PRESS RELEASE

SEGRO
WHERE BUSINESS WORKS

2 August 2012

**HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012**

***A solid first half with good underlying earnings growth and an encouraging start to the strategic repositioning of the portfolio***

| | Six months to 30 June 2012 | Six months to 30 June 2011 | Change % |
|---|---|---|---|
| Net rental income (£m) | **130.9** | 135.5 | (3.4) |
| EPRA profit before tax[1] (£m) | **74.9** | 71.1 | 5.3 |
| EPRA earnings per share[1] (p) | **9.9** | 9.4 | 5.3 |
| Dividend per share (p) | **4.9** | 4.9 | - |

| | 30 June 2012 | 31 December 2011 | Change % |
|---|---|---|---|
| EPRA net asset value per share[1] (p) | **317** | 340 | (6.7) |
| Net borrowings (£m) | **2,022.3** | 2,303.4 | (12.2) |
| Loan to value (%) | **49** | 50 | |

[1] Calculations for EPRA performance measures are shown in notes 3 and 11 to the condensed financial statements. The loss before tax for the six months ended 30 June 2012 was £81.8m (30 June 2011: £64.6m profit). The basic and diluted loss per share was 10.8p (30 June 2011: 8.6p earnings per share).

## HIGHLIGHTS

### Delivering on our operational objectives

- EPRA profit before tax up 5.3% to £74.9m
- Net rental income 3.4% lower due to the impact of disposals (£5.4m); like for like net rental income up 1.0%
- £13.3m of new contracted headline rent secured,including £2.9m relating to pre-let developments signed in the period
- Group vacancy rate maintained from 31 December 2011 at 9.1%. Core portfolio vacancy 8.8% compared with 10.5% in the remaining non-core assets
- Total cost ratio reduced to 22.4% (H1 2011: 23.6%) through our focus on cost control
- EPRA net finance costs £4.2m lower at £55.9m due to lower euro interest rates, currency translation impact and disposal proceeds

### Encouraging start to the strategic reshaping of our portfolio

- Non-core asset disposals of £503m, including the £111m announced today, at a 3.1% average discount to December 2011 book values and average exit yield of 7.0%
- Acquisitions of £195m, including 50% stake in the UK Logistics Fund (UKLF), completed in January, and £130m acquisition of 13 prime logistics assets in Paris and Lyon, due to complete in September 2012. Average entry yield of 7.7%
- Seven developments completed, generating £3.6m of annualised rental income when fully let. 20 further developments underway, which should generate £18.2m of new annualised rental income, of which 81% is pre-let. Average expected development yield of 9.7% on aggregate capital expenditure of £179m

### Core portfolio capital values outperforming the IPD UK Industrial Index

- H1 2012 like for like completed core portfolio valuation decline of 1.0%; IPD UK Industrial index down 1.7%, reflecting the prime quality and locations of our core assets
- £92m valuation decline in the remaining 'Big five' non-core assets to £331m, reflecting their relative illiquidity in the current market environment; 47% of the decline attributable to the Neckermann site

**Solid balance sheet**

- 12.2% reduction in net borrowings to £2,022m and LTV reduced to 49 per cent at 30 June 2012

- 89 per cent of net borrowings in long term bonds; weighted average maturity of borrowings of 9.1 years. Interest cover of 2.2 times

**Commenting on the results and outlook, David Sleath, Chief Executive said:**

"We have made further operational progress against a challenging macro-economic backdrop and have made an encouraging start to the portfolio reshaping programme. We have also identified attractive reinvestment opportunities, whilst reducing the overall level of borrowings, and have good momentum with our predominantly pre-let development pipeline.

Whilst we expect market conditions to remain challenging for some time to come, our core assets, which represent 81 per cent of the total portfolio (compared with 69 per cent when the portfolio reshaping programme was announced in November 2011), are concentrated in those markets and sectors that are outperforming and which are benefitting from the constrained supply of modern warehousing. The solid performance of these assets in the first half, both operationally and in terms of capital values, reaffirms our strategic selection of assets and markets.

Over the balance of the year, we will continue to focus on operational performance and on the reshaping of our portfolio. Having already achieved our full year disposals target, we expect the pace of disposals to be slower in the coming months.

The quality of our core portfolio and the momentum in our development programme give us confidence in our ability to at least maintain the current level of dividend during the portfolio reshaping programme, notwithstanding the assumed loss of income from the Neckermann site in Frankfurt in 2013.

In summary, we are making good progress towards our goal of creating a leading income-focused REIT which produces a high quality and progressive dividend with resilient capital growth."

## WEBCAST AND CONFERENCE CALL FOR INVESTORS AND ANALYSTS

A live webcast of the results presentation will be available at 09.00 hours at

http://www.media-server.com/m/p/9skkk55i

A conference call facility will also be available at 09.00 hours on the following numbers:

UK toll: **+44 (0) 20 3106 4822**

US toll: **+1 212 444 0896**

Access code: **6532004#**

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

UK toll: **+44 (0) 20 7111 1244**

US toll free: **+1 347 366 9565**

Access code: **6532004#**

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

## PROPERTY ANALYSIS BOOKLET

A copy of our Property Analysis Booklet for the first half of 2012, detailing our property portfolio and development pipeline, is available at SEGRO's website at:

http://www.segro.com/investors/Results-Reporting/Property-Analysis

## CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES RESPECTIVELY:


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The timetable for the 2012 interim dividend will be as follows:

| | |
|---|---|
| Ex-Dividend date | 5 September 2012 |
| Record Date | 7 September 2012 |
| Payment Date | 5 October 2012 |

The terms used in this report are defined in the Glossary of Terms on the back page. This half-year report, the most recent Annual Report and other information are available on SEGRO's website at http://www.segro.com/investors

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

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

## BUSINESS REVIEW

### OVERVIEW OF RESULTS

We have made further operational progress in the first half of 2012, despite the weakening macro-economic environment. We have secured £13.3 million of new annualised contracted rental income, achieved a Group customer retention rate of 63 per cent and maintained a Group vacancy rate of 9.1 per cent. We have also reduced the total cost ratio from 23.6 per cent to 22.4 per cent period-on-period through our focus on cost control. Within these results, our core portfolio delivered a resilient performance during the first half of the year, reaffirming the strategic selection of assets and markets that we announced in November 2011. The core portfolio delivered £8.5 million of new annualised contracted rental income, achieved a customer retention rate of close to 70 per cent (non-core portfolio: 56 per cent) and a vacancy rate at 30 June 2012 of 8.8 per cent (non-core portfolio: 10.5 per cent).

Over the period we completed seven developments, 91 per cent of which are already leased, and signed seven new pre-let developments. We currently have 20 developments contracted or under construction representing £18.2 million of additional annualised rental income and £84.9 million of future capital expenditure. 81 per cent of the current development projects are secured with pre-let agreements.

Overall, our good operational performance has enabled us to deliver a 5.3 per cent increase in EPRA profit before tax and EPRA earnings per share to £74.9 million and 9.9 pence, respectively, compared with the first half of 2011.

EPRA NAV per share declined by 6.7 per cent to 317 pence, largely reflecting valuation reductions on the non-core portfolio. Completed property values on the core portfolio declined by 1.0 per cent, compared with an IPD UK Industrials Index decline of 1.7 per cent, whilst values on the ‘Big five’ non-core assets and smaller non-core holdings reduced by 11.6 per cent overall.

Net borrowings at 30 June 2012 were £281.1 million lower at £2,022.3 million (31 December 2011: £2,303.4 million), principally as a result of net disposals and currency translation impact. The Group’s loan to value ratio improved to 49 per cent (31 December 2011: 50 per cent) as a result of these factors and of the impact of the valuation changes referred to above.

### ENCOURAGING START TO THE STRATEGIC RESHAPING OF OUR PORTFOLIO

In November 2011, we announced a new strategy for SEGRO to build on its considerable strengths and address areas of historical underperformance in order to deliver better returns for our shareholders. Our strategy to create the best owner-manager and developer of industrial property in Europe and a leading income-focused REIT has two key pillars: Disciplined Capital Allocation, which consists of picking the right geographical markets and asset types, creating the right portfolio shape, actively managing the portfolio and deploying the right capital structure; and Operational Excellence, which consists of optimising performance from the portfolio through customer focus, expert asset management, development and operational efficiency.

In order to create a portfolio and business capable of delivering our objectives, we announced a medium-term plan with four key strategic priorities, as follows:

1. **Reshape** the existing portfolio by divesting non-core assets and reducing non-income producing assets
2. **Reinvest** in a smaller number of core markets and asset types through development and acquisition
3. **Reduce** financial leverage over time and introduce third party capital
4. **Retain** our focus on operational excellence and drive further improvements

The table below summarises progress with our capital recycling programme in the year to date:

**Disposals**

| Month | Portfolio/Asset | Acquirer | Disposal proceeds (£m) | Net initial yield (%) |
|---|---|---|---|---|
| February | Four regional UK estates | Ignis | 71.2 | 6.5 / 7.2[1] |
| April | IQ Farnborough | Harbert | 90.2 | 6.5 / 7.0[1] |
| June | Four regional UK estates | Harbert | 204.5 | 6.7 / 7.4[1] |
| July | 10 regional UK estates | UK Institution | 111.0 | 8.4 / 8.9[1] |
| Various | Other UK non-core assets | Various | 10.9 | 6.9 / 7.0[1] |
| Various | Other CE non-core assets | Various | 15.3 | 7.6 / 7.6[1] |
| **Total** | | | **503.1** | **7.0 / 7.6[1]** |

**Acquisitions**

| Month | Portfolio/Asset | Seller | Acquisition price (£m) | Net initial yield (%) |
|---|---|---|---|---|
| January | UK Logistics Fund | UK Institutions | 65.7 | 6.3 / 7.7[2] |
| September[5] | 13 logistics assets in France | Foncière Europe Logistique | 129.7 | 8.4 / 7.7[3] |
| **Total** | | | **195.4** | **7.7 / 7.7** |

**Development pipeline**

| Month | Portfolio/Asset | Total Capex for projects completed in period and for committed projects (£m) | Estimated yield on total development cost (%) |
|---|---|---|---|
| Ongoing | Pre-let and speculative developments | 178.6 | 9.7 |

[1] Including the benefit of top-ups; [2] Yield when fully let; [3] Reversionary yield

[4] 50% stake of a £314.7m joint venture acquisition, of which SEGRO contributed equity of £15.7m in 2011 and £50.0m in 2012.

[5] Completion of the £129.7 million acquisition from Foncière Europe Logistique expected after the period end, in September 2012.

**£503 million of disposals completed in the year to date**

As part of our strategy, we identified non-core assets for disposal valued at £1.4 billion at 31 December 2011, including six large non-strategic assets with a combined value of £515 million at that date. Our guidance, issued at our full year results in February 2012, was that we expected to dispose of £300-500 million of those non-core assets during 2012.

Against that target, and despite the challenging macro-economic backdrop, our investment team has made an encouraging start, with non-core disposals completed or announced of £503.1 million in the year to date. This follows on from £67.9 million of disposals completed in the second half of 2011. Disposals in the first half included a portfolio of four regional UK industrial estates for £204.5 million, completed in June 2012. We also disposed of IQ Farnborough, the first of the six large non-strategic assets, for £90.2 million in April 2012 and a portfolio of four regional UK industrial estates for £71.2 million in February 2012. As announced today, we also completed the sale of a further portfolio of 10 UK regional estates for £111.0 million after period end.

In addition, we have made a number of smaller asset and land disposals in the UK and Continental Europe totalling £26.2 million. This included the sale of a 31,700 sq m light industrial facility in Nuernberg, Germany, for €13.0 million (£10.5 million). In aggregate, the £503.1 million of disposals were completed at a 3.1 per cent discount to 31 December 2011 book values and at an average exit yield of 7.0 per cent.

Demand for these assets, and interest we are continuing to see in other non-core assets, has come from a range of investors, including institutional buyers and opportunistic or private equity funds looking for 'value-add' opportunities, as well as from existing customers wanting to acquire their premises and other private, local investors.

**£374 million of capital being recycled into prime assets in our core markets**

In the year to date, SEGRO has announced two acquisitions which will significantly strengthen our modern logistics platform in key transportation corridors in our core markets and which partly offset income lost through disposals.

In January 2012, we completed the acquisition of a 50 per cent stake in the UK Logistics Fund ('UKLF') in partnership with Moorfield, for which SEGRO contributed equity of £65.7 million. The portfolio comprises 14 prime logistics warehouses, predominantly located in the Midlands and South of England. Since acquisition, we have successfully integrated the UKLF assets, which are managed by SEGRO, into our operating platform and they have been performing in line with our expectations.

Additionally, in June 2012, we agreed the acquisition of a portfolio of 13 fully let prime logistics buildings in the Ile de France and Lyon for €160.8 million (£129.7 million) from Foncière Europe Logistique ('FEL'). This transaction provided SEGRO with a rare opportunity to build critical mass in the two strongest markets in France and to drive operating efficiencies through greater scale. The five estates in the Ile de France are located in close proximity to our existing light industrial and logistics assets, with the remaining three estates well positioned to take advantage of the growing logistics market in Lyon. We expect to complete the acquisition in September 2012. Both the UKLF and FEL assets are let to a range of well known customers, with some of whom SEGRO already has existing relationships.

Over the period we have also invested, or committed, £178.6 million of capital expenditure into the seven projects completed in the first half and into our future development pipeline, which comprises 20 active projects. Further detail on our completed and active developments is presented in our Property Analysis booklet, which is available to download at www.segro.com/investors

Going forward, we believe the present economic environment is likely to give rise to further interesting opportunities for capital deployment, both in terms of development and acquisition of built assets and portfolios. We will continue to evaluate such opportunities in a disciplined manner, having regard both to our desire to re-invest sales proceeds in opportunities which meet our clearly defined strategic investment criteria and our goal of reducing the overall level of net debt in the business over the medium term.

**£816 million of remaining non-core assets**

Taking into account disposals and valuation changes so far, the Group now has £816 million of non-core assets remaining.

To date, we have focused most of our efforts on UK disposals due to our ability to create a number of meaningful disposal packages to satisfy the interest we identified from a range of different potential buyers. Having achieved our targeted full year disposals already, we expect the pace of disposals in the balance of the year to be slower than in the first half. The bulk of the remaining non-core assets are concentrated in smaller more fragmented Continental European holdings as well as the so-called 'Big five' assets.

The 'Big five' comprise large and relatively bespoke office and industrial campuses, as follows:

Following the sale of IQ Farnborough in April 2012, the Thales campus in Crawley is the only remaining large non-strategic asset in the UK. This is a modern well located office and development facility, let to the French-owned defence and civil aviation contractor, with an average lease length of 13.5 years to break.

Pegasus Park in Brussels is a well established and successful office park comprising 7 buildings and let to a range of 28 different customers with an average lease length to break of 4.8 years. It is located adjacent to Brussels airport and has an adjacent railway station in addition to excellent links to the national road network. The site has approximately 9.5 hectares of remaining development land.

Energy Park at Vimercate in Italy, is an innovative out of town office development scheme, located in an area north-east of Milan, which has proved successful in attracting technology and telecoms customers. We currently have two developments underway, for Esprinet and Alcatel-Lucent, which are scheduled to complete in 2012 and 2014, respectively but with several more potential phases of development to follow in later years.

The Neckermann site in Frankfurt is a 309,000 sq m, largely bespoke, office and distribution campus. Following Neckermann's recent filing for insolvency, we are seeking alternative customers for the site, whilst also exploring opportunities for alternative uses and/or development. Meanwhile, in light of the recent events, our valuers have valued the site at £43m, compared with £86m as at 31 December 2011. This effectively represents their estimate of the land value less assumed building demolition costs for most of the existing built space.

The MPM site in Munich is a dedicated 154,000 sq m manufacturing facility in a prime business location to the west of Munich. The site is leased to Krauss-Maffei, which produces machinery for processing plastics, with Siemens as a significant sub-lessee, on 10.6 year lease to break. The asset has a number of opportunities to add value over the coming years.

These larger assets are less liquid and relatively bespoke, with potential opportunities to add value compared to their current valuation. Accordingly, whilst we will be exploring options for an early sale of some of those assets, it is likely to take a number of years before they are all completely sold.

In addition to the 'Big five' assets, valued at £331m, we also have £485 million of smaller non-core holdings and land, of which £214 million is located in the UK and £271 million is in Continental Europe. For each of the assets we have plans aimed at optimising the timing and value of potential disposals over the coming years, in line with our expectations at the time of the strategy announcement in November 2011. Prior to disposal, we will continue to actively manage the non-core assets and maintain strong and ongoing relationships with our customers.

## OCCUPIER MARKETS

Euro zone sovereign and bank debt concerns, combined with political uncertainty across Europe, have continued to weigh on consumer and business confidence during the first half of the year. Whilst we are seeing some impact from this, mainly in terms of customers taking longer to reach decisions on their space requirements, we have been able to report good operational performance in the first half of 2012.

A lack of speculative development since 2008, combined with stronger occupier markets in 2010 and early 2011, has resulted in a shortage of available modern stock in several prime locations which are the focus for our core portfolio. This shortage is accentuated by the relative strength of the local economies in those locations driving customer requirements for new space and we expect this to continue. Our strong operating platform in core markets leaves us well positioned to benefit from this supply-demand imbalance.

### Greater London

In the UK, whilst we have seen general levels of demand from traditional users of industrial space softening, there has been good take up by a range of users seeking modern and well located premises, predominantly in London and the South East. One key trend has been the growing requirement for urban logistics space for businesses to service major conurbations such as London. To this end, vacancy rates for prime assets on estates such as Park Royal and Greenford Park, where we have approximately £0.6 billion of assets, remain low due to their close proximity to Central London and excellent transportation links.

Around Heathrow, where SEGRO has approximately £0.7 billion of wholly-owned and joint venture assets (at Group share), cargo handlers and other air-related businesses are primarily focused on airport accessibility. Despite cargo volumes falling back from peak levels in 2011, we are benefiting from the limited supply of space close to, or within, the airport boundary. As such, airside and on airport assets are continuing to attract premium rents compared with those assets in less sought after locations away from the airport.

### Thames Valley and the Regions

In the Thames Valley, Slough remains a dominant location for businesses. The £1.0 billion Slough Trading Estate, our largest single estate, has evolved to become one of Europe's largest data centre hubs in addition to being a proven location for a range of traditional light industrial and service related occupiers and for suburban offices. The estate is now home to 15 data centres, which benefit from a dual power supply, high levels of security and, for a number of occupiers, Slough's proximity to London based financial institutions requiring real time data transfer. Recent government approval of funding for the Western Rail Access to Heathrow project to reduce journey times from Heathrow will be a great benefit for businesses in the area.

Outside of London and the South East, traditional industrial occupier markets remain more challenging. Through our portfolio reshaping exercise we have, however, significantly reduced our exposure to these weaker markets, whilst increasing our exposure to more attractive prime logistics markets where the demand-supply balance is more favourable.

### Germany and Northern Europe

In the first half we saw a good level of demand in Germany, which remained Europe's strongest industrial occupier market, where we have approximately £0.4 billion of assets. This has been driven by the relative strength of the economy, which has continued to support business confidence and spending. In contrast, Belgium and the Netherlands remain our most challenging markets due to their relatively weaker economies. Vacancy in the over-supplied suburban office market in Brussels, where Pegasus Park is located, remains high at over 20 per cent.

### France and Southern Europe

Our primary focus in France, where we have approximately £0.4 billion of light industrial and logistics assets, is the Ile de France region. This position will be considerably strengthened by the acquisition of logistics assets from FEL which is due to complete in September 2012. The region is one of the wealthiest areas in Europe and shares similar demand-supply characteristics to the areas servicing London and Heathrow in the UK. As such, occupier demand in the first half has remained resilient, with market vacancy rates held low by the lack of available prime space. We also have a logistics presence in Lyon, which will be strengthened by the FEL acquisition. This market is well positioned to meet the needs of Pan-European and national logistics firms as well as local operators servicing around 1.5 million metropolitan area inhabitants.

### Poland and Central Europe

In Poland, demand for modern logistics space has continued to thrive as a result of the relative strength of the economy and its position as a key transportation hub between Eastern and Western Europe. Recent events such as the European football championships have also acted as catalyst for significant public sector investment in domestic infrastructure, to the benefit of the rapidly developing logistics sector. Whilst the country is not immune to wider euro area uncertainty, GDP growth forecasts for 2012 and 2013 of 3.0 per cent per annum (OECD forecasts) remain among the highest in Europe.

## LEASING ACTIVITY

| Summary of key data[1] | H1 2012 Core | H1 2012 Non core | H1 2012 Total | H1 2011 Total |
|---|---|---|---|---|
| Income contracted[2] (Rent per annum £m[4]) | 8.8 | 4.5 | **13.3** | **20.2** |
| Take-up[3] (Rent per annum £m[4]) | 8.3 | 4.5 | **12.8** | **13.9** |
| Take-up[3] (Area 000's sq m) | 105.5 | 103.6 | **209.1** | **203.1** |
| Space returned (Rent per annum £m[4]) | 8.7 | 4.8 | **13.5** | **13.1** |
| Space returned (Area 000's sq m) | 94.4 | 74.6 | **169.0** | **172.7** |
| Customer retention rate (%) | 69 | 56 | **63** | **74** |
| Transactional rental levels versus prior December ERVs (%) | 1.5 | 2.2 | **2.0** | **2.9** |
| Lease incentives (%) | 7.0 | 9.2 | **7.7** | **7.7** |

1. *All figures include joint ventures at share.*
2. *Income contracted includes income from the long term letting of existing space and any pre-let developments signed for completion in later periods during H1 2012. It does not include pre-let developments completed in H1 2012.*
3. *Take-up includes income from the long term letting of existing space and any pre-let developments completed in H1 2012. It does not include pre-let developments signed during H1 2012 for completion in later periods.*
4. *Annualised rental income, after the expiry of any rent free periods.*

We secured £13.3 million of new annualised contracted rental income, including pre-lets signed for delivery in later periods, in the first half of 2012 (H1 2011: £20.2 million). This reduction period-on-period is largely attributable to the signing of two large pre-let developments in the first half of 2011, to Alcatel-Lucent and Esprinet at Vimercate in Italy, representing £5.9 million of annualised rental income. Excluding these developments, which are part of the non-core portfolio, contracted rental income and the number of pre-lets signed in each period remained broadly comparable.

In aggregate, we completed 126 new lettings representing 209,100 sq m and generating £12.8 million of annualised new rental income (H1 2011: £13.9 million). This includes £2.4 million relating to pre-let completions in the period and excludes those pre-lets signed in the period for delivery in later periods.

Despite the weakening macro economic backdrop, we have been able to achieve average headline rental levels on new leases and lease renewals across the Group 2.0 per cent above the valuers' December 2011 ERVs. Lease incentives stood at 7.7 per cent (H1 2011: 7.7 per cent), within which core portfolio lease incentives were 7.0 per cent compared with 9.2 per cent in the non-core portfolio.

In Greater London, we signed 36 new leases representing 26,600 sq m. This included the letting of two of the four units on the top floor of X2 at Heathrow Airport, covering 6,000 sq m, to Freightnet and Westgate Handling Services, both on 10 year leases. After period end, in July, Freightnet also leased the third unit of the upper floor. These deals follow the letting of the entire ground floor of the building last year. We have also now fully let our Big Box joint venture following the letting of the last remaining unit to International Logistics Group in April.

In the Thames Valley, we signed 48 leases representing 43,600 sq m. On the Slough Trading Estate, we agreed a five year lease in June for 1,300 sq m of office space with Equinix. This is in addition to the two existing data centre facilities Equinix currently lease on the estate. We also completed three pre-let developments for Lonza, Ragus, and Family Bargains, and one speculative development which we leased to Gyron in June. Each of these completions contributed to take-up during the period.

In Germany and Northern Europe, we completed 31 lettings representing 80,700 sq m. Our largest letting across the Group was a 10 year lease to Rhenus Home Delivery for 20,000 sq m across five units in Kapellen, Dusseldorf, in March. This deal was signed in advance of the space being returned by another customer. We also signed two significant leases in Holzwickede totalling 23,400 sq m and, in Belgium, signed four office lettings at Pegasus Park totalling 7,500 sq m.

Our largest letting in France and Southern Europe, where we signed 8 leases representing 35,000 sq m, was for 12,600 sq m of logistics space in Lyon to Transport Fatton, which was signed in June. In the north of the Ile de France region, we also let 5,700 sq m to Transalliance Distribution.

Leasing activity in Poland and Central Europe continues to be mainly focused on pre-let developments. During the first half, we completed two pre-lets for Zabka in Tychy and Eurocash in Poznan. Both of these contributed to take-up in the period.

## CUSTOMER RETENTION AND VACANCY

Through our proactive approach to relationship management and our focus on providing the highest level of customer service, we have achieved a Group retention rate of 63 per cent (H1 2011: 74 per cent), comprising 69 per cent and 56 per cent on the core portfolio and non-core portfolio, respectively. This, combined with our leasing activity and the disposal of several higher vacancy non-core assets, has enabled us to maintain a Group vacancy rate of 9.1 per cent at 30 June 2012, consistent with 31 December 2011 (benefitting 2.1 and 1.9 per cent, respectively, from short term lettings).

This Group vacancy rate has benefited from the disposal of IQ Farnborough and a portfolio of four regional estates, both with higher than average vacancy rates, offset by the acquisition of the UKLF (which has two vacant units) and the disposal of five fully let regional estates, all located in the UK. Overall, our capital recycling programme had a 0.7 per cent positive impact on Group vacancy. For the core portfolio in isolation, the vacancy rate at 30 June 2012 was 8.8 per cent compared with 10.5 per cent for the remaining non-core assets.

## CUSTOMER INSOLVENCIES AND RENT AT RISK

On 18 July 2012 the Frankfurt based mail order company, Neckermann, announced that it had filed for insolvency proceedings. SEGRO owns a 309,000 sq m office and distribution facility, of which 291,000 sq m is occupied by Neckermann on a lease contributing approximately £12 million per annum to rental income and due to expire in 2017. We have received full rental payments up to the end of July 2012 and hold bank guarantees which should cover rent and other amounts due on the site until the end of 2012. Whilst we are seeking alternative customers and uses for the site, there is a significant risk that, from the beginning of 2013, we will not be able to replace the rent generated by Neckermann, at least in the short term.

Neckermann also leases from SEGRO a logistics facility at Alzenau, approximately 35 kilometres east of Frankfurt. This 25,000 sq m building has, in turn, been sub-let by Neckermann to a third party until the end of 2012 to support a logistics activity unrelated to Neckermann's business. In 2011, rental income received in respect of this building totalled approximately £0.8 million. SEGRO holds a bank guarantee covering 3 months rent in the event of non-payment by Neckermann and in due course expects to be able to re-lease this space in the event that the Neckermann lease is terminated.

The Neckermann insolvency represents the second major insolvency affecting the portfolio in recent years, following on from the loss of Karstadt-Quelle in 2010 (£4.6 million of annualised rental income). Excluding those two cases, the long-run experience of rental income loss from insolvencies has been low at an average of 1.4 per cent of total annual passing rent. This relatively good experience is a result of a highly diversified customer base, the general quality of the customer profiles and the way in which we manage our exposure. With over 1,400 customers from a broad range of sectors and geographies, our exposure to any single customer is relatively limited outside of the top 20 rent payers.

Our top 20 customers, excluding Neckermann, represent £77.0 million of rental income, or 22 per cent of the Group's total rent roll. Our three largest customers, Telefonica O2 UK, Deutsche Post and Krauss Maffei, represent 5 per cent of the total. We actively monitor the creditworthiness of our customers and any potential rent at risk from insolvency on an ongoing basis. At 30 June 2012, we had £2.3 million of annualised rental income relating to customers currently in administration.

## 20 DEVELOPMENT PROJECTS UNDER CONSTRUCTION OR CONTRACTED

The limited availability of modern, well located industrial and logistics space in most of our core markets has continued to drive demand for pre-let developments on our well-positioned land bank. This has enabled us to generate attractive returns from our 618 hectare land bank, of which 50 hectares are under construction and a further 259 hectares earmarked for identified, future projects. We currently expect to generate an 8-10 per cent yield on total development cost (including land value) on each project.

Speculative development remains limited to those locations where we see a significant supply-demand imbalance. Where we have undertaken speculative projects, in the UK, France and Germany, we have seen a robust level of enquiries and new lettings, as discussed below.

### Completions

During the first six months of the year we completed five pre-let developments. Three of these were located on the Slough Trading Estate, totalling 10,300 sq m, comprising industrial units for Lonza and Ragus and a 1,200 sq m retail facility for the discount retailer Family Bargains. The remaining two development completions were in Poland, comprising an 18,900 sq m logistics facility for Zabka and 1,200 sq m office extension for Eurocash.

We also completed the first of two speculative buildings at Ajax Avenue, on the Slough Trading Estate, which Gyron signed a 20 year lease on in June for a 2,900 sq m data centre. The second 3,100 sq m industrial building, for which we have already seen a good level of interest, is scheduled for completion in August 2012. In Germany, we completed the first phase of our 11,700 sq m SEGRO Park Berlin Airport speculative development in May 2012. This development is now 60 per cent let with seven deals signed to date.

### Current pipeline

Across the Group we now have 20 developments contracted or under construction, representing £18.2 million of future annualised rental income and £84.9 million of capital expenditure to completion. The development pipeline is 81 per cent pre-let.

In the UK we have seven developments contracted or under construction totalling 36,800 sq m. On the Slough Trading Estate, where we signed the agreement with Gyron on the first of two speculative developments at Ajax Avenue in June, we have two additional pre-let data centre facilities under construction on the estate totalling 17,200 sq m. Both are scheduled for completion in the second half of 2012. We also signed a pre-let agreement with Karl Storz Endoscopy for a 2,300 sq m unit on a 10 year lease at Perth Avenue. This will form part of a larger 4,100 sq m development, including 1,800 sq m of speculative space.

At Park Royal, we were the first developer in five years to sign a pre-let agreement on the estate. This was signed in June with floor heating brand, Warmup, for 900 sq m of warehouse and office space on a 15 year lease and complements their existing 1,000 sq m facility with us on the estate. The pre-let will form part of a larger 3,200 sq m industrial scheme, which is now 28 per cent let before construction has commenced. The scheme is expected to complete in early 2013.

In Germany, we have two predominantly pre-let developments and one speculative development under construction. The two pre-let logistics facilities with speculative space, which we are building in Frankfurt and Krefeld, are expected to complete in the third quarter of 2012. In Dusseldorf, we have let over 10 per cent of the first phase of our speculative development at SEGRO Park Dusseldorf Sud, which is also expected to complete in the third quarter.

In France, we were pleased to complete the letting of 3,700 sq m to Chateau D'eau at La Courneuve in June. This represents 45 per cent of the 8,200 sq m speculative development, which is due to complete in the third quarter of 2012. Our two office pre-lets at Vimercate in Italy, for Esprinet and Alcatel-Lucent, are expected to complete in 2012 and 2014 respectively.

The relative strength of the Polish economy and growing logistics sector continue to drive demand for new space. During the first half of 2012 we secured five pre-lets totalling 34,100 sq m. This included a 4,800 sq m logistics facility extension for Azymut, signed in June, a 12,200 sq m warehouse and office facility for FlexLink in Poznan and a 6,900 sq m facility for DPD in Wroclaw. Overall, we have 7 pre-let developments contracted or under construction in Poland totalling 73,000 sq m.

Further details on our development pipeline are presented in our Property Analysis booklet, which is available to download at www.segro.com/investors

## INVESTMENT MARKETS AND CAPITAL VALUES

Despite the ongoing Euro zone crisis and deteriorating economic environment, real estate investment activity in European capital markets in the first half of 2012 was robust, with transaction volumes broadly stable year-on-year.

However, investors are becoming increasingly risk averse, targeting only prime assets in the most transparent and liquid markets. This has provided support to investment markets in the UK, Germany, France and Poland, where yields remain stable for prime assets. In addition, with several years of low growth predicted, the appeal of high income returns and the bond-like characteristics generated by prime logistics and industrial investments is being recognised by investors, several of whom have been seeking to increase their exposure to the sector. With the availability of prime assets in the strongest locations becoming scarcer, demand and therefore pricing for the best quality assets has been resilient.

In contrast, investor interest in assets in less sought after locations and for secondary assets has declined significantly. Large bespoke assets have become particularly illiquid and investor appetite for these types of investments is limited, except at the 'opportunity' and 'high value add' end of the investor universe. These assets have been exposed to outward yield shift, particularly when located in higher risk Euro zone countries where investors are currently applying deep discounts to reflect sovereign risk.

Following a periodic review of the Group's valuation service providers, we appointed CBRE as the valuer of our wholly-owned portfolio during the period. This has enabled the Group to obtain a fresh, independent view of the current market value of the portfolio. We were encouraged that the values ascribed to the core portfolio by CBRE were, on average, very similar to the values ascribed by the previous valuers, DTZ, in December 2011. Consistent with trends observed in the wider market we have seen little change in the valuation of these assets, whilst the non-core assets have suffered deterioration in value.

Over the six months to 30 June 2012, the total value of the Group's property portfolio, comprising completed properties, land and development, reduced from £5.1 billion to £4.8 billion, including joint ventures at share. This movement reflects £385 million of disposals, offset by £232 million of acquisitions and development capex and a £49 million adverse impact from the weakening euro. The movement also includes a valuation decline of £142 million, of which £92 million relates to the Group's large non-strategic assets and £33 million to the smaller non-core holdings.

Completed property values in the core portfolio declined by 1.0 per cent on a like-for-like basis and outperformed the IPD UK Industrials Index, which declined by 1.7 per cent in value of the over the same period. This compares with a 5.2 per cent decline on the smaller, more secondary non-core holdings and a 21.0 per cent decline in the large non-strategic assets, leading to a 3.2 per cent decline on the overall portfolio.

The valuation highlights the importance of prime, high quality assets within close proximity to major conurbations and transportation hubs. In general, those assets have held their values whilst our more secondary assets, particularly those that are more bespoke and consequently lack liquidity, such as the Neckermann site, have seen further write downs.

In the UK, completed property values declined by 0.9 per cent on the core portfolio and by 1.4 per cent overall. The best performing assets were those in the recently acquired UKLF and our assets at Park Royal and in the Rest of Greater London, where valuations remained broadly flat. Asset values on the Slough Trading Estate declined by 1.1 per cent in aggregate, in line with the core portfolio movement. Around Heathrow, valuations declined by approximately 3.0 per cent reflecting weaker performance amongst vacant assets. Valuation declines on a similar scale were also recorded on the more secondary regional assets exposed to weaker occupier markets, which predominantly make up the non-core portfolio. Overall, valuations for the Greater London and the Thames Valley and the Regions business units both fell by 1.4 per cent.

On the Continent, our best performing market was Poland, where valuations rose by 1.0 per cent, driven by recent investment market activity, confirming the demand for well located logistics facilities, and low vacancy in our portfolio achieved through active asset management. Our core French assets, which are predominantly located in the Ile de France region, recorded a relatively small decline of 0.9 per cent, reflecting broader market conditions but limited by the constrained supply of prime assets in the region. Overall, the French portfolio valuation declined by 1.8 per cent, accentuated by weaker pricing in the non-core regional assets.

In Germany, a 14.3 per cent fall in completed property values was substantially attributable to the Neckermann site in Frankfurt and the MPM site in Munich, the two German large non-strategic assets. Based on the recent insolvency of Neckermann, our independent valuers have reduced the asset's valuation to £43 million at 30 June 2012 (31 December 2011: £86 million) which, for the most part, reflects the value of the underlying land of the site, net of assumed demolition costs for the existing buildings.

A valuation decline of 13.7 per cent in Benelux and Other, primarily reflects the performance of the two other large non-strategic assets in Continental Europe - Pegasus Park in Brussels and Energy Park in Vimercate (Milan) - where investment markets remain challenging, particularly for these types of asset.

## SUMMARY PROPERTY PORTFOLIO ANALYSIS AS AT 30 JUNE 2012

| By geography | Lettable area sq m | Completed £m | Owner occupied £m | Land & development £m | Combined property portfolio £m | Net initial yield[2] % | Net true equivalent yield[2] % | Valuation movement[1,2] % | Vacancy by ERV[2] % |
|---|---|---|---|---|---|---|---|---|---|
| UK | | | | | | | | | |
| **Thames Valley and the Regions** | | | | | | | | | |
| Slough Trading Estate | 624,935 | 936.2 | 4.0 | 73.0 | 1,013.2 | 6.3 | 7.8 | (1.1) | 6.1 |
| Rest of Thames Valley | 178,802 | 285.0 | - | 8.8 | 293.8 | 5.0 | 7.8 | 0.9 | 13.6 |
| Rest of UK | 271,959 | 145.5 | - | 4.9 | 150.4 | 7.6 | 9.4 | (9.0) | 11.8 |
| UKLF | 202,253 | 153.2 | - | 1.2 | 154.4 | 6.1 | 7.1 | 0.0 | 16.5 |
| | **1,277,949** | **1,519.9** | **4.0** | **87.9** | **1,611.8** | **6.2** | **7.9** | **(1.4)** | **9.3** |
| **Greater London** | | | | | | | | | |
| Heathrow – wholly owned | 179,306 | 197.6 | - | 5.4 | 203.0 | 4.4 | 8.2 | (3.0) | 22.6 |
| Heathrow – joint ventures[3] | 257,163 | 433.8 | - | 31.3 | 465.1 | 5.4 | 7.3 | (2.5) | 10.8 |
| Park Royal | 408,518 | 511.0 | - | 50.7 | 561.7 | 5.4 | 7.0 | (0.6) | 10.8 |
| Rest of Greater London | 380,595 | 448.3 | - | 12.8 | 461.1 | 6.2 | 7.6 | (0.6) | 7.4 |
| | **1,225,582** | **1,590.7** | **-** | **100.2** | **1,690.9** | **5.5** | **7.4** | **(1.4)** | **11.5** |
| | **2,503,531** | **3,110.6** | **4.0** | **188.1** | **3,302.7** | **5.8** | **7.6** | **(1.4)** | **10.4** |
| Continental Europe | | | | | | | | | |
| France | 667,974 | 365.6 | - | 10.9 | 376.5 | 7.6 | 8.3 | (1.8) | 2.6 |
| Germany | 991,711 | 300.5 | - | 92.7 | 393.2 | 9.5 | 8.9 | (14.3) | 6.6 |
| Poland and Czech Republic | 638,005 | 272.9 | - | 80.1 | 353.0 | 7.8 | 8.7 | 0.4 | 2.4 |
| Benelux and Other | 384,785 | 258.3 | 1.3 | 72.8 | 332.4 | 8.5 | 8.7 | (13.7) | 14.6 |
| | **2,682,475** | **1,197.3** | **1.3** | **256.5** | **1,455.1** | **8.3** | **8.6** | **(7.5)** | **6.3** |
| **Group Total** | **5,186,006** | **4,307.9** | **5.3** | **444.6** | **4,757.8** | **6.5** | **7.9** | **(3.2)** | **9.1** |

| By strategy | Lettable area sq m | Completed £m | Owner occupied £m | Land & development £m | Combined property portfolio £m | Net initial yield[2] % | Net true equivalent yield[2] % | Valuation movement[1,2] % | Vacancy by ERV[2] % |
|---|---|---|---|---|---|---|---|---|---|
| UK | | | | | | | | | |
| Core | 2,086,778 | 2,717.9 | 4.0 | 177.1 | 2,899.0 | 5.7 | 7.6 | (0.9) | 10.1 |
| Smaller industrial holdings and land for recycling | 382,256 | 310.4 | - | 9.5 | 319.9 | 6.6 | 8.5 | (5.3) | 14.4 |
| Large non-strategic assets | 34,497 | 82.3 | - | 1.5 | 83.8 | 5.7 | 7.1 | (2.5) | 0.0 |
| | **2,503,531** | **3,110.6** | **4.0** | **188.1** | **3,302.7** | **5.8** | **7.6** | **(1.4)** | **10.4** |
| Continental Europe | | | | | | | | | |
| Core | 1,511,818 | 765.9 | 0.5 | 170.5 | 936.9 | 7.3 | 8.3 | (1.1) | 4.3 |
| Smaller industrial holdings and land for recycling | 567,077 | 216.9 | - | 53.9 | 270.8 | 7.9 | 8.8 | (4.9) | 11.3 |
| Large non-strategic assets | 603,580 | 214.5 | 0.8 | 32.1 | 247.4 | 12.2 | 9.5 | (26.4) | 7.6 |
| | **2,682,475** | **1,197.3** | **1.3** | **256.5** | **1,455.1** | **8.3** | **8.6** | **(7.5)** | **6.3** |
| Group | | | | | | | | | |
| Core | 3,598,596 | 3,483.8 | 4.5 | 347.6 | 3,835.9 | 6.1 | 7.7 | (1.0) | 8.8 |
| Smaller industrial holdings and land for recycling | 949,333 | 527.3 | - | 63.4 | 590.7 | 7.1 | 8.6 | (5.2) | 13.0 |
| Large non-strategic assets | 638,077 | 296.8 | 0.8 | 33.6 | 331.2 | 10.4 | 8.8 | (21.0) | 6.3 |
| **Group Total** | **5,186,006** | **4,307.9** | **5.3** | **444.6** | **4,757.8** | **6.5** | **7.9** | **(3.2)** | **9.1** |

1 The valuation movement percentage is based on the difference between the opening and closing valuations for completed properties, allowing for capital expenditure, acquisitions and disposals.

2 In relation to the completed properties only.

3 Comprises APP and Big Box joint ventures and includes 14% by value which is outside Heathrow.

Further details on our portfolio can be found in our Property Analysis booklet, which is available to download at www.segro.com/investors

## INTERIM DIVIDEND

The Board has declared an interim dividend of 4.9 pence, unchanged from the first half of 2011. The dividend will be paid as an ordinary cash dividend on 5 October 2012 to shareholders on the register at the close of business on 7 September 2012. There will be no scrip alternative although the Dividend Reinvestment Plan (DRIP) is available to shareholders.

## OUTLOOK

Whilst we expect market conditions to remain challenging for some time to come, our core assets, which represent 81 per cent of the total portfolio (compared with 69 per cent when the portfolio reshaping programme was announced in November 2011), are concentrated in those markets and sectors that are outperforming and which are benefitting from the constrained supply of modern light industrial and logistics buildings. The solid performance of these assets in the first half, both operationally and in terms of capital values, reaffirms our strategic selection of assets and markets.

Over the balance of the year, we will continue to focus on operational performance and on the reshaping of our portfolio. Having already achieved our full year disposals target, we expect the pace of disposals to be slower in the coming months.

The quality of our core portfolio and the momentum in our development programme give us confidence in our ability to at least maintain the current level of dividend during the portfolio reshaping programme, notwithstanding the assumed loss of income from the Neckermann site in Frankfurt.

In summary, we are making good progress towards our goal of creating a leading income-focused REIT which produces a high quality and progressive dividend with resilient capital growth.

## STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The Group views effective risk management as integral to delivering SEGRO's strategic priorities. The process for identifying, assessing and reviewing risks faced by the Group is described in the Corporate Governance section on page 60 of the 2011 Annual Report. There are no significant changes from the risks and mitigations presented in the 2011 Annual Report on pages 50 – 53, which includes more information about the risks and mitigating activity.

A summary of the principal risks and uncertainties for the second half of 2012 is provided below.

### 1. Strategic Risks

**The Economic Environment.** Changes in the macro-economic environment in the UK and Continental Europe could have a significant impact on the Group's performance across a number of areas. Whilst SEGRO's business is mainly located within stronger parts of the euro zone, it has £73 million located in Italy and approximately £1.5 billion of its assets are in the euro zone. The remainder of the portfolio could be affected by any worsening of the present euro zone crisis.

**Portfolio Performance.** Management considers that the portfolio currently contains too many non-income producing or non-core assets and, if this is not addressed, the business could underperform relative to its peers.

**Implementing Strategic Changes.** Portfolio performance could suffer if the Group was to fail to execute effectively the medium term strategic plans announced in November 2011.

### 2. Financial and Operational Risks

**Capital Structure.** Failing to maintain an appropriate and cost-effective capital structure for any point in the market cycle could, if the Group holds too much debt when the market is falling, increase the risk of covenant breach (see Solvency and Covenant Breach risk below). If the Group holds too little debt when the market is rising, it could underperform relative to its peers.

**Availability and Cost of Borrowing.** Deterioration in debt market conditions, a worsening of the Company's credit profile or a general rise in interest rates could impact the availability and cost of borrowing with a direct impact on both the solvency of the Group and the returns it generates.

**Solvency and Covenant Breach.** A material fall in the Group's property asset values or rental income could lead to a breach of financial covenants within its debt funding arrangements. This could result in the cancellation of debt funding which would leave the Group without sufficient long-term resources to meet its commitments.

**Foreign Exchange Rates.** Changes in the sterling to euro exchange rate could reduce the sterling value of Continental European assets and earnings. Significant exchange rate changes could also impact the Group's gearing ratio.

**Operations.** The Group's ability to maintain its reputation, revenues and value could be damaged by operational failures.

### 3. Real Estate and Investment Risks

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

**Investment Plans.** Investment decisions to buy, hold, sell or develop assets could be flawed due to inadequate analysis, inappropriate assumptions, poor due diligence or changes in the operating environment.

## FINANCIAL REVIEW

### Highlights

| | 30 June 2012 | 30 June 2011 | 31 December 2011 |
|---|---|---|---|
| Total property return (%) | **0.1** | 2.3 | 0.8 |
| Net asset value (NAV) per share (p) | **322** | 367 | 345 |
| EPRA[1] NAV per share (p) | **317** | 374 | 340 |
| (Loss)/earnings per share (EPS) (p) | **(10.8)** | 8.6 | (4.1) |
| EPRA[1] EPS (p) | **9.9** | 9.4 | 18.4 |
| (Loss) /profit before tax (£m) | **(81.8)** | 64.6 | (53.6) |
| EPRA[1] profit before tax (£m) | **74.9** | 71.1 | 138.5 |

1. EPRA NAV, EPRA profit before tax and EPRA EPS are alternative metrics to their IFRS equivalents that are calculated in accordance with the Best Practice Recommendations of the European Public Real Estate Association (EPRA). SEGRO uses these alternative metrics as they highlight the underlying recurring performance of the property rental business, which is our core operational activity. The EPRA metrics also provide a consistent basis to enable a comparison between European property companies.

### Total property return

Total property return is a measure of the ungeared return from the portfolio and is calculated as the total realised and unrealised property gain or loss plus net rental income, expressed as percentage of capital employed.

Total property return for the period was 0.1 per cent, a decrease on the return for the same period in 2011. This reflects an income return of 3.0 per cent (H1 2011: 2.8 per cent), offset by a negative capital return of 2.9 per cent (H1 2011: 0.5 per cent negative). The improved income return reflects the benefit of a lower vacancy, a reduction in non-income producing assets and an improved like for like net rental income. The reduction in the capital return is principally driven by the decline in the value of the non-core property assets, specifically the five remaining large non-strategic assets. The capital return on the core assets was 0.5 per cent negative in the period, which compares favourably with the IPD UK Industrial Index capital return of 1.7 per cent negative.

### NAV and EPRA NAV per share

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

EPRA NAV per share at 30 June 2012 was 317 pence, compared with 340 pence at 31 December 2011. The decrease is predominantly due to a reduction in non-core property values and dividends paid, offset by EPRA profit generated.

| | £m | Number of shares (m) | Pence per share |
|---|---|---|---|
| **EPRA net assets attributable to ordinary shareholders at 31 December 2011** | 2,521.5 | 740.6 | 340 |
| Realised and unrealised property loss[1] | (161.9) | | (22) |
| EPRA profit before tax | 74.9 | | 10 |
| Dividend (2011 final) | (73.3) | | (10) |
| Exchange rate movement (net of hedging) | (6.6) | | (1) |
| Other | (4.3) | | - |
| **EPRA net assets attributable to ordinary shareholders at 30 June 2012** | **2,350.3** | **740.7** | **317** |

1. Includes the realised and unrealised property loss of £151.3 million for the wholly owned portfolio (as outlined below and detailed in note 7) and the realised and unrealised property loss of £10.6 million from our share of joint ventures (as outlined below and detailed in note 6).

### Realised and unrealised property loss

A total realised and unrealised loss on property for the wholly owned portfolio of £151.3 million (H1 2011: £31.9 million loss) has been recognised during the period, which includes an unrealised valuation deficit on investment properties of £127.2 million (H1 2011: £35.6 million deficit), principally driven by a decline in the value of the non-core property assets. A loss of £14.0 million arose on the disposal of investment properties (H1 2011: £1.4 million profit), while a gain of £0.7 million was recognised on trading properties (H1 2011: £4.6 million profit). Impairment provisions of £10.1 million (H1 2011: £2.3 million) were recorded against remaining trading properties as their fair values are deemed to be less than their original cost. The total realised and unrealised loss on property for the period is further analysed in note 7.

Our share of the realised and unrealised loss on property generated from joint ventures was £10.6 million (H1 2011: £3.4 million gain) and is further analysed in note 6.

The Group's trading property portfolio (including share of joint ventures) has an unrealised valuation surplus of £11.8 million at 30 June 2012, which has not been recognised in the financial statements (H1 2011: £27.9 million) as they are recorded at the lower of cost or fair value.

### EPS and EPRA EPS

EPS is (10.8) pence for the period to 30 June 2012, compared with 8.6 pence in H1 2011. The main driver behind this was the larger unrealised property loss in H1 2012, compared to H1 2011.

EPRA EPS of 9.9 pence per share is higher than the same period in 2011 (9.4 pence per share) reflecting a £4.0 million increase in EPRA profit after tax, which is analysed in further detail in the EPRA profit and following sections below.

### EPRA profit

EPRA profit after tax increased by 5.7% and can be analysed as follows:

| | **Six months to 30 June 2012 £m** | Six months to 30 June 2011 £m |
|---|---|---|
| Gross rental income | **156.9** | 161.5 |
| Property operating expenses | **(26.0)** | (26.0) |
| **Net rental income** | **130.9** | 135.5 |
| Joint venture management fee income | **2.9** | 1.8 |
| Administration expenses | **(13.1)** | (15.8) |
| Share of joint ventures' EPRA profit[1] | **10.1** | 9.7 |
| **EPRA operating profit before interest and tax** | **130.8** | 131.2 |
| EPRA net finance costs | **(55.9)** | (60.1) |
| **EPRA profit before tax** | **74.9** | 71.1 |
| Tax on EPRA profit | **(1.3)** | (1.5) |
| **EPRA profit after tax** | **73.6** | 69.6 |

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

A reconciliation between EPRA profit before tax and IFRS profit before tax is provided in note 3.

EPRA profit before tax increased by £3.8 million compared to the same period in 2011. The reduction in net rental income, largely due to disposals, has been more than offset by a larger reduction in EPRA net finance costs, administrative expenses cost savings and an increase in joint venture management fee income. These movements are analysed in further detail in the sections following.

As announced in July 2012, we have changed our reportable business segments from UK and Continental Europe, as the business had previously been managed, to reflect our five business units: Greater London, Thames Valley and the Regions, Germany and Northern Europe, France and Southern Europe and Poland and Central Europe. These changes have been implemented for the six months ended 30 June 2012, and form the basis of the segmental reporting disclosure in note 2.

### Net rental income

Net rental income in total has decreased by £4.6 million. Income lost due to disposals (£5.4 million) is offset by the impact of developments (£3.3 million), acquisitions (£1.3 million) and like for like net rental income growth (£1.1 million), with the balance of the decrease largely due to the impact of weaker euro average exchange rates this period compared to H1 2011 (£2.8 million) and reduced income from surrender premiums and dilapidations (£2.1 million).

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

| **Like for like net rental income** | **30 June 2012 £m** | 30 June 2011 £m |
|---|---|---|
| Completed properties owned throughout both periods (like for like rents) | **113.1** | 112.0 |
| Development lettings | **4.6** | 0.9 |
| Properties taken back for development | **0.3** | 0.7 |
| **Net rental income pre acquisitions/disposals** | **118.0** | 113.6 |
| Properties acquired | **1.7** | 0.4 |
| Properties sold | **8.4** | 13.8 |
| **Net rental income before surrenders, dilapidations and exchange** | **128.1** | 127.8 |
| Lease surrender premiums and dilapidations | **1.1** | 3.2 |
| Rent lost from lease surrenders and other income | **1.7** | 1.7 |
| Impact of exchange rate difference between periods | **-** | 2.8 |
| **Net rental income per income statement** | **130.9** | 135.5 |

### Joint ventures

Joint venture management fee income has increased by £1.1 million, largely due to additional fees earned from development activity within the APP joint venture and management fees earned from the UKLF joint venture.

SEGRO's share of joint ventures' EPRA profits is £10.1 million, an increase of £0.4 million compared to the prior period. EPRA profit of £2.0 million has been recognised in the period in relation to SEGRO's share of the UKLF joint venture, acquired in January this year. This is offset by a reduction in SEGRO's share of EPRA profit generated from the APP joint venture of £1.6 million, largely due to income lost from space predominantly vacated at the start of 2012.

## Total costs

The Group is focused on carefully managing its cost base and regards the total cost ratio as a key measure of performance. The total cost ratio is calculated by expressing the sum of property operating expenses (net of service charge recoveries and third party management fees) and administration expenses (excluding exceptional items) as a percentage of gross rental income and includes the Group's share of revenue and costs from joint ventures.

The total cost ratio for the six months ended 30 June 2012 was 22.4 per cent compared to 24.3 per cent for the year ended 31 December 2011 and 23.6 per cent for the six months ended 30 June 2011. The improvement in this ratio was primarily driven by a reduction in administration expenses (£2.7 million). One of the Group's largest costs is associated with vacant properties whereby property taxes, maintenance and other estate service expenses are borne by the Group. While empty property costs have increased to £8.0 million in the period (H1 2011: £7.4 million), the prior period comparable includes £3.1 million of out of period credits in the UK, primarily in respect of rates refunds. Adjusting for the one-off nature of the rates refunds received last year, vacant property costs would be lower than the prior period, in line with the reduction in vacancy from 11.4 per cent at 30 June 2011 to 9.1 per cent at 30 June 2012. Excluding empty property costs, the cost ratio for the six months ended 30 June 2012 was 17.9 per cent (H1 2011: 19.5 per cent).

## Net finance costs

EPRA net finance costs (which exclude the fair value gains and losses on interest rate swaps and currency derivatives and other EPRA items described below) were £55.9 million, £4.2 million lower than the £60.1 million incurred for the six months ended 30 June 2011. This is largely due to the impact of lower short-term interest rates, currency translation and interest savings on disposal proceeds.

A net fair value gain on interest rate swaps and other derivatives of £6.1 million has been recognised within net finance costs for the six months ended 30 June 2012 (H1 2011: £19.7 million gain), mainly as a result of a further decrease in medium-term sterling interest rates increasing the fair value of the Group's pay floating, received fixed sterling interest rate swap portfolio. In addition, a gain of £2.3 million was recognised within net finance costs during the period, generated from the cancellation of £82 million of committed debt facilities at a discount to face value. Neither of these gains was included in EPRA net finance costs.

## Tax

A tax credit of £1.6 million has been recognised for the six months to 30 June 2012 (H1 2011: £0.9 million expense). The underlying tax rate at 30 June 2012 on an EPRA profits basis was 1.7 per cent, broadly consistent with the same period last year (H1 2011: 2.1 per cent), and consistent with a target tax rate of less than five per cent. The Group's target tax range reflects the tax exempt status as a REIT in the UK and a SIIC in France and a favourable geographical mix of profits.

## Cash flow

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

| | **Six months to 30 June 2012 £m** | Six months to 30 June 2011 £m |
|---|---|---|
| **Cash flow from operations** | **107.4** | 106.5 |
| Finance costs (net) | **(52.3)** | (54.3) |
| Dividends received (net) | **2.3** | 3.3 |
| Tax paid (net) | **(12.2)** | (2.1) |
| **Free cash flow** | **45.2** | 53.4 |
| Acquisitions of and capital expenditure on investment properties | **(64.6)** | (65.6) |
| Investment property sales | **352.5** | 21.8 |
| Dividends paid | **(65.9)** | (66.0) |
| Net settlement of foreign exchange derivatives | **45.8** | (25.5) |
| Investment in joint ventures | **(50.8)** | (0.4) |
| Other items | **2.7** | 7.0 |
| **Net funds flow** | **264.9** | (75.3) |
| Net (decrease)/increase in borrowings | **(268.6)** | 53.5 |
| **Net cash outflow** | **(3.7)** | (21.8) |
| Opening cash and cash equivalents | **16.0** | 44.6 |
| Exchange rate movements | **(0.2)** | 2.0 |
| **Closing cash and cash equivalents** | **12.1** | 24.8 |

Free cash flow generated from operations for the period was £45.2 million, £8.2 million lower than the prior period, largely due to net tax paid. Net tax paid has increased following a payment made to HMRC in respect of tax planning entered into by Brixton (prior to the Group's acquisition of the company) which was fully provided for at the time of the Brixton acquisition.

The largest cash inflow for the period was £352.5 million from investment property sales, following the disposal of a number of non-core assets, principally in the UK. The proceeds were used to fund capital expenditure, predominantly in relation to our development programme and to complete the acquisition of the UKLF joint venture, with the remainder used to repay borrowings. Other significant cash flows include the dividends paid of £65.9 million, consistent with the prior period and £45.8 million received from the settlement of foreign exchange derivatives. As a result, there was a net cash outflow of £3.7 million (H1 2011: £21.8 million) during the period.

### Capital expenditure/divestment

During the first half of 2012 the Group made a net capital divestment of £241.5 million compared to a net investment of £43.5 million in the prior period. This is consistent with the significant level of disposals undertaken as part of our portfolio reshaping, partially offset by the UKLF joint venture acquisition and capital expenditure predominantly in relation to new developments.

| | **Six months to 30 June 2012 £m** | Six months to 30 June 2011 £m |
|---|---|---|
| **Capital expenditure**[1] | | |
| Capital expenditure on investment properties | **64.5** | 61.1 |
| Acquisitions of investment properties | **-** | 4.3 |
| Capital expenditure on trading properties | **9.0** | 5.0 |
| Acquisitions of trading properties | **-** | 3.6 |
| **Total capital expenditure** | **73.5** | 74.0 |
| **Less disposals of:** | | |
| Investment properties | **(369.5)** | (21.5) |
| Trading properties | **(11.6)** | (8.4) |
| **Total disposals** | **(381.1)** | (29.9) |
| Net investment/(divestment) in joint ventures | **66.1** | (0.6) |
| **Net capital (divestment)/investment** | **(241.5)** | 43.5 |

1. Values are stated on an accruals rather than a cash flow basis and exclude gains or losses on disposals and can therefore differ to the Cash flow section above.

### Financial position and funding

At 30 June 2012, the Group's net borrowings were £2,022.3 million, a reduction of £281.1 million since year end (31 December 2011: £2,303.4 million). The net borrowings comprise gross borrowings of £2,035.4 million (31 December 2011 £2,324.6 million) and cash balances of £13.1 million (31 December 2011: £21.2 million). The decrease in net borrowings is largely attributable to net divestment of property assets during the first half of 2012 and the impact of the euro weakening against sterling during the six months to 30 June 2012.

The Group has maintained a strong liquidity position to enable it to meet its liabilities as they fall due. During the period £82 million of committed debt facilities maturing in 2014 were cancelled at a discount to face value generating a profit of £2.3 million. At 30 June 2012 funds availability was £618.9 million comprising £13.1 million of cash and £605.8 million of undrawn facilities, of which £14.1 million was uncommitted. The Group has a favourable debt maturity profile. At 30 June 2012 total debt maturities (bonds, notes and bank facilities) falling due within 12 months were £40.1 million and the weighted average maturity of the gross borrowings of the Group was 9.1 years (31 December 2011: 8.8 years).

### Gearing and financial covenants

The interest cover covenant in our banking facilities requires that net interest before capitalisation be covered at least 1.25 times by property rental income. The Group comfortably met this ratio at 30 June 2012 at 2.2 times (31 December 2011: 2.2 times).

The loan to value ratio was 49 per cent at 30 June 2012 (31 December 2011: 50 per cent). The loan to value ratio reduced by 3 per cent due to net divestments in the six months to 30 June 2012 partially offset by the negative impact of the decrease in property valuations.

On a look-through basis, including the Group's share of borrowings and property assets from joint ventures, the loan to value ratio was 49 per cent at 30 June 2012 (31 December 2011: 49 per cent).

The gearing ratio was 84 per cent at 30 June 2012 (31 December 2011: 89 per cent), significantly lower than the Group's tightest financial gearing covenant of 160 per cent. Property valuations would need to fall, on average, by 24 per cent (31 December 2011: 23 percent) from their 30 June 2012 values to reach the gearing covenant threshold of 160 per cent.

### Interest rate exposure

The Group policy is that between 60 and 100 per cent of net borrowings should be at fixed or capped rates, both at a Group level and by major borrowing currency (currently euro and sterling), including the impact of derivative financial instruments. At 30 June 2012, including the impact of derivative instruments, £1,415 million of borrowings were at fixed rates, representing 70 per cent (31 December 2011: 74 per cent) of the net borrowings of the Group. By currency, 67 per cent of euro denominated net borrowings of the Group of £1,218 million and 75 per cent of the remaining net borrowings (predominantly sterling) of £804 million were at fixed rates.

The weighted average maturity of fixed rate cover at 30 June 2012 of £1,415 million was 8.2 years at an average fixed interest rate of 5.7 per cent. Including the impact of derivative financial instruments, floating rate gross borrowings at 30 June 2012 were £620 million at an average interest rate (including margin) of 3.9 per cent; giving a weighted average interest rate (including margin) for gross borrowings at that date, before commitment fees and amortised costs of 5.1 per cent (31 December 2011: 4.8 percent) or 5.6 per cent (31 December 2011: 5.2 percent) after allowing for such items. The slightly higher average borrowing cost at 30 June 2012 compared to 31 December 2011 is mainly due to the impact of using disposal proceeds to pay down bank debt with a lower borrowing cost than the average borrowing cost of the Group. The floating rate marginal cost of borrowing of the Group (excluding any saving of commitment fees) has actually decreased slightly in the first half of 2012 from around 2.4% to around 2.3%.

If short term interest rates had been 1 per cent higher throughout the 6 month period to 30 June 2012, the adjusted net finance cost of the Group would have increased by approximately £2.8 million, representing 4 per cent of EPRA profit after tax.

**Foreign currency translation exposure**

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

The Group's policy is to hedge between 50 per cent and 90 per cent of foreign currency denominated assets with liabilities of the same currency to protect the Group's reported consolidated net asset value, earnings, cash flows and gearing covenant.

As at 30 June 2012, the Group had foreign currency assets amounting to £1,549 million, which were 88 per cent hedged by foreign currency denominated liabilities of £1,367 million.

A 10 per cent movement in the value of sterling against all currencies in which the Group operates at 30 June 2012 would have changed net assets by approximately £18 million and reported gearing by less than 1 per cent. Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, the impact on gearing would have been approximately 4 per cent.

The average exchange rate for the period was €1.22: £1. Based on the hedging position at 30 June 2012 and assuming that this position had applied throughout the six months to June 2012, if the euro had been 10 per cent weaker than it was against sterling throughout the period (€1.34: £1), EPRA profits after tax for the period would have been approximately £1.6 million (2 per cent) lower than those reported. On the same basis if the euro sterling exchange rate during the six months to June 2012 had been consistent with the average rate during 2011 of €1.15: £1 (i.e. the euro was 6 per cent stronger than it was), EPRA profits after tax for the period would have been approximately £1.0 million (1 per cent) higher than those reported.

**Going concern**

Whilst wider economic conditions remain challenging, the Group has a strong cash flow and liquidity position, a favourable debt maturity profile, significant headroom against financial covenants and can reasonably expect to be able to continue to have good access to capital markets and other sources of funding.

Having made enquiries and having considered the principal risks and uncertainties facing the Group as detailed on page 14, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

**Responsibility statement**

We confirm to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting', as approved by the European Union;
- the half-yearly 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
- the half-yearly report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

A list of the current Directors of SEGRO plc is maintained on the website at www.segro.com.

By order of the Board

| | |
|---|---|
| David Sleath | Justin Read |
| Chief Executive | Finance Director |
| 1 August 2012 | 1 August 2012 |

## Independent review report to SEGRO plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the condensed Group income statement, the condensed Group statement of comprehensive income, the condensed Group balance sheet, the condensed Group statement of changes in equity, the condensed Group cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

### Directors’ responsibilities

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

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

### Our responsibility

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

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Services Authority.

**Deloitte LLP**
Chartered Accountants and Statutory Auditor
London, UK
1 August 2012

## CONDENSED GROUP INCOME STATEMENT

### For the six months ended 30 June 2012

| | Notes | **Half year to 30 June 2012 (unaudited) £m** | Half year to 30 June 2011 (unaudited) £m | Year to 31 December 2011 (audited) £m |
|---|---|---|---|---|
| **Revenue** | 4 | **190.1** | 195.8 | 400.1 |
| Gross rental income | 4 | **156.9** | 161.5 | 326.1 |
| Property operating expenses | 5 | **(26.0)** | (26.0) | (54.9) |
| **Net rental income** | | **130.9** | 135.5 | 271.2 |
| Joint venture management fee income | | **2.9** | 1.8 | 5.9 |
| Administration expenses | | **(13.1)** | (15.8) | (32.1) |
| Share of (loss)/profit from joint ventures after tax | 6 | **(3.9)** | 13.6 | 26.6 |
| Realised and unrealised property loss | 7 | **(150.6)** | (31.9) | (271.4) |
| Other investment income | | **–** | 1.9 | 2.4 |
| Amounts written off on acquisitions | | **(0.5)** | (0.1) | (0.2) |
| **Operating (loss)/profit** | | **(34.3)** | 105.0 | 2.4 |
| Finance income | 8 | **31.7** | 33.6 | 115.3 |
| Finance costs | 8 | **(79.2)** | (74.0) | (171.3) |
| **(Loss)/profit before tax** | | **(81.8)** | 64.6 | (53.6) |
| Tax | 9 | **1.6** | (0.9) | 23.0 |
| **(Loss)/profit after tax** | | **(80.2)** | 63.7 | (30.6) |
| Attributable to equity shareholders | | **(80.2)** | 63.8 | (30.4) |
| Attributable to non-controlling interests | | **–** | (0.1) | (0.2) |
| | | **(80.2)** | 63.7 | (30.6) |
| **Earnings per share** | | | | |
| Basic and diluted (loss)/earnings per share | 11 | **(10.8)** | 8.6p | (4.1)p |

## CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

### For the six months ended 30 June 2012

| | Notes | **Half year to 30 June 2012 (unaudited) £m** | Half year to 30 June 2011 (unaudited) £m | Year to 31 December 2011 (audited) £m |
|---|---|---|---|---|
| **(Loss)/profit for the period** | | **(80.2)** | 63.7 | (30.6) |
| **Other comprehensive income** | | | | |
| Foreign exchange movement arising on translation of international operations | | **(13.3)** | 28.0 | (10.6) |
| Valuation deficit on owner occupied properties | 7 | **(0.7)** | – | (0.4) |
| Actuarial (loss)/gain on defined benefit pension schemes | | **(9.8)** | 1.7 | (8.4) |
| Increase in value of available-for-sale investments | | **0.8** | 1.3 | 1.4 |
| Fair value movements on derivatives in effective hedge relationships | | **4.9** | (8.6) | 4.7 |
| Tax on components of other comprehensive income | | **–** | – | – |
| **Other comprehensive (loss)/profit before transfers** | | **(18.1)** | 22.4 | (13.3) |
| Transfer to income statement on sale and impairment of available-for-sale investments | | **–** | (1.4) | (2.1) |
| Transfer of income statement on close out of effective hedge relationships | | **–** | – | 2.7 |
| **Total comprehensive (loss)/profit for the period** | | **(98.3)** | 84.7 | (43.3) |
| Attributable to – equity shareholders | | **(98.3)** | 84.8 | (43.1) |
| – non-controlling interests | | **–** | (0.1) | (0.2) |
| **Total comprehensive (loss)/profit for the period** | | **(98.3)** | 84.7 | (43.3) |

## CONDENSED GROUP BALANCE SHEET

**As at 30 June 2012**

| | Notes | **30 June 2012 (unaudited) £m** | 30 June 2011 (unaudited) £m | 31 December 2011 (audited) £m |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Goodwill and other intangibles | | **1.5** | 1.6 | 1.5 |
| Investment properties | 12 | **3,842.8** | 4,595.7 | 4,316.6 |
| Owner occupied properties | | **5.3** | 7.8 | 6.5 |
| Plant and equipment | | **5.5** | 6.6 | 5.8 |
| Investments in joint ventures | 6 | **356.4** | 295.2 | 298.8 |
| Finance lease receivables | | **8.2** | 8.4 | 8.2 |
| Available-for-sale investments | | **18.0** | 20.4 | 18.3 |
| Trade and other receivables | | **126.7** | 35.4 | 114.8 |
| | | **4,364.4** | 4,971.1 | 4,770.5 |
| **Current assets** | | | | |
| Trading properties | 12 | **241.3** | 302.6 | 261.4 |
| Trade and other receivables | | **109.2** | 68.0 | 140.6 |
| Cash and cash equivalents | 13 | **13.1** | 26.0 | 21.2 |
| | | **363.6** | 396.6 | 423.2 |
| **Total assets** | | **4,728.0** | 5,367.7 | 5,193.7 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 13 | **2,021.4** | 2,233.3 | 2,296.9 |
| Deferred tax provision | 9 | **23.8** | 49.1 | 25.2 |
| Other provisions for liabilities | | **18.3** | 4.5 | 11.1 |
| Trade and other payables | | **46.2** | 8.8 | 29.4 |
| | | **2,109.7** | 2,295.7 | 2,362.6 |
| **Current liabilities** | | | | |
| Trade and other payables | | **210.1** | 220.5 | 223.8 |
| Borrowings | 13 | **14.0** | 95.8 | 27.7 |
| Tax liabilities | | **7.6** | 33.0 | 21.9 |
| | | **231.7** | 349.3 | 273.4 |
| **Total liabilities** | | **2,341.4** | 2,645.0 | 2,636.0 |
| **Net assets** | | **2,386.6** | 2,722.7 | 2,557.7 |
| **Equity** | | | | |
| Share capital | | **74.2** | 74.2 | 74.2 |
| Share premium | | **1,069.7** | 1,069.5 | 1,069.5 |
| Capital redemption reserve | | **113.9** | 113.9 | 113.9 |
| Own shares held | | **(10.1)** | (10.2) | (10.2) |
| Revaluation reserve | | **(1.3)** | 0.2 | (0.6) |
| Other reserves | | **182.6** | 215.1 | 189.2 |
| Retained earnings | | **955.9** | 1,257.7 | 1,119.5 |
| **Total shareholders' equity** | | **2,384.9** | 2,720.4 | 2,555.5 |
| Non-controlling interests | | **1.7** | 2.3 | 2.2 |
| **Total equity** | | **2,386.6** | 2,722.7 | 2,557.7 |
| **Net assets per ordinary share** | | | | |
| Basic and diluted | 11 | **322p** | 367p | 345p |

**CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY**

**For the six months ended 30 June 2012**

| (unaudited) | Balance 1 January 2012 £m | Exchange movement £m | Retained loss £m | Items taken directly to reserves £m | Shares issued £m | Other £m | Dividend £m | Transfers £m | Balance 30 June 2012 £m |
|---|---|---|---|---|---|---|---|---|---|
| Ordinary share capital | **74.2** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **74.2** |
| Share premium | **1,069.5** | **–** | **–** | **–** | **0.2** | **–** | **–** | **–** | **1,069.7** |
| Capital redemption reserve | **113.9** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **113.9** |
| Own shares held | **(10.2)** | **–** | **–** | **–** | **–** | **0.1** | **–** | **–** | **(10.1)** |
| Revaluation reserve | **(0.6)** | **–** | **–** | **(0.7)** | **–** | **–** | **–** | **–** | **(1.3)** |
| **Other reserves:** | | | | | | | | | |
| Share based payments reserve | **4.4** | **–** | **–** | **–** | **–** | **1.0** | **–** | **–** | **5.4** |
| Fair value reserve for AFS[1] | **5.5** | **–** | **–** | **0.8** | **–** | **–** | **–** | **–** | **6.3** |
| Translation and other reserves | **10.2** | **(13.3)** | **–** | **4.9** | **–** | **–** | **–** | **–** | **1.8** |
| Merger reserve | **169.1** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **169.1** |
| **Total other reserves** | **189.2** | **(13.3)** | **–** | **5.7** | **–** | **1.0** | **–** | **–** | **182.6** |
| Retained earnings | **1,119.5** | **–** | **(80.2)** | **(9.8)** | **–** | **(0.3)** | **(73.3)** | **–** | **955.9** |
| **Total equity attributable to equity shareholders** | **2,555.5** | **(13.3)** | **(80.2)** | **(4.8)** | **0.2** | **0.8** | **(73.3)** | **–** | **2,384.9** |
| Non-controlling interests | **2.2** | **–** | **–** | **–** | **–** | **(0.5)** | **–** | **–** | **1.7** |
| **Total equity** | **2,557.7** | **(13.3)** | **(80.2)** | **(4.8)** | **0.2** | **0.3** | **(73.3)** | **–** | **2,386.6** |

**For the six months ended 30 June 2011**

| (unaudited) | Balance 1 January 2011 £m | Exchange movement £m | Retained profit £m | Items taken directly to reserves £m | Shares issued £m | Other £m | Dividend £m | Transfers £m | Balance 30 June 2011 £m |
|---|---|---|---|---|---|---|---|---|---|
| Ordinary share capital | 74.2 | – | – | – | – | – | – | – | 74.2 |
| Share premium | 1,069.5 | – | – | – | – | – | – | – | 1,069.5 |
| Capital redemption reserve | 113.9 | – | – | – | – | – | – | – | 113.9 |
| Own shares held | (13.3) | – | – | – | – | 3.1 | – | – | (10.2) |
| Revaluation reserve | 0.2 | – | – | – | – | – | – | – | 0.2 |
| **Other reserves:** | | | | | | | | | |
| Share based payments reserve | 6.2 | – | – | – | – | 0.9 | – | – | 7.1 |
| Fair value reserve for AFS[1] | 6.2 | – | – | 1.3 | – | (1.4) | – | – | 6.1 |
| Translation and other reserves | 13.4 | 28.0 | – | (8.6) | – | – | – | – | 32.8 |
| Merger reserve | 169.1 | – | – | – | – | – | – | – | 169.1 |
| **Total other reserves** | 194.9 | 28.0 | – | (7.3) | – | (0.5) | – | – | 215.1 |
| Retained earnings | 1,270.9 | – | 63.8 | 1.7 | – | (7.6) | (71.1) | – | 1,257.7 |
| **Total equity attributable to equity shareholders** | 2,710.3 | 28.0 | 63.8 | (5.6) | – | (5.0) | (71.1) | – | 2,720.4 |
| Non-controlling interests | (1.3) | – | (0.1) | – | – | 3.7 | – | – | 2.3 |
| **Total equity** | 2,709.0 | 28.0 | 63.7 | (5.6) | – | (1.3) | (71.1) | – | 2,722.7 |

**For the year ended 31 December 2011**

| (audited) | Balance 1 January 2011 £m | Exchange movement £m | Retained loss £m | Items taken directly to reserves £m | Shares issued £m | Other £m | Dividend £m | Transfers £m | Balance 31 December 2011 £m |
|---|---|---|---|---|---|---|---|---|---|
| Ordinary share capital | 74.2 | – | – | – | – | – | – | – | 74.2 |
| Share premium | 1,069.5 | – | – | – | – | – | – | – | 1,069.5 |
| Capital redemption reserve | 113.9 | – | – | – | – | – | – | – | 113.9 |
| Own shares held | (13.3) | – | – | – | – | 3.1 | – | – | (10.2) |
| Revaluation reserve | 0.2 | – | – | (0.4) | – | – | – | (0.4) | (0.6) |
| **Other reserves:** | | | | | | | | | |
| Share based payments reserve | 6.2 | – | – | – | – | (1.8) | – | – | 4.4 |
| Fair value reserve for AFS[1] | 6.2 | – | – | 1.4 | – | (2.1) | – | – | 5.5 |
| Translation and other reserves | 13.4 | (10.6) | – | 4.7 | – | 2.7 | – | – | 10.2 |
| Merger reserve | 169.1 | – | – | – | – | – | – | – | 169.1 |
| **Total other reserves** | 194.9 | (10.6) | – | 6.1 | – | (1.2) | – | – | 189.2 |
| Retained earnings | 1,270.9 | – | (30.4) | (8.4) | – | (5.6) | (107.4) | 0.4 | 1,119.5 |
| **Total equity attributable to equity shareholders** | 2,710.3 | (10.6) | (30.4) | (2.7) | – | (3.7) | (107.4) | – | 2,555.5 |
| Non-controlling interests | (1.3) | – | (2.0) | – | – | 3.7 | – | – | 2.2 |
| **Total equity** | 2,709.0 | (10.6) | (30.6) | (2.7) | – | – | (107.4) | – | 2,557.7 |

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

## CONDENSED GROUP CASH FLOW STATEMENT

### For the six months ended 30 June 2012

| | Notes | **Half year to 30 June 2012 (unaudited) £m** | Half year to 30 June 2011 (unaudited) £m | Year to 31 December 2011 (audited) £m |
|---|---|---|---|---|
| **Cash flows from operating activities** | 14 | **107.4** | 106.5 | 239.0 |
| Interest received | | **30.1** | 30.1 | 50.6 |
| Dividends received | | **2.3** | 3.3 | 10.4 |
| Interest paid | | **(82.4)** | (84.4) | (170.9) |
| Tax paid | | **(12.2)** | (2.1) | (4.9) |
| **Net cash received from operating activities** | | **45.2** | 53.4 | 124.2 |
| **Cash flows from investing activities** | | | | |
| Purchase and development of investment properties | | **(63.9)** | (64.8) | (187.1) |
| Sale of investment properties | | **352.5** | 21.8 | 79.9 |
| Purchase of plant and equipment | | **(0.7)** | (0.8) | (1.9) |
| Sale of plant and equipment | | **–** | 0.2 | – |
| Purchase of available-for-sale investments | | **–** | (1.5) | (1.6) |
| Sale of available-for-sale investments | | **0.7** | 9.4 | 11.8 |
| Investment in joint ventures | | **(50.1)** | – | (15.6) |
| Net increase in loans to joint ventures | | **(0.7)** | (0.4) | (0.3) |
| Purchase of minority interest | | **(0.5)** | (1.1) | (0.4) |
| **Net cash received from/(used in) investing activities** | | **237.3** | (37.2) | (115.2) |
| **Cash flows from financing activities** | | | | |
| Dividends paid to ordinary shareholders | | **(65.9)** | (66.0) | (107.4) |
| Net (decrease)/increase in other borrowings | | **(268.6)** | 53.5 | 78.3 |
| Proceeds from early close out of bank debt | | **2.3** | – | – |
| Net settlement of foreign exchange derivatives | | **45.8** | (25.5) | (8.1) |
| Proceeds from the issue of ordinary shares | | **0.2** | – | – |
| **Net cash used in financing activities** | | **(286.2)** | (38.0) | (37.2) |
| **Net decrease in cash and cash equivalents** | | **(3.7)** | (21.8) | (28.2) |
| Cash and cash equivalents at the beginning of the period | | **16.0** | 44.6 | 44.6 |
| Effect of foreign exchange rate changes | | **(0.2)** | 2.0 | (0.4) |
| **Cash and cash equivalents at the end of the period** | | **12.1** | 24.8 | 16.0 |
| Cash and cash equivalents per balance sheet | 13 | **13.1** | 26.0 | 21.2 |
| Bank overdrafts | | **(1.0)** | (1.2) | (5.2) |
| **Cash and cash equivalents per cash flow** | | **12.1** | 24.8 | 16.0 |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The condensed financial statements for the six months ended 30 June 2012 were approved by the Board of Directors on 1 August 2012.

The condensed set of financial statements for the half year ended 30 June 2012 is unaudited and does not constitute statutory accounts within the meaning of S435 of the Companies Act 2006. The financial information contained in this report for the year ended 31 December 2011 does not constitute statutory accounts within the meaning of S435 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.

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

The same accounting policies and presentation methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

As detailed in the 31 December 2011 financial statements, derivatives with an expected maturity or settlement date of greater than twelve months are presented as non-current assets or liabilities. Consequently the June 2011 comparatives have been re-presented for consistency. Furthermore, the Group's reportable segments have changed, as set out in Note 2.

The principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.24 (30 June 2011: £1 = €1.11; 31 December 2011: £1 = €1.20)
Income statement: £1 = €1.22 (30 June 2011: £1 = €1.15; 31 December 2011: £1 = €1.15)

The notes included within the condensed set of financial statements comprise continuing operations unless otherwise stated.

## 2. SEGMENTAL REPORTING

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

The reportable segments have changed from the previous periods, where we reported geographical segments of the United Kingdom and Continental Europe. The new reportable segments reflect changes made in our management structure and internal reporting following our strategic review and prior period comparatives have been re-presented accordingly.

| | Gross rental income £m | Net rental income £m | Share of joint ventures' EPRA profit £m | EPRA PBIT £m | Total directly owned property assets £m | Investments in joint ventures £m | Capital expenditure £m |
|---|---|---|---|---|---|---|---|
| | | | | **30 June 2012** | | | |
| **Greater London** | **39.4** | **33.3** | **7.8** | **43.8** | **1,223.1** | **269.5** | **6.5** |
| **Thames Valley and the Regions** | **60.6** | **51.9** | **2.0** | **53.9** | **1,455.9** | **64.1** | **19.9** |
| **Germany and Northern Europe** | **26.8** | **22.0** | **0.3** | **21.3** | **600.6** | **22.4** | **18.1** |
| **France and Southern Europe** | **18.9** | **16.9** | **–** | **16.2** | **449.6** | **0.4** | **13.9** |
| **Poland and Central Europe** | **11.2** | **9.6** | **–** | **9.1** | **360.2** | **–** | **15.1** |
| **Other**[1] | **–** | **(2.8)** | **–** | **(13.5)** | **–** | **–** | **1.0** |
| **Total** | **156.9** | **130.9** | **10.1** | **130.8** | **4,089.4** | **356.4** | **74.5** |
| | | | | **30 June 2011** | | | |
| Greater London | 40.5 | 34.2 | 9.5 | 45.4 | 1,297.2 | 269.4 | 11.6 |
| Thames Valley and the Regions | 64.6 | 56.2 | – | 55.9 | 1,871.8 | – | 18.6 |
| Germany and Northern Europe | 27.2 | 22.9 | 0.2 | 21.6 | 846.1 | 25.4 | 16.3 |
| France and Southern Europe | 18.9 | 16.8 | – | 15.9 | 525.1 | 0.4 | 13.1 |
| Poland and Central Europe | 10.3 | 9.1 | – | 8.3 | 365.9 | – | 12.8 |
| Other[1] | – | (3.7) | – | (15.9) | – | – | 2.1 |
| Total | 161.5 | 135.5 | 9.7 | 131.2 | 4,906.1 | 295.2 | 74.5 |
| | | | | 31 December 2011 | | | |
| Greater London | 81.1 | 67.7 | 15.8 | 89.3 | 1,240.8 | 275.4 | 21.0 |
| Thames Valley and the Regions | 129.7 | 112.9 | – | 112.2 | 1,802.4 | – | 61.0 |
| Germany and Northern Europe | 55.3 | 45.8 | 0.8 | 43.4 | 714.8 | 23.0 | 39.4 |
| France and Southern Europe | 38.6 | 33.8 | – | 32.4 | 471.1 | 0.4 | 37.6 |
| Poland and Central Europe | 21.4 | 18.3 | – | 17.2 | 355.4 | – | 32.0 |
| Other[1] | – | (7.3) | – | (32.9) | – | – | 3.2 |
| Total | 326.1 | 271.2 | 16.6 | 261.6 | 4,584.5 | 298.8 | 194.2 |

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

### 3. EPRA PROFIT

| | **Half year to 30 June 2012 £m** | Half year to 30 June 2011 £m | Year to 31 December 2011 £m |
|---|---|---|---|
| Gross rental income | **156.9** | 161.5 | 326.1 |
| Property operating expenses | **(26.0)** | (26.0) | (54.9) |
| **Net rental income** | **130.9** | 135.5 | 271.2 |
| Joint venture management fee income | **2.9** | 1.8 | 5.9 |
| Administration expenses | **(13.1)** | (15.8) | (32.1) |
| Share of joint ventures' EPRA profit after tax | **10.1** | 9.7 | 16.6 |
| **EPRA operating profit before interest and tax** | **130.8** | 131.2 | 261.6 |
| EPRA net finance costs | **(55.9)** | (60.1) | (123.1) |
| **EPRA profit before tax** | **74.9** | 71.1 | 138.5 |
| **Adjustments:** | | | |
| Adjustments to the share of (loss)/profit from joint ventures after tax[1] | **(14.0)** | 3.9 | 10.0 |
| (Loss)/profit on sale of investment properties | **(14.0)** | 1.4 | 5.2 |
| Valuation deficit on investment and owner occupied properties | **(127.2)** | (35.6) | (272.7) |
| Profit on sale of trading properties | **0.7** | 4.6 | 5.2 |
| Increase in provision for impairment of trading properties | **(10.1)** | (2.3) | (9.1) |
| Other investment income | **–** | 1.9 | 2.4 |
| Amounts written off on acquisitions | **(0.5)** | (0.1) | (0.2) |
| Gain on early close out of bank debt | **2.3** | – | – |
| Net fair value gain on interest rate swaps and other derivatives | **6.1** | 19.7 | 67.1 |
| **Total adjustments** | **(156.7)** | (6.5) | (192.1) |
| **(Loss)/profit before tax** | **(81.8)** | 64.6 | (53.6) |
| **Tax** | | | |
| On EPRA profits | **(1.3)** | (1.5) | (2.1) |
| In respect of adjustments | **2.9** | 0.6 | 25.1 |
| | **1.6** | (0.9) | 23.0 |
| **(Loss)/profit after tax** | | | |
| EPRA profit after tax | **73.6** | 69.6 | 136.4 |
| Adjustments | **(153.8)** | (5.9) | (167.0) |
| **(Loss)/profit after tax** | **(80.2)** | 63.7 | (30.6) |

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

The adjustments outlined above arise from adopting the recommendations of the Best Practices Committee of the European Public Real Estate Association (EPRA) or relate to exceptional items that are disclosed separately due to their size or incidence to enable better understanding of performance. The EPRA profit measure is included to enable comparison between European property companies.

The EPRA adjustments above include a £2.3 million gain arising on the early close out of bank debt, reflecting the EPRA best practice recommendation to adjust for changes in the fair value of financial instruments and associated close out costs.

## 4. REVENUE

| | Half year to 30 June 2012 £m | Half year to 30 June 2011 £m | Year to 31 December 2011 £m |
|---|---|---|---|
| Rental income from investment properties | **143.6** | 144.9 | 298.0 |
| Rental income from trading properties | **7.8** | 9.2 | 17.9 |
| Rent averaging | **5.0** | 4.5 | 6.6 |
| Surrender premiums | **0.2** | 2.6 | 3.0 |
| Interest received on finance lease assets | **0.3** | 0.3 | 0.6 |
| **Gross rental income** | **156.9** | 161.5 | 326.1 |
| Joint venture management fee | **2.9** | 1.8 | 5.9 |
| Service charge income | **18.0** | 19.4 | 37.1 |
| Proceeds from sale of trading properties | **12.3** | 13.1 | 31.0 |
| **Total revenue** | **190.1** | 195.8 | 400.1 |

## 5. PROPERTY OPERATING EXPENSES

| | Half year to 30 June 2012 £m | Half year to 30 June 2011 £m | Year to 31 December 2011 £m |
|---|---|---|---|
| Vacant property costs | **8.0** | 7.4 | 15.2 |
| Letting, marketing, legal and professional fees | **4.7** | 5.0 | 10.6 |
| Bad debt expense | **0.7** | 1.3 | 1.6 |
| Other expenses, net of service charge income | **4.8** | 4.7 | 10.7 |
| Property management expenses | **18.2** | 18.4 | 38.1 |
| Property administration expenses[1] | **8.6** | 8.4 | 18.5 |
| Costs capitalised | **(0.8)** | (0.8) | (1.7) |
| **Total property operating expenses** | **26.0** | 26.0 | 54.9 |

1. Property administration expenses predominantly relate to the employee staff costs of personnel directly involved in managing 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 2012 £m | Half year to 30 June 2011 £m | Year to 31 December 2011 £m |
|---|---|---|---|
| Gross rental income | **19.6** | 16.9 | 33.0 |
| Property operating expenses | **(2.7)** | (2.2) | (6.1) |
| **Net rental income** | **16.9** | 14.7 | 26.9 |
| EPRA net finance costs | **(6.8)** | (5.0) | (10.5) |
| **EPRA profit before tax** | **10.1** | 9.7 | 16.4 |
| Tax | **–** | – | 0.2 |
| **EPRA profit after tax** | **10.1** | 9.7 | 16.6 |
| | | | |
| **Adjustments:** | | | |
| Profit on sale of investment properties | **–** | 0.7 | 0.7 |
| Valuation (deficit)/surplus on investment properties | **(9.4)** | 3.2 | 11.3 |
| Profit on sale of trading properties | **0.5** | 0.2 | 0.6 |
| Increase in provision for impairment of trading properties | **(1.7)** | (0.7) | (0.9) |
| Net fair value gain/(loss) on interest rate swaps and other derivatives | **–** | 0.4 | (1.9) |
| Amounts written off on acquisition | **(3.2)** | – | – |
| Other investment loss | **(0.1)** | – | (0.2) |
| Tax in respect of adjustments | **(0.1)** | 0.1 | 0.4 |
| **Total adjustments** | **(14.0)** | 3.9 | 10.0 |
| **(Loss)/profit after tax** | **(3.9)** | 13.6 | 26.6 |

In January 2012, the Group completed the acquisition of a 50 percent interest in the UK Logistics Fund ("UKLF") for £65.7 million. The amounts written off on acquisition of £3.2 million relate to UKLF and reflect the difference between purchase price and the fair value of the assets acquired (principally as a result of fees incurred on the transaction).

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

| | **Half year to 30 June 2012 £m** | Half year to 30 June 2011 £m | Year to 31 December 2011 £m |
|---|---|---|---|
| Investment properties | **622.4** | 467.7 | 476.2 |
| Other investments | **8.0** | 8.5 | 8.1 |
| **Total non-current assets** | **630.4** | 476.2 | 484.3 |
| | | | |
| Trading properties | **29.7** | 34.1 | 33.2 |
| Other receivables | **20.6** | 20.0 | 19.0 |
| Cash | **25.1** | 18.3 | 15.5 |
| **Total current assets** | **75.4** | 72.4 | 67.7 |
| | | | |
| **Total assets** | **705.8** | 548.6 | 552.0 |
| | | | |
| Borrowings | **301.1** | 51.5 | 208.9 |
| Deferred tax | **0.9** | 1.5 | 0.9 |
| Other liabilities | **12.9** | 7.5 | 8.4 |
| **Total non-current liabilities** | **314.9** | 60.5 | 218.2 |
| | | | |
| Borrowings | **10.8** | 171.3 | 12.3 |
| Other liabilities | **23.7** | 21.6 | 22.7 |
| **Total current liabilities** | **34.5** | 192.9 | 35.0 |
| | | | |
| **Total liabilities** | **349.4** | 253.4 | 253.2 |
| **Group share of net assets** | **356.4** | 295.2 | 298.8 |

## 7. REALISED AND UNREALISED PROPERTY LOSS

| | **Half year to 30 June 2012 £m** | Half year to 30 June 2011 £m | Year to 31 December 2011 £m |
|---|---|---|---|
| (Loss)/profit on sale of investment properties | **(14.0)** | 1.4 | 5.2 |
| Valuation deficit on investment properties | **(127.2)** | (35.6) | (272.3) |
| Valuation deficit on owner occupied properties | **–** | – | (0.4) |
| Profit on sale of trading properties | **0.7** | 4.6 | 5.2 |
| Increase in provision for impairment of trading properties | **(10.1)** | (2.3) | (9.1) |
| Total realised and unrealised property loss – income statement | **(150.6)** | (31.9) | (271.4) |
| Valuation deficit on owner occupied properties – other comprehensive income | **(0.7)** | – | (0.4) |
| **Total realised and unrealised property loss** | **(151.3)** | (31.9) | (271.8) |

## 8. NET FINANCE COSTS

| **Finance income** | **Half year to 30 June 2012 £m** | Half year to 30 June 2011 £m | Year to 31 December 2011 £m |
|---|---|---|---|
| Interest received on bank deposits and related derivatives | **13.9** | 12.3 | 24.9 |
| Gain on early close out of bank debt | **2.3** | – | – |
| Fair value gain on interest rate swaps and other derivatives | **15.5** | 20.2 | 89.4 |
| Return on pension assets less unwinding of discount on pension liabilities | **–** | 0.4 | 1.0 |
| Exchange differences | **–** | 0.7 | – |
| **Total finance income** | **31.7** | 33.6 | 115.3 |
| | | | |
| **Finance costs** | | | |
| Interest on overdrafts, loans and related derivatives | **(69.0)** | (72.1) | (144.5) |
| Amortisation of issue costs | **(2.3)** | (2.1) | (5.3) |
| Total borrowing costs | **(71.3)** | (74.2) | (149.8) |
| Less amount capitalised on the development of properties | **1.5** | 0.7 | 2.2 |
| **Net borrowing costs** | **(69.8)** | (73.5) | (147.6) |
| Fair value loss on interest rate swaps and other derivatives | **(9.4)** | (0.5) | (22.3) |
| Exchange differences | **–** | – | (1.4) |
| **Total finance costs** | **(79.2)** | (74.0) | (171.3) |
| | | | |
| **Net finance costs** | **(47.5)** | (40.4) | (56.0) |

## 9. TAX

### 9(i) – Tax on profit

| | **Half year to 30 June 2012 £m** | Half year to 30 June 2011 £m | Year to 31 December 2011 £m |
|---|---|---|---|
| **Tax on:** | | | |
| EPRA profits | **(1.3)** | (1.5) | (2.1) |
| Adjustments | **2.9** | 0.6 | 25.1 |
| **Total tax credit/(charge)** | **1.6** | (0.9) | 23.0 |
| | | | |
| **Current tax** | | | |
| Current tax charge | **(1.1)** | (2.3) | (2.3) |
| Adjustments in respect of earlier years | **2.2** | 0.1 | 2.1 |
| **Total current tax credit/(charge)** | **1.1** | (2.2) | (0.2) |
| | | | |
| **Deferred tax** | | | |
| Origination and reversal of temporary differences | **2.4** | (2.1) | (6.9) |
| Released in respect of property disposals in the period | **–** | – | 1.0 |
| On valuation movements | **(4.2)** | 3.3 | 22.0 |
| Total deferred tax in respect of investment properties | **(1.8)** | 1.2 | 16.1 |
| Other deferred tax | **2.3** | 0.1 | 7.1 |
| **Total deferred tax** | **0.5** | 1.3 | 23.2 |
| **Total tax credit/(charge) on profit on ordinary activities** | **1.6** | (0.9) | 23.0 |

### 9(ii) – Deferred tax provision

Movement in deferred tax was as follows:

| | **Balance 1 January 2012 £m** | **Exchange movement £m** | **Recognised in income £m** | **Balance 30 June 2012 £m** | Balance 30 June 2011 £m |
|---|---|---|---|---|---|
| Valuation | **(28.7)** | **0.9** | **4.2** | **(23.6)** | (10.8) |
| Accelerated tax allowances | **60.3** | **(2.0)** | **(2.4)** | **55.9** | 59.3 |
| Deferred tax asset on revenue losses | **(5.7)** | **0.2** | **(0.8)** | **(6.3)** | (5.3) |
| Others | **(0.7)** | **–** | **(1.5)** | **(2.2)** | 5.9 |
| **Total deferred tax provision** | **25.2** | **(0.9)** | **(0.5)** | **23.8** | 49.1 |

## 10. DIVIDENDS

| | **Half year to 30 June 2012 £m** | Half year to 30 June 2011 £m | Year to 31 December 2011 £m |
|---|---|---|---|
| **Ordinary dividends paid** | | | |
| Final dividend for 2011 @ 9.9 pence per share | **73.3** | – | – |
| Interim dividend for 2011 @ 4.9 pence per share | **–** | – | 36.3 |
| Final dividend for 2010 @ 9.6 pence per share | **–** | 71.1 | 71.1 |
| | **73.3** | 71.1 | 107.4 |

The Board has proposed an interim dividend of 4.9 pence per ordinary share (2011: 4.9 pence). This dividend has not been recognised in the condensed financial statements.

## 11. EARNINGS AND NET ASSETS PER ORDINARY SHARE

The earnings per share calculations use the weighted average number of shares during the period and the net assets per share calculations use the number of shares in issue at the period end. Earnings per share calculations exclude 1.1 million shares (1.2 million for the full year 2011 and 1.3 million for half year 2011) being the average number of shares held on trust during the period for employee share schemes and net assets per share exclude 1.3 million shares (1.1 million for the full year 2011 and 1.1 million for the half year 2011) 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 2012** | | | Half year 2011 | | | Full year 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Earnings £m** | **Shares million** | **Pence per share** | Earnings £m | Shares million | Pence per share | Earnings £m | Shares million | Pence per share |
| **Basic EPS** | **(80.2)** | **740.6** | **(10.8)** | 63.8 | 740.3 | 8.6 | (30.4) | 740.4 | (4.1) |
| Dilution adjustments: | | | | | | | | | |
| Share options and save as you earn schemes | **–** | **0.1** | **–** | – | 0.1 | – | – | 0.2 | |
| **Diluted EPS** | **(80.2)** | **740.7** | **(10.8)** | 63.8 | 740.4 | 8.6 | (30.4) | 740.6 | (4.1) |
| Adjustments to profit before tax[1] | **156.7** | | **21.1** | 6.5 | | 0.9 | 192.1 | | 25.9 |
| Deferred tax on investment property which does not crystallise unless sold | **1.8** | | **0.2** | (1.2) | | (0.2) | (16.1) | | (2.2) |
| Other tax | **(4.7)** | | **(0.6)** | 0.6 | | 0.1 | (9.0) | | (1.2) |
| **EPRA EPS** | **73.6** | **740.6** | **9.9** | 69.7 | 740.3 | 9.4 | 136.6 | 740.4 | 18.4 |

1. Details of adjustments are included in note 3.

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

| | **Half year 2012** | | | Half year 2011 | | | Full year 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Equity attributable to ordinary shareholders £m** | **Shares million** | **Pence per share** | Equity attributable to ordinary shareholders £m | Shares million | Pence per share | Equity attributable to ordinary shareholders £m | Shares million | Pence per share |
| Basic NAV | **2,384.9** | **740.7** | **322** | 2,720.4 | 740.6 | 367 | 2,555.5 | 740.6 | 345 |
| Dilution adjustments: | | | | | | | | | |
| Share options and save as you earn schemes | **–** | **0.1** | **–** | – | 0.1 | – | – | 0.2 | – |
| **Diluted NAV** | **2,384.9** | **740.8** | **322** | 2,720.4 | 740.7 | 367 | 2,555.5 | 740.8 | 345 |
| Fair value adjustment in respect of interest rate swap derivatives – Group | **(84.5)** | | **(11)** | (29.2) | | (4) | (81.1) | | (11) |
| Fair value adjustment in respect of interest rate swap derivatives – Joint ventures | **5.8** | | **1** | 4.3 | | 1 | 4.1 | | 1 |
| Fair value adjustment in respect of trading properties – Group | **7.3** | | **1** | 22.6 | | 3 | 7.4 | | 1 |
| Fair value adjustment in respect of trading properties – Joint ventures | **4.5** | | **–** | 5.3 | | 1 | 4.0 | | – |
| Deferred tax in respect of depreciation | **55.9** | | **7** | 59.3 | | 8 | 60.3 | | 8 |
| Deferred tax in respect of valuation surpluses | **(23.6)** | | **(3)** | (10.8) | | (2) | (28.7) | | (4) |
| **EPRA NAV** | **2,350.3** | **740.7** | **317** | 2,771.9 | 740.6 | 374 | 2,521.5 | 740.6 | 340 |
| Fair value adjustment in respect of debt | **(223.0)** | | **(30)** | (97.4) | | (13) | (182.9) | | (24) |
| Fair value adjustment in respect of interest rate swap derivatives – Group | **84.5** | | **11** | 29.2 | | 4 | 81.1 | | 11 |
| Fair value adjustment in respect of interest rate swap derivatives – Joint ventures | **(5.8)** | | **(1)** | (4.3) | | (1) | (4.1) | | (1) |
| Deferred tax in respect of depreciation | **(55.9)** | | **(7)** | (59.3) | | (8) | (60.3) | | (8) |
| Deferred tax in respect of valuation surpluses | **23.6** | | **3** | 10.8 | | 2 | 28.7 | | 4 |
| **EPRA triple net NAV (NNNAV)** | **2,173.7** | **740.7** | **293** | 2,650.9 | 740.6 | 358 | 2,384.0 | 740.6 | 322 |

At December 2011, following clarification of EPRA best practice recommendations, foreign exchange and currency swaps are no longer excluded from EPRA NAV as they act as economic hedges of euro denominated assets that are included in EPRA NAV. Furthermore, at December 2011, the tax effect of the fair value adjustment in respect of debt was no longer included as an adjustment to calculate EPRA triple net NAV as the Group does not believe that it will receive the benefit for that adjustment. The June 2011 comparative has been restated accordingly.

## 12. PROPERTIES

### 12(i) Investment properties

| | Completed £m | Development £m | Total £m |
|---|---|---|---|
| **At 1 January 2012** | **3,898.2** | **334.0** | **4,232.2** |
| Exchange movement | **(34.4)** | **(5.8)** | **(40.2)** |
| Additions to existing investment properties | **4.1** | **60.4** | **64.5** |
| Disposals | **(352.7)** | **(16.8)** | **(369.5)** |
| Transfers between completed and development properties | **29.9** | **(29.9)** | **–** |
| Revaluation deficit during the period | **(119.5)** | **(7.7)** | **(127.2)** |
| **At 30 June 2012** | **3,425.6** | **334.2** | **3,759.8** |
| Add tenant lease incentives, letting fees and rental guarantees | **83.0** | **–** | **83.0** |
| **Total investment properties at 30 June 2012** | **3,508.6** | **334.2** | **3,842.8** |
| Total investment properties at 30 June 2011 | 4,216.9 | 378.8 | 4,595.7 |

Investment properties are stated at fair value as at 30 June 2012 based on external valuations performed by professionally qualified valuers. The Group's wholly owned property portfolio is valued at 30 June 2012 by CBRE Ltd (previous periods' valuations were undertaken by DTZ Debenham Tie Leung). Valuations for the joint venture properties within the UK were performed by Jones Lang LaSalle (APP and UKLF) and CBRE Ltd (Big Box). Valuations for the joint venture properties within Continental Europe were performed by CBRE Ltd. The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties.

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

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

A portfolio of investment properties in the UK, subsequently sold on 31 July 2012 (see note 16), with a book value of £106.0 million, were considered held for sale at 30 June 2012.

The Group has conditionally exchanged contracts for the acquisition of a portfolio of eight assets in France for €160.8 million (£129.7 million). A deposit of €5.0 million (£4.0 million) has been paid during the period in respect of this acquisition (included within current trade and other receivables).

### 12(ii) – Trading properties

| | Completed £m | Development £m | Total £m |
|---|---|---|---|
| **At 1 January 2012** | **193.7** | **67.2** | **260.9** |
| Exchange movement | **(5.4)** | **(2.1)** | **(7.5)** |
| Additions | **1.1** | **7.9** | **9.0** |
| Disposals | **(10.4)** | **(1.2)** | **(11.6)** |
| Transfers between completed and development properties | **(0.2)** | **0.2** | **–** |
| Increase in provision for impairment in the period | **(8.7)** | **(1.4)** | **(10.1)** |
| **At 30 June 2012** | **170.1** | **70.6** | **240.7** |
| Add tenant lease incentives, letting fees and rental guarantees | **0.6** | **–** | **0.6** |
| **Total trading properties at 30 June 2012** | **170.7** | **70.6** | **241.3** |
| Total trading properties at 30 June 2011 | 228.2 | 74.4 | 302.6 |

Trading properties were externally valued resulting in a net increase in the provision for impairment of £10.1 million (30 June 2011: £2.3 million). Based on the fair value at 30 June 2012, the portfolio has an unrecognised surplus of £7.3 million (30 June 2011: £22.6 million).

## 13. NET BORROWINGS AND FINANCIAL INSTRUMENTS

| | **30 June 2012 £m** | 30 June 2011 £m | 31 December 2011 £m |
|---|---|---|---|
| In one year or less | **14.0** | 95.8 | 27.7 |
| In more than one year but less than two | **46.8** | 161.9 | 43.0 |
| In more than two years but less than five | **461.8** | 558.9 | 741.8 |
| In more than five years but less than ten | **1,093.0** | 646.0 | 943.1 |
| In more than ten years | **419.8** | 866.5 | 569.0 |
| In more than one year | **2,021.4** | 2,233.3 | 2,296.9 |
| **Total borrowings** | **2,035.4** | 2,329.1 | 2,324.6 |
| Cash and cash equivalents | **(13.1)** | (26.0) | (21.2) |
| **Net borrowings** | **2,022.3** | 2,303.1 | 2,303.4 |
| | | | |
| **Total borrowings is split between secured and unsecured as follows:** | | | |
| Secured (on land and buildings) | **41.8** | 62.8 | 52.4 |
| Unsecured | **1,993.6** | 2,266.3 | 2,272.2 |
| **Total borrowings** | **2,035.4** | 2,329.1 | 2,324.6 |
| | | | |
| **Currency profile of total borrowings after derivative instruments** | | | |
| Sterling | **804.4** | 976.3 | 1,032.7 |
| Euros | **1,223.5** | 1,334.3 | 1,289.3 |
| US dollars | **7.5** | 18.5 | 2.6 |
| **Total borrowings** | **2,035.4** | 2,329.1 | 2,324.6 |
| | | | |
| **Maturity profile of undrawn borrowing facilities** | | | |
| In one year or less | **26.1** | 14.8 | 9.9 |
| In more than one year but less than two | **96.8** | – | 29.2 |
| In more than two years | **482.9** | 413.8 | 395.8 |
| **Total available undrawn facilities** | **605.8** | 428.6 | 434.9 |
| | | | |
| **Fair value of financial instruments** | | | |
| Book value of debt | **2,035.4** | 2,329.1 | 2,324.6 |
| Interest rate derivatives | **(84.5)** | (29.2) | (81.1) |
| Foreign exchange derivatives | **(8.3)** | 20.6 | (28.5) |
| Book value of debt including derivatives | **1,942.6** | 2,320.5 | 2,215.0 |
| Net fair market value | **2,165.6** | 2,417.9 | 2,397.9 |
| **Mark to market adjustment (pre-tax)** | **223.0** | 97.4 | 182.9 |

## 14. NOTES TO THE CONDENSED GROUP CASH FLOW STATEMENT

### 14(i) Reconciliation of cash generated from operations

| | **Half year to 30 June 2012 £m** | Half year to 30 June 2011 £m | Year to 31 December 2011 £m |
|---|---|---|---|
| **Operating (loss)/profit** | **(34.3)** | 105.0 | 2.4 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | **1.0** | 1.2 | 3.5 |
| Share of loss/(profit) from joint ventures after tax | **3.9** | (13.6) | (26.6) |
| Loss/(profit) on sale of investment properties | **14.0** | (1.4) | (5.2) |
| Amounts written off on acquisitions | **–** | 0.1 | 0.2 |
| Valuation deficit on investment and owner occupied properties | **127.2** | 35.6 | 272.7 |
| Gain on sale of available-for-sale investments | **–** | (1.9) | (2.4) |
| Other provisions | **(2.2)** | (7.8) | (11.8) |
| | **109.6** | 117.2 | 232.8 |
| **Changes in working capital:** | | | |
| Decrease in trading properties | **10.6** | 1.9 | 22.9 |
| Decrease/(increase) in debtors | **2.2** | 18.5 | (11.4) |
| Decrease in creditors | **(15.0)** | (31.1) | (5.3) |
| **Net cash inflow generated from operations** | **107.4** | 106.5 | 239.0 |

### 14(ii) Analysis of net debt

| | At 1 January 2012 £m | Exchange movement £m | Non-cash adjustment[1] £m | Cash flow £m | **At 30 June 2012 £m** |
|---|---|---|---|---|---|
| Bank loans and loan capital | 2,350.7 | (18.7) | – | (268.6) | **2,063.4** |
| Capitalised finance costs [2] | (31.3) | – | 2.3 | – | **(29.0)** |
| Bank overdrafts | 5.2 | – | – | (4.2) | **1.0** |
| **Total borrowings** | 2,324.6 | (18.7) | 2.3 | (272.8) | **2,035.4** |
| Cash in hand and at bank | (21.2) | 0.2 | – | 7.9 | **(13.1)** |
| **Net debt** | 2,303.4 | (18.5) | 2.3 | (264.9) | **2,022.3** |

1. The non cash adjustment related to the amortisation of issue costs offset against borrowings.

2. Capitalised finance costs cash flows are recognised in interest paid in the cash flow statement.

## 15. RELATED PARTY TRANSACTIONS

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

## 16. SUBSEQUENT EVENTS

On 31 July 2012, the Group sold a portfolio of industrial assets in the UK for gross proceeds of £111.0 million (excluding rent top-ups).

## GLOSSARY OF TERMS

### Basis points

A unit that is equal to 1/100th of 1 per cent.

### Development pipeline

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

### EPRA

The European Public Real Estate Association, a real estate industry body, who have issued Best Practices Recommendations in order to provide consistency and transparency in real estate reporting across Europe.

### Estimated rental value (ERV)

The estimated annual market rental value of lettable space as determined biannually by the Company's valuers. This will normally be different from the rent being paid.

### Estimated cost to complete

Costs still to be expended on a development or redevelopment to practical completion (not to complete lettings), including attributable interest.

### Gearing

Net borrowings divided by total shareholders' equity excluding intangible assets and deferred tax provision.

### Gross rental income

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

### Hectares (Ha)

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

### 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).

### Net equivalent yield

The internal rate of return from an investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time.

### Net initial yield

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

### Net rental income

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

### Passing rent

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

### Pre-let

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

### REIT

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

### Rent roll

See Passing Rent.

### Square metres (sq m)

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

### Takeback

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 total realised and unrealised property gain or loss plus net rental income, expressed as a percentage of capital employed.

### Total Shareholder Return (TSR)

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

### True equivalent yield

Net Equivalent Yield assuming rent is received quarterly in advance.