PRESS RELEASE

SEGRO

24 JULY 2019

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

Another period of strong performance with good earnings momentum driven by rental growth, active asset management and a record level of developments.

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

“Momentum has continued throughout our business in the first half of 2019 and we are on track for another strong year. Our portfolio of high quality and well-located warehouse assets is performing well, as evidenced by strong rental growth and the low vacancy rate. Our development programme continues apace, capitalising on the ongoing, positive occupier demand across our markets.

“As anticipated, the structural trends of e-commerce and urbanisation that have been driving performance in our UK business for some time are now increasingly evident in our Continental European markets.

“Looking ahead, we expect the development programme to generate further significant and profitable new rental income over coming years. This addition to the top-line, combined with the compounding effect of rental growth through our asset management of the existing portfolio, should enable us to drive both sustainable earnings and further dividend growth.”

Highlights:

- **Adjusted pre-tax profit up 19 per cent to £131.8 million** (H1 2018: £110.6 million) reflecting record development completions in the period and rental growth captured through active asset management. **IFRS profit before tax was £410.8 million** (H1 2018: £570.9 million), which includes the impact of the revaluation of the portfolio.

- **Adjusted EPS increased 13 per cent to 12.2 pence** (H1 2018: 10.8 pence) reflecting the higher adjusted pre-tax profit and an increased number of shares following the equity placing in February 2019. **IFRS EPS was 37.1 pence** (H1 2018: 55.4 pence).

- **EPRA NAV per share increased 4 per cent to 673 pence** (31 December 2018: 650 pence), driven by a 3.5 per cent (H1 2018: 5.9 per cent) increase in the value of the portfolio. This was due to development and asset management gains as well as ERV growth across both the UK and Continental European portfolios.

- **Future earnings growth underpinned by over 700,000 sq m of development projects under construction or in advanced pre-let discussions** capable of generating £50 million of rent, reflecting a yield on cost of 7 per cent, most of which is de-risked through pre-leasing agreements.

- **Interim dividend increased by 13.5 per cent to 6.30 pence** (2018 interim dividend: 5.55 pence), in line with our guidance to set the interim dividend at one-third of the previous full year dividend.

FINANCIAL AND OPERATING HIGHLIGHTS[1]

Strong operational performance driven by active asset management and supported by continued good occupier demand

- **Secured £33.3 million of new headline rent in the period** (H1 2018: £39.8 million). This was driven by new pre-lets of £15.2 million (H1 2018: £30.4 million), net rent roll growth of £8.4 million on the existing space (H1 2018: £1.4 million) and increased lettings of recently completed speculatively developed space.
- **3.7 per cent like-for-like net rental income growth**, including 4.3 per cent in the UK and 2.5 per cent in Continental Europe.
- **Vacancy rate remains low at 4.8 per cent** (31 December 2018: 5.2 per cent) due to the contribution from recently completed, pre-let developments and a high retention rate of 94 per cent with minimal take-backs.

Rental value growth and development uplift resulted in valuation gains across the portfolio

- **Portfolio capital valuation surplus of 3.5 per cent** (UK 2.3 per cent; Continental Europe 5.8 per cent). Valuation gains primarily driven by asset management, rental value growth (UK: 1.4 per cent; Continental Europe: 1.5 per cent) and development gains with continued yield compression in Continental Europe.

Continuing a disciplined approach to capital allocation to further enhance the portfolio and drive ongoing returns

- **Net capital investment of £141 million** involving £27 million of asset acquisitions, £220 million in new land and development capital expenditure, offset by £106 million of proceeds from disposals.
- **£229 million of further capex to be invested in completing 34 development projects under construction,** representing £36 million of potential rent, of which 65 per cent has been secured through pre-lets. Completions in the second half of 2019 will potentially generate £29 million of annual rent, of which £21 million has already been secured.
- **Further 'near-term' pre-let projects** are expected to commence in the coming months, with potential capex of £125 million and £14 million of associated rent.
- **Total development capex for the year is expected to be in the region of £600 million** (including land acquisitions), in line with expectations at the time of the equity placing in February.

Balance sheet positioned for further development-led growth, following equity placing and debt refinancing.

- Equity placing of £451 million completed in February 2019, providing capacity to continue to invest in the accretive development pipeline and future land acquisitions.
- Further debt re-financing activity with the repayment of £250 million 5.625 per cent SEGRO bonds due 2020 and the issue of €500 million 1.5 per cent SELP bonds due 2026.
- **Look-through LTV ratio of 24 per cent** (31 December 2018: 29 per cent) and £1.6 billion of cash and undrawn facilities.

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

OUTLOOK

The structural trends that have been driving demand in our markets are still very evident in 2019. As part of this, occupier demand for high quality warehouse and logistics assets should continue to reflect the ongoing need for many of our customers to improve their supply chains, whilst positive investor demand for the asset class should be supported by institutions and others looking to increase their exposure to urban and big box warehousing.

We expect that SEGRO's ongoing property performance will be supported by these themes and driven by our active asset management, rental growth and further development activity. Rental growth will likely be strongest in urban warehousing, where the supportive trends of the technological revolution (including e-commerce) and urbanisation combine, and we are especially well positioned to maximise the potential of this with 64 per cent of our portfolio in these assets. Since 2016 we have been actively increasing our development activity and we enter the second half of the year with a strong pipeline of over 700,000 sq m of developments under construction or in advanced negotiation, the majority of which is de-risked through pre-let agreements. This pipeline, combined with active asset management of our portfolio, should allow us to further increase our net rental income over the coming years, driving sustainable dividend growth.

We remain alert to a variety of potential macro-economic risks, but their impact on our current trading activity has so far remained very limited. As growing numbers of urban-based consumers and businesses demand an increased volume of goods and services delivered to their doors faster than ever before, we believe that the demand for high quality, well-located warehousing will remain strong and are therefore confident about our future prospects.

FINANCIAL SUMMARY

Income statement metrics	6 months to 30 June 2019	6 months to 30 June 2018	Change per cent
Adjusted[1] profit before tax (£m)	**131.8**	110.6	19.2
IFRS profit before tax (£m)	**410.8**	570.9	(28.0)
Adjusted[2] earnings per share (pence)	**12.2**	10.8	13.0
IFRS earnings per share (pence)	**37.1**	55.4	(33.0)
Dividend per share (pence)	**6.30**	5.55	13.5

Balance sheet metrics	30 June 2019	31 December 2018	Change per cent
Portfolio valuation (SEGRO share, £m)	**9,920**	9,425	3.5[3]
EPRA[4 5] net asset value per share (pence, diluted)	**673**	650	3.5
IFRS net asset value per share (pence, diluted)	**665**	644	3.3
Group net borrowings (£m)	**1,817**	2,177	–
Loan to value ratio including joint ventures at share (per cent)	**24**	29	–

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

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

3. Percentage valuation movement during the period based on the difference between opening and closing valuations for all properties including buildings under construction and land, adjusting for capital expenditure, acquisitions and disposals.

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.

WEBCAST / CONFERENCE CALL FOR INVESTORS AND ANALYSTS

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

https://edge.media-server.com/mmc/p/r84zs6s6

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

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

Dial-in:	+44 (0) 207 1928 338
Access code:	5494829 - SEGRO Half Year Results

A video interview with David Sleath and Soumen Das discussing the results is now available to view on www.segro.com, together with this announcement, the H1 2019 Property Analysis Report and other information about SEGRO.

CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES:

SEGRO	Soumen Das (Chief Financial Officer)	Mob: +44 (0) 7771 773 134 Tel: + 44 (0) 20 7451 9110 (after 11am)
	Claire Mogford (Head of Investor Relations)	Mob: +44 (0) 7710 153 974 Tel: +44 (0) 20 7451 9048 (after 11am)
FTI Consulting	Richard Sunderland / Claire Turvey and Eve Kirmatzis	Tel: +44 (0) 20 3727 1000

FINANCIAL CALENDAR

2019 interim dividend ex-div date	15 August 2019
2019 interim dividend record date	16 August 2019
2019 interim dividend scrip dividend price announced	22 August 2019
Last date for scrip dividend elections	2 September 2019
2019 interim dividend payment date	23 September 2019
2019 Third Quarter Trading Update	16 October 2019
Full Year 2019 Results	14 February 2020

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 7.8 million square metres of space (84 million square feet) valued at £11.7 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 eight 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 has been, and remains, 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 periods of low economic growth or 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 of the year we acquired £52 million of assets and land. The asset acquisitions totalled £27 million, reflecting a topped-up net initial yield of 6.1 per cent.

We used our extensive market network to acquire three big box warehouses in Continental Europe during the period. The first was a newly built, 28,000 sq m warehouse on the outskirts of Barcelona, fully let to a third-party logistics operator. We also made acquisitions in two markets that we have identified as having strong occupier demand for logistics: Lille in France and Wrocław in Poland. In Lille we acquired a 34,000 sq m warehouse, fully let to a third-party logistics operator, and in Wrocław a recently completed 23,000 sq m warehouse.

Whilst we continue to review asset acquisition opportunities, our investment activity continues to focus on development and approximately half of the capital invested in acquisitions during the first half of the year was for land for immediate or near-term development.

Acquisitions completed in H1 2019

Asset location / type	Purchase price[1] (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Continental Europe: Logistics	26.8	6.1	6.1
UK: Land[3]	2.8	n/a	n/a
Continental Europe: Land[3]	22.1	n/a	n/a
Total acquisitions completed in H1 2019	**51.7**	**6.1[2]**	**6.1[2]**

1. Excluding acquisition costs.

2. Yield excludes land transactions.

3. Land acquisitions are discussed in Future Development Pipeline.

DISCIPLINED CAPITAL ALLOCATION — ASSET RECYCLING

During the first half of 2019, we disposed of £106 million of land and assets.

The asset disposals totalled £100 million and included two non-income producing buildings; a vacant big box warehouse in the Midlands and a building completed on a turnkey basis at our new logistics park SLP-East Midlands Gateway. The remaining £32 million consisted of big box warehouses in Poland, the Netherlands and Italy, developed on balance sheet and sold into SELP in line with book values at December 2018.

We expect disposals in 2019 to be in the region of £150-250 million for the year as a whole.

Disposals completed in H1 2019

Asset location / type	Gross proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Continental Europe: Big box warehousing	32.4	6.5	6.5
UK: Big box warehouse	17.4		Vacant on disposal
UK: Turnkey sale	50.5	n/a	n/a
Continental Europe: Land	3.1	n/a	n/a
UK: Land	3.1	n/a	n/a
Total disposals completed in H1 2019	**106.5**	**6.5[1]**	**6.5[1]**

1. Yield excludes land and the turnkey transactions.

DEVELOPMENT ACTIVITY AND ASSET MANAGEMENT DRIVING PROPERTY VALUATION GAINS

The Group's property portfolio was valued at £9.9 billion at 30 June 2019 (£11.7 billion of assets under management). The portfolio valuation, including completed assets, land and buildings under construction, increased by 3.5 per cent (adjusted for capital expenditure and asset recycling during the year).

This primarily comprises a 2.5 per cent increase in the assets held throughout the period (H1 2018: 5.3 per cent), driven by stable underlying yields in the UK and around 20 basis points of yield compression in Continental Europe, as well as a 1.4 per cent increase in our valuer's estimate of the market rental value of our portfolio (ERV).

Assets held throughout the period in the UK increased in value by 1.3 per cent (H1 2018: 6.4 per cent), higher than the MSCI-IPD All Industrial UK Capital Growth Monthly Index which increased by 1.1 per cent, reflecting the differing composition of our prime London and South East-located UK portfolio compared to the index.

The equivalent yield applied to our UK portfolio was 4.6 per cent (31 December 2018: 4.8 per cent), while UK rental values improved by 1.4 per cent (H1 2018: 2.3 per cent).

Assets held throughout the period in Continental Europe increased in value by 5.4 per cent (H1 2018: 2.6 per cent) on a constant currency basis. Yields continued to compress during the period, to 5.5 per cent (31 December 2018: 5.9 per cent), and rental values increased by 1.5 per cent across the portfolio, reflecting continued strong demand and the lack of supply of quality big box and urban warehouses in our markets.

More details of our property portfolio can be found in the H1 2019 Property Analysis Report available at www.segro.com/investors.

Property portfolio metrics at 30 June 2019[1]

		Portfolio value, £m					Yield,%[3]		
	Lettable area sq m (AUM)	Completed	Land & development	Combined property portfolio	Combined property portfolio (AUM)	Valuation movement[2] %	Topped up net initial	Net true equivalent	Vacancy (ERV)[4] %
UK									
Greater London	1,054,385	3,598.1	175.3	3,773.4	3,773.4	1.8	3.6	4.4	4.5
Thames Valley	535,625	1,575.5	122.9	1,698.4	1,698.4	0.8	4.5	4.9	2.4
National Logistics	711,319	933.2	152.6	1,085.8	1,088.3	(0.4)	4.8	5.0	5.2
UK Total	**2,301,329**	**6,106.8**	**450.8**	**6,557.6**	**6,560.1**	**1.3**	**4.0**	**4.6**	**4.1**
Continental Europe									
Germany/Austria	1,399,330	941.5	89.9	1,031.4	1,546.4	5.6	4.6	5.1	10.5
Netherlands	241,993	102.5	16.9	119.4	216.2	4.8	6.2	5.7	11.8
France	1,233,667	881.4	57.0	938.4	1,318.8	8.1	5.2	5.4	1.3
Italy	836,882	396.0	126.2	522.2	722.0	3.3	5.6	5.4	0.1
Spain	230,949	124.4	31.8	156.2	240.8	4.1	3.7	5.7	30.4
Poland	1,364,922	479.4	32.3	511.7	895.3	1.4	6.8	6.6	4.3
Czech Republic[5]	169,514	72.0	11.5	83.5	159.9	7.4	5.6	5.8	3.5
Continental Europe Total	**5,477,257**	**2,997.2**	**365.6**	**3,362.8**	**5,099.4**	**5.4**	**5.3**	**5.5**	**6.1**
GROUP TOTAL	**7,778,586**	**9,104.0**	**816.4**	**9,920.4**	**11,659.5**	**2.5**	**4.4**	**4.9**	**4.8**

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 properties held throughout the period, allowing for capital expenditure, acquisitions and disposals.

3. In relation to completed assets only.

4. Vacancy rate excluding short term lettings for the Group at 30 June 2019 is 5.1 per cent.

5. Czech Republic includes land in Hungary identified for disposal

OPERATIONAL EXCELLENCE — ACTIVE ASSET MANAGEMENT

We contracted £33 million of new headline rent during the first half of the year. Rent roll growth on the existing space was very strong at £8 million, with an average 12.8 per cent uplift on rent reviews and renewals. New pre-let agreements totalled £15 million.

At 30 June 2019, 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 64 per cent of our completed portfolio value. They are located mainly in and around London, Paris, Düsseldorf, Frankfurt, Berlin and Warsaw, where land supply is restricted and there is strong demand for warehouse space, particularly catering for the needs of so-called '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 34 per cent of our completed 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 Lille, Paris, Lyon and Marseille), Germany (Düsseldorf, Berlin, Leipzig and Hamburg) and Poland (the central core of Poznań, Łódź and Warsaw, the industrial region of Silesia, and Wrocław).

We have continued to see good occupier demand for warehouses across our markets, our vacancy rate remains low and we have captured reversionary potential from our UK portfolio and from indexation provisions in our Continental European leases.

Across Europe, market vacancy rates for prime big box warehousing remain low across all our markets, reflecting enduring strong demand and moderate speculative new supply. In the UK, development levels are increasing but construction continues to be primarily on a pre-let basis and, in our case, all of our big box warehouse development in the UK is pre-leased.

Data for urban warehouses is less readily available, particularly for the type of prime urban warehousing which comprises the vast majority of our portfolio. Anecdotal evidence shows continued strong demand both from occupiers and investors for these warehouses, while supply continues to be limited by the lack of available land and competition from alternative uses of industrial land, not least from residential.

This supply-demand tension has manifested itself in our own experience through low vacancy and high customer retention across our major markets, faster take-up of speculatively developed urban warehouse space than expected on appraisal and a good level of pre-let agreements.

Growing rental income from letting existing space and new developments

At 30 June 2019, our portfolio generated passing rent of £372 million, rising to £425 million once rent free periods expire ("headline rent"). During the first half of the year, we contracted £33.3 million of new headline rent (H1 2018: £39.8 million), with a particularly strong contribution from rent reviews and renewals (helped by some significant re-gears in our Heathrow portfolio) and good take up of recently completed speculatively developed space.

Rent secured from pre-let agreements and on speculatively developed space prior to completion totalled £15.2 million (H1 2018: £30.4 million), lower than during the same period in 2018, which is a function of a particularly strong prior year comparator due to the timing of a number of large pre-lets at our big box warehouse park at SEGRO Logistics Park East Midlands Gateway (SLP-EMG). Total rent secured in H1 2019 was the second highest six-month period on record, after H1 2018.

Our customer base remains well diversified, reflecting the multitude of traditional and e-commerce related uses of warehouse space. Our top 20 customers account for 32 per cent of total headline rent, and our largest customer, Deutsche Post DHL, accounts for 4.7 per cent.

Approximately half of our rent roll is from customers whose businesses are at least in part driven by the rise of e-commerce, including third party logistics and parcel delivery businesses, and retailers (both pure-play on-line retailers and more traditional retailers developing their own multi-channel capability).

Such businesses accounted for more than two-thirds of our take-up during the period, including Amazon, XPO and Kuehne & Nagel, who between them took possession of 200,000 sq m of space at SLP-EMG during the first half.

Manufacturing companies, particularly food producers, also continue to be important occupiers of our warehouse space, accounting for 17 per cent of our headline rent. They comprised 8 per cent of take-up during the period and included the car manufacturer Porsche which leased new premises in Germany, as well as engineering support services company Babcock and elevator manufacturer Mitsubishi Electric Europe who both took up space in our newly developed SEGRO Park Rainham.

Summary of key leasing data for H1 2018 and H1 2019[1]

Summary of key leasing data for the six months to 30 June[1]		**H1 2019**	**H1 2018**
Take-up of existing space[2] (A)	£m	6.7	5.9
Space returned[3] (B)	£m	(4.3)	(6.8)
Other rental movements (rent reviews, renewals, indexation)[2] (C)	£m	6.0	2.3
RENT ROLL GROWTH FROM EXISTING SPACE (A+B+C)	**£m**	**8.4**	**1.4**
Take-up of developments completed in the period – pre-let space[2] (D)	£m	24.1	11.7
Take-up of speculative developments completed in the past two years[2] (D)	£m	6.1	3.3
TOTAL TAKE UP[2] (A+C+D)	**£m**	**42.9**	**23.2**
Less take-up of pre-lets and speculative lettings signed in prior periods[2]	£m	(24.8)	(13.8)
Pre-lets and lettings on speculative developments signed in the period for future delivery[2]	£m	15.2	30.4
RENTAL INCOME CONTRACTED IN THE PERIOD[2]	**£m**	**33.3**	**39.8**
Take-back of space for redevelopment	£m	-	(0.1)
Retention rate[4]	%	94	91

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.

We monitor a number of asset management performance indicators to assess our performance:

- **Rental growth from lease reviews and renewals.** These generated an uplift of 12.8 per cent (H1 2018: 5.5 per cent) for the portfolio as a whole compared to previous headline rent. During the period, new rents agreed at review and renewal were 16.8 per cent higher in the UK (H1 2018: 8.7 per cent higher), generating £3.8 million of additional headline rent. Contributing significantly to this were re-gears in our Heathrow portfolio, where our team successfully negotiated large rental increases with customers coming off peppercorn rents (excluding these, re-leasing spreads in the UK would have been 12.9 per cent). In Continental Europe, rents agreed on renewal were 0.6 per cent higher than previous headline rents (H1 2018: 2.6 per cent lower), reflecting market rental growth above indexation.
- **Vacancy remains low at 4.8 per cent.** The vacancy at 30 June 2019 was 4.8 per cent, comfortably within our target range of between 4 and 6 per cent. This has reduced since December 2018, primarily due to take-up of recently completed speculative developments and the disposal of a vacant UK big box warehouse in the Midlands.

- **High retention rate of 94 per cent**. During the period, space equating to £4.3 million (H1 2018: £6.8 million) of rent was returned to us, including £0.6 million of rent lost due to insolvencies (H1 2018: £0.5 million). During the period, £30 million of rent was subject to lease renegotiation (a break, renewal or re-gear) of which we retained 94 per cent in either the customer's existing space or new premises. At 30 June 2019, £13 million of rent is at risk from break or expiry during the remainder of 2019.
- **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 6.8 per cent of the headline rent (H1 2018: 5.4 per cent). The portfolio's weighted average lease length increased to 7.7 years to first break and 9.0 years to expiry (31 December 2018: 7.5 years to first break, 8.9 years to expiry). Weighted average unexpired lease terms are longer in the UK (9.2 years to break) than in Continental Europe (5.5 years to break).
- **£8.4 million of net new rent from existing assets.** The combination of these strong metrics enabled us to generate £6.7 million of headline rent from new leases on existing assets (H1 2018: £5.9 million) and £6.0 million from rent reviews, lease renewals and indexation (H1 2018: £2.3 million), offset by £4.3 million of rent lost from space returned to us (H1 2018: £6.8 million).
- **£15.2 million of rent contracted from pre-let agreements**. We contracted £15.2 million of headline rent from pre-let agreements and lettings of speculative developments prior to completion (H1 2018: £30.4 million).
- **Rent roll growth of £29.0 million.** An important element of achieving our goal of being a leading income-focused REIT is to grow our rent roll, primarily through increasing rent from our existing assets and from generating new rent through development. Rent roll growth, which reflects net new headline rent from existing space (adjusted for take-backs of space for development), take-up of speculative developments and pre-lets agreed during the period, remained strong at £29.0 million (H1 2018: £32.9 million).

DISCIPLINED CAPITAL ALLOCATION AND OPERATIONAL EXCELLENCE — DELIVERING GROWTH THROUGH DEVELOPMENT

We invested £184 million in new developments and £11 million in infrastructure during H1 2019 (H1 2018: £208 million and £22 million respectively) and £25 million (H1 2018: £50 million) in our land bank. We still expect our development capital expenditure for 2019 as a whole to be in the region of £600 million, including land acquisitions.

Development projects completed

We completed a record level of 729,800 sq m of new space during the period. These projects were 77 per cent pre-let prior to the start of construction and were 84 per cent let as at 30 June 2019, generating £26 million of annualised gross rent, with a potential further £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 7.1 per cent when fully let.

Amongst the development projects completed in the first half were 200,000 sq m of warehouses at our new logistics park SLP-EMG and 240,000 sq m of warehouse space let to retailers including Zalando, Amazon, and Antony Morato in Italy. We also completed 160,000 sq m of warehouse space in Germany (including urban warehouse parks outside Berlin and Düsseldorf) and added 95,000 sq m of speculatively developed warehousing in Spain, helping us to build scale in this market.

Current development pipeline

At 30 June 2019, we had development projects approved, contracted or under construction totalling 459,200 million sq m, representing £229 million of future capital expenditure and £36 million of annualised gross rental income when fully let. These projects, which are expected to complete over the next 18 months, are 65 per cent pre-let and should yield 7.1 per cent on total development cost when fully occupied.

- In the UK, we have 96,800 sq m of space under construction across 17 projects. This includes five data centres in Slough and two further buildings at SEGRO Park Newham, where DHL and a Travelodge hotel will join the completed DPD parcel delivery warehouse, completing the scheme. We have also started construction on further phases of urban warehouse development in north and east London at SEGRO Park Enfield and SEGRO Park Rainham.
- In Continental Europe, we have 362,400 sq m of space under construction across 17 projects. We have urban warehouse schemes in Germany (Düsseldorf & Frankfurt) and France (Paris), developed on a speculative basis to cater for increasing demand for modern distribution space serving these major cities. We also have big box projects in Poland, Germany, the Netherlands, France, Italy and Spain. Italy accounts for just over 200,000 sq m of new space, of which 88 per cent is pre-let.

Within our Continental European development programme, approximately £10.7 million of potential gross rental income is associated with big box warehouses developed outside our SELP joint venture. Under the terms of the joint venture, SELP has the option, but not the obligation, to acquire these assets shortly after completion. Assuming SELP acquires the assets, the net impact for SEGRO would be to retain a 50 per cent share of the rent.

We are still on track to invest in excess of £400 million in our development pipeline during 2019 (excluding land acquisitions), having invested £195 million into construction and infrastructure during the first half.

Future development pipeline

Near-term development pipeline

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

These projects total 274,000 sq m of space, equating to approximately £125 million of additional capital expenditure and £14 million of additional headline rent. By way of context, at 31 December 2018, we reported a near-term development pipeline of just over 400,000 sq m of space: just under 250,000 sq m of those projects are now either committed or under construction.

Land bank

Our land bank identified for future development totalled 545 hectares at 30 June 2019, equating to £447 million, or around 5 per cent of our total portfolio. We invested £25 million in acquiring new land during the first half of the year, mainly sites associated with developments expected to start in the short term.

We estimate that our land bank, including the near-term projects above, can support 2.4 million sq m of development over the next five years. We estimate that the prospective capital expenditure associated with the future pipeline is just under £1 billion and that it could generate £106 million of gross rental income. This represents a yield on total development cost (including land and notional finance costs) of over 7 per cent and approximately 10 per cent on the incremental capital expenditure, excluding land already acquired. 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 the outlook for occupier conditions in local markets.

Land with a total value of £36 million has been identified as suited to alternative use or surplus to our short term requirements, the majority of which is expected to be sold in due course.

Conditional land acquisitions and land held under option agreements

Land acquisitions (contracted but subject to certain conditions) and land held under option agreements are not included in the figures above but together represent significant further development opportunities. These include sites for big box warehouses in the Midlands and South-East regions of the UK, as well as a big box warehouse park opportunity in Germany.

The options, held on the balance sheet at a value of £23 million (including joint ventures at share), are exercisable in both the short and the longer term. The optioned land, combined with conditional land acquisitions, is capable of supporting just over 2.0 million sq m of space and generating £51 million of headline rent (SEGRO share) for a blended yield on investment of approximately 7 per cent, depending on the final price agreed for acquiring the land.

Further details of our completed projects, and our current and future development pipelines are available in the H1 2019 Property Analysis Report, which is available to download at www.segro.com/investors.

BALANCE SHEET POSITIONED TO SUPPORT FURTHER GROWTH

Net borrowings, including our share of joint venture net debt, decreased by £323 million from 31 December 2018 to £2.4 billion due primarily to the equity placing. The look-through loan to value ratio (LTV) reduced to 24 per cent (31 December 2018: 29 per cent). This is consistent with our aim to have an LTV ratio closer to 30 per cent than our through-cycle target of 40 per cent.

The movement in net debt, including our share of debt in joint ventures, from £2,713 million to £2,390 million, mainly reflects the £451 million (gross) proceeds of the equity placing that we carried out in February, offset by net capital investment of £141 million.

During the period we also repaid £250 million of 5.625 per cent SEGRO bonds due in 2020 and issued €500 million 1.5 per cent of SELP bonds due 2026. This activity helped reduce our weighted average cost of debt to 1.5 per cent and extended the average duration of debt to 10.5 years.

INTERIM DIVIDEND OF 6.3 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 0.75 pence per share to 6.3 pence (H1 2018: 5.55 pence), a rise of 13.5 per cent. This will be paid as an ordinary dividend on 23 September 2019 to shareholders on the register at the close of business on 15 August 2019.

The Board will offer a scrip dividend option for the 2019 interim dividend, allowing shareholders to choose whether to receive the dividend in cash or new shares. 37 per cent of the 2018 final dividend was paid in new shares, equating to £46 million of cash retained on the balance sheet and 6.9 million new shares being issued.

FINANCIAL REVIEW

Like-for-like net rental income growth and income from new developments were the primary drivers of the 19 per cent increase in Adjusted profit before tax compared to H1 2018. EPRA NAV per share increased by 3.5 per cent to 673 pence compared to December 2018 primarily driven by the valuation uplift on the property portfolio.

Financial highlights

	30 June 2019	30 June 2018	31 December 2018
IFRS[1] net asset value (NAV) per share (diluted) (p)	**665**	598	644
EPRA[1] NAV per share (diluted) (p)	**673**	603	650
IFRS profit before tax (£m)	**410.8**	570.9	1,099.1
Adjusted[2] profit before tax (£m)	**131.8**	110.6	241.5
IFRS earnings per share (EPS) (p)	**37.1**	55.4	105.4
Adjusted[2] EPS (p)	**12.2**	10.8	23.4

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.

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 period (30 June 2018: no items; 31 December 2018: £51.8 million adjustment for pension buy-out costs).

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 condensed 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 2019 £m	Six months to 30 June 2018 £m
Gross rental income	**161.3**	145.1
Property operating expenses	**(24.8)**	(23.9)
Net rental income	**136.5**	121.2
Joint venture fee income	**9.4**	8.7
Administration expenses	**(23.6)**	(20.7)
Share of joint ventures' Adjusted profit after tax[1]	**27.7**	24.6
Adjusted operating profit before interest and tax	**150.0**	133.8
Net finance costs	**(18.2)**	(23.2)
Adjusted profit before tax	**131.8**	110.6
Tax on Adjusted profit	**(1.1)**	(1.7)
Non-controlling interests share of adjusted profits	**(0.1)**	(0.3)
Adjusted profit after tax[2]	**130.6**	108.6

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 19 per cent to £131.8 million (H1 2018: £110.6 million). The primary driver was a £15.3 million increase in net rental income to £136.5 million, as discussed further below. In addition, there was a decrease in net finance costs of £5.0 million to £18.2 million primarily due to reduced net debt following the equity raise, lower prevailing interest rates and higher capitalised interest.

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

Like-for-like net rental income	**Six months to 30 June 2019 £m**	Six months to 30 June 2018 £m	Variance £m	Change %
UK	**102.8**	98.6	4.2	4.3
Continental Europe	**45.9**	44.8	1.1	2.5
Like-for-like net rental income before other items	**148.7**	143.4	5.3	3.7
Other[1]	**(2.7)**	(2.6)	(0.1)	
Like-for-like net rental income	**146.0**	140.8	5.2	3.7
Development lettings	**17.8**	2.4	15.4	
Properties taken back for development	**(0.1)**	0.4	(0.5)	
Like-for-like net rental income plus developments	**163.7**	143.6	20.1	
Properties acquired	**1.0**	0.4	0.6	
Properties sold	**0.3**	5.8	(5.5)	
Net rental income before surrenders, dilapidations and exchange	**165.0**	149.8	15.2	
Lease surrender premiums and dilapidations income	**0.5**	1.2	(0.7)	
Rent lost from lease surrenders and other items	**9.9**	4.8	5.1	
Impact of exchange rate difference between periods	**–**	0.3	(0.3)	
Net rental income before joint venture fees	**175.4**	156.1	19.3	
Share of joint venture fees	**(4.2)**	(3.6)	(0.6)	
Net rental income per income statements	**171.2**	152.5	18.7	

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 is based on properties held throughout both H1 2019 and H1 2018 and comprises wholly owned assets (net rental income of £136.5 million) and SEGRO's share of net rental income held in joint ventures (£38.9 million, before the impact of fees paid to joint venture partners of £4.2 million).

Net rental income on this basis increased by £19.3 million to £175.4 million which mainly reflects £15.4 million of additional income from development lettings and £5.2 million of like-for-like net rental income growth (3.7 per cent higher than in H1 2018).

The growth in like-for-like net rental income was mainly due to rental increases on review and renewal in our UK portfolio and, to a lesser extent, across our Continental Europe portfolio.

Investment activity had a negative impact on net rental income, when compared to the prior period, with additional income on acquisitions (£0.6 million) being offset by income lost from disposals (£5.5 million), primarily those completed during 2018.

Where a completed property 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 in properties sold.

Income from joint ventures

Joint venture management fee income increased by £0.7 million to £9.4 million in line with the growth in activity in the SELP joint venture.

SEGRO provides certain services, including venture advisory and asset management, to the SELP joint venture and receives fees for doing so, including potential performance fees based on the performance of the portfolio. The next performance fee measurement date is on the tenth anniversary, in October 2023.

SEGRO's share of joint ventures' Adjusted profit after tax increased by £3.1 million, mainly reflecting the growth in income from the SELP joint venture.

Administrative and operating costs

The Total Cost Ratio for H1 2019 improved to 22.0 per cent from 22.5 per cent in H1 2018. Excluding the impact of share based payments (£5.6 million), the cost of which are directly linked to the outperformance of the property portfolio, the Cost Ratio improved slightly to 19.2 per cent in H1 2019 from 19.3 per cent in H1 2018 as the cost base has grown broadly in line with income. The calculations are set out in Table 7 of the Supplementary Notes to the condensed financial information.

Net finance costs

Net finance costs have decreased by £5.0 million during the period from £23.2 million at H1 2018 to £18.2 million at H1 2019. This has been driven by reduced levels of net debt following the equity placing in February 2019, a lower average cost of debt following the refinancing activity in the current and prior periods, including the bond redemption in the current period (as discussed further in the Financial Position and Funding section below) and higher amounts of interest capitalised.

Taxation

The tax charge on Adjusted profit of £1.1 million (H1 2018: £1.7 million) reflects an effective tax rate of 0.8 per cent (H1 2018: 1.5 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 12.2 pence (H1 2018: 10.8 pence) reflecting the £22.0 million increase in Adjusted profit after tax and non-controlling interests, partly offset by a higher number of shares following the equity placing in February 2019.

IFRS PROFIT

IFRS profit before tax in H1 2019 was £410.8 million (H1 2018: £570.9 million), equating to post-tax IFRS earnings per share of 37.1 pence compared with 55.4 pence for H1 2018. The decrease in IFRS profits is driven primarily by unrealised and realised gains on our property portfolio, including joint ventures at share, which were £164.4 million lower in H1 2019 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 £247.6 million in H1 2019 (H1 2018: £442.8 million) have been recognised in the income statement, mainly comprising an unrealised valuation surplus of £237.9 million (H1 2018: £435.8 million surplus) along with gains on sales of investment and trading property of £6.7 million (H1 2018: £2.3 million) and valuation surpluses on other investments of £3.0 million (H1 2018: £4.7 million).

SEGRO's share of realised and unrealised gains on properties held in joint ventures was £71.9 million (H1 2018: £41.1 million) arising, primarily, in the SELP joint venture. Furthermore, SEGRO's share of Tax in respect of Adjustments (see Note 6) increased from £8.4 million to £42.9 million primarily due to the ratification of a double tax treaty between Luxembourg and France.

BALANCE SHEET

EPRA net asset value

	£m	Shares million	Pence per share
EPRA net assets attributable to ordinary shareholders at 31 December 2018	**6,620.3**	**1,018.7**	**650**
Realised and unrealised property gain (including joint ventures)	319.5		
Adjusted profit after tax	130.6		
Dividend net of scrip shares issued (2018 final)	(97.7)		
Issue of shares	443.8		
Early repayment of debt	(18.5)		
Other including exchange rate movement (net of hedging)	(11.8)		
EPRA net assets attributable to ordinary shareholders at 30 June 2019	**7,386.2**	**1,098.0**	**673**

At 30 June 2019, IFRS net assets attributable to ordinary shareholders were £7,302.5 million (31 December 2018: £6,564.0 million), equating to 668 pence per share (31 December 2018: 648 pence).

EPRA net asset value per share at 30 June 2019 was 673 pence measured on a diluted basis (31 December 2018: 650 pence), the 3.5 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 £111.6 million, a £26.2 million increase from H1 2018 (£85.4 million) with higher cash flows from operations (including cash received from trading properties) partially offset by the cost of early repayment of debt (£18.5 million) and tax paid (£14.6 million) in respect of property disposals.

The largest cash outflow in the period relates to acquisitions and developments of investment properties at £197.4 million, which primarily reflects the ongoing development activity (see Capital Expenditure section for more details). Cash flows from investment property sales are £82.9 million, which is £22.6 million lower than in H1 2018.

The proceeds from issue of ordinary shares of £443.8 million primarily arises as a result of the equity placing undertaken in February 2019. Other significant financing cash flows include dividends paid of £77.1 million (H1 2018: £60.3 million) reflecting the increased dividend per share and level of scrip dividend take-up.

As a result of these factors there was a net funds inflow of £353.7 million during the period compared to an outflow of £158.3 million in H1 2018, an increase of £512.0 million, or £68.8 million excluding the impact of shares issue.

Cash flow and net debt reconciliation

	Six months to 30 June 2019 £m	Six months to 30 June 2018 £m
Opening net debt	**(2,177.0)**	(1,954.2)
Cash flow from operations	**164.8**	102.6
Finance costs (net)	**(26.3)**	(21.6)
Early repayment of debt	**(18.5)**	–
Dividends received	**6.2**	5.2
Tax paid	**(14.6)**	(0.8)
Free cash flow	**111.6**	85.4
Dividends paid	**(77.1)**	(60.3)
Acquisitions and development of investment properties	**(197.4)**	(242.4)
Investment property sales	**82.9**	105.5
Acquisitions of other interests in property and other investments	**(1.7)**	(18.6)
Net settlement of foreign exchange derivatives	**4.5**	2.1
Proceeds from issue of ordinary shares	**443.8**	0.6
Net investment in joint ventures	**(10.0)**	(29.3)
Other items	**(2.9)**	(1.3)
Net funds flow	**353.7**	(158.3)
Non-cash movements	**(1.1)**	(1.3)
Exchange rate movements	**7.6**	(1.1)
Closing net debt	**(1,816.8)**	(2,114.9)

Capital expenditure

The table below sets out analysis of the capital expenditure on property assets during the period on a basis consistent with the EPRA Best Practices Recommendations. 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 £333.4 million, a decrease of £52.1 million compared to H1 2018. Acquisitions were £42.9 million lower compared to the prior period. Also, development capital expenditure decreased by £35.3 million to £195.0 million and incorporates interest capitalised of £6.5 million (H1 2018: £3.8 million) including joint ventures at share.

Spend on existing completed properties totalled £18.4 million (H1 2018: £12.0 million), of which £10.4 million was for value-enhancing major refurbishment and fit-out costs prior to re-letting.

EPRA capital expenditure analysis

	Six months to 30 June 2019			Six months to 30 June 2018		
	Wholly owned £m	**Joint ventures £m**	**Total £m**	Wholly owned £m	Joint ventures £m	Total £m
Acquisitions	**21.1**[1]	**67.4**[6]	**88.5**	77.5	53.9	131.4
Development[4]	**163.9**[2]	**31.1**	**195.0**	208.6	21.7	230.3
Completed properties[4]	**15.7**[3]	**2.7**	**18.4**	8.6	3.4	12.0
Other[5]	**28.5**	**3.0**	**31.5**	8.7	3.1	11.8
Total	**229.2**	**104.2**	**333.4**	303.4	82.1	385.5

1. Being £21.1 million investment property and £nil trading property (2018: £77.5 million and £nil million respectively) see Note 12.

2. Being £160.1 million investment property and £3.8 million trading property (2018: £206.0 million and £2.6 million respectively) see Note 12.

3. Being £15.7 million investment property and £nil trading property (2018: £8.6 million and £nil million respectively) see Note 12.

4. Includes wholly owned capitalised interest of £6.0 million (2018: £3.6 million) as further analysed in Note 8 and share of joint venture capitalised interest of £0.5 million (2018: £0.2 million).

5. Tenant incentives, letting fees and rental guarantees.

6. Includes acquisitions of property sold from the Group's wholly owned investment property portfolio to the SELP joint venture of £33.3 million (2018: £42.4 million).

FINANCIAL POSITION AND FUNDING

Financial Key Performance Indicators

GROUP ONLY	**30 June 2019**	**30 June 2018**	**31 December 2018**
Net borrowings (£m)	**1,816.8**	2,114.9	2,177.0
Available Group cash and undrawn facilities (£m)	**1,271.4**	1,041.0	1,177.8
Gearing (%)	**25**	35	33
LTV ratio (%)	**22**	29	28
Weighted average cost of debt[1] (%)	**1.6**	2.2	2.1
Interest cover[2] (times)	**5.0**	4.5	4.5
Average duration of debt (years)	**12.1**	10.9	11.4
INCLUDING JOINT VENTURES AT SHARE			
Net borrowings (£m)	**2,390.3**	2,554.9	2,713.4
Available cash and undrawn facilities (£m)	**1,614.4**	1,153.3	1,248.9
LTV ratio (%)	**24**	29	29
Weighted average cost of debt[1] (%)	**1.5**	2.0	1.9
Interest cover[2] (times)	**5.4**	5.0	4.9
Average duration of debt (years)	**10.5**	10.0	10.2

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

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

At 30 June 2019, the Group's net borrowings (including the Group's share of borrowings in joint ventures) were £2,390.3 million (31 December 2018: £2,713.4 million) at a weighted average cost of 1.5 per cent and an average duration of 10.5 years. The loan to value ratio (including joint ventures at share) was 24 per cent (31 December 2018: 29 per cent) with £1,614.4 million of cash and undrawn facilities available for investment.

Gross borrowings of SEGRO Group were £1,986.8 million at 30 June 2019, all but £3.0 million of which were unsecured, and cash and cash equivalent balances were £170.0 million. SEGRO's share of gross borrowings in its joint ventures was £693.2 million (all of which were advanced on a non-recourse basis to SEGRO) and cash and cash equivalent balances of £119.8 million. Cash and cash equivalent balances, together with the Group's interest rate and foreign exchange derivative portfolio, are spread amongst a strong group of banks, all of which have a credit rating of A- or better.

In H1 2019, SEGRO carried out £1.1 billion of financing activity in SEGRO Group and on behalf of SELP, designed to position the entities to take advantage of growth opportunities, particularly from developments, while maintaining appropriate levels of leverage.

- **£451 million of new equity:** In February 2019, SEGRO undertook an equity placing in which we raised £451 million of gross proceeds by issuing 71 million new shares at a price of 635 pence, approximately a 2 per cent discount to the previous day's closing price and to the end-December 2018 EPRA NAV.
- **£250 million early redemption of 2020 bonds:** In April 2019, SEGRO gave notice that it intended to redeem £250 million of 5.625 per cent bonds due in 2020. The bonds were cancelled in May 2019 at a cost of £18.5 million, improving both the cost of debt and the average duration of the debt book.
- **€200 million additional credit facilities for SELP:** In April 2019, SELP agreed a further €200 million of revolving credit facilities from two new banking partners, increasing the total RCF to €500 million.
- **€500 million raised through a third SELP bond:** In June 2019, SELP raised an additional €500 million by issuing a 7.5 year bond with a coupon of 1.5 per cent. Part of the proceeds have been used to refinance the drawn RCF, with the remainder available to fund future growth opportunities from both development and acquisitions.

As a result of this refinancing activity, SEGRO's debt maturity profile (on a look through basis) has been extended to 10.5 years whilst our average cost of debt has reduced to 1.5 per cent.

MONITORING AND MITIGATING FINANCIAL RISK

The Group monitors a number of financial metrics to assess the level of financial risk being taken and to mitigate that risk.

Treasury policies and governance

The Group Treasury function operates within a formal policy covering all aspects of treasury activity, including funding, counterparty exposure and management of interest rate, currency and liquidity risks. Group Treasury reports on compliance with these policies on a quarterly basis and policies are reviewed regularly by the Board.

Gearing and financial covenants

The key leverage metric for SEGRO is its loan to value ratio (LTV), which incorporates assets and net debt on SEGRO's balance sheet and SEGRO's share of assets and net debt on the balance sheets of its joint ventures. The LTV at 30 June 2019 on this 'look-through' basis was 24 per cent.

Our borrowings contain gearing covenants based on Group net debt and net asset value, excluding debt in joint ventures. The gearing ratio of the Group at 30 June 2019, as defined within the principal debt funding arrangements of the Group, was 25 per cent (31 December 2018: 33 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 63 per cent from their 30 June 2019 levels to reach the gearing covenant threshold of 160 per cent. A 63 per cent fall in property values would equate to an LTV ratio (including joint ventures at share) of approximately 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 2019, the Group comfortably met this ratio at 5.0 times. On a look-through basis, including joint ventures, this ratio was 5.4 times.

We mitigate the risk of over-gearing the Company and breaching debt covenants by carefully monitoring the impact of investment decisions on our LTV and by stress-testing our balance sheet to potential changes in property values. We also expect to continue to recycle assets which would also provide funding for future investment.

Our intention for the foreseeable future is to maintain our LTV (including joint ventures at share) at around 30 per cent, lower than our mid-cycle target of 40 per cent. This provides the flexibility to take advantage of investment opportunities arising and ensures significant headroom compared to our tightest gearing covenants should property values decline.

At 30 June 2019, there were no debt maturities falling due within 12 months and the weighted average maturity of the gross borrowings of the Group (including joint ventures at share) was 10.5 years. With a majority of the Group's bank debt facilities not due to mature until 2023, and no debt maturities in 2019, this long average debt maturity translates into a favourable, well spread debt funding maturity profile which reduces future refinancing risk.

Interest rate risk

The Group's interest rate risk policy is designed to ensure that we limit our exposure to volatility in interest rates. The policy states 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, including the impact of derivative financial instruments.

As at 30 June 2019, including the impact of derivative instruments, 75 per cent (31 December 2018: 67 per cent) of the net borrowings of the Group (including the Group's share of borrowings within joint ventures) were at fixed or capped rates.

As a result of the fixed rate cover in place, if short term interest rates had been 1 percent higher throughout the 6 month period to 30 June 2019, the adjusted net finance cost of the Group would have increased by approximately £5.7 million representing around 4 per cent of Adjusted profit after tax.

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

Foreign currency translation risk

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.

The Group seeks to limit its exposure to volatility in foreign exchange rates by hedging at a level between the year-end Group LTV percentage and 100 per cent of its foreign currency gross assets through either borrowings or derivative instruments. At 30 June 2019, the Group had gross foreign currency assets which were 64 per cent hedged by gross foreign currency denominated liabilities (including the impact of derivative financial instruments).

The exchange rate used to translate euro denominated assets and liabilities as at 30 June 2019 into sterling within the balance sheet of the Group was €1.12:£1 (30 June 2018: €1.13:£1). Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, if the value of the other currencies in which the Group operates at 30 June 2019 weakened by 10 per cent against sterling (€1.23, in the case of euros), net assets would have decreased by approximately £95 million and there would have been a reduction in gearing of approximately 1.7 per cent and in the LTV of approximately 1.4 per cent. The impact if the other currencies in which the Group operates should strengthen by 10 per cent against Sterling would be broadly equal and opposite.

The average exchange rate used to translate euro denominated earnings generated during the 6 months ending 30 June 2019 into sterling within the consolidated income statement of the Group was €1.15:£1 (H1 2018: €1.14:£1).

Based on the hedging position at 30 June 2019, and assuming that this position had applied throughout the 6 month period, if the euro had been 10 per cent weaker than the average exchange rate (€1.27:£1), Adjusted profit after tax for the six month period would have been approximately £3.8 million (2.9 per cent) lower than reported. If it had been 10 per cent stronger, adjusted profit after tax for the period would have been approximately £4.6 million (3.5 per cent) higher than reported.

GOING CONCERN

As noted in the Financial Position and Funding section above, the Group has a very strong liquidity position, a favourable debt maturity profile and substantial headroom against financial covenants. Accordingly, it can reasonably expect to be able 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, 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 financial statements). Accordingly, they continue to adopt the going concern basis in preparing these 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 and protecting 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 2018 Annual Report on pages 52 to 55.

There are no significant changes to the other risks presented in the 2018 Annual Report on pages 56 to 58. A summary of the Group's principal risks for the second half of 2019 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 enhance opportunities for superior returns.

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.

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.

4. Principal Risks

- **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.
- **Disruptive Brexit.** The uncertainty associated with Brexit may adversely impact investment, capital, financial (including FX), occupier and labour markets in the UK as the nature and timing of exit and future relationships are negotiated. In most scenarios there may be extended periods of uncertainty, leading to market impacts that are less acute but persistent. In the event of a 'no deal' disorderly Brexit these impacts could be acute. In the long term, exit from the EU could impact 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.
- **Health & Safety.** Health and safety management processes could fail, leading to a loss of life, litigation, fines and serious reputational damage to the Group.

- **Financing Strategy.** The Group could suffer an acute liquidity or solvency crisis, financial loss or financial distress as a result of a failure in the design or execution of its financing strategy.
- **Development Plan Execution.** The Group has an extensive current programme and future pipeline of developments. The Group could suffer significant financial losses from: cost over-runs on larger, more complex projects; increased competition and/or construction costs (from labour market changes or weakened supply competition) leading to reduced or uneconomic development yields; or above-appetite exposure to non-income producing land, infrastructure and speculatively developed buildings arising from a sharp deterioration in occupier demand.
- **Investment Plan Execution.** 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.
- **Political and Regulatory**. The Group could fail to anticipate significant political, legal, tax or regulatory changes, leading to a significant un-forecasted financial or reputational impact.
- **Operational delivery & 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 antibribery 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; a cyber-security breach; or failure to respond to the consequences of climate change. Compliance failures, such as breaches of joint venture shareholders' agreements, loan agreements or tax legislation could also damage reputation, revenue and shareholder value

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the interim condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;

(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 4.2.8R (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 2019. 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 2019;

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

23 July 2019

CONDENSED GROUP INCOME STATEMENT

For the six months ended 30 June 2019

	Notes	**Half year to 30 June 2019 (unaudited) £m**	Half year to 30 June 2018 (unaudited) £m	Year to 31 December 2018 (audited) £m
Revenue	4	**233.3**	167.2	369.0
Gross rental income	4	**161.3**	145.1	297.7
Property operating expenses	5	**(24.8)**	(23.9)	(50.1)
Net rental income		**136.5**	121.2	247.6
Joint venture fee income	4	**9.4**	8.7	44.9
Administration expenses		**(23.6)**	(20.7)	(44.1)
Pension buy-out costs		**–**	–	(51.8)
Share of profit from joint ventures after tax	6	**56.7**	57.3	124.2
Realised and unrealised property gain	7	**247.6**	442.8	852.6
Operating profit		**426.6**	609.3	1,173.4
Finance income	8	**40.9**	17.4	33.4
Finance costs	8	**(56.7)**	(55.8)	(107.7)
Profit before tax		**410.8**	570.9	1,099.1
Tax	9	**(13.5)**	(11.6)	(33.0)
Profit after tax		**397.3**	559.3	1,066.1
Attributable to equity shareholders		**395.9**	557.2	1,062.6
Attributable to non-controlling interests		**1.4**	2.1	3.5
Earnings per share (pence)				
Basic	11	**37.1**	55.4	105.4
Diluted	11	**36.9**	55.2	104.8

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Half year to 30 June 2019 (unaudited) £m	Half year to 30 June 2018 (unaudited) £m	Year to 31 December 2018 (audited) £m
Profit for the period	**397.3**	559.3	1,066.1
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit pension schemes	**–**	6.8	11.0
	–	6.8	11.0
Items that may be reclassified subsequently to profit or loss			
Foreign exchange movement arising on translation of international operations	**(10.2)**	2.6	29.4
Fair value movements on derivatives and borrowings in effective hedge relationships	**4.6**	(1.3)	(12.6)
	(5.6)	1.3	16.8
Tax on components of other comprehensive income	**–**	–	–
Other comprehensive (loss)/profit	**(5.6)**	8.1	27.8
Total comprehensive profit for the period	**391.7**	567.4	1,093.9
Attributable to – equity shareholders	**390.3**	565.3	1,090.5
– non-controlling interests	**1.4**	2.1	3.4

CONDENSED GROUP BALANCE SHEET

As at 30 June 2019

	Notes	30 June 2019 (unaudited) £m	30 June 2018 (unaudited) £m	31 December 2018 (audited) £m
Assets				
Non-current assets				
Intangibles assets		**2.6**	3.9	3.9
Investment properties	12	**8,244.8**	7,348.6	7,801.4
Other interests in property		**16.3**	13.6	15.4
Property, plant and equipment		**20.2**	13.1	13.3
Investments in joint ventures	6	**1,053.4**	873.8	999.9
Other investments		**27.3**	23.2	23.6
Other receivables		**27.0**	–	26.8
Derivative financial instruments		**55.2**	42.1	25.7
Pension assets		**–**	47.2	–
		9,446.8	8,365.5	8,910.0
Current assets				
Trading properties	12	**11.7**	34.4	51.7
Trade and other receivables		**157.9**	167.1	128.7
Derivative financial instruments		**1.4**	2.7	11.7
Cash and cash equivalents	13	**170.0**	40.6	66.5
		341.0	244.8	258.6
Total assets		**9,787.8**	8,610.3	9,168.6
Liabilities				
Non-current liabilities				
Borrowings	13	**1,986.8**	2,155.5	2,243.5
Deferred tax liabilities	9	**36.9**	30.9	26.9
Trade and other payables		**107.7**	–	26.2
Derivative financial instruments		**–**	0.5	2.9
		2,131.4	2,186.9	2,299.5
Current liabilities				
Trade and other payables		**318.8**	325.0	261.9
Derivative financial instruments		**5.8**	5.3	2.8
Tax liabilities		**29.3**	15.7	40.4
		353.9	346.0	305.1
Total liabilities		**2,485.3**	2,532.9	2,604.6
Net assets		**7,302.5**	6,077.4	6,564.0
Equity				
Share capital	14	**109.3**	101.2	101.3
Share premium		**2,529.5**	2,035.7	2,047.7
Capital redemption reserve		**113.9**	113.9	113.9
Own shares held		**(0.9)**	(2.2)	(2.0)
Other reserves		**240.2**	225.6	246.2
Retained earnings		**4,310.5**	3,603.2	4,056.9
Total shareholders' equity		**7,302.5**	6,077.4	6,564.0
Non-controlling interests		**–**	–	–
Total equity		**7,302.5**	6,077.4	6,564.0
Net assets per ordinary share (pence)				
Basic	11	**668**	601	648
Diluted	11	**665**	598	644

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

(unaudited)	Balance 1 January 2019 £m	Exchange movement £m	Retained earnings £m	Items taken to other comprehensive income £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 30 June 2019 £m
Ordinary share capital	**101.3**	**–**	**–**	**–**	**7.3**	**–**	**0.7**	**–**	**109.3**
Share premium	**2,047.7**	**–**	**–**	**–**	**436.5**	**–**	**45.3**	**–**	**2,529.5**
Capital redemption reserve	**113.9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**113.9**
Own shares held	**(2.0)**	**–**	**–**	**–**	**–**	**(1.8)**	**–**	**2.9**	**(0.9)**
Other reserves:									
Share based payments reserve	**22.3**	**–**	**–**	**–**	**–**	**6.7**	**–**	**(7.1)**	**21.9**
Translation, hedging and other reserves	**54.8**	**(10.2)**	**–**	**4.6**	**–**	**–**	**–**	**–**	**49.2**
Merger reserve	**169.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**169.1**
Total other reserves	**246.2**	**(10.2)**	**–**	**4.6**	**–**	**6.7**	**–**	**(7.1)**	**240.2**
Retained earnings	**4,056.9**	**–**	**395.9**	**–**	**–**	**(2.8)**	**(143.7)**	**4.2**	**4,310.5**
Total equity attributable to equity shareholders	**6,564.0**	**(10.2)**	**395.9**	**4.6**	**443.8**	**2.1**	**(97.7)**	**–**	**7,302.5**
Non-controlling interests[1]	**–**	**–**	**1.4**	**–**	**–**	**(1.4)**	**–**	**–**	**–**
Total equity	**6,564.0**	**(10.2)**	**397.3**	**4.6**	**443.8**	**0.7**	**(97.7)**	**–**	**7,302.5**

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

For the six months ended 30 June 2018

(unaudited)	Balance 1 January 2018 £m	Exchange movement £m	Retained earnings £m	Items taken to other comprehensive income £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 30 June 2018 £m
Ordinary share capital	100.3	–	–	–	0.3	–	0.6	–	101.2
Share premium	1,998.6	–	–	–	0.3	–	36.8	–	2,035.7
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(3.3)	–	–	–	–	(1.2)	–	2.3	(2.2)
Other reserves:									
Share based payments reserve	18.7	–	–	–	–	5.3	–	(6.7)	17.3
Translation, hedging and other reserves	37.9	2.6	–	(1.3)	–	–	–	–	39.2
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	225.7	2.6	–	(1.3)	–	5.3	–	(6.7)	225.6
Retained earnings	3,150.2	–	557.2	6.8	–	(1.6)	(113.8)	4.4	3,603.2
Total equity attributable to equity shareholders	5,585.4	2.6	557.2	5.5	0.6	2.5	(76.4)	–	6,077.4
Non-controlling interests[1]	(1.2)	–	2.1	–	–	(0.9)	–	–	–
Total equity	5,584.2	2.6	559.3	5.5	0.6	1.6	(76.4)	–	6,077.4

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

For the year ended 31 December 2018

(audited)	Balance 1 January 2018 £m	Exchange movement £m	Retained earnings £m	Items taken to other comprehensive income £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 31 December 2018 £m
Ordinary share capital	100.3	–	–	–	0.2	–	0.8	–	101.3
Share premium	1,998.6	–	–	–	0.4	–	48.7	–	2,047.7
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(3.3)	–	–	–	–	(1.1)	–	2.4	(2.0)
Other reserves:									
Share based payments reserve	18.7	–	–	–	–	10.3	–	(6.7)	22.3
Translation, hedging and other reserves	37.9	29.5	–	(12.6)	–	–	–	–	54.8
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	225.7	29.5	–	(12.6)	–	10.3	–	(6.7)	246.2
Retained earnings	3,150.2	–	1,062.6	11.0	–	(1.3)	(169.9)	4.3	4,056.9
Total equity attributable to equity shareholders	5,585.4	29.5	1,062.6	(1.6)	0.6	7.9	(120.4)	–	6,564.0
Non-controlling interests[1]	(1.2)	(0.1)	3.5	–	–	(2.2)	–	–	–
Total equity	5,584.2	29.4	1,066.1	(1.6)	0.6	5.7	(120.4)	–	6,564.0

1. Non-controlling interests relate to Vailog Sàrl and are 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 2019

	Notes	**Half year to 30 June 2019 (unaudited) £m**	Half year to 30 June 2018 (unaudited) £m	Year to 31 December 2018 (audited) £m
Cash flows from operating activities	15	**164.8**	102.6	235.1
Interest received		**19.1**	19.8	44.1
Dividends received		**6.2**	5.2	28.6
Interest paid		**(45.4)**	(41.4)	(99.2)
Cost of early close out of debt		**(18.5)**	–	(5.7)
Tax paid		**(14.6)**	(0.8)	(2.6)
Net cash received from operating activities		**111.6**	85.4	200.3
Cash flows from investing activities				
Purchase and development of investment properties		**(197.4)**	(242.4)	(637.1)
Sale of investment properties		**82.9**	105.5	480.4
Acquisition of other interests in property		**(0.9)**	(18.6)	(2.0)
Purchase of plant and equipment and intangibles		**(1.0)**	(0.6)	(1.6)
Acquisition of other investments		**(0.8)**	–	(18.6)
Investment in joint ventures		**(33.6)**	(51.2)	(200.2)
Divestment in joint ventures		**23.6**	21.9	101.0
Net cash used in investing activities		**(127.2)**	(185.4)	(278.1)
Cash flows from financing activities				
Dividends paid to ordinary shareholders		**(77.1)**	(60.3)	(120.4)
Proceeds from borrowings	15	**–**	90.5	264.1
Repayment of borrowings	15	**(250.2)**	–	(102.0)
Principal elements of lease payments		**(0.1)**	–	–
Settlement of foreign exchange derivatives		**4.5**	2.1	(6.4)
Proceeds from issue of ordinary shares		**443.8**	0.6	0.6
Purchase of ordinary shares		**(1.8)**	(1.2)	(1.1)
Net cash generated from financing activities		**119.1**	31.7	34.8
Net increase/(decrease) in cash and cash equivalents		**103.5**	(68.3)	(43.0)
Cash and cash equivalents at the beginning of the period		**66.5**	109.3	109.3
Effect of foreign exchange rate changes		**–**	(0.4)	0.2
Cash and cash equivalents at the end of the period	13	**170.0**	40.6	66.5

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed set of financial statements for the six months ended 30 June 2019 were approved by the Board of Directors on 23 July 2019.

The condensed set of financial statements for the six months ended 30 June 2019 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information contained in this report for the year ended 31 December 2018 does not constitute statutory accounts within the meaning of Section 434 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 principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.12 (30 June 2018: £1 = €1.13; 31 December 2018: £1 = €1.11)
Income statement: £1 = €1.15 (30 June 2018: £1 = €1.14; 31 December 2018: £1 = €1.13)

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

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, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

A number of new or amended standards become applicable for the current reporting period, and the Group has had to change its accounting policies as a result of adopting IFRS 16 Leases.

There is no significant impact on the Group as a lessor. The impact of the adoption of the IFRS 16 leasing standard on the Group as a lessee and the new accounting policies are disclosed below. The other standards did not have a significant impact on the Group's accounting policies and did not require retrospective adjustments.

IFRS 16 Leases – Group as a lessee

The Group has applied IFRS 16, 'Leases' on 1 January 2019. In accordance with the transition provisions in IFRS 16, the new rules have been adopted retrospectively, with the cumulative effect of initially applying the new standard recognised on 1 January 2019. Comparatives for the 2018 financial year have not been restated.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. Until the 2019 financial year, the payments made under the operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight line basis over the period of the lease.

The Group holds two types of 'operating leases'.

- Head leases: A small proportion of the investment properties owned by the Group is situated on land held through leasehold arrangements, as opposed to the Group owning the freehold. The remaining lease terms for the leasehold arrangements range between 11 and 47 years. The lease payments are directly recoverable from the tenant.
- Office leases: Office space occupied by the Group's operations.

Upon initial recognition the lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The associated right-of-use "(ROU)" assets were measured equal to the lease liability. As a result, there is no impact on opening retained earnings at 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the practical expedients permitted by the standard.

The Balance Sheet impact of recognising the lease liability and associated ROU asset upon adoption at the 1 January 2019 and subsequently at 30 June 2019 is set out below.

- Head leases:

Balance Sheet caption	**30 June 2019 £m**	**1 January 2019 £m**
Investment property (ROU asset)	74.5	75.2
Non-current Trade and other Payables (lease liability)	74.1	74.8
Current Trade and other Payables (lease liability)	0.4	0.4

  As the head leases meet the definition of investment property, it is initially recognised in accordance with IFRS 16, and then subsequently accounted for as investment property in accordance with IAS 40 and the Group's accounting policy. After initial recognition the ROU head lease asset is subsequently carried at fair value and the valuation gains and losses recognised within 'Realised and unrealised property gain' in the Income Statement.

  The incremental borrowing rate applied to the lease liabilities on 1 January 2019 has been estimated on an individual lessee basis and range from 3 per cent to 4 per cent. The weighted average lessees incremental borrowing rate on 1 January 2019 was 3.9 per cent.

- Office leases: The impact upon recognition was not significant. As at 30 June 2019, a lease liability of £6.0 million has been recognised within non-current and current trade and other payables, and a ROU asset of £6.0 million recognised within Property, plant and equipment.

Impact on earnings per share from the adoption of IFRS 16:

There was no impact on the Profit after tax for the 6 months period ended 30 June 2019. Adjusted profit after tax increased by £0.2 million as a result of the adoption of IFRS 16 for the 6 months period ended 30 June 2019. There was no impact on Adjusted EPS.

New accounting polices

The Group's new accounting policies for leases and investment property to reflect the new IFRS 16 Lease accounting standard are set out below.

Leases

At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

The Group recognises a right-of-use ("ROU") asset and the lease liability at the commencement date of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, less any incentives received.

Lease payments generally include fixed payments and variable payments that depend on an index (such as an inflation index). When the lease contains an extension or purchase option that the Group considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

Each lease payment is allocated between the liability and finance cost. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined or if not, the incremental borrowing rate is used. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment. ROU assets are included in the heading Property, plant and equipment, and the lease liability included in the headings current and non-current Trade and other payables on the Balance Sheet.

Where the ROU asset relates to land or property that meets the definition of investment property under IAS 40, after initial recognition the ROU asset is subsequently accounted for as investment property and carried at fair value (see Investment properties accounting policy). Valuation gains and losses in a period are taken to the Income Statement. The ROU assets are included in the heading Investment properties, and the lease liability in the headings current and non-current Trade and other payables on the Balance Sheet.

The Group has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for low value leases. The payments for such leases are recognised in the Income Statement on a straight-line basis over the lease term.

Investment properties

These properties include completed properties that are generating rent or are available for rent, and development properties that are under development or available for development. Investment properties comprise freehold and leasehold properties and are first measured at cost (including transaction costs), then revalued to market value at each reporting date by independent professional valuers. Leasehold properties are shown gross of the leasehold payables (and accounted for as right-of-use asset under IFRS 16, see Leases accounting policy). Valuation gains and losses in a period are taken to the Income Statement. As the Group uses the fair value model, as per IAS 40 Investment Properties, no depreciation is provided. An asset will be classified as held for sale within investment properties, in line with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, where the asset is available for immediate sale in their present condition and the sale is highly probable.

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 period (30 June 2018: no adjustments; 31 December 2018: £51.8 million adjustment for pension buy-out costs).

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

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year to 31 December 2018 £m
Gross rental income	**161.3**	145.1	297.7
Property operating expenses	**(24.8)**	(23.9)	(50.1)
Net rental income	**136.5**	121.2	247.6
Joint venture fee income	**9.4**	8.7	44.9
Administration expenses	**(23.6)**	(20.7)	(44.1)
Share of joint ventures' adjusted profit after tax	**27.7**	24.6	39.0
Adjusted operating profit before interest and tax	**150.0**	133.8	287.4
Net finance costs (including adjustments)	**(18.2)**	(23.2)	(45.9)
Adjusted profit before tax	**131.8**	110.6	241.5
Adjustments to reconcile to IFRS:			
Adjustments to the share of profit from joint ventures after tax[1]	**29.0**	32.7	85.2
(Loss)/profit on sale of investment properties	**(0.2)**	2.3	56.5
Valuation surplus on investment properties	**237.9**	435.8	791.4
Profit on sale of trading properties	**6.9**	–	–
Valuation surplus on other investments	**3.0**	4.7	4.7
Cost of early close out of debt	**(18.5)**	–	(6.4)
Net fair value gain/(loss) on interest rate swaps and other derivatives	**20.9**	(15.2)	(22.0)
Pension buy-out costs[2]	**–**	–	(51.8)
Total adjustments	**279.0**	460.3	857.6
Profit before tax	**410.8**	570.9	1,099.1
Tax			
On Adjusted profit	**(1.1)**	(1.7)	(4.4)
In respect of adjustments	**(12.4)**	(9.9)	(28.6)
Total tax adjustments	**(13.5)**	(11.6)	(33.0)
Profit after tax before non-controlling interests	**397.3**	559.3	1,066.1
Non-controlling interests:			
Less: share of adjusted profit attributable to non-controlling interests	**(0.1)**	(0.3)	(0.6)
: share of adjustments attributable to non-controlling interests	**(1.3)**	(1.8)	(2.9)
Profit after tax and non-controlling interests	**395.9**	557.2	1,062.6
Of which:			
Adjusted profit after tax and non-controlling interests	**130.6**	108.6	236.5
Total adjustments after tax and non-controlling interests	**265.3**	448.6	826.1
Profit attributable to equity shareholders	**395.9**	557.2	1,062.6

1. A detailed breakdown of the adjustments to the share of profit from joint ventures is included in Note 6.
2. In the period to 31 December 2018, £51.8 million of pension buy-outs costs incurred in respect of the SEGRO Pension Scheme following the commitment to buy-out the scheme during the period, were excluded from the calculation of Adjusted profit.

3. SEGMENTAL REPORTING

The Group's reportable segments are the geographical business units: Greater London, Thames Valley, 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 £m	Net rental income £m	Share of joint ventures' Adjusted profit £m	Adjusted operating PBIT £m	Total directly owned property assets £m	Investments in joint ventures £m	Capital expenditure[2] £m
				30 June 2019			
Thames Valley	**38.2**	**36.0**	**–**	**35.1**	**1,698.4**	**–**	**17.3**
National Logistics	**18.5**	**17.1**	**–**	**17.1**	**1,085.0**	**2.7**	**36.7**
Greater London	**67.3**	**62.4**	**–**	**61.2**	**3,773.4**	**–**	**36.7**
Northern Europe	**11.5**	**7.3**	**9.9**	**19.7**	**537.8**	**558.0**	**20.7**
Southern Europe	**21.6**	**17.3**	**12.9**	**31.8**	**1,026.7**	**661.3**	**81.8**
Central Europe	**4.2**	**2.8**	**9.7**	**14.3**	**135.2**	**428.0**	**7.5**
Other[1]	**–**	**(6.4)**	**(4.8)**	**(29.2)**	**–**	**(596.6)**	**1.0**
Total	**161.3**	**136.5**	**27.7**	**150.0**	**8,256.5**	**1,053.4**	**201.7**
				30 June 2018			
Thames Valley[3]	34.7	32.3	–	32.3	1,552.4	–	9.9
National Logistics[3]	15.2	14.4	(0.1)	14.3	889.7	8.1	51.2
Greater London	62.6	58.3	–	58.0	3,505.3	–	7.5
Northern Europe	9.6	6.0	10.4	18.1	444.5	496.2	42.9
Southern Europe	19.1	15.2	9.7	25.9	849.8	464.5	155.2
Central Europe	3.9	2.4	8.6	13.7	141.3	368.9	28.0
Other[1]	–	(7.4)	(4.0)	(28.5)	–	(463.9)	0.6
Total	145.1	121.2	24.6	133.8	7,383.0	873.8	295.3
				31 December 2018			
Thames Valley	70.1	65.1	–	65.1	1,638.5	–	20.3
National Logistics	31.0	29.2	(0.2)	29.0	999.0	3.7	170.1
Greater London	127.4	118.7	–	118.3	3,724.5	–	50.4
Northern Europe	21.7	14.0	22.7	41.3	505.7	507.2	79.2
Southern Europe	39.6	30.8	20.3	53.3	837.2	611.8	348.7
Central Europe	7.9	4.8	18.8	28.2	148.2	397.0	31.2
Other[1]	–	(15.0)	(22.6)	(47.8)	–	(519.8)	1.6
Total	297.7	247.6	39.0	287.4	7,853.1	999.9	701.5

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 bonds issued by SELP Finance SARL, a Luxembourg entity.

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. The segments 'Thames Valley' and 'National Logistics' were reported as a single segment 'Thames Valley and National Logistics' in the condensed financial statements for six months ended 30 June 2018.

4. REVENUE

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year to 31 December 2018 £m
Rental income from investment and trading properties	**147.0**	137.5	282.8
Rent averaging	**12.8**	6.5	12.5
Management fees	**0.7**	0.8	1.3
Surrender premiums and dividend income from property related investments	**0.8**	0.3	1.1
Gross rental income	**161.3**	145.1	297.7
Joint venture fees - management fees	**9.4**	8.7	18.7
- performance and other fees	**–**	–	26.2
Joint venture fee income	**9.4**	8.7	44.9
Service charge income	**12.1**	13.4	25.5
Proceeds from sale of trading properties	**50.5**	–	0.9
Total revenue	**233.3**	167.2	369.0

5. PROPERTY OPERATING EXPENSES

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year to 31 December 2018 £m
Vacant property costs	**2.6**	2.7	5.1
Letting, marketing, legal and professional fees	**4.0**	3.7	8.0
Loss allowance and impairment of receivables	**0.3**	0.1	0.3
Other expenses, net of service charge income[1]	**4.5**	4.6	10.3
Property management expenses	**11.4**	11.1	23.7
Property administration expenses[2]	**17.0**	14.9	31.0
Costs capitalised[3]	**(3.6)**	(2.1)	(4.6)
Total property operating expenses	**24.8**	23.9	50.1

1. Total Other expenses were £16.6 million (31 December 2018: £35.8 million; 30 June 2018: £18.0 million) and are presented net of service charge income of £12.1 million (31 December 2018: £25.5 million; 30 June 2018: £13.4 million) in the table above.

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

3. 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 2019 £m	Half year to 30 June 2018 £m	Year to 31 December 2018 £m
Gross rental income	**82.6**	73.8	150.9
Property operating expenses:			
-underlying property operating expenses	**(4.0)**	(3.2)	(8.1)
-vacant property costs	**(0.9)**	(0.7)	(1.8)
-property management fees	**(8.3)**	(7.3)	(13.9)
-performance and other fees	**–**	–	(26.2)
Net rental income	**69.4**	62.6	100.9
Administration expenses	**(1.4)**	(1.1)	(2.6)
Net finance costs (including adjustments)	**(8.8)**	(8.0)	(15.3)
Adjusted profit before tax	**59.2**	53.5	83.0
Tax	**(3.8)**	(4.4)	(5.0)
Adjusted profit after tax	**55.4**	49.1	78.0
At share	***27.7***	*24.6*	*39.0*
Adjustments:			
(Loss)/profit on sale of investment properties	**(1.0)**	0.3	15.2
Valuation surplus on investment properties	**153.9**	81.9	187.0
Impairment of other interests in property	**(9.3)**	–	–
Profit on sale of trading properties	**2.1**	–	–
Impairment of trading properties	**(2.0)**	–	–
Tax in respect of adjustments	**(85.7)**	(16.7)	(31.7)
Total adjustments	**58.0**	65.5	170.5
At share	***29.0***	*32.7*	*85.2*
Profit after tax	**113.4**	114.6	248.5
At share	***56.7***	*57.3*	*124.2*
Total comprehensive income for the period	**113.4**	114.6	248.5
At share	***56.7***	*57.3*	*124.2*

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

	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
Investment properties[1]	**3,472.9**	2,786.3	3,133.9
Other interests in property	**14.1**	19.2	10.9
Total non-current assets	**3,487.0**	2,805.5	3,144.8
Trading properties	**1.7**	1.1	4.8
Other receivables	**101.5**	100.4	159.9
Cash and cash equivalents	**239.6**	98.5	47.6
Total current assets	**342.8**	200.0	212.3
Total assets	**3,829.8**	3,005.5	3,357.1
Borrowings	**(1,386.5)**	(978.6)	(1,120.4)
Deferred tax liabilities	**(210.2)**	(121.8)	(123.5)
Total non-current liabilities	**(1,596.7)**	(1,100.4)	(1,243.9)
Other liabilities	**(126.4)**	(157.6)	(113.4)
Total current liabilities	**(126.4)**	(157.6)	(113.4)
Total liabilities	**(1,723.1)**	(1,258.0)	(1,357.3)
Net assets	**2,106.7**	1,747.5	1,999.8
At share	***1,053.4***	*873.8*	*999.9*

1. Investment properties include assets held for sale of £nil (at 100%) at 30 June 2019 (30 June 2018: £49.4 million; 31 December 2018: £nil).

On 13 June 2019 SELP issued a 7.5 year, €500 million unsecured bond at an annual coupon of 1.5 per cent as discussed further in the Financial Review on page 19.

SEGRO provides certain services, including venture advisory and asset management to the SELP joint venture and receives fees for doing so. Performance fees may also be payable from SELP to SEGRO based on its IRR subject to certain hurdle rates. The first fee of £52.4 million was paid on the fifth anniversary of the inception of SELP, October 2018, but 50 per cent of this is subject to clawback based on performance over the period to the tenth anniversary, October 2023. If performance has improved at this point, additional fees might be triggered.

No additional performance fee has been recognised by SEGRO (and no performance fee expense recognised by SELP) in the Income Statement for the period ended 30 June 2019 (31 December 2018: £26.2 million; 30 June 2018: £nil).

7. REALISED AND UNREALISED PROPERTY GAIN

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year to 31 December 2018 £m
(Loss)/profit on sale of investment properties	**(0.2)**	2.3	56.5
Valuation surplus on investment properties	**237.9**	435.8	791.4
Gain on sale of trading properties	**6.9**	–	–
Valuation surplus on other investments	**3.0**	4.7	4.7
Total realised and unrealised property gain	**247.6**	442.8	852.6

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

8. NET FINANCE COSTS

Finance income	**Half year to 30 June 2019 £m**	Half year to 30 June 2018 £m	Year to 31 December 2018 £m
Interest received on bank deposits and related derivatives	**16.5**	15.0	29.9
Fair value gain on interest rate swaps and other derivatives	**24.4**	1.9	2.6
Net interest income on defined benefit assets	**–**	0.5	0.9
Total finance income	**40.9**	17.4	33.4
Finance costs			
Interest on overdrafts, loans and related derivatives	**(38.0)**	(40.9)	(82.3)
Amortisation of issue costs	**(1.1)**	(1.3)	(3.4)
Cost of early close out of debt	**(18.5)**	–	(6.4)
Interest on lease liabilities	**(1.6)**	–	–
Total borrowing costs	**(59.2)**	(42.2)	(92.1)
Less: amount capitalised on the development of properties	**6.0**	3.6	9.2
Net borrowing costs	**(53.2)**	(38.6)	(82.9)
Fair value loss on interest rate swaps and other derivatives	**(3.5)**	(17.1)	(24.6)
Exchange differences	**–**	(0.1)	(0.2)
Total finance costs	**(56.7)**	(55.8)	(107.7)
Net finance costs	**(15.8)**	(38.4)	(74.3)

Net finance costs used in calculating Adjusted profit before tax, shown in Note 2, of £18.2 million (31 December 2018: £45.9 million; 30 June 2018: £23.2 million), excludes net fair value gain on interest rate swaps and other derivatives of £20.9 million (31 December 2018: £22.0 million loss; 30 June 2018: £15.2 million loss) and cost of early close out of debt of £18.5 million, as detailed further in Note 13 (31 December 2018: £6.4 million; 30 June 2018: £nil) in the table above.

9. TAX

9(i) Tax on profit

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year to 31 December 2018 £m
Tax:			
On Adjusted profit	**(1.1)**	(1.7)	(4.4)
In respect of adjustments	**(12.4)**	(9.9)	(28.6)
Total tax charge	**(13.5)**	(11.6)	(33.0)
Current tax			
Current tax charge	**(3.0)**	(15.2)	(40.5)
Adjustments in respect of earlier years	**–**	–	(0.6)
Total current tax charge	**(3.0)**	(15.2)	(41.1)
Deferred tax			
Origination and reversal of temporary differences	**(1.3)**	(0.7)	(1.6)
Released in respect of property disposals in the period	**–**	9.2	20.5
On valuation movements	**(9.0)**	(4.9)	(9.9)
Total deferred tax in respect of investment properties	**(10.3)**	3.6	9.0
Other deferred tax	**(0.2)**	–	(0.9)
Total deferred tax (charge)/credit	**(10.5)**	3.6	8.1
Total tax charge on profit on ordinary activities	**(13.5)**	(11.6)	(33.0)

9(ii) Deferred tax liabilities

Movement in deferred tax was as follows:

	Balance 1 January 2019 £m	**Exchange movement £m**	**Recognised in income £m**	**Acquisitions / (disposals) £m**	**Balance 30 June 2019 £m**	Balance 30 June 2018 £m
Valuation surplus and deficits on properties/accelerated tax allowances	**25.2**	**–**	**10.3**	**(0.5)**	**35.0**	30.0
Deferred tax asset on revenue losses	**(1.4)**	**–**	**0.1**	**–**	**(1.3)**	(1.2)
Others	**3.1**	**–**	**0.1**	**–**	**3.2**	2.1
Total deferred tax liabilities	**26.9**	**–**	**10.5**	**(0.5)**	**36.9**	30.9

10. DIVIDENDS

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year to 31 December 2018 £m
Ordinary dividends paid			
Final dividend for 2018 @ 13.25 pence per share	**143.7**	–	–
Interim dividend for 2018 @ 5.55 pence per share	**–**	–	56.1
Final dividend for 2017 @ 11.35 pence per share	**–**	113.8	113.8
	143.7	113.8	169.9

The Board has declared an interim dividend of 6.30 pence per ordinary share (2018: 5.55 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 0.5 million shares (0.7 million for the full year 2018 and 0.8 million for half year 2018) being the average number of shares held on trust during the period for employee share schemes and net assets per share exclude 0.4 million shares (0.7 million for the full year 2018 and 0.6 million for the half year 2018) 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 2019			Half year to 30 June 2018			Year to 31 December 2018		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic EPS	**395.9**	**1,067.1**	**37.1**	557.2	1,004.9	55.4	1,062.6	1,008.6	105.4
Dilution adjustments:									
Employee share schemes	**–**	**5.4**	**(0.2)**	–	5.3	(0.2)	–	5.8	(0.6)
Diluted EPS	**395.9**	**1,072.5**	**36.9**	557.2	1,010.2	55.2	1,062.6	1,014.4	104.8
Basic EPS	**395.9**	**1,067.1**	**37.1**	557.2	1,004.9	55.4	1,062.6	1,008.6	105.4
Adjustments to profit before tax[1]	**(279.0)**		**(26.1)**	(460.3)		(45.8)	(857.6)		(85.0)
Tax in respect of Adjustments	**12.4**		**1.1**	9.9		1.0	28.6		2.8
Non-controlling interest on adjustments	**1.3**		**0.1**	1.8		0.2	2.9		0.2
Adjusted EPS[2]	**130.6**	**1,067.1**	**12.2**	108.6	1,004.9	10.8	236.5	1,008.6	23.4

1. Details of adjustments are included in Note 2.

2. Based on basic number of shares.

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

	As at 30 June 2019			As at 30 June 2018			As at 31 December 2018		
	Equity attributable to ordinary shareholders £m	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders £m	Shares million	Pence per share	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	**7,302.5**	**1,092.9**	**668**	6,077.4	1,011.0	601	6,564.0	1,012.8	648
Dilution adjustments:									
Employee share schemes	**–**	**5.1**	**(3)**	–	4.9	(3)	–	5.9	(4)
Diluted NAV	**7,302.5**	**1,098.0**	**665**	6,077.4	1,015.9	598	6,564.0	1,018.7	644
Fair value adjustment in respect of interest rate derivatives – Group	**(55.8)**		**(5)**	(42.1)		(4)	(35.0)		(3)
Fair value adjustment in respect of trading properties – Group	**1.2**		**–**	–		–	2.2		–
Fair value adjustment in respect of trading properties – Joint ventures	**–**		**–**	–		–	0.9		–
Deferred tax in respect of depreciation and valuation surpluses – Group	**35.0**		**3**	30.2		3	26.4		3
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**103.3**		**10**	60.6		6	61.8		6
EPRA NAV	**7,386.2**	**1,098.0**	**673**	6,126.1	1,015.9	603	6,620.3	1,018.7	650
Fair value adjustment in respect of debt – Group	**(153.0)**		**(14)**	(110.6)		(11)	(17.4)		(1)
Fair value adjustment in respect of debt – Joint ventures	**(19.0)**		**(1)**	(1.7)		–	8.0		1
Fair value adjustment in respect of interest rate derivatives – Group	**55.8**		**5**	42.1		4	35.0		3
Deferred tax in respect of depreciation and valuation surpluses – Group	**(35.0)**		**(3)**	(30.2)		(3)	(26.4)		(3)
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**(103.3)**		**(10)**	(60.6)		(6)	(61.8)		(6)
EPRA triple net NAV (NNNAV)	**7,131.7**	**1,098.0**	**650**	5,965.1	1,015.9	587	6,557.7	1,018.7	644

12. PROPERTIES

12(i) Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2019	**6,827.8**	**888.7**	**7,716.5**
Exchange movement	**(4.7)**	**(4.6)**	**(9.3)**
Property acquisitions	**–**	**21.1**	**21.1**
Additions to existing investment properties	**15.7**	**160.1**	**175.8**
Disposals	**(75.2)**	**(5.0)**	**(80.2)**
Transfers on completion of development	**376.4**	**(376.4)**	**–**
Revaluation surplus during the period	**198.3**	**39.6**	**237.9**
At 30 June 2019	**7,338.3**	**723.5**	**8,061.8**
Add tenant lease incentives, letting fees and rental guarantees	**108.5**	**–**	**108.5**
Investment properties excluding head lease ROU assets at 30 June 2019	**7,446.8**	**723.5**	**8,170.3**
Add head lease ROU assets	**74.5**	**–**	**74.5**
Total investment properties at 30 June 2019	**7,521.3**	**723.5**	**8,244.8**
Total investment properties at 30 June 2018	6,555.5	793.1	7,348.6

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 (apart from two assets valued by Knight Frank). 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.

Fees payable to CBRE Ltd for the valuation of the Group's wholly-owned properties are based on a fixed percentage of the property portfolio's valuation. CBRE Ltd also undertake some professional and agency work on behalf of the Group, although this is limited relative to the activities provided to 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.

At 30 June 2019 investment properties included £108.5 million tenant lease incentives, letting fees and rent guarantees (31 December 2018: £84.9 million; 30 June 2018: £79.8 million).

The disposals of completed properties during the period includes properties with a carrying value of £66.6 million (31 December 2018: £242.0 million; 30 June 2018: £84.7 million) sold to the SELP joint venture.

At 30 June 2019 investment properties included £74.5 million for the head lease ROU assets which has been recognised upon adoption of IFRS 16 on 1 January 2019. See note 1 for further details. The carrying value of investment properties situated on land held under leaseholds amount to £129.1 million (excluding head lease ROU assets).

12(ii) Trading properties

The carrying value of trading properties at 30 June 2019 was £11.7 million (31 December 2018: £51.7 million; 30 June 2018: £34.4 million). During the period trading properties with a carrying value of £43.6 million were disposed, this generated a profit on disposal of £6.9 million (see note 7). Trading properties were externally valued by CBRE resulting in no increase in the provision for impairment (31 December 2018: £nil; 30 June 2018: £nil). Based on the fair value at 30 June 2019, the portfolio has unrecognised surplus of £1.2 million (31 December 2018: £2.2 million; 30 June 2018: £nil).

13. NET BORROWINGS AND FINANCIAL INSTRUMENTS

	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
In one year or less	**–**	–	–
In more than one year but less than two	**–**	146.4	250.0
In more than two years but less than five	**197.7**	411.5	115.9
In more than five years but less than ten	**448.4**	437.6	533.8
In more than ten years	**1,340.7**	1,160.0	1,343.8
In more than one year	**1,986.8**	2,155.5	2,243.5
Total borrowings	**1,986.8**	2,155.5	2,243.5
Cash and cash equivalents	**(170.0)**	(40.6)	(66.5)
Net borrowings	**1,816.8**	2,114.9	2,177.0
Total borrowings is split between secured and unsecured as follows:			
Secured (on land and buildings)	**3.0**	3.4	3.2
Unsecured	**1,983.8**	2,152.1	2,240.3
Total borrowings	**1,986.8**	2,155.5	2.243.5
Currency profile of total borrowings after derivative instruments			
Sterling	**378.0**	712.8	759.6
Euros	**1,608.8**	1,447.5	1,483.9
US dollars	**–**	(4.8)	–
Total borrowings	**1,986.8**	2,155.5	2,243.5
Maturity profile of undrawn borrowing facilities			
In one year or less	**13.9**	13.8	14.0
In more than one year but less than two	**–**	17.7	–
In more than two years	**1,087.5**	968.9	1,097.3
Total available undrawn facilities	**1,101.4**	1,000.4	1,111.3
Fair value of financial instruments			
Book value of debt	**1,986.8**	2,155.5	2,243.5
Interest rate derivatives	**(55.8)**	(42.1)	(35.0)
Foreign exchange derivatives	**5.0**	3.1	3.3
Book value of debt including derivatives	**1,936.0**	2,116.5	2,211.8
Net fair market value	**2,089.0**	2,227.1	2,229.2
Mark to market adjustment (pre-tax)	**153.0**	110.6	17.4

During the period the Group redeemed £250 million of sterling bonds due 2020 at a cost of £18.5 million above carrying value (see Note 8).

Fair value measurements recognised in the Balance Sheet

The financial instruments that are measured subsequent to initial recognition at fair value are listed equity investments, forward exchange and currency swap contracts, interest rate swaps and interest rate caps. Investments in equity securities traded in active markets are classified as level 1. All other 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 period.

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 maturities matching the contracts.
- Interest rate swaps, currency swap contracts and interest rate caps 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.

14. SHARE CAPITAL

	Number of shares m	Par value of shares £m
Issued and fully paid ordinary shares at 10p each:		
At 1 January 2019	**1,013.5**	**101.3**
Issue of shares – placing	**71.0**	**7.1**
Issue of shares – scrip dividends	**6.9**	**0.7**
Issue of shares – other	**1.9**	**0.2**
At 30 June 2019	**1,093.3**	**109.3**
At 30 June 2018	1,011.6	101.2

On 15 February 2019 the Company announced the placing of 71 million ordinary shares of 10p each in the capital of the Company at a price of 635 pence per share. The Company raised £450.9 million, before £7.5 million expenses and as a result the Company's share capital increased by £7.1 million and share premium by £436.3 million.

15. NOTES TO THE CONDENSED GROUP CASH FLOW STATEMENT

15(i) Reconciliation of cash generated from operations

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year to 31 December 2018 £m
Operating profit	**426.6**	609.3	1,173.4
Adjustments for:			
Depreciation of property, plant and equipment	**1.4**	1.4	2.9
Share of profit from joint ventures after tax	**(56.7)**	(57.3)	(124.2)
Loss/(profit) on sale of investment properties	**0.2**	(2.3)	(56.5)
Revaluation surplus on investment properties	**(237.9)**	(435.8)	(791.4)
Valuation surplus on other interest in properties	**(3.0)**	(4.7)	(4.7)
Pension buy-out costs	**–**	–	51.8
Other provisions	**2.5**	1.7	6.1
	133.1	112.3	257.4
Changes in working capital:			
Decrease/(increase) in trading properties	**40.3**	(2.6)	(19.5)
Increase in debtors and tenant incentives	**(27.1)**	(8.6)	(13.7)
Increase in creditors	**18.5**	1.5	10.9
Net cash inflow generated from operations	**164.8**	102.6	235.1

15(ii) Analysis of net debt

	At 1 January 2019 £m	Cash flow[1] £m	Non-cash movements: Exchange movement £m	Non-cash movements: Other non-cash adjustments[2] £m	**At 30 June 2019 £m**
Bank loans and loan capital	2,259.7	(268.7)	(7.6)	18.5	**2,001.9**
Capitalised finance costs	(16.2)	–	–	1.1	**(15.1)**
Total borrowings	2,243.5	(268.7)	(7.6)	19.6	**1,986.8**
Cash in hand and at bank	(66.5)	(103.5)	–	–	**(170.0)**
Net debt	2,177.0	(372.2)	(7.6)	19.6	**1,816.8**

1. Net cash outflow from Bank loans and loan capital of £268.7 million comprises the outflow from repayment of borrowings of £250.2 million and cash settlement for early repayment of debt of £18.5 million.
2. The other non-cash adjustments relate to the amortisation of issue costs offset against borrowings of £1.1 million and cost of early close out of debt £18.5 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 2019		Half year to 30 June 2018		Year to 31 December 2018	
	Notes	**£m**	**Pence per share**	£m	Pence per share	£m	Pence per share
EPRA Earnings	Table 2	**130.6**	**12.2**	108.6	10.8	184.7	18.3
EPRA NAV	Table 3	**7,386.2**	**673**	6,126.1	603	6,620.3	650
EPRA NNNAV	11	**7,131.7**	**650**	5,965.1	587	6,557.7	644
EPRA net initial yield	Table 5		**3.9%**		4.2%		3.9%
EPRA 'topped up' net initial yield	Table 5		**4.4%**		4.5%		4.3%
EPRA vacancy rate	Table 6		**4.8%**		4.8%		5.2%
EPRA cost ratio (including vacant property costs)	Table 7		**22.0%**		22.5%		36.9%
EPRA cost ratio (excluding vacant property costs)	Table 7		**20.5%**		20.8%		35.3%

TABLE 2: INCOME STATEMENT, PROPORTIONALLY CONSOLIDATED

		Half year to 30 June 2019			Half year to 30 June 2018			Year to 31 December 2018		
	Notes	**Group £m**	**JV £m**	**Total £m**	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Gross rental income	2, 6	**161.3**	**41.3**	**202.6**	145.1	36.9	182.0	297.7	75.5	373.2
Property operating expenses	2, 6	**(24.8)**	**(2.4)**	**(27.2)**	(23.9)	(2.0)	(25.9)	(50.1)	(5.0)	(55.1)
Net rental income		**136.5**	**38.9**	**175.4**	121.2	34.9	156.1	247.6	70.5	318.1
Joint venture fee income[1]	2	**9.4**	**(4.2)**	**5.2**	8.7	(3.6)	5.1	44.9	(20.1)	24.8
Administration expenses	2	**(23.6)**	**(0.7)**	**(24.3)**	(20.7)	(0.6)	(21.3)	(44.1)	(1.3)	(45.4)
Adjusted operating profit before interest and tax		**122.3**	**34.0**	**156.3**	109.2	30.7	139.9	248.4	49.1	297.5
Net finance costs (including adjustments)	2, 6	**(18.2)**	**(4.4)**	**(22.6)**	(23.2)	(4.0)	(27.2)	(45.9)	(7.6)	(53.5)
Adjusted profit before tax		**104.1**	**29.6**	**133.7**	86.0	26.7	112.7	202.5	41.5	244.0
Tax on adjusted profit	2, 6	**(1.1)**	**(1.9)**	**(3.0)**	(1.7)	(2.1)	(3.8)	(4.4)	(2.5)	(6.9)
Adjusted earnings		**103.0**	**27.7**	**130.7**	84.3	24.6	108.9	198.1	39.0	237.1
Non-controlling interest on adjusted profit		**(0.1)**	**–**	**(0.1)**	(0.3)	–	(0.3)	(0.6)	–	(0.6)
Adjusted earnings after tax and non-controlling interests (A)		**102.9**	**27.7**	**130.6**	84.0	24.6	108.6	197.5	39.0	236.5
Number of shares				**1,067.1**			1,004.9			1,008.6
Adjusted EPS, pence per share				**12.2**			10.8			23.4
Number of shares				**1,072.5**			1,010.2			1,014.4
Adjusted EPS, pence per share – diluted				**12.2**			10.8			23.3
EPRA earnings										
Adjusted earnings after tax and non-controlling interests (A)		**102.9**	**27.7**	**130.6**	84.0	24.6	108.6	197.5	39.0	236.5
Pension buy-out costs		**–**	**–**	**–**	–	–	–	(51.8)	–	(51.8)
EPRA earnings after tax and non-controlling interests		**102.9**	**27.7**	**130.6**	84.0	24.6	108.6	145.7	39.0	184.7
Number of shares				**1,067.1**			1,004.9			1,008.6
EPRA EPS, pence per share				**12.2**			10.8			18.3
Number of shares				**1,072.5**			1,010.2			1,014.4
EPRA EPS, pence per share – diluted				**12.2**			10.8			18.2

1. Joint venture fee income includes the cost of such fees borne by the joint ventures which are shown in Note 6 within net rental income.

TABLE 3: BALANCE SHEET, PROPORTIONAL CONSOLIDATION

		As at 30 June 2019			As at 30 June 2018			As at 31 December 2018		
	Notes	**Group £m**	**JV £m**	**Total £m**	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Investment properties	12, 6	**8,244.8**	**1,736.4**	**9,981.2**	7,348.6	1,393.1	8,741.7	7,801.4	1,566.9	9,368.3
Trading properties	12, 6	**11.7**	**0.8**	**12.5**	34.4	0.6	35.0	51.7	2.4	54.1
Total properties		**8,256.5**	**1,737.2**	**9,993.7**	7,383.0	1,393.7	8,776.7	7,853.1	1,569.3	9,422.4
Investment in joint ventures	6	**1,053.4**	**(1,053.4)**	**–**	873.8	(873.8)	–	999.9	(999.9)	–
Other net liabilities		**(190.6)**	**(110.3)**	**(300.9)**	(64.5)	(79.9)	(144.4)	(112.0)	(33.0)	(145.0)
Net borrowings	13,6	**(1,816.8)**	**(573.5)**	**(2,390.3)**	(2,114.9)	(440.0)	(2,554.9)	(2,177.0)	(536.4)	(2,713.4)
Total shareholders' equity[1]		**7,302.5**	**–**	**7,302.5**	6,077.4	–	6,077.4	6,564.0	–	6,564.0
EPRA adjustments	11			**83.7**			48.7			56.3
EPRA NAV	11			**7,386.2**			6,126.1			6,620.3
Number of shares, millions	11			**1,098.0**			1,015.9			1,018.7
EPRA NAV, pence per share	11			**673**			603			650

1. After non-controlling interests.

Loan to value of 24.1 per cent at 30 June 2019 is calculated as net borrowings of £2,390.3 million divided by total properties (excluding head lease ROU asset of £74.5 million) of £9,919.2 million (30 June 2018: 29.1 per cent, £2,554.9 million net borrowings and £8,776.7 million total properties; 31 December 2018: 28.8 per cent, £2,713.4 million net borrowings and £9,422.4 million total properties).

TABLE 4: EPRA EARNINGS

	Notes	**Half year to 30 June 2019 £m**	Half year to 30 June 2018 £m	Year to 31 December 2018 £m
Earnings per IFRS income statement		**395.9**	557.2	1,062.6
Adjustments to calculate EPRA Earnings, exclude:				
Valuation surplus on investment properties	7	**(237.9)**	(435.8)	(791.4)
(Loss)/profit on sale of investment properties	7	**0.2**	(2.3)	(56.5)
Gain on sale trading properties	7	**(6.9)**	–	–
Valuation surplus on other investments	7	**(3.0)**	(4.7)	(4.7)
Tax on profits on disposals[1]		**2.1**	13.5	36.8
Costs of early close out of bank debt	8	**18.5**	–	6.4
Net fair value (gain)/loss on interest rate swaps and other derivatives	8	**(20.9)**	15.2	22.0
Deferred tax in respect of EPRA adjustments[1]		**10.3**	(3.6)	(8.2)
Adjustments to the share of profit from joint ventures after tax	6	**(29.0)**	(32.7)	(85.2)
Non-controlling interests in respect of the above	2	**1.3**	1.8	2.9
EPRA earnings		**130.6**	108.6	184.7
Basic number of shares	11	**1,067.1**	1,004.9	1,008.6
EPRA Earnings per Share (EPS)		**12.2**	10.8	18.3
Company specific adjustments:				
Pensions buy-out costs	2	**–**	–	51.8
Adjusted earnings		**130.6**	108.6	236.5
Adjusted EPS		**12.2**	10.8	23.4

1. Total tax charge in respect of adjustments per Note 2 of £12.4 million (H1 2018: £9.9 million, FY 2018: £28.6 million) comprises tax charge on profits on disposals of £2.1 million (H1 2018: £13.5 million, FY 2018: £36.8 million) and deferred tax charge of £10.3 million (H1 2018: £3.6 million credit, FY 2018: £8.2 million credit).

TABLE 5: EPRA NET INITIAL YIELD AND TOPPED-UP NET INITIAL YIELD

Combined property portfolio – 30 June 2019	**Notes**	**UK £m**	**Continental Europe £m**	**Total £m**
Total properties per financial statements	Table 3	**6,557.6**	**3,436.1**	**9,993.7**
Adjustments[4]		–	(73.3)	(73.3)
Combined property portfolio per external valuers' report		**6,557.6**	**3,362.8**	**9,920.4**
Less development properties (investment, trading and joint venture)		(450.8)	(365.6)	(816.4)
Net valuation of completed properties		**6,106.8**	**2,997.2**	**9,104.0**
Add notional purchasers' costs		390.6	141.0	531.6
Gross valuation of completed properties including notional purchasers' costs	A	**6,497.4**	**3,138.2**	**9,635.6**
Income				
Gross passing rents[1]		237.8	148.6	386.4
Less irrecoverable property costs		(4.9)	(6.1)	(11.0)
Net passing rents	B	**232.9**	**142.5**	**375.4**
Adjustment for notional rent in respect of rent frees		28.7	23.6	52.3
Topped up net rent	C	**261.6**	**166.1**	**427.7**
Including fixed/minimum uplifts[2]		11.2	2.4	13.6
Total topped up net rent		**272.8**	**168.5**	**441.3**
Yields – 30 June 2019		%	%	%
EPRA net initial yield[3]	B/A	3.6	4.5	3.9
EPRA topped up net initial yield[3]	C/A	4.0	5.3	4.4
True net equivalent yield		4.6	5.5	4.9

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).

3. In accordance with the Best Practices Recommendations of EPRA.

4. Adjustments of £73.3 million excludes £74.5 million head lease ROU asset (see Note 12) from the total properties per financial statements and adds back £1.2 million valuation surplus on trading properties (see Note 11) not included in total properties per financial statements.

TABLE 6: EPRA VACANCY RATE

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year to 31 December 2018 £m
Annualised potential rental value of vacant premises	**23.0**	20.3	23.1
Annualised potential rental value for the completed property portfolio	**477.1**	422.3	441.3
EPRA vacancy rate	**4.8%**	4.8%	5.2%

TABLE 7: TOTAL COST RATIO / EPRA COST RATIO

	Notes	**Half year to 30 June 2019 £m**	Half year to 30 June 2018 £m	Year to 31 December 2018 £m
Costs				
Property operating expenses[1]	5	**24.8**	23.9	50.1
Administration expenses		**23.6**	20.7	44.1
Share of joint venture property operating and administration expenses[2]	6	**7.3**	6.1	13.3
Less:				
Joint venture property management fee income, management fees and other costs recovered through rents but not separately invoiced[3]		**(11.6)**	(10.1)	(23.0)
Total costs (A)		**44.1**	40.6	84.5
Gross rental income				
Gross rental income	4	**161.3**	145.1	297.7
Share of joint venture property gross rental income		**41.3**	36.9	75.5
Less:				
Management fees and other costs recovered through rents but not separately invoiced[3]		**(2.2)**	(1.4)	(4.3)
Total gross rental income (B)		**200.4**	180.6	368.9
Total cost ratio (A)/(B)		**22.0%**	22.5%	22.9%
Total costs (A)		**44.1**	40.6	84.5
Share based payments		**(5.6)**	(5.7)	(11.1)
Total costs after share based payments (C)		**38.5**	34.9	73.4
Total cost ratio after share based payments (C)/(B)		**19.2%**	19.3%	19.9%

EPRA cost ratio			
Total costs (A)	**44.1**	40.6	84.5
Pension buy-out costs	**–**	–	51.8
EPRA total costs including vacant property costs (D)	**44.1**	40.6	136.3
Group vacant property costs	**(2.6)**	(2.7)	(5.1)
Share of joint venture vacant property costs	**(0.5)**	(0.4)	(0.9)
EPRA total costs excluding vacant property costs (E)	**41.0**	37.5	130.3
Total gross rental income (B)	**200.4**	180.6	368.9
Total EPRA costs ratio (including vacant property costs) (D)/(B)	**22.0%**	22.5%	36.9%
Total EPRA costs ratio (excluding vacant property costs) (E)/(B)	**20.5%**	20.8%	35.3%

1. Property operating expenses are net of costs capitalised in accordance with IFRS of £3.6 million (H1 2018: £2.1 million, FY 2018: £4.6 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 £9.4 million (H1 2018: £8.7 million, FY 2018: £18.7 million) and management fees and other costs recovered through rents but not separately invoiced, including joint ventures, of £2.2 million (H1 2018: £1.4 million, FY 2018: £4.3 million).These items have been represented as an offset against costs rather than a component of income in accordance with EPRA BPR Guidelines as they are reimbursing the Group for costs incurred.

GLOSSARY OF TERMS

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 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 and excludes head lease ROU asset). This is reported on a 'look-through' basis (including joint ventures at share).

MSCI: MSCI Real Estate calculates 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.