on this basis increased by £13.3 million which mainly reflects £8.6 million of income from development lettings and £4.4 million of like-for-like net rental income growth (3.9 per cent higher than in H1 2016). The growth in like-for-like net rental income was mainly due to rental increases on review and renewal in our UK portfolio.

Investment activity had a neutral impact on net rental income: the additional income from the APP acquisition was offset by income lost from disposals, primarily those completed during 2016 and the assets sold in part consideration for APP.

The £3.5 million of additional joint venture fee costs (mainly those within APP which crystallised on acquisition) resulted in an overall increase in net rental income per the financial statements of £9.8 million.

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. Similarly, the 50 per cent of APP owned throughout the period is included in the like-for-like calculation, but the income for the 50 per cent of APP acquired during H1 2017 is shown within properties acquired.

Income from joint ventures

Joint venture management fee income increased by £7.4 million to £16.5 million. This increase was mainly due to higher performance fees from the APP joint venture which crystallised on acquisition.

SEGRO's share of joint ventures' Adjusted profit after tax decreased by £3.4 million, mainly reflecting the acquisition of the remaining 50 per cent of the APP property portfolio in March 2017. After this date all of the income from APP was recognised within wholly owned net rental income rather than within the share of joint ventures' Adjusted profit after tax.

Administrative and operating costs

The Group is focused on managing its cost base. The Total Cost Ratio for H1 2017 decreased to 22.9 per cent from 23.2 per cent in H1 2016. Excluding the impact of share based payments the Cost Ratio decreased to 20.4 per cent in H1 2017 from 21.5 per cent in H1 2016. The calculations are set out in Table 6 of the Supplementary Notes to the condensed financial information.

The main reason behind the increase in total costs used for the numerator of these ratios were an increase in staff related costs, particularly share based payments which were £1.6 million higher in H1 2017 than in H1 2016.

Net finance costs

Net finance costs were broadly stable during the period compared to H1 2016 at £33.3 million, driven by a combination of a slightly lower average cost of debt, offset by the impact of weakening sterling against the euro.

Taxation

The tax charge on Adjusted profit of £0.7 million (H1 2016: £0.8 million) reflects an effective tax rate of 0.8 per cent (H1 2016: 1.1 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 were 9.7 pence (H1 2016: 9.4 pence) reflecting the combination of a £17.1 million improvement in Adjusted profit after tax, but an increased average number of shares, mainly as a result of the equity share placing in 2016 and the rights issue in 2017.

TOTAL PROPERTY RETURN

The total property return (TPR) for the portfolio in H1 2017 (as defined in the Glossary) was 7.2 per cent, higher than for H1 2016 (4.3 per cent), reflecting primarily a higher capital return on the portfolio. The TPR comprises an income return of 2.3 per cent (H1 2016: 2.4 per cent) and a capital return of 4.9 per cent (H1 2016: 1.9 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 2017 was £397.1 million (H1 2016: £200.7 million), equating to post-tax IFRS earnings per share of 41.3 pence compared with 24.8 pence for H1 2016. The increase in IFRS profits is driven primarily by unrealised and realised gains on our property portfolio which were £228.8 million higher in H1 2017 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 £309.9 million in H1 2017 (H1 2016: £81.1 million gain) have been recognised in the income statement, mainly comprising an unrealised valuation surplus of £302.9 million (H1 2016: £76.0 million surplus) and a profit of £7.7 million on asset disposals (H1 2016: £6.4 million profit).

SEGRO's share of realised and unrealised gains on properties held in joint ventures was £21.1 million (H1 2016: £27.9 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 2016	**4,162.1**	**871.5[1]**	**478**
Realised and unrealised property gain	309.9		
Adjusted profit after tax	90.5		
Dividend net of scrip shares issued (2016 final)	(83.4)		
Net proceeds from the rights issue	556.5		
Exchange rate movement (net of hedging)	14.7		
Other	3.2		
EPRA net assets attributable to ordinary shareholders at 30 June 2017	**5,053.5**	**1,002.9**	**504**

1 Re-presented for a bonus adjustment factor of 1.046.

At 30 June 2017, IFRS net assets attributable to ordinary shareholders were £5,054.1 million (31 December 2016: £4,182.1 million), equating to 504 pence per share on a diluted basis (31 December 2016: 480 pence).

On 28 March 2017, the Company issued 166,033,133 new ordinary shares of 10 pence each through a rights issue which generated net proceeds of £556.5 million. Further details of the rights issue are provided in Note 14. To reflect the rights issue, the number of shares previously used to calculate diluted net assets per share and adjusted earnings per share have been amended in both the table and the narrative above.

A bonus adjustment factor of 1.046 has been applied, based on the ratio of an adjusted closing share price of 468.6 pence per share on 10 March 2017, the last business day before the shares started trading ex-rights and the theoretical ex-rights price at that date of 448.0 pence per share.

EPRA net asset value per share at 30 June 2017 was 504 pence (31 December 2016: 478 pence), the 5.4 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 £80.9 million, a £20.7 million increase from H1 2016 (£60.2 million). Cash flow from operations has increased by £17.4 million and is primarily attributed to the acquisition of the APP property portfolio in the first half of H1 2017. Free cash flow was also impacted by the early repayment of bonds amounting to £10.3 million in H1 2017. The H1 2016 free cash flow was impacted by an outflow of £10.1 million of tax paid in H1 2016 relating to capital gains taxes on 2015 disposals.

The acquisition of APP in H1 2017 is the largest cash outflow in the period and represents the purchase of the remaining 50 per cent of the joint venture SEGRO did not already own. The property portfolio was acquired for a cash outflow of £217.2 million (which includes transaction costs of £1.2 million) and £149 million of property assets as part consideration.

Cash flows from acquisitions (excluding the APP property portfolio) and developments of investment properties at £202.3 million are £56.2 million higher than H1 2016 and is primarily driven by the increased level of development activity (see Capital Expenditure section for more details). Cash flows from investment property sales are £143.6 million, which is at a lower level than in H1 2016, largely due to the receipt of £321 million from the sale of the Bath Road office portfolio in H1 2016.

The largest cash inflow during the period was £556.8 million, being proceeds from the issue of ordinary shares of which £556.5 million relates to the net proceeds from the rights issue. Further details of the rights issue are provided in Note 14.

Other significant cash flows include the dividends paid of £70.4 million which is £24.0 million higher than the prior period, mainly due to a lower level of scrip dividend take-up and the impact of a higher number of shares following the share placing in 2016. The net investment in joint ventures has fallen by £63.8 million to £8.2 million primarily due to a lower level of acquisitions in SELP in H1 2017 compared to H1 2016. Additionally, £26.6 million has been paid to settle foreign exchange derivatives (H1 2016: £18.8 million), reflecting the strengthening of the euro exchange rate against sterling during H1 2017.

As a result of these factors there was a net funds inflow of £252.6 million during the period (H1 2016: £127.9 million inflow).

Cash flow and net debt reconciliation

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m
Opening net debt	**(1,598.4)**	(1,806.5)
Cash flow from operations	**116.2**	98.8
Finance costs (net)	**(41.0)**	(43.3)
Early close out of debt	**(10.3)**	–
Dividends received	**16.2**	14.8
Tax paid	**(0.2)**	(10.1)
Free cash flow	**80.9**	60.2
Dividends paid	**(70.4)**	(46.4)
Acquisitions and development of investment properties	**(202.3)**	(146.1)
Investment property sales	**143.6**	391.2
Acquisition of APP	**(217.2)**	–
Acquisition of interests in property	**(2.5)**	(36.7)
Net settlement of foreign exchange derivatives	**(26.6)**	(18.8)
Proceeds from issue of ordinary shares	**556.8**	–
Net investment in joint ventures	**(8.2)**	(72.0)
Other items	**(1.5)**	(3.5)
Net funds flow	**252.6**	127.9
Non-cash movements	**(1.7)**	(2.4)
Debt acquired with APP	**(390.4)**	–
Exchange rate movements	**(3.7)**	(25.9)
Closing net debt	**(1,741.6)**	(1,706.9)

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 £1,390.6 million, an increase of £1,146.5 million compared to H1 2016, mainly due to the APP property portfolio acquisition (£1,112.6 million) and higher development expenditure.

Development capital expenditure increased by £100.3 million to £215.0 million, reflecting the ongoing momentum in our development programme. Development spend incorporates interest capitalised of £2.8 million (H1 2016: £2.9 million) including joint ventures at share.

Spend on existing completed properties totalled £9.9 million (H1 2016: £11.8 million), of which £4.9 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 5 per cent of Adjusted profit before tax.

EPRA capital expenditure analysis

	Six months to 30 June 2017			Six months to 30 June 2016		
	Wholly owned £m	**Joint ventures £m**	**Total £m**	Wholly owned £m	Joint ventures £m	Total £m
Acquisitions	**1,143.6**[1]	**15.5**	**1,159.1**	65.5[1]	39.8	105.3
Development[4]	**184.0**[2]	**31.0**	**215.0**	97.1[2]	17.6	114.7
Completed properties[4]	**7.9**[3]	**2.0**	**9.9**	9.8[3]	2.0	11.8
Other[5]	**5.0**	**1.6**	**6.6**	10.2	2.1	12.3
Total	**1,340.5**	**50.1**	**1,390.6**	182.6	61.5	244.1

1 Being £1,143.6 million investment property and £nil trading property (2016: £65.5 million and £nil million respectively) see Note 12.

2 Being £184.0 million investment property and £nil trading property (2016: £96.8 million and £0.3 million respectively) see Note 12.

3 Being £7.9 million investment property and £nil trading property (2016: £9.7 million and £0.1 million respectively) see Note 12.

4 Includes wholly owned capitalised interest of £2.5 million (2016: £2.4 million) as further analysed in Note 8 and share of joint venture capitalised interest of £0.3 million (2016: £0.5 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 2016.

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 Chief Financial Officer.

FINANCIAL POSITION AND FUNDING

Financial Key Performance Indicators

GROUP ONLY	30 June 2017	30 June 2016	31 December 2016
Net borrowings (£m)	**1,742**	1,707	1,598
Available Group cash and undrawn facilities (£m)	**644**	440	567
Gearing (%)	**34**	47	38
Weighted average cost of debt[1 3] (%)	**3.5**	3.7	3.9
Interest cover[2] (times)	**2.9**	2.4	2.4
INCLUDING JOINT VENTURES AT SHARE			
Net borrowings (£m)	**2,086**	2,112	2,091
LTV ratio (%)	**29**	36	33
Weighted average cost of debt[1 3] (%)	**3.1**	3.4	3.4
Average duration of debt (years)[3]	**7.8**	6.3	6.2

1 Based on gross debt, excluding commitment fees and amortised costs.

2 Net rental income/Adjusted net finance costs (before capitalisation).

3 30 June 2017 figures are pro forma for the impact of the USPP debt issuance and the APP term debt repayment and associated derivative transactions.

At 30 June 2017, the Group's net borrowings (including the Group's share of borrowings in joint ventures) were £2,086 million (31 December 2016: £2,091 million).

Excluding the Group's share of borrowings in joint ventures, net borrowings at 30 June 2017 were £1,741.6 million comprising gross borrowings of £1,804.4 million (of which £323.8 million, mainly relating to APP, were secured) and cash and cash equivalent balances of £62.8 million. The APP debt was repaid in July 2017 (see below).

The Group's share of the net borrowings in its joint ventures was £344.6 million comprising gross borrowings of £383.1 million and cash and cash equivalent balances of £38.5 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 2017 totalled £644 million, comprising £62.8 million of cash and short-term investments and £581.2 million of undrawn bank facilities provided by the Group's relationship banks, of which only £5.0 million is uncommitted

The Group announced in July that it had signed a €650 million US Private Placement Debt issue across three maturities with a number of institutional investors with an average maturity of 11.2 years and a weighted average coupon of 1.9 per cent. Closing and funding are due to take place in August 2017. The proceeds will be used to re-finance the 2018 sterling bonds and the APP secured debt. This transaction, combined with the extension of the Group's largest revolving credit facility (€610 million) to 2022 has increased the average maturity of the gross borrowings of the Group (including joint ventures at share) to 7.8 years (31 December 2016: 6.2 years).

The Group seeks to maintain, over the medium term, an appropriate mix of debt funding between longer-dated core funding provided by bonds or private placement notes, and shorter-dated bank facilities providing funding headroom and more flexible borrowings that are cheaper and easier to repay. At 30 June 2017 (pro forma for the USPP debt issuance and the APP debt repayment), 71 per cent of the debt facilities of the Group were bonds or private placement notes and 29 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 2017 was £326 million higher than the balance sheet carrying value. This difference mainly relates to the sterling bond portfolio which have fixed interest coupons above current market rates. The majority (£1,109 million) of the sterling bonds have been swapped into floating sterling debt 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 2017 was an asset of £52.5 million (31 December 2016: an asset of £66.9 million). The decrease in the asset during the period was mainly due to the reduction in maturity of the various swap portfolios, bringing the APP swap portfolio within derivatives on the balance sheet and a slight strengthening in the euro exchange rate, partly offset by the impact of a reduction in medium term sterling interest rates. 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 2017 on a look-through basis (including the borrowings and property assets of the Group's share of joint ventures) was 29 per cent (31 December 2016: 33 per cent).

The gearing ratio of the Group at 30 June 2017, as defined within the principal debt funding arrangements of the Group (excluding debt funding arrangements within joint ventures), was 34 per cent (31 December 2016: 38 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 55 per cent from their 30 June 2017 values to reach the gearing covenant threshold of 160 per cent. A 55 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 2017, the Group's multiple is comfortably above this threshold at 2.9 times. On a look-through basis, including joint ventures, the multiple was 3.4 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 2017, (pro forma for the impact of the USPP debt issuance and the APP debt repayment and including the impact of derivative instruments), 70 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 12 years.

At 30 June 2017, again pro forma for the USPP debt issuance and the APP debt repayment, the weighted average interest rate for gross borrowings (excluding those within joint ventures) was 3.5 per cent (31 December 2016: 3.9 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 2017, before commitment fees and amortised costs, was 3.1 per cent (31 December 2016: 3.4 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 £1.7 million, representing around 2 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 2017, the Group had gross foreign currency assets which were 68 per cent hedged by gross foreign currency denominated liabilities (including the impact of derivative financial instruments).

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 2017 would have increased net assets by approximately £34 million and there would have been an increase in gearing of approximately 0.9 per cent and in the look-through LTV of 0.6 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 €1.16:£1. Based on the hedging position at 30 June 2017, if the euro had been 5 per cent stronger than it was against sterling throughout the first half of the year (€1.10: £1), Adjusted profit after tax for the period would have been approximately £1.7 million (1.9 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 (enhanced by the recently contracted USPP which will be drawn down in August) 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 condensed financial statements.

STATEMENT OF PRINCIPAL RISKS

The Group recognises that its ability to manage risk effectively throughout the organisation continues to be central to its success. Our approach to risk management aims to bring controllable risks within our appetite, and to enable our decision making to balance uncertainty 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 2016 Annual Report on pages 54 to 57.

The Group notes the outcome of the UK General Election held on 8 June 2017, and the subsequent formation of a minority Government. Whilst this development does not significantly change our assessment of risk to the Group, we observe that it has increased the level of uncertainty in the UK political environment generally.

Nevertheless, there are no significant changes to the risks presented in the 2016 Annual Report on pages 58 to 61. A summary of the Group's principal risks for the second half of 2016 is provided below.

1. 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 – with diversity in geographic locations and asset types and an appropriate mixture of stabilised income producing and opportunity assets – in order to provide opportunities for superior returns.

Market cycle. The property market is cyclical and there is a 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, quality of assumptions, poor due diligence or unexpected changes in the economic or operating environment.

2. 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 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.

UK exit from the EU. The uncertainty associated with the UK's decision to exit the EU may impact investment, capital, financial (including foreign exchange) and occupier markets in the UK during the transition period as the terms of exit and future relationships are negotiated, and in the long term. In the long term, exit from the EU could reduce levels of investor and occupier demand as a result of reduced trade and/or the relocation of corporations and financial institutions away from the UK, and London in particular.

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 a major disruption to the economic and business environment in Europe, sustained poor economic performance in the Eurozone, or the exit of a significant economy from the Eurozone.

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.

3. 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; supply chain failure; the structural failure of one of our assets; a major high-profile incident involving one of our assets; or a cyber-security 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 unforecasted 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	Soumen Das
Chief Executive	Chief Financial Officer

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 report of SEGRO plc for the 6 month period ended 30 June 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed group balance sheet as at 30 June 2017;
- 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 report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly 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 report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

What a review of interim financial statements involves

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

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly 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

24 July 2017

Notes:

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 2017

	Notes	**Half year to 30 June 2017 (unaudited) £m**	Half year to 30 June 2016 (unaudited) £m	Year to 31 December 2016 (audited) £m
Revenue	4	**155.0**	136.7	283.5
Gross rental income	4	**127.3**	110.7	225.5
Property operating expenses	5	**(23.9)**	(22.1)	(44.9)
Net rental income		**103.4**	88.6	180.6
Joint venture management fee income		**16.5**	9.1	18.6
Administration expenses		**(17.5)**	(15.5)	(31.4)
Share of profit from joint ventures after tax	6	**36.3**	63.4	85.1
Realised and unrealised property gain	7	**309.9**	81.1	246.0
Goodwill and other amounts written off on acquisitions and amortisation of intangibles		**(0.6)**	(0.1)	(0.2)
Operating profit		**448.0**	226.6	498.7
Finance income	8	**26.0**	47.7	46.7
Finance costs	8	**(76.9)**	(73.6)	(119.0)
Profit before tax		**397.1**	200.7	426.4
Tax	9	**(9.6)**	(5.9)	(7.7)
Profit after tax		**387.5**	194.8	418.7
Attributable to equity shareholders		**385.7**	194.1	417.7
Attributable to non-controlling interests		**1.8**	0.7	1.0
		387.5	194.8	418.7
Earnings per share (pence)[1]				
Basic	11	**41.3**	24.8	51.6
Diluted	11	**41.1**	24.7	51.3

1 The comparative earning per share has been re-presented following the rights issue detailed in Note 11.

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	**Half year to 30 June 2017 (unaudited) £m**	Half year to 30 June 2016 (unaudited) £m	Year to 31 December 2016 (audited) £m
Profit for the period		**387.5**	194.8	418.7
Items that will not be reclassified subsequently to profit or loss				
Actuarial (loss)/gain on defined benefit pension schemes		**(9.0)**	0.3	15.0
		(9.0)	0.3	15.0
Items that may be reclassified subsequently to profit or loss				
Foreign exchange movement arising on translation of international operations		**20.1**	92.7	114.1
Decrease in value of available-for-sale investments		**–**	(0.3)	(0.3)
Fair value movements on derivatives in effective hedge relationships		**(5.4)**	(72.4)	(86.4)
		14.7	20.0	27.4
Tax on components of other comprehensive income		**–**	–	–
Other comprehensive profit before transfers		**5.7**	20.3	42.4
Transfer to income statement of amount realised on fair value of interest rate swaps and derivatives		**3.1**	–	–
Transfer to income statement of realised foreign exchange movements		**–**	–	(2.0)
Total comprehensive profit for the period		**396.3**	215.1	459.1
Attributable to – equity shareholders		**394.5**	214.4	458.5
– non-controlling interests		**1.8**	0.7	0.6
Total comprehensive profit for the period		**396.3**	215.1	459.1

CONDENSED GROUP BALANCE SHEET

As at 30 June 2017

	Notes	**30 June 2017 (unaudited) £m**	30 June 2016 (unaudited) £m	31 December 2016 (audited) £m
Assets				
Non-current assets				
Goodwill and other intangibles		**2.8**	4.5	3.1
Investment properties	12	**6,097.2**	4,394.5	4,714.4
Other interests in property		**12.1**	42.4	9.6
Plant and equipment		**15.8**	16.5	16.1
Investments in joint ventures	6	**761.3**	1,050.7	1,066.2
Available-for-sale investments		**–**	0.6	0.7
Derivative financial instruments		**72.3**	112.3	80.1
Pension assets		**41.5**	24.6	45.7
		7,003.0	5,646.1	5,935.9
Current assets				
Trading properties	12	**25.4**	33.0	25.4
Trade and other receivables		**137.5**	98.1	102.8
Derivative financial instruments		**9.7**	4.5	12.6
Cash and cash equivalents	13	**62.8**	10.9	32.0
		235.4	146.5	172.8
Total assets		**7,238.4**	5,792.6	6,108.7
Liabilities				
Non-current liabilities				
Borrowings	13	**1,484.4**	1,717.8	1,630.4
Deferred tax provision	9	**23.5**	13.7	16.3
Trade and other payables		**4.8**	–	4.7
Derivative financial instruments		**9.3**	21.7	14.7
		1,522.0	1,753.2	1,666.1
Current liabilities				
Trade and other payables		**317.1**	255.0	246.5
Derivative financial instruments		**20.2**	131.6	11.1
Borrowings	13	**320.0**	–	–
Tax liabilities		**7.0**	5.3	4.1
		664.3	391.9	261.7
Total liabilities		**2,186.3**	2,145.1	1,927.8
Net assets		**5,052.1**	3,647.5	4,180.9
Equity				
Share capital	14	**99.8**	75.4	83.0
Share premium		**1,980.7**	1,113.1	1,431.1
Capital redemption reserve		**113.9**	113.9	113.9
Own shares held		**(4.7)**	(5.8)	(5.5)
Other reserves		**216.8**	187.6	196.2
Retained earnings		**2,647.6**	2,164.7	2,363.4
Total shareholders' equity		**5,054.1**	3,648.9	4,182.1
Non-controlling interests		**(2.0)**	(1.4)	(1.2)
Total equity		**5,052.1**	3,647.5	4,180.9
Net assets per ordinary share (pence)[1]				
Basic	11	**507**	464	482
Diluted	11	**504**	461	480

1 The comparative net assets per ordinary share have been re-presented as detailed in Note 11.

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

(unaudited)	Balance 1 January 2017 £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 2017 £m
Ordinary share capital	**83.0**	**–**	**–**	**–**	**16.6**	**–**	**0.2**	**–**	**99.8**
Share premium	**1,431.1**	**–**	**–**	**–**	**540.2**	**–**	**9.4**	**–**	**1,980.7**
Capital redemption reserve	**113.9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**113.9**
Own shares held	**(5.5)**	**–**	**–**	**–**	**–**	**(1.7)**	**–**	**2.5**	**(4.7)**
Other reserves:									
Share based payments reserve	**13.5**	**–**	**–**	**–**	**–**	**5.8**	**–**	**(3.0)**	**16.3**
Fair value reserve for AFS[1]	**(0.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**0.2**	**–**
Translation, hedging and other reserves	**13.8**	**20.1**	**–**	**(5.4)**	**–**	**3.1**	**–**	**(0.2)**	**31.4**
Merger reserve	**169.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**169.1**
Total other reserves	**196.2**	**20.1**	**–**	**(5.4)**	**–**	**8.9**	**–**	**(3.0)**	**216.8**
Retained earnings	**2,363.4**	**–**	**385.7**	**(9.0)**	**–**	**–**	**(93.0)**	**0.5**	**2,647.6**
Total equity attributable to equity shareholders	**4,182.1**	**20.1**	**385.7**	**(14.4)**	**556.8**	**7.2**	**(83.4)**	**–**	**5,054.1**
Non-controlling interests[2]	**(1.2)**	**–**	**1.8**	**–**	**–**	**(2.6)**	**–**	**–**	**(2.0)**
Total equity	**4,180.9**	**20.1**	**387.5**	**(14.4)**	**556.8**	**4.6**	**(83.4)**	**–**	**5,052.1**

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, hedging 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

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.

For the year ended 31 December 2016

(audited)	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 31 December 2016 £m
Ordinary share capital	74.8	–	–	–	7.5	–	0.7	–	83.0
Share premium	1,091.4	–	–	–	310.9	–	28.8	–	1,431.1
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(6.3)	–	–	–	–	(2.3)	–	3.1	(5.5)
Other reserves:									
Share based payments reserve	8.5	–	–	–	–	7.0	–	(2.0)	13.5
Fair value reserve for AFS[1]	0.1	–	–	(0.3)	–	–	–	–	(0.2)
Translation, hedging and other reserves	(11.9)	114.1	–	(86.4)	–	(2.0)	–	–	13.8
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	165.8	114.1	–	(86.7)	–	5.0	–	(2.0)	196.2
Retained earnings	2,050.3	–	417.7	15.0	–	–	(118.5)	(1.1)	2,363.4
Total equity attributable to equity shareholders	3,489.9	114.1	417.7	(71.7)	318.4	2.7	(89.0)	–	4,182.1
Non-controlling interests[2]	(1.8)	(0.4)	1.0	–	–	–	–	–	(1.2)
Total equity	3,488.1	113.7	418.7	(71.7)	318.4	2.7	(89.0)	–	4,180.9

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 2017

	Notes	**Half year to 30 June 2017 (unaudited) £m**	Half year to 30 June 2016 (unaudited) £m	Year to 31 December 2016 (audited) £m
Cash flows from operating activities	15	**116.2**	98.8	156.7
Interest received		**32.8**	32.6	69.8
Dividends received		**16.2**	14.8	26.5
Interest paid		**(73.8)**	(75.9)	(140.9)
Cost of early close out of debt		**(10.3)**	–	–
Tax paid		**(0.2)**	(10.1)	(10.9)
Net cash received from operating activities		**80.9**	60.2	101.2
Cash flows from investing activities				
Purchase and development of investment properties		**(202.3)**	(146.1)	(429.7)
Acquisition of APP[1]		**(217.2)**	–	–
Sale of investment properties		**143.6**	391.2	614.0
Acquisition of other interests in property		**(2.5)**	(36.7)	(36.7)
Purchase of plant and equipment		**(0.4)**	(3.7)	(3.5)
Sale of available-for-sale investments		**0.6**	–	–
Investment in joint ventures		**(32.0)**	(73.6)	(184.3)
Divestment in joint ventures		**23.8**	1.6	120.9
Net cash (used in)/received from investing activities		**(286.4)**	132.7	80.7
Cash flows from financing activities				
Dividends paid to ordinary shareholders		**(70.4)**	(46.4)	(89.0)
Proceeds from borrowings		**186.1**	36.7	42.5
Repayment of borrowings		**(408.1)**	(170.4)	(267.7)
Net settlement of foreign exchange derivatives		**(26.6)**	(18.8)	(168.4)
Proceeds from issue of ordinary shares		**556.8**	0.2	318.4
Purchase of ordinary shares		**(1.7)**	–	(2.3)
Net cash received from/(used in) financing activities		**236.1**	(198.7)	(166.5)
Net increase/(decrease) in cash and cash equivalents		**30.6**	(5.8)	15.4
Cash and cash equivalents at the beginning of the period		**32.0**	16.4	16.4
Effect of foreign exchange rate changes		**0.2**	0.3	0.2
Cash and cash equivalents at the end of the period		**62.8**	10.9	32.0

1 Acquisition of APP includes £1.2 million of transaction costs.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed set of financial statements for the six months ended 30 June 2017 were approved by the Board of Directors on 24 July 2017.

The condensed set of financial statements for the six months ended 30 June 2017 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 2016 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 2017, 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:

- Amendment to IAS 12, 'Income taxes', regarding recognition of deferred tax assets for unrealised losses (Not yet EU endorsed)
- Amendment to IAS 7, 'Cash flow statements', regarding the Disclosure initiative (Not yet EU endorsed)
- Annual improvements 2014–2016 IFRS 12, 'Disclosure of interest in other entities' (Not yet EU endorsed)

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

The principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.14 (30 June 2016: £1 = €1.20; 31 December 2016: £1 = €1.17)
Income statement: £1 = €1.16 (30 June 2016: £1 = €1.28; 31 December 2016: £1 = €1.22)

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 current or comparative periods.

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

	Half year to 30 June 2017 £m	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Gross rental income	**127.3**	110.7	225.5
Property operating expenses	**(23.9)**	(22.1)	(44.9)
Net rental income	**103.4**	88.6	180.6
Joint venture management fee income	**16.5**	9.1	18.6
Administration expenses	**(17.5)**	(15.5)	(31.4)
Share of joint ventures' adjusted profit after tax	**22.1**	25.5	55.4
Adjusted operating profit before interest and tax	**124.5**	107.7	223.2
Net finance costs	**(33.3)**	(33.5)	(68.7)
Adjusted profit before tax	**91.2**	74.2	154.5
Adjustments to reconcile to IFRS:			
Adjustments to the share of profit from joint ventures after tax[1]	**14.2**	37.9	29.7
Profit on sale of investment properties	**7.7**	6.4	16.4
Valuation surplus on investment properties	**302.9**	76.0	231.3
(Loss)/gain on sale of trading properties	–	(0.1)	0.3
Increase in provision for impairment of trading properties	**(0.7)**	(1.2)	(2.0)
Goodwill and other amounts written off on acquisitions and amortisation of intangibles	**(0.6)**	(0.1)	(0.2)
Cost of early close out of debt	**(10.6)**	(1.0)	(1.0)
Net fair value (loss)/profit on interest rate swaps and other derivatives	**(7.0)**	8.6	(2.6)
Total adjustments	**305.9**	126.5	271.9
Profit before tax	**397.1**	200.7	426.4
Tax			
On Adjusted profit	**(0.7)**	(0.8)	(1.8)
In respect of adjustments	**(8.9)**	(5.1)	(5.9)
	(9.6)	(5.9)	(7.7)
Profit after tax before non-controlling interests	**387.5**	194.8	418.7
Non-controlling interests:			
Less: share of adjusted profit attributable to non-controlling interests	**–**	–	(0.1)
: share of adjustments attributable to non-controlling interests	**(1.8)**	(0.7)	(0.9)
Profit after tax and non-controlling interests	**385.7**	194.1	417.7
Of which:			
Adjusted profit after tax	**90.5**	73.4	152.6
Adjustments	**295.2**	120.7	265.1
Profit after tax	**385.7**	194.1	417.7

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

3. SEGMENTAL REPORTING

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

	Gross rental income	Net rental income	Share of joint ventures' Adjusted profit	Adjusted operating PBIT	Total directly owned property assets	Investments in joint ventures	Capital expenditure[2]
	£m	£m	£m	£m	£m	£m	£m
30 June 2017							
Greater London[3]	**51.3**	**47.2**	**(1.8)**	**53.7**	**2,866.9**	**–**	**1,144.3**
Thames Valley and National Logistics	**49.2**	**45.7**	**–**	**45.6**	**2,115.8**	**9.3**	**45.2**
Northern Europe	**10.6**	**6.0**	**10.4**	**18.5**	**381.4**	**424.5**	**28.5**
Southern Europe	**13.5**	**9.7**	**7.6**	**18.6**	**628.6**	**265.8**	**110.6**
Central Europe	**2.7**	**1.7**	**8.2**	**11.4**	**129.9**	**324.6**	**6.9**
Other[1]	**–**	**(6.9)**	**(2.3)**	**(23.3)**	**–**	**(262.9)**	**0.2**
Total	**127.3**	**103.4**	**22.1**	**124.5**	**6,122.6**	**761.3**	**1,335.7**
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
Northern Europe	11.2	7.8	7.5	16.5	402.6	247.5	24.0
Southern Europe	11.2	7.9	5.0	13.0	358.5	189.4	47.6
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
31 December 2016							
Greater London	76.7	67.5	14.5	88.5	1,777.5	363.4	28.6
Thames Valley and National Logistics	95.6	88.7	(0.1)	88.5	1,991.7	12.6	230.2
Northern Europe	25.0	17.5	16.5	36.5	378.8	396.9	88.4
Southern Europe	22.9	15.5	12.6	28.9	474.6	222.3	179.5
Central Europe	5.3	2.9	13.2	19.1	117.2	319.5	10.3
Other[1]	–	(11.5)	(1.3)	(38.3)	–	(248.5)	0.8
Total	225.5	180.6	55.4	223.2	4,739.8	1,066.2	537.8

1 Other includes the corporate centre, SELP holding companies and costs relating to the operational business which are not specifically allocated to a geographical business unit. This includes the bond issued and revolving credit facility both held by SELP Finance SARL, a Luxembourg entity, during 2016. This replaced debt held by SELP entities within the business units.

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.

3 Greater London includes the impact of the acquisition of the APP property portfolio during 2017 as discussed further in Note 6.

4. REVENUE

		Half year to 30 June 2017	Half year to 30 June 2016	Year to 31 December 2016
		£m	£m	£m
Rental income from investment properties		**119.9**	103.2	210.6
Rental income from trading properties		**0.8**	0.9	1.8
Rent averaging		**5.9**	6.0	11.8
Management fees		**0.6**	0.6	1.2
Surrender premiums		**0.1**	–	0.1
Gross rental income		**127.3**	110.7	225.5
Joint venture management fee	- property management	**9.0**	8.2	17.7
	- performance and other fees	**7.5**	0.9	0.9
Service charge income		**11.2**	8.8	19.4
Proceeds from sale of trading properties		**–**	8.1	20.0
Total revenue		**155.0**	136.7	283.5

5. PROPERTY OPERATING EXPENSES

	Half year to 30 June 2017 £m	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Vacant property costs	**3.0**	3.7	5.6
Letting, marketing, legal and professional fees	**3.7**	3.8	7.9
Bad debt expense	**0.5**	0.1	0.2
Other expenses, net of service charge income	**4.9**	4.2	9.8
Property management expenses	**12.1**	11.8	23.5
Property administration expenses[1]	**13.6**	11.8	25.0
Costs capitalised[2]	**(1.8)**	(1.5)	(3.6)
Total property operating expenses	**23.9**	22.1	44.9

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 2017 £m	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Gross rental income	**74.5**	76.5	165.5
Property operating expenses			
-underlying property operating expenses	**(3.0)**	(2.3)	(5.7)
-vacant property costs	**(1.1)**	(0.9)	(2.1)
-property management fees	**(7.3)**	(8.0)	(16.8)
-performance and other fees	**(8.5)**	(0.7)	(0.7)
Net rental income	**54.6**	64.6	140.2
Administration expenses	**(0.9)**	(0.2)	(1.6)
Net finance costs	**(6.7)**	(12.4)	(24.5)
Adjusted profit before tax	**47.0**	52.0	114.1
Tax	**(2.8)**	(1.1)	(3.3)
Adjusted profit after tax	**44.2**	50.9	110.8
At share	***22.1***	*25.5*	*55.4*
Adjustments:			
Profit on sale of investment properties	**0.6**	4.5	6.9
Valuation surplus on investment properties	**41.6**	51.3	78.6
Cost of early close out of debt and related derivatives	**–**	(2.8)	(13.6)
Goodwill and other amounts written off on acquisitions and amortisation of intangibles	**(0.1)**	(0.1)	(2.8)
Fair value loss realised on interest rate swaps and other derivatives	**(6.2)**	–	–
Tax in respect of adjustments	**(7.5)**	22.9	(9.8)
Total adjustments	**28.4**	75.8	59.3
At share	***14.2***	*37.9*	*29.7*
Profit after tax	**72.6**	126.7	170.1
At share	***36.3***	*63.4*	*85.1*
Other comprehensive income/(loss)	**6.2**	(8.2)	(4.2)
At share	***3.1***	*(4.1)*	*(2.1)*
Total comprehensive income for the year	**78.8**	118.5	165.9
At share	***39.4***	*59.3*	*83.0*

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

	As at 30 June 2017 £m	As at 30 June 2016 £m	As at 31 December 2016 £m
Investment properties	**2,307.8**	2,966.8	3,210.0
Other interests in property	**14.6**	12.8	13.3
Other investments	**–**	0.3	0.2
Total non-current assets	**2,322.4**	2,979.9	3,223.5
Trading properties	**1.1**	1.1	1.1
Other receivables	**70.6**	76.7	80.9
Cash	**76.9**	131.5	123.9
Total current assets	**148.6**	209.3	205.9
Total assets	**2,471.0**	3,189.2	3,429.4
Borrowings	**(766.1)**	(941.8)	(1,109.1)
Deferred tax	**(85.6)**	(37.8)	(76.0)
Other liabilities	**–**	(1.4)	(5.3)
Total non-current liabilities	**(851.7)**	(981.0)	(1,190.4)
Other liabilities	**(96.7)**	(95.9)	(99.8)
Derivative financial instruments	**–**	(10.8)	(6.9)
Total current liabilities	**(96.7)**	(106.7)	(106.7)
Total liabilities	**(948.4)**	(1,087.7)	(1,297.7)
Net assets	**1,522.6**	2,101.5	2,132.3
At share	***761.3***	*1,050.7*	*1,066.2*

On 9 March 2017 SEGRO acquired the remaining 50 percent interest in the Airport Property Partnership ("APP") joint venture it did not already own. Consequently, the APP share of profit is only included in the above table to 9 March 2017 (the date of acquisition) and no balance sheet in respect of APP is included at 30 June 2017. This asset acquisition transaction has primarily resulted in property acquisitions of £1,112.6 million being recognised (see Note 12) and associated net debt of £379.2 million (see Note 15).

7. REALISED AND UNREALISED PROPERTY GAIN

	Half year to 30 June 2017 £m	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Profit on sale of investment properties	**7.7**	6.4	16.4
Valuation surplus on investment properties	**302.9**	76.0	231.3
(Loss)/gain on sale of trading properties	**–**	(0.1)	0.3
Increase in provision for impairment of trading properties	**(0.7)**	(1.2)	(2.0)
Total realised and unrealised property gain	**309.9**	81.1	246.0

Valuation surpluses are discussed further in the Chief Executive's Review.

8. NET FINANCE COSTS

Finance income	**Half year to 30 June 2017 £m**	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Interest received on bank deposits and related derivatives	**18.3**	16.8	32.0
Fair value gain on interest rate swaps and other derivatives	**6.9**	30.1	13.8
Net interest income on defined benefit obligations	**0.6**	0.5	0.9
Exchange differences	**0.2**	0.3	–
Total finance income	**26.0**	47.7	46.7
Finance costs			
Interest on overdrafts, loans and related derivatives	**(53.5)**	(52.1)	(103.4)
Amortisation of issue costs	**(1.4)**	(1.4)	(2.9)
Net interest expense on defined benefit obligations	**–**	–	–
Cost of early close out of debt	**(10.6)**	(1.0)	(1.0)
Total borrowing costs	**(65.5)**	(54.5)	(107.3)
Less amount capitalised on the development of properties	**2.5**	2.4	5.0
Net borrowing costs	**(63.0)**	(52.1)	(102.3)
Fair value loss on interest rate swaps and other derivatives	**(13.9)**	(21.5)	(16.4)
Exchange differences	–	–	(0.3)
Total finance costs	**(76.9)**	(73.6)	(119.0)
Net finance costs	**(50.9)**	(25.9)	(72.3)

9. TAX

9(i) Tax on profit

	Half year to 30 June 2017 £m	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Tax on:			
Adjusted profits	**(0.7)**	(0.8)	(1.8)
In respect of adjustments	**(8.9)**	(5.1)	(5.9)
Total tax charge	**(9.6)**	(5.9)	(7.7)
Current tax			
Current tax charge	**(3.0)**	(6.4)	(5.6)
Adjustments in respect of earlier years	**0.1**	(0.1)	0.1
Total current tax charge	**(2.9)**	(6.5)	(5.5)
Deferred tax			
Origination and reversal of temporary differences	**–**	(0.5)	(1.1)
Released in respect of property disposals in the year	**1.0**	–	4.8
On valuation movements	**(7.7)**	1.4	(5.1)
Total deferred tax in respect of investment properties	**(6.7)**	0.9	(1.4)
Other deferred tax	**–**	(0.3)	(0.8)
Total deferred tax	**(6.7)**	0.6	(2.2)
Total tax charge on profit on ordinary activities	**(9.6)**	(5.9)	(7.7)

9(ii) Deferred tax provision

Movement in deferred tax was as follows:

	Balance 1 January 2017 £m	**Exchange movement £m**	**Recognised in income £m**	**Acquisitions/ (disposals) £m**	**Balance 30 June 2017 £m**	Balance 30 June 2016 £m
Valuation	**8.2**	**0.3**	**7.7**	**(1.0)**	**15.2**	2.9
Accelerated tax allowances	**6.1**	**0.2**	**–**	**–**	**6.3**	9.3
Deferred tax asset on revenue losses	**(0.3)**	**–**	**–**	**–**	**(0.3)**	(0.2)
Others	**2.3**	**–**	**–**	**–**	**2.3**	1.7
Total deferred tax provision	**16.3**	**0.5**	**7.7**	**(1.0)**	**23.5**	13.7

10. DIVIDENDS

	Half year to 30 June 2017 £m	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Ordinary dividends paid			
Final dividend for 2016 @ 10.7 pence per share[1]	**93.0**	–	–
Interim dividend for 2016 @ 5.0 pence per share[1]	**–**	–	39.2
Final dividend for 2015 @ 10.1 pence per share[1]	**–**	79.3	79.3
	93.0	79.3	118.5

1 As adjusted by a bonus adjustment factor, see Note 11.

The Board has declared an interim dividend of 5.25 pence per ordinary share (2016: 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 1.4 million shares (1.5 million for the full year 2016 and 1.5 million for half year 2016) being the average number of shares held on trust during the period for employee share schemes and net assets per share exclude 1.2 million shares (1.4 million for the full year 2016 and 1.5 million for the half year 2016) 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 30 June 2017			Half year to 30 June 2016			Year to 31 December 2016		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million[3]	Pence per share[3]	Earnings £m	Shares million[3]	Pence per share[3]
Basic EPS	**385.7**	**934.0**	**41.3**	194.1	782.4	24.8	417.7	809.9	51.6
Dilution adjustments:									
Employee share schemes	**–**	**5.1**	**(0.2)**	–	3.8	(0.1)	–	4.6	(0.3)
Diluted EPS	**385.7**	**939.1**	**41.1**	194.1	786.2	24.7	417.7	814.5	51.3
Basic EPS	**385.7**	**934.0**	**41.3**	194.1	782.4	24.8	417.7	809.9	51.6
Adjustments to profit before tax[1]	**(305.9)**		**(32.8)**	(126.5)		(16.2)	(271.9)		(33.6)
Deferred tax on investment property which does not crystallise unless sold	**6.7**		**0.8**	(0.9)		(0.1)	1.4		0.2
Other tax	**2.2**		**0.2**	6.0		0.8	4.5		0.5
Non-controlling interest on adjustments	**1.8**		**0.2**	0.7		0.1	0.9		0.1
Adjusted EPS[2]	**90.5**	**934.0**	**9.7**	73.4	782.4	9.4	152.6	809.9	18.8

1 Details of adjustments are included in Note 2.

2 Based on basic number of shares.

3 Comparative number of shares and pence per share re-presented for a bonus adjustment factor of 1.046.

On 28 March 2017, the Company issued 166,033,133 new ordinary shares of 10 pence each through a rights issue. Further details of the rights issue are provided in Note 14. To reflect the rights issue, the number of shares previously used to calculate basic and diluted and earnings per share and adjusted earnings per share have been amended in the table above. A bonus adjustment factor of 1.046 has been applied, based on the ratio of an adjusted closing share price of 468.6 pence per share on 10 March 2017, the business day before the shares started trading ex-rights and the theoretical ex-rights price at that date of 448.0 pence per share.

Prior to this re-presentation, the EPS for the half year to June 2016 was 25.9 pence (basic), 25.8 pence (diluted) and 9.8 pence (adjusted). The EPS for the full year to December 2016 prior to this re-presentation was 53.9 pence (basic), 53.6 pence (diluted) and 19.7 pence (adjusted).

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

	As at 30 June 2017			As at 30 June 2016			As at 31 December 2016		
	Equity attributable to ordinary shareholders £m	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders £m	Shares million[1]	Pence per share[1]	Equity attributable to ordinary shareholders £m	Shares million[1]	Pence per share[1]
Basic NAV	**5,054.1**	**997.3**	**507**	3,648.9	786.9	464	4,182.1	866.8	482
Dilution adjustments:									
Employee schemes	**–**	**5.6**	**(3)**	–	3.9	(3)	–	4.7	(2)
Diluted NAV	**5,054.1**	**1,002.9**	**504**	3,648.9	790.8	461	4,182.1	871.5	480
Fair value adjustment in respect of interest rate swap derivatives – Group	**(64.1)**		**(6)**	(90.6)		(11)	(76.5)		(9)
Fair value adjustment in respect of interest rate swap derivatives – Joint ventures	–		–	5.4		–	3.4		–
Deferred tax in respect of depreciation and valuation surpluses – Group	**20.4**		**2**	12.2		2	14.3		2
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**43.1**		**4**	17.9		2	38.8		5
EPRA NAV	**5,053.5**	**1,002.9**	**504**	3,593.8	790.8	454	4,162.1	871.5	478
Fair value adjustment in respect of debt – Group	**(325.9)**		**(32)**	(352.7)		(45)	(359.7)		(41)
Fair value adjustment in respect of debt – Joint ventures	**0.6**		**–**	(10.7)		(1)	0.2		–
Fair value adjustment in respect of interest rate swap derivatives – Group	**64.1**		**6**	90.6		11	76.5		9
Fair value adjustment in respect of interest rate swap derivatives – Joint ventures	**–**		**–**	(5.4)		–	(3.4)		–
Deferred tax in respect of depreciation and valuation surpluses – Group	**(20.4)**		**(2)**	(12.2)		(2)	(14.3)		(2)
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**(43.1)**		**(4)**	(17.9)		(2)	(38.8)		(5)
EPRA triple net NAV (NNNAV)	**4,728.8**	**1,002.9**	**472**	3,285.5	790.8	415	3,822.6	871.5	439

1 Comparative number of shares and pence per share re-presented for a bonus adjustment factor of 1.046.

As set out in Note 11(i), the number of shares used to calculate basic and diluted NAV and EPRA and EPRA triple net NAV have been amended in the table above by a bonus adjustment factor of 1.046.

Prior to this re-presentation, the NAV for the half year to June 2016 was 485 pence (basic), 483 pence (diluted), 475 pence (EPRA) and 435 pence (EPRA triple net). The NAV for the full year to December 2016 prior to this re-presentation was 505 pence (basic), 502 pence (diluted), 500 pence (EPRA) and 459 pence (EPRA triple net).

12. PROPERTIES

12(i) Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2017	**4,045.2**	**597.7**	**4,642.9**
Exchange movement	**18.0**	**9.5**	**27.5**
Property acquisitions	**1,082.1**	**61.5**	**1,143.6**
Additions to existing investment properties	**7.9**	**184.0**	**191.9**
Disposals	**(212.9)**	**(71.0)**	**(283.9)**
Transfers between completed and development properties	**47.0**	**(47.0)**	**–**
Revaluation surplus during the period	**261.0**	**41.9**	**302.9**
At 30 June 2017	**5,248.3**	**776.6**	**6,024.9**
Add tenant lease incentives, letting fees and rental guarantees	**72.3**	**–**	**72.3**
Total investment properties at 30 June 2017	**5,320.6**	**776.6**	**6,097.2**
Total investment properties at 30 June 2016	3,875.2	519.3	4,394.5

Investment properties are stated at fair value based on external valuations performed by independent, professionally qualified valuers. The Group's wholly owned property portfolio and all its joint venture properties were performed by CBRE Ltd. The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties. In estimating the fair value of the properties, the valuers consider the highest and best use of the properties. There has been no change in the valuation technique during the period. The valuation surplus recognised during the period is discussed further in the Chief Executive's Review.

CBRE Ltd 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. CBRE Ltd 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 bank), land under development and construction in progress.

Property acquisitions include £1,112.6 million in respect of the APP property portfolio acquisition, discussed further in Note 6.

At 30 June 2017 investment properties included £72.3 million tenant lease incentives, letting fees and rent guarantees (31 December 2016: £71.5 million; 30 June 2016: £73.6 million).

In July 2017, the Group completed the disposal of a warehouse in France valued at £29.6 million.

12(ii) Trading properties

	Completed £m	Development £m	Total £m
At 1 January 2017	**15.1**	**9.9**	**25.0**
Exchange movement	**0.4**	**0.3**	**0.7**
Increase in provision for impairment in the period	**(0.7)**	**–**	**(0.7)**
At 30 June 2017	**14.8**	**10.2**	**25.0**
Add tenant lease incentives, letting fees and rental guarantees	**0.4**	**–**	**0.4**
Total trading properties at 30 June 2017	**15.2**	**10.2**	**25.4**
Total trading properties at 30 June 2016	15.5	17.5	33.0

Trading properties were externally valued resulting in a net increase in the provision for impairment of £0.7 million (31 December 2016: £2.0 million; 30 June 2016: £1.2 million).

At 30 June 2017 trading properties included £0.4 million tenant lease incentives, letting fees and rental guarantees (31 December 2016: £0.4 million; 30 June 2016: £0.3 million).

13. NET BORROWINGS AND FINANCIAL INSTRUMENTS

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
In one year or less	**320.0**	–	–
In more than one year but less than two	**–**	–	199.6
In more than two years but less than five	**1,063.5**	849.9	860.6
In more than five years but less than ten	**222.6**	669.6	371.9
In more than ten years	**198.3**	198.3	198.3
In more than one year	**1,484.4**	1,717.8	1,630.4
Total borrowings	**1,804.4**	1,717.8	1,630.4
Cash and cash equivalents	**(62.8)**	(10.9)	(32.0)
Net borrowings	**1,741.6**	1,706.9	1,598.4
Total borrowings is split between secured and unsecured as follows:			
Secured (on land and buildings)	**323.8**	4.0	3.9
Unsecured	**1,480.6**	1,713.8	1,626.5
Total borrowings	**1,804.4**	1,717.8	1,630.4
Currency profile of total borrowings after derivative instruments			
Sterling	**651.8**	426.4	562.4
Euros	**1,168.4**	1,305.1	1,083.3
US dollars	**(15.8)**	(13.7)	(15.3)
Total borrowings	**1,804.4**	1,717.8	1,630.4
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	**–**	–	–
In more than two years	**576.2**	423.9	529.9
Total available undrawn facilities	**581.2**	428.9	534.9
Fair value of financial instruments			
Book value of debt	**1,804.4**	1,717.8	1,630.4
Interest rate derivatives	**(64.1)**	(90.6)	(76.5)
Foreign exchange derivatives	**11.6**	127.1	9.6
Book value of debt including derivatives	**1,751.9**	1,754.3	1,563.5
Net fair market value	**2,077.8**	2,107.0	1,923.2
Mark to market adjustment (pre-tax)	**325.9**	352.7	359.7

The Group announced in July 2017 that it had signed a €650 million US Private Placement Debt issuance. The weighted average coupon is 1.9 per cent and the weighted average maturity is 11.2 years. Closing and funding of the transaction will occur in August 2017. This is discussed further in the Finance Review.

Furthermore, on 6 July 2017 SEGRO gave notice to the lenders of its intention to repay its £320 million syndicated term loan, which was acquired through the Airport Property Partnership transaction. On 17 July 2017 the loan was prepaid, prior to its contractual maturity date. This liability has been shown in current liabilities in the balance sheet. This is discussed further in the Finance Review.

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 would be classified as level 2 fair value measurements, as defined by IFRS 13, being those derived from inputs other than quoted prices (included within 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 with 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.
- The fair value of non-derivative financial assets and financial liabilities traded on active liquid markets is determined with reference to the quoted market prices. Unlisted investments, such as those classified as available-for-sale investments, are typically valued by the Fund Manager based on the amount at which the asset would be exchanged between knowledgeable, willing parties in an arm's length transaction. The methodology used to estimate fair value will depend on the nature and facts and circumstances of the investment but will use one of the following bases: transaction value, earnings multiple, net assets, price of recent investment and sale price, where appropriate a marketability discount will be applied.

14. SHARE CAPITAL

	Number of shares £m	Par value of shares £m
Issued and fully paid ordinary shares at 10p each:		
At 1 January 2017	**830.1**	**83.0**
Issue of shares – rights issue	**166.0**	**16.6**
Issue of shares – scrip dividends	**2.1**	**0.2**
Issue of shares – other	**0.3**	**–**
At 30 June 2017	**998.5**	**99.8**
At 30 June 2016	753.7	75.4

On 10 March 2017 the Company announced a 1 for 5 rights issue of 166,033,133 ordinary shares of 10 pence each in the capital of the Company at a price of 345 pence per share. The combined impact was that the Company raised a total of £572.8 million, before £16.3 million expenses, and as a result on 28 March 2017 the Company's share capital increased by £16.6 million and share premium by £539.9 million.

On 4 May 2017 the Company issued 2,098,735 shares relating to the scrip dividend in respect of the 2016 final dividend.

15. NOTES TO THE CONDENSED GROUP CASH FLOW STATEMENT

15(i) Reconciliation of cash generated from operations

	Half year to 30 June 2017 £m	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Operating profit	**448.0**	226.6	498.7
Adjustments for:			
Depreciation of property, plant and equipment	**1.0**	1.5	3.1
Share of profit from joint ventures after tax	**(36.3)**	(63.4)	(85.1)
Profit on sale of investment properties	**(7.7)**	(6.4)	(16.4)
Goodwill and other amounts written off on acquisitions and amortisation of intangibles	**0.6**	0.1	0.2
Revaluation surplus on investment properties	**(302.9)**	(76.0)	(231.3)
Pension settlement costs	**–**	–	(2.3)
Pensions and other provisions	**–**	(3.2)	(1.2)
	102.7	79.2	165.7
Changes in working capital:			
Decrease in trading properties	**0.7**	9.0	17.6
Decrease/(increase) in debtors	**7.9**	(15.3)	(31.2)
Increase in creditors	**4.9**	25.9	4.6
Net cash inflow generated from operations	**116.2**	98.8	156.7

15(ii) Analysis of net debt

				Non-cash adjustments		
	At 1 January 2017 £m	Acquired[2] £m	Cash flow £m	Exchange movement £m	Other non-cash Adjustment[1] £m	**At 30 June 2017 £m**
Bank loans and loan capital	1,642.8	390.4	(221.6)	3.9	–	**1,815.5**
Capitalised finance costs	(12.4)	–	(0.4)	–	1.7	**(11.1)**
Total borrowings	1,630.4	390.4	(222.0)	3.9	1.7	**1,804.4**
Cash in hand and at bank[3]	(32.0)	(11.2)	(19.4)	(0.2)	–	**(62.8)**
Net debt	1,598.4	379.2	(241.4)	3.7	1.7	**1,741.6**

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

2 Acquired represents cash and debt assumed from the APP asset acquisition as detailed further in Note 6.

3 Total increase in cash and cash equivalents of £30.6 million as detailed in the cash flow statement compromise an increase in cash of £19.4 million and cash acquired in the APP property transaction of £11.2 million.

16. RELATED PARTY TRANSACTIONS

There have been no undisclosed 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 30 June 2017		Half year to 30 June 2016		Year to 31 December 2016	
	Notes	**£m**	**Pence per share**	**£m**	**Pence per share**	**£m**	**Pence per share**
EPRA Earnings	Table 2	**90.5**	**9.7**	73.4	9.4	152.6	18.8
EPRA NAV	Table 3	**5,053.5**	**504**	3,593.8	454	4,162.1	478
EPRA NNNAV	11	**4,728.8**	**472**	3,285.5	415	3,822.6	439
EPRA net initial yield	Table 4		**4.7%**		4.9%		4.8%
EPRA 'topped up' net initial yield	Table 4		**5.0%**		5.4%		5.3%
EPRA vacancy rate	Table 5		**5.5%**		4.8%		5.7%
Total EPRA cost ratio (including vacant property costs)	Table 6		**22.9%**		23.2%		23.0%
Total EPRA cost ratio (excluding vacant property costs)	Table 6		**20.7%**		20.4%		20.8%

TABLE 2: EPRA INCOME STATEMENT, PROPORTIONAL CONSOLIDATION

		Half year to June 2017			Half year to June 2016			Year to December 2016		
	Notes	**Group £m**	**JV £m**	**Total £m**	**Group £m**	**JV £m**	**Total £m**	**Group £m**	**JV £m**	**Total £m**
Gross rental income	2, 6	**127.3**	**37.3**	**164.6**	110.7	38.3	149.0	225.5	82.7	308.2
Property operating expenses	2, 6	**(23.9)**	**(10.0)**	**(33.9)**	(22.1)	(6.0)	(28.1)	(44.9)	(12.6)	(57.5)
Net rental income		**103.4**	**27.3**	**130.7**	88.6	32.3	120.9	180.6	70.1	250.7
Joint venture management fee income	2	**16.5**	**–**	**16.5**	9.1	–	9.1	18.6	–	18.6
Administration expenses	2	**(17.5)**	**(0.4)**	**(17.9)**	(15.5)	(0.1)	(15.6)	(31.4)	(0.8)	(32.2)
EPRA operating PBIT		**102.4**	**26.9**	**129.3**	82.2	32.2	114.4	167.8	69.3	237.1
Net finance costs	2, 6	**(33.3)**	**(3.4)**	**(36.7)**	(33.5)	(6.2)	(39.7)	(68.7)	(12.2)	(80.9)
EPRA PBT		**69.1**	**23.5**	**92.6**	48.7	26.0	74.7	99.1	57.1	156.2
Tax on EPRA profit	2, 6	**(0.7)**	**(1.4)**	**(2.1)**	(0.8)	(0.5)	(1.3)	(1.8)	(1.7)	(3.5)
EPRA profit after tax		**68.4**	**22.1**	**90.5**	47.9	25.5	73.4	97.3	55.4	152.7
Non-controlling interest on EPRA profit		**–**	**–**	**–**	–	–	–	(0.1)	–	(0.1)
EPRA profit after tax and non-controlling interests		**68.4**	**22.1**	**90.5**	47.9	25.5	73.4	97.2	55.4	152.6
Number of shares				**934.0**			782.4			809.9
EPRA EPS, pence per share				**9.7**			9.4			18.8

For the period presented EPRA EPS is the same as Adjusted EPS.

TABLE 3: BALANCE SHEET, PROPORTIONAL CONSOLIDATION

		Half year to June 2017			Half year to June 2016			Year to December 2016		
	Notes	**Group £m**	**JV £m**	**Total £m**	**Group £m**	**JV £m**	**Total £m**	**Group £m**	**JV £m**	**Total £m**
Investment properties	12, 6	**6,097.2**	**1,153.9**	**7,251.1**	4,394.5	1,483.4	5,877.9	4,714.4	1,605.0	6,319.4
Trading properties	12, 6	**25.4**	**0.5**	**25.9**	33.0	0.5	33.5	25.4	0.6	26.0
Total properties		**6,122.6**	**1,154.4**	**7,277.0**	4,427.5	1,483.9	5,911.4	4,739.8	1,605.6	6,345.4
Investment in joint ventures	6	**761.3**	**(761.3)**	**–**	1,050.7	(1,050.7)	–	1,066.2	(1,066.2)	–
Other net liabilities		**(88.2)**	**(48.5)**	**(136.7)**	(122.4)	(28.0)	(150.4)	(25.5)	(46.8)	(72.3)
Net debt	13, 6	**(1,741.6)**	**(344.6)**	**(2,086.2)**	(1,706.9)	(405.2)	(2,112.1)	(1,598.4)	(492.6)	(2,091.0)
Net asset value		**5,054.1**	**–**	**5,054.1**	3,648.9	–	3,648.9	4,182.1	–	4,182.1
EPRA adjustments	11			**(0.6)**			(55.1)			(20.0)
EPRA net asset value				**5,053.5**			3,593.8			4,162.1
Number of shares				**1,002.9**			790.8			871.5
EPRA NAV, pence per share				**504**			454			478

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

Combined property portfolio – 30 June 2017	**Notes**	**UK £m**	**Continental Europe £m**	**Total £m**
Total properties per financial statements	Table 3	**4,982.8**	**2,294.2**	**7,277.0**
Adjustments		–	–	–
Combined property portfolio per external valuers' report		**4,982.8**	**2,294.2**	**7,277.0**
Less development properties (investment, trading and joint venture)		(364.2)	(516.4)	(880.6)
Less other properties		–	–	–
Net valuation of completed properties		**4,618.6**	**1,777.8**	**6,396.4**
Add notional purchasers' costs		311.1	89.1	400.2
Gross valuation of completed properties including notional purchasers' costs	A	**4,929.7**	**1,866.9**	**6,796.6**
Income				
Gross passing rents[1]		209.6	115.0	324.6
Less irrecoverable property costs		(2.9)	(5.2)	(8.1)
Net passing rents	B	206.7	109.8	316.5
Adjustment for notional rent in respect of rent frees		14.2	11.1	25.3
Topped up net rent	C	220.9	120.9	341.8
Including fixed minimum uplifts received in lieu of rental growth[2]		8.8	0.9	9.7
Total topped up net rent		229.7	121.8	351.5
Yields – 30 June 2017		%	%	%
EPRA net initial yield	B/A	4.2	5.9	4.7
EPRA topped up net initial yield	C/A	4.5	6.5	5.0
True net equivalent yield		5.4	6.4	5.7

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 2017 £m	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Annualised potential rental value of vacant premises	**21.2**	16.0	20.3
Annualised potential rental value for the completed property portfolio	**383.5**	334.4	354.0
EPRA vacancy rate	**5.5%**	4.8%	5.7%

TABLE: 6 EPRA COST RATIO

	Notes	**Half year to 30 June 2017 £m**	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Costs				
Property operating expenses[1]	5	**23.9**	22.1	44.9
Administration expenses		**17.5**	15.5	31.4
Share of joint venture property operating and administration expenses[2]	6	**6.1**	5.7	13.1
Less:				
Joint venture property management income fee and management fees[3]		**(10.0)**	(8.8)	(18.9)
Total costs (A)		**37.5**	34.5	70.5
Group vacant property costs	5	**(3.0)**	(3.7)	(5.6)
Share of joint venture vacant property costs	6	**(0.6)**	(0.5)	(1.1)
Total costs excluding vacant property costs (B)		**33.9**	30.3	63.8
Gross rental income (excluding management fees)				
Gross rental income		**126.7**	110.1	224.3
Share of joint venture property gross rental income		**36.9**	38.3	82.7
Total gross rental income (C)		**163.6**	148.4	307.0
		%	**%**	%
Total EPRA cost ratio (including vacant property costs) (A)/(C)		**22.9**	23.2	23.0
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)		**20.7**	20.4	20.8
Total costs (A)		**37.5**	34.5	70.5
Share based payments		**(4.2)**	(2.6)	(6.1)
Total costs after share based payments (D)		**33.3**	31.9	64.4
Total gross rental income (C)		**163.6**	148.4	307.0
Total cost ratio after share based payments		**20.4%**	21.5%	21.0%

1 Property operating expenses are net of costs capitalised in accordance with IFRS of £1.8 million (H1 2016: £1.5 million, FY 2016: £3.6 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 Includes joint venture property management fee income of £9.0 million and management fees (including joint ventures) of £1.0 million (H1 2016: £8.2 million and £0.6 million respectively, FY 2016: £17.7 million and £1.2 million respectively).

GLOSSARY OF TERMS

APP: Airport Property Partnership, a 50-50 joint venture between SEGRO and Aviva Investors, now fully owned by SEGRO.

Bonus adjustment factor: Under IFRS accounting standards, historic per share metrics (primarily earnings, net asset value and dividend) are required to be adjusted for the bonus element of a rights issue so that the history is comparable. The adjustment factor for the bonus element is calculated as the closing share price before the ex-rights date divided by the theoretical ex-rights price of the share. For SEGRO's March 2017 rights issue, the bonus adjustment factor applied is 1.046.

Completed portfolio: The completed investment properties and the Group's share of joint ventures' completed investment properties. Includes properties held throughout the period, completed developments and properties acquired during the period.

Development pipeline: The Group's current programme of developments authorised or in the course of construction at the balance sheet date (current development pipeline), together with potential schemes not yet commenced on land owned or controlled by the Group (future development pipeline). Within the future development pipeline are pre-let and speculative development projects which management expects to approve over the next twelve months or which have been approved but are subject to final planning approval or other conditions being met ("near-term" development pipeline).

EPRA: The European Public Real Estate Association, a real estate industry body, which has issued Best Practices Recommendations Guidelines in order to provide consistency and transparency in real estate reporting across Europe.

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. Lease incentives, initial costs and any contracted future rental increases are amortised on a straight line basis over the lease term.

Headline 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) ignoring any rent-free period.

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 (LTV): Net borrowings divided by the carrying value of total property assets (investment, owner occupied and trading properties). This is reported on a 'look-through' basis (including joint ventures at share).

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

Net initial yield: 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.

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. Rent is assumed to be paid quarterly in advance, in line with standard UK lease terms.

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).

Pre-let: A lease signed with an occupier prior to commencing construction of a building.

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-free period: An incentive provided usually at commencement of a lease during which a customer pays no rent. The amount of rent free is the difference between passing rent and headline rent.

Rent roll: See Passing Rent.

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.

Take-back: 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: 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.

Yield on new money: The yield on cost excluding the book value of land if the land is owned by the Group in the reporting period prior to commencement of the development.