PRESS RELEASE

30 JULY 2014

SEGRO
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SEGRO plc

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

Delivering on our strategy; building for the future

SEGRO plc ('SEGRO' / 'Company' / 'Group') today announces its results for the six months ended 30 June 2014.

FINANCIAL SUMMARY

Income statement metrics	6 months to 30 June 2014	6 months to 30 June 2013	Change per cent
EPRA[1] profit before tax (£m)	66.7	69.0	-3.3
IFRS profit before tax (£m)	226.5	20.3	–[4]
EPRA[1] earnings per share (pence)	8.9	9.2	-3.3
IFRS basic and diluted earnings per share (pence)	29.4	2.2	–[4]
Dividend per share (pence)	4.9	4.9	n/c

Balance sheet metrics	30 June 2014	31 December 2013	Change per cent
Portfolio valuation, SEGRO share (£m)	4,515	4,149	4.4[2]
EPRA[1] net asset value per share (pence)	333	312	6.7
IFRS net asset value per share (pence)	335	316	6.0
Net borrowings (£m)	1,670	1,459	14.5
Loan to value ratio (including joint ventures at share)[3] (per cent)	44	42	–

1 Calculations for EPRA performance measures are shown in note 11 to the consolidated financial statements.

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

3 LTV ratio includes £124 million of deferred consideration receivable.

4 Not meaningful.

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

"We are reporting a strong uplift in net asset value, improved occupancy and an accelerated development programme, supported by stronger occupational and investment markets.

"We have made further progress in re-shaping our portfolio with the balance of our activities moving from net divestment to net investment, as we signalled at the time of our full year results in February.

"Our strategy is delivering tangible results and, against a background of market conditions which we expect to remain supportive for some time to come, we are well placed to make further progress over the remainder of the year."

HIGHLIGHTS[1]

Good underlying operating performance across the Group

- £1.2 million of net absorption of standing stock, compared with net take-backs of £0.2 million in H1 2013, and £16.0 million of new rent contracted during the period (H1 2013: £16.2 million).
- Like-for-like net rental growth of 4.9 per cent in the UK portfolio reflecting strong leasing activity and improving market sentiment; like-for-like rental growth flat overall, reflecting higher allocated indirect property costs and late 2013 tenant administrations and higher take-backs in France.
- Group vacancy rate improved to 8.3 per cent from 31 December 2013 (8.5 per cent).
- EPRA profit before tax fell by 3.3 per cent to £66.7 million, driven by a 13 per cent reduction in net rental income primarily due to disposals completed in 2013 and the creation of SELP, offset by a reduction in net finance costs and administrative expenses.

Positive valuation movements in the UK and core Continental Europe portfolios

- 6.7 per cent increase in EPRA NAV per share to 333 pence (31 December 2013: 312 pence).
- UK completed portfolio capital return of 6.3 per cent, reflecting asset management initiatives, yield reduction and early signs of rental value growth.
- Values in Continental Europe were stable overall, with a 0.9 per cent increase in the core portfolio offset by a 2.5 per cent decline in the non-core portfolio.

£129 million net investment in accretive opportunities

- £224 million of acquisitions of modern warehouse assets (net initial yield of 7.4 per cent) and land in our core markets.
- £95 million of disposals at a topped-up initial yield of 8.1 per cent, in line with December book values, and, since the period-end, we have exchanged contracts to sell Pegasus Park for £66 million.
- Net debt, including our share of debt in joint ventures, has increased during the period to £2,090 million (from £1,889 million), reflecting the Group's net investment and development activity.

Delivering future growth

- Investment market conditions remain supportive of values, and occupier markets are improving for the best locations for both big box and urban logistics.
- Post period-end, we have acquired a portfolio of four Grade A logistics warehouses in the UK investing £50 million in the UK's major big box logistics hubs.
- Significant acceleration of our development activity: seven projects completed during the period and 28 projects in the committed pipeline, half of which have been pre-let.
- £82 million spent on development projects in the year to date, with a further £90 million in our committed pipeline generating potential incremental annualised rent of £22 million in 2014-16.
- Identified 2015-2019 development pipeline of 1.6 million sq m, representing potential rent of £71 million.

[1] All figures quoted refer to SEGRO's share, except for land (hectares) and space (square metres) which are quoted at 100 per cent, unless otherwise stated.

WEBCAST/CONFERENCE CALL FOR INVESTORS AND ANALYSTS

A live webcast of the results presentation will be available from 10.00 (UK time) at:

http://www.emincote.com/segro003/default.asp

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

A conference call facility will be available at 10:00 (UK time) on the following numbers:

Toll:	**+44 (0) 20 3059 8125**
Access code:	**SEGRO plc**

From midday the conference call will be available on a replay basis on the following number:

Toll:	**+44 (0) 20 3059 8125**

A video interview with David Sleath, Chief Executive, discussing the results is now available to view on www.segro.com, together with this announcement, the H1 2014 Property Analysis Report and other information about SEGRO.

CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES:

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FINANCIAL CALENDAR

2014 interim dividend record date	29 August 2014
Last date for Dividend Reinvestment Plan elections	12 September 2014
2014 interim dividend payment date	3 October 2014
Interim Management Statement	23 October 2014
Full year 2014 results (provisional)	25 February 2015

ABOUT SEGRO

SEGRO is a UK Real Estate Investment Trust ('REIT'), and a leading owner, asset manager and developer of modern warehousing and light industrial property, as well as of higher value uses such as offices and data centres. We own or manage 5.8 million square metres of space in £5.8 billion of assets (at 30 June 2014, our share of which totals £4.5 billion), serving 1,250 customers from a range of industry sectors. Our properties are located around major conurbations and at key transportation hubs across eight European countries, principally in the UK, France, Germany and Poland.

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 and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Certain statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of SEGRO speak only as of the date they are made. SEGRO does not undertake to update forward-looking statements to reflect any changes in SEGRO's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Nothing in this announcement should be construed as a profit forecast. Past share performance cannot be relied on as a guide to future performance.

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

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

We originally set out our strategy in November 2011 to create a portfolio of modern warehousing, light industrial and 'higher value use' properties (including data centres, retail assets and offices) in locations which have good growth prospects, limited supply availability, and where we already have, or can achieve, critical mass. We believe that such a portfolio should deliver attractive, low-risk, income-led returns with above-average rental and capital growth when market conditions are positive, and show resilience in a downturn.

Fundamental to our strategy are two key pillars of activity:

Disciplined Capital Allocation — picking the right geographical markets and assets, creating the right portfolio shape and actively managing the portfolio composition; and

Operational Excellence — optimising performance from the portfolio through customer service, expert asset management, development and operational efficiency.

In order to implement our strategy, we set out a plan which has four strategic priorities, against which we monitor our progress.

- **Reshaping the existing portfolio** by divesting non-core assets which do not meet our strategic and financial criteria and reducing non-income producing assets as a proportion of the total portfolio;
- **Delivering profitable growth** and reinvesting in core markets and asset types by taking advantage of attractive development and acquisition opportunities;
- **Reducing net debt and financial leverage** over time and introducing further third party capital where appropriate; and
- **Driving operational performance** across the business through greater customer focus, knowledge sharing, efficiency improvements and cost reductions.

ADVANCING OUR STRATEGY TO BECOME A LEADING INCOME-FOCUSED REIT

Since we set out our strategy in November 2011:

- We have disposed of £1.3 billion of non-core assets, investing £0.7 billion of the proceeds in accretive acquisitions and £0.3 billion in development projects in our core markets, all of which have enhanced the quality of our investment portfolio. Non-core properties now account for 7 per cent of the portfolio from 28 per cent in November 2011.
- We have introduced third party capital through the creation of the SEGRO European Logistics Partnership joint venture (SELP) with an aligned, long-term partner, enabling us to build scale in the attractive and fragmented Continental European logistics market without over-burdening our balance sheet.
- The combination of the acquisition, disposal and development activities and the creation of SELP means that we have also improved the quality and resilience of our balance sheet, whilst also reducing net debt and, consequently, our loan to value ratio to 44 per cent from a peak of 52 per cent.
- Operationally, we have reduced our vacancy rate to 8.3 per cent from 10.2 per cent and our administration expenses have fallen by 19 per cent.

In the first half of 2014, we made further good progress in delivering against these strategic priorities.

RESHAPING THE EXISTING PORTFOLIO

As stated at the time of our 2013 full year results, we expected the pace of disposals to slow and the pace of investment activity to accelerate. This has been the case in the first half of 2014; we were a net investor during the period, improving the quality of our portfolio and laying the foundation for our earnings to grow as the accretive nature of acquisitions and developments starts to show through. The blended yield on cost of acquisitions and development capital expenditure during the period has been 8.7 per cent, compared to 8.1 per cent from disposals.

In the first half of 2014, we invested £224 million into acquiring standing assets and land in our core markets, adding £16 million to our rent roll, and have invested a further £50 million in July. The pace of disposals declined, selling £95 million in the first half of 2014, reducing our rent roll by £7 million, and exchanging on another £66 million in July.

Accretive acquisitions build scale in our core markets

We completed £224 million of acquisitions of logistics warehouses (at an average net initial yield of 7.4 per cent) and land in our core markets.

The largest acquisition was a €472 million portfolio of big box logistics assets (679,000 sq m) and land (51 hectares) in Germany, Poland and France within the SEGRO European Logistics Partnership ('SELP') joint venture. This was an excellent example of the benefit of having SELP in place, enabling us to carry out an off-market transaction that we could not otherwise have achieved without placing undue pressure on our capital base.

We acquired a 38,150 sq m, modern logistics asset in Magna Park, Lutterworth, one of the best distribution parks in the UK, via a property swap. The property is currently let to fashion retailer Primark, and the high initial yield of 8.1 per cent reflected a relatively short lease length. Magna Park is situated within the UK's logistics "golden triangle" and is an extremely attractive location for both logistics operators and retailers, with quick and easy access to Britain's motorway network.

Since the end of June, we have acquired a £50 million portfolio of Grade A logistics warehouses in the UK logistics "golden triangle" in the Midlands.

ACQUISITIONS COMPLETED IN H1 2014

Month	Property type	Location	Acquisition price (£m)	Net initial yield (%)
January	Land[1]	Germany	0.9	n/a
March	Big box logistics	UK	34.6	8.1
May/June	Big box logistics and land[1]	Germany, Poland, France	188.8	7.1[2]
	Total acquisitions during the period		**224.3**	**7.4[2]**
Acquisitions completed after 30 June 2014				
July	Logistics portfolio	UK	49.5	6.3

1 SEGRO share, within SELP joint venture
2 Yield excludes land acquisitions
3 Topped up net initial yield

Disposals reduce exposure to assets no longer core to long-term strategy

We disposed of £95 million of assets in the first half of 2014, in line with December 2013 book values. The proceeds of the asset disposals reflect an average topped-up initial yield of 8.1 per cent, slightly higher than the average yield on the assets we acquired, which is in line with our strategy and reflects the higher quality income streams that we have acquired compared to those we have sold.

The largest disposal was the Parkbury Estate in Radlett, part of the property swap mentioned above in which we exchanged a multi-let industrial estate for a single-let, big box logistics warehouse in Magna Park.

Since the end of June, we have exchanged contracts to sell Pegasus Park, one of the six large, non-strategic assets we identified for disposal in November 2011, leaving just one remaining, Energy Park in Vimercate, on the outskirts of Milan. In addition to 23,000 sq m of fully-let buildings completed at Energy Park in the last five years, we have recently completed the development of the new 34,000 sq m office campus for Alcatel-Lucent which is in the process of relocating from its old offices elsewhere on the estate into its new premises. Once the move is complete, Alcatel's former offices will be made redundant, creating further office development potential in this popular location for technology companies just outside Milan.

We have made substantial progress in disposing of our non-core assets, to the point at which they now account for 7 per cent of our overall portfolio. Disposal of these remaining (generally small lot-size) assets will in future form part of normal course asset recycling, with the proceeds invested in reducing Group debt and in acquisitions and developments which we believe will deliver a more attractive total property return.

DISPOSALS COMPLETED IN H1 2014

Month	Property type	Location	Gross proceeds (£m)	Net initial yield (%)
January	Industrial estate	UK	5.4	0.0 / 10.9[1]
January	Industrial estate	Belgium	9.6	13.0 / 13.0[1]
February	Industrial estate	UK	40.5	6.1 / 6.3[1]
March	Big box logistics[2]	UK	17.2	5.3 / 5.3[1]
Various	Industrial estates	Germany, France, Belgium	17.5	10.5 / 12.8[1]
Various	Residual land	UK, Germany	4.3	n/a
	Total disposals during the period		**94.5**	**7.4[3] / 8.1[1 3]**
Disposals exchanged after 30 June 2014				
July	Suburban office park (Pegasus Park)	Belgium	66.2	10.1 / 10.1[1]

1 Including the benefit of top-ups
2 Within LPP joint venture, SEGRO share
3 Yield excludes land disposals

DELIVERING PROFITABLE GROWTH THROUGH DEVELOPMENT

In light of the on-going supply/demand imbalance of attractive industrial and logistics space, especially in London and South-East England, we significantly accelerated our development activity in the first half of 2014. We completed seven projects and have a further 28 projects in our committed pipeline, half of which are de-risked already through being pre-let to high quality tenants. We have invested £82 million in the year to date, with a further investment of £90 million required to complete the projects (of which £65 million should be spent in H2 2014). When fully let, the pipeline should generate a yield of 9.4 per cent, adding c£22 million to our rent roll and 335,000 sq m to our assets under management.

Improving occupier market conditions have also given us confidence to raise the level of speculative development. These developments are all of multi-let industrial estates in edge-of-town locations where we are confident about levels of occupier demand and where experience has taught us that potential occupiers prefer to see buildings constructed or under construction rather than pre-let in advance of construction.

More details about the developments in our markets can be found in the H1 2014 Property Analysis Report on our website (www.segro.com/investors).

Development projects completed in the year to date

During the first half of 2014, we have completed seven developments, totalling 67,300 sq m, representing £5.9 million of new annualised income when fully let, of which 76 per cent has already been secured.

- **UK:** 9,300 sq m on the Slough Trading Estate, including a new distribution centre for Fedex, which is relocating from elsewhere on the Estate.
- **Central Europe:** 15,500 sq m across two schemes in Poland (4,600 sq m let to CAT in Ozarow) and the Czech Republic (7,500 sq m part pre-let to Pro-Med in Hostivice).
- **Northern Europe:** 8,500 sq m of speculative light industrial space completed next to our existing estate near Berlin’s Brandenburg Airport.
- **Southern Europe:** 34,000 sq m of office space at Energy Park, Vimercate, on the outskirts of Milan. The space is pre-let to Alcatel which is in the process of fitting out the space and relocating from its current offices elsewhere on the estate, as stated above.

Active development projects

At 30 June 2014, we had 28 development projects approved, contracted or under construction totalling 335,000 sq m, representing £22 million of annualised rental income (SEGRO share) when fully let and £90 million (SEGRO share) of future capital expenditure. The projects are already 50 per cent pre-let.

There continues to be a scarcity of quality distribution space in our major markets and the healthy occupier demand levels mean that logistics buildings feature prominently in our pre-lets:

- **Parcel delivery centres:** We are building space for Geopost in and around London and for DHL in Dusseldorf to cater for growing last mile delivery requirements to these major conurbations.
- **Retailer logistics:** We are constructing big box logistics and distribution warehouses for ASICS, Takko and Zabka in Continental Europe, and for a major international fashion retailer in the heart of the UK's logistics "golden triangle" in Rugby.
- **Manufacturer logistics:** Volkswagen has pre-let 32,100 sq m in Poznan, Poland and CWS Boco will take 5,700 sq m of distribution space in Lodz, Poland.
- **Higher value uses:** We are building a new pre-let data centre on the Slough Trading Estate, entrenching its position as the UK location of choice for data centre operators. We are also building two hotels for Premier Inn in Enfield and Uxbridge. There is a shortage of mid-range hotel space in outer London and our estates are ideal for this purpose. The two hotels will also act as "anchors" for speculative light industrial developments.

We have also increased our appetite for creating new, edge-of-town light industrial space on a speculative basis. The units being built tend to be smaller and potential occupiers prefer to see the space before committing to it. Although this space is proving popular for "last mile delivery" requirements, it is also appealing to those businesses which need to be within easy reach of their labour force and customers. In all cases, we are building in local markets we know well and where we are confident of a sustained level of occupier demand.

- **UK:** We are building 12,100 sq m of new units at the Slough Trading Estate, suitable for a wide variety of occupiers, as part of the on-going rejuvenation of our largest single asset. In addition, our development at Origin is one of the best currently available sites in Park Royal, a strategic hub for distribution into London. We are building 14,700 sq m speculatively across three units, of which two are already under offer or in solicitors' hands. We have also started construction of 8,600 sq m of space at Stockley Close, near Heathrow. Although these units will cater for occupiers needing proximity to Heathrow Airport, the primary driver of interest is businesses needing rapid access to central London. Finally, the occupier market for new office space in the Thames Valley has been strengthening and, in May, we received planning permission to build a new 6,600 sq m office on the Bath Road. The current vacancy rate of our offices on the Bath Road is around 6 per cent.
- **Continental Europe:** In Germany, we are building 40,900 sq m of light industrial space at three estates in and around Dusseldorf — Krefeld, Rhine Park and City Park — all of which offer occupiers fast access to the city centre. DHL has already pre-let 8,200 sq m at City Park, and the development at Krefeld is adjacent to our 74,000 sq m big box logistics development pre-let to ASICS. Occupier demand for all of this new space has been encouraging.

Future development projects

Our 500 hectare land bank, valued at £223 million at 30 June 2014, is proving to be a valuable source of competitive advantage. It allows us to be able to respond quickly to evolving occupier demand for new warehouse space across our markets, either on a pre-let or a speculative basis.

We have identified specific future development projects which could be delivered between 2015 and 2019 on 358 hectares of this land. All 60 hectares of the core UK land bank are in the Midlands and South East regions of the UK, of which 17 hectares are in our Greater London portfolio. The remaining 298 hectares are in Continental Europe, of which around half is in Central Europe and one-third in Germany.

Around 90 per cent of the land (equating to around 70 per cent of the potential rent) is intended for development of logistics assets which are characterised by lower-density development and higher levels of associated infrastructure. The remainder is intended for light industrial development and concentrated around our existing holdings in London, Berlin, Dusseldorf and Paris.

In addition to the current development pipeline, the future potential capital expenditure associated with these projects is £600 million, with potential deployment of around £425 million by the end of 2017. We estimate that there is around £71 million of potential gross rental income attached to the future pipeline, reflecting a yield on total development cost of 9.2 per cent. These figures are indicative of our current expectations but are dependent on our ability to secure pre-let agreements, planning permission, construction costs and on our outlook for occupier conditions in the local markets.

While land is a valuable source of future potential income, it is non income-producing prior to development and valuations can be volatile. We are mindful of the need to ensure that every plot of land has a medium-term investment plan and that it does not become a burden on the balance sheet. During the period, we acquired 56 hectares of land (51 hectares of which were purchased with the portfolio acquisition within SELP) in our core markets. We have also sold two hectares of non-core land, and more since the period-end, where the potential for near-term development is less strong.

Further detail on our completed and active development projects is available in our H1 2014 Property Analysis Report, which is available to download at www.segro.com/investors.

REDUCING NET DEBT AND INTRODUCING THIRD PARTY CAPITAL

As anticipated, net debt, including our share of debt within joint ventures, increased by £202 million to £2,090 million during the half year, reflecting the net investment activity. Our proportionately-consolidated loan to value ratio (LTV) increased to 44 per cent from 42 per cent at the last year-end as a result of the higher net debt, offset partially by the rise in the value of our assets.

The reduction of our LTV ratio to around 40 per cent remains our longer term target, but our objective to reduce gearing will be balanced by the desire to take advantage of attractive investment opportunities that might arise at this point in the cycle. Where such opportunities arise before disposals, our LTV ratio may rise temporarily, as it has done in the first half.

Group net debt rose by £211 million during H1 2014 to £1,670 million at 30 June, reflecting acquisition and development activity during the period, particularly the purchase of a logistics portfolio within SELP. This level is impacted by the completion of the acquisition by SELP on 30 June 2014 which required temporary on-balance sheet financing. The impact is neutralised on a proportionately-consolidated basis and debt has been subsequently raised by the joint venture in July with an equivalent reduction in on-balance sheet net debt.

At 30 June 2014, there was cash on the balance sheet of £24 million. We also have £124 million (€155 million) of deferred proceeds from the creation of SELP which attracts an annual cash coupon of 7 per cent.

The combination of the net investment and the value uplift of our properties had the net effect of increasing our proportionately-consolidated LTV ratio (including the deferred consideration, which is callable at short notice) to 43.6 per cent at 30 June 2014 from 42.4 per cent at the end of 2013. This falls to 43.4 per cent when adjusted for the sale of Pegasus Park and the recently-announced purchase of a UK logistics portfolio.

DRIVING OPERATIONAL EXCELLENCE

Our operational performance is proceeding in line with our expectations in an improving occupier market. The headline rental income figures for H1 2014 reflect the significant disposal activity in 2013, but the underlying trends are encouraging, including like for like net rental income growth of 4.9 per cent in our UK portfolio and £1.2 million net absorption of existing space. The vacancy rate has also fallen, partly reflecting the net take-up activity but also our acquisition and disposal activity.

Strengthening occupier demand for modern, well located industrial and logistics stock

Occupational markets in the UK and Europe have continued to be driven by the improvement in business confidence and demand for new and refurbished space from occupiers including retailers and third party logistics providers which need easy access to major towns and cities.

In our light industrial markets, the supply shortage of quality stock and the pressures of competing land uses in edge-of-town locations persist and are creating conditions where lease terms are tightening and, particularly in the UK, rents are starting to increase. Demand for secondary space is generally more muted, but our well-located assets are attracting growing interest.

In our big box logistics markets, larger lettings tend to be for new space on a pre-let basis. There is sufficient competition between developers and caution amongst occupiers to keep rental growth reasonably subdued. This tension, in turn, results in only muted signs of a pick-up in speculative big box development activity, which necessarily keeps the market disciplined. The total return from developing on a pre-let basis remains very attractive in a low-yield environment.

Increased leasing and pre-letting activity

We secured leases representing a total of £16.0 million of annualised rental income in the first half of 2014 which was in line with the same period a year ago. The major contributor was agreed pre-lets totalling £5.7 million including 12,900 sq m on the Slough Trading Estate and 32,000 sq m for Volkswagen in Poznan, Poland.

We also achieved net absorption of standing stock of £1.2 million, for the first time since 2011, having made significant progress in letting some of our larger and more secondary vacant units, particularly in Sheffield within the LPP joint venture (38,300 sq m let to Great Bear Distribution) and in our Greater London portfolio (22,600 sq m in older estates near Heathrow Airport).

Summary of key leasing data for the half year to 30 June[1]		**H1 2014**	**H1 2013**
Take-up of existing space[2] (A)	£m	9.0	12.5
Space returned[3] (B)	£m	(7.8)	(12.7)
NET ABSORPTION OF EXISTING SPACE (A-B)	**£m**	**1.2**	**(0.2)**
Take-up of developments completed in the period[2] (C)	£m	5.0	4.2
TOTAL TAKE UP[2] **(A+C)**	**£m**	**14.0**	**16.7**
Less take-up of pre-lets signed in prior periods[2]	£m	(3.7)	(2.8)
Pre-lets signed in the period for delivery in later periods [2]	£m	5.7	2.3
RENTAL INCOME CONTRACTED IN THE PERIOD[2]	**£m**	**16.0**	**16.2**
Take-back of space for redevelopment[3]	£m	(4.1)	(1.5)
Neckermann campus space returned, net of reletting[3]	£m	–	(9.7)
Transactional rental levels versus prior December estimated rental values[4]	%	2.3	7.1
Lease incentives[4]	%	8.9	11.9
Retention rate	%	72	75

1 All figures include joint ventures at share and exclude lettings and take-backs on the Neckermann campus, except where stated
2 Annualised rental income, after the expiry of any rent-free periods
3 Annualised rental income, excluded from space returned
4 Excluding developments

Vacancy improved to 8.3 per cent from 8.5 per cent

The vacancy rate at 30 June 2014 decreased to 8.3 per cent from 8.5 per cent at 31 December 2013 (to 9.4 per cent from 10.0 per cent excluding short-term lets). The reduction in vacancy reflects the combination of the positive net absorption of existing space, acquisition and disposal activity, completion of pre-let developments and an increase in space taken back for future development.

These more than offset the impact of £2.7 million of rent lost due to insolvency, of which £2.1 million related to Mory Ducros, the French third party logistics provider, which entered administration in November 2013 and vacated its buildings in the first half of the year. At 30 June 2014, customers in administration represented £0.3 million of annualised rent (31 December 2013: £2.3 million).

The portfolio's weighted average lease length fell slightly to 6.3 years to first break (8.3 years to expiry) at 30 June 2014, compared with 6.7 years (8.9 years to expiry) at 31 December 2013, reflecting in part the acquisition activity during the first half of the year.

Growing portfolio valuation

The strong investor demand for good quality warehouse and logistics assets we identified in the second half of 2013 has continued into 2014, reflecting supportive structural trends and relatively high income yields. This is particularly true in the UK but is now being felt more widely in Continental Europe as well. The outlook is also encouraging, with GDP forecast to grow in all our markets which should, in time, lead to upward pressure on rents. In addition, the rapid growth in online and convenience retailing continues to force retailers to re-assess the cost-effectiveness of the entire length of their supply chains, creating additional occupier demand in often supply-constrained markets. We remain at the forefront of this market, with the right assets in the right locations to take full advantage of these opportunities.

Our completed portfolio increased in value by 4.4 per cent in the first six months of 2014, generating an overall valuation surplus of £183.5 million. The UK portfolio continued to be the strongest driver of performance, delivering a 6.3 per cent valuation uplift, while our assets in Continental Europe were stable overall. Including the value of land and developments, the value of the entire portfolio increased by 4.5 per cent to £4.5 billion.

Portfolio Analysis as at 30 June 2014

BY GEOGRAPHY	Lettable area (100%) sq m	SEGRO share: Completed £m	SEGRO share: Owner occupied £m	SEGRO share: Land & dvpt £m	SEGRO share: Combined property portfolio £m	Yield: Net initial[2] %	Yield: Net true equivalent[2] %	Capital Return[1 2] %	Vacancy (ERV)[2 3] %
UK									
Greater London	1,330,856	1,574.3		112.6	1,686.9	5.2	6.6	6.2	7.3
Thames Valley and National Logistics	1,138,953	1,387.3		69.6	1,456.9	6.1	7.0	6.4	7.7
UK TOTAL	**2,469,809**	**2,961.6**		**182.2**	**3,143.8**	**5.6**	**6.8**	**6.3**	**7.5**
CONTINENTAL EUROPE									
Germany	925,627	300.0		104.4	404.4	6.7	7.7	(2.1)	10.8
Belgium/Netherlands	304,625	136.7	1.3	25.2	163.2	9.8	9.3	(3.0)	12.4
France	969,828	340.8		10.5	351.3	6.7	8.2	0.1	10.0
Italy	114,666	99.6		0.8	100.4	2.8	9.3	2.0	11.4
Poland	965,282	262.1		44.1	306.2	6.8	8.1	2.4	6.9
Czech Republic / Hungary	83,085	24.4		21.6	46.0	7.3	8.0	13.3	6.2
CONTINENTAL EUROPE TOTAL	**3,363,113**	**1,163.6**	**1.3**	**206.6**	**1,371.5**	**6.8**	**8.3**	**0.0**	**9.9**
GROUP TOTAL	**5,832,922**	**4,125.2**	**1.3**	**388.8**	**4,515.3**	**5.9**	**7.2**	**4.4**	**8.3**
BY OWNERSHIP									
Wholly owned	2,633,870	2,876.3	1.3	324.5	3,202.1	6.0	7.2	4.7	8.6
Joint ventures	3,199,052	1,248.9		64.3	1,313.2	5.8	7.2	3.8	7.6
GROUP TOTAL	**5,832,922**	**4,125.2**	**1.3**	**388.8**	**4,515.3**	**5.9**	**7.2**	**4.4**	**8.3**

1 Capital return is based on the difference between the opening and closing valuations for completed properties, allowing for capital expenditure, acquisitions and disposals
2 In relation to completed properties only
3 Vacancy rate excluding short term lettings for the Group at 30 June 2014 is 9.4%

The continued appeal of Greater London to investors and our asset management initiatives in some of the older Heathrow estates was reflected in a 6.2 per cent uplift, driven mainly by a 40 basis point yield shift to 6.6 per cent, but also reflecting 0.9 per cent rental value growth in the period. Our UK big box logistics portfolio was an important contributor to the 6.4 per cent uplift in the value of our Thames Valley and National Logistics portfolio. Against a backdrop of continued positive investor sentiment, our asset management activities were an important factor, particularly in letting up vacant space in the LPP portfolio and at the Slough Trading Estate.

Our UK asset first half capital return of 6.3 per cent outperformed the IPD Monthly UK All Property Index which generated a capital return of 5.8 per cent but underperformed the IPD Monthly UK All Industrial Index which delivered a 7.5 per cent return. This appears to be due to an acceleration of values in secondary-quality assets which are a greater part of the IPD index than of our own portfolio. This is reflected in the 60 basis point decline in equivalent yield in the IPD index (to 7.5 per cent), compared to 40 basis points in our own portfolio (to 6.8 per cent).

In Continental Europe, the value of our portfolio remained flat overall. Although we saw value declines in our (primarily non-core) assets in Benelux and Germany, these were offset by stable values in France and strength in Central Europe. An improvement of 0.9 per cent for our Continental European core assets, which now account for more than three quarters of the Continental European portfolio, was offset by a 2.5 per cent reduction in the value of non-core assets.

INTERIM DIVIDEND OF 4.9 PENCE PER SHARE

At the time of the November 2011 strategy announcement, the Board indicated that it expected to maintain the dividend during the period of portfolio reshaping, notwithstanding the expected adverse impact on earnings of this recycling activity. Accordingly, despite the 3.3 per cent fall in EPRA earnings reported in this period, the Board is declaring a maintained interim dividend.

Looking ahead to the final dividend for 2014, the Board will consider next February whether the policy of only maintaining the dividend remains appropriate, taking account of the position of the reshaping programme at that time, the results in the second half of 2014 and the outlook for the business thereafter.

The interim dividend will be paid as an ordinary cash dividend.

OUTLOOK

As we approach the third anniversary of our strategic review, we have made great strides in reshaping our business: our portfolio is stronger, our financial structure is more resilient and our cost base is more efficient. We see further opportunities for income and value creation, through carefully chosen investment property acquisitions, from development and from asset and customer-related initiatives across the portfolio.

The concentration of SEGRO's light industrial assets and land around major urban conurbations, combined with a portfolio of well-located big box logistics properties and land in key distribution markets across Europe, makes the Group well placed to benefit from the structural changes in retailing towards online sales and convenience shopping. These changes show no signs of abating at a time when the supply of industrial land in and around major cities, crucial to "last mile delivery" requirements, continues to be eroded by competing uses.

Retailers and their logistics partners are continuing to drive efficiency improvements in their entire logistics supply chains to cope with both these trends and the margin pressures caused by the discounters and pure-play online retailers. At the same time, many light industrial and support service companies are looking to expand or upgrade their operating facilities on the back of the improving economic environment.

We believe these factors are likely to drive improvements in occupancy levels, attractive development returns and, in the strongest supply-constrained locations, higher rents.

Meanwhile, real estate investors, attracted by these positive demand drivers and the relatively stable and attractive income yields, are likely to continue to seek exposure to high quality and well located industrial and logistics property, providing further support for property values.

Overall, therefore, we remain confident in our ability to report further progress towards our goal of becoming the best owner-manager and developer of warehouse and industrial properties and a leading income-focused REIT.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

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

The process for identifying, assessing and reviewing risks faced by the Group is described in the Principal Risks section of the 2013 Annual Report on page 33. There are no significant changes from the risks presented in the 2013 Annual Report on pages 35 to 37, which includes more information about the risks and mitigating activity.

A summary of the principal risks and uncertainties for the second half of 2014 is provided below.

1. PROPERTY RISKS

These are risks to achieving above average rental and capital growth from our portfolio, including external market and competitive conditions, portfolio strategy, and execution of acquisitions and disposals. We recognise that in seeking above average rental and capital growth from our portfolio, the Group must accept a balanced level of property risk.

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

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

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

2. FINANCIAL RISKS

These are risks to the costs, cash flows, equity capital and solvency of the Group resulting from the capital structure of the Group and changes in external factors such as interest rates, foreign exchange rates and the creditworthiness of the Group's major financial counterparties. The Group maintains a low to moderate appetite for financial risk in general, with a very low appetite for risks to solvency.

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

Eurozone economic environment. The risk of a significant adverse impact to the Group's earnings, net asset value or financial covenants arising from a disorderly default and partial or full break-up of the Eurozone.

Financial leverage. The Group could maintain an inappropriate capital structure. Financial leverage (usually expressed as the LTV ratio, but in financial covenants defined as gearing) needs to be managed depending on the direction of the economic and property market cycle. If gearing is too high when property valuations are falling, net asset value movements can be exacerbated and financial covenants put at risk. Equally, if gearing is too conservative, there is a risk that attractive growth opportunities could be missed.

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

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

3. CORPORATE RISKS

These are risks to business performance, legal and regulatory compliance, health and safety, environmental impact, reputation and business continuity arising from external factors or inadequate internal processes, people or systems. We have a very low appetite for risks which could undermine how we are regarded by our investors, regulators, employees, customers, business partners, suppliers, lenders and by the wider communities and environments in which we operate.

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

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

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

FINANCIAL REVIEW

HIGHLIGHTS

	30 June 2014	30 June 2013	31 December 2013
Total property return (%)	**7.6**	3.5	10.7
IFRS net asset value (NAV) per share (p)	**335**	297	316
EPRA[1] NAV per share (p)	**333**	294	312
Realised and unrealised property gain/(loss)[2] (£m)	**183.0**	(8.5)	145.6
IFRS profit before tax (£m)	**226.5**	20.3	212.1
EPRA[1] profit before tax (£m)	**66.7**	69.0	134.1
IFRS earnings per share (EPS) (p)	**29.4**	2.2	28.4
EPRA[1] EPS (p)	**8.9**	9.2	17.7

1. *EPRA NAV, EPRA profit before tax and EPRA EPS are alternative metrics to their IFRS equivalents that are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). SEGRO uses these alternative metrics as they highlight the underlying recurring performance of the property rental business, which is our core operational activity. The EPRA metrics also provide a consistent basis to enable a comparison between European property companies.*
2. *Includes the realised and unrealised property profit of £137.4 million for the wholly owned portfolio (see note 7 to the condensed financial statements) and the realised and unrealised property profit of £45.6 million from our share of joint ventures (see note 6 to the condensed financial statements).*

TOTAL PROPERTY RETURN

Total property return for the period was 7.6 per cent, a significant improvement on the return for the same period in 2013. This reflects an income return of 3.1 per cent (H1 2013: 3.2 per cent), and a 4.5 per cent capital return compared to a 0.3 per cent capital return in the first half of 2013.

NAV AND EPRA NAV PER SHARE

A reconciliation of EPRA net assets to total net assets attributable to ordinary shareholders and the corresponding NAV and EPRA NAV per share calculations is provided in note 11 to the condensed financial statements.

EPRA NAV per share at 30 June 2014 was 333 pence, compared with 312 pence at 31 December 2013, primarily as a result of the property gains in the period. EPRA profit before tax generated during the period largely covered the final dividend payment made during the period.

	£m	**Number of shares (m)**	**Pence per share**
EPRA net assets attributable to ordinary shareholders at 31 December 2013	**2,312.6**	**741.2**	**312**
Realised and unrealised property gain	183.0		24
EPRA profit before tax	66.7		9
Dividend (final)	(73.4)		(10)
Exchange rate movement (net of hedging)	(8.7)		(1)
Other	(9.9)		(1)
EPRA net assets attributable to ordinary shareholders at 30 June 2014	**2,470.3**	**741.5**	**333**

REALISED AND UNREALISED PROPERTY GAIN

A total realised and unrealised gain on property for the wholly owned portfolio of £137.4 million (H1 2013: £8.2 million deficit) has been recognised during the period, which includes an unrealised valuation surplus on investment properties of £142.8 million (H1 2013: £0.1 million deficit), a loss of £0.4 million on the disposal of investment properties (H1 2013: £0.5 million loss) and a loss of £0.3 million on disposal of trading properties (H1 2013: £1.6 million loss). Impairment provisions of £4.7 million (H1 2013: £5.9 million) were recorded against remaining trading properties as their fair values are deemed to be less than their original cost. The total realised and unrealised loss on property for the period is further analysed in note 7 to the condensed financial statements.

Our share of the realised and unrealised gain on property generated from joint ventures was £45.6 million (H1 2013: £0.3 million loss) and is primarily due to an investment property valuation surplus of £47.8 million, which is further analysed in note 6 to the condensed financial statements.

The Group’s trading property portfolio (including share of joint ventures) has an unrealised valuation surplus of £5.0 million at 30 June 2014, which has not been recognised in the financial statements (H1 2013: £7.8 million surplus) as trading properties are recorded at the lower of cost or fair value. This valuation uplift is however recognised in the EPRA NAV per share calculation.

EPS and EPRA EPS

EPS is 29.4 pence for the period to 30 June 2014, compared with 2.2 pence in H1 2013 largely as a result of the increase in realised and unrealised property gain discussed above, together with a lower net fair value loss on interest rate swaps and other derivatives of £17.7 million in this period, compared to a net loss of £39.2 million in H1 2013.

EPRA EPS of 8.9 pence per share is marginally lower than the same period in 2013 (9.2 pence per share) reflecting a £2.3 million decrease in EPRA profit after tax, which is analysed in further detail in the EPRA Profit and following sections below.

EPRA PROFIT

EPRA profit decreased by £2.3 million compared to the six months ended 30 June 2013. This is due to a £31.2 million decrease in net rental income, largely due to disposals, partially offset by a £11.2 million increase in share of joint ventures' profit and a £3.4 million increase in joint venture management fee income, both of which include the SELP joint venture for the first time, as well as a £13.9 million reduction in interest costs following lower net debt in the period. These items are covered in more detail below.

	Six months to 30 June 2014 £m	Six months to 30 June 2013 £m
Gross rental income	**107.5**	144.6
Property operating expenses	**(20.0)**	(25.9)
Net rental income	**87.5**	118.7
Joint venture management fee income	**5.4**	2.0
Administration expenses	**(11.7)**	(12.1)
Share of joint ventures' EPRA profit[1]	**22.6**	11.4
EPRA operating profit before interest and tax	**103.8**	120.0
Net finance costs	**(37.1)**	(51.0)
EPRA profit before tax	**66.7**	69.0
Tax on EPRA profit	**(0.9)**	(0.9)
EPRA profit after tax	**65.8**	68.1

1. *Comprises net property income less administration expense, net interest expense and taxation.*

A reconciliation between EPRA profit before tax and IFRS profit before tax is provided in note 2 to the condensed financial statements.

NET RENTAL INCOME

Like-for-like net rental income is presented on a "look-through" basis (with joint ventures included at share). 50 per cent of SELP is shown as having been owned throughout the six months to 30 June 2013 in the like-for like calculation, with the balance shown within properties sold.

Like-for-like net rental income is marginally up (£0.1 million) compared to the six months to 30 June 2013. This is despite a £1.7 million increase during the period in certain costs included within property operating expenses which arise centrally and are not allocated to a specific Business Unit. Excluding these cost increases from the calculation of net rental income, like-for-like net rental income increased by £1.8 million (1.8 per cent).

Net rental income in total has decreased by £17.7 million. Net rental income lost due to disposals (£25.1 million) was partially offset by the impact of acquisitions (£4.9 million), income relating to surrenders and other income (£3.3 million) and developments (£1.2 million). Other income includes a one-off cash receipt of £3.5 million from the administrator of Neckermann in respect of a longstanding claim for unpaid rent.

The key drivers of the movement in net rental income, are set out in the table below:

Like-for-like net rental income	**Six months to 30 June 2014 £m**	Six months to 30 June 2013 £m
Completed properties owned throughout both periods (like-for-like net rental income)	**97.5**	97.4
Development lettings	**3.0**	1.1
Properties taken back for development	**1.6**	2.3
Like-for-like net rental income plus developments	**102.1**	100.8
Properties acquired	**5.4**	0.5
Properties sold	**1.6**	26.7
Net rental income before surrenders, dilapidations and exchange	**109.1**	128.0
Lease surrender premiums and dilapidations income	**3.9**	2.5
Rent lost from lease surrenders and other income	**5.9**	4.0
Impact of exchange rate difference between periods	**-**	2.1
Net rental income per income statement[1]	**118.9**	136.6

1. *Comprises Group net rental income of £87.5 million and share of joint ventures of £31.4 million (H1 2013: £118.7 million and £17.9 million respectively).*

JOINT VENTURES

Joint venture management fee income has increased by £3.4 million, mainly reflecting £3.6 million of fees (H1 2013: £nil) earned in H1 2014 from the SELP joint venture. SEGRO's share of joint ventures' EPRA profit is £22.6 million, an increase of £11.2 million compared to the prior period, largely due to a maiden first half contribution of £10.4 million from the SELP joint venture.

TOTAL COSTS

The Group is focused on carefully managing its cost base and uses the EPRA cost ratio as a key measure of cost management. The EPRA cost ratio (including vacant property costs) for the six months ended 30 June 2014 was 22.0 per cent compared to 23.5 per cent for the six months ended 30 June 2013, as set out in Table 6 of the supplementary notes. Whilst disposals have reduced the gross rental income (the denominator in this calculation), total costs used in the calculation have reduced by £7.2 million following careful cost control, the net disposal activity and the additional fees earned from the SELP joint venture.

Group vacant property costs have decreased by £3.5 million to £4.1 million (H1 2013: £7.6 million) following the reduction in vacancy and disposals compared to the six months to 30 June 2013. Joint venture vacancy costs have increased by £0.9 million primarily due to SELP and APP. The EPRA cost ratio (excluding vacant property costs) provides an indicator of the opportunity to reduce costs through vacancy reduction and for the six months ended 30 June 2014 was 17.9 per cent (H1 2013: 18.5 per cent).

NET FINANCE COSTS

Net finance costs of £54.8 million have been recognised for the six months to 30 June 2014 (H1 2013: £90.2 million) being £37.1 million included within EPRA profit (H1 2013: £51.0 million) and the net fair value loss on derivatives of £17.7 million (H1 2013: £39.2 million loss) as detailed in note 8 to the condensed financial statements.

The £13.9 million reduction in net finance costs included within EPRA profit for the six months to 30 June 2014 is largely due to lower average net debt in the current period compared to the six months to 30 June 2013, plus lower average interest rates over the same period, interest income on deferred consideration due from the SELP transaction and a weaker euro.

The net fair value loss on interest rate swaps and other derivatives of £17.7 million for the six months ended 30 June 2014 (H1 2013: £39.2 million loss) was mainly as a result of a decrease in euro medium-term interest rates reducing the fair value of the Group's pay fixed, receive floating euro interest rate swap portfolio.

TAX

A tax charge of £8.3 million has been recognised for the six months to 30 June 2014 (H1 2013: £5.0 million) as detailed in note 9 to the condensed financial statements, with a £0.9 million tax charge attributable to EPRA profit (H1 2013: £0.9 million charge) and a £7.4 million tax charge in relation to non-EPRA items (H1 2013: £4.1 million) primarily arising on property basis differences. The underlying tax rate at 30 June 2014 on an EPRA profits basis was 1.3 per cent, consistent with the prior period (H1 2013: 1.3 per cent), and consistent with a target tax rate of less than 3 per cent.

CASH FLOW AND NET DEBT RECONCILIATION

A summary of the cash flows for the period are set out in the table below:

	Six months to 30 June 2014 £m	Six months to 30 June 2013 £m
Opening net debt	**(1,459.1)**	(2,090.3)
Cash flow from operations	**60.6**	91.4
Finance costs (net)	**(38.9)**	(58.4)
Dividends received (net)	**10.9**	11.8
Tax paid (net)	**(1.1)**	(0.7)
Free cash flow	**31.5**	44.1
Dividends paid	**(63.3)**	(63.0)
Acquisitions and development of investment properties	**(61.6)**	(93.6)
Investment property sales	**26.9**	155.7
Net settlement of foreign exchange derivatives	**31.4**	(64.4)
Net investment in joint ventures	**(178.1)**	(4.6)
Other items	**2.9**	0.2
Net funds flow	**(210.3)**	(25.6)
Non-cash movements	**(2.7)**	(2.1)
Exchange rate movements	**2.2**	(14.3)
Closing net debt	**(1,669.9)**	(2,132.3)

Free cash flow generated from operations for the period was £31.5 million, a £12.6 million decrease from H1 2013 (£44.1 million) largely due to the decrease in EPRA profit and a timing lag in the distribution of joint venture profits.

The largest cash outflow for the period was £178.1 million for investment in joint ventures, principally to fund the recent SELP portfolio acquisition, and additionally £61.6 million was spent on acquiring and developing the wholly owned investment property portfolio which is lower than the spend in the same period last year (H1 2013: £93.6 million).

This does not include the Magna Park asset acquired as part of an asset swap (as it was a net cash transaction), inclusion of which would increase acquisitions and development spend on investment properties to be higher than the prior period.

Other significant cash flows include the dividends paid of £63.3 million, consistent with the prior period, and £31.4 million received to settle foreign exchange derivatives (H1 2013: £64.4 million paid). The dividends paid were in respect of the final dividend, which was two thirds of the full year amount. The foreign exchange derivatives movement reflects the settlement of short-dated cross currency swaps used to hedge euro denominated assets; with the euro weakening during the period, a net cash inflow occurred on settlement of those swaps. As a result of these factors there was a net cash outflow of £210.3 million during the period (H1 2013: £25.6 million outflow).

CAPITAL INVESTMENT/DIVESTMENT

As detailed more fully in the Chief Executive's Review, the Group has continued to make significant progress in its key strategic priority of reshaping the portfolio. Total net investment in the period (£213.8 million) compares to a net divestment of £32.6 million in the six months to 30 June 2013. This is largely driven by investments in joint ventures of £178.3 million, primarily the SELP portfolio acquisition. Total investment of £111.6 million is broadly in line with the prior period (H1 2013: £104.7 million) whereas total disposals (£76.1 million) are lower than in the prior period (£143.1 million), which included two large non-strategic assets.

	Six months to 30 June 2014 £m	Six months to 30 June 2013 £m
Investment		
Development expenditure on investment properties	**61.0**	57.5
Acquisitions of investment properties	**38.8**	44.0
Development expenditure on trading properties	**11.8**	3.2
Total investment	**111.6**	104.7
Divestment		
Investment properties	**(61.6)**	(142.4)
Trading properties	**(14.5)**	(0.3)
Joint ventures	**-**	(0.4)
Total disposals	**(76.1)**	(143.1)
Net investment in joint ventures	**178.3**	5.8
Net capital investment/(divestment)[1]	**213.8**	(32.6)

1. *Values are stated on an accruals rather than a cash flow basis and exclude gains or losses on disposals and can therefore differ to the Cash Flow and Net Debt Reconciliation section above. Movements exclude the impact of tenant incentives.*

FINANCIAL POSITION AND FUNDING

At 30 June 2014, the Group's net borrowings were £1,669.9 million, comprising gross borrowings of £1,693.6 million and cash balances of £23.7 million. Including joint ventures at share, the Group's net borrowings were £2,090.1 million.

The Group has maintained a strong liquidity position to enable it to meet its liabilities as they fall due.

At 30 June 2014 funds availability was £482.9 million, comprising £23.7 million of cash and £459.2 million of undrawn facilities, of which £10.8 million was uncommitted. The Group has a favourable debt maturity profile. At 30 June 2014 total debt maturities (bonds, notes and bank facilities) falling due within 12 months were £37.2 million and the weighted average maturity of the gross borrowings of the Group (including joint ventures at share) was 7.2 years.

During the period we agreed €460.0 million of new and amended committed debt facilities with an initial margin of 125 basis points, a reduction of 25 basis points compared to the principal facilities that were amended/replaced. As a result of these transactions the total amount of committed unsecured funding of the Group was reduced by €320.0 million but the average maturity of these facilities was increased (at the time of signing in April 2014) from 2 to 4 years.

GEARING AND FINANCIAL COVENANTS

The interest cover covenant in our banking facilities requires that net interest before capitalisation be covered at least 1.25 times by property rental income in the prior twelve month period. The Group comfortably met this ratio at 30 June 2014 at 2.2 times.

On a look-through basis, the loan to value ratio, including the Group's share of borrowings and property assets from joint ventures, was 43.6 per cent at 30 June 2014. Including, on a pro-forma basis at 30 June 2014, the impact of the recently announced Pegasus Park disposal and the UK logistics portfolio acquisition, the look-through loan to value ratio would have been 43.4 per cent.

The gearing ratio at 30 June 2014 within the principal debt financing arrangements of the Group (i.e. excluding debt funding arrangements within joint ventures) was 67 per cent, significantly lower than the Group's tightest financial gearing covenant within these debt facilities of 160 per cent. Property valuations (including joint ventures at share) would need to fall by more than 32 per cent from their 30 June 2014 values to reach the gearing covenant threshold of 160 per cent.

INTEREST RATE EXPOSURE

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

At 30 June 2014, including the impact of derivative instruments, 76 per cent of the net borrowings of the Group (excluding borrowings in joint ventures) were at fixed rates. By currency, 71 per cent of euro denominated net borrowings of the Group and 87 per cent of the remaining net borrowings (predominantly sterling) were at fixed rates.

Including borrowings in joint ventures at share, approximately 82 per cent of the net borrowings of the Group were at fixed rates and the weighted average maturity of fixed cover was 7.5 years.

Including the impact of derivative financial instruments, the weighted average interest rate (including margin) for gross borrowings at 30 June 2014, before commitment fees and amortised costs, was 4.5 per cent (31 December 2013: 4.5 per cent) or 4.9 per cent (31 December 2013: 4.8 per cent) after allowing for such items. The weighted average interest rate before commitment fees and amortised costs, including the Group's share of gross borrowings and finance costs from joint ventures, was 4.3 per cent, or 4.6 per cent after allowing for such items.

The Group currently has a marginal floating rate cost of borrowing in sterling of around 2 per cent and in euros of around 1.5 per cent.

FOREIGN CURRENCY TRANSLATION EXPOSURE

The Group has limited transactional foreign currency exposure, but, before the impact of related hedging, it does have a potentially significant currency translation exposure arising on the conversion of its substantial foreign currency denominated net assets (mainly euro) into sterling in the Group consolidated accounts.

The Group's policy is to hedge between 50 per cent and 100 per cent of foreign currency denominated assets with liabilities of the same currency to protect the Group's reported consolidated net asset value, earnings, cash flows and financial gearing covenant.

As at 30 June 2014, the foreign currency assets of the Group were 88 per cent hedged by foreign currency denominated liabilities.

A 5 per cent strengthening against sterling in the value of the other currencies in which the Group operates at 30 June 2014 would have increased net assets by approximately £9 million. Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, the impact on gearing would have been approximately 2 per cent.

A 5 per cent strengthening against sterling in the value of the other currencies in which the Group operates at 30 June 2014, including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, would have increased the LTV ratio on a look-through basis by 0.7 per cent.

The average exchange rate used to translate euro denominated earnings generated during the period into sterling within the consolidated income statement of the Group was €1.22: £1. Based on the hedging position at 30 June 2014, and assuming that this position had applied throughout the six months to June 2014, if the euro had been 5 per cent stronger than it was against sterling throughout the period (€1.16: £1), EPRA profits after tax for the period would have been approximately £1 million (1.7 per cent) higher than those reported.

GOING CONCERN

The Group has a strong cash flow and liquidity position, a favourable debt maturity profile, significant headroom against financial covenants and can reasonably expect to be able to continue to have good access to capital markets and other sources of funding, in addition to disposal proceeds from transactions announced but not yet completed.

Having made enquiries and having considered the principal risks and uncertainties facing the Group as detailed on page 12, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

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

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

By order of the Board,

David Sleath	Justin Read
Chief Executive	Group Finance Director

INDEPENDENT REVIEW REPORT TO SEGRO PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the condensed Group income statement, the condensed Group statement of comprehensive income, the condensed Group balance sheet, the condensed Group statement of changes in equity, the condensed Group cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
29 July 2014

CONDENSED GROUP INCOME STATEMENT

For the six months ended 30 June 2014

	Notes	**Half year to 30 June 2014 (unaudited) £m**	Half year to 30 June 2013 (unaudited) £m	Year to 31 December 2013 (audited) £m
Revenue	4	**137.6**	168.4	339.8
Gross rental income	4	**107.5**	144.6	273.8
Property operating expenses	5	**(20.0)**	(25.9)	(50.4)
Net rental income		**87.5**	118.7	223.4
Joint venture management fee income		**5.4**	2.0	7.1
Administration expenses		**(11.7)**	(12.1)	(26.1)
Share of profit from joint ventures after tax	6	**61.0**	11.5	70.6
Realised and unrealised property gain/(loss)	7	**137.4**	(8.1)	97.7
Loss on sale of investment in joint ventures		**–**	(0.2)	–
Other investment income/(loss)		**1.8**	0.2	(0.4)
Amounts written off on acquisitions		**(0.1)**	(1.5)	(0.2)
Operating profit		**281.3**	110.5	372.1
Finance income	8	**30.4**	30.1	54.2
Finance costs	8	**(85.2)**	(120.3)	(214.2)
Profit before tax		**226.5**	20.3	212.1
Tax	9	**(8.3)**	(5.0)	(2.9)
Profit after tax		**218.2**	15.3	209.2
Attributable to equity shareholders		**218.3**	16.5	210.6
Attributable to non-controlling interests		**(0.1)**	(1.2)	(1.4)
		218.2	15.3	209.2
Earnings per share				
Basic and diluted earnings per share	11	**29.4**	2.2	28.4

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	**Half year to 30 June 2014 (unaudited) £m**	Half year to 30 June 2013 (unaudited) £m	Year to 31 December 2013 (audited) £m
Profit for the period		**218.2**	15.3	209.2
Items that will not be reclassified subsequently to profit or loss				
Valuation deficit on owner occupied properties	7	**–**	(0.1)	–
Actuarial gain/(loss) on defined benefit pension schemes		**0.5**	3.6	(1.2)
		0.5	3.5	(1.2)
Items that may be reclassified subsequently to profit or loss				
Foreign exchange movement arising on translation of international operations		**(19.5)**	16.8	4.4
Increase/(decrease) in value of available-for-sale investments		**0.3**	(0.4)	(1.5)
Fair value movements on derivatives in effective hedge relationships		**11.5**	(0.8)	5.7
		(7.7)	15.6	8.6
Tax on components of other comprehensive income		**–**	–	–
Other comprehensive profit before transfers		**(7.2)**	19.1	7.4
Transfer to income statement on sale and impairment of available-for-sale investments		**(2.9)**	–	0.3
Total comprehensive profit for the period		**208.1**	34.4	216.9
Attributable to – equity shareholders		**208.2**	35.6	218.3
– non-controlling interests		**(0.1)**	(1.2)	(1.4)
Total comprehensive profit for the period		**208.1**	34.4	216.9

CONDENSED GROUP BALANCE SHEET

As at 30 June 2014

	Notes	**30 June 2014 (unaudited) £m**	30 June 2013 (unaudited) £m	31 December 2013 (audited) £m
Assets				
Non-current assets				
Goodwill and other intangibles		**2.9**	4.4	3.5
Investment properties	12	**3,069.9**	2,831.6	2,910.0
Owner occupied properties		**1.3**	4.2	4.1
Plant and equipment		**6.3**	2.3	4.7
Investments in joint ventures	6	**854.0**	345.6	635.7
Finance lease receivables		**–**	8.1	–
Available-for-sale investments		**6.1**	16.1	12.1
Trade and other receivables		**39.4**	102.0	65.6
		3,979.9	3,314.3	3,635.7
Current assets				
Trading properties	12	**125.7**	153.6	138.7
Trade and other receivables		**266.4**	121.8	243.3
Cash and cash equivalents	13	**23.7**	12.3	233.8
Assets held for sale	12	**–**	1,044.0	–
		415.8	1,331.7	615.8
Total assets		**4,395.7**	4,646.0	4,251.5
Liabilities				
Non-current liabilities				
Borrowings	13	**1,691.2**	2,137.9	1,690.3
Deferred tax provision	9	**18.1**	28.4	11.4
Provisions		**1.8**	5.4	8.8
Trade and other payables		**22.3**	35.9	15.6
		1,733.4	2,207.6	1,726.1
Current liabilities				
Trade and other payables		**176.3**	227.6	175.0
Borrowings	13	**2.4**	6.7	2.6
Tax liabilities		**2.9**	5.4	2.9
		181.6	239.7	180.5
Total liabilities		**1,915.0**	2,447.3	1,906.6
Net assets		**2,480.7**	2,198.7	2,344.9
Equity				
Share capital		**74.2**	74.2	74.2
Share premium		**1,070.0**	1,069.9	1,069.9
Capital redemption reserve		**113.9**	113.9	113.9
Own shares held		**(4.2)**	(7.3)	(5.3)
Revaluation reserve		**–**	(2.7)	(3.2)
Other reserves		**172.2**	189.9	182.5
Retained earnings		**1,054.5**	760.4	912.7
Total shareholders' equity		**2,480.6**	2,198.3	2,344.7
Non-controlling interests		**0.1**	0.4	0.2
Total equity		**2,480.7**	2,198.7	2,344.9
Net assets per ordinary share				
Basic and diluted	11	**335p**	297p	316p

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

(unaudited)	Balance 1 January 2014 £m	Exchange movement £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividend £m	Transfers £m	Balance 30 June 2014 £m
Ordinary share capital	**74.2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**74.2**
Share premium	**1,069.9**	**–**	**–**	**–**	**0.1**	**–**	**–**	**–**	**1,070.0**
Capital redemption reserve	**113.9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**113.9**
Own shares held	**(5.3)**	**–**	**–**	**–**	**–**	**–**	**–**	**1.1**	**(4.2)**
Revaluation reserve	**(3.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**3.2**	**–**
Other reserves:									
Share based payments reserve	**5.4**	**–**	**–**	**–**	**–**	**1.0**	**–**	**(0.7)**	**5.7**
Fair value reserve for AFS[1]	**3.3**	**–**	**–**	**0.3**	**–**	**(2.9)**	**–**	**–**	**0.7**
Translation and other reserves	**4.7**	**(19.5)**	**–**	**11.5**	**–**	**–**	**–**	**–**	**(3.3)**
Merger reserve	**169.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**169.1**
Total other reserves	**182.5**	**(19.5)**	**–**	**11.8**	**–**	**(1.9)**	**–**	**(0.7)**	**172.2**
Retained earnings	**912.7**	**–**	**218.3**	**0.5**	**–**	**–**	**(73.4)**	**(3.6)**	**1,054.5**
Total equity attributable to equity shareholders	**2,344.7**	**(19.5)**	**218.3**	**12.3**	**0.1**	**(1.9)**	**(73.4)**	**–**	**2,480.6**
Non-controlling interests	**0.2**	**–**	**(0.1)**	**–**	**–**	**–**	**–**	**–**	**0.1**
Total equity	**2,344.9**	**(19.5)**	**218.2**	**12.3**	**0.1**	**(1.9)**	**(73.4)**	**–**	**2,480.7**

For the six months ended 30 June 2013

(unaudited)	Balance 1 January 2013 £m	Exchange movement £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividend £m	Transfers £m	Balance 30 June 2013 £m
Ordinary share capital	74.2	–	–	–	–	–	–	–	74.2
Share premium	1,069.9	–	–	–	–	–	–	–	1,069.9
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(7.3)	–	–	–	–	–	–	–	(7.3)
Revaluation reserve	(2.6)	–	–	–	–	–	–	(0.1)	(2.7)
Other reserves:									
Share based payments reserve	5.1	–	–	–	–	1.0	–	–	6.1
Fair value reserve for AFS[1]	4.5	–	–	(0.4)	–	–	–	–	4.1
Translation and other reserves	(5.4)	16.8	–	(0.8)	–	–	–	–	10.6
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	173.3	16.8	–	(1.2)	–	1.0	–	–	189.9
Retained earnings	813.6	–	16.5	3.6	–	–	(73.4)	0.1	760.4
Total equity attributable to equity shareholders	2,235.0	16.8	16.5	2.4	–	1.0	(73.4)	–	2,198.3
Non-controlling interests	1.6	–	(1.2)	–	–	–	–	–	0.4
Total equity	2,236.6	16.8	15.3	2.4	–	1.0	(73.4)	–	2,198.7

For the year ended 31 December 2013

(audited)	Balance 1 January 2013 £m	Exchange movement £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividend £m	Transfers £m	Balance 31 December 2013 £m
Ordinary share capital	74.2	–	–	–	–	–	–	–	74.2
Share premium	1,069.9	–	–	–	–	–	–	–	1,069.9
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(7.3)	–	–	–	–	(0.5)	–	2.5	(5.3)
Revaluation reserve	(2.6)	–	–	–	–	–	–	(0.6)	(3.2)
Other reserves:									
Share based payments reserve	5.1	–	–	–	–	1.6	–	(1.3)	5.4
Fair value reserve for AFS[1]	4.5	–	–	(1.5)	–	0.3	–	–	3.3
Translation and other reserves	(5.4)	4.4	–	5.7	–	–	–	–	4.7
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	173.3	4.4	–	4.2	–	1.9	–	(1.3)	182.5
Retained earnings	813.6	–	210.6	(1.2)	–	–	(109.7)	(0.6)	912.7
Total equity attributable to equity shareholders	2,235.0	4.4	210.6	3.0	–	1.4	(109.7)	–	2,344.7
Non-controlling interests	1.6	–	(1.4)	–	–	–	–	–	0.2
Total equity	2,236.6	4.4	209.2	3.0	–	1.4	(109.7)	–	2,344.9

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

CONDENSED GROUP CASH FLOW STATEMENT

For the six months ended 30 June 2014

	Notes	**Half year to 30 June 2014 (unaudited) £m**	Half year to 30 June 2013 (unaudited) £m	Year to 31 December 2013 (audited) £m
Cash flows from operating activities	14	**60.6**	91.4	204.0
Interest received		**39.2**	30.7	58.6
Dividends received		**10.9**	11.8	24.1
Interest paid		**(78.1)**	(89.1)	(156.1)
Tax paid		**(1.1)**	(0.7)	(2.4)
Net cash received from operating activities		**31.5**	44.1	128.2
Cash flows from investing activities				
Purchase and development of investment properties		**(61.6)**	(92.7)	(211.1)
Sale of investment properties		**26.9**	155.7	559.9
Repayment of finance lease receivables		**–**	–	8.1
Purchase of plant and equipment		**(2.2)**	(0.9)	(3.2)
Sale of available-for-sale investments		**5.1**	–	1.8
Sale of investments in joint ventures		**–**	0.2	–
Sale of SELP portfolio		**–**	–	402.8
Investment in joint ventures		**(183.2)**	(4.3)	(45.4)
Net increase/(decrease) in loans to joint ventures		**5.1**	(0.3)	(6.8)
Net cash (used in)/received from investing activities		**(209.9)**	57.7	706.1
Cash flows from financing activities				
Dividends paid to ordinary shareholders		**(63.3)**	(63.0)	(109.7)
Net (decrease)/increase in other borrowings		**(1.9)**	15.4	(431.0)
Early close out of interest rate swaps		**–**	–	(27.2)
Net settlement of foreign exchange derivatives		**31.4**	(64.4)	(47.9)
Purchase of ordinary shares		**–**	–	(0.5)
Net cash used in financing activities		**(33.8)**	(112.0)	(616.3)
Net (decrease)/increase in cash and cash equivalents		**(212.2)**	(10.2)	218.0
Cash and cash equivalents at the beginning of the period		**233.8**	15.4	15.4
Effect of foreign exchange rate changes		**2.1**	0.4	0.4
Cash and cash equivalents at the end of the period		**23.7**	5.6	233.8
Cash and cash equivalents per balance sheet	13	**23.7**	12.3	233.8
Bank overdrafts		**–**	(6.7)	–
Cash and cash equivalents per cash flow		**23.7**	5.6	233.8

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements for the six months ended 30 June 2014 was approved by the Board of Directors on 29 July 2014.

The condensed set of financial statements for the six months ended 30 June 2014 is unaudited and does not constitute statutory accounts within the meaning of S434 of the Companies Act 2006. The financial information contained in this report for the year ended 31 December 2013 does not constitute statutory accounts within the meaning of S434 of the Companies Act 2006 and has been extracted from the statutory accounts, which were prepared in accordance with EU-endorsed International Financial Reporting Standards (IFRSs) and were delivered to the Registrar of Companies. The auditor's opinion on these accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement made under S498(2) or S498(3) of the Companies Act 2006. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

In the current financial year the Group has applied for the first time IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IAS 28 (2011) "Investments in Associates and Joint Ventures", including the amendments to the transitional guidance. Otherwise 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. There have been no changes to the basis of accounting on the adoption of the Standards.

The financial statements have been prepared on a going concern basis. This is discussed in the Financial Review.

The principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.25 (30 June 2013: £1 = €1.17; 31 December 2013: £1 = €1.20)
Income statement: £1 = €1.22 (30 June 2013: £1 = €1.17; 31 December 2013: £1 = €1.18)

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

2. EPRA PROFIT

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year to 31 December 2013 £m
Gross rental income	**107.5**	144.6	273.8
Property operating expenses	**(20.0)**	(25.9)	(50.4)
Net rental income	**87.5**	118.7	223.4
Joint venture management fee income	**5.4**	2.0	7.1
Administration expenses	**(11.7)**	(12.1)	(26.1)
Share of joint ventures' EPRA profit after tax	**22.6**	11.4	26.3
EPRA operating profit before interest and tax	**103.8**	120.0	230.7
Net finance costs (including adjustments)	**(37.1)**	(51.0)	(96.6)
EPRA profit before tax	**66.7**	69.0	134.1
Tax on EPRA profits	**(0.9)**	(0.9)	(2.7)
EPRA profit after tax	**65.8**	68.1	131.4
Adjustments to reconcile EPRA profit to IFRS profit:			
Adjustments to the share of profit from joint ventures after tax[1]	**38.4**	0.1	44.3
(Loss)/profit on sale of investment properties	**(0.4)**	(0.5)	13.0
Valuation surplus/(deficit) on investment and owner occupied properties	**142.8**	(0.1)	93.8
(Loss)/profit on sale of trading properties	**(0.3)**	(1.6)	6.1
Increase in provision for impairment of trading properties	**(4.7)**	(5.9)	(15.2)
Loss on sale of investment in joint ventures	**–**	(0.2)	–
Other investment income/(loss)	**1.8**	0.2	(0.4)
Amounts written off on acquisitions	**(0.1)**	(1.5)	(0.2)
Net fair value loss on interest rate swaps and other derivatives	**(17.7)**	(39.2)	(63.4)
Total adjustments	**159.8**	(48.7)	78.0
Tax in respect of adjustments	**(7.4)**	(4.1)	(0.2)
Adjustments after tax	**152.4**	(52.8)	77.8
Profit after tax	**218.2**	15.3	209.2

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

The adjustments outlined above arise from adopting the Best Practices Recommendations of the European Public Real Estate Association (EPRA). The EPRA profit measures highlight the underlying recurring performance of the property rental business, which is our core operational activity and also provide a consistent basis to enable a comparison between European property companies.

3. SEGMENTAL REPORTING

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

	Gross rental income £m	Net rental income £m	Share of joint ventures' EPRA profit £m	EPRA PBIT £m	Total directly owned property assets £m	Investments in joint ventures £m	Capital expenditure £m
				30 June 2014			
Greater London	**33.2**	**28.6**	**8.2**	**38.1**	**1,165.5**	**313.3**	**18.1**
Thames Valley and National Logistics	**39.9**	**36.1**	**4.0**	**40.4**	**1,281.4**	**94.4**	**60.9**
Germany and Northern Europe	**20.2**	**16.6**	**2.4**	**19.8**	**331.8**	**196.5**	**19.5**
France and Southern Europe	**11.7**	**9.8**	**3.8**	**14.0**	**288.0**	**98.4**	**3.4**
Poland and Central Europe	**2.5**	**1.5**	**4.2**	**6.5**	**130.2**	**148.0**	**9.7**
Other[1]	**–**	**(5.1)**	**–**	**(15.0)**	**–**	**3.4**	**1.7**
Total	**107.5**	**87.5**	**22.6**	**103.8**	**3,196.9**	**854.0**	**113.3**
				30 June 2013			
Greater London	34.8	29.1	8.4	39.2	1,082.8	262.9	4.5
Thames Valley and National Logistics	48.2	42.9	2.7	45.6	1,327.8	63.2	14.0
Germany and Northern Europe	20.8	14.4	0.3	13.7	540.3	19.5	10.8
France and Southern Europe	26.4	22.8	–	22.1	608.6	–	16.2
Poland and Central Europe	14.4	12.9	–	12.4	473.9	–	59.2
Other[1]	–	(3.4)	–	(13.0)	–	–	0.6
Total	144.6	118.7	11.4	120.0	4,033.4	345.6	105.3
				31 December 2013			
Greater London	73.4	62.1	15.6	83.0	1,106.9	289.3	57.5
Thames Valley and National Logistics	89.2	79.0	5.4	84.6	1,160.0	84.6	55.7
Germany and Northern Europe	40.7	28.3	1.4	27.9	363.5	66.0	74.5
France and Southern Europe	46.2	39.7	1.8	40.4	301.0	84.3	41.5
Poland and Central Europe	24.3	21.4	2.2	23.3	121.4	103.7	75.6
Other[1]	–	(7.1)	(0.1)	(28.5)	–	7.8	2.1
Total	273.8	223.4	26.3	230.7	3,052.8	635.7	306.9

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

4. REVENUE

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year to 31 December 2013 £m
Rental income from investment properties	**98.4**	130.9	242.8
Rental income from trading properties	**4.2**	6.4	13.0
Rent averaging	**1.8**	4.9	10.2
Surrender premiums	**3.1**	2.1	7.4
Interest received on finance lease assets	**–**	0.3	0.4
Gross rental income	**107.5**	144.6	273.8
Joint venture management fee - property management	**5.8**	2.0	5.4
- performance and other fees	**(0.4)**	–	1.7
Service charge income	**10.1**	21.5	40.2
Proceeds from sale of trading properties	**14.6**	0.3	18.7
Total revenue	**137.6**	168.4	339.8

5. PROPERTY OPERATING EXPENSES

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year to 31 December 2013 £m
Vacant property costs	**4.1**	7.6	12.6
Letting, marketing, legal and professional fees	**3.3**	4.3	8.5
Bad debt expense	**(0.1)**	1.3	2.8
Other expenses, net of service charge income	**4.5**	5.5	11.0
Property management expenses	**11.8**	18.7	34.9
Property administration expenses[1]	**9.3**	8.2	17.6
Costs capitalised[2]	**(1.1)**	(1.0)	(2.1)
Total property operating expenses	**20.0**	25.9	50.4

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 internal employee staff costs directly involved in developing the property portfolio.*

6. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

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

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year to 31 December 2013 £m
Gross rental income	**36.8**	20.7	48.5
Property operating expenses			
-underlying property operating expenses	**(1.0)**	(0.7)	(1.6)
-vacant property costs	**(1.7)**	(0.8)	(1.8)
-property management fees	**(2.9)**	(1.4)	(3.5)
-performance and other fees	**0.2**	0.1	(1.1)
Net rental income	**31.4**	17.9	40.5
Administration expenses	**(0.2)**	–	(0.4)
Net finance costs (including adjustments)	**(8.2)**	(6.6)	(13.9)
EPRA profit before tax	**23.0**	11.3	26.2
Tax	**(0.4)**	0.1	0.1
EPRA profit after tax	**22.6**	11.4	26.3
Adjustments to reconcile EPRA profit to IFRS profit:			
Profit on sale of investment properties	**0.2**	–	–
Valuation surplus on investment properties	**47.8**	–	49.4
Increase in provision for impairment of trading properties	**(2.4)**	(0.3)	(1.5)
Net fair value gain on interest rate swaps and other derivatives	**0.2**	0.6	0.9
Amounts written off on acquisition	**(4.2)**	(0.2)	(0.2)
Tax in respect of adjustments	**(3.2)**	–	(4.3)
Total adjustments	**38.4**	0.1	44.3
Profit after tax	**61.0**	11.5	70.6

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

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year to 31 December 2013 £m
Investment properties	**1,302.0**	623.5	1,079.6
Other investments	**8.6**	9.5	8.3
Total non-current assets	**1,310.6**	633.0	1,087.9
Trading properties	**11.2**	29.7	12.8
Other receivables	**14.0**	7.7	14.7
Cash	**52.4**	14.1	36.4
Total current assets	**77.6**	51.5	63.9
Total assets	**1,388.2**	684.5	1,151.8
Borrowings	**(427.6)**	(307.7)	(420.8)
Deferred tax	**(15.0)**	(1.2)	(12.3)
Other liabilities	**(0.1)**	(8.6)	(0.1)
Total non-current liabilities	**(442.7)**	(317.5)	(433.2)
Borrowings	**(45.0)**	(10.5)	(45.0)
Other liabilities	**(46.5)**	(10.9)	(37.9)
Total current liabilities	**(91.5)**	(21.4)	(82.9)
Total liabilities	**(534.2)**	(338.9)	(516.1)
Group share of net assets	**854.0**	345.6	635.7

7. REALISED AND UNREALISED PROPERTY GAIN/(LOSS)

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year to 31 December 2013 £m
(Loss)/profit on sale of investment properties	**(0.4)**	(0.5)	13.0
Valuation surplus/(deficit) on investment properties	**142.8**	(0.1)	94.4
Valuation deficit on owner occupied properties	**–**	–	(0.6)
(Loss)/profit on sale of trading properties	**(0.3)**	(1.6)	6.1
Increase in provision for impairment of trading properties	**(4.7)**	(5.9)	(15.2)
Total realised and unrealised property gain/(loss) – income statement	**137.4**	(8.1)	97.7
Valuation deficit on owner occupied properties – other comprehensive income	**–**	(0.1)	–
Total realised and unrealised property gain/(loss)	**137.4**	(8.2)	97.7

8. NET FINANCE COSTS

Finance income	**Half year to 30 June 2014 £m**	Half year to 30 June 2013 £m	Year to 31 December 2013 £m
Interest received on bank deposits and related derivatives	**21.9**	18.0	34.3
Fair value gain on interest rate swaps and other derivatives	**8.5**	11.9	19.0
Exchange differences	**–**	0.2	0.9
Total finance income	**30.4**	30.1	54.2

Finance costs			
Interest on overdrafts, loans and related derivatives	**(57.6)**	(68.3)	(129.7)
Amortisation of issue costs	**(2.7)**	(2.1)	(0.3)
Net interest expense on defined benefit obligation	**–**	(0.2)	(4.3)
Total borrowing costs	**(60.3)**	(70.6)	(134.3)
Less amount capitalised on the development of properties	**2.1**	1.4	2.5
Net borrowing costs	**(58.2)**	(69.2)	(131.8)
Fair value loss on interest rate swaps and other derivatives	**(26.2)**	(51.1)	(82.4)
Exchange differences	**(0.8)**	–	–
Total finance costs	**(85.2)**	(120.3)	(214.2)
Net finance costs	**(54.8)**	(90.2)	(160.0)

9. TAX

9(i) – Tax on profit

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year to 31 December 2013 £m
Tax on:			
EPRA profits	**(0.9)**	(0.9)	(2.7)
In respect of EPRA adjustments	**(7.4)**	(4.1)	(0.2)
Total tax charge	**(8.3)**	(5.0)	(2.9)
Current tax			
Current tax charge	**(1.0)**	(0.9)	(2.3)
Adjustments in respect of earlier years	**–**	(0.1)	1.8
Total current tax charge	**(1.0)**	(1.0)	(0.5)
Deferred tax			
Origination and reversal of temporary differences	**(5.2)**	(2.9)	1.1
On valuation movements	**(1.5)**	(0.6)	(2.1)
Total deferred tax in respect of investment properties	**(6.7)**	(3.5)	(1.0)
Other deferred tax	**(0.6)**	(0.5)	(1.4)
Total deferred tax	**(7.3)**	(4.0)	(2.4)
Total tax charge on profit on ordinary activities	**(8.3)**	(5.0)	(2.9)

9(ii) – Deferred tax provision

Movement in deferred tax was as follows:

	Balance 1 January 2014 £m	**Exchange movement £m**	**Recognised in income £m**	**Balance 30 June 2014 £m**	Balance 30 June 2013 £m
Valuation	**(42.2)**	**1.7**	**1.5**	**(39.0)**	(37.8)
Accelerated tax allowances	**57.1**	**(2.4)**	**5.2**	**59.9**	71.6
Deferred tax asset on revenue losses	**(3.5)**	**0.1**	**0.6**	**(2.8)**	(4.8)
Others	**–**	**–**	**–**	**–**	(0.6)
Total deferred tax provision	**11.4**	**(0.6)**	**7.3**	**18.1**	28.4

10. DIVIDENDS

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year to 31 December 2013 £m
Ordinary dividends paid			
Final dividend for 2013 @ 9.9 pence per share	**73.4**	–	–
Interim dividend for 2013 @ 4.9 pence per share	**–**	–	36.3
Final dividend for 2012 @ 9.9 pence per share	**–**	73.4	73.4
	73.4	73.4	109.7

The Board has declared an interim dividend of 4.9 pence per ordinary share (2013: 4.9 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 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 0.9 million shares (1.1 million for the full year 2013 and 1.2 million for half year 2013) being the average number of shares held on trust during the period for employee share schemes and net assets per share exclude 0.9 million shares (1.0 million for the full year 2013 and 1.3 million for the half year 2013) being the actual number of shares held on trust for employee share schemes at period end.

11(i) Earnings per ordinary share (EPS)

	Half year to June 2014			Half year to June 2013			Year to December 2013		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic EPS	**218.3**	**741.3**	**29.4**	16.5	740.9	2.2	210.6	741.0	28.4
Dilution adjustments:									
Share options and save as you earn schemes	**–**	**0.1**	**–**	–	0.2	–	–	0.1	–
Diluted EPS	**218.3**	**741.4**	**29.4**	16.5	741.1	2.2	210.6	741.1	28.4
Adjustments to profit before tax[1]	**(159.8)**		**(21.5)**	48.7		6.6	(78.0)		(10.6)
Deferred tax on investment property which does not crystallise unless sold	**6.7**		**0.9**	3.5		0.5	1.0		–
Other tax	**0.7**		**0.1**	0.6		0.1	(0.8)		–
Minority interest on adjustments	**(0.1)**		**–**	(1.2)		(0.2)	(1.4)		(0.1)
EPRA EPS	**65.8**	**741.3**	**8.9**	68.1	740.9	9.2	131.4	741.0	17.7

1. *Details of adjustments are included in note 2.*

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

	As at June 2014			As at to June 2013			As at December 2013		
	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	**2,480.6**	**741.5**	**335**	2,198.3	740.9	297	2,344.7	741.2	316
Dilution adjustments:									
Share options and save as you earn schemes	**–**	**0.1**	**–**	–	0.2	–	–	0.1	–
Diluted NAV	**2,480.6**	**741.6**	**335**	2,198.3	741.1	297	2,344.7	741.3	316
Fair value adjustment in respect of debt – Group	**(285.0)**		**(38)**	(276.8)		(37)	(258.5)		(35)
Fair value adjustment in respect of debt – Joint ventures	**(5.2)**		**(1)**	–		–	(3.6)		–
Fair value adjustment in respect of trading properties - Group	**5.0**		**–**	5.3		–	4.2		1
Fair value adjustment in respect of trading properties – Joint ventures	**–**		**–**	2.5		–	–		–
EPRA triple net NAV (NNNAV)	**2,195.4**	**741.5**	**296**	1,929.3	740.9	260	2,086.8	741.2	282
Fair value adjustment in respect of debt – Group	**285.0**		**38**	276.8		37	258.5		35
Fair value adjustment in respect of debt – Joint ventures	**5.2**		**1**	–		–	3.6		–
Fair value adjustment in respect of interest rate swap derivatives – Group	**(54.0)**		**(7)**	(69.5)		(9)	(67.9)		(9)
Fair value adjustment in respect of interest rate swap derivatives – Joint ventures	**1.9**		**–**	4.6		1	2.8		–
Deferred tax in respect of depreciation and valuation surpluses – Group	**20.9**		**3**	33.8		5	14.9		2
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**15.9**		**2**	–		–	13.9		2
EPRA NAV	**2,470.3**	**741.5**	**333**	2,175.0	740.9	294	2,312.6	741.2	312

12. PROPERTIES

12(i) Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2014	**2,575.0**	**264.4**	**2,839.4**
Exchange movement	**(20.8)**	**(5.0)**	**(25.8)**
Property acquisitions	**35.5**	**3.3**	**38.8**
Additions to existing investment properties	**8.7**	**52.3**	**61.0**
Disposals	**(57.3)**	**(4.3)**	**(61.6)**
Transfers between completed and development properties	**56.1**	**(56.1)**	**–**
Transfers between completed and owner occupied properties	**–**	**2.7**	**2.7**
Revaluation surplus during the period	**127.4**	**15.4**	**142.8**
At 30 June 2014	**2,724.6**	**272.7**	**2,997.3**
Add tenant lease incentives, letting fees and rental guarantees	**72.6**	**–**	**72.6**
Total investment properties at 30 June 2014	**2,797.2**	**272.7**	**3,069.9**
Total investment properties at 30 June 2013	3,567.9	261.6	3,829.5

Investment properties are stated at fair value as at 30 June 2014 based on external valuations performed by professionally qualified valuers. The Group's wholly owned property portfolio is valued at 30 June 2014 by CBRE Ltd. Valuations for the joint venture properties within the UK were performed by Jones Lang LaSalle (APP and LPP) and CBRE Ltd (Big Box). Valuations for the joint venture properties within Continental Europe were performed by CBRE Ltd. The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties.

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

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

12(ii) – Trading properties

	Completed £m	Development £m	Total £m
At 1 January 2014	**95.8**	**42.5**	**138.3**
Exchange movement	**(3.4)**	**(1.9)**	**(5.3)**
Additions	**0.9**	**10.9**	**11.8**
Disposals	**(14.4)**	**(0.1)**	**(14.5)**
Increase in provision for impairment in the period	**(2.9)**	**(1.8)**	**(4.7)**
At 30 June 2014	**76.0**	**49.6**	**125.6**
Add tenant lease incentives, letting fees and rental guarantees	**0.1**	**–**	**0.1**
Total trading properties at 30 June 2014	**76.1**	**49.6**	**125.7**
Total trading properties at 30 June 2013	147.5	52.2	199.7

Trading properties were externally valued resulting in a net increase in the provision for impairment of £4.7 million (30 June 2013: £5.9 million). Based on the fair value at 30 June 2014, the portfolio has an unrecognised surplus of £5.0 million (30 June 2013: £5.3 million).

12(iii) – Held for sale

In July 2014, the Group exchanged contracts to sell Pegasus Park in Belgium which comprises of an office park and development land. The property has total book value of £66.1 million, of which £65.3 million are investment properties (with £63.8 million are completed and £1.5 million are development) and £0.8 million are owner occupied properties. These were considered held for sale at 30 June 2014.

At 30 June 2013 £997.9 million investment properties and £46.1 million trading properties were shown as held for sale on the face of the Balance Sheet.

13. NET BORROWINGS AND FINANCIAL INSTRUMENTS

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
In one year or less	**2.4**	6.7	2.6
In more than one year but less than two	**205.8**	2.7	206.5
In more than two years but less than five	**198.5**	651.0	197.7
In more than five years but less than ten	**1,088.8**	1,064.2	866.0
In more than ten years	**198.1**	420.0	420.1
In more than one year	**1,691.2**	2,137.9	1,690.3
Total borrowings	**1,693.6**	2,144.6	1,692.9
Cash and cash equivalents	**(23.7)**	(12.3)	(233.8)
Net borrowings	**1,669.9**	2,132.3	1,459.1
Total borrowings is split between secured and unsecured as follows:			
Secured (on land and buildings)	**2.5**	2.9	2.7
Unsecured	**1,691.1**	2,141.7	1,690.2
Total borrowings	**1,693.6**	2,144.6	1,692.9
Currency profile of total borrowings after derivative instruments			
Sterling	**587.1**	824.9	782.0
Euros	**1,106.5**	1,315.0	907.8
US dollars	**–**	4.7	3.1
Total borrowings	**1,693.6**	2,144.6	1,692.9
Maturity profile of undrawn borrowing facilities			
In one year or less	**34.8**	7.6	123.3
In more than one year but less than two	**–**	25.6	200.0
In more than two years	**424.4**	279.9	425.0
Total available undrawn facilities	**459.2**	313.1	748.3
Fair value of financial instruments			
Book value of debt	**1,693.6**	2,144.6	1,692.9
Interest rate derivatives	**(54.0)**	(69.5)	(67.9)
Foreign exchange derivatives	**(19.3)**	0.2	(10.1)
Book value of debt including derivatives	**1,620.3**	2,075.3	1,614.9
Net fair market value	**1,905.3**	2,352.1	1,873.4
Mark to market adjustment (pre-tax)	**285.0**	276.8	258.5

Fair value measurements recognised in the Balance Sheet

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

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

- Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Interest rate swaps and currency swap contracts are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and the appropriate exchange rate at the balance sheet date.
- The fair value of non-derivative financial assets and financial liabilities traded on active liquid markets are determined with reference to the quoted market prices. Unlisted investments, such as those classified as available-for-sale investments, are typically valued by the Fund Manager based on the amount at which the asset would be exchanged between knowledgeable, willing parties in an arm's length transaction. The methodology used to estimate fair value will depend on the nature and facts and circumstances of the investment but use one of the following bases: transaction value, earnings multiple, net assets, price of recent investment and sale price. Where appropriate a marketability discount will be applied.

14. NOTES TO THE CONDENSED GROUP CASH FLOW STATEMENT

14(i) Reconciliation of cash generated from operations

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year to 31 December 2013 £m
Operating profit	**281.3**	110.5	372.1
Adjustments for:			
Depreciation of property, plant and equipment	**1.2**	0.8	2.2
Share of profit from joint ventures after tax	**(61.0)**	(11.5)	(70.6)
Loss/(profit) on sale of investment properties	**0.4**	0.5	(13.0)
Loss on sale of investment in joint ventures	**–**	0.2	–
Amounts written off on acquisitions	**0.1**	0.1	0.2
Valuation (surplus)/deficit on investment and owner occupied properties	**(142.8)**	0.1	(93.8)
(Gain)/loss on sale of available-for-sale investments	**(1.8)**	(0.2)	0.4
Pensions and other provisions	**(5.4)**	(1.8)	(3.8)
	72.0	98.7	193.7
Changes in working capital:			
Decrease in trading properties	**7.7**	1.6	11.8
Increase in debtors	**(9.7)**	(5.3)	(7.9)
(Decrease)/increase in creditors	**(9.4)**	(3.6)	6.4
Net cash inflow generated from operations	**60.6**	91.4	204.0

14(ii) Analysis of net debt

	At 1 January 2014 £m	Exchange movement £m	Cash flow £m	Non-cash adjustment[1] £m	**At 30 June 2014 £m**
Bank loans and loan capital	1,713.0	0.2	(0.1)	–	**1,713.1**
Capitalised finance costs	(20.1)	(0.3)	(1.8)	2.7	**(19.5)**
Total borrowings	1,692.9	(0.1)	(1.9)	2.7	**1,693.6**
Cash in hand and at bank	(233.8)	(2.1)	212.2	–	**(23.7)**
Net debt	1,459.1	(2.2)	210.3	2.7	**1,669.9**

1. *The non-cash adjustment related to the amortisation of issue costs offset against borrowing.*

15. RELATED PARTY TRANSACTIONS

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

16. POST BALANCE SHEET EVENTS

On 28 July 2014 SEGRO acquired four UK logistics properties for £49.5 million.

On 29 July 2014 SEGRO acquired the remaining 50 per cent interest it had not owned in its Logistics Property Partnership joint venture for £95.6 million.

SUPPLEMENTARY NOTES NOT PART OF CONDENSED SET OF FINANCIAL STATEMENTS

TABLE 1: EPRA PERFORMANCE MEASURES SUMMARY

		Half year to June 2014		Half year to June 2013		Year to December 2013	
	Notes	**£m**	**Pence per share**	£m	Pence per share	£m	Pence per share
EPRA Earnings	Table 2	**65.8**	**8.9**	68.1	9.2	131.4	17.7
EPRA NAV	Table 3	**2,470.3**	**333**	2,175.0	294	2,312.6	312
EPRA NNNAV	11	**2,195.4**	**296**	1,929.3	260	2,086.8	282
EPRA net initial yield	Table 4		**5.9%**		6.6%		6.3%
EPRA 'topped up' net initial yield	Table 4		**6.5%**		7.5%		6.9%
EPRA vacancy rate	Table 5		**8.3%**		9.5%		8.5%
Total EPRA cost ratio (including vacant property costs)	Table 6		**22.0%**		23.5%		24.2%
Total EPRA cost ratio (excluding vacant property costs)	Table 6		**17.9%**		18.5%		19.7%

TABLE 2: EPRA INCOME STATEMENT, PROPORTIONAL CONSOLIDATION

		Half year to June 2014			Half year to June 2013			Year to December 2013		
	Notes	**Group £m**	**JV £m**	**Total £m**	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Gross rental income	2, 6	**107.5**	**36.8**	**144.3**	144.6	20.7	165.3	273.8	48.5	322.3
Property operating expenses	2, 6	**(20.0)**	**(5.4)**	**(25.4)**	(25.9)	(2.8)	(28.7)	(50.4)	(8.0)	(58.4)
Net rental income		**87.5**	**31.4**	**118.9**	118.7	17.9	136.6	223.4	40.5	263.9
Joint venture management fee income	2	**5.4**	**–**	**5.4**	2.0	–	2.0	7.1	–	7.1
Administration expenses	2	**(11.7)**	**(0.2)**	**(11.9)**	(12.1)	–	(12.1)	(26.1)	(0.4)	(26.5)
EPRA operating PBIT		**81.2**	**31.2**	**112.4**	108.6	17.9	126.5	204.4	40.1	244.5
EPRA net finance costs	2, 6	**(37.1)**	**(8.2)**	**(45.3)**	(51.0)	(6.6)	(57.6)	(96.6)	(13.9)	(110.5)
EPRA PBT		**44.1**	**23.0**	**67.1**	57.6	11.3	68.9	107.8	26.2	134.0
Tax on EPRA profit	2, 6	**(0.9)**	**(0.4)**	**(1.3)**	(0.9)	0.1	(0.8)	(2.7)	0.1	(2.6)
EPRA profit after tax		**43.2**	**22.6**	**65.8**	56.7	11.4	68.1	105.1	26.3	131.4
Number of shares				**741.3**			740.9			741.0
EPRA EPS, pence per share				**8.9**			9.2			17.7

TABLE 3: BALANCE SHEET, PROPORTIONAL CONSOLIDATION

		Half year to June 2014			Half year to June 2013			Year to December 2013		
	Notes	**Group £m**	**JV £m**	**Total £m**	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Investment properties	12, 6	**3,069.9**	**1,302.0**	**4,371.9**	3,829.5	623.5	4,453.0	2,910.0	1,079.6	3,989.6
Trading properties	12, 6	**125.7**	**11.2**	**136.9**	199.7	29.7	229.4	138.7	12.8	151.5
Owner occupied properties		**1.3**	**–**	**1.3**	4.2	–	4.2	4.1	–	4.1
Total properties		**3,196.9**	**1,313.2**	**4,510.1**	4,033.4	653.2	4,686.6	3,052.8	1,092.4	4,145.2
Investment in joint ventures	6	**854.0**	**(854.0)**	**–**	345.6	(345.6)	–	635.7	(635.7)	–
Other net assets/(liabilities)		**99.6**	**(39.0)**	**60.6**	(48.4)	(3.5)	(51.9)	115.3	(27.3)	88.0
Net debt	13, 6	**(1,669.9)**	**(420.2)**	**(2,090.1)**	(2,132.3)	(304.1)	(2,436.4)	(1,459.1)	(429.4)	(1,888.5)
Net asset value		**2,480.6**	**–**	**2,480.6**	2,198.3	–	2,198.3	2,344.7	–	2,344.7
EPRA adjustments	11			**(10.3)**			(23.3)			(32.1)
EPRA net asset value				**2,470.3**			2,175.0			2,312.6
Number of shares	11			**741.5**			740.9			741.2
EPRA NAV, pence per share	11			**333**			294			312

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

Combined property portfolio – 30 June 2014	Notes	UK £m	Continental Europe £m	Total £m
Total properties per financial statements	Table 3	**3,143.8**	**1,366.3**	**4,510.1**
Add valuation surplus not recognised on wholly owned trading properties[1]		–	5.0	5.0
Other items		–	0.2	0.2
Combined property portfolio per external valuers' reports		**3,143.8**	**1,371.5**	**4,515.3**
Less development properties (investment, trading and joint venture)		(182.2)	(206.6)	(388.8)
Less other properties		–	(1.3)	(1.3)
Net valuation of completed properties		**2,961.6**	**1,163.6**	**4,125.2**
Add notional purchasers' costs		171.1	52.6	223.7
Gross valuation of completed properties including notional purchasers' costs	A	**3,132.7**	**1,216.2**	**4,348.9**
Income		**£m**	**£m**	**£m**
Gross passing rents[2]		176.7	89.7	266.4
Less irrecoverable property costs		(1.9)	(7.2)	(9.1)
Net passing rents	B	**174.8**	**82.5**	**257.3**
Adjustment for notional rent in respect of rent frees		16.8	7.4	24.2
Topped up net rent	C	**191.6**	**89.9**	**281.5**
Including fixed minimum uplifts received in lieu of rental growth		7.1	0.5	7.6
Total topped up net rent		**198.7**	**90.4**	**289.1**
Yields		**%**	**%**	**%**
Net initial yield[3]	B/A	5.6	6.8	5.9
Topped up net initial yield[3]	C/A	6.1	7.4	6.5
True net equivalent yield		6.8	8.3	7.2

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

TABLE 5: EPRA VACANCY RATE

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year to 31 December 2013 £m
Annualised potential rental value of vacant premises	**25.8**	35.3	25.9
Annualised potential rental value for the completed property portfolio	**312.4**	370.7	304.3
EPRA vacancy rate	**8.3%**	9.5%	8.5%

TABLE: 6 EPRA COST RATIO

	Notes	**Half year to 30 June 2014 £m**	Half year to 30 June 2013 £m	Year to 31 December 2013 £m
Costs				
Property operating expenses[1]	5	**20.0**	25.9	50.4
Administration expenses		**11.7**	12.1	26.1
Share of joint venture property operating and administration expenses[2]	6	**5.8**	2.9	6.9
Less:				
Joint venture property management income fee	4	**(5.8)**	(2.0)	(5.4)
Total costs (A)		**31.7**	38.9	78.0
Group vacant property costs	5	**(4.1)**	(7.6)	(12.6)
Share of joint venture vacant property costs	6	**(1.7)**	(0.8)	(1.8)
Total costs excluding vacant property costs (B)		**25.9**	30.5	63.6
Gross rental income				
Gross rental income	4	**107.5**	144.6	273.8
Share of joint venture property gross rental income	6	**36.8**	20.7	48.5
Total gross rental income (C)		**144.3**	165.3	322.3
Total EPRA cost ratio (including vacant property costs) (A)/(C)		**22.0%**	23.5%	24.2%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)		**17.9%**	18.5%	19.7%

1. *Property operating expenses are net of costs capitalised in accordance with IFRS of £1.1 million (HY13: £1.0 million, FY13: £2.1 million) (see note 5 for further detail on the nature of costs capitalised).*
2. *Share of joint venture property operating and administration expenses after deducting costs related to performance and other fees.*

GLOSSARY OF TERMS

APP

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

Completed portfolio

The completed investment and trading properties and the Group's share of joint ventures' completed investment and trading properties.

Development pipeline

The Group's current programme of developments authorised or in the course of construction at the balance sheet date, together with potential schemes not yet commenced on land owned or controlled by the Group.

EPRA

The European Public Real Estate Association, a real estate industry body, who have issued Best Practices Recommendations 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 (not to complete lettings), including attributable interest.

Estimated rental value (ERV)

The estimated annual market rental value of lettable space as determined biannually by the Company'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 provision.

Gross rental income

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

Hectares (Ha)

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

Investment property

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

IPD

Investment Property Databank is a provider of real estate performance and risk analysis.

Joint Venture

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

Loan to Value (LTV)

Net borrowings divided by the carrying value of total property assets (investment, owner occupied and trading properties). This is measured either on a look-through basis (including joint ventures at share) or wholly owned (which excludes joint ventures).

LPP

Logistics Property Partnership, a 50-50 joint venture between SEGRO and Moorfield Real Estate Fund II (MREF II).

Net 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.

Net initial yield

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

Net rental income

Gross Rental Income less ground rents paid, net service charge expenses and property operating expenses.

Net true equivalent yield

Net Equivalent Yield assuming rent is received quarterly in advance.

Passing rent

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

Pre-let

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

REIT

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

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.

SPPICAV

A Société de Placement à Prépondérance Immobilière à Capital Variable is an alternative corporate means of owning real estate assets in France.

Square metres (sq m)

The area of buildings measurements used in this analysis. The conversion factor used, where appropriate, is 1 square metre = 10.7639 square feet.

Take-back

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

Topped up net initial yield

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

Total Property Return (TPR)

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

Total Shareholder Return (TSR)

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

Trading property

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

Yield on cost

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