PRESS RELEASE

SEGRO

28 July 2022

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Strong, broad and deep occupier demand supports continued growth in our business

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

“SEGRO has delivered both operationally and financially in the first half of 2022. Our prime portfolio of modern, sustainable warehouses focused on key urban markets and logistics corridors across the UK and Europe is in high demand from a diverse range of customers. This strong demand combined with low levels of supply in our key markets, particularly in the urban locations where two-thirds of our assets are located, has helped us to increase rents, capture reversion and indexation, and expand our development programme – resulting in inflation-beating earnings growth.

“Our focus on maintaining close relationships with our customers, our well-located land bank and our prudent capital structure, provide significant opportunities for further profitable growth arising from the ongoing structural changes in our customers’ markets.

“We are confident that by continuing to follow our well-proven strategy of disciplined capital allocation and operational excellence, with Responsible SEGRO at its core, we will be able to navigate the more challenging current macroeconomic environment and drive further sustainable compound growth in rental income, earnings and dividends over the coming years.”

HIGHLIGHTS[A]:

- **Adjusted pre-tax profit of £216 million up 29 per cent compared with the prior year (H1 2021: £168 million)**. Adjusted EPS is 16.9 pence, up 22 per cent (H1 2021: 13.8 pence) including 1.3 pence relating to recognition of performance fees from our SELP joint venture.

- **Adjusted NAV per share is up 10 per cent to 1,249 pence** (31 December 2021: 1,137 pence) driven by a 7.2 per cent increase in the valuation of the portfolio, reflecting asset management initiatives, a 5.9 per cent estimated rental value (ERV) growth and profitable development activity.

- **Our customer focus and active management of the portfolio, supported by strong and diverse occupier demand, generated £55 million of new headline rent commitments during the period** (H1 2021: £38 million), including £28 million of new pre-let agreements, and a 24 per cent average reletting spread on rent reviews and renewals.

- **Further growth in the development pipeline with 1.3 million sq m of projects under construction or in advanced pre-let discussions** equating to £118 million of potential rent (31 December 2021: £82 million), of which 70 per cent is associated with pre-lets, substantially de-risking the 2022-2023 pipeline.

- **Delivering on our Responsible SEGRO commitments** including progress with our renewable energy strategy; the formation of our first Community Investment Plan in Slough; and the enhancement of our early careers programme to help improve diversity within our business.

- **£2.1 billion of new financing, including a €1.15 billion Green bond and €225 million US private placement** helping to maintain our long-term debt structure and providing high visibility on funding costs with no significant debt maturities until 2026. 94 per cent of our debt is fixed or capped.
- **Balance sheet positioned to support further, development-led growth** with access to over £2 billion of available liquidity (including the US private placement debt signed in July) and a low level of gearing reflected in an LTV of 23 per cent at 30 June 2022 (31 December 2021: 23 per cent).
- **Interim dividend increased by 9 per cent to 8.1 pence** (2021: 7.4 pence), in line with our usual practice of setting the interim dividend at one-third of the previous full year dividend.

FINANCIAL SUMMARY

	6 months to 30 June 2022	6 months to 30 June 2021	**Change per cent**
Adjusted[1] profit before tax (£m)	**216**	168	28.6
IFRS profit before tax (£m)	**1,375**	1,413	–
Adjusted[2] earnings per share (pence)	**16.9**	13.8	22.5
IFRS earnings per share (pence)	**110.7**	110.3	–
Dividend per share (pence)	**8.1**	7.4	9.5
Total Accounting Return (%)[3]	**11.3**	13.5	
	30 June 2022	31 December 2021	**Change per cent**
Assets under Management (£m)	**23,756**	21,286	
Portfolio valuation (SEGRO share, £m)	**20,480**	18,377	7.2[4]
Adjusted[5 6] net asset value per share (pence, diluted)	**1,249**	1,137	9.8
IFRS net asset value per share (pence, diluted)	**1,212**	1,115	–
Net debt (SEGRO share, £m)	**4,764**	4,201	
Loan to value ratio including joint ventures at share (per cent)	**23**	23	

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. Total Accounting Return is calculated based on the opening and closing adjusted NAV per share adding back dividends paid during the period.
4. 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.
5. A reconciliation between Adjusted net asset value per share and IFRS net asset value per share is shown in Note 11 to the condensed financial information.
6. Adjusted net asset value is in line with EPRA Net Tangible Assets (NTA) (see Table 4 in the Supplementary Notes for a NAV reconciliation).

[A] Figures quoted on pages 1 to 15 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

SEGRO has one of the best and most modern pan-European industrial portfolios with a heavy weighting towards major urban markets where the supply-demand dynamics are tightest and where long-term rental growth potential is therefore highest. Over the past decade, we have pro-actively repositioned our portfolio to be resilient and perform at all stages of the cycle, by recycling out of older secondary assets and focusing on prime locations and high quality, sustainable assets for which occupier and investor demand is likely to be greatest and supply is most limited.

Occupier demand for warehouse space is strong, broad and deep and continues to be driven by long-term structural tailwinds particularly in those urban markets where our space is used to provide a wide range of often essential goods and services to consumers and businesses. We are mindful that the coming months will be impacted by heightened macroeconomic risk but, against this backdrop, our portfolio offers considerable inflation protection: almost half of our rents are index-linked and the majority of the remaining leases are exposed to UK upwards-only rent reviews, where we have significant reversionary potential and continue to see strong demand led market rental growth.

Our sizeable, mostly pre-let, current development programme and well-located land bank provide us with both significant potential to grow our rent roll, and optionality due to the short construction periods of our assets. We will continue to be led by customer demand as we make decisions regarding the execution of future projects. The long-standing and strong relationship between our development teams and key construction partners is helping us to de-risk our pipeline by securing materials on a timely basis, whilst the tight occupier supply-demand situation has meant that we have been able to offset increased building costs with higher rents, which is in turn helping to drive further rental growth from our £20 billion portfolio. We will continue to take a disciplined approach to allocating capital to development and investment activity, ensuring that our portfolio should continue to outperform, and expect to invest at least £700 million on development capex in 2022.

Finally, in recent years we have significantly strengthened our balance sheet alongside our property portfolio. We benefit from low leverage and one of the longest debt maturities in the sector with no significant refinancing requirements in SEGRO before 2026. We have demonstrated again this year that we have access to diverse sources of debt finance. 94 per cent of our debt is either fixed rate or capped so we are well protected against interest rate rises and have plenty of capacity to continue to invest capital in the profitable opportunities available to us.

These factors combined mean that we are heading into the second half of the year with confidence in the outlook for our business. Whilst we remain watchful of the world around us and will respond accordingly to any changes in market conditions, we intend to continue to deliver the much-needed modern, sustainable warehouse space in the right locations to enable our customers to make their businesses fit for the future, and at the same time ensure that we continue to create value for all of our stakeholders.

SUMMARY & KEY METRICS

		H1 2022	H1 2021	FY2021
STRONG PORTFOLIO PERFORMANCE (see page 8):				
Valuation increase driven by rental value growth and active asset management of the standing portfolio, supplemented by gains recognised on completed developments and buildings under construction.				
Portfolio valuation uplift (%)	Group	**7.2**	10.2	28.8
	UK	**8.2**	9.6	32.2
	CE	**5.2**	11.1	22.5
Estimated rental value (ERV) growth (%)	Group	**5.9**	2.8	13.1
	UK	**7.3**	3.6	18.8
	CE	**3.6**	1.5	4.1
ACTIVE ASSET MANAGEMENT DRIVING OPERATIONAL PERFORMANCE (see page 9):				
Operational performance captured significant new rent, including leases signed with existing and new customers from a wide range of sectors, highlighting the versatility of our portfolio.				
Total new rent contracted during the period (£m)		**55**	38	95
Pre-lets signed during the period (£m)		**28**	21	49
Like-for-like net rental income growth (%):	Group	**7.1**	4.7	4.9
	UK	**8.9**	4.8	5.6
	CE	**4.1**	4.6	3.6
Uplift on rent reviews and renewals (%)	Group	**23.5**	12.1	13.0
	UK	**29.0**	16.4	18.7
	CE	**1.8**	1.8	1.5
Occupancy rate (%)		**96.7**	95.7	96.8
Customer retention (%)		**79**	83	77
DISCIPLINED CAPITAL ALLOCATION (see page 14):				
Capital investment continues to remain disciplined and is focused on development and acquisition of assets with opportunities for future growth, as well as sourcing land to extend our development pipeline. Development capex for 2022, including infrastructure, expected to be at least £700 million.				
Development capex (£m)		**364**	364	649
Asset acquisitions (£m)		**145**	–	997
Land acquisitions (£m)		**220**	92	326
Disposals (£m)		**181**	154	515
EXECUTING AND GROWING OUR DEVELOPMENT PIPELINE (see page 12):				
Our active and largely pre-let development pipeline continues to be a key driver of rent roll growth with a record year of completions. Potential rent of £118 million from projects currently on site or expected to commence shortly.				
Development completions:				
– Space completed (sq m)		**329,900**	104,000	839,200
– Potential rent (£m) (Rent secured)		**15 (87%)**	8 (75%)	52 (93%)
Current development pipeline potential rent (£m) (Rent secured)		**84 (63%)**	74 (72%)	62 (60%)
Near-term pre-let development pipeline potential rent (£m)		**34**	22	20

WEBCAST / CONFERENCE CALL FOR INVESTORS AND ANALYSTS

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

https://www.investis-live.com/segro/62bab8c3299ad30e000907aa/smnbb

The webcast will be available for replay at SEGRO's website at: http://www.segro.com/investors shortly after the live presentation.

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

Dial-in:	+44 (0)800 640 6441
	+44 (0) 203 936 2999
Access code:	584512

An audio recording of the conference call will be available until 4 August 2022 on:

UK:	+44 (0) 203 936 3001
Access code:	876113

A video of David Sleath, Chief Executive discussing the results will be available to view on www.segro.com, together with this announcement, the Half Year 2022 Property Analysis Report and other information about SEGRO.

CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES:

SEGRO	Soumen Das (Chief Financial Officer)	Tel: + 44 (0) 20 7451 9110 (after 11am)
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FINANCIAL CALENDAR

2022 interim dividend ex-div date	11 August 2022
2022 interim dividend record date	12 August 2022
2022 interim dividend scrip dividend price announced	18 August 2022
Last date for scrip dividend elections	2 September 2022
2022 interim dividend payment date	23 September 2022
2022 Third Quarter Trading Update	20 October 2022
Full Year 2022 Results (provisional)	17 February 2023

ABOUT SEGRO

SEGRO is a UK Real Estate Investment Trust (REIT), listed on the London Stock Exchange and Euronext Paris, and is a leading owner, manager and developer of modern warehouses and industrial property. It owns or manages 9.7 million square metres of space (104 million square feet) valued at £23.8 billion serving customers from a wide range of industry sectors. Its properties are located in and around major cities and at key transportation hubs in the UK and in seven other European countries.

For over 100 years SEGRO has been creating the space that enables extraordinary things to happen. From modern big box warehouses, used primarily for regional, national and international distribution hubs, to urban warehousing located close to major population centres and business districts, it provides high-quality assets that allow its customers to thrive.

A commitment to be a force for societal and environmental good is integral to SEGRO's purpose and strategy. Its Responsible SEGRO framework focuses on three long-term priorities where the company believes it can make the greatest impact: Championing Low-Carbon Growth, Investing in Local Communities and Environments and Nurturing Talent.

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 performance, 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 you 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. The information contained in this announcement is provided as at the date of this announcement and is subject to change without notice. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), SEGRO does not undertake to update forward-looking statements, including to reflect any new information or 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 estimate or profit forecast. The information in this announcement does not constitute an offer to sell or an invitation to buy securities in SEGRO plc or an invitation or inducement to engage in or enter into any contract or commitment or other investment activities.

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

INTRODUCTION

SEGRO has delivered another strong set of results, which reflect the high quality of our portfolio and increased demand from a diverse range of occupiers. Together with our active approach to asset management, rental growth and further progress with our development pipeline, these factors have driven valuation increases and earnings growth.

Our business is well-placed to continue benefitting from the structural tailwinds driving the industrial property sector. The long-term consumer trends of digitalisation and urbanisation, alongside the increased focus from our customers on the resilience and sustainability of their supply chains, continue to create demand for our space despite the well-documented macro and geopolitical uncertainties. The combination of our unique portfolio of prime warehouses, two-thirds of which are located in the most supply constrained urban markets; an enviable land bank capable of supporting our profitable development programme; our established pan-European, customer-focused operating platform; and our relationships and reputation with other key stakeholders, provide us with what we believe is a significant competitive advantage which enhances our ability to secure opportunities for future growth.

PORTFOLIO UPDATE – VALUATION GROWTH FROM INCREASED RENTS AND DEVELOPMENT PROFITS

Our portfolio comprises two main asset types: urban warehouses and big box warehouses. The demand-supply dynamics in both asset classes continue to be positive.

Urban Warehouses

Urban warehouses account for 67 per cent of our portfolio value. They tend to be smaller warehouses, and are located mainly in and on the edges of major cities where land supply is restricted and there is strong demand for warehouse space. They are often used by businesses providing essential goods and services for the urban conurbations in which they operate, as well as catering for the needs of last mile delivery and data centre operators.

Our urban portfolio is concentrated in London and South-East England (81 per cent) and major cities in Continental Europe (19 per cent), including Paris, Düsseldorf, Frankfurt, Berlin and Warsaw. These locations share similar characteristics in terms of limited supply of industrial land and growing populations, while occupiers are attracted to modern warehouses with plenty of yard space to allow easy and safe vehicle circulation. We believe that this enduring, diverse occupier demand and limited supply bodes well for future rental growth.

Big Box Warehouses

Big box warehouses account for 31 per cent of our portfolio value. They tend to be used for storage, processing and distribution of goods on a regional, national or international basis and are, therefore, much larger than urban warehouses.

They 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, Frankfurt and Hamburg) and Poland (Warsaw, Łódz, Poznań, and the industrial region of Silesia). 29 per cent of our big box warehouses are in the UK and the remaining 71 per cent are in Continental Europe. Almost all our Continental European big box warehouses are owned by our 50-50 joint venture, the SEGRO European Logistics Partnership (SELP).

Occupier demand has stayed at elevated levels during the first half of 2022 and into the second, vacancy has remained low, and this is resulting in continued rental growth in most of our markets. However, the nature (and typical location) of big box warehouses tends to mean that, over time, supply is able to increase more easily to satisfy demand, as there is more land available in out of town locations. We therefore continue to believe that the prospects for significant rental growth in big box warehouses on a longer-term basis are, and have always been, more limited than for urban locations.

At the same time, this asset class brings other benefits including lower asset management intensity and long leases which help to ensure a sustainable level of income.

In addition, by holding the majority of our Continental European big box warehouses in SELP, we receive additional income from managing the joint venture which increases total returns.

Valuation gains driven by rental growth, asset management and development

Warehouse property values across Europe increased again during the first half of the year. Investment demand was strong throughout the first months of 2022 across all of our markets but in recent weeks, the uncertainty around high levels of inflation across Europe and the potential central bank response to this has meant that activity levels have reduced as buyers and sellers await more clarity on the outlook.

The Group's property portfolio was valued at £20.5 billion at 30 June 2022 (£23.8 billion of assets under management). The portfolio valuation, including completed assets, land and buildings under construction, increased by 7.2 per cent (adjusting for capital expenditure and asset recycling during the year) compared to 10.2 per cent in the first half of 2021.

This primarily comprises a 6.3 per cent increase in the assets held throughout the period (H1 2021: 8.5 per cent), mainly driven by strong rental growth (our valuer's estimate of the market rental value of our portfolio (ERV) increased by 5.9 per cent). The true equivalent yield applied to the portfolio was 3.8 per cent, the same as at 31 December 2021.

Assets held throughout the year in the UK increased in value by 7.5 per cent (H1 2021: 8.6 per cent). The true equivalent yield applied to our UK portfolio was 3.7 per cent, the same as at 31 December 2021. Rental values improved by 7.3 per cent (H1 2021: 3.6 per cent).

Assets held throughout the year in Continental Europe increased in value by 4.2 per cent (H1 2021: 8.3 per cent) on a constant currency basis, reflecting rental value growth of 3.6 per cent (H1 2021: 1.5 per cent). Yields compressed slightly in France, Germany, Spain, the Netherlands and Poland but were flat in other markets resulting in the yield applied to our Continental European portfolio remaining unchanged at 4.0 per cent (31 December 2021: 4.0 per cent)

More details of our property portfolio can be found in the 2022 Half Year Property Analysis Report available at www.segro.com/investors.

Property portfolio metrics at 30 June 2022[1]

	Lettable area sq m (AUM)	Portfolio value, £m Whole portfolio (at share)	Whole portfolio (AUM)	Valuation movement[2] %	Yield[3] Topped-up net initial %	Net true equivalent %	ERV %	Occupancy (ERV) %
UK								
Greater London	1,267,680	8,078	8,088	6.3	2.6	3.5	6.3	95.8
Thames Valley	601,619	3,512	3,512	10.0	3.2	4.2	9.8	97.2
National Logistics	630,076	2,039	2,039	8.9	3.7	3.8	7.0	100.0
UK Total	**2,499,375**	**13,629**	**13,639**	**7.5**	**2.9**	**3.7**	**7.3**	**96.7**
Continental Europe								
Germany	1,701,287	1,938	2,854	4.3	3.5	3.5	3.8	98.7
Netherlands	276,006	239	440	7.6	3.6	3.8	4.6	100.0
France	1,568,185	2,111	2,719	3.5	3.4	4.0	3.2	93.5
Italy	1,492,590	1,249	1,874	2.5	3.7	3.8	1.8	97.4
Spain	362,726	412	625	4.9	3.9	3.8	1.4	100.0
Poland	1,625,046	789	1,380	5.2	5.1	5.1	4.6	96.6
Czech Republic	169,514	113	225	17.2	3.9	4.8	19.4	97.3
Continental Europe Total	**7,195,354**	**6,851**	**10,117**	**4.2**	**3.7**	**4.0**	**3.6**	**96.6**
GROUP TOTAL	**9,694,729**	**20,480**	**23,756**	**6.3**	**3.2**	**3.8**	**5.9**	**96.7**

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 percentage 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 properties only.

ASSET MANAGEMENT UPDATE - CREATING VALUE THROUGH OPERATIONAL EXCELLENCE

Our continued focus on Operational Excellence has helped us deliver £43 million of rent roll growth in the first half of 2022, ensured the successful execution of our expanded development programme and alongside this we have made great progress with our renewable energy strategy and the setting up of our Community Investment Plans.

Growing rental income from reversion capture, indexation and new developments

At 30 June 2022, our portfolio generated passing rent of £540 million, rising to £590 million once rent free periods expire ('headline rent'). During the first half of the year, we contracted £55 million of new headline rent, an increase of almost 45 per cent on the same period in 2021, reflecting the positive impact of reversion capture in the UK and indexation in Continental Europe, as well as another strong period for pre-let agreements.

Just under 40 per cent of our new lettings came from sectors linked to e-commerce (including retail and third party logistics providers) compared to almost 60 per cent in 2021. Within this, only 10 per cent related to pure online retailers, as many successful retailers are increasingly embracing both online and physical retail and eroding the distinction between them. Approximately a quarter of take-up was from technology, media and telecoms companies, including 17 per cent from data centre operators, while manufacturing companies accounted for 12 per cent of take-up, compared to 8 per cent in 2021. The strong growth in lettings despite the reduction in e-commerce related take-up shows just how broad demand for our warehouses is and this is also reflected in the diversity of the customer base of our portfolio.

Our top 20 customers account for 32 per cent of total headline rent. Amazon remained as our largest customer during the first half of 2022, accounting for just under 7 per cent of the total.

Our rent roll growth consisted of:

- **£14 million of net new rent from existing assets.** We generated £11 million of headline rent from new leases on existing assets (H1 2021: £10 million) and £13 million from rent reviews, lease renewals and indexation (H1 2021: £4 million). This was offset by rent from space returned of £10 million (H1 2021: £9 million).
- **Significant rental growth from lease reviews and renewals (re-leasing spreads).** Re-leasing spreads of 23.5 per cent (H1 2021: 12.1 per cent) for the portfolio as a whole were the primary driver of strong like-for-like rental growth during the period. New rents agreed at review and renewal were 29.0 per cent higher in the UK (H1 2021: 16.4 per cent) as reversion accumulated over the past five years was reflected in new rents agreed, adding £9 million of headline rent. In Continental Europe, rents agreed on renewal were 1.8 per cent higher (H1 2021: 1.8 per cent higher), strengthening once again as market rental growth continues to outpace the indexation provisions that have accumulated over recent years.
- **Continued strong demand from customers for pre-let agreements**. In addition to increased rents from existing assets, we contracted £28 million of headline rent from pre-let agreements and lettings of speculative developments prior to completion (H1 2021: £21 million). Within this are a number of big box developments in the UK, including our first pre-let at SEGRO Park Coventry and our last sizeable plot at SEGRO Logistics Park East Midlands Gateway. We also signed projects for a leading global online retailer in Italy as well as big box space for retailers, third party logistics providers and manufacturers across Continental Europe.
- **Rent roll growth increased to a record £43 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 then 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 developments and pre-lets agreed during the period, increased to £43 million in H1 2022, compared to £27 million in H1 2021.

Summary of key leasing data for H1 2022

Summary of key leasing data[1] for the year to 30 June		H1 2022	H1 2021
Take-up of existing space2 (A)	£m	**11**	10
Space returned3 (B)	£m	**(10)**	(9)
NET ABSORPTION OF EXISTING SPACE[2] (A-B)	£m	**1**	1
Other rental movements (rent reviews, renewals, indexation)[2] (C)	£m	**13**	4
RENT ROLL GROWTH FROM EXISTING SPACE	£m	**14**	5
Take-up of pre-let developments completed in the year (signed in prior years)[2] (D)	£m	**11**	5
Take-up of speculative developments completed in the past two years[2] (D)	£m	**4**	4
TOTAL TAKE-UP[2] (A+C+D)	£m	**39**	23
Less take-up of pre-lets and speculative lettings signed in prior years[2]	£m	**(12)**	(6)
Pre-lets signed in the year for future delivery[2]	£m	**28**	21
RENTAL INCOME CONTRACTED IN THE YEAR[2]	£m	**55**	38
Less space returned	£m	**(10)**	(9)
Less takeback of space for redevelopment	£m	**(2)**	(2)
RENT ROLL GROWTH	£m	**43**	27
Retention rate[4]	%	**79**	83

1 All figures reflect exchange rates at 30 June 2022 and include joint ventures at share.

2 Headline rent.

3 Headline rent, 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.

Existing portfolio continues to perform well and delivered another set of strong operating metrics

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

- **Occupancy has remained high**. The occupancy rate at 30 June 2022 was 96.7 per cent (31 December 2021: 96.8 per cent). The occupancy rate, excluding space recently developed on a speculative basis, remains high at 97.2 per cent (31 December 2021: 97.4 per cent). The average occupancy rate during the period was 96.7 per cent (H1 2021: 95.7 per cent).

- **Customer retention rate of 79 per cent**. Approximately £43 million of headline rent was at risk from a break or lease expiry during the period of which we retained 78 per cent in existing space, with a further 1 per cent retained but in new premises. We value the long-term relationships that we build with our customers and always try to work with them to meet their changing requirements. However, with occupancy at such high levels we do also take the opportunity to create space for reletting and the capture of market rental growth. We continue to take back space to facilitate redevelopment and refurbishment.

- **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 5.9 per cent of the headline rent (H1 2021: 6.0 per cent). The portfolio's weighted average lease length was maintained with 7.1 years to first break and 8.4 years to expiry (31 December 2021: 7.2 years to first break, 8.5 years to expiry). Lease terms are longer in the UK (8.2 years to break) than in Continental Europe (5.6 years to break), reflecting the market convention of shorter leases in countries such as France and Poland.

Continued focus on reducing operational carbon emissions and increasing visibility of the energy usage of our customers

We continue to work hard on our Responsible SEGRO commitment to Champion low-carbon growth and to become a net zero-carbon business by 2030. Within our existing portfolio, the greatest contribution that we can make is to reduce the operational carbon emissions from our warehouses (including those generated by the activities of our customers operating within them).

Our targets, approved by the Science Based Targets Initiative (SBTi), include the aim to reduce the absolute operating carbon emissions from our portfolio by 42 per cent by 2030 (compared to a 2020 baseline), in line with the 1.5 degree scenario. This includes all customer emissions and captures the organic growth of the business.

Our net zero-carbon goal includes Scope 3 emissions from our customers. Due to the nature of typical lease terms we do not have operational control over the majority of our buildings and therefore have limited visibility of how much energy is used and how it is procured. Where this is the case we are engaging with our customers to receive their energy usage data. Improving visibility allows us to help our customers operate their buildings more efficiently, saving them both carbon emissions and money. During the first half of 2022 we have introduced 'green' clauses into our standard leases in the UK which means that new customers are required to provide us with data on their energy usage and to make reasonable endeavours to source their energy via a renewable tariff. Our goal is to introduce this practice in our Continental European markets as soon as possible.

We are also making improvements to the carbon footprint of our portfolio through the ongoing maintenance and refurbishment of our warehouses. Our active asset recycling and new development means that the majority of our portfolio is modern and built to the highest sustainability standards but there are still some older assets where we can make improvements. When the opportunity arises, normally at lease expiry, we refurbish the assets and upgrade their sustainability credentials before letting them to a new customer. This not only helps with our progress towards our net zero-carbon targets but also makes the space more attractive to a potential customer.

Changes that we make include installing LED lighting, solar panels, air source heat pumps and smart metering. We aim to have the entire portfolio rated with at least an Energy Performance Certificate (EPC) of a B-grade or equivalent.

In addition to installing solar panels on new developments and at the point of refurbishment, a further part of our renewable energy strategy is to retrofit solar panels to our leased assets. We have made good progress in the first half of 2022, working hard to overcome the multiple, market-specific complexities, and are now officially in our pilot phase of the programme. We have installed 12,222 solar panels on our first site in Tilburg in the Netherlands which will generate 5.6MW of capacity. We have plans for a further 11 sites during the pilot stage, potentially adding 20 MW of power (our solar capacity at 31 December 2021 was 35.4 MW so this will be a significant increase).

Investing in our local communities and environments

Our Responsible SEGRO framework also prioritises Investing in our local communities and environments and we are aiming to establish a Community Investment Plan in each of our key markets by 2025.

During the first half of 2022 we launched the first of these plans, the Slough Community Investment Plan. This sets out how our Thames Valley Business Unit will deliver a meaningful and impactful community programme that will contribute to growth in the local economy and employment, as well as improving the local environment. We will be working with charity partners to deliver the plan and hope to inspire our employees, customers and suppliers to actively participate in the delivery so we can make an even greater positive impact on the community.

DEVELOPMENT UPDATE - GROWING THROUGH DEVELOPMENT

Development Activity

During the first half of 2022, we invested £584 million in our development pipeline which comprised £364 million (H1 2021: £364 million) in development spend, of which £80 million was for infrastructure, and a further £220 million to replenish our land bank to secure future development-led growth opportunities.

Development Projects Completed

We completed 329,900 sq m of new space during the period, the majority on time despite wider market issues with the supply of construction materials and labour. These projects were 75 per cent pre-let prior to the start of construction and were 87 per cent let as at 30 June 2022, generating £13 million of headline rent, with a potential further £2 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 7.3 per cent when fully let.

We completed 266,000 sq m of big box warehouse space, including our first unit at our innovative food manufacturing and distribution park SmartParc SEGRO Derby. We also completed 59,000 sq m of urban warehouses, including a new multi-level data centre on the Slough Trading Estate and speculative schemes in Frankfurt and Paris.

Supply chain issues continue to make development more challenging but we are proactively working with our contractors to secure materials on a timely basis and have therefore been able to avoid any major delays. We have been able to mitigate increases in construction costs through higher rents on new projects, and we typically agree fixed price contracts with our contractors to protect against further cost increases within our current pipeline.

Focusing on reducing embodied carbon in our development programme to help us achieve net zero carbon by 2030

We have established a Science Based Target of reducing the embodied carbon intensity of our development programme by 20 per cent by 2030, compared to a 2020 baseline of 400kg of CO2e per square metre. We will provide further details on our progress towards this with the full year results.

An important element of this is to use lower-carbon materials (particularly steel, timber and concrete) across our projects. For example, concrete can comprise up to 50 per cent of the total embodied carbon of a new building. One scheme in Germany is using a low carbon concrete called ECOPact Beton for the internal floor slab and external yard area: we have calculated that it is saving 30 per cent of CO2e compared to standard concrete products.

In addition, from this year we are targeting at least BREEAM ‘Excellent’ (or equivalent) certification for all new eligible developments.

Current Development Pipeline

At 30 June 2022, we had development projects approved, contracted or under construction totalling 886,500 sq m, representing £518 million of future capital expenditure to complete and £84 million of annualised gross rental income when fully let. 63 per cent of this rent has already been secured and these projects should yield 6.4 per cent on total development cost when fully occupied.

- In the UK, we have 332,400 sq m of space approved or under construction. Within this are urban schemes in London and Slough, including two of our new concept V-Park multi-level schemes, in Park Royal and on the Slough Trading Estate. In Slough we are also building an innovative multi-storey data centre and we have a number of UK big box schemes under construction including pre-lets at SEGRO Parks in Kettering, East Midlands Gateway and Coventry, and at SmartParc SEGRO Derby.
- In Continental Europe, we have 493,600 sq m of space approved or under construction. This includes pre-let big box warehouses for a variety of different occupiers, from retailers to manufacturers, in Germany, France and Poland.
- In addition to the above we have 60,500 sq m of space under construction as part forward-funded agreements with local developers.

We continue to focus our speculative developments primarily on urban warehouse projects, particularly in the UK, France and Germany, where modern space is in short supply and occupier demand is strong.

Within our Continental European current development programme, approximately £15 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 exercises its option, we would retain a 50 per cent share of the rent after disposal. During the first half of 2022, SEGRO sold £172 million of completed assets to SELP, representing a net disposal of £86 million.

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 conditions to be met or planning approval to be granted. We expect to commence these projects within the next six to 12 months.

These projects total 457,700 sq m of space, equating to approximately £390 million of additional capital expenditure and £34 million of additional rent (31 December 2021: 334,100 sq m, £271 million of capital and £20 million of rent).

We have factored increased construction costs into the development returns for our near-term and future development projects. However, increased rental values are more than offsetting any additional costs and our anticipated development returns therefore remain highly attractive.

Land Bank

Our land bank identified for future development (including the near-term projects detailed above) totalled 681 hectares at 30 June 2022, valued at £1.5 billion, roughly 7 per cent of our total portfolio value. Within this is £650 million of land for future re-development which is currently income-producing (equating to £20 million of annualised rent, which is excluded from passing rent), known as 'covered land', reducing the hold costs until development can start. This includes a substantial element of the Slough office portfolio purchased at the end of 2021, the first phase of which is expected to be brought forward for development later this year.

Our land bank includes £220 million of land acquired so far in 2022, including land associated with developments already underway or expected to start in the short term.

We estimate that our land bank can support 3.2 million sq m of development over the next five years. The prospective capital expenditure associated with the future pipeline is approximately £2.5 billion. It could generate £250 million of gross rental income, representing a yield on total development cost (including land and notional finance costs) of around 6-7 per cent and a yield on further expenditure (as the land has already been acquired) of 10 per cent. These figures are indicative based on our current expectations and are dependent on our ability to secure pre-let agreements, planning permissions, construction contracts and on our outlook for occupier conditions in local markets.

Conditional land acquisitions and land held under option agreements

Land acquisitions (contracted but subject to further 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 UK Midlands as well as in Germany, Italy and Poland. They also include urban warehouse sites in East and West London.

The options are held on the balance sheet at a value of £28 million (including joint ventures at share). Those we expect to exercise over the next two to three years, combined with the contracted land acquisitions, are capable of supporting just over 1.7 million sq m of space and generating almost £170 million of headline rent for a blended yield of approximately 6 per cent.

INVESTMENT UPDATE - £550 MILLION OF NET INVESTMENT FOR GROWTH

We invested over £700 million in our portfolio during the first half of the year: development capital expenditure of £364 million, £145 million of assets and £220 million of land acquisitions. This was partly offset by £181 million of disposals.

Acquisitions focused on building scale in urban warehousing

We have continued to leverage our market position, reputation, relationships and expertise to source unique acquisitions in some of our key markets.

We acquired assets totalling £145 million, reflecting a blended topped-up initial yield of 2.5 per cent. This included:

- urban warehouse estates in Park Royal and Slough (one of which was part of an asset swap) that neighbour our existing assets and unlock potential redevelopment opportunities;
- an urban warehouse estate in Essen, one of the largest cities in the Rhine-Ruhr area, with medium-term redevelopment potential; and
- a big box warehouse close to Paris that was acquired from a long-term customer which had developed it themselves to a high specification.

In addition to the asset acquisitions, we also acquired £220 million of land (including covered land) to create future development opportunities.

Asset recycling to improve portfolio focus

During the first half we sold £181 million of land and assets, realising profits and releasing capital to reinvest in our business.

The asset disposals totalled £172 million, reflecting a blended topped-up initial yield of 4.3 per cent, and were significantly ahead of 31 December 2021 book values. They included:

- a stand-alone asset that we swapped for the Whitby Business Centre in Slough; and
- big box warehouses in Italy, including an older stand-alone warehouse on the outskirts of Milan and a state-of-the-art facility for an online retailer where we took the opportunity to capitalise on strong demand from wide range of investors.

As in previous years, we sold a portfolio of Continental European big box warehouses developed by SEGRO to SELP for which we received £86 million net proceeds from an effective sale of a 50 per cent interest.

Additionally, we disposed of £9 million of land, primarily comprising plots in non-core markets.

INTERIM DIVIDEND OF 8.1 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 0.7 pence per share to 8.1 pence (H1 2021: 7.4 pence), a rise of 9.5 per cent. This will be paid as an ordinary dividend on 23 September 2022 to shareholders on the register at the close of business on 12 August 2022.

The Board will offer a scrip dividend option for the 2022 interim dividend, allowing shareholders to choose whether to receive the dividend in cash or new shares. 41 per cent of the 2021 final dividend was paid in new shares, equating to £76 million of cash retained on the balance sheet and 5.8 million new shares being issued.

FINANCIAL REVIEW

Like-for-like net rental income growth, income from acquisitions and new developments and performance fee income were the primary drivers of the 29 per cent increase in Adjusted profit before tax compared to H1 2021. Adjusted NAV per share increased by 10 per cent to 1,249 pence compared to December 2021, primarily driven by the valuation uplift on the property portfolio.

Financial highlights

	30 June 2022	30 June 2021	31 December 2021
IFRS[1] net asset value (NAV) per share (diluted) (p)	**1,212**	897	1,115
Adjusted NAV per share[1] (diluted) (p)	**1,249**	909	1,137
IFRS profit before tax (£m)	**1,375**	1,413	4,355
Adjusted profit before tax[2] (£m)	**216**	168	356
IFRS earnings per share (EPS) (p)	**110.7**	110.3	339.0
Adjusted EPS[2] (p)	**16.9**	13.8	29.1

1. A reconciliation between IFRS NAV and Adjusted NAV 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 Note 11.

Presentation of financial information

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

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 or prior periods.

A detailed reconciliation between Adjusted profit after tax and IFRS profit after tax is provided in Note 2 of the condensed financial information. The Adjusted NAV per share measure reflects the EPRA Net Tangible Asset metric and based on the EPRA Best Practices Reporting Recommendations. A detailed reconciliation between Adjusted NAV and IFRS NAV is provided in Note 11(ii) 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, loan-to-value ratio and total cost ratio, as they provide a transparent and consistent basis to enable comparison between European property companies.

Look-through metrics provided for like-for-like net rental income include joint ventures at share in order that our full operations are captured, therefore providing more meaningful analysis.

ADJUSTED PROFIT

Adjusted profit

	Six months to 30 June 2022 £m	Six months to 30 June 2021[3] £m
Gross rental income	**239**	195
Property operating expenses	**(36)**	(28)
Net rental income[3]	**203**	167
Joint venture fee income	**57**	12
Management and development fee income	**2**	3
Net solar energy income	**1**	1
Administration expenses	**(31)**	(27)
Share of joint ventures' Adjusted profit after tax[1]	**16**	32
Adjusted operating profit before interest and tax	**248**	188
Net finance costs	**(32)**	(20)
Adjusted profit before tax	**216**	168
Tax on Adjusted profit	**(12)**	(3)
Adjusted profit after tax[2]	**204**	165

1. Comprises net property rental income and management 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.
3. The composition of gross and net rental income has changed in 2022 to provide a better measure of the underlying rental income from the property portfolio. There is no impact on Adjusted operating profit before interest and tax from this change and the prior period comparatives in the table above have been re-presented to reflect this change. See Notes 2,4 and 5 of the condensed financial information for further details.

Adjusted profit before tax increased by 29 per cent to £216 million (H1 2021: £168 million) during H1 2022 as a result of the movements described below, primarily growth in rental income and recognition of a performance fee from the SELP joint venture (£42 million income) offset by the performance fee expense recognised in the share of joint ventures profits (£21 million cost) which has a £21 million net impact on profit before tax.

Adjusted profit is detailed further in Note 2 of the condensed financial information.

Net rental income (including joint ventures at share)

Net rental income	**Six months to 30 June 2022 £m**	Six months to 30 June 2021 £m	Change[3] %
UK	**132**	121	8.9
Continental Europe	**77**	74	4.1
Like-for-like net rental income before other items[1]	**209**	195	7.1
Other[2]	**(3)**	(3)	
Like-for-like net rental income (after other)	**206**	192	7.2
Development lettings	**22**	1	
Properties taken back for development	**–**	2	
Like-for-like net rental income plus developments	**228**	195	
Properties acquired	**17**	–	
Properties sold	**2**	9	
Net rental income before surrenders, dilapidations and exchange	**247**	204	
Lease surrender premiums and dilapidations income	**3**	3	
Other items and rent lost from lease surrenders	**5**	4	
Impact of exchange rate difference between periods	**–**	3	
Net rental income (including joint ventures at share)	**255**	214	
SEGRO share of joint venture management fees	**(6)**	(5)	
SEGRO share of joint venture performance fees	**(21)**	–	
Net rental income after SEGRO share of joint venture fees	**228**	209	

1. Like-for-like change by Business Unit: Greater London 13.0%, Thames Valley 4.7%, National Logistics 0.0%, Northern Europe 9.8%, Southern Europe 1.9%, Central Europe 0.7%.
2. Other includes the corporate centre and other costs relating to the operational business which are not specifically allocated to a geographical business unit.
3. Percentage change has been calculated using the figures presented in the table above in millions accurate to one decimal place.

The like-for-like rental growth metric is based on properties held throughout both H1 2022 and H1 2021 and comprises wholly owned assets (net rental income of £203 million) and SEGRO's share of net rental income held in joint ventures (£25 million) totalling £228 million.

Net rental income increased by £19 million to £228 million in H1 2022, reflecting the positive impact of like-for-like rental growth of £14 million, £21 million of additional income from development lettings and £17 million from properties acquired. These increases were partially offset by a performance fee expense recognised in share of net rental income held in joint ventures of £21 million.

On a like-for-like basis, before other items, net rental income increased by £14 million, or 7.1 per cent, compared to H1 2021.

This is due to strong rental performance across our portfolio. UK: 8.9 per cent increase, in particular in Greater London; and Continental Europe: 4.1 per cent increase, in particular in Germany.

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 or development lettings where applicable, with the balance shown in properties sold.

Income from joint ventures

Joint venture fee income increased by £45 million to £57 million in H1 2022. This increase is primarily due to the recognition of a performance fee of £42 million in respect of the SELP joint venture (as detailed further in Note 6 of the condensed financial information).

SEGRO's share of joint ventures' Adjusted profit after tax decreased by £16 million from £32 million in H1 2021 to £16 million in H1 2022. This includes a performance fee expense (at share) of £21 million and an associated tax credit of £2 million. Excluding performance fee expense, the Adjusted joint venture profit after tax increased by £3 million compared to H1 2021 primarily as a result of growth in net rental income in the SELP joint venture.

Administrative and operating costs

The Total Cost Ratio ('TCR') for H1 2022 increased slightly to 20.5 per cent from 19.8 per cent in H1 2021. Excluding the impact of share-based payments, the cost of which are directly linked to the relative total return of the property portfolio, the Cost Ratio rose to 18.7 per cent in H1 2022 from 17.4 per cent in H1 2021. The calculations are set out in Table 9 of the Supplementary Notes to the condensed financial information.

The increase in the ratio has been primarily caused by the total costs increasing by £11 million to £60 million in H1 2022. Administration expenses have increased by £4 million, as a result of increased staff costs following headcount increases. Property operating expenses in the wholly-owned portfolio have increased in the period from £28 million in H1 2021 to £36 million in H1 2022, as the portfolio has grown in size.

Net finance costs

Net finance costs have increased by £12 million during the period from £20 million in H1 2021 to £32 million in H1 2022. The increased costs reflect the higher gross debt position in H1 2022 compared to H1 2021 as well as the finance costs from the new loan facilities entered into at the end of H2 2021 and during the first half of 2022 (as discussed further in the Financial Position and Funding section below).

Taxation

The tax charge on Adjusted profit of £12 million (H1 2021: £3 million) reflects an effective tax rate of 5.6 per cent (H1 2021: 1.8 per cent). The increase of £9 million from H1 2021 is primarily due to the tax charge on the performance fee recognised from SELP in the period as discussed above.

The Group's 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 16.9 pence (H1 2021: 13.8 pence) reflecting the £39 million increase in Adjusted profit after tax.

Excluding the impact of the performance fee recognised in the period (net £21 million discussed above) and the associated tax (being a tax charge of £7 million in the wholly owned less a tax credit, at share in the SELP joint venture of £2 million), the Adjusted profit after tax would be £16 million lower and Adjusted earnings per share would be 15.6 pence, a 13 per cent increase compared to H1 2021.

IFRS PROFIT

IFRS profit before tax has decreased by £38 million from £1,413 million in H1 2021 to £1,375 million in H1 2022 as a result of the movements described below, primarily due to an increase in net finance costs.

IFRS profit after tax has increased by £13 million to £1,334 million in H1 2022. This equated to post-tax IFRS earnings per share of 110.7 pence compared with 110.3 pence for H1 2021.

The increase in IFRS profit after tax is driven primarily by an increase in unrealised and realised gains on our property portfolio of £51 million, a reduction in tax charge in respect of adjustments of £60 million and an increase in Adjusted profit after tax of £39 million (as discussed above), partially offset by a net fair value loss on interest rate swaps and other derivatives, which were £94 million higher in H1 2022.

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 £1,174 million in H1 2022 (H1 2021: £1,123 million) have been recognised in the income statement, mainly comprising an unrealised valuation surplus on investment properties of £1,164 million (H1 2021: £1,118 million).

SEGRO's share of realised and unrealised gains on properties held in joint ventures was £172 million (H1 2021: £217 million) primarily arising on revaluation gains in the SELP joint venture.

IFRS earnings were impacted by a net fair value loss on interest rate swaps and other derivatives of £150 million (H1 2021: loss of £56 million) primarily as a result of adverse movements on interest rate expectations.

The tax charge in respect of adjustments decreased by £60 million in H1 2022 to £29 million (H1 2021: £89 million), with a lower tax charge arising from property valuation movements in the Continental Europe portfolio and the SIIC entry tax charge incurred in H1 2021 of £39 million.

BALANCE SHEET

Adjusted net asset value

	£m	Shares million	Pence per share
Adjusted net assets attributable to ordinary shareholders at 31 December 2021	**13,704**	**1,205.5**	**1,137**
Realised and unrealised property gain (including joint ventures)	1,346	–	111
Adjusted profit after tax	204	–	17
Dividend net of scrip shares issued (2021 final)	(126)	5.8	(17)
Other including exchange rate movement (net of hedging)	11	0.8	1
Adjusted net assets attributable to ordinary shareholders at 30 June 2022	**15,139**	**1,212.1**	**1,249**

At 30 June 2022, IFRS net assets attributable to ordinary shareholders (on a diluted basis) were £14,695 million (31 December 2021: £13,436 million), equating to 1,212 pence per share (31 December 2021: 1,115 pence).

Adjusted net asset value per share at 30 June 2022 was 1,249 pence measured on a diluted basis (31 December 2021: 1,137 pence), an increase of 10 per cent in the period. The table above highlights the principal factors behind the increase.

A reconciliation between IFRS and Adjusted net assets is available in Note 11 to the condensed financial information.

CASH FLOW AND NET DEBT RECONCILIATION

Cash flow from operations for the period was £218 million, an increase of £50 million from H1 2021 (£168 million), primarily due to increased rental income received during the period.

The largest cash outflow in the period relates to acquisitions and developments of investment properties at £658 million, which primarily reflects the Group's investment activity during the period and ongoing development activity (see Chief Executive's Review for more details). Cash flows from investment property sales are £223 million (which includes £172 million from properties sold to the SELP joint venture), giving a net outflow of £435 million from property investment activity. In addition, investment outflows of £31 million to joint ventures was made primarily to fund the SELP investing activity.

Other significant financing cash flows include dividends paid of £100 million (H1 2021: £90 million) reflecting the increased dividend per share and level of scrip dividend take-up and an inflow of £15 million from the derivatives which are used to manage the Group's exposure to foreign exchange during the period.

As a result of these factors there was a net funds outflow of £385 million during the period compared to an outflow of £8 million in H1 2021.

Cash flow and net debt reconciliation

	Six months to 30 June 2022 £m	Six months to 30 June 2021 £m
Opening net debt	**(3,361)**	(2,325)
Cash flow from operations	**218**	168
Finance costs (net)	**(47)**	(25)
Dividends received	**5**	4
Tax paid	**(13)**	(2)
Free cash flow	**163**	145
Dividends paid	**(100)**	(90)
Acquisitions and development of investment properties	**(658)**	(371)
Investment property sales	**223**	350
Acquisitions of other interests in property and other investments	**(6)**	(3)
Purchase of non-controlling interest	**–**	(12)
Net settlement of foreign exchange derivatives	**15**	34
Net investment in joint ventures	**(31)**	(56)
Other items	**9**	(5)
Net funds flow	**(385)**	(8)
Non-cash movements	**(4)**	(1)
Exchange rate movements	**(82)**	59
Closing net debt	**(3,832)**	(2,275)

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 £771 million, an increase of £281 million compared to H1 2021. This is primarily driven by an increased volume of acquisitions, with significant acquisitions in the Greater London business unit during the current period. Development capital expenditure for the period was £364 million, in line with the level of expenditure in H1 2021, with particular spend on our schemes in Italy and the UK National Logistics business unit.

Spend on existing completed properties totalled £21 million (H1 2021: £21 million), over half of which was for value-enhancing major refurbishment and fit-out costs prior to re-letting.

EPRA capital expenditure analysis

	Six months to 30 June 2022			Six months to 30 June 2021		
	Wholly owned £m	**Joint ventures £m**	**Total £m**	Wholly owned £m	Joint ventures £m	Total £m
Acquisitions	**328[1]**	**37**	**365[7]**	90[1]	2	92[7]
Developments[4]	**330[2]**	**34**	**364**	327[2]	37	364
Completed properties[5]	**17[3]**	**4**	**21**	16[3]	5	21
Other[6]	**16**	**5**	**21**	8	5	13
Total	**691**	**80**	**771**	441	49	490

1. Being £328 million investment property and £nil trading property (2021: £90 million and £nil respectively) see Note 12.
2. Being £326 million investment property and £4 million trading property (2021: £318 million and £9 million respectively) see Note 12.
3. Being £17 million investment property and £nil trading property (2021: £16 million and £nil respectively) see Note 12.
4. Includes wholly owned capitalised interest of £6 million (2021: £4 million) as further analysed in Note 8 and share of joint venture capitalised interest of £nil (2021: £nil).

5. Being £20 million expenditure used for enhancing existing space (2021: £19 million) and £1 million used for creation of additional lettable space (2021: £2 million).
6. Tenant incentives, letting fees and rental guarantees.
7. Excludes acquisitions of property sold from the Group's wholly owned portfolio to the SELP joint venture of £86 million (2021: £117 million), which is effectively a net 50 per cent disposal by the Group.

FINANCIAL POSITION AND FUNDING

Financial Key Performance Indicators

GROUP ONLY	**30 June 2022 (Proforma)[3]**	**30 June 2022**	30 June 2021	31 December 2021
Net borrowings (£m)	**3,832**	**3,832**	2,275	3,361
Available Group cash and undrawn facilities (£m)	**1,902**	**1,795**	983	893
Gearing (%)	**n/a**	**26**	21	25
LTV ratio (%)	**n/a**	**22**	19	22
Weighted average cost of debt[1] (%)	**1.9**	**1.7**	1.6	1.5
Interest cover[2] (times)	**n/a**	**6.1**	7.0	7.0
Average duration of debt (years)	**9.8**	**9.0**	11.3	9.6
INCLUDING JOINT VENTURES AT SHARE				
Net borrowings (£m)	**4,764**	**4,764**	3,092	4,201
Available cash and undrawn facilities (£m)	**2,091**	**1,983**	1,230	1,105
LTV ratio (%)	**n/a**	**23**	21	23
Weighted average cost of debt[1] (%)	**1.8**	**1.6**	1.5	1.5
Interest cover[2] (times)	**n/a**	**6.2**	6.9	6.9
Average duration of debt (years)	**8.7**	**8.0**	9.7	8.6

1. Based on gross debt, excluding commitment fees and non-cash interest.
2. Net rental income/adjusted net finance costs (before capitalisation).
3. Proforma for US Private Placement signed in early July 2022.

At 30 June 2022, the Group's net borrowings (including the Group's share of borrowings in joint ventures) were £4,764 million (31 December 2021: £4,201 million). When the US Private Placement ('USPP') debt arranged in early July (see below) is included, the weighted average cost of debt is 1.8 per cent with an average duration of 8.7 years. The loan to value ratio (including joint ventures at share) was 23 per cent (31 December 2021: 23 per cent) with £1,983 million of cash and undrawn facilities available for investment (£2,091 million, adjusted for the net proceeds of the USPP).

Gross borrowings of SEGRO Group were £3,923 million at 30 June 2022, all but £2 million of which were unsecured, and cash and cash equivalent balances were £91 million. SEGRO's share of gross borrowings in its joint ventures was £987 million (all of which were advanced on a non-recourse basis to SEGRO) and cash and cash equivalent balances of £55 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 March, SEGRO established a European Medium-Term Note (EMTN) programme. Upon creation, SEGRO issued €650 million of four year and €500 million of eight year unsecured green bonds. The annual coupons were 1.25 per cent and 1.875 per cent respectively.

Also in March, SEGRO entered into an additional €1 billion multicurrency term loan facility maturing in March 2024. This facility was undrawn at 30 June 2022.

In May, SEGRO extended the maturity of its €1.2 billion of revolving credit facilities for a further year to 2027. SELP also extended maturity of its €500 million revolving credit facility for a further year to 2026 and has since entered into a new additional €100 million bilateral revolving credit facility on the same terms as the existing facility.

In June, SEGRO arranged a US private placement of €225 million unsecured notes to be drawn down in September 2022. The issue consisted of €50 million of fifteen year notes carrying a fixed coupon of 3.87 per cent and €175 million of twenty year notes carrying a fixed coupon of 4.14 per cent. The net proceeds will be used for general corporate purposes and the Notes will rank pari passu with SEGRO's existing unsecured bank, bond and US Private Placement debt.

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 2022 on this 'look-through' basis remained at 23 per cent (31 December 2021: 23 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 2022, as defined within the principal debt funding arrangements of the Group, was 26 per cent (31 December 2021: 25 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 62 per cent from their 30 June 2022 levels to reach the gearing covenant threshold of 160 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 2022, the Group comfortably met this ratio at 6.1 times. On a look-through basis, including joint ventures, this ratio was 6.2 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 at around 30 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.

The Group's debt has a range of maturities. The nearest of which are SEGRO's syndicated term loan facilities that mature in December 2023 (this facility was fully repaid and cancelled in July 2022) and March 2024. There are no significant Group bond maturities until 2026. 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 2022, including the impact of derivative instruments, 90 per cent (31 December 2021: 65 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; this increases to 94 per cent when including the impact of the USPP debt arranged in July. The fixed-only level of debt is 74 per cent at 30 June 2022 (31 December 2021: 46 per cent).

As a result of the fixed rate cover in place, if short term interest rates had been 1 per cent higher throughout the six month period to 30 June 2022, the adjusted net finance cost of the Group would have increased by approximately £8 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 excluded 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 2022, the Group had gross foreign currency assets which were 69 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 2022 into sterling within the balance sheet of the Group was €1.16:£1 (31 December 2021: €1.19:£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 2022 weakened by 10 per cent against sterling (€1.28, in the case of euros), net assets would have decreased by approximately £180 million and there would have been a reduction in gearing of approximately 1.6 per cent and in the LTV of approximately 1.3 per cent.

The average exchange rate used to translate euro denominated earnings generated during the six months ending 30 June 2022 into sterling within the consolidated income statement of the Group was €1.19:£1 (H1 2021: €1.15:£1).

Based on the hedging position at 30 June 2022, and assuming that this position had applied throughout the six month period, if the euro had been 10 per cent weaker than the average exchange rate (€1.31:£1), Adjusted profit after tax for the six month period would have been approximately £7 million (3.6 per cent) lower than reported. If it had been 10 per cent stronger, adjusted profit after tax for the period would have been approximately £10 million (4.9 per cent) higher than reported.

GOING CONCERN

As noted in the Financial Position and Funding section above, the Group has significant available liquidity to meet its capital commitments, a long-dated debt maturity profile and substantial headroom against financial covenants.

In 2022 the Group has extended the term of its €1.2 billion of bank facilities to 2027 and secured a further €1.0 billion two year bank facility to finance acquisitions.

- The Group executed its second Eurobond issue, raising €1.15 billion with a six times oversubscription rate.
- The Group arranged €225 million of funding from existing US Private Placement investors.
- Cash and available facilities at 30 June 2022 were £1.8 billion.
- The Group continuously monitors its liquidity position compared to committed and expected capital and operating expenses on a rolling forward 18 month basis. The quantum of committed capital expenditure at any point in time is typically low due to the short timeframe to construct warehouse buildings.
- The Group also regularly stress-tests its financial covenants. As noted above, at 30 June 2022, property values would need to fall by around 62 per cent before breaching the gearing covenant. In terms of interest cover, net rental income would need to fall by 79 per cent before breaching the interest cover covenant. Both would be significantly in excess of the Group's experience during the financial crisis.

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 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

OUR DYNAMIC APPROACH TO RISK MANAGEMENT IS INTEGRAL TO OUR BUSINESS AND ENABLES US TO BE RESPONSIVE TO CHALLENGES AS THEY ARISE.

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 2021 Annual Report on pages 76 to 83.

Current risk focus

At the current time, we are observing heightened macroeconomic risks and capital markets volatility which creates uncertainty that influences our entire risk landscape including our markets, the valuation of our assets and our operations. The supply chain issues affecting both materials and labour, which were initially caused by Covid-19 restrictions, have been exacerbated by the conflict in Ukraine and have also contributed to sharply higher energy prices as well as concerns over access to energy supply in the coming months, particularly in Continental Europe. Despite this, occupier demand continues to be strong in line with the long-term structural tailwinds we have identified elsewhere in this report, and this has led to strong rental growth in the period which helps to offset the detrimental impact of inflation on income.

The Group's Board and key committees have overseen the Group's response to the impact of these influences and their wider economic implications throughout the period. Consequentially they have taken actions to mitigate its impacts including on our operations, the wellbeing of our employees, compliance with relevant sanctions and to review our investment plans accordingly. We continue to strengthen our balance sheet in order to assist us in negotiating future volatility.

We have reviewed and updated the Group's risk register during the period, in particular in light of events during the period as detailed above which has impacted risks already on the risk register, as detailed further in our Principal Risks section below. No new risks have been identified in this period.

Looking forward, it is clear there is still much uncertainty around the future trajectory of the economy. Accordingly, we remain vigilant to the rapidly changing environment and possible prolonged impact of economic uncertainty in the locations in which we operate.

Emerging risks

We continue to identify and monitor emerging risks through our risk processes. Emerging risks are those which may be evolving rapidly and whose impact or probability may not yet be fully understood and whose mitigations are consequently evolving. This process is supplemented by formal horizon scans with the Executive Committee. For example, the long-term impact of climate change on our business continues to be a major focus.

Risks Appetite

Our risk appetite depends on the nature of the risk and falls into three broad categories:

- **Property risk** - 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. This is balanced against the backdrop of the macroeconomic climate and its impact on the property cycle.
- **Financial risk** - we maintain a low to moderate appetite for financial risk in general, with a very low appetite for risks to solvency and gearing covenant breaches.
- **Corporate risk** - we have a very low appetite for risks to our good reputation with our customers and wider stakeholders including investors, regulators, employees, business partners, suppliers, lenders and by the communities in which we operate.

Principal Risks

A summary of the Group's principal risks including an update for changes during the period and expected impacts during the second half of 2022, is provided below. The principal risks remain the same as reported in the Annual Report for 2021 apart from the Political and Regulatory risk which is now called Legal, Political and Regulatory to better reflect the scope of the risk. The impact and probability of each risk have not changed significantly since they were reported in the 2021 Annual Report and the residual risk for each remains within appetite.

- **Macroeconomic Impact on 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 and wider geopolitical conditions, which could result in capital being invested or disposals taking place at the wrong price or time in the cycle.

  Update: The market continues to exhibit increased volatility and less predictability in light of heightened macroeconomic uncertainty exacerbated by the Ukraine conflict and wider cost inflation pressures. In response we have increased the regularity of our economic outlook assessments and reassessed their consequences on our portfolio strategy (discussed below). We are prepared for the higher inflation rates and interest rates which could persist across Europe for some time.

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

  Update: The Group's approach to portfolio management and capital allocation remains disciplined and responsive to opportunities that arise, as detailed further in the Investment and Development sections above, although the attractiveness of the industrial property asset class has led to increased market competition. Our portfolio has been positioned to be resilient at all stages in the cycle. Our investment criteria have also been reassessed to reflect the impacts of the macroeconomic uncertainty discussed above. These factors have increased the scrutiny around our capital allocation and investment decisions.

- **Major Event / Business Disruption.** Unexpected global, regional or national events result in severe adverse disruption to SEGRO, such as sustained asset value or revenue impairment, solvency or covenant stress, liquidity or business continuity challenges. A global event or business disruption may include but is not limited to a global financial crisis, health pandemic, civil unrest, act of terrorism, cyber-attack or other IT disruption. Events may be singular or cumulative, and lead to acute/systemic issues in the business and/or operating environment.

  Update: Whilst the direct impacts of the pandemic have largely abated, the heightened global macroeconomic volatility including high inflation, exacerbated by conflict in Ukraine, is expected to continue to cause increased uncertainty to the Group's operations and stakeholders. The Group maintains a robust financing and portfolio strategy in order to be well positioned and flexible in response to major events/business disruption. The Board and other committees remain vigilant and responsive in managing the mitigation of risks as they evolve.

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

  Update: The health and safety of the workforce remains a key priority in locations we operate in, including when working away from the office. We continue to closely monitor our development sites with in-person inspections in order to ensure a safe and compliant working environment. This risk is expected to remain a key focus going forward.

- **Environmental Sustainability and Climate Change.** Failure to anticipate and respond to the impact of both physical and transitional risks from climate change on the sustainability of our environment is both a principal and emerging risk. Laws, regulations, policies, taxation, obligations, customer preferences and social attitudes relating to climate change continue to evolve. Non-compliance with laws and regulations, reporting requirements, increased costs of tax and energy could cause loss of value to the Group. Not keeping pace with social attitudes and customer behaviours and preferences could additionally cause reputational damage and reduce the attractiveness and value of our assets. A lack of strong environmental credentials may reduce access to capital or increase cost as these are increasingly important criteria to investors and lenders.

  Update: Our 'Responsible SEGRO' framework continues to prioritise our commitment to net-zero carbon by 2030 underpinned by our Mandatory Sustainability policy with minimum Science-Based Targets for reducing Scope 1, 2 and 3 emissions. This is detailed further in the Asset Management and Development Updates above. The Responsible SEGRO Steering Group monitors progress against this framework. This risk is expected to continue to have increased prominence going forward.

- **Development Plan Execution.** The Group could suffer significant financial losses from its extensive current programme and future pipeline of developments.

  Update: During the period pressures in the construction supply chain for certain materials and labour are continuing and we continue to work proactively alongside our contractors to mitigate any undue delay and cost increases as far as is possible. More generally, market competition has reduced the availability of suitably priced land at attractive prices. As detailed in the Portfolio Strategy and Execution risk above, we have reassessed our investment criteria in response to such pressures. Going forward such pressures are likely to continue in a similar way as we balance the needs of our contractors and customers.

- **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.

  Update: The Group has demonstrated strong access to financial markets as seen by our funding activity (as detailed in the Financial Position and Funding section above), despite the uncertain economic backdrop and volatile capital markets. The Group (including its largest joint venture SELP) now has a meaningful presence in the Euro bond market as well as in the Sterling bond and US Private Placement markets leaving us well positioned financially to fund activity in the remainder of the year and beyond. The Group continues to use fixed rate debt and relevant derivatives to mitigate against the risk of interest rates increasing both now and going forward.

- **Legal, Political and Regulatory.** The Group could fail to anticipate significant political, legal, tax or regulatory changes, leading to a significant unexpected financial or reputational impact.

  Update: The legal and regulatory environment remains dynamic. In response to the conflict in Ukraine, a series of new sanctions were introduced, including by the UK, EU and US. An internal working group was created which met regularly to monitor both the impact of the crisis on the Group and its employees, as well as to ensure that the business continues to comply with relevant sanctions laws. The working group regularly took advice from its external lawyers on these topics.

  In addition, we continue to monitor the divergence of UK and EU laws, including in respect of sanctions and potential privacy laws. We remain vigilant for other future changes in the legal, regulatory and political environment.

- **Operational Delivery & Compliance**. The Group's ability to protect its reputation, revenues and shareholder value could be damaged by operational failures such as: failing to attract, retain and motivate key employees; major customer default; supply chain failure or the structural failure of one of our assets. Compliance failures, such as breaches of joint venture shareholders' agreements, loan agreements or tax legislation could also damage reputation, revenue and shareholder value.

Update: Following the normalisation of working practices, the Group has returned to its agile working approach to promote our strong, positive corporate culture, ensuring our employees continue to be motivated and challenged. We continue to ensure the resilience and security of our technology. During the period we continue to have enhanced engagement with our customers in light of the volatile economic conditions.

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 United Kingdom and 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
Chief Executive

Soumen Das
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO SEGRO PLC

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Our conclusion

We have reviewed SEGRO plc's condensed consolidated interim financial statements (the "interim financial statements") in the half-yearly report of SEGRO plc for the 6 month period ended 30 June 2022 (the "period").

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 UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and 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.

The interim financial statements comprise:

- the Condensed Group Balance Sheet as at 30 June 2022;
- 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 of SEGRO plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and 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.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council 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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

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. In preparing the half-yearly report, including the interim financial statements, the directors are responsible for assessing the group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the half-yearly report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. 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.

PricewaterhouseCoopers LLP

Chartered Accountants

London

27 July 2022

CONDENSED GROUP INCOME STATEMENT

For the six months ended 30 June 2022

	Notes	**Half year to 30 June 2022 (unaudited) £m**	Half year to 30 June 2021 (unaudited) £m	Year to 31 December 2021 (audited) £m
Revenue	4	**330**	246	546
Costs	5	**(65)**	(62)	(140)
		265	184	406
Administration expenses		**(31)**	(27)	(59)
Share of profit from joint ventures after tax	6	**151**	210	461
Realised and unrealised property gain	7	**1,172**	1,122	3,669
Operating profit		**1,557**	1,489	4,477
Finance income	8	**36**	23	35
Finance costs	8	**(218)**	(99)	(157)
Profit before tax		**1,375**	1,413	4,355
Tax	9	**(41)**	(92)	(288)
Profit after tax		**1,334**	1,321	4,067
Attributable to equity shareholders		**1,333**	1,317	4,060
Attributable to non-controlling interests		**1**	4	7
Earnings per share (pence)				
Basic	11	**110.7**	110.3	339.0
Diluted	11	**110.4**	110.0	338.1

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Half year to 30 June 2022 (unaudited) £m	Half year to 30 June 2021 (unaudited) £m	Year to 31 December 2021 (audited) £m
Profit for the period	**1,334**	1,321	4,067
Items that may be reclassified subsequently to profit or loss			
Foreign exchange movement arising on translation of international operations	**100**	(124)	(184)
Fair value movements on derivatives and borrowings in effective hedge relationships	**(49)**	48	74
	51	(76)	(110)
Tax on components of other comprehensive income	**–**	–	–
Other comprehensive income/(loss)	**51**	(76)	(110)
Total comprehensive income for the period	**1,385**	1,245	3,957
Attributable to – equity shareholders	**1,385**	1,241	3,949
– non-controlling interests	**–**	4	8

CONDENSED GROUP BALANCE SHEET

As at 30 June 2022

	Notes	**30 June 2022 (unaudited) £m**	30 June 2021 (unaudited) £m	31 December 2021 (audited) £m
Assets				
Non-current assets				
Intangible assets		**9**	8	9
Investment properties	12	**17,209**	11,850	15,492
Other interests in property		**28**	16	24
Property, plant and equipment		**23**	23	22
Investments in joint ventures	6	**2,022**	1,620	1,795
Other investments		**8**	4	5
Other receivables		**38**	36	35
Derivative financial instruments		**47**	58	50
		19,384	13,615	17,432
Current assets				
Trading properties	12	**57**	47	45
Trade and other receivables		**297**	175	247
Derivative financial instruments		**–**	4	14
Cash and cash equivalents	13	**91**	78	45
		445	304	351
Total assets		**19,829**	13,919	17,783
Liabilities				
Non-current liabilities				
Borrowings	13	**3,923**	2,352	3,406
Deferred tax liabilities	9	**296**	112	274
Trade and other payables		**77**	107	75
Derivative financial instruments		**192**	41	56
Tax liabilities		**19**	–	19
		4,507	2,612	3,830
Current liabilities				
Trade and other payables		**552**	460	463
Borrowings	13	**–**	1	–
Derivative financial instruments		**3**	1	–
Tax liabilities		**72**	62	54
		627	524	517
Total liabilities		**5,134**	3,136	4,347
Net assets		**14,695**	10,783	13,436
Equity				
Share capital		**121**	120	120
Share premium		**3,447**	3,343	3,371
Capital redemption reserve		**114**	114	114
Own shares held		**(3)**	(1)	(1)
Other reserves		**191**	170	140
Retained earnings		**10,825**	7,037	9,692
Total shareholders' equity		**14,695**	10,783	13,436
Non-controlling interests		**–**	–	–
Total equity		**14,695**	10,783	13,436
Net assets per ordinary share (pence)				
Basic	11	**1,216**	899	1,118
Diluted	11	**1,212**	897	1,115

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent										
					Other reserves						
(unaudited)	Ordinary share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Share-based payment reserve £m	Translation, hedging and other reserve £m	Merger reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interest[1] £m	Total equity £m
Balance at 1 January 2022	**120**	**3,371**	**114**	**(1)**	**20**	**(49)**	**169**	**9,692**	**13,436**	**–**	**13,436**
Profit for the period	–	–	–	–	–	–	–	1,333	1,333	1	1,334
Other comprehensive income/(expense)	–	–	–	–	–	52	–	–	52	(1)	51
Total comprehensive income for the period	–	–	–	–	–	52	–	1,333	1,385	–	1,385
Transactions with owners of the Company											
Issues of shares	–	–	–	–	–	–	–	–	–	–	–
Own shares acquired	–	–	–	(5)	–	–	–	–	(5)	–	(5)
Equity-settled share-based payment transactions	–	–	–	3	(1)	–	–	3	5	–	5
Dividends	1	76	–	–	–	–	–	(203)	(126)	–	(126)
Movement in non-controlling interest[1]	–	–	–	–	–	–	–	–	–	–	–
Total transactions with owners of the Company	1	76	–	(2)	(1)	–	–	(200)	(126)	–	(126)
Balance at 30 June 2022	**121**	**3,447**	**114**	**(3)**	**19**	**3**	**169**	**10,825**	**14,695**	**–**	**14,695**

1. Non-controlling interests relate to Vailog Sàrl.

For the six months ended 30 June 2021

	Attributable to owners of the parent										
					Other reserves						
(unaudited)	Ordinary share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Share-based payment reserve £m	Translation, hedging and other reserve £m	Merger reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interest[1] £m	Total equity £m
Balance at 1 January 2021	119	3,277	114	(1)	22	62	169	5,897	9,659	12	9,671
Profit for the period	–	–	–	–	–	–	–	1,317	1,317	4	1,321
Other comprehensive expense	–	–	–	–	–	(76)	–	–	(76)	–	(76)
Total comprehensive (expense)/income for the period	–	–	–	–	–	(76)	–	1,317	1,241	4	1,245
Transactions with owners of the Company											
Issues of shares	–	1	–	–	–	–	–	–	1	–	1
Own shares acquired	–	–	–	(3)	–	–	–	–	(3)	–	(3)
Equity-settled share-based payment transactions	–	–	–	3	(7)	–	–	5	1	–	1
Dividends	1	65	–	–	–	–	–	(181)	(115)	–	(115)
Movement in non-controlling interest[1]	–	–	–	–	–	–	–	(1)	(1)	(16)	(17)
Total transactions with owners of the Company	1	66	–	–	(7)	–	–	(177)	(117)	(16)	(133)
Balance at 30 June 2021	120	3,343	114	(1)	15	(14)	169	7,037	10,783	–	10,783

1. Non-controlling interests relate to Vailog Sàrl and Sofibus Patrimoine SA. During the period the remaining share capital of Sofibus Patrimoine SA was acquired and is a 100 per cent subsidiary of the Group at 30 June 2021.

For the year ended 31 December 2021

(audited)	Ordinary share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Share-based payment reserve £m	Translation, hedging and other reserve £m	Merger reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interest[1] £m	Total equity £m
	Attributable to owners of the parent				Other reserves						
Balance at 1 January 2021	119	3,277	114	(1)	22	62	169	5,897	9,659	12	9,671
Profit for the year	–	–	–	–	–	–	–	4,060	4,060	7	4,067
Other comprehensive (expense)/income	–	–	–	–	–	(111)	–	–	(111)	1	(110)
Total comprehensive (expense)/income for the year	–	–	–	–	–	(111)	–	4,060	3,949	8	3,957
Transactions with owners of the Company											
Issues of shares	–	1	–	–	–	–	–	–	1	–	1
Own shares acquired	–	–	–	(3)	–	–	–	–	(3)	–	(3)
Equity-settled share-based payment transactions	–	–	–	3	(2)	–	–	6	7	–	7
Dividends	1	93	–	–	–	–	–	(270)	(176)	(4)	(180)
Movement in non-controlling interest[1]	–	–	–	–	–	–	–	(1)	(1)	(16)	(17)
Total transactions with owners of the Company	1	94	–	–	(2)	–	–	(265)	(172)	(20)	(192)
Balance at 31 December 2021	120	3,371	114	(1)	20	(49)	169	9,692	13,436	–	13,436

1. Non-controlling interests relate to Vailog Sàrl and Sofibus Patrimoine SA. During the period the remaining share capital of Sofibus Patrimoine SA was acquired and is a 100 per cent subsidiary of the Group at 31 December 2021.

CONDENSED GROUP CASH FLOW STATEMENT

For the six months ended 30 June 2022

	Notes	**Half year to 30 June 2022 (unaudited) £m**	Half year to 30 June 2021 (unaudited) £m	Year to 31 December 2021 (audited) £m
Cash flows from operating activities	14	**218**	168	347
Interest received		**14**	21	48
Dividends received		**5**	4	33
Interest paid		**(61)**	(46)	(100)
Tax paid		**(13)**	(2)	(17)
Net cash received from operating activities		**163**	145	311
Cash flows from investing activities				
Purchase and development of investment properties		**(658)**	(371)	(1,706)
Sale of investment properties		**223**	350	491
Acquisition of other interests in property		**(3)**	–	(8)
Purchase of plant and equipment and intangibles		**(3)**	(5)	(7)
Acquisition of other investments		**(3)**	(3)	(4)
Investment and loans to joint ventures		**(67)**	(67)	(74)
Divestment and repayment of loans from joint ventures		**36**	11	35
Net cash used in investing activities		**(475)**	(85)	(1,273)
Cash flows from financing activities				
Dividends paid to ordinary shareholders		**(100)**	(90)	(180)
Proceeds from borrowings	14	**1,833**	35	1,214
Repayment of borrowings	14	**(1,385)**	(34)	(140)
Principal element of lease payments		**(1)**	(1)	(2)
Settlement of foreign exchange derivatives		**15**	34	40
Purchase of non-controlling interest		**–**	(12)	(12)
Proceeds from issue of ordinary shares		**–**	1	1
Purchase of ordinary shares		**(5)**	(3)	(3)
Net cash generated from/(used in) financing activities		**357**	(70)	918
Net increase/(decrease) in cash and cash equivalents		**45**	(10)	(44)
Cash and cash equivalents at the beginning of the period		**45**	89	89
Effect of foreign exchange rate changes		**1**	(1)	–
Cash and cash equivalents at the end of the period	13	**91**	78	45

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed set of financial statements for the six months ended 30 June 2022 were approved by the Board of Directors on 27 July 2022.

The condensed set of financial statements for the six months ended 30 June 2022 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 2021 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 UK-adopted International Accounting Standards (IAS) and the requirements of the Companies Act 2006 as applicable to companies reporting under those standards and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union 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 both UK-adopted International Accounting Standard 34 'Interim Financial Reporting', and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority as well as EU-adopted International Accounting Standard 34 'Interim Financial Reporting'.

UK-adopted International Accounting Standards differs in certain respects from International Financial Reporting Standards as adopted by the EU. The differences have no material impact on the Group's condensed financial statements for the periods presented, which therefore also comply with International Financial Reporting Standards as adopted by the EU.

The condensed set of financial statements have been prepared on a going concern basis for a period of at least 12 months from the date of approval of the financial statements. This is discussed further in the Financial Review section.

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.

The following new accounting amendments became effective for the financial year beginning on 1 January 2022:

- Amendments to IFRS 3, 'Business Combinations'
- Amendments to IAS 16, 'Property, Plant and Equipment'
- Amendments to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'
- Annual Improvements 2018-2020

The Group did not have to change its accounting policies or make retrospective adjustments as a result of these amendments.

The principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.16 (30 June 2021: £1 = €1.17; 31 December 2021: £1 = €1.19)
Income statement: £1 = €1.19 (30 June 2021: £1 = €1.15; 31 December 2021: £1 = €1.16)

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

2. ADJUSTED PROFIT

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

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

The Directors may also exclude from the EPRA profit measure additional items (gains and losses) which are considered by them to be non-recurring, not in the ordinary course of business and significant by virtue of size and nature. No non-EPRA adjustments to underlying profit were made in the current or prior periods.

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

	Notes	**Half year to 30 June 2022 £m**	Half year to 30 June 2021[3] £m	Year to 31 December 2021[3] £m
Gross rental income	4	**239**	195	398
Property operating expenses	5	**(36)**	(28)	(57)
Net rental income[3]		**203**	167	341
Joint venture fee income	4	**57**	12	52
Management and development fee income	4	**2**	3	5
Net solar energy income[2]		**1**	1	1
Administration expenses		**(31)**	(27)	(59)
Share of joint ventures' adjusted profit after tax[1]	6	**16**	32	56
Adjusted operating profit before interest and tax		**248**	188	396
Net finance costs (including adjustments)	8	**(32)**	(20)	(40)
Adjusted profit before tax		**216**	168	356
Adjustments to reconcile to IFRS:				
Adjustments to the share of profit from joint ventures after tax[1]	6	**135**	178	405
Realised and unrealised property gain	7	**1,172**	1,122	3,669
Gain on sale of trading properties		**2**	1	7
Net fair value loss on interest rate swaps and other derivatives	8	**(150)**	(56)	(82)
Total adjustments		**1,159**	1,245	3,999
Profit before tax		**1,375**	1,413	4,355
Tax				
On Adjusted profit	9	**(12)**	(3)	(8)
In respect of adjustments	9	**(29)**	(89)	(280)
Total tax adjustments		**(41)**	(92)	(288)
Profit after tax before non-controlling interests		**1,334**	1,321	4,067
Non-controlling interests:				
Less: share of adjusted profit attributable to non-controlling Interests		**–**	–	–
: share of adjustments attributable to non-controlling interests		**(1)**	(4)	(7)
Profit after tax and non-controlling interests		**1,333**	1,317	4,060
Of which:				
Adjusted profit after tax and non-controlling interests		**204**	165	348
Total adjustments after tax and non-controlling interests		**1,129**	1,152	3,712
Profit attributable to equity shareholders		**1,333**	1,317	4,060

1. A detailed breakdown of the adjustments to the share of profit from joint ventures is included in Note 6.
2. Net solar income of £1 million (31 December 2021: £1 million; 30 June 2021: £1 million) is calculated as Solar energy income of £1 million (31 December 2021: £2 million; 30 June 2021: £1 million) shown in Note 4, less Solar energy expenses of £nil (31 December 2021: £1 million; 30 June 2021: £nil) shown in Note 5.
3. The composition of gross and net rental income has changed in 2022 to provide a better measure of the underlying rental income from the property portfolio. Management and development fee income; service charge income and expense; and solar energy income and expense are now presented outside of gross and net rental income. Details of the change is disclosed further in Note 4 and 5. Service charge income is netted against the equal and opposite service charge expense and are not shown as separate line items in the table above. There is no impact on Adjusted operating profit before interest and tax from this change and the prior period comparatives in the table above have been represented to reflect this change.

3. SEGMENTAL REPORTING

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

	Gross rental income[4] £m	Net rental Income[4] £m	Share of joint ventures' Adjusted profit £m	Adjusted operating PBIT[2] £m	Total directly owned property assets £m	Investments in joint ventures £m	Capital expenditure[3] £m
				30 June 2022			
Thames Valley	**57**	**53**	**–**	**52**	**3,512**	**–**	**59**
National Logistics	**21**	**20**	**–**	**22**	**2,039**	**–**	**139**
Greater London	**101**	**93**	**–**	**92**	**8,066**	**13**	**271**
Northern Europe	**15**	**11**	**14**	**28**	**1,053**	**1,037**	**40**
Southern Europe	**41**	**32**	**18**	**56**	**2,397**	**1,350**	**160**
Central Europe	**4**	**2**	**10**	**14**	**199**	**630**	**6**
Other[1]	**–**	**(8)[1]**	**(26)[1]**	**(16)[1]**	**–**	**(1,008)**	**3**
Total	**239**	**203**	**16**	**248**	**17,266**	**2,022**	**678**
				30 June 2021			
Thames Valley	41	39	–	39	2,249	–	15
National Logistics	18	17	–	17	1,438	1	94
Greater London	85	78	–	77	5,349	–	79
Northern Europe	13	9	12	24	765	834	27
Southern Europe	35	27	16	49	1,939	1,116	217
Central Europe	3	2	11	15	157	517	1
Other[1]	–	(5)	(7)	(33)	–	(848)	5
Total	195	167	32	188	11,897	1,620	438
				31 December 2021			
Thames Valley	86	80	–	79	3,102	–	454
National Logistics	35	33	–	34	1,717	–	213
Greater London	173	163	–	161	7,325	8	678
Northern Europe	26	18	26	52	928	911	93
Southern Europe	71	56	35	100	2,285	1,178	443
Central Europe	7	4	22	31	180	559	22
Other[1]	–	(13)[1]	(27)[1]	(61)[1]	–	(861)[4]	7
Total	398	341	56	396	15,537	1,795	1,910

1. 'Other' category includes the corporate centre, SELP holding companies and costs relating to the operational business which are not specifically allocated to a geographical Business Unit. Additionally, in the period ended 30 June 2022 and year ended 31 December 2021 the impact of the SELP performance fee (detailed in Note 6) on Share of joint ventures Adjusted profit (being the performance fee expense recognised by SELP of £21 million (31 December 2021: £13 million; 30 June 2021: £nil)) and Adjusted PBIT (being the net profit impact to the Group of £21 million (31 December 2021: £13 million; 30 June 2021: £nil)) is shown within Other.
2. A reconciliation of total Adjusted PBIT to the IFRS profit before tax is provided in Note 2.
3. Capital expenditure includes additions and acquisitions of investment and trading properties but does not include tenant incentives, letting fees and rental guarantees. Part of the capital expenditure incurred is in response to climate change including the reduction of the carbon footprint of the Group's existing investment properties and developments. The "Other" category includes non-property related spend, primarily IT.
4. The composition of gross and net rental income has changed in 2022. Management and development fee income, service charge income and expenses, and solar energy income and expenses are now presented outside of gross and net rental income. See Notes 4 and 5 for further details. The prior period comparatives in the table above have been represented to reflect this change.

4. REVENUE

	Half year to 30 June 2022 £m	Half year to 30 June 2021[2] £m	Year to 31 December 2021[2] £m
Rental income from investment and trading properties	**230**	188	382
Rent averaging	**8**	5	13
Surrender premiums	**1**	2	3
Gross rental income[1,2]	**239**	195	398
Joint venture fees - management fees*	**15**	12	26
- performance fee*	**42**	–	26
Joint venture fee income	**57**	12	52
Management and development fee income*[2]	**2**	3	5
Service charge income*[2]	**22**	21	42
Solar energy income*[2]	**1**	1	2
Proceeds from sale of trading properties*	**9**	14	47
Total revenue	**330**	246	546

* The above income streams are recognised under IFRS 15 Revenue from Contracts with Customers and total £91 million (31 December 2021: £148 million; 30 June 2021: £51 million).

1. Net rental income of £203 million (31 December 2021: £341 million; 30 June 2021: £167 million) is calculated as gross rental income of £239 million (31 December 2021 £398 million; 30 June 2021: £195 million) less total property operating expenses of £36 million (31 December 2021: £57 million; 30 June 2021: £28 million) shown in Note 5.
2. The composition of gross rental income within Total Revenue has changed in 2022. Management and development fee, Service charge income and Solar energy income are now presented outside of gross rental income. The prior period comparatives in the table above have been represented to reflect this change. Development fee income (31 December 2021: £2 million, 30 June 2021: £1 million) and Solar energy income (31 December 2021: £2 million, 30 June 2021: £1 million) were previously presented within the Rental income from investment and trading properties line in the table above.

5. COSTS

	Half year to 30 June 2022 £m	Half year to 30 June 2021[3] £m	Year to 31 December 2021[3] £m
Vacant property costs	**4**	3	5
Letting, marketing, legal and professional fees	**9**	5	11
Loss allowance and impairment of receivables	**1**	1	–
Other expenses	**6**	5	11
Property management expenses	**20**	14	27
Property administration expenses[1]	**23**	19	39
Costs capitalised[2]	**(7)**	(5)	(9)
Total property operating expenses	**36**	28	57
Service charge expense[3]	**22**	21	42
Solar energy expense[3]	**–**	–	1
Trading properties cost of sales	**7**	13	40
Total costs	**65**	62	140

1. Property administration expenses predominantly relate to the employee staff costs of personnel directly involved in managing the property portfolio.
2. Costs capitalised relate to staff costs of those internal employees directly involved in developing the property portfolio.
3. The composition of Property management expenses within Total expenses has changed in 2022. Service charge expense and Solar energy expense are now presented outside of Property management expenses. The prior period comparatives in the table above have been represented to reflect this change. Solar energy expense was previously presented within the Other expenses line in the table above.

6. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

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

	Half year to 30 June 2022 £m	Half year to 30 June 2021[4] £m	Year to 31 December 2021[4] £m
Revenue[1]	**146**	131	270
Gross rental income[4]	**112**	103	210
Property operating expenses:			
-underlying property operating expenses	**(8)**	(6)	(12)
-vacant property costs	**(1)**	(1)	(2)
-property management fees[2]	**(12)**	(10)	(22)
-performance fees[3]	**(42)**	–	(26)
Net rental income[4]	**49**	86	148
Management fee income[4]	**2**	1	4
Administration expenses	**(2)**	(2)	(3)
Net finance costs (including adjustments)	**(13)**	(13)	(26)
Adjusted profit before tax	**36**	72	123
Tax	**(4)**	(8)	(11)
Adjusted profit after tax	**32**	64	112
At share	***16***	*32*	*56*
Adjustments:			
Profit on sale of investment properties	**–**	–	19
Valuation surplus on investment properties	**343**	435	974
Tax in respect of adjustments	**(74)**	(79)	(183)
Total adjustments	**269**	356	810
At share	***135***	*178*	*405*
Profit after tax	**301**	420	922
At share	***151***	*210*	*461*
Total comprehensive income for the period	**301**	420	922
At share	***151***	*210*	*461*

1. Total revenue at 100 per cent of £146 million (31 December 2021: £270 million; 30 June 2021: £131 million) includes: Gross rental income £112 million (31 December 2021: £210 million; 30 June 2021: £103 million); service charge income £32 million (31 December 2021: £56 million; 30 June 2021: £27 million); and management fee income of £2 million (31 December 2021: £4 million; 30 June 2021: £1 million). Service charge income is netted against the equal and opposite service charge expense in calculating Adjusted profit before tax.
2. Property management fees paid to SEGRO.
3. Performance fees recognised by SEGRO. See Fees section below for further details.
4. The composition of gross and net rental income has changed in 2022. Management fee income and service charge income and expense are now presented outside of gross and net rental income. Service charge income is netted against the equal and opposite service charge expense in the table above and are not shown as separate line items. There is no impact on Adjusted operating profit before interest and tax from this change and the prior period comparatives in the table above have been represented to reflect this change.

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

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Investment properties	**6,552**	5,249	5,818
Property, plant and equipment	**2**	–	–
Total non-current assets	**6,554**	5,249	5,818
Trade and other receivables	**139**	173	78
Cash and cash equivalents	**110**	66	43
Total current assets	**249**	239	121
Total assets	**6,803**	5,488	5,939
Borrowings	**(1,974)**	(1,701)	(1,723)
Deferred tax liabilities	**(589)**	(412)	(504)
Total non-current liabilities	**(2,563)**	(2,113)	(2,227)
Trade and other liabilities	**(195)**	(136)	(122)
Total current liabilities	**(195)**	(136)	(122)
Total liabilities	**(2,758)**	(2,249)	(2,349)
Net assets	**4,045**	3,239	3,590
At share	***2,022***	*1,620*	*1,795*

Fees

SEGRO provides certain services, including venture advisory and asset management, to the SELP joint venture and receives fees for doing so.

A 10 year performance fee, denominated in euros, is payable from SELP to SEGRO in October 2023 based on SELP's internal rate of return ('IRR') subject to certain hurdle rates. The IRR calculation is based on a 10 year performance period from the inception of SELP in October 2013 to October 2023. The IRR calculation to determine whether the hurdle rates will be met when the performance period ends is currently an estimation and sensitive to movements and assumptions in property valuations over the remaining performance period.

In the year ended 31 December 2021, SEGRO recognised a performance fee of £26 million (€29 million) in its Income Statement. An equivalent performance fee expense was recognised within the share of profit from joint ventures.

In the six months to 30 June 2022, SEGRO has recognised a performance fee of £42 million (€50 million) (H1 2021: £nil) in the Income Statement. When consolidating the SELP Group financial statements into the SEGRO Group, an equivalent performance fee expense of £42 million (£21 million at share) has been recognised within the share of profit from joint ventures and reflected in table 6(i) above.

This means the cumulative 10 year performance fee recognised by SEGRO to 30 June 2022 totals £68 million (€79 million) (FY 2021 fee of £26 million plus HY 2022 fee of £42 million). The full amount of the cumulative performance fee recognised is subject to future reversal based on performance over the remaining period to October 2023.

Performance fee income is recognised during the performance period to the extent that it is highly probable there will not be a significant future reversal and the fee can be reliably estimated. None of the £42 million performance fee recognised in 2022 will be reversed if property values fall by up to 17 per cent between 30 June 2022 and the end of the performance period in October 2023. If property values fall by over 21 per cent all of the £42 million performance fee recognised in the period would be reversed. If property values fall by over 23 per cent all of the £68 million cumulative performance fee recognised to date would be reversed.

Based on SEGRO management's assessment of these sensitivities in light of market conditions at the period end, the market outlook and the track record of property market trends, management considers it highly probable that there will not be a significant reversal of the performance fee recognised in the period.

Sensitivity

Based on current estimates of the IRR of SELP from inception in October 2013 to 30 June 2022, an additional performance fee (beyond the cumulative fee of €79 million recognised to 30 June 2022) due to SEGRO in October 2023 could be in the region of €288 million (€144 million at share after accounting for the corresponding performance fee expense recognised in SELP). However, this is dependent on future events, in particular property valuation movements, to the end of the performance period in October 2023. The current estimate of the IRR is based on property values as at 30 June 2022: a 10 per cent decrease in property values would result in a €162 million decrease in the estimated fee and a 10 per cent increase in property values would result in a €162 million increase in the estimated fee. If property values decreased by 17 per cent no additional performance fee would be due beyond the cumulative amount recognised to 30 June 2022. A further performance fee above the £42 million recorded during the period has not been recognised as management do not consider it highly probable that there will not be a significant reversal.

7. REALISED AND UNREALISED PROPERTY GAIN

	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m	Year to 31 December 2021 £m
(Loss)/profit on sale of investment properties	**(1)**	4	53
Valuation surplus on investment properties	**1,164**	1,118	3,617
Decrease/(increase) in provision for impairment of trading properties	**9**	–	(1)
Total realised and unrealised property gain	**1,172**	1,122	3,669

The above table does not include realised gains on sale of trading properties of £2 million (31 December 2021: £7 million; 30 June 2021: £1 million) as detailed further in Note 2.

Total valuation surplus on investment and trading properties total £1,345 million (31 December 2021: £4,103 million; 30 June 2021: £1,335 million). This comprises £1,164 million surplus from investment properties (31 December 2021: £3,617 million; 30 June 2021: £1,118 million), £9 million reversal of impairment from trading properties (31 December 2021: impairment of £1 million; 30 June 2021: £nil) and £172 million surplus from joint ventures at share (31 December 2021: £487 million; 30 June 2021: £217 million).

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

8. NET FINANCE COSTS

Finance income	**Half year to 30 June 2022 £m**	Half year to 30 June 2021 £m	Year to 31 December 2021 £m
Interest received on bank deposits and related derivatives	**11**	16	24
Fair value gain on interest rate swaps and other derivatives	**25**	7	11
Total finance income	**36**	23	35
Finance costs			
Interest on overdrafts, loans and related derivatives	**(43)**	(37)	(67)
Amortisation of issue costs	**(4)**	(1)	(3)
Interest on lease liabilities	**(1)**	(2)	(3)
Total borrowing costs	**(48)**	(40)	(73)
Less amount capitalised on the development of properties	**6**	4	9
Net borrowing costs	**(42)**	(36)	(64)
Fair value loss on interest rate swaps and other derivatives	**(175)**	(63)	(93)
Exchange differences	**(1)**	–	–
Total finance costs	**(218)**	(99)	(157)
Net finance costs	**(182)**	(76)	(122)

Net finance costs (including adjustments) in Adjusted profit (see Note 2) are £32 million (31 December 2021: £40 million; 30 June 2021: £20 million). This excludes net fair value loss on interest rate swaps and other derivatives of £150 million (31 December 2021: loss of £82 million; 30 June 2021: loss of £56 million) in the table above.

9. TAX

9(i) Tax on profit

	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m	Year to 31 December 2021 £m
Tax:			
On Adjusted profit	**(12)**	(3)	(8)
In respect of adjustments			
- French withholding tax	**(13)**	–	(145)
- SIIC entry charge	**–**	(39)	(38)
- Other (primarily in respect of property valuation movements)	**(16)**	(50)	(97)
Total tax charge	**(41)**	(92)	(288)
Current tax			
Current tax charge	**(27)**	(23)	(36)
French withholding tax	**–**	–	(16)
SIIC entry charge	**–**	(39)	(38)
Total current tax charge	**(27)**	(62)	(90)
Deferred tax			
Origination and reversal of temporary differences	**(5)**	(2)	(34)
Released in respect of property disposals in the period	**18**	21	22
On valuation movements	**(25)**	(48)	(173)
Total deferred tax in respect of investment properties	**(12)**	(29)	(185)
Other deferred tax	**(2)**	(1)	(13)
Total deferred tax charge	**(14)**	(30)	(198)
Total tax charge on profit on ordinary activities	**(41)**	(92)	(288)

The Group operates in a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. The tax impact can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The Group uses in-house expertise when assessing uncertain tax positions and seeks the advice of external professional advisors where appropriate. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including tax laws and prior experience. The most significant assessment relates to the recognition of withholding tax in France.

9(ii) Deferred tax liabilities

Movement in deferred tax was as follows:

	Balance 1 January 2022 £m	Exchange movement £m	Acquisitions/ (disposals) £m	Recognised in income £m	Balance 30 June 2022 £m	Balance 30 June 2021 £m
Valuation surplus and deficits on properties/accelerated tax allowances	**259**	**8**	**–**	**13**	**280**	109
Others	**15**	**–**	**–**	**1**	**16**	3
Total deferred tax liabilities	**274**	**8**	**–**	**14**	**296**	112

10. DIVIDENDS

	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m	Year to 31 December 2021 £m
Ordinary dividends paid			
Final dividend for 2021 @ 16.9 pence per share	**203**	–	–
Interim dividend for 2021 @ 7.4 pence per share	**–**	–	89
Final dividend for 2020 @ 15.2 pence per share	**–**	181	181
	203	181	270

The Board has declared an interim dividend of 8.1 pence per ordinary share (2021: 7.4 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 0.2 million shares (0.2 million for the full year 2021 and 0.2 million for half year 2021) being the average number of shares held on trust during the period for employee share schemes and net assets per share exclude 0.2 million shares (0.2 million for the full year 2021 and 0.2 million for the half year 2021) being the actual number of shares held on trust for employee share schemes at the period end.

11(i) Earnings per ordinary share (EPS)

	Half year to 30 June 2022			Half year to 30 June 2021			Year to 31 December 2021		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic EPS	**1,333**	**1,204.2**	**110.7**	1,317	1,194.1	110.3	4,060	1,197.7	339.0
Dilution adjustments:									
Share and save as you earn schemes	**–**	**3.3**	**(0.3)**	–	2.9	(0.3)	–	3.3	(0.9)
Diluted EPS	**1,333**	**1,207.5**	**110.4**	1,317	1,197.0	110.0	4,060	1,201.0	338.1
Basic EPS	**1,333**	**1,204.2**	**110.7**	1,317	1,194.1	110.3	4,060	1,197.7	339.0
Adjustments to profit before tax[1]	**(1,159)**		**(96.2)**	(1,245)		(104.3)	(3,999)		(333.9)
Tax in respect of Adjustments	**29**		**2.4**	89		7.5	280		23.4
Non-controlling interest on adjustments	**1**		**–**	4		0.3	7		0.6
Adjusted Basic EPS	**204**	**1,204.2**	**16.9**	165	1,194.1	13.8	348	1,197.7	29.1
Adjusted Diluted EPS	**204**	**1,207.5**	**16.9**	165	1,197.0	13.8	348	1,201.0	29.0

1. Details of adjustments are included in Note 2.

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

The EPRA Net Tangible Assets (NTA) metric is considered to be most consistent with the nature of SEGRO's business as a UK REIT providing long-term progressive and sustainable returns. EPRA NTA acts as the primary measure of net asset value and is also referred to as Adjusted Net Asset Value (or Adjusted NAV).

A reconciliation from IFRS NAV to Adjusted NAV is set out in the table below along with the net asset per share metrics.

Table 4 of the supplementary notes provides a reconciliation for each of the three EPRA net asset value metrics.

	As at 30 June 2022			As at 30 June 2021			As at 31 December 2021		
	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	**14,695**	**1,208.9**	**1,216**	10,783	1,200.0	899	13,436	1,202.3	1,118
Dilution adjustments:									
Share and save as you earn schemes	**–**	**3.2**	**(4)**	–	2.5	(2)	–	3.2	(3)
Diluted NAV	**14,695**	**1,212.1**	**1,212**	10,783	1,202.5	897	13,436	1,205.5	1,115
Fair value adjustment in respect of interest rate derivatives – Group	**161**		**13**	(1)		–	24		2
Fair value adjustment in respect of trading properties – Group	**10**		**1**	–		–	1		–
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	**139**		**12**	55		5	129		11
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures[1]	**143**		**12**	100		8	123		10
Intangible assets	**(9)**		**(1)**	(8)		(1)	(9)		(1)
Adjusted NAV (EPRA NTA)	**15,139**	**1,212.1**	**1,249**	10,929	1,202.5	909	13,704	1,205.5	1,137

1. 50 per cent of deferred tax in respect of depreciation and valuation surpluses has been excluded in calculating Adjusted NAV in line with option 3 of EPRA Best Practices Recommendations guidelines.

12. PROPERTIES

12(i) Investment properties

	Completed £m	**Development £m**	**Total £m**
At 1 January 2022	**13,815**	**1,461**	**15,276**
Exchange movement	71	16	87
Property acquisitions	108	220	328
Additions to existing investment properties	17	326	343
Disposals[2]	(209)	–	(209)
Transfers on completion of development and completed properties taken back for redevelopment	(322)	322	–
Transfers from/(to) trading properties	3	(7)	(4)
Revaluation surplus during the period	923	241	1,164
At 30 June 2022	**14,406**	**2,579**	**16,985**
Add tenant lease incentives, letting fees and rental guarantees	152	–	152
Investment properties excluding head lease liabilities at 30 June 2022	**14,558**	**2,579**	**17,137**
Add head lease liabilities (ROU assets)[1]	72	–	72
Total investment properties at 30 June 2022	**14,630**	**2,579**	**17,209**
Total investment properties at 30 June 2021	10,243	1,607	11,850

1. At 30 June 2022 investment properties included £72 million (31 December 2021: £70 million; 30 June 2021: £75 million) for the head lease liabilities (ROU assets) recognised under IFRS 16.

2. Total disposals completed in H1 2022 of £181 million shown in the Chief Executive's Review includes: Carrying value of investment properties disposed by the Group of £209 million less loss generated on disposal of £1 million (see Note 7); proceeds from the sale of trading properties by the Group of £9 million (see Note 4); share of joint venture investment properties disposal proceeds of £49 million; carrying value of lease incentives, letting fees and rental guarantees disposed by the Group and joint venture (at share) of £1 million; and excludes 50 per cent of the disposal proceeds for assets sold by SEGRO to SELP JV of £86 million (further discussed below).

Investment properties are stated at fair value based on external valuations performed by professionally qualified, independent valuers. The Group's wholly owned property portfolio and joint venture properties were performed by CBRE Ltd (apart from one asset 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. All investment property would be classified as level 3 fair value measurements, there has been no change in the valuation technique and no significant changes in the assumptions used during the period. The valuation surplus recognised during the period is discussed further in the Chief Executive's Review.

CBRE Ltd also undertake some professional and agency work on behalf of the Group, although this is limited relative to the activities provided by other advisors to the Group as a whole.

Sensitivity analysis

An increase/decrease to ERV will increase/decrease valuations, while an increase/decrease to yield will decrease/increase valuations. Sensitivity analysis showing the impact on valuations of changes in yields and ERV on the property portfolio (including joint ventures at share) and the impact on valuations of changes in development costs on the development property and land portfolio (including joint ventures at share) is shown below. Management continues to consider a +/- 25bp change in yield, a +/- 5% change in ERV and a +/- 10% change in development costs to be reasonably possible changes to the assumptions.

		Impact on valuation of 25bp change in nominal equivalent yield		**Impact on valuation of 5% change in estimated rental value (ERV)**		**Impact on valuation of 10% change in estimated development costs**	
	Group[1] £m	Increase £m	Decrease £m	Increase £m	Decrease £m	Increase £m	Decrease £m
30 June 2022							
Completed property	**17,743**	**(1,155)**	**1,322**	**683**	**(680)**	**–**	**–**
Development property and land	**2,737**	**(238)**	**260**	**285**	**(285)**	**(299)**	**299**
Group total property portfolio	**20,480**	**(1,393)**	**1,582**	**968**	**(965)**	**(299)**	**299**
30 June 2021							
Completed property	12,662	(685)	692	472	(467)	–	–
Development property and land	1,784	(139)	152	176	(176)	(176)	176
Group total property portfolio	14,446	(824)	844	648	(643)	(176)	176
31 December 2021							
Completed property	16,739	(1,057)	1,211	628	(625)	–	–
Development property and land	1,638	(164)	172	192	(199)	(232)	225
Group total property portfolio	18,377	(1,221)	1,383	820	(824)	(232)	225

1. For further details see Table 7 of the supplementary notes.

There are interrelationships between all these inputs as they are determined by market conditions. The existence of an increase in more than one input would be to magnify the impact on the valuation. The impact on the valuation will be mitigated by the interrelationship of two inputs in opposite directions, e.g. an increase in rent may be offset by an increase in yield.

Completed properties include buildings that are occupied or are available for occupation. Development properties include land available for development (land bank), land under development, construction in progress and covered land. To provide additional transparency over the future development pipeline of the Group, the 'covered land' category has been identified in the year. This new category consists of income-producing assets acquired with the explicit intention to take back for redevelopment in the short to medium term. Valued on the balance sheet as land plus remaining contracted income. As a result of the new covered land category, £493 million of standing assets acquired in 2021 have been identified as covered land, these assets were classified as Completed property as at 31 December 2021 and during the period transferred to Development property in the table above. The carrying value of covered land held within Development properties is £648 million (31 December 2021: £nil; 30 June 2021: £nil).

At 30 June 2022 investment properties included £152 million tenant lease incentives, letting fees and rent guarantees (31 December 2021: £146 million; 30 June 2021: £137 million).

The carrying value of investment properties situated on land held under leaseholds amount to £216 million (excluding head lease ROU assets) (31 December 2021: £206 million; 30 June 2021: £183 million).

The disposals of completed properties during the period includes properties with a carrying value of £172 million (31 December 2021: £231 million; 30 June 2021: £233 million) sold to the SELP joint venture.

12(ii) Trading properties

The carrying value of trading properties at 30 June 2022 was £57 million (31 December 2021: £45 million; 30 June 2021: £47 million). Based on the fair value at 30 June 2022, the portfolio has unrecognised surplus of £10 million (31 December 2021: £1 million; 30 June 2021: £nil).

13. NET BORROWINGS AND FINANCIAL INSTRUMENTS

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
In one year or less	**–**	1	–
In more than one year but less than two	**169**	1	–
In more than two years but less than five	**759**	210	877
In more than five years but less than ten	**1,757**	909	1,308
In more than ten years	**1,238**	1,232	1,221
In more than one year	**3,923**	2,352	3,406
Total borrowings	**3,923**	2,353	3,406
Cash and cash equivalents	**(91)**	(78)	(45)
Net borrowings	**3,832**	2,275	3,361
Total borrowings is split between secured and unsecured as follows:			
Secured (on land and buildings)	**2**	13	2
Unsecured	**3,921**	2,340	3,404
Total borrowings	**3,923**	2,353	3,406
Currency profile of total borrowings after derivative instruments			
Sterling	**730**	(113)	617
Euros	**3,193**	2,466	2,789
Total borrowings	**3,923**	2,353	3,406

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Maturity profile of undrawn borrowing facilities			
In one year or less	**17**	9	8
In more than one year but less than two	**862**	–	630
In more than two years	**825**	896	210
Total available undrawn facilities	**1,704**	905	848

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Fair value of financial instruments			
Book value of debt	**3,923**	2,353	3,406
Interest rate derivatives	**161**	(1)	24
Foreign exchange derivatives	**(13)**	(19)	(32)
Book value of debt including derivatives	**4,071**	2,333	3,398
Net fair market value	**3,656**	2,655	3,658
Mark to market adjustment (pre-tax)	**(415)**	322	260

In March 2022, SEGRO established a European Medium-Term Note (EMTN) programme. Upon creation, SEGRO issued €650 million of four year and €500 million of eight year unsecured green bonds. The annual coupons were 1.25 per cent and 1.875 per cent respectively.

Also in March 2022, SEGRO entered into an additional €1 billion multicurrency term loan facility maturing in March 2024. This facility was undrawn at 30 June 2022.

In May 2022, SEGRO extended the maturity of its €1.2 billion of revolving credit facilities for a further year to 2027. SELP also extended maturity of its €500 million revolving credit facility for a further year to 2026.

On 15 July 2022 SEGRO signed a €225 million US Private Placement with a group of institutional investors (after being arranged in June 2022). The transaction (which will fund on 22 September 2022) consists of two tranches: €50 million of notes at a fixed coupon of 3.87 per cent and €175 million of notes at a fixed coupon of 4.14 per cent.

The debt financing is discussed in more detail in the Financial Position and Funding section.

Fair value measurements recognised in the Balance Sheet

The financial instruments that are measured subsequent to initial recognition at fair value are 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 periods.

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. NOTES TO THE CONDENSED GROUP CASH FLOW STATEMENT

14(i) Reconciliation of cash generated from operations

	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m	Year to 31 December 2021 £m
Operating profit	**1,557**	1,489	4,477
Adjustments for:			
Depreciation of property, plant and equipment	**2**	2	5
Share of profit from joint ventures after tax	**(151)**	(210)	(461)
Loss/(profit) on sale of investment properties	**1**	(4)	(53)
Revaluation surplus on investment properties	**(1,164)**	(1,118)	(3,617)
Other provisions	**(5)**	5	9
	240	164	360
Changes in working capital:			
Decrease in trading properties	**1**	4	12
Increase in debtors and tenant incentives	**(55)**	(1)	(49)
Increase in creditors	**32**	1	24
Net cash inflow generated from operations	**218**	168	347

14(ii) Analysis of net debt

	At 1 January 2022 £m	Cash inflow[1] £m	Cash Outflow[2] £m	Non-cash movements Exchange movement £m	Other non-cash adjustments[3] £m	**At 30 June 2022 £m**
Bank loans and loan capital	3,429	1,833	(1,385)	83	–	**3,960**
Capitalised finance costs	(23)	–	(18)	–	4	**(37)**
Total borrowings	3,406	1,833	(1,403)	83	4	**3,923**
Cash in hand and at bank	(45)	(45)	–	(1)	–	**(91)**
Net debt	3,361	1,788	(1,403)	82	4	**3,832**

1.Proceeds from borrowings of £1,833 million.

2.Cash outflow of £1,403 million, comprises the repayment of borrowings of £1,385 million and capitalised costs of £18 million.

3.The other non-cash adjustments relate to the amortisation of issue costs offset against borrowings.

15. 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 in Note 6 and 12 in this condensed set of financial statements.

16. SUBSEQUENT EVENTS

There have been no subsequent events other than those disclosed in Note 13.

SUPPLEMENTARY NOTES NOT PART OF CONDENSED FINANCIAL INFORMATION

TABLE 1: EPRA PERFORMANCE MEASURES SUMMARY

		Half year to 30 June 2022		Half year to 30 June 2021		Year to 31 December 2021	
	Notes	**£m**	**Pence per share**	£m	Pence per share	£m	Pence per share
EPRA Earnings	Table 6	**204**	**16.9**	165	13.8	348	29.1
EPRA NTA (Adjusted NAV)	Table 4	**15,139**	**1,249**	10,929	909	13,704	1,137
EPRA NRV	Table 4	**16,520**	**1,363**	11,868	987	14,986	1,243
EPRA NDV	Table 4	**15,257**	**1,259**	10,432	868	13,155	1,091
EPRA LTV	Table 5		**25.1%**		23.9%		24.5%
EPRA net initial yield	Table 7		**2.9%**		3.5%		3.0%
EPRA 'topped up' net initial yield	Table 7		**3.2%**		3.8%		3.3%
EPRA vacancy rate	Table 8		**3.3%**		4.3%		3.2%
EPRA cost ratio (including vacant property costs)	Table 9		**20.5%**		19.8%		20.2%
EPRA cost ratio (excluding vacant property costs)	Table 9		**19.0%**		18.4%		19.0%

TABLE 2: INCOME STATEMENT, PROPORTIONALLY CONSOLIDATED

		Half year to 30 June 2022			Half year to 30 June 2021			Year to 31 December 2021		
	Notes	**Group £m**	**JV £m**	**Total £m**	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Gross rental income	2, 6	**239**	**56**	**295**	195	51	246	398	105	503
Property operating expenses	2, 6	**(36)**	**(4)**	**(40)**	(28)	(4)	(32)	(57)	(7)	(64)
Net rental income[2]		**203**	**52**	**255**	167	47	214	341	98	439
Joint venture fee income[1]	2	**57**	**(27)**	**30**	12	(5)	7	52	(24)	28
Management and development fee income[2]	2	**2**	**1**	**3**	3	1	4	5	2	7
Net solar energy income[2]	2	**1**	**–**	**1**	1	–	1	1	–	1
Administration expenses	2	**(31)**	**(1)**	**(32)**	(27)	(1)	(28)	(59)	(2)	(61)
Adjusted operating profit before interest and tax		**232**	**25**	**257**	156	42	198	340	74	414
Net finance costs (including adjustments)	2, 6	**(32)**	**(7)**	**(39)**	(20)	(6)	(26)	(40)	(13)	(53)
Adjusted profit before tax		**200**	**18**	**218**	136	36	172	300	61	361
Tax on adjusted profit	2, 6	**(12)**	**(2)**	**(14)**	(3)	(4)	(7)	(8)	(5)	(13)
Adjusted earnings before non-controlling interests		**188**	**16**	**204**	133	32	165	292	56	348
Non-controlling interest on adjusted profit		**–**	**–**	**–**	–	–	–	–	–	–
Adjusted/EPRA earnings after tax and non-controlling interests		**188**	**16**	**204**	133	32	165	292	56	348
Number of shares, million				**1,204.2**			1,194.1			1,197.7
Adjusted/EPRA EPS, pence per share				**16.9**			13.8			29.1
Number of shares, million				**1,207.5**			1,197.0			1,201.0
Adjusted/EPRA EPS, pence per share – diluted				**16.9**			13.8			29.0

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.
2. The composition of gross and net rental income has changed in 2022 to give a better measure of the underlying rental income from the property portfolio. Management and development fee income; service charge income and expense; and solar energy income and expense are now presented outside of gross and net rental income. Details of the change is disclosed further in Notes 4, 5 and 6. Service charge income is netted against the equal and opposite service charge expense and are not shown as separate line items in the table above. There is no impact on Adjusted operating profit before interest and tax from this change and the prior period comparatives in the table above have been represented to reflect this change.

As discussed in Note 2 there were no non-EPRA adjustments to underlying profit made in the current period or prior periods, therefore Adjusted earnings is equal to EPRA earnings in the table above.

TABLE 3: BALANCE SHEET, PROPORTIONAL CONSOLIDATION

		As at 30 June 2022			As at 30 June 2021			As at 31 December 2021		
	Notes	**Group £m**	**JV £m**	**Total £m**	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Investment properties	12, 6	**17,209**	**3,276**	**20,485**	11,850	2,624	14,474	15,492	2,909	18,401
Trading properties	12, 6	**57**	**–**	**57**	47	–	47	45	–	45
Total properties		**17,266**	**3,276**	**20,542**	11,897	2,624	14,521	15,537	2,909	18,446
Investment in joint ventures	6	**2,022**	**(2,022)**	**–**	1,620	(1,620)	–	1,795	(1,795)	–
Other net liabilities		**(761)**	**(322)**	**(1,083)**	(459)	(187)	(646)	(535)	(274)	(809)
Net borrowings	13,6	**(3,832)**	**(932)**	**(4,764)**	(2,275)	(817)	(3,092)	(3,361)	(840)	(4,201)
Total shareholders' equity[1]		**14,695**	**–**	**14,695**	10,783	–	10,783	13,436	–	13,436
EPRA adjustments	11			**444**			146			268
Adjusted NAV	11			**15,139**			10,929			13,704
Number of shares, million	11			**1,212.1**			1,202.5			1,205.5
Adjusted NAV pence per share	11			**1,249**			909			1,137

1. After non-controlling interests.

The portfolio valuation uplift of 7.2 per cent shown in the Chief Executive's Review is not directly derivable from the condensed financial statements and is calculated to be comparable with published MSCI Real Estate indices against which SEGRO are measured. Based on the condensed financial statements there is a valuation surplus of £1,345 million (see Note 7) and property value of £20,480 million (see Table 7) giving a valuation uplift of 7.0 per cent. The primary differences are that the uplift excludes the impact of rent-free incentives (£8 million, +0.1 per cent) and other movements (£20 million, +0.1 per cent) primarily due to foreign exchange based on closing rate as opposed to average used in the condensed financial statements.

TABLE 4: EPRA NET ASSET MEASURES

The European Public Real Estate Association ('EPRA') Best Practices Recommendations (BPR) for financial disclosures by public real estate companies sets out three net asset value measures: EPRA net tangible assets (NTA), EPRA net reinstatement value (NRV) and EPRA net disposal value (NDV).

The EPRA Net Tangible Assets (NTA) metric is considered to be most consistent with the nature of SEGRO's business as a UK REIT providing long-term progressive and sustainable returns. EPRA NTA acts as the primary measure of net asset value and is also referred to as Adjusted Net Asset Value (or Adjusted NAV).

A reconciliation of the three EPRA NAV metrics from IFRS NAV is shown in the table below.

	EPRA measures		
As at 30 June 2022	EPRA NTA (Adjusted NAV) £m	EPRA NRV £m	EPRA NDV £m
Equity attributable to ordinary shareholders	14,695	14,695	14,695
Fair value adjustment in respect of interest rate derivatives – Group	161	161	–
Fair value adjustment in respect of trading properties – Group	10	10	10
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	139	278	–
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures[1]	143	286	–
Intangible assets	(9)	–	–
Fair value adjustment in respect of debt – Group	–	–	415
Fair value adjustment in respect of debt – Joint ventures	–	–	137
Real estate transfer tax[2]	–	1,090	–
Net assets	15,139	16,520	15,257
Diluted shares (million)	1,212.1	1,212.1	1,212.1
Diluted net assets per share	1,249	1,363	1,259

1. 50 per cent of deferred tax in respect of depreciation and valuation surpluses has been excluded in calculating EPRA NTA in line with option 3 of EPRA BPR guidelines.
2. EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

	EPRA measures		
As at 30 June 2021	EPRA NTA (Adjusted NAV) £m	EPRA NRV £m	EPRA NDV £m
Equity attributable to ordinary shareholders	10,783	10,783	10,783
Fair value adjustment in respect of interest rate derivatives – Group	(1)	(1)	–
Fair value adjustment in respect of trading properties – Group	–	–	–
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	55	110	–
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures[1]	100	200	–
Intangible assets	(8)	–	–
Fair value adjustment in respect of debt – Group	–	–	(322)
Fair value adjustment in respect of debt – Joint ventures	–	–	(29)
Real estate transfer tax[2]	–	776	–
Net assets	10,929	11,868	10,432
Diluted shares (million)	1,202.5	1,202.5	1,202.5
Diluted net assets per share	909	987	868

1. 50 per cent of deferred tax in respect of depreciation and valuation surpluses has been excluded in calculating EPRA NTA in line with option 3 of EPRA BPR guidelines.
2. EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

As at 31 December 2021	EPRA measures		
	EPRA NTA (Adjusted NAV)	EPRA NRV	EPRA NDV
	£m	£m	£m
Equity attributable to ordinary shareholders	13,436	13,436	13,436
Fair value adjustment in respect of interest rate derivatives – Group	24	24	–
Fair value adjustment in respect of trading properties – Group	1	1	1
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	129	259	–
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures[1]	123	245	–
Intangible assets	(9)	–	–
Fair value adjustment in respect of debt – Group	–	–	(260)
Fair value adjustment in respect of debt – Joint ventures	–	–	(22)
Real estate transfer tax[2]	–	1,021	–
Net assets	13,704	14,986	13,155
Diluted shares (million)	1,205.5	1,205.5	1,205.5
Diluted net assets per share	1,137	1,243	1,091

1. 50 per cent of deferred tax in respect of depreciation and valuation surpluses has been excluded in calculating EPRA NTA in line with option 3 of EPRA BPR guidelines.
2. EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

TABLE 5: EPRA LTV, PROPORTIONAL CONSOLIDATION

		As at 30 June 2022			As at 30 June 2021			As at 31 December 2021		
		Group	**JV**	**Total**	Group	JV	Total	Group	JV	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Borrowings[1,2]		**1,493**	**130**	**1,623**	1,038	1	1,039	1,966	28	1,994
Bonds[1,2]		**2,430**	**857**	**3,287**	1,315	849	2,164	1,440	834	2,274
Exclude:										
Cash and cash equivalents	13	**(91)**	**(55)**	**(146)**	(78)	(33)	(111)	(45)	(22)	(67)
Net Debt (a)		**3,832**	**932**	**4,764**	2,275	817	3,092	3,361	840	4,201
Foreign currency derivatives	13	**(13)**	**–**	**(13)**	(19)	–	(19)	(32)	–	(32)
Net payables[3,4]		**385**	**28**	**413**	418	(18)	400	329	22	351
EPRA Net Debt (b)		**4,204**	**960**	**5,164**	2,674	799	3,473	3,658	862	4,520
Investment properties at fair value (excluding head lease ROU asset)	12	**17,137**	**3,276**	**20,413**	11,775	2,624	14,399	15,422	2,909	18,331
Trading properties	12	**57**	**–**	**57**	47	–	47	45	–	45
Total Property Value (c)		**17,194**	**3,276**	**20,470**	11,822	2,624	14,446	15,467	2,909	18,376
Head lease ROU asset	12	**72**	**–**	**72**	75	–	75	70	–	70
Unrecognised valuation surplus on trading properties	12	**10**	**–**	**10**	–	–	–	1	–	1
Other interest in property		**28**	**–**	**28**	16	–	16	24	–	24
Intangibles		**9**	**–**	**9**	8	–	8	9	–	9
EPRA Total Property Value (d)		**17,313**	**3,276**	**20,589**	11,921	2,624	14,545	15,571	2,909	18,480
LTV (a/c)		**22.3%**		**23.3%**	19.2%		21.4%	21.7%		22.9%
EPRA LTV (b/d)		**24.3%**		**25.1%**	22.4%		23.9%	23.5%		24.5%

1. Total Group borrowings as at 30 June 2022 per Note 13 of £3,923 million (30 June 2021: £2,353 million; 31 December 2021: £3,406 million) consists of: Borrowings from financial institutions of £1,493 million (30 June 2021: £1,038 million; 31 December 2021: £1,966 million) and Bond loans of £2,430 million (30 June 2021: £1,315 million; 31 December 2021: £1,440 million).
2. JV borrowings as at 30 June 2022 per Note 6 of £987 million at share (30 June 2021: £850 million; 31 December 2021: £862 million) consists of: Borrowings from financial institutions of £130 million (30 June 2021: £1 million; 31 December 2021: £28 million) and Bond loans of £857 million (30 June 2021: £849 million; 31 December 2021: £834 million).
3. Group net payables is calculated as the net position of the following line items shown on the Balance Sheet: Non-current other receivables, current trade and other receivables, non-current trade and other payables, non-current tax liabilities, current trade and other payables and current tax liabilities.

4. JV net payables is calculated as the net position of the following line items shown in Note 6: Current trade and other receivables and current trade and other liabilities.

TABLE 6: EPRA EARNINGS

	Notes	**Half year to 30 June 2022 £m**	Half year to 30 June 2021 £m	Year to 31 December 2021 £m
Earnings per IFRS income statement		**1,333**	1,317	4,060
Adjustments to calculate EPRA Earnings, exclude:				
Valuation surplus on investment properties	7	**(1,164)**	(1,118)	(3,617)
Loss/(profit) on sale of investment properties	7	**1**	(4)	(53)
Profit on sale of trading properties	7	**(2)**	(1)	(7)
(Decrease)/increase in provision for impairment of trading properties	7	**(9)**	–	1
Tax on profits on disposals[1]	9	**16**	29	10
Net fair value loss on interest rate swaps and other derivatives	8	**150**	56	82
Deferred tax in respect of EPRA adjustments[1]		**13**	21	232
SIIC entry tax charge[1]	9	**–**	39	38
Adjustments to the share of profit from joint ventures after tax	6	**(135)**	(178)	(405)
Non-controlling interests in respect of the above	2	**1**	4	7
EPRA earnings		**204**	165	348
Basic number of shares, million	11	**1,204.2**	1,194.1	1,197.7
EPRA Earnings per Share (EPS)		**16.9**	13.8	29.1
Company specific adjustments:				
Non-EPRA adjustments	2	**–**	–	–
Adjusted earnings		**204**	165	348
Adjusted EPS		**16.9**	13.8	29.1

1. Total tax charge in respect of adjustments per Note 2 of £29 million (H1 2021: £89 million, FY 2021: £280 million) comprises tax charge on profits on disposals of £16 million (H1 2021: £29 million, FY 2021: £10 million), deferred tax charge of £13 million (H1 2021: £21 million, FY 2021: £232 million) and SIIC entry tax charge of £nil (H1 2021: £39 million, FY 2021: £38 million).

TABLE 7: EPRA NET INITIAL YIELD AND TOPPED-UP NET INITIAL YIELD

Combined property portfolio including joint ventures at share – 30 June 2022	Notes	UK £m	Continental Europe £m	Total £m
Total properties per financial statements	Table 3	**13,626**	**6,916**	**20,542**
Add valuation surplus not recognised on trading properties[1]		3	7	10
Less head lease ROU assets	12	–	(72)	(72)
Combined property portfolio per external valuers' report[4]		**13,629**	**6,851**	**20,480**
Less development properties (investment, trading and joint venture)		(1,969)	(768)	(2,737)
Net valuation of completed properties		**11,660**	**6,083**	**17,743**
Add notional purchasers' costs		792	298	1,090
Gross valuation of completed properties including notional purchasers' costs	A	**12,452**	**6,381**	**18,833**
Income				
Gross passing rents[2]		337	220	557
Less irrecoverable property costs		(2)	(8)	(10)
Net passing rents	B	**335**	**212**	**547**
Adjustment for notional rent in respect of rent frees		24	26	50
Topped up net rent	C	**359**	**238**	**597**
Including fixed/minimum uplifts[3]		10	1	11
Total topped up net rent		**369**	**239**	**608**

Yields – 30 June 2022		UK %	Continental Europe %	Total %
EPRA net initial yield[4]	B/A	2.7	3.3	2.9
EPRA topped up net initial yield[4]	C/A	2.9	3.7	3.2
True net equivalent yield		3.7	4.0	3.8

1. Trading properties are recorded in the Financial Statements at the lower of cost and net realisable value, therefore valuations above cost have not been recognised.
2. Gross passing rent excludes short term lettings and licences.
3. 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).
4. In accordance with the Best Practices Recommendations of EPRA.
5. Total assets under management of £23,756 million includes Combined property portfolio (including JV at 50 per cent share) of £20,480 million plus 50 per cent of JV properties not owned but under management of £3,276 million.

TABLE 8: EPRA VACANCY RATE

	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m	Year to 31 December 2021 £m
Annualised potential rental value of vacant premises	**24**	24	22
Annualised potential rental value for the completed property portfolio	**729**	567	693
EPRA vacancy rate[1]	**3.3%**	4.3%	3.2%

1. EPRA vacancy rate has been calculated using the figures presented in the table above in millions accurate to one decimal place.

TABLE 9: TOTAL COST RATIO / EPRA COST RATIO

Total cost ratio	Notes	Half year to 30 June 2022 £m	Half year to 30 June 2021[5] £m	Year to 31 December 2021[5] £m
Costs				
Property operating expenses[1]	5	**36**	28	57
Administration expenses		**31**	27	59
Share of joint venture property operating and administration expenses[2]	6	**11**	10	20
Less:				
Joint venture property management fee income, management fees and other costs recovered through rents but not separately invoiced[3]		**(18)**	(16)	(34)
Total costs (A)		**60**	49	102
Gross rental income				
Gross rental income	4	**239**	195	398
Share of joint venture property gross rental income	6	**56**	51	105
Less:				
Other costs recovered through rents but not separately invoiced[3]		**(1)**	(1)	(3)
Total gross rental income (B)		**294**	245	500
Total cost ratio (A)/(B)[4]		**20.5%**	19.8%	20.2%
Total costs (A)		**60**	49	102
Share-based payments		**(5)**	(6)	(13)
Total costs after share based payments (C)		**55**	43	89
Total cost ratio after share based payments (C)/(B)[4]		**18.7%**	17.4%	17.6%

EPRA cost ratio			
Total costs (A)	**60**	49	102
Non-EPRA adjustments	**–**	–	–
EPRA total costs including vacant property costs (D)	**60**	49	102
Group vacant property costs	**(4)**	(3)	(5)
Share of joint venture vacant property costs	**-**	(1)	(1)
EPRA total costs excluding vacant property costs (E)	**56**	45	96
Total gross rental income (B)	**294**	245	500
Total EPRA costs ratio (including vacant property costs) (D)/(B)[4]	**20.5%**	19.8%	20.2%
Total EPRA costs ratio (excluding vacant property costs) (E)/(B)[4]	**19.0%**	18.4%	19.0%

1. Property operating expenses are net of costs capitalised in accordance with IFRS of £7 million (H1 2021: £5 million, FY 2021: £9 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 fees.
3. Total deduction of £18 million (H1 2021: £16 million, FY 2021: £34 million) from costs includes: joint venture management fees income of £15 million (H1 2021: £12 million, FY 2021: £26 million) and management fees and other costs recovered through rents but not separately invoiced, including joint ventures, of £3 million (H1 2021: £4 million, FY 2021: £8 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. Gross rental income of £239 million (H1 2021: £195 million, FY 2021: £398 million) does not include joint venture management fees income of £15 million (H1 2021: £12 million, FY 2021: £26 million) and management fee income of £2 million (H1 2021: £3 million, FY 2021: £5 million) these fees are not required to be included in the total deduction to income of £1 million (H1 2021: £1 million, FY 2021: £3 million).
4. Cost ratio percentages have been calculated using the figures presented in the table above in millions accurate to one decimal place.
5. As detailed in Note 4 and 5, the composition of Gross rental income and Property operating expenses have changed in 2022. The prior period comparatives have been represented in the table above to reflect the impact on the cost ratio calculation. This change resulted in Total gross rental income decreasing by £4 million for FY 2021 and £2 million for H1 2021 to exclude Solar energy income and Development fee income which is no longer included within Gross rental income. Total Costs decreased £1 million for FY 2021 and £nil for H1 2021 to exclude Solar energy expenses. This had nil impact on the cost ratio percentage when calculating using the represented figures presented in the table above in millions accurate to one decimal place.

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.

Covered land: Income-producing assets acquired with the explicit intention to take back for redevelopment in the short to medium term. Valued on the balance sheet as land plus remaining contracted income.

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) except where stated.

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

Net debt: Borrowings less cash and cash equivalents.

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 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.

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 accounting return (TAR): A measure of the growth in Net Asset Value (NAV) per share calculated as change in Adjusted NAV per share in the period plus dividend per share paid in the period, expressed as a percentage of Adjusted NAV per share at the beginning of the period.

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.