PRESS RELEASE

SEGRO

26 JULY 2018

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

SEGRO plc ('SEGRO' / 'Company' / 'Group') today announces its results for the six months ended 30 June 2018.

- **SEGRO reports strong operating, financial and portfolio performance metrics, with significant pre-let development commitments underpinning future income growth.**

- **Adjusted pre-tax profit up 21 per cent** reflecting development completions, rental growth captured through asset management and reduced interest expenses due to active management of the capital structure. **IFRS profit before tax of £570.9 million**, which includes valuation gains, increased 43.8 per cent (H1 2017: £397.1 million).

- **Adjusted EPS increased 11 per cent to 10.8 pence** (H1 2017: 9.7 pence) while **IFRS EPS increased 34 per cent to 55.4 pence** (H1 2017: 41.3 pence) which incorporates valuation gains on the investment portfolio and an increased number of shares compared to the prior year.

- **EPRA NAV per share increased 8.5 per cent to 603 pence** (31 December 2017: 556 pence), driven by a 5.9 per cent increase in the value of the portfolio, due to development and asset management gains, further yield compression and ERV growth across the portfolio.

- **Future earnings potential underpinned by over 1 million sq m of development projects under construction or in advanced pre-let discussions.** The current development pipeline is capable of generating £54 million of rent, reflecting a yield on cost of over 7 per cent, of which £38 million (71 per cent) has been secured through pre-lets or lettings prior to practical completion. In particular, we are developing over 250,000 sq m of new space at our flagship SEGRO Logistics Park East Midlands Gateway, all secured during the past six months.

- **Interim dividend increased by 5.7 per cent to 5.55 pence** (2017 interim dividend: 5.25 pence), in line with our dividend policy.

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

"Our modern, well-located portfolio, together with our focus on customer service and continued healthy occupier demand across our markets, are reflected in strong occupancy and customer retention rates, a record volume of pre-let agreements and a further expansion of our development activity. Meanwhile, occupier demand and supply are well balanced across our markets and investor appetite for good quality warehouse assets remains unsated.

"The structural drivers of occupier demand — particularly e-commerce and urbanisation — remain strongly in evidence across our markets and whilst we remain alert to a number of macroeconomic and political risks, we have a strong pipeline of activity and remain confident about our prospects."

FINANCIAL AND OPERATING HIGHLIGHTS[1]

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

- **45 per cent increase in new rent contracted in the period** to £39.8 million (H1 2017: £27.5 million), of which £30.4 million (H1 2017: £18.4 million) is from new development pre-let agreements and lettings of speculatively developed space prior to completion.
- **2.3 per cent like-for-like net rental income growth**, including 2.9 per cent in the UK and 1.0 per cent in Continental Europe, aided by an 8.7 per cent uplift on rent reviews and renewals in the UK portfolio, capturing reversionary potential accumulated in recent years.
- **Portfolio occupancy remains high** with a vacancy rate of 4.8 per cent (31 December 2017: 4.0 per cent), as does retention of rent at risk at 91 per cent.

Valuation gains across the portfolio reflecting asset management successes and ongoing investor demand

- **Portfolio capital value growth of 5.9 per cent** (UK 6.7 per cent, Continental Europe 4.2 per cent) from asset management initiatives and market-driven yield compression, rental value growth (2.3 per cent UK; 0.6 per cent Continental Europe) and development gains.

Capital allocation focused on accretive development programme

- **Net capital investment of £251 million** involving £56 million of asset and investment acquisitions, £280 million in new land and development capital expenditure, offset by £85 million of proceeds from disposals.
- **£54 million of potential rent from current development pipeline**, of which 71 per cent has been secured through pre-lets. Completions in the second half of 2018 potentially generate £17 million of rent, of which £12 million has been secured.
- **£12 million of rent secured at SEGRO Logistics Park East Midlands Gateway**, where 250,000 sq m of new warehouse space is under construction.
- **Further 'near-term' pre-let projects** associated with £17 million of rent are at advanced stages of discussion.
- **Total development capex for full year expected to exceed £500 million** (of which £100 million relates to land acquisitions completed in the first half and infrastructure), reflecting big box warehouse pre-lets ahead of expectations, particularly in Italy and the Midlands region of the UK where we have seen strong demand from online retailers including Amazon, Zalando and Shop Direct.

Balance sheet well positioned to support further acceleration in development

- **Gearing maintained at low levels, with look-through LTV of 29 per cent** (31 December 2017: 30 per cent) and a low average cost of debt of 2.0 per cent (31 December 2017: 2.1 per cent)

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

FINANCIAL SUMMARY

Income statement metrics	6 months to 30 June 2018	6 months to 30 June 2017	Change per cent
Adjusted[1] profit before tax (£m)	110.6	91.2	21.3
IFRS profit before tax (£m)	570.9	397.1	43.8
Adjusted[2] earnings per share (pence)	10.8	9.7	11.3
IFRS earnings per share (pence)	55.4	41.3	34.1
Dividend per share (pence)	5.55	5.25	5.7

Balance sheet metrics	30 June 2018	31 December 2017	Change per cent
Portfolio valuation (SEGRO share, £m)	8,777	8,039	5.9[5]
EPRA[3 4] net asset value per share (pence, diluted)	603	556	8.5
IFRS net asset value per share (pence, diluted)	598	554	7.9
Group net borrowings (£m)	2,115	1,954	8.2
Loan to value ratio including joint ventures at share (per cent)	29	30	

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

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

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

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

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

WEBCAST / CONFERENCE CALL FOR INVESTORS AND ANALYSTS

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

https://edge.media-server.com/m6/p/zuazpskr

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

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

Dial-in: +44 (0) 800 279 7204
Access code: SEGRO Half Year Results

A video interview with David Sleath and Soumen Das discussing the results is now available to view on www.segro.com, together with this announcement, the H1 2018 Property Analysis Report and other information about SEGRO.

CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES:

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FINANCIAL CALENDAR

2018 interim dividend ex-div date	16 August 2018
2018 interim dividend record date	17 August 2018
2018 interim dividend scrip dividend price announced	23 August 2018
Last date for scrip dividend elections	7 September 2018
2018 interim dividend payment date	28 September 2018
2018 Third Quarter Trading Update	17 October 2018
Full Year 2018 Results	15 February 2019

ABOUT SEGRO

SEGRO is a UK Real Estate Investment Trust (REIT), and a leading owner, manager and developer of modern warehouses and light industrial property. It owns or manages 7 million square metres of space (74 million square feet) valued at over £10 billion serving customers from a wide range of industry sectors. Its properties are located in and around major cities and at key transportation hubs in the UK and in nine other European countries.

See www.SEGRO.com for further information.

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

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

CHIEF EXECUTIVE'S REVIEW

STRATEGY

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

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

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

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

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

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

DISCIPLINED CAPITAL ALLOCATION — ACQUISITION ACTIVITY

During the first half, we acquired £88 million of assets and land, and invested £18 million in a French listed property company. The asset acquisitions totalled £38 million, reflecting a topped-up net initial yield of 6.5 per cent.

We took the opportunity to acquire two urban warehouse assets during the period: in Poland, we acquired an 18,600 sq m estate approximately 9km from Warsaw city centre; and in France, we purchased a 19,200 sq m multi-let urban warehouse neighbouring our existing holdings in Le Blanc-Mesnil, Paris. Both assets were fully let on acquisition and will help us to achieve scale in these two attractive markets.

We also took the opportunity to acquire a 19.4 per cent interest in French listed property company Sofibus Patrimoine. Sofibus' largest holding comprises 127,000 sq m of warehouse properties within Le Parc d'Activites des Petits Carreaux, a 150,000 sq m light industrial estate located approximately 15km south east of Paris. This holding allows us to gain further exposure, albeit indirectly, to the Paris urban warehouse market which we believe has significant future growth potential.

We continue to review acquisition opportunities and are under offer or have exchanged contracts to acquire approximately £60 million of assets in Continental Europe. However, our investment activity continues to focus on pursuing development opportunities and over half of the capital invested in acquisitions during the first half of the year was for land for immediate or near-term development.

Acquisitions completed in H1 2018

Asset location / type	Purchase price[1] (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Continental Europe: Urban warehousing	38.0	6.4	6.5
UK: Land[3]	1.7	n/a	n/a
Continental Europe: Land[3]	48.1	n/a	n/a
Interest in Sofibus Patrimoine	18.1	n/a	n/a
Total acquisitions completed in H1 2018	**105.9**	**6.4[2]**	**6.5[2]**

1. Excluding acquisition costs.

2. Yield excludes land transactions.

3. Land acquisitions are discussed in Future Development Pipeline.

DISCIPLINED CAPITAL ALLOCATION — ASSET RECYCLING

During the first half of 2018, we disposed of £85 million of land and assets. The asset sales totalled £79 million and were sold at a blended topped-up initial yield of 6.1 per cent.

Approximately half of the asset disposals comprised big box warehouses in Italy, developed on balance sheet and sold into SELP in line with book values at December 2017. The remainder included a plot of land fronting a main road in Bracknell which was sold to a self storage provider, a small industrial estate in Germany, and an older big box warehouse in France.

Since the end of June, we have contracted or completed disposals of a further £46 million of less core assets in the UK and Germany, crystallising a small profit compared to December book values.

We will continue to evaluate disposal opportunities and we currently expect disposals to total between £300 million and £350 million for the year as a whole.

Disposals completed in H1 2018

Asset location / type	Gross proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Continental Europe: Urban warehousing	27.0	5.0	6.1
Continental Europe: Big box warehousing	52.1	5.8	6.1
UK: Land	6.1	n/a	n/a
Total disposals completed in H1 2018	**85.2**	**5.5[1]**	**6.1[1]**

1. Yield excludes land transactions.

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

The Group's property portfolio was valued at £8.8 billion at 30 June 2018 (£10.2 billion of assets under management). The portfolio valuation, including completed assets, land and buildings under construction, increased by 5.9 per cent on a like-for-like basis (adjusted for capital expenditure and asset recycling during the year).

This primarily comprises a 5.3 per cent increase in the assets held throughout the period (H1 2017: 4.3 per cent), driven by around 15 basis points of yield compression and a 1.7 per cent increase in our valuer's estimate of the market rental value of our portfolio (ERV).

Assets held throughout the period in the UK increased in value by 6.4 per cent (H1 2017: 5.3 per cent), slightly below the MSCI-IPD UK Industrial monthly index which increased by 7.0 per cent, reflecting the differing composition of our prime London and South East-located UK portfolio compared to the index. The portfolio value increase reflects a combination of yield compression across the portfolio and the capture of reversionary potential in lease reviews and renewals, particularly in London. The net true equivalent yield applied to our UK portfolio was 4.8 per cent (31 December 2017: 5.0 per cent), while UK rental values improved by 2.3 per cent (H1 2017: 0.9 per cent).

Assets held throughout the period in Continental Europe increased in value by 2.6 per cent (H1 2017: 1.8 per cent) on a constant currency basis, reflecting a combination of yield compression to 5.9 per cent (31 December

2017: 6.0 per cent) and rental value growth of 0.6 per cent (H1 2017: 0.4 per cent). We continue to experience modest market rental value growth in our big box joint venture in Continental Europe (0.4 per cent) but rents are responding to improving demand and a lack of quality supply for our wholly-owned, mainly urban warehouse assets, where ERVs increased by 0.9 per cent over the six month period.

More details of our property portfolio can be found in the H1 2018 Property Analysis Report available at www.segro.com/investors.

Property portfolio metrics at 30 June 2018[1]

		Portfolio value, £m					Yield,%[3]		
	Lettable area sq m (AUM)	**Completed**	**Land & development**	**Combined property portfolio**	**Combined property portfolio (AUM)**	**Valuation movement[2] %**	**Topped up net initial**	**Net true equivalent**	**Vacancy (ERV)[4] %**
UK									
Greater London	1,085,461	3,347.3	158.2	3,505.5	3,505.5	8.1	3.6	4.6	5.1
Thames Valley and National Logistics	1,044,592	2,160.8	283.1	2,443.9	2,449.5	3.8	4.5	5.1	5.9
UK TOTAL	**2,130,053**	**5,508.1**	**441.3**	**5,949.4**	**5,955.0**	**6.4**	**3.9**	**4.8**	**5.4**
Continental Europe									
Germany/Austria	1,237,199	700.7	153.6	854.3	1,296.2	2.1	5.1	5.4	5.5
Belgium/Netherlands	293,398	112.3	22.6	134.9	237.7	(2.2)	6.3	6.1	5.5
France	1,106,224	679.6	80.0	759.6	1,056.3	4.5	5.7	5.7	2.2
Italy/Spain	757,858	356.0	184.9	540.9	694.9	3.4	5.8	5.8	1.8
Poland	1,229,255	429.4	39.1	468.5	802.7	1.4	6.9	6.8	3.9
Czech Republic/Hungary	139,666	50.9	18.2	69.1	131.3	2.2	6.3	6.5	3.3
CONTINENTAL EUROPE TOTAL	**4,763,600**	**2,328.9**	**498.4**	**2,827.3**	**4,219.1**	**2.6**	**5.8**	**5.9**	**3.6**
GROUP TOTAL	**6,893,653**	**7,837.0**	**939.7**	**8,776.7**	**10,174.1**	**5.3**	**4.5**	**5.1**	**4.8**

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

2. Valuation movement is based on the difference between the opening and closing valuations for properties held throughout the period, allowing for capital expenditure, acquisitions and disposals.

3. In relation to completed assets only.

4. Vacancy rate excluding short term lettings for the Group at 30 June 2018 is 5.2 per cent.

OPERATIONAL EXCELLENCE — ACTIVE ASSET MANAGEMENT

We contracted £40 million of new headline rent during the first half of the year, 45 per cent higher than in H1 2017. Pre-let agreements, mainly in the UK Midlands and Italy, comprised £30 million, with further contributions from low vacancy and an average 5.5 per cent uplift on rent reviews and renewals.

At 30 June 2018, our portfolio comprised two main asset types: urban warehouses and big box warehouses. The demand-supply dynamics differ, varying by both type and by geography.

- **Urban warehouses** account for 55 per cent of our completed portfolio value. They are located mainly in and around London, Paris, Düsseldorf, Berlin and Warsaw, where land supply is restricted and there is strong demand for warehouse space, particularly catering for the needs of so-called 'last mile' delivery and, in Slough, from data centre users.
- **Big box warehouses**, classed as those over 10,000 sq m in size, account for 41 per cent of our completed portfolio value. These are focused on the major logistics hubs and corridors in the UK (South-East and Midlands regions), France (the logistics 'spine' linking Paris, Lyon and Marseille), Germany (Düsseldorf, Berlin, Leipzig and Hamburg) and Poland (the central core of Poznań, Łódź and Warsaw, plus the industrial region of Silesia).

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

Data on the logistics markets in the UK (from JLL) and France (from CBRE) implies that available prime space continues to equate to less than one year of prime take-up. In the UK, development levels are increasing but construction continues to be primarily on a pre-let basis and, in our case, all of our big box warehouse development in the UK is pre-leased. In France, availability of prime logistics space has fallen every year since 2010 and now stands at just 2.8 million sq m, compared to 4.2 million sq m of take-up over the past 12 months.

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

Growing rental income from letting existing space and new developments

At 30 June 2018, our portfolio generated passing rent of £346 million, rising to £373 million once rent free periods expire ("headline rent"). During the first half of the year, we contracted £39.8 million of new headline rent, 45 per cent higher than in H1 2017 (£27.5 million), with a particularly significant contribution from new pre-let agreements across the portfolio as well as rent reviews and renewals in the UK.

Our customer base remains well diversified, reflecting the multitude of traditional and e-commerce related uses of warehouse space. Our top 20 customers account for 32 per cent of total headline rent, and our largest customer, Deutsche Post DHL, accounts for 4.5 per cent.

Approximately half of our rent roll is from customers involved in e-commerce, including third party logistics and parcel delivery businesses, and retailers (both pure-play on-line retailers and more traditional retailers developing their own multi-channel capability). These businesses accounted for around two-thirds of our take-up during the year, including Amazon and Yoox Net-a-Porter which occupied over 66,000 sq m between them in Italy during the first half.

Manufacturing companies are also increasingly important occupiers of our warehouse space, accounting for 18 per cent of our headline rent. They comprised 7 per cent of take-up during the year and included the appliances manufacturer Miele which leased new premises in Germany, and FläktGroup which is a leading European producer of air cooling systems and took just over 10,000 sq m in Warsaw.

Summary of key leasing data for H1 2017 and H1 2018[1]

Summary of key leasing data for the six months to 30 June[1]		H1 2018	H1 2017
Take-up of existing space[2] (A)	£m	5.9	3.5
Space returned[3] (B)	£m	(6.8)	(3.0)
Other rental movements (rent reviews, renewals, indexation)[2] (C)	£m	2.3	2.4
RENT ROLL GROWTH FROM EXISTING SPACE (A+B+C)	**£m**	**1.4**	**2.9**
Take-up of developments completed in the period – pre-let space[2] (D)	£m	11.7	3.0
Take-up of speculative developments completed in the past two years[2] (D)	£m	3.3	3.8
TOTAL TAKE UP[2] (A+C+D)	**£m**	**23.2**	**12.7**
Less take-up of pre-lets and speculative lettings signed in prior periods[2]	£m	(13.8)	(3.6)
Pre-lets and lettings on speculative developments signed in the period for future delivery[2]	£m	30.4	18.4
RENTAL INCOME CONTRACTED IN THE PERIOD[2]	**£m**	**39.8**	**27.5**
Take-back of space for redevelopment	£m	(0.1)	(2.6)
Retention rate[4]	%	91	92

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

2. Annualised rental income, after the expiry of any rent-free periods.

3. Annualised rental income, excluding space taken back for redevelopment.

4. Headline rent retained as a percentage of total headline rent at risk from break or expiry during the period.

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

- **Rental growth from lease reviews and renewals.** These generated an uplift of 5.5 per cent (H1 2017: 11.1 per cent) for the portfolio as a whole compared to previous headline rent. During the period, new rents agreed at review and renewal were 8.7 per cent higher in the UK (H1 2017: 15.3 per cent higher) as reversion accumulated over the past five years was reflected in new rents agreed, generating £1.3 million of additional headline rent. In Continental Europe, rents agreed on renewal were less than £0.2 million (2.6 per cent) lower than previous headline rents (H1 2017: 1.2 per cent lower), reflecting indexation provisions which have increased rents paid over recent years to above market rental levels.

- **Vacancy remains low at 4.8 per cent.** The vacancy at 30 June 2018 was 4.8 per cent, comfortably within our target range of between 4 and 6 per cent. The slight increase since end-2017 was mostly due to completion of speculative developments which added 0.6 percentage points. The average vacancy rate during the period was 4.8 per cent, which compares to the 5.5 per cent average during H1 2017, contributing to the like-for-like net rental income growth experienced during the period.

- **High retention rate of 91 per cent**. During the period, space equating to £6.8 million (H1 2017: £3.0 million) of rent was returned to us, including £0.5 million of rent lost due to insolvencies (H1 2017: £0.3 million). During the period, £36 million of rent was subject to lease renegotiation (a break, renewal or re-gear) of which we retained 91 per cent in either the customer's existing space or new premises. At 30 June 2018, £24 million of rent is at risk from break or expiry during the remainder of 2018.

- **Lease terms continue to offer attractive income security.** The level of incentives agreed for new leases (excluding those on developments completed in the period) represented 5.4 per cent of the headline rent (H1 2017: 8.1 per cent). The portfolio's weighted average lease length increased to 7.6 years to first break and 9.2 years to expiry (31 December 2017: 7.4 years to first break, 8.9 years to expiry). Weighted average unexpired lease terms are longer in the UK (8.9 years to break) than in Continental Europe (5.6 years to break).

- **£8 million of net new rent from existing assets.** The combination of these strong metrics enabled us to generate £5.9 million of headline rent from new leases on existing assets (H1 2017: £3.5 million) and £2.3 million from rent reviews, lease renewals and indexation (H1 2017: £2.4 million). The relatively higher level of take-backs (£6.8 million, compared to £3.0 million in H1 2017) is in part a function of customers moving to different, often larger, premises.

- **£30 million of rent contracted from pre-let agreements (H1 2017: £18 million)**. We contracted £30.4 million of headline rent from pre-let agreements and lettings of speculative developments prior to completion (H1 2017: £18.4 million), a greater volume than for the whole of 2017. Within this is just under £12 million of headline rent from lettings at SEGRO Logistics Park East Midlands Gateway (SLPEMG) and just under £9 million from lettings in Italy.
- **Rent roll growth increased to £32.9 million.** An important element of achieving our goal of being a leading income-focused REIT is to grow our rent roll, primarily through increasing rent from our existing assets and from generating new rent through development. Rent roll growth, which reflects net new headline rent from existing space (adjusted for take-backs of space for development), take-up of speculative developments and pre-lets agreed during the period, increased to £32.9 million in H1 2018, from £21.9 million in H1 2017.

DISCIPLINED CAPITAL ALLOCATION AND OPERATIONAL EXCELLENCE — DELIVERING GROWTH THROUGH DEVELOPMENT

We invested £208 million in new developments and £22 million in infrastructure during H1 2018 (H1 2017: £195 million and £20 million respectively) and £50 million (H1 2017: £34 million) in our land bank. The marked acceleration in our development activity, driven particularly by pre-let big box warehouses for internet retailers, means that our expected development capital expenditure for 2018 as a whole, including infrastructure and land acquisitions, should now exceed £500 million.

Development projects completed

We completed 280,100 sq m of new space during the period. These projects were 62 per cent pre-let prior to the start of construction and were 78 per cent let as at 30 June 2018, generating £14.8 million of annualised gross rent, with a potential further £4.3 million to come when the remainder of the space is let. This translates into a yield on total development cost (including land, construction and finance costs) of 8.0 per cent when fully let.

Amongst the development projects completed in the first half were 88,900 sq m of warehouses in Italy let to retailers including Yoox Net-a-Porter, Amazon and third party logistics company Close2You. We also completed our first East Plus developments, including 23,400 sq m of speculative space at SEGRO Park Rainham, of which 2,700 sq m has been let, and a 4,200 sq m parcel delivery warehouse for DPD at SEGRO Park Newham.

Current development pipeline

At 30 June 2018, we had development projects approved, contracted or under construction totalling 1.1 million sq m, representing £426 million of future capital expenditure and £54 million of annualised gross rental income when fully let. These projects, which complete later this year and in 2019, are 71 per cent pre-let and should yield 7.1 per cent on total development cost when fully occupied.

- In the UK, we have secured transactions for over 250,000 sq m of space at SLPEMG, a speed of take-up well ahead of our expectations for the site. This includes a 51,400 sq m warehouse for Shop Direct which we will sell to the occupier on completion and has therefore been excluded from the development pipeline figures. The pipeline also includes two further buildings at SEGRO Park Newham, where DHL and a Travelodge hotel will join the completed DPD parcel delivery warehouse, completing the scheme.
- In Continental Europe, we have 834,000 sq m of space approved or under construction across 36 projects. Italy accounts for just under 320,000 sq m of new space, of which 94 per cent is pre-let. In Germany, we have just under 200,000 sq m of space under construction, mainly comprising urban warehouse projects developed on a speculative basis to cater for increasing demand for modern distribution space serving Germany's major cities.

Within our Continental European development programme, approximately £8 million of potential gross rental income is associated with big box warehouses developed outside our SELP joint venture. Under the terms of the joint venture, SELP has the option, but not the obligation, to acquire these assets shortly after completion.

Assuming SELP acquires the assets, the net impact for SEGRO would be to retain a 50 per cent share of the rent.

The number of pre-let agreements signed during the first half means that we will increase the pace of development and now expect to invest in excess of £500 million during 2018. This comprises £50 million of land acquisitions completed in the first half, approximately £50 million of infrastructure spend (of which £22 million was spent in the first half) and in excess of £400 million of development capex (from £350 million expected at the time of our 2017 full year results).

Future development pipeline

Near-term development pipeline

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

These projects total 237,000 sq m of space, equating to approximately £150 million of additional capital expenditure and £17 million of additional headline rent. By way of context, at 31 December 2017, we reported a near-term development pipeline of just over 500,000 sq m of space: 466,000 sq m of those projects are now either committed, under construction or complete.

Land bank

Our land bank identified for future development totalled 524 hectares at 30 June 2018, equating to £407 million, or around 5 per cent of our total portfolio. We invested £50 million in acquiring new land during the first half of the year, mainly sites associated with developments expected to start in the short term.

We estimate that our land bank, including the near-term projects above, can support 2.2 million sq m of development over the next five years. We estimate that the prospective capital expenditure associated with the future pipeline is just over £1 billion and that it could generate £108 million of gross rental income. This represents a yield on total development cost (including land and notional finance costs) of between 7 and 8 per cent and approximately 10 per cent on the incremental capital expenditure, excluding land already acquired. These figures are indicative of our current expectations but are dependent on our ability to secure pre-let agreements, planning permissions, construction contracts and on the outlook for occupier conditions in local markets.

Land with a total value of £104 million has been identified as suited to alternative use or surplus to our short term requirements which includes the turnkey development for Shop Direct at SLPEMG. The largest single component is a brownfield site in Hayes, West London, which was formerly a Nestlé factory. Along with our residential partner, Barratt London, we have received conditional planning consent and, once unconditional, we will sell the land zoned for residential use to Barratt (expected in H2 2018) and will develop the warehouse element ourselves.

Land held under option agreements

Land sites held under option agreements are not included in the figures above but together represent significant further development opportunities, primarily in the UK, including sites for urban warehousing in East London and for big box warehouses in the Midlands and South East regions.

The options, held on the balance sheet at a value of £23 million (including joint ventures at share), are exercisable in both the short and the longer term: those in the short term are for land capable of supporting just under 1 million sq m of space and generating £54 million of headline rent for a blended yield on investment of approximately 7 per cent, depending on the final price agreed for acquiring the land.

Further details of our completed projects, and our current and future development pipelines are available in the H1 2018 Property Analysis Report, which is available to download at www.segro.com/investors.

MAINTAINING AN EFFICIENT AND RESILIENT CAPITAL STRUCTURE

Net debt, including our share of joint venture net debt, increased by £157 million from 31 December 2017 to £2.6 billion. The look-through loan to value ratio (LTV) remained broadly stable at 29 per cent (31 December 2017: 30 per cent) due to net investment activity during the period offset by a further improvement in asset values. This is consistent with our aim to have an LTV ratio closer to 30 per cent than our through-cycle target of 40 per cent.

The movement in net debt, including our share of debt in joint ventures, from £2,398 million to £2,555 million, primarily reflects net capital investment of £251 million, offset by early receipt of cash proceeds from disposals completed shortly after the end of June and retained earnings due to relatively high take-up of the scrip dividend. The weighted average cost of debt remains low at 2.0 per cent.

INTERIM DIVIDEND OF 5.55 PENCE PER SHARE

Consistent with its previous guidance that the interim dividend would normally be set at one-third of the previous year's total dividend, the Board has declared an increase in the interim dividend of 0.3 pence per share to 5.55 pence (H1 2017: 5.25 pence), a rise of 5.7 per cent. This will be paid as an ordinary dividend on 28 September 2018 to shareholders on the register at the close of business on 17 August 2018.

The Board will offer a scrip dividend option for the 2018 interim dividend, allowing shareholders to choose whether to receive the dividend in cash or new shares. 38 per cent of the 2017 final dividend was paid in new shares, equating to £37 million of cash retained on the balance sheet and 6.3 million new shares being issued.

OUTLOOK

Over recent years we have created a high quality portfolio of modern, well-located warehouse assets, positioned to benefit from enduring occupier demand across a wide range of sectors and, especially, to capitalise on the opportunities created by the e-commerce revolution sweeping across all our markets. This, combined with our strong customer focus, has again helped to drive strong operational, portfolio and financial metrics in the first half of the year.

Whilst remaining alert to a range of macroeconomic and political risks, we enter the second half of the year with a strong pipeline of developments under construction and in negotiation, and low vacancy rates. The occupier demand-supply situation remains well balanced across our markets and there is still strong investor appetite to own assets such as ours which is supportive of investment yields at current levels.

These factors give us confidence about our future prospects.

FINANCIAL REVIEW

Like-for-like net rental income growth and development growth were the primary drivers of the 21.3 per cent increase in Adjusted profit before tax compared to H1 2017. EPRA NAV per share increased by 8.5 per cent to 603 pence compared to December 2017 primarily driven by the valuation uplift on the property portfolio.

Financial highlights

	30 June 2018	**30 June 2017**	**31 December 2017**
IFRS[1] net asset value (NAV) per share (diluted) (p)	**598**	504	554
EPRA[1] NAV per share (diluted) (p)	**603**	504	556
IFRS profit before tax (£m)	**570.9**	397.1	976.3
Adjusted[2] profit before tax (£m)	**110.6**	91.2	194.2
IFRS earnings per share (EPS) (p)	**55.4**	41.3	98.5
Adjusted[2] EPS (p)	**10.8**	9.7	19.9

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

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

Presentation of financial information

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

The Adjusted profit measure better reflects the underlying recurring performance of the Group's property rental business, which is SEGRO's core operating activity. It is based on the Best Practices Recommendations of the European Public Real Estate Association (EPRA) which are widely used alternate metrics to their IFRS equivalents (further details on EPRA Best Practices Recommendations can be found at www.epra.com). In calculating Adjusted profit, the Directors may also exclude additional items considered to be non-recurring, not in the ordinary course of business, and significant by virtue of size and nature. There are no such items reported in the current or comparative periods. Consequently the SEGRO Adjusted metrics and EPRA metrics are consistent.

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

The Supplementary Notes to the condensed financial information include other EPRA metrics as well as SEGRO's Adjusted income statement and balance sheet presented on a proportionately consolidated basis.

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

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

ADJUSTED PROFIT

Adjusted profit

	Six months to 30 June 2018 £m	Six months to 30 June 2017 £m
Gross rental income	**145.1**	127.3
Property operating expenses	**(23.9)**	(23.9)
Net rental income	**121.2**	103.4
Joint venture management fee income	**8.7**	16.5
Administration expenses	**(20.7)**	(17.5)
Share of joint ventures' Adjusted profit after tax[1]	**24.6**	22.1
Adjusted operating profit before interest and tax	**133.8**	124.5
Net finance costs	**(23.2)**	(33.3)
Adjusted profit before tax	**110.6**	91.2
Tax on Adjusted profit	**(1.7)**	(0.7)
Non-controlling interests share of adjusted profits	**(0.3)**	–
Adjusted profit after tax[2]	**108.6**	90.5

1. Comprises net property rental income less administration expenses, net interest expenses and taxation.

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

Adjusted profit before tax increased by 21 per cent to £110.6 million (H1 2017: £91.2 million). The primary driver was a £17.8 million increase in net rental income to £121.2 million, mainly reflecting growth in like-for-like net rental income, the positive net impact of development completions during the period and the impact of acquisitions. In addition there was a significant decrease in net finance costs of £10.1 million to £23.2 million primarily due to lower rates as a result of the debt refinancing activity undertaken in 2017. This was partially offset by a reduction in joint venture management fee income due to the APP portfolio becoming wholly owned during H1 2017.

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

Like-for-like net rental income	**Six months to 30 June 2018 £m**	Six months to 30 June 2017 £m	Variance £m	Change %
UK	**84.3**	81.9	2.4	2.9
Continental Europe	**41.8**	41.4	0.4	1.0
Like-for-like net rental income before other items	**126.1**	123.3	2.8	2.3
Other[1]	**(2.8)**	(2.3)	(0.5)	
Like-for-like net rental income	**123.3**	121.0	2.3	1.9
Development lettings	**13.9**	1.2		
Properties taken back for development	**(0.3)**	0.7		
Like-for-like net rental income plus developments	**136.9**	122.9		
Properties acquired	**13.9**	6.0		
Properties sold	**0.4**	9.3		
Net rental income before surrenders, dilapidations and exchange	**151.2**	138.2		
Lease surrender premiums and dilapidations income	**1.0**	0.5		
Rent lost from lease surrenders and other items	**3.9**	0.7		
Impact of exchange rate difference between periods	**–**	(0.8)		
Net rental income before joint venture fees	**156.1**	138.6		
Share of joint venture fees	**(3.6)**	(7.9)		
Net rental income per income statements	**152.5**	130.7		

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

The like-for-like rental growth metric is based on properties held throughout both H1 2018 and H1 2017 and comprises wholly owned assets (net rental income of £121.2 million) and SEGRO's share of net rental income held in joint ventures (£34.9 million, before the impact of fees paid to joint venture partners of £3.6 million).

Net rental income on this basis increased by £17.5 million to £156.1 million which mainly reflects £12.7 million of additional income from development lettings and £2.8 million of like-for-like net rental income growth (2.3 per cent higher than in H1 2017). The growth in like-for-like net rental income was mainly due to rental increases on review and renewal in our UK portfolio. The small increase in Continental Europe primarily arises from reduced property operating expenses.

Investment activity had a slightly negative impact on net rental income, when compared to the prior period, with additional income on acquisitions (£7.9 million) including the additional income from the APP acquisition being offset by income lost from disposals (£8.9 million), primarily those completed during 2017.

Where a completed property has been sold into SELP, the 50 per cent share owned throughout the period is included in the like-for-like calculation, with the balance shown in properties sold.

Income from joint ventures

Joint venture management fee income decreased by £7.8 million to £8.7 million. This decrease was mainly due to no further fees from the APP joint venture once this became wholly owned in 2017.

SEGRO provides certain services, including venture advisory and asset management, to the SELP joint venture and receives fees for doing so, including potential performance fees based on the performance of the portfolio over the preceding five years. This performance fee, if confirmed, it is currently estimated to have a net impact of approximately £10 million on adjusted profit, and would be recognised in the second half of 2018. See Note 6 for further details.

SEGRO's share of joint ventures' Adjusted profit after tax increased by £2.5 million, mainly reflecting the growth in income from the SELP joint venture and APP impacting H1 2017 only.

Administrative and operating costs

The Total Cost Ratio for H1 2018 decreased to 22.5 per cent from 22.9 per cent in H1 2017. Excluding the impact of share based payments (£5.7 million), the cost of which are directly linked to the outperformance of the property portfolio, the Cost Ratio decreased to 19.3 per cent in H1 2018 from 20.4 per cent in H1 2017. The favourable impact is due to the cost base growing at a slower rate than income. The calculations are set out in Table 6 of the Supplementary Notes to the condensed financial information.

Net finance costs

Net finance costs have decreased by £10.1 million during the period from £33.3 million at H1 2017 to £23.2 million at H1 2018. This has been driven by a significantly lower average cost of debt, as discussed further in the Financial Position and Funding section below.

Taxation

The tax charge on Adjusted profit of £1.7 million (H1 2017: £0.7 million) reflects an effective tax rate of 1.5 per cent (H1 2017: 0.8 per cent), consistent with a Group target tax rate of less than 3 per cent.

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

Adjusted earnings per share

Adjusted earnings per share were 10.8 pence (H1 2017: 9.7 pence) reflecting the £18.1 million improvement in Adjusted profit after tax and non-controlling interests.

IFRS PROFIT

IFRS profit before tax in H1 2018 was £570.9 million (H1 2017: £397.1 million), equating to post-tax IFRS earnings per share of 55.4 pence compared with 41.3 pence for H1 2017. The increase in IFRS profits is driven primarily by unrealised and realised gains on our property portfolio, including joint ventures at share, which were £152.9 million higher in H1 2018 than in the same period a year ago.

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

Realised and unrealised gains on wholly owned investment and trading properties of £442.8 million in H1 2018 (H1 2017: £309.9 million) have been recognised in the income statement, mainly comprising an unrealised valuation surplus of £435.8 million (H1 2017: £302.9 million surplus), a valuation surplus on the investment in a property related investment of £4.7 million (H1 2017: £nil) and a profit of £2.3 million on asset disposals (H1 2017: £7.7 million profit).

SEGRO's share of realised and unrealised gains on properties held in joint ventures was £41.1 million (H1 2017: £21.1 million) virtually all arising in the SELP joint venture.

BALANCE SHEET

EPRA net asset value

	£m	Shares million	Pence per share
EPRA net assets attributable to ordinary shareholders at 31 December 2017	**5,607.7**	**1,007.7**	**556**
Realised and unrealised property gain (including joint ventures)	483.9		
Adjusted profit after tax	108.6		
Dividend net of scrip shares issued (2017 final)	(76.4)		
Exchange rate movement (net of hedging)	1.3		
Other	1.0		
EPRA net assets attributable to ordinary shareholders at 30 June 2018	**6,126.1**	**1,015.9**	**603**

At 30 June 2018, IFRS net assets attributable to ordinary shareholders were £6,077.4 million (31 December 2017: £5,585.4 million), equating to 601 pence per share (31 December 2017: 557 pence).

EPRA net asset value per share at 30 June 2018 was 603 pence measured on a diluted basis (31 December 2017: 556 pence), the 8.5 per cent increase mainly reflecting property gains in the period. The table above highlights the other principal factors behind the increase. A reconciliation between IFRS and EPRA net assets is available in Note 11 to the condensed financial information.

CASH FLOW AND NET DEBT RECONCILIATION

Free cash flow for the period was £85.4 million, a £4.5 million increase from H1 2017 (£80.9 million) with higher cash flows from operations after finance costs being partially offset by a lower dividend received from joint ventures when compared to H1 2017 (which included APP).

The largest cash outflow in the period relates to acquisitions and developments of investment properties at £242.4 million, which primarily reflects the ongoing development activity (see Capital Expenditure section for more details). Cash flows from investment property sales are £105.5 million, which is £38.1 million lower than in H1 2017.

Other significant cash flows include the dividends paid of £60.3 million which is £10.1 million lower than the prior period, mainly due to a higher level of scrip dividend take-up than in H1 2017. Acquisitions of interests in property primarily relate to the investment in Sofibus Patrimoine as detailed further in Note 7. The net investment in joint ventures has increased by £21.1 million to £29.3 million primarily due to a higher level of acquisitions in SELP in H1 2018 compared to H1 2017.

As a result of these factors there was a net funds outflow of £158.3 million during the period compared to an inflow of £252.6 million in H1 2017 which benefitted from the £556.8 million proceeds from the rights issue.

Cash flow and net debt reconciliation

	Six months to 30 June 2018 £m	Six months to 30 June 2017 £m
Opening net debt	**(1,954.2)**	(1,598.4)
Cash flow from operations	**102.6**	116.2
Finance costs (net)	**(21.6)**	(41.0)
Early close out of debt	**–**	(10.3)
Dividends received	**5.2**	16.2
Tax paid	**(0.8)**	(0.2)
Free cash flow	**85.4**	80.9
Dividends paid	**(60.3)**	(70.4)
Acquisitions and development of investment properties	**(242.4)**	(202.3)
Investment property sales	**105.5**	143.6
Acquisition of APP	**–**	(217.2)
Acquisitions of interests in property	**(18.6)**	(2.5)
Net settlement of foreign exchange derivatives	**2.1**	(26.6)
Proceeds from issue of ordinary shares	**0.6**	556.8
Net investment in joint ventures	**(29.3)**	(8.2)
Other items	**(1.3)**	(1.5)
Net funds flow	**(158.3)**	252.6
Non-cash movements	**(1.3)**	(1.7)
Debt acquired with APP	**–**	(390.4)
Exchange rate movements	**(1.1)**	(3.7)
Closing net debt	**(2,114.9)**	(1,741.6)

Capital expenditure

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

Total spend for the period was £385.5 million, a decrease of £1,005.1 million compared to H1 2017, mainly due to H1 2017 including the APP property portfolio acquisition (£1,112.6 million).

Development capital expenditure increased by £15.3 million to £230.3 million, reflecting the ongoing momentum in our development programme, particularly in the UK and Italy. Development spend incorporates interest capitalised of £3.8 million (H1 2017: £2.8 million) including joint ventures at share.

Spend on existing completed properties totalled £12.0 million (H1 2017: £9.9 million), of which £6.0 million was for value-enhancing major refurbishment and fit-out costs prior to re-letting.

EPRA capital expenditure analysis

	Six months to 30 June 2018			Six months to 30 June 2017		
	Wholly owned £m	**Joint ventures £m**	**Total £m**	Wholly owned £m	Joint ventures £m	Total £m
Acquisitions	**77.5[1]**	**53.9[6]**	**131.4**	1,143.6	15.5[6]	1,159.1
Development[4]	**208.6[2]**	**21.7**	**230.3**	184.0	31.0	215.0
Completed properties[4]	**8.6[3]**	**3.4**	**12.0**	7.9	2.0	9.9
Other[5]	**8.7**	**3.1**	**11.8**	5.0	1.6	6.6
Total	**303.4**	**82.1**	**385.5**	1,340.5	50.1	1,390.6

1. Being £77.5 million investment property and £nil trading property (2017: £1,143.6 million and £nil million respectively) see Note 12.

2. Being £206.0 million investment property and £2.6 trading property (2017: £184.0 million and £nil million respectively) see Note 12.

3. Being £8.6 million investment property and £nil trading property (2017: £7.9 million and £nil million respectively) see Note 12.

4. Includes wholly owned capitalised interest of £3.6 million (2017: £2.5 million) as further analysed in Note 8 and share of joint venture capitalised interest of £0.2 million (2017: £0.3 million).

5. Tenant incentives, letting fees and rental guarantees.

6. Includes acquisitions of property sold from the Group's wholly owned investment property portfolio to the SELP joint venture of £42.4 million (2017: £9.5m).

FINANCIAL POSITION AND FUNDING

Financial Key Performance Indicators

GROUP ONLY	30 June 2018	30 June 2017	31 December 2017
Net borrowings (£m)	**2,114.9**	1,741.6	1,954.2
Available Group cash and undrawn facilities (£m)	**1,041.0**	644.0	1,192.2
Gearing (%)	**35**	34	35
LTV ratio (%)	**29**	28	29
Weighted average cost of debt[1 3] (%)	**2.2**	3.5	2.3
Interest cover[2] (times)	**4.5**	2.9	3.4
Average duration of debt (years)[3]	**10.9**	8.3	11.7
INCLUDING JOINT VENTURES AT SHARE			
Net borrowings (£m)	**2,554.9**	2,086.2	2,397.7
Available cash and undrawn facilities (£m)	**1,153.3**	682.5	1,303.6
LTV ratio (%)	**29**	29	30
Weighted average cost of debt[1 3] (%)	**2.0**	3.1	2.1
Interest cover[2] (times)	**5.0**	3.4	3.9
Average duration of debt (years)[3]	**10.0**	7.8	10.8

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

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

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

At 30 June 2018, the Group's net borrowings (including the Group's share of borrowings in joint ventures) were £2,554.9 million (31 December 2017: £2,397.7 million) at a weighted average cost of 2.0 per cent and an average duration of 10.0 years. The loan to value ratio (including joint ventures at share) was 29 per cent (31 December 2017: 30 per cent) with £1,153.3 million of cash and undrawn facilities available for investment.

Gross borrowings of SEGRO Group were £2,155.5 million at 30 June 2018, all but £3.4 million of which were unsecured, and cash and cash equivalent balances were £40.6 million. SEGRO's share of gross borrowings in its joint ventures was £489.3 million (all of which were advanced on a non-recourse basis to SEGRO) and cash and cash equivalent balances of £49.3 million. Cash and cash equivalent balances, together with the Group's interest rate and foreign exchange derivative portfolio, are spread amongst a strong group of banks, all of which have a credit rating of A- or better.

MONITORING AND MITIGATING FINANCIAL RISK

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

Treasury policies and governance

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

Gearing and financial covenants

The key leverage metric for SEGRO is its loan to value ratio (LTV), which incorporates assets and net debt on SEGRO's balance sheet and SEGRO's share of assets and net debt on the balance sheets of its joint ventures. The LTV at 30 June 2018 on this 'look-through' basis was 29 per cent.

Our borrowings contain gearing covenants based on Group net debt and net asset value, excluding debt in joint ventures. The gearing ratio of the Group at 30 June 2018, as defined within the principal debt funding arrangements of the Group, was 35 per cent (31 December 2017: 35 per cent). This is significantly lower than the Group's tightest financial gearing covenant within these debt facilities of 160 per cent.

Property valuations would need to fall by around 55 per cent from their 30 June 2018 values to reach the gearing covenant threshold of 160 per cent. A 55 per cent fall in property values would equate to an LTV ratio (including joint ventures at share) of approximately 64 per cent.

The Group's other key financial covenant within its principal debt funding arrangements is interest cover, requiring that net interest before capitalisation be covered at least 1.25 times by net property rental income. At 30 June 2018, the Group comfortably met this ratio at 4.5 times. On a look-through basis, including joint ventures, this ratio was 5.0 times.

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

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

At 30 June 2018, there were no debt maturities falling due within 12 months and the weighted average maturity of the gross borrowings of the Group (including joint ventures at share) was 10 years. With a majority of the Group's bank debt facilities not due to mature until 2023, and no debt maturities in 2018, this long average debt maturity translates into a favourable, well spread debt funding maturity profile which reduces future refinancing risk.

Interest rate risk

The Group's interest rate risk policy is designed to ensure that we limit our exposure to volatility in interest rates. The policy states that between 50 and 100 per cent of net borrowings (including the Group's share of borrowings in joint ventures) should be at fixed or capped rates, including the impact of derivative financial instruments.

As at 30 June 2018, including the impact of derivative instruments, 74 per cent (31 December 2017: 79 per cent) of the net borrowings of the Group (including the Group's share of borrowings within joint ventures) were at fixed or capped rates.

As a result of the fixed rate cover in place, if short term interest rates had been 1 percent higher throughout the 6 month period to 30 June 2018, the adjusted net finance cost of the Group would have increased by approximately £4.8 million representing around 4 per cent of Adjusted profit after tax.

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

Foreign currency translation risk

The Group has negligible transactional foreign currency exposure, but does have a potentially significant currency translation exposure arising on the conversion of its substantial foreign currency denominated assets (mainly euro) and euro denominated earnings into sterling in the Group consolidated accounts.

The Group seeks to limit its exposure to volatility in foreign exchange rates by hedging at a level between the year-end Group LTV percentage and 100 per cent of its foreign currency gross assets through either borrowings or derivative instruments. At 30 June 2018, the Group had gross foreign currency assets which were 68 per cent hedged by gross foreign currency denominated liabilities (including the impact of derivative financial instruments).

Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, if the value of the other currencies in which the Group operates at 30 June 2018 weakened by 10 per cent against sterling (€1.24, in the case of euros), net assets would have decreased by approximately £71 million and there would have been a reduction in gearing of approximately 1.7 per cent and in the LTV of approximately 1.3 per cent. The impact if the other currencies in which the Group operates should strengthen by 10 per cent against Sterling would be broadly equal and opposite.

The average exchange rate used to translate euro denominated earnings generated during the 6 months ending 30 June 2018 into sterling within the consolidated income statement of the Group was €1.14:£1 (H1 2017: €1.16:£1). Based on the hedging position at 30 June 2018, and assuming that this position had applied throughout the 6 month period, if the euro had been 10 per cent weaker than the average exchange rate (€1.25:£1), Adjusted profit after tax for the 6 month period would have been approximately £2.5 million (2.3 per cent) lower than reported. If it had been 10 per cent stronger, adjusted profit after tax for the year would have been approximately £3.0 million (2.8 per cent) higher than reported.

GOING CONCERN

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

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

STATEMENT OF PRINCIPAL RISKS

The Group recognises that its ability to manage risk effectively throughout the organisation continues to be central to its success. Our approach to risk management aims to bring controllable risks within our appetite, and to enable our decision making to balance uncertainty against the objective of creating value for our shareholders.

The Group's risk appetite, its integrated approach to managing risk, and the governance arrangements in place are described in the Principal Risks section of the 2017 Annual Report on pages 54 to 57.

There are no significant changes to the other risks presented in the 2017 Annual Report on pages 58 to 60. A summary of the Group's principal risks for the second half of 2018 is provided below.

1. Property Risks

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

We recognise that, in seeking outperformance from our portfolio, the Group must accept a balanced level of property risk – with diversity in geographic locations and asset types and an appropriate mixture of stabilised income producing and opportunity assets – in order to provide opportunities for superior returns.

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

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

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

Development Plan Execution. The Group has an extensive current programme and future pipeline of developments. The Group could suffer significant financial losses from: cost over-runs on larger, more complex projects; increased competition and/or construction costs (from labour market changes or weakened supply competition) leading to reduced or uneconomic development yields; or above-appetite exposure to non-income producing land, infrastructure and speculatively developed buildings arising from a sharp deterioration in occupier demand.

2. Financial Risks

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

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

Financing Strategy. The Group could suffer an acute liquidity or solvency crisis, financial loss or financial distress as a result of a failure in the design or execution of its financing strategy.

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

3. Corporate Risks

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

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

Operational delivery & compliance. The Group's ability to protect its reputation, revenues and shareholder value could be damaged by operational failures such as: environmental damage; failing to attract, retain and motivate key staff; a breach of anti-bribery and corruption or other legislation; major customer default; supply chain failure; the structural failure of one of our assets; a major high-profile incident involving one of our assets; a cyber-security breach; or failure to respond to the consequences of climate change. Compliance failures, such as breaches of joint venture shareholders' agreements, loan agreements or tax legislation could also damage reputation, revenue and shareholder value.

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

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

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

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

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,

David Sleath	Soumen Das
Chief Executive	Chief Financial Officer

INDEPENDENT REVIEW REPORT TO SEGRO PLC

Report on the condensed set of financial statements

Our conclusion

We have reviewed SEGRO plc's condensed set of financial statements (the "interim financial statements") in the half-yearly report of SEGRO plc for the 6 month period ended 30 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Group Balance Sheet as at 30 June 2018;
- the Condensed Group Income Statement and Condensed Group Statement of Comprehensive Income for the period then ended;
- the Condensed Group Cash Flow Statement for the period then ended;
- the Condensed Group Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP

Chartered Accountants

London

25 July 2018

CONDENSED GROUP INCOME STATEMENT

For the six months ended 30 June 2018

	Notes	**Half year to 30 June 2018 (unaudited) £m**	Half year to 30 June 2017 (unaudited) £m	Year to 31 December 2017 (audited) £m
Revenue	4	**167.2**	155.0	334.7
Gross rental income	4	**145.1**	127.3	272.9
Property operating expenses	5	**(23.9)**	(23.9)	(52.2)
Net rental income		**121.2**	103.4	220.7
Joint venture management fee income		**8.7**	16.5	24.3
Administration expenses		**(20.7)**	(17.5)	(39.7)
Share of profit from joint ventures after tax	6	**57.3**	36.3	108.1
Realised and unrealised property gain	7	**442.8**	309.9	889.0
Goodwill and other amounts written off on acquisitions and amortisation of intangibles		**–**	(0.6)	(0.6)
Operating profit		**609.3**	448.0	1,201.8
Finance income	8	**17.4**	26.0	40.6
Finance costs	8	**(55.8)**	(76.9)	(266.1)
Profit before tax		**570.9**	397.1	976.3
Tax	9	**(11.6)**	(9.6)	(20.0)
Profit after tax		**559.3**	387.5	956.3
Attributable to equity shareholders		**557.2**	385.7	952.7
Attributable to non-controlling interests		**2.1**	1.8	3.6
Earnings per share (pence)				
Basic	11	**55.4**	41.3	98.5
Diluted	11	**55.2**	41.1	97.9

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	**Half year to 30 June 2018 (unaudited) £m**	Half year to 30 June 2017 (unaudited) £m	Year to 31 December 2017 (audited) £m
Profit for the period		**559.3**	387.5	956.3
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain/(loss) on defined benefit pension schemes		**6.8**	(9.0)	(16.2)
		6.8	(9.0)	(16.2)
Items that may be reclassified subsequently to profit or loss				
Foreign exchange movement arising on translation of international operations		**2.6**	20.1	27.3
Fair value movements on derivatives in effective hedge relationships		**(1.3)**	(5.4)	(6.4)
		1.3	14.7	20.9
Tax on components of other comprehensive income		**–**	–	–
Other comprehensive profit before transfers		**8.1**	5.7	4.7
Transfer to income statement of amount realised on fair value of interest rate swaps and derivatives		**–**	3.1	3.1
Total comprehensive profit for the period		**567.4**	396.3	964.1
Attributable to – equity shareholders		**565.3**	394.5	960.6
– non-controlling interests		**2.1**	1.8	3.5

CONDENSED GROUP BALANCE SHEET

As at 30 June 2018

	Notes	**30 June 2018 (unaudited) £m**	30 June 2017 (unaudited) £m	31 December 2017 (audited) £m
Assets				
Non-current assets				
Goodwill and other intangibles		**3.9**	2.8	4.0
Investment properties	12	**7,348.6**	6,097.2	6,745.4
Other interests in property		**36.8**	12.1	13.4
Plant and equipment		**13.1**	15.8	14.7
Investments in joint ventures	6	**873.8**	761.3	792.0
Derivative financial instruments		**42.1**	72.3	60.7
Pension assets		**47.2**	41.5	38.7
		8,365.5	7,003.0	7,668.9
Current assets				
Trading properties	12	**34.4**	25.4	12.5
Trade and other receivables		**167.1**	137.5	141.8
Derivative financial instruments		**2.7**	9.7	2.6
Cash and cash equivalents	13	**40.6**	62.8	109.3
		244.8	235.4	266.2
Total assets		**8,610.3**	7,238.4	7,935.1
Liabilities				
Non-current liabilities				
Borrowings	13	**2,155.5**	1,484.4	2,063.5
Deferred tax provision	9	**30.9**	23.5	34.6
Trade and other payables		**–**	4.8	–
Derivative financial instruments		**0.5**	9.3	–
		2,186.9	1,522.0	2,098.1
Current liabilities				
Trade and other payables		**325.0**	317.1	247.5
Derivative financial instruments		**5.3**	20.2	4.0
Borrowings	13	**–**	320.0	–
Tax liabilities		**15.7**	7.0	1.3
		346.0	664.3	252.8
Total liabilities		**2,532.9**	2,186.3	2,350.9
Net assets		**6,077.4**	5,052.1	5,584.2
Equity				
Share capital	14	**101.2**	99.8	100.3
Share premium		**2,035.7**	1,980.7	1,998.6
Capital redemption reserve		**113.9**	113.9	113.9
Own shares held		**(2.2)**	(4.7)	(3.3)
Other reserves		**225.6**	216.8	225.7
Retained earnings		**3,603.2**	2,647.6	3,150.2
Total shareholders' equity		**6,077.4**	5,054.1	5,585.4
Non-controlling interests		**–**	(2.0)	(1.2)
Total equity		**6,077.4**	5,052.1	5,584.2
Net assets per ordinary share (pence)				
Basic	11	**601**	507	557
Diluted	11	**598**	504	554

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

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

For the six months ended 30 June 2017

(unaudited)	Balance 1 January 2017 £m	Exchange movement £m	Retained earnings £m	Items taken directly to other comprehensive income £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 30 June 2017 £m
Ordinary share capital	83.0	–	–	–	16.6	–	0.2	–	99.8
Share premium	1,431.1	–	–	–	540.2	–	9.4	–	1,980.7
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(5.5)	–	–	–	–	(1.7)	–	2.5	(4.7)
Other reserves:									
Share based payments reserve	13.5	–	–	–	–	5.8	–	(3.0)	16.3
Other fair value reserve	(0.2)	–	–	–	–	–	–	0.2	–
Translation, hedging and other reserves	13.8	20.1	–	(5.4)	–	3.1	–	(0.2)	31.4
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	196.2	20.1	–	(5.4)	–	8.9	–	(3.0)	216.8
Retained earnings	2,363.4	–	385.7	(9.0)	–	–	(93.0)	0.5	2,647.6
Total equity attributable to equity shareholders	4,182.1	20.1	385.7	(14.4)	556.8	7.2	(83.4)	–	5,054.1
Non-controlling interests[1]	(1.2)	–	1.8	–	–	(2.6)	–	–	(2.0)
Total equity	4,180.9	20.1	387.5	(14.4)	556.8	4.6	(83.4)	–	5,052.1

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

For the year ended 31 December 2017

(audited)	Balance 1 January 2017 £m	Exchange movement £m	Retained earnings £m	Items taken directly to other comprehensive income £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 31 December 2017 £m
Ordinary share capital	83.0	–	–	–	16.7	–	0.6	–	100.3
Share premium	1,431.1	–	–	–	540.5	–	27.0	–	1,998.6
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(5.5)	–	–	–	–	(6.7)	–	8.9	(3.3)
Other reserves:									
Share based payments reserve	13.5	–	–	–	–	10.3	–	(5.1)	18.7
Other fair value reserve	(0.2)	–	–	–	–	–	–	0.2	–
Translation, hedging and other reserves	13.8	27.4	–	(6.4)	–	3.1	–	–	37.9
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	196.2	27.4	–	(6.4)	–	13.4	–	(4.9)	225.7
Retained earnings	2,363.4	–	952.7	(16.2)	–	–	(145.7)	(4.0)	3,150.2
Total equity attributable to equity shareholders	4,182.1	27.4	952.7	(22.6)	557.2	6.7	(118.1)	–	5,585.4
Non-controlling interests[1]	(1.2)	(0.1)	3.6	–	–	(3.5)	–	–	(1.2)
Total equity	4,180.9	27.3	956.3	(22.6)	557.2	3.2	(118.1)	–	5,584.2

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

CONDENSED GROUP CASH FLOW STATEMENT

For the six months ended 30 June 2018

	Notes	**Half year to 30 June 2018 (unaudited) £m**	Half year to 30 June 2017 (unaudited) £m	Year to 31 December 2017 (audited) £m
Cash flows from operating activities	15	**102.6**	116.2	189.9
Interest received		**19.8**	32.8	61.2
Dividends received		**5.2**	16.2	26.6
Interest paid		**(41.4)**	(73.8)	(140.6)
Cost of early close out of interest rate derivatives and new derivatives transacted		**–**	–	(50.9)
Proceeds from early close out of interest rate derivatives		**–**	–	34.8
Cost of early close out of debt		**–**	(10.3)	(140.4)
Tax paid		**(0.8)**	(0.2)	(4.9)
Net cash received/(used in) from operating activities		**85.4**	80.9	(24.3)
Cash flows from investing activities				
Purchase and development of investment properties		**(242.4)**	(202.3)	(457.9)
Acquisition of APP Portfolio[1]		**–**	(217.2)	(217.2)
Sale of investment properties		**105.5**	143.6	317.2
Acquisitions of other interests in property		**(18.6)**	(2.5)	(3.8)
Purchase of plant and equipment		**(0.6)**	(0.4)	(2.0)
Sale of other investments		**–**	0.6	0.6
Investment in joint ventures		**(51.2)**	(32.0)	(137.8)
Divestment in joint ventures		**21.9**	23.8	166.2
Net cash used in investing activities		**(185.4)**	(286.4)	(334.7)
Cash flows from financing activities				
Dividends paid to ordinary shareholders		**(60.3)**	(70.4)	(118.1)
Proceeds from borrowings		**90.5**	186.1	1,342.1
Repayment of borrowings		**-**	(408.1)	(1,274.5)
Net settlement of foreign exchange derivatives		**2.1**	(26.6)	(63.4)
Proceeds from issue of ordinary shares		**0.6**	556.8	557.2
Purchase of ordinary shares		**(1.2)**	(1.7)	(6.7)
Net cash received from financing activities		**31.7**	236.1	436.6
Net (decrease)/increase in cash and cash equivalents		**(68.3)**	30.6	77.6
Cash and cash equivalents at the beginning of the period		**109.3**	32.0	32.0
Effect of foreign exchange rate changes		**(0.4)**	0.2	(0.3)
Cash and cash equivalents at the end of the period	13	**40.6**	62.8	109.3

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed set of financial statements for the six months ended 30 June 2018 were approved by the Board of Directors on 25 July 2018.

The condensed set of financial statements for the six months ended 30 June 2018 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information contained in this report for the year ended 31 December 2017 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and has been extracted from the statutory accounts, which were prepared in accordance with EU-endorsed International Financial Reporting Standards (IFRSs) and were delivered to the Registrar of Companies. The auditor's opinion on these accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement made under S498(2) or S498(3) of the Companies Act 2006. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The 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 apart from a number of new standards and amendments to IFRSs that became effective for the financial year beginning on 1 January 2018. These new standards and amendments are listed below:

- Amendments to IFRS 2, 'Share-based payments', on clarifying how to account for certain types of share-based payment transactions
- IFRS 9 'Financial instruments'
- IFRS 15 'Revenue from contracts with customers'
- Amendments to IAS 40, 'Investment property' relating to transfers of investment property
- Annual improvements 2014-2016
- IFRIC 22 'Foreign currency transactions and advance consideration'

For the reasons set out on pages 119 – 121 of the "SEGRO plc Annual Report and Accounts 2017", the adoption of these new standards and amendments to IFRSs did not materially impact the condensed set of financial statements for the six months ended 30 June 2018 and no retrospective adjustments were made.

The following significant accounting policy has been applied from 1 January 2018 to reflect the new standards and amendments. There have been no other changes to the significant accounting policies set out in the latest financial statements of the Group in preparing the condensed set of financial statements.

Revenue

Service charges and other recoveries from tenants

These include income in relation to service charges, directly recoverable expenditure and management fees. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from services is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. Where the Group acts as an agent, service charge income is netted against the relevant property operating expenses.

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

The principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.13 (30 June 2017: £1 = €1.14; 31 December 2017: £1 = €1.13)
Income statement: £1 = €1.14 (30 June 2017: £1 = €1.16; 31 December 2017: £1 = €1.14)

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

2. ADJUSTED PROFIT

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

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

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

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

	Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Year to 31 December 2017 £m
Gross rental income	**145.1**	127.3	272.9
Property operating expenses	**(23.9)**	(23.9)	(52.2)
Net rental income	**121.2**	103.4	220.7
Joint venture management fee income	**8.7**	16.5	24.3
Administration expenses	**(20.7)**	(17.5)	(39.7)
Share of joint ventures' adjusted profit after tax	**24.6**	22.1	47.6
Adjusted operating profit before interest and tax	**133.8**	124.5	252.9
Net finance costs	**(23.2)**	(33.3)	(58.7)
Adjusted profit before tax	**110.6**	91.2	194.2
Adjustments to reconcile to IFRS:			
Adjustments to the share of profit from joint ventures after tax[1]	**32.7**	14.2	60.5
Profit on sale of investment properties	**2.3**	7.7	17.0
Valuation surplus on investment properties	**435.8**	302.9	872.4
Loss on sale of trading properties	**–**	–	(0.4)
Increase in provision for impairment of trading properties	**–**	(0.7)	–
Valuation surplus on other interest in properties	**4.7**	–	–
Goodwill and other amounts written off on acquisitions and amortisation of intangibles	**–**	(0.6)	(0.6)
Cost of early close out of debt	**–**	(10.6)	(145.3)
Net fair value loss on interest rate swaps and other derivatives	**(15.2)**	(7.0)	(21.5)
Total adjustments	**460.3**	305.9	782.1
Profit before tax	**570.9**	397.1	976.3
Tax			
On Adjusted profit	**(1.7)**	(0.7)	(1.2)
In respect of adjustments	**(9.9)**	(8.9)	(18.8)
Total tax adjustments	**(11.6)**	(9.6)	(20.0)
Profit after tax before non-controlling interests	**559.3**	387.5	956.3
Non-controlling interests:			
Less: share of adjusted profit attributable to non-controlling interests	**(0.3)**	**–**	(0.2)
: share of adjustments attributable to non-controlling interests	**(1.8)**	(1.8)	(3.4)
Profit after tax and non-controlling interests	**557.2**	385.7	952.7
Of which:			
Adjusted profit after tax	**108.6**	90.5	192.8
Adjustments	**448.6**	295.2	759.9
Profit after tax	**557.2**	385.7	952.7

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

3. SEGMENTAL REPORTING

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

	Gross rental income £m	Net rental income £m	Share of joint ventures' Adjusted profit £m	Adjusted operating PBIT £m	Total directly owned property assets £m	Investments in joint ventures £m	Capital expenditure[2] £m
30 June 2018							
Greater London	**62.6**	**58.3**	**–**	**58.0**	**3,505.3**	**–**	**7.5**
Thames Valley and National Logistics	**49.9**	**46.7**	**(0.1)**	**46.6**	**2,442.1**	**8.1**	**61.1**
Northern Europe	**9.6**	**6.0**	**10.4**	**18.1**	**444.5**	**496.2**	**42.9**
Southern Europe	**19.1**	**15.2**	**9.7**	**25.9**	**849.8**	**464.5**	**155.2**
Central Europe	**3.9**	**2.4**	**8.6**	**13.7**	**141.3**	**368.9**	**28.0**
Other[1]	**–**	**(7.4)**	**(4.0)**	**(28.5)**	**–**	**(463.9)**	**0.6**
Total	**145.1**	**121.2**	**24.6**	**133.8**	**7,383.0**	**873.8**	**295.3**
30 June 2017							
Greater London	51.3	47.2	(1.8)	53.7	2,866.9	–	1,144.3
Thames Valley and National Logistics	49.2	45.7	–	45.6	2,115.8	9.3	45.2
Northern Europe	10.6	6.0	10.4	18.5	381.4	424.5	28.5
Southern Europe	13.5	9.7	7.6	18.6	628.6	265.8	110.6
Central Europe	2.7	1.7	8.2	11.4	129.9	324.6	6.9
Other[1]	–	(6.9)	(2.3)	(23.3)	–	(262.9)	0.2
Total	127.3	103.4	22.1	124.5	6,122.6	761.3	1,335.7
31 December 2017							
Greater London	112.4	101.8	(1.8)	108.3	3,227.6	–	1,174.9
Thames Valley and National Logistics	99.2	91.9	(0.1)	91.7	2,280.9	7.5	141.5
Northern Europe	24.8	15.4	21.5	40.6	409.2	474.0	55.6
Southern Europe	30.6	22.0	16.2	40.4	729.9	386.8	212.9
Central Europe	5.9	3.1	17.9	24.3	110.3	356.5	15.3
Other[1]	–	(13.5)	(6.1)	(52.4)	–	(432.8)	2.0
Total	272.9	220.7	47.6	252.9	6,757.9	792.0	1,602.2

1. Other includes the corporate centre, SELP holding companies and costs relating to the operational business which are not specifically allocated to a geographical business unit. This includes the bonds issued by SELP Finance SARL, a Luxembourg entity.

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

4. REVENUE

		Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Year to 31 December 2017 £m
Rental income from properties		**137.5**	120.7	259.6
Rent averaging		**6.5**	5.9	11.8
Management fees		**0.8**	0.6	1.1
Surrender premiums		**0.3**	0.1	0.4
Gross rental income		**145.1**	127.3	272.9
Joint venture management fee	- property management	**8.7**	9.0	16.8
	- performance and other fees	**–**	7.5	7.5
Service charge income		**13.4**	11.2	23.8
Proceeds from sale of trading properties		**–**	–	13.7
Total revenue		**167.2**	155.0	334.7

5. PROPERTY OPERATING EXPENSES

	Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Year to 31 December 2017 £m
Vacant property costs	**2.7**	3.0	7.6
Letting, marketing, legal and professional fees	**3.7**	3.7	8.4
Bad debt expense	**0.1**	0.5	0.9
Other expenses, net of service charge income[1]	**4.6**	4.9	10.2
Property management expenses	**11.1**	12.1	27.1
Property administration expenses[2]	**14.9**	13.6	29.3
Costs capitalised[3]	**(2.1)**	(1.8)	(4.2)
Total property operating expenses	**23.9**	23.9	52.2

1. Total Other expenses were £18.0 million (31 December 2017: £34.0 million; 30 June 2017: £16.1 million) and are presented net of service charge income of £13.4 million (31 December 2017: £23.8 million; 30 June 2017: £11.2 million) in the table above.

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

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

6. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

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

	Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Year to 31 December 2017 £m
Gross rental income	**73.8**	74.5	147.4
Property operating expenses			
-underlying property operating expenses	**(3.2)**	(3.0)	(6.1)
-vacant property costs	**(0.7)**	(1.1)	(1.9)
-property management fees	**(7.3)**	(7.3)	(14.0)
-performance and other fees	**–**	(8.5)	(8.5)
Net rental income	**62.6**	54.6	116.9
Administration expenses	**(1.1)**	(0.9)	(1.7)
Net finance costs (including adjustments)	**(8.0)**	(6.7)	(12.4)
Adjusted profit before tax	**53.5**	47.0	102.8
Tax	**(4.4)**	(2.8)	(7.5)
Adjusted profit after tax	**49.1**	44.2	95.3
At share	***24.6***	*22.1*	*47.6*
Adjustments:			
Profit on sale of investment properties	**0.3**	0.5	1.6
Valuation surplus on investment properties	**81.9**	41.6	153.7
Cost of early close out of debt	**–**	–	(3.7)
Net fair value loss on interest rate swaps and other derivatives	**–**	(6.2)	(6.2)
Tax in respect of adjustments	**(16.7)**	(7.5)	(24.4)
Total adjustments	**65.5**	28.4	121.0
At share	***32.7***	*14.2*	*60.5*
Profit after tax	**114.6**	72.6	216.3
At share	***57.3***	*36.3*	*108.1*
Other comprehensive income	**–**	6.2	6.2
At share	***–***	*3.1*	*3.1*
Total comprehensive income for the period	**114.6**	78.8	222.5
At share	***57.3***	*39.4*	*111.2*

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

	As at 30 June 2018 £m	As at 30 June 2017 £m	As at 31 December 2017 £m
Investment properties[1]	**2,786.3**	2,307.8	2,560.4
Other interests in property	**19.2**	14.6	16.1
Total non-current assets	**2,805.5**	2,322.4	2,576.5
Trading properties	**1.1**	1.1	1.1
Other receivables	**100.4**	70.6	82.1
Cash and cash equivalents	**98.5**	76.9	39.9
Total current assets	**200.0**	148.6	123.1
Total assets	**3,005.5**	2,471.0	2,699.6
Borrowings	**(978.6)**	(766.1)	(926.9)
Deferred tax	**(121.8)**	(85.6)	(104.2)
Other liabilities	**–**	–	(8.5)
Total non-current liabilities	**(1,100.4)**	(851.7)	(1,039.6)
Other liabilities	**(157.6)**	(96.7)	(76.1)
Total current liabilities	**(157.6)**	(96.7)	(76.1)
Total liabilities	**(1,258.0)**	(948.4)	(1,115.7)
Net assets	**1,747.5**	1,522.6	1,583.9
At share	***873.8***	*761.3*	*792.0*

1. Investment properties include £49.4 million of assets held for sale at 30 June 2018 and subsequently sold in July 2018.

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

Based on property values at 30 June 2018, the net profit impact on the Group of the first calculation which has not been recognised, taking account of the gross fee due, the cost of the fee payable by SELP (at share) and the clawback terms, is estimated to be around £10 million but subject to change for transactions and market related performance through the remainder of the measurement period.

7. REALISED AND UNREALISED PROPERTY GAIN

	Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Year to 31 December 2017 £m
Profit on sale of investment properties	**2.3**	7.7	17.0
Valuation surplus on investment properties	**435.8**	302.9	872.4
Loss on sale of trading properties	**–**	–	(0.4)
Increase in provision for impairment of trading properties	**–**	(0.7)	–
Valuation surplus on other interests in properties[1]	**4.7**	–	–
Total realised and unrealised property gain	**442.8**	309.9	889.0

1. On 16 January 2018 SEGRO acquired 19.39 per cent of the share capital of Sofibus Patrimoine ("Sofibus"), an entity listed on the Euronext stock exchange in France. The investment is held within Other interests in property on the Balance Sheet (30 June 2018: £23.2 million). The investment in Sofibus has been fair valued at 30 June 2018 resulting in a valuation surplus of £4.7 million being recognised in the Income Statement.

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

8. NET FINANCE COSTS

Finance income	**Half year to 30 June 2018 £m**	Half year to 30 June 2017 £m	Year to 31 December 2017 £m
Interest received on bank deposits and related derivatives	**15.0**	18.3	34.7
Fair value gain on interest rate swaps and other derivatives	**1.9**	6.9	4.5
Net interest income on defined benefit assets	**0.5**	0.6	1.3
Exchange differences	**–**	0.2	0.1
Total finance income	**17.4**	26.0	40.6
Finance costs			
Interest on overdrafts, loans and related derivatives	**(40.9)**	(53.5)	(98.8)
Amortisation of issue costs	**(1.3)**	(1.4)	(2.6)
Cost of early close out of debt	**–**	(10.6)	(145.3)
Total borrowing costs	**(42.2)**	(65.5)	(246.7)
Less: amount capitalised on the development of properties	**3.6**	2.5	6.6
Net borrowing costs	**(38.6)**	(63.0)	(240.1)
Fair value loss on interest rate swaps and other derivatives	**(17.1)**	(13.9)	(26.0)
Exchange differences	**(0.1)**	–	–
Total finance costs	**(55.8)**	(76.9)	(266.1)
Net finance costs	**(38.4)**	(50.9)	(225.5)

9. TAX

9(i) Tax on profit

	Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Year to 31 December 2017 £m
Tax:			
On Adjusted profit	**(1.7)**	(0.7)	(1.2)
In respect of adjustments	**(9.9)**	(8.9)	(18.8)
Total tax charge	**(11.6)**	(9.6)	(20.0)
Current tax			
Current tax charge	**(15.2)**	(3.0)	(1.9)
Adjustments in respect of earlier years	**–**	0.1	–
Total current tax charge	**(15.2)**	(2.9)	(1.9)
Deferred tax			
Origination and reversal of temporary differences	**(0.7)**	–	(1.3)
Released in respect of property disposals in the period	**9.2**	1.0	1.0
On valuation movements	**(4.9)**	(7.7)	(18.1)
Total deferred tax in respect of investment properties	**3.6**	(6.7)	(18.4)
Other deferred tax	**-**	–	0.3
Total deferred tax credit/(charge)	**3.6**	(6.7)	(18.1)
Total tax charge on profit on ordinary activities	**(11.6)**	(9.6)	(20.0)

9(ii) Deferred tax provision

Movement in deferred tax was as follows:

	Balance 1 January 2018 £m	**Exchange movement £m**	**Recognised in income £m**	**Acquisitions/ (disposals) £m**	**Balance 30 June 2018 £m**	Balance 30 June 2017 £m
Valuation surplus and deficits on properties	**25.6**	**(0.1)**	**(3.5)**	**–**	**22.0**	15.2
Accelerated tax allowances	**7.4**	**–**	**0.6**	**–**	**8.0**	6.3
Deferred tax asset on revenue losses	**(1.2)**	**–**	**–**	**–**	**(1.2)**	(0.3)
Others	**2.8**	**–**	**(0.7)**	**–**	**2.1**	2.3
Total deferred tax provision	**34.6**	**(0.1)**	**(3.6)**	**–**	**30.9**	23.5

10. DIVIDENDS

	Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Year to 31 December 2017 £m
Ordinary dividends paid			
Final dividend for 2017 @ 11.35 pence per share	**113.8**	–	–
Interim dividend for 2017 @ 5.25 pence per share	**–**	–	52.7
Final dividend for 2016 @ 10.7 pence per share[1]	**–**	93.0	93.0
	113.8	93.0	145.7

1. After applying a bonus adjustment of 1.046 following a rights issue in March 2017.

The Board has declared an interim dividend of 5.55 pence per ordinary share (2017: 5.25 pence). This dividend has not been recognised in the condensed financial statements.

11. EARNINGS AND NET ASSETS PER ORDINARY SHARE

The earnings per share calculations use the weighted average number of shares in issue during the period and the net assets per share calculations use the number of shares in issue at the period end. Earnings per share calculations exclude 0.8 million shares (1.2 million for the full year 2017 and 1.4 million for half year 2017) being the average number of shares held on trust during the period for employee share schemes and net assets per share exclude 0.6 million shares (0.9 million for the full year 2017 and 1.2 million for the half year 2017) being the actual number of shares held on trust for employee share schemes at period end.

11(i) Earnings per ordinary share (EPS)

	Half year to 30 June 2018			Half year to 30 June 2017			Year to 31 December 2017		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic EPS	**557.2**	**1,004.9**	**55.4**	385.7	934.0	41.3	952.7	967.3	98.5
Dilution adjustments:									
Employee share schemes	**–**	**5.3**	**(0.2)**	**–**	5.1	(0.2)	–	5.5	(0.6)
Diluted EPS	**557.2**	**1,010.2**	**55.2**	385.7	939.1	41.1	952.7	972.8	97.9
Basic EPS	**557.2**	**1,004.9**	**55.4**	385.7	934.0	41.3	952.7	967.3	98.5
Adjustments to profit before tax[1]	**(460.3)**		**(45.8)**	(305.9)		(32.8)	(782.1)		(80.9)
Tax on adjustments	**9.9**		**1.0**	8.9		1.0	18.8		1.9
Non-controlling interest on adjustments	**1.8**		**0.2**	1.8		0.2	3.4		0.4
Adjusted EPS	**108.6**	**1,004.9**	**10.8**	90.5	934.0	9.7	192.8	967.3	19.9

1. Details of adjustments are included in Note 2.

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

	As at 30 June 2018			As at 30 June 2017			As at 31 December 2017		
	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	**6,077.4**	**1,011.0**	**601**	5,054.1	997.3	507	5,585.4	1,002.0	557
Dilution adjustments:									
Employee schemes	**–**	**4.9**	**(3)**	–	5.6	(3)	–	5.7	(3)
Diluted NAV	**6,077.4**	**1,015.9**	**598**	5,054.1	1,002.9	504	5,585.4	1,007.7	554
Fair value adjustment in respect of interest rate derivatives – Group	**(42.1)**		**(4)**	(64.1)		(6)	(60.7)		(6)
Deferred tax in respect of depreciation and valuation surpluses – Group	**30.2**		**3**	20.4		2	30.7		3
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**60.6**		**6**	43.1		4	52.3		5
EPRA NAV	**6,126.1**	**1,015.9**	**603**	5,053.5	1,002.9	504	5,607.7	1,007.7	556
Fair value adjustment in respect of debt – Group	**(110.6)**		**(11)**	(325.9)		(32)	(163.5)		(16)
Fair value adjustment in respect of debt – Joint ventures	**(1.7)**		**–**	0.6		–	(5.9)		(1)
Fair value adjustment in respect of interest rate derivatives – Group	**42.1**		**4**	64.1		6	60.7		6
Deferred tax in respect of depreciation and valuation surpluses – Group	**(30.2)**		**(3)**	(20.4)		(2)	(30.7)		(3)
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**(60.6)**		**(6)**	(43.1)		(4)	(52.3)		(5)
EPRA triple net NAV (NNNAV)	**5,965.1**	**1,015.9**	**587**	4,728.8	1,002.9	472	5,416.0	1,007.7	537

12. PROPERTIES

12(i) Investment properties

	Completed £m	**Development £m**	**Total £m**
At 1 January 2018	**5,892.1**	**778.5**	**6,670.6**
Exchange movement	**1.2**	**0.4**	**1.6**
Property acquisitions	**38.0**	**39.5**	**77.5**
Additions to existing investment properties	**8.6**	**206.0**	**214.6**
Disposals	**(108.6)**	**(3.4)**	**(112.0)**
Transfers between completed and development properties	**268.5**	**(268.5)**	**–**
Transfers to trading properties	**–**	**(19.3)**	**(19.3)**
Revaluation surplus during the period	**375.9**	**59.9**	**435.8**
At 30 June 2018	**6,475.7**	**793.1**	**7,268.8**
Add tenant lease incentives, letting fees and rental guarantees	**79.8**	**–**	**79.8**
Total investment properties at 30 June 2018	**6,555.5**	**793.1**	**7,348.6**
Total investment properties at 30 June 2017	5,320.6	776.6	6,097.2

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

Fees payable to CBRE Ltd for the valuation of the Group's wholly-owned properties are based on a fixed percentage of the property portfolio's valuation. CBRE Ltd also undertake some professional and agency work on behalf of the Group, although this is limited in relation to the activities of the Group as a whole. CBRE Ltd advise us that the total fees paid by the Group represent less than 5 per cent of their total revenue in any year.

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

During the period a plot of land was transferred to trading properties at its carrying value of £19.3 million following the commencement of a pre-sold development.

The disposals of completed properties during the period includes properties with a carrying value of £84.7 million sold to the SELP joint venture.

At 30 June 2018 investment properties included £79.8 million tenant lease incentives, letting fees and rent guarantees (31 December 2017: £74.8 million; 30 June 2017: £72.3 million).

12(ii) Trading properties

	Completed £m	Development £m	Total £m
At 1 January 2018	**3.7**	**8.8**	**12.5**
Additions	**–**	**2.6**	**2.6**
Transfers from investment properties	**–**	**19.3**	**19.3**
At 30 June 2018	**3.7**	**30.7**	**34.4**
Add tenant lease incentives, letting fees and rental guarantees	**–**	**–**	**–**
Total trading properties at 30 June 2018	**3.7**	**30.7**	**34.4**
Total trading properties at 30 June 2017	15.2	10.2	25.4

Trading properties were externally valued resulting in a net increase in the provision for impairment of £nil million (31 December 2017: £nil million; 30 June 2017: £0.7 million).

At 30 June 2018 trading properties included £nil million tenant lease incentives, letting fees and rental guarantees (31 December 2017: £nil million; 30 June 2017: £0.4 million).

13. NET BORROWINGS AND FINANCIAL INSTRUMENTS

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
In one year or less	**–**	320.0	–
In more than one year but less than two	**146.4**	–	104.6
In more than two years but less than five	**411.5**	1,063.5	364.5
In more than five years but less than ten	**437.6**	222.6	434.8
In more than ten years	**1,160.0**	198.3	1,159.6
In more than one year	**2,155.5**	1,484.4	2,063.5
Total borrowings	**2,155.5**	1,804.4	2,063.5
Cash and cash equivalents	**(40.6)**	(62.8)	(109.3)
Net borrowings	**2,114.9**	1,741.6	1,954.2
Total borrowings is split between secured and unsecured as follows:			
Secured (on land and buildings)	**3.4**	323.8	3.6
Unsecured	**2,152.1**	1,480.6	2,059.9
Total borrowings	**2,155.5**	1,804.4	2,063.5
Currency profile of total borrowings after derivative instruments			
Sterling	**712.8**	651.8	755.3
Euros	**1,447.5**	1,168.4	1,312.9
US dollars	**(4.8)**	(15.8)	(4.7)
Total borrowings	**2,155.5**	1,804.4	2,063.5
Maturity profile of undrawn borrowing facilities			
In one year or less	**13.8**	5.0	5.0
In more than one year but less than two	**17.7**	–	–
In more than two years	**968.9**	576.2	1,077.9
Total available undrawn facilities	**1,000.4**	581.2	1,082.9
Fair value of financial instruments			
Book value of debt	**2,155.5**	1,804.4	2,063.5
Interest rate derivatives	**(42.1)**	(64.1)	(60.7)
Foreign exchange derivatives	**3.1**	11.6	1.4
Book value of debt including derivatives	**2,116.5**	1,751.9	2,004.2
Net fair market value	**2,227.1**	2,077.8	2,167.7
Mark to market adjustment (pre-tax)	**110.6**	325.9	163.5

Fair value measurements recognised in the Balance Sheet

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

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

- Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates with matching maturities of the contracts.
- Interest rate swaps, currency swap contracts and interest rate caps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and the appropriate exchange rate at the Balance Sheet date.
- The fair value of non-derivative financial assets and financial liabilities traded on active liquid markets is determined with reference to the quoted market prices.
- The fair value of investments in equity securities traded in active liquid markets is determined with reference to the quoted market prices.

14. SHARE CAPITAL

	Number of shares m	Par value of shares £m
Issued and fully paid ordinary shares at 10p each:		
At 1 January 2018	**1,002.9**	**100.3**
Issue of shares – scrip dividends	**6.3**	**0.6**
Issue of shares – other	**2.4**	**0.3**
At 30 June 2018	**1,011.6**	**101.2**
At 30 June 2017	998.5	99.8

15. NOTES TO THE CONDENSED GROUP CASH FLOW STATEMENT

15(i) Reconciliation of cash generated from operations

	Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Year to 31 December 2017 £m
Operating profit	**609.3**	448.0	1,201.8
Adjustments for:			
Depreciation of property, plant and equipment	**1.4**	1.0	1.9
Share of profit from joint ventures after tax	**(57.3)**	(36.3)	(108.1)
Profit on sale of investment properties	**(2.3)**	(7.7)	(17.0)
Goodwill and other amounts written off on acquisitions and amortisation of intangibles	**-**	0.6	0.6
Revaluation surplus on investment properties	**(435.8)**	(302.9)	(872.4)
Valuation surplus on other interest in properties	**(4.7)**	–	–
Pensions and other provisions	**1.7**	–	2.1
	112.3	102.7	208.9
Changes in working capital:			
(Increase)/decrease in trading properties	**(2.6)**	0.7	13.6
(Increase)/decrease in debtors	**(8.6)**	7.9	(16.5)
Increase/(decrease) in creditors	**1.5**	4.9	(16.1)
Net cash inflow generated from operations	**102.6**	116.2	189.9

15(ii) Analysis of net debt

			Non-cash movements		
	At 1 January 2018 £m	Cash flow £m	Exchange movement £m	Other non-cash adjustments[1] £m	**At 30 June 2018 £m**
Bank loans and loan capital	2,081.4	90.5	0.7	–	**2,172.6**
Capitalised finance costs	(17.9)	(0.5)	–	1.3	**(17.1)**
Total borrowings	2,063.5	90.0	0.7	1.3	**2,155.5**
Cash in hand and at bank	(109.3)	68.3	0.4	–	**(40.6)**
Net debt	1,954.2	158.3	1.1	1.3	**2,114.9**

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

16. RELATED PARTY TRANSACTIONS

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

SUPPLEMENTARY NOTES NOT PART OF CONDENSED FINANCIAL INFORMATION

TABLE 1: EPRA PERFORMANCE MEASURES SUMMARY

		Half year to 30 June 2018		Half year to 30 June 2017		Year to 31 December 2017	
	Notes	**£m**	**Pence per share**	£m	Pence per share	£m	Pence per share
EPRA Earnings	Table 2	**108.6**	**10.8**	90.5	9.7	192.8	19.9
EPRA NAV	Table 3	**6,126.1**	**603**	5,053.5	504	5,607.7	556
EPRA NNNAV	11	**5,965.1**	**587**	4,728.8	472	5,416.0	537
EPRA net initial yield	Table 4		**4.2%**		4.7%		4.3%
EPRA 'topped up' net initial yield	Table 4		**4.5%**		5.0%		4.8%
EPRA vacancy rate	Table 5		**4.8%**		5.5%		4.0%
Total EPRA cost ratio (including vacant property costs)	Table 6		**22.5%**		22.9%		24.6%
Total EPRA cost ratio (excluding vacant property costs)	Table 6		**20.8%**		20.7%		22.1%

TABLE 2: EPRA INCOME STATEMENT, PROPORTIONAL CONSOLIDATION

		Half year to June 2018			Half year to June 2017			Year to December 2017		
	Notes	**Group £m**	**JV £m**	**Total £m**	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Gross rental income	2, 6	**145.1**	**36.9**	**182.0**	127.3	37.3	164.6	272.9	73.7	346.6
Property operating expenses	2, 6	**(23.9)**	**(2.0)**	**(25.9)**	(23.9)	(2.1)	(26.0)	(52.2)	(3.9)	(56.1)
Net rental income		**121.2**	**34.9**	**156.1**	103.4	35.2	138.6	220.7	69.8	290.5
Joint venture management fee income[1]	2	**8.7**	**(3.6)**	**5.1**	16.5	(7.9)	8.6	24.3	(11.3)	13.0
Administration expenses	2	**(20.7)**	**(0.6)**	**(21.3)**	(17.5)	(0.4)	(17.9)	(39.7)	(0.9)	(40.6)
EPRA operating PBIT		**109.2**	**30.7**	**139.9**	102.4	26.9	129.3	205.3	57.6	262.9
Net finance costs	2, 6	**(23.2)**	**(4.0)**	**(27.2)**	(33.3)	(3.4)	(36.7)	(58.7)	(6.2)	(64.9)
EPRA PBT		**86.0**	**26.7**	**112.7**	69.1	23.5	92.6	146.6	51.4	198.0
Tax on EPRA profit	2, 6	**(1.7)**	**(2.1)**	**(3.8)**	(0.7)	(1.4)	(2.1)	(1.2)	(3.8)	(5.0)
EPRA profit after tax		**84.3**	**24.6**	**108.9**	68.4	22.1	90.5	145.4	47.6	193.0
Non-controlling interest on EPRA profit		**(0.3)**	**–**	**(0.3)**	–	–	–	(0.2)	–	(0.2)
EPRA profit after tax and non-controlling interests		**84.0**	**24.6**	**108.6**	68.4	22.1	90.5	145.2	47.6	192.8
Number of shares, million				**1,004.9**			934.0			967.3
EPRA EPS, pence per share				**10.8**			9.7			19.9
Number of shares, million				**1,010.2**			939.1			972.8
EPRA EPS, pence per share, diluted				**10.8**			9.6			19.8

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

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

TABLE 3: BALANCE SHEET, PROPORTIONAL CONSOLIDATION

		Half year to June 2018			Half year to June 2017			Year to December 2017		
	Notes	**Group £m**	**JV £m**	**Total £m**	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Investment properties	12, 6	**7,348.6**	**1,393.1**	**8,741.7**	6,097.2	1,153.9	7,251.1	6,745.4	1,280.2	8,025.6
Trading properties	12, 6	**34.4**	**0.6**	**35.0**	25.4	0.5	25.9	12.5	0.6	13.1
Total properties		**7,383.0**	**1,393.7**	**8,776.7**	6,122.6	1,154.4	7,277.0	6,757.9	1,280.8	8,038.7
Investment in joint ventures	6	**873.8**	**(873.8)**	**–**	761.3	(761.3)	–	792.0	(792.0)	–
Other net liabilities		**(64.5)**	**(79.9)**	**(144.4)**	(88.2)	(48.5)	(136.7)	(10.3)	(45.3)	(55.6)
Net borrowings	13, 6	**(2,114.9)**	**(440.0)**	**(2,554.9)**	(1,741.6)	(344.6)	(2,086.2)	(1,954.2)	(443.5)	(2,397.7)
Total shareholders' equity[1]		**6,077.4**	**–**	**6,077.4**	5,054.1	–	5,054.1	5,585.4	–	5,585.4
EPRA adjustments	11			**48.7**			(0.6)			22.3
EPRA NAV				**6,126.1**			5,053.5			5,607.7
Number of shares, millions				**1,015.9**			1,002.9			1,007.7
EPRA NAV, pence per share				**603**			504			556

1. After non-controlling interests.

Loan to value of 29.1 per cent at 30 June 2018 is calculated as net borrowings of £2,554.9 million divided by total properties of £8,776.7 million (H1 2017: 28.7 per cent, £2,086.2 million net borrowings and £7,277.0 million total properties; FY 2017: 29.8 per cent, £2,397.7 million net borrowings and £8,038.7 million total properties).

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

Combined property portfolio – 30 June 2018	**Notes**	**UK £m**	**Continental Europe £m**	**Total £m**
Total properties per financial statements	Table 3	**5,949.4**	**2,827.3**	**8,776.7**
Adjustments		–	–	–
Combined property portfolio per external valuers' report		**5,949.4**	**2,827.3**	**8,776.7**
Less development properties (investment, trading and joint venture)		(441.3)	(498.4)	(939.7)
Net valuation of completed properties		**5,508.1**	**2,328.9**	**7,837.0**
Add notional purchasers' costs		372.6	109.5	482.1
Gross valuation of completed properties including notional purchasers' costs	A	**5,880.7**	**2,438.4**	**8,319.1**
Income				
Gross passing rents[1]		222.5	133.5	356.0
Less irrecoverable property costs		(4.3)	(5.7)	(10.0)
Net passing rents	B	218.2	127.8	346.0
Adjustment for notional rent in respect of rent frees		12.6	13.6	26.2
Topped up net rent	C	230.8	141.4	372.2
Including fixed/minimum uplifts[2]		9.1	0.7	9.8
Total topped up net rent		239.9	142.1	382.0
Yields – 30 June 2018		%	%	%
EPRA net initial yield	B/A	3.7	5.2	4.2
EPRA topped up net initial yield	C/A	3.9	5.8	4.5
True net equivalent yield		4.8	5.9	5.1

1. Gross passing rent excludes short term lettings and licences.

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

TABLE 5: EPRA VACANCY RATE

	Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Year to 31 December 2017 £m
Annualised potential rental value of vacant premises	**20.3**	21.2	16.0
Annualised potential rental value for the completed property portfolio	**422.3**	383.5	401.2
EPRA vacancy rate	**4.8%**	5.5%	4.0%

TABLE: 6 EPRA COST RATIO / TOTAL COST RATIO

	Notes	**Half year to 30 June 2018 £m**	Half year to 30 June 2017 £m	Year to 31 December 2017 £m
Costs				
Property operating expenses[1]	5	**23.9**	23.9	52.2
Administration expenses		**20.7**	17.5	39.7
Share of joint venture property operating and administration expenses[2]	6	**6.1**	6.1	11.8
Less:				
Joint venture property management fee income and management fees[3]		**(10.1)**	(10.0)	(19.1)
Total costs (A)		**40.6**	37.5	84.6
Group vacant property costs	5	**(2.7)**	(3.0)	(7.6)
Share of joint venture vacant property costs	6	**(0.4)**	(0.6)	(0.9)
Total costs excluding vacant property costs (B)		**37.5**	33.9	76.1
Gross rental income (excluding management fees)				
Gross rental income		**144.3**	126.7	270.6
Share of joint venture property gross rental income		**36.3**	36.9	73.7
Total gross rental income (C)		**180.6**	163.6	344.3
		%	**%**	%
Total EPRA cost ratio (including vacant property costs) (A)/(C)		**22.5**	22.9	24.6
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)		**20.8**	20.7	22.1
Total costs (A)		**40.6**	37.5	84.6
Share based payments		**(5.7)**	(4.2)	(10.0)
Total costs after share based payments (D)		**34.9**	33.3	74.6
Total gross rental income (C)		**180.6**	163.6	344.3
Total cost ratio after share based payments		**19.3%**	20.4%	21.7%

1. Property operating expenses are net of costs capitalised in accordance with IFRS of £2.1 million (H1 2017: £1.8 million, FY 2017: £4.2 million) (see Note 5 for further detail on the nature of costs capitalised).

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

3. Includes joint venture property management fee income of £8.7 million and management fees (including joint ventures) of £1.4 million (H1 2017: £9.0 million and £1.0 million respectively, FY 2017: £16.8 million and £2.3 million respectively).

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

Headline rent: The annual rental income currently receivable on a property as at the balance sheet date (which may be more or less than the ERV) ignoring any rent-free period.

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

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

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

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

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

Net initial yield: Passing rent less non–recoverable property expenses such as empty rates, divided by the property valuation plus notional purchasers' costs. This is in accordance with EPRA's Best Practices Recommendations.

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

Net true equivalent yield: The internal rate of return from an investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time. Rent is assumed to be paid quarterly in advance, in line with standard UK lease terms.

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

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

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

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

Rent roll: See Passing Rent.

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

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

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

Square metres (sq m): The area of buildings measurements used in this analysis. The conversion factor used, where appropriate, is one square metre = 10.7639 square feet.

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

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

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

Total shareholder return (TSR): A measure of return based upon share price movement over the period and assuming reinvestment of dividends.

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

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

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