PRESS RELEASE

SEGRO

5 AUGUST 2020

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Prime warehousing portfolio showing growth and resilience with the outlook strengthened by the acceleration of structural trends

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

“SEGRO’s strong and resilient business has continued to grow in the first half of 2020 despite the unprecedented disruption caused by Covid-19, in no small part thanks to the dedication and commitment of our people. Our focus on our customers, suppliers and local communities has allowed us to offer targeted support where needed.

“The impacts of the pandemic are accelerating the adoption of technology, particularly e-commerce, across society and have resulted in a renewed focus by many occupiers on the critical importance of efficient, resilient logistics supply chains. These factors play to the quality of our portfolio and should continue to support and enhance occupier and investor demand for our prime warehouses, both in the UK and, increasingly, on the Continent.

“Our existing portfolio has performed well and our development programme has expanded, with a pipeline of additional near-term pre-let projects which is approximately twice the size of a year ago. This, combined with our well-located land bank, means we are in a strong position to make further progress in the second half of the year and beyond.”

Highlights:

- **Adjusted pre-tax profit of £140.4 million up 6.5 per cent** compared with the prior year (H1 2019: £131.8 million). Adjusted EPS is 12.5 pence (H1 2019: 12.2 pence) and Adjusted NAV per share up 2.6 per cent to 718 pence (31 December 2019: 700 pence), in part due to a **0.7 per cent (H1 2019: 3.5 per cent) increase in the valuation of the portfolio.**

- **Good lettings and asset management performance supported by continued high levels of occupier demand.** £33.7 million of new headline rent captured in the period, including £18.8 million of new pre-let agreements, tracking in line with 2019 levels.

- **Continuing to invest for growth with net capital expenditure of £631 million** in the period through asset acquisitions, development projects and land purchases. Future earnings prospects underpinned by 1.3 million sq m of development projects under construction or in advanced pre-let discussions, equating to an additional £78 million of potential rent, 86 per cent of which relates to pre-lets.

- **Over £1 billion of new equity and debt financing,** helping to strengthen the balance sheet for further, development-led growth. **LTV of 22 per cent** at 30 June 2020.

- **The £10 million SEGRO Centenary Fund, launched in April,** has already awarded £771,000 to projects across the UK and Continental Europe with £465,000 of additional support to help alleviate pressures caused by the pandemic.

- **Interim dividend increased by 9.5 per cent to 6.9 pence** (2019 interim dividend: 6.3 pence), in line with our usual practice of setting the interim dividend at one-third of the previous full year dividend.

FINANCIAL SUMMARY

Income statement metrics	6 months to 30 June 2020	6 months to 30 June 2019	Change per cent
Adjusted[1] profit before tax (£m)	**140.4**	131.8	6.5
IFRS profit before tax (£m)	**220.9**	410.8	(46.2)
Adjusted[2] earnings per share (pence)	**12.5**	12.2	2.5
IFRS earnings per share (pence)	**19.5**	37.1	(47.4)
Dividend per share (pence)	**6.9**	6.3	9.5

Balance sheet metrics	30 June 2020	31 December 2019	Change per cent
Portfolio valuation (SEGRO share, £m)	**11,246**	10,251	0.7[3]
Adjusted net asset value per share [4 5] (pence, diluted)	**718**	700	2.6
IFRS net asset value per share (pence, diluted)	**716**	697	2.7
Net debt (SEGRO share, £m)	**2,511**	2,484	-
Loan to value ratio including joint ventures at share (per cent)	**22**	24	-

FINANCIAL AND OPERATING HIGHLIGHTS[A]

Strong occupier demand continues to support operational performance

- **Secured £33.7 million of new headline rent in the period** (H1 2019: £33.3 million). This was driven by new pre-lets of £18.8 million (H1 2019: £15.2 million), net rent roll growth of £2.3 million on existing space (H1 2019: £8.4 million) and lettings of recently completed speculatively developed space.
- **Potential rent of £22 million from development completions, 64 per cent of which have been leased as at 30 June 2020.** All developments designed to achieve high standards of sustainability (BREEAM Very Good or better, or equivalent local standard).
- **Rents agreed in reviews and renewals were on average 10.4 per cent higher than previous passing rents.** Like-for-like net rental income growth was 2.0 per cent (UK: 2.9 per cent; Continental Europe: 0.5 per cent) excluding provisions for potential bad debts of £3.0 million against rent billed but not yet paid.
- **Vacancy rate remains low at 5.2 per cent** (31 December 2019: 4.0 per cent), a slight and anticipated increase since year end due mainly to a number of recently completed speculatively developed schemes.
- **Customer retention remains high at 88 per cent,** reflecting both the quality of our product and customer service.

Valuation gains across the portfolio despite the uncertainty caused by the Covid-19 pandemic

- **Portfolio capital valuation surplus of 0.7 per cent** (UK: 0.1 per cent; Continental Europe: 1.8 per cent). Valuation gains primarily driven by asset management, development gains and some rental value growth (UK: 1.0 per cent; Continental Europe: 0.4 per cent) with yields generally flat.

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

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

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

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

5. Adjusted net asset value is in line with EPRA Net Tangible Assets (NTA) which was introduced for accounting periods starting from 1 January 2020 (see Table 4 in the Supplementary Notes for a NAV reconciliation). The 31 December 2019 adjusted net asset value has been restated to align with the definition of EPRA NTA. Calculations for EPRA performance measures are shown in the Supplementary Notes to the condensed financial information.

A. Figures quoted on pages 1 to 15 refer to SEGRO's share, except for land (hectares) and space (square metres) which are quoted at 100 per cent, unless otherwise stated. Please refer to the Presentation of Financial Information statement in the Financial Review for further details.

Acceleration of the mostly pre-let development pipeline, together with tactical acquisitions, resulting in higher net capital investment

- **Net capital investment of £631 million, comprising £223 million of asset acquisitions, £467 million of new land and development capital expenditure, offset by £59 million of proceeds from disposals.**
- **£303 million of further capex to be invested in completing development projects under construction,** representing £45 million of potential rent, of which 85 per cent has been secured. Expected completions in the second half of 2020 will generate £25 million of potential rent, of which £22 million has been secured.
- **'Near-term' pre-let projects** are expected to commence in the coming months, with potential capex of £311 million and £33 million of associated rent. Our landbank is capable of supporting another 2.3 million sq m of space, equating to a further estimated £129 million of future additional rent.
- **Total spend on development capex and infrastructure for the year is expected to be in excess of £800 million**, comprising land acquisitions and infrastructure of more than £300 million and development capex of more than £500 million.

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

- **Equity placing of £680 million** completed in June 2020, providing capacity to continue to invest in the accretive development pipeline and future land acquisitions.
- **€450 million of US Private Placement** notes with a blended coupon of 1.6 per cent and average maturity of 17 years agreed in July, to be drawn down in the fourth quarter.
- **LTV ratio of 22 per cent** (31 December 2019: 24 per cent) and £1.5 billion of cash and undrawn facilities.

OUTLOOK

The Covid-19 pandemic and resulting lockdown measures enforced by governments across Europe have had wide-ranging implications for our diverse customer base. Many have seen demand for their products and services rise sharply, whilst some others have suffered short-term cash flow challenges.

It remains to be seen how long these immediate effects will last but it is clear that the structural trends that have been contributing to occupier demand for our space over recent years have strengthened as a result of the pandemic. This is already starting to show in elevated take-up levels: for example UK logistics take-up hit record highs in the first six months of the year, 44 per cent higher than in the same period last year according to data recently published by CBRE.

E-commerce penetration has accelerated markedly across all our markets, there is a renewed focus on the efficiency and resilience of supply chains, and the demand for data centre space is increasing as a result of the need for additional data storage to support remote working and video streaming services. These themes should drive both occupier and investor demand for high quality warehousing in core logistics and urban locations.

Our development programme has increased during the period with over 800,000 sq m of developments under construction, the majority of which have been pre-let, and a near-term pipeline of potential pre-lets that is roughly twice the size as at the same stage last year. This increase in pre-letting activity is in contrast to a reduction in speculative development starts across our markets which should be positive for the future supply situation.

Whilst we remain cognisant of the macro-economic risks resulting from the Covid-19 pandemic and are alert to the possibility of further measures to combat the spread of the virus, we remain confident of the prospects for our business. We anticipate that our strong development pipeline and our active approach to asset management will continue to drive sustainable earnings and dividend growth in the years ahead.

WEBCAST / CONFERENCE CALL FOR INVESTORS AND ANALYSTS

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

https://edge.media-server.com/mmc/p/6r6bccii

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

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

Dial-in:	+44 (0) 207 1928 338
Access code:	4180559 - SEGRO Half Year Results

A video interview with David Sleath and Soumen Das discussing the results is now available to view on www.segro.com, together with this announcement, the H1 2020 Property Analysis Report and other information about SEGRO.

CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES:

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

FINANCIAL CALENDAR

2020 interim dividend ex-div date	13 August 2020
2020 interim dividend record date	14 August 2020
2020 interim dividend scrip dividend price announced	20 August 2020
Last date for scrip dividend elections	3 September 2020
2020 interim dividend payment date	24 September 2020
2020 Third Quarter Trading Update	21 October 2020
Full Year 2020 Results	19 February 2021

ABOUT SEGRO

SEGRO is a UK Real Estate Investment Trust (REIT), and a leading owner, manager and developer of modern warehouses and light industrial property. It owns or manages 8.1 million square metres of space (88 million square feet) valued at £13.3 billion serving customers from a wide range of industry sectors. Its properties are located in and around major cities and at key transportation hubs in the UK and in seven other European countries.

See www.SEGRO.com for further information.

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

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

CHIEF EXECUTIVE'S REVIEW

Overview

The Covid-19 pandemic has had a profound effect on the world in which we live and work. The lockdown measures introduced by governments to contain the spread of the virus caused wide-spread disruption which initially resulted in short-term cashflow issues for some of our customers and the temporary suspension of certain development projects and investment markets.

Our half year performance is a testament to the hard work of everyone at SEGRO, not just over the past few months in dealing with the immediate impacts of the virus, but also over the past decade as we have re-positioned our portfolio into one which we believed would be, and thus far has been, resilient in challenging times.

Our portfolio of high-quality, modern warehouses in strategic locations and our robust balance sheet meant that our business was well positioned at the start of the pandemic. 2020 had begun well with momentum continuing from last year and our key metrics tracking ahead of our expectations.

During the second quarter our teams spent a lot of time dealing with the immediate effects of the lockdown measures. Our priority was to initially ensure the safety and security of own our people and after that to support customers most negatively impacted. We also worked closely with our suppliers, most notably our development contractors, to ensure that they were able to safely resume the construction of our development pipeline once lockdown measures were lifted.

Despite the focus on these necessary actions, we have continued to find opportunities to grow the business, taking advantage of the enduring strong occupier demand as well as attractive investment opportunities.

The main highlights include:

- A very strong performance in securing new rent of £33.7 million in the period, slightly ahead of our H1 2019 performance.
- Further investment to support future growth with net capital expenditure of £631 million through asset acquisitions, development projects and land purchases. This included an off-market acquisition of a large urban warehouse estate in West London that offers the opportunity to drive value from the existing warehouses alongside medium-term development and redevelopment potential.
- Continued progress in improving the environmental sustainability of our portfolio with the completion of SEGRO Park Enfield which has been designed to be operationally carbon neutral. It has achieved a BREEAM Excellent certification and will be, we believe, the UK's first WELL Gold-certified industrial building.
- A near-term pipeline of 451,000 sq m of pre-let developments, equating to roughly £33 million of potential headline rent, more than double the size of a year ago. This is in addition to the £45 million of potential rent from projects already under construction, of which 85 per cent has been secured.
- The raising of £680 million of new equity and, after the period end, €450 million of new debt, giving us the capacity to continue to develop new warehousing to satisfy occupier demand and help us to grow our rental income organically.

Whilst, understandably, rental collection rates are currently attracting a lot of attention we believe that supporting those customers whose businesses are fundamentally sound is the right thing to do and is in the best interests of all our stakeholders in the longer-term.

Two-thirds of our portfolio is in urban warehouses and, in addition to 'last-mile' distribution used for online order fulfilment, these also attract small and medium sized businesses from a wide range of industries which provide goods and services to urban conurbations. The unique nature of the Covid-19 pandemic meant that the requirement for some of these goods and services was temporarily put on hold, but as we emerge from lockdown the majority of these businesses are resuming their operations.

Supply of modern warehouse space remains constrained in London and in our other urban markets and whilst rental growth in 2020 may not be quite as strong as in previous years, we continue to see the strongest long-term return potential from urban warehousing.

Over the past few years there has been clear occupier and investor demand for high-quality warehouse space as a result of structural changes such as the rise of e-commerce, and these are only being strengthened by the pandemic, with changes in consumer behaviour that had been expected to take years happening in a matter of weeks. The impacts of this are already starting to show in the growth of our development pipeline and pre-lets under negotiation.

Overall, we are very pleased with the results that our business has produced during an exceptionally challenging time and believe that we enter the second half of the year well-positioned to take advantage of the opportunities that lie ahead of us.

Covid-19 impacts and response

The immediate priority at the start of the Covid-19 outbreak was to ensure the health, safety and well-being of our people. Our presence in markets such as Italy and Spain, where the impacts in Europe were felt earliest, meant that we had an early indication of what the pandemic might mean for our business.

We were quick to move to a working from home model and the investments that we have made into technology over the past years to facilitate flexible working enabled us to transition rapidly with minimal disruption to day-to-day operations. Throughout the past months we have been able to use these technologies to keep in close contact with employees and we have encouraged team interaction to ensure our people feel connected and supported.

We have not furloughed any of our employees, nor have we taken up any other government support measures.

The diversity of our customer base means that the impacts were wide-ranging, many benefitting from a sudden increase in demand for their goods and services and others finding that their revenues stopped overnight or having to shut down their operations temporarily as employees were no longer able to travel to their premises. We acted swiftly to help those businesses who were fundamentally sound but suffering short-term cash flow issues by re-profiling rents to alleviate some of the pressure that they were facing.

Our development programme was also impacted by the crisis with most of our projects in Southern Europe and some in the UK temporarily suspended. We worked closely with our contractors to monitor the situation and, as soon as it was feasible, safe, and permitted by regulation, sites were re-opened with the appropriate social distancing and other necessary measures in place. All of our development projects have now resumed with only minor delays to completion dates and, in some cases, are expected to finish ahead of schedule.

SEGRO's 100th birthday, on 19 May 2020, was intended to be the focal point of our Centenary-related events. However, due to the pandemic, we marked the occasion in a very different way, with a virtual event for all our employees including a message from each of our offices across Europe. We also made the decision to bring forward the launch of our £10 million Centenary Fund as the impacts of Covid-19 have been felt not just by our customers and suppliers but also by the communities in close proximity to our assets. SEGRO is contributing to the Fund from corporate resources, and in addition, all Board Directors have donated 25 per cent of their salary and fees for the past three months to the Fund. We decided to allocate the first year of funds to causes and projects designed specifically to alleviate pressures resulting from the pandemic. So far, we have awarded £771,000 of grants to projects across the UK and Continental Europe, in addition to the provision of warehouse space on heavily discounted, or zero, rents amounting to assistance in kind of £465,000.

The Board is very proud of the dedication and professionalism that our people have shown in recent months, particularly given the implications that the pandemic has also had for their personal lives, and I would like to thank every colleague for their ongoing contribution to the success of SEGRO.

A STRATEGY TO GENERATE ATTRACTIVE, SUSTAINABLE RETURNS

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

Our strategy for achieving this goal is to create a portfolio of high quality warehouses in the strongest markets which generate attractive, low risk, income-led returns with above average rental and capital growth when market conditions are positive and are resilient in a downturn. We seek to enhance returns through development, while ensuring that the short-term income 'drag' associated with holding land does not outweigh the long-term potential benefits.

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

- Disciplined Capital Allocation
- Operational Excellence
- Efficient Capital and Corporate Structure.

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

Embedded in this strategy is the long-term approach that we take to running our business. This requires:

- An understanding and assessment of the risks facing the business and the actions we can take to mitigate those risks
- Engagement with our key stakeholders to understand and respond to their priorities, including regarding the environment.

Our portfolio comprises predominantly modern assets which are well specified and located, with good sustainability credentials, and which should benefit from a low structural void rate and relatively low intensity asset management requirements. Our assets are concentrated in the strongest European submarkets which display attractive property market characteristics, including good growth prospects, limited supply availability and where we already have critical mass, or believe we will be able to achieve it in a reasonable timeframe.

DISCIPLINED CAPITAL ALLOCATION — ACQUISITION ACTIVITY

During the first half of the year we acquired £426 million of assets and land. The asset acquisitions totalled £223 million, reflecting a topped-up net initial yield of 3.5 per cent.

Our largest acquisition during the period was an urban warehouse park in a key West London location, Perivale Park. This was a rare opportunity to build further scale and drive value in an area where we already have considerable expertise and knowledge of the local market and customer base. It also offers medium-term development and redevelopment potential in one of London's prime, and most supply-constrained, industrial clusters. We also acquired a big box warehouse near Łódź in Poland, expanding our presence in a market displaying strong occupier demand for logistics.

In March, as a result of the pandemic, the valuation industry introduced a Material Uncertainty clause on all its valuations citing to a lack of observable market activity. However, these have now been removed for property types, including warehouses, where market activity levels have improved. Accordingly, the external valuer has not included the clause in respect of virtually all of the Group's assets (98 per cent). The clause has been noted for the remaining 2 per cent (£236 million) of the portfolio which mainly comprises certain retail, office and leisure assets. Note 12 includes further detail on this.

We acquired £202 million of land for development, two-thirds of which is associated with our plans to create two new major flagship UK logistics parks in Coventry and Northampton.

The sites have planning consent for over 800,000 sq m of space which we expect to develop on a mostly pre-let basis over the coming years. The remainder of the land acquired was for immediate or near-term development on sites in London and across Continental Europe.

Acquisitions completed in H1 2020

Asset location / type	Purchase price (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
UK: Urban warehousing	220.4	3.5	3.5
Continental Europe: Big box logistics	2.9	6.4	6.4
UK: Land	168.1	n/a	n/a
Continental Europe: Land	34.3	n/a	n/a
Total acquisitions completed in H1 2020[1]	**425.7**	**3.5[2]**	**3.5[2]**

1. A reconciliation of acquisitions completed to the Financial Statements is provided in the EPRA capital expenditure analysis on page 22.

2. Yield excludes land transactions.

DISCIPLINED CAPITAL ALLOCATION — ASSET RECYCLING

During the first half of 2020, we disposed of £59 million of land and assets.

The disposals totalled £58.7 million and included our only estate in Austria, a market that we have decided to exit, as well as stand-alone assets in the Netherlands and on the outskirts of Paris.

The large-scale portfolio repositioning undertaken in the past eight years means that our portfolio is well positioned for the current market and there are no non-core assets to sell. We expect to undertake further disposals to our SELP joint venture as well as to third parties as part of our ongoing active portfolio management. We expect disposals in 2020 to be in the region of £100 million for the year as a whole.

Disposals completed in H1 2020

Asset location / type	Gross proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Continental Europe: Urban warehousing	57.0	4.1	4.1
Continental Europe: Big box logistics	1.7		Vacant on disposal
Total disposals completed in H1 2020[2]	**58.7**	**4.1[1]**	**4.1[1]**

1. Yield excludes land transactions

2. A reconciliation of disposals completed to the Financial Statements is provided in Note 12

PORTFOLIO VALUATION GAINS FROM DEVELOPMENT ACTIVITY AND ASSET MANAGEMENT

The Group's property portfolio was valued at £11.2 billion at 30 June 2020 (£13.3 billion of assets under management). The portfolio valuation, including completed assets, land and buildings under construction, increased by 0.7 per cent on a like-for-like basis (i.e. adjusted for capital expenditure and asset recycling during the year), a gain of £80 million.

This primarily comprises a 0.3 per cent increase in the standing assets held throughout the period (H1 2019: 2.5 per cent), due to asset management initiatives and a 0.8 per cent increase in the external valuer's estimate of the market rental value of our portfolio (ERV). Transaction costs arising from the acquisitions described above had a negative impact of £20.5 million. Yields were mostly unchanged apart from some modest yield compression in Germany. The external valuer has slightly increased yields on certain non-industrial assets due to the impact of Covid-19 but these are a very minor part of the portfolio.

In March, as a result of the pandemic, the valuation industry introduced a Material Uncertainty clause on all its valuations citing a lack of observable market activity. However, these have now been removed for property types where market activity levels have improved, including warehouses. Accordingly, the external valuer has only applied the clause to 2 per cent (£236 million) of the portfolio which mainly comprises certain retail, office and leisure assets. Note 12 includes further detail on this.

Assets held throughout the period in the UK increased in value by 0.1 per cent (H1 2019: 1.3 per cent), outperforming the MSCI UK All Industrial Monthly Index which decreased by 2.5 per cent. The outperformance reflects the prime nature of our portfolio and our success in capturing reversionary potential in lease reviews and renewals. The equivalent yield applied to our UK portfolio was 4.6 per cent (31 December 2019: 4.6 per cent), while UK rental values improved by 1.0 per cent (H1 2019: 1.4 per cent).

Assets held throughout the period in Continental Europe increased in value by 0.8 per cent (H1 2019: 5.4 per cent) on a constant currency basis. Yields were stable at 5.2 per cent (31 December 2019: 5.2 per cent), and rental growth was 0.4 per cent during the period (H1 2019: 1.5 per cent).

More details of our property portfolio can be found in the H1 2020 Property Analysis Report available at www.segro.com/investors.

Property portfolio metrics at 30 June 2020

		Portfolio value, £m					Yield, %[3]		
	Lettable area sq m (AUM)	Completed	Land & development	Combined property portfolio	Combined property portfolio (AUM)	Valuation movement[2] %	Topped up net initial	Net true equivalent	Vacancy (ERV)[4] %
UK									
Greater London	1,169,886	4,094.2	140.9	4,235.1	4,235.1	(0.2)	3.6	4.4	6.1
Thames Valley	568,490	1,737.0	46.9	1,783.9	1,783.9	0.2	4.5	5.0	2.9
National Logistics	529,693	741.8	352.6	1,094.4	1,094.4	1.1	5.3	4.9	-
UK Total	**2,268,069**	**6,573.0**	**540.4**	**7,113.4**	**7,113.4**	**0.1**	**4.0**	**4.6**	**4.5**
Continental Europe									
Germany	1,485,973	1,105.8	84.7	1,190.5	1,801.1	2.5	4.2	4.7	8.6
Netherlands	233,166	131.5	20.6	152.1	287.0	(1.6)	4.3	5.0	16.3
France	1,313,987	1,052.2	95.0	1,147.2	1,559.2	0.1	4.7	5.0	6.6
Italy	989,322	480.1	283.5	763.6	1,064.6	0.1	4.8	5.3	-
Spain	267,660	153.1	55.7	208.8	314.5	2.8	4.7	5.3	10.3
Poland	1,412,482	538.2	44.1	582.3	1,022.3	(0.8)	6.3	6.2	4.8
Czech Republic[5]	169,515	77.7	10.8	88.5	170.4	(1.4)	5.3	5.7	3.0
Continental Europe Total	**5,872,105**	**3,538.6**	**594.4**	**4,133.0**	**6,219.1**	**0.8**	**4.8**	**5.2**	**6.4**
GROUP TOTAL	**8,140,174**	**10,111.6**	**1,134.8**	**11,246.4**	**13,332.5**	**0.3**	**4.3**	**4.8**	**5.2**

1. Figures reflect SEGRO wholly owned assets and its share of assets held in joint ventures unless stated "AUM" which refers to all assets under management.
2. Valuation movement is based on the difference between the opening and closing valuations for properties held throughout the period, allowing for capital expenditure, acquisitions and disposals.
3. In relation to completed assets only.
4. Vacancy rate excluding short term lettings for the Group at 30 June 2020 is 5.5 per cent.
5. Czech Republic includes land in Hungary identified for disposal

OPERATIONAL EXCELLENCE — ACTIVE ASSET MANAGEMENT

We contracted £33.7 million of new headline rent during the first half of the year. Rent roll growth on existing space was £2.3 million, with an average 10.4 per cent uplift on rent reviews and renewals. New pre-let agreements totalled £18.8 million.

Our portfolio comprises of two main asset types: urban warehouses and big box warehouses, which offer slightly different but complimentary benefits to our business.

- **Urban warehouses** account for 65 per cent of our portfolio value. They tend to be smaller warehouses, and are located mainly in, and on the edges of, major cities where land supply is restricted and there is strong demand for warehouse space, particularly catering for the needs of last mile delivery companies and a wide range of businesses providing goods and services, including from data centre users. Our urban portfolio is concentrated in London and South-East England (82 per cent) and major cities in Continental Europe (18 per cent), including Paris, Düsseldorf, Frankfurt, Berlin and Warsaw. These locations share similar characteristics in terms of a limited (and shrinking) supply of industrial land and growing populations, while occupiers are attracted to modern warehouses with plenty of yard space to allow easy and safe vehicle circulation. We believe that this enduring occupier demand and limited supply bodes well for sustained rental growth.
- **Big box warehouses**, account for 32 per cent of our portfolio value. They tend to be used for bulk storage, processing and distribution of goods on a regional, national or international basis and tend, therefore, to be much larger than urban warehouses. They are focused on the major logistics hubs and corridors in the UK (South-East and Midlands regions), France (the logistics 'spine' linking Lille, Paris, Lyon and Marseille), Germany (Düsseldorf, Berlin, Frankfurt and Hamburg) and Poland (Warsaw, Łódz, Poznán, and the industrial region of Silesia). 29 per cent of our big box warehouses are in the UK and 71 per cent are in Continental Europe. The nature (and typical location) of big box warehouses tends to mean that, whilst demand is strong, supply is able to increase more easily to over time to satisfy it, as there is generally more land available in out of town locations. Accordingly, we expect long-term rental growth to be more muted than for urban markets.

We have continued to see good occupier demand for both types of warehouses throughout the Covid-19 pandemic and believe that it will be strengthened by the acceleration of e-commerce penetration across Europe and a renewed focus on the resilience of supply chains.

Speculative supply continues to be disciplined across our key markets (and remains very limited in urban areas) and a cautious reaction since the start of the pandemic by many investors and developers appears to have slowed down a number of planned speculative big box warehouse schemes, which should be positive for the future supply-demand dynamic.

Customer relationships key to our continued success

As long-term owners of warehouses and given that we manage our portfolio internally, we seek to develop strong customer relationships.

Part of the role of our asset managers is to build a knowledge of the businesses that occupy our space. By understanding their evolving needs and requirements, we can help them not only to change and grow, but it also means that we are better able to predict coming trends and innovate accordingly.

Almost 60 per cent of our headline rent comes from customers with whom we have multiple leases and over a quarter of our rent comes from customers with whom we are active in more than one geography. Within our current development pipeline over 80 per cent of the potential rent has been secured through a pre-let agreement with an existing customer.

Another important aspect of developing strong customer relationships is supporting them in more difficult times and we have sought to do this throughout the Covid-19 pandemic. We have worked closely with those most negatively impacted, helping to alleviate some of the pressure that they are facing by temporarily re-profiling rents. We have provided further detail on the impact of this on our rental income on page 18 of the Finance Review.

Growing rental income from letting existing space and new developments

At 30 June 2020, our portfolio generated passing rent of £410 million, rising to £462 million once rent-free periods expire ("headline rent").

During the first half of the year, we contracted £33.7 million of new headline rent (H1 2019: £33.3 million). There was a positive contribution from rent reviews and renewals on existing space and good take up of recently completed speculatively developed space. New developments continue to contribute strongly and during the period we secured £18.8 million of rent (H1 2019: £15.2 million) from pre-let agreements and from lettings of speculatively developed space prior to completion.

Our customer base remains well diversified, reflecting a wide range of different uses of warehouse space. Our top 20 customers account for 31 per cent of total headline rent, and our largest customer, Deutsche Post DHL, accounts for 4.2 per cent.

Approximately half of our rent roll is from customers whose businesses are at least in part related to the rise of e-commerce, including third party logistics and parcel delivery businesses, and retailers (both pure-play on-line retailers and more traditional retailers developing their own multi-channel capability). Such businesses accounted for more than half of our take-up during the period.

We continue to see good demand from data centre operators and signed another lease on the Slough Trading Estate, meaning that data centre occupiers now account for 6 per cent of Group headline rent.

Summary of key leasing data for H1 2019 and H1 2020[1]

Summary of key leasing data for the six months to 30 June[1]		**H1 2020**	**H1 2019**
Take-up of existing space[2] (A)	£m	6.6	6.7
Space returned[3] (B)	£m	(8.2)	(4.3)
Other rental movements (rent reviews, renewals, indexation)[2] (C)	£m	3.9	6.0
RENT ROLL GROWTH FROM EXISTING SPACE (A+B+C)	**£m**	**2.3**	**8.4**
Take-up of developments completed in the period – pre-let space[2] (D)	£m	10.1	24.1
Take-up of speculative developments completed in the past two years[2] (D)	£m	6.1	6.1
TOTAL TAKE UP[2] (A+C+D)	**£m**	**26.7**	**42.9**
Less take-up of pre-lets and speculative lettings signed in prior periods[2]	£m	(11.8)	(24.8)
Pre-lets and lettings on speculative developments signed in the period for future delivery[2]	£m	18.8	15.2
RENTAL INCOME CONTRACTED IN THE PERIOD[2]	**£m**	**33.7**	**33.3**
Take-back of space for redevelopment	£m	0.5	-
Retention rate[4]	%	88	94

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

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

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

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

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

- **Rental growth from lease reviews and renewals.** These generated a blended uplift of 10.4 per cent (H1 2019: 12.8 per cent) compared to previous headline rent. During the period, new rents agreed at review and renewal were 16.2 per cent higher in the UK (H1 2019: 16.8 per cent higher) and 0.9 per cent higher in Continental Europe (H1 2019: 0.6 per cent higher).
- **Vacancy remains low at 5.2 per cent.** The vacancy at 30 June 2020 was 5.2 per cent (31 December 2019: 4.0 per cent), within our target range of between 4 and 6 per cent, the slight increase primarily due to the completion of speculative developments since the start of the year.

- **High customer retention rate of 88 per cent**. During the period, space equating to £8.2 million (H1 2019: £4.3 million) of rent was returned to us. This included £1.5 million of rent lost due to insolvencies (H1 2019: £0.6 million), the largest of which related to a 5,000 sq m unit in a prime urban warehouse park in London which has been taken back from an insolvent customer in the hospitality sector who was already experiencing some financial distress prior to the start of the Covid-19 pandemic. Given the high quality of the space returned and the generally strong demand in this location, it is expected that the space will be shortly re-let on terms similar to, or better than, the pre-existing lease. Space taken back for redevelopment equated to £0.5 million of rent. During the period, £22.3 million of rent was subject to lease renegotiation (a break, renewal or re-gear) of which we retained 86 per cent in the customer's existing space with a further 2 per cent retained but in new premises. At 30 June 2020, £23.8 million of rent is at risk from break or expiry during the remainder of 2020.
- **Lease terms continue to offer attractive income security.** The level of incentives agreed for new leases (excluding those on developments completed in the period) represented 8.0 per cent of the headline rent (H1 2019: 6.8 per cent). The portfolio's weighted average lease length at 30 June 2020 is 7.6 years to first break and 8.8 years to expiry (31 December 2019: 7.8 years to first break, 9.2 years to expiry). Weighted average unexpired lease terms are longer in the UK (9.1 years to break) than in Continental Europe (5.4 years to break).
- **£2.3 million of net new rent from existing assets.** We generated £6.6 million of headline rent from new leases on existing assets (H1 2019: £6.7 million) and £3.9 million from rent reviews, lease renewals and indexation (H1 2019: £6.0 million), offset by £8.2 million of rent lost from space returned to us (H1 2019: £4.3 million), which includes the impact of insolvencies in the period.
- **£18.8 million of rent contracted from pre-let agreements**. We contracted £18.8 million of headline rent from pre-let agreements and lettings of speculative developments prior to completion (H1 2019: £15.2 million).
- **Net rent roll growth of £25 million.** An important element of achieving our goal of being a leading income-focused REIT is to grow our rent roll, primarily through increasing rent from our existing assets and from generating new rent through development. Rent roll growth, which equates to Rental income contracted, less Space returned, remained strong at £25.0 million (H1 2019: £29.0 million).

DISCIPLINED CAPITAL ALLOCATION AND OPERATIONAL EXCELLENCE — DELIVERING GROWTH THROUGH DEVELOPMENT

We invested £231 million in new developments and £34 million in infrastructure during H1 2020 (H1 2019: £184 million and £11 million respectively) and £202 million (H1 2019: £25 million) in new development land. We expect development capital expenditure (including on land and infrastructure) to be in the region of £800 million for 2020 as a whole.

Our development programme was impacted by the pandemic with most of our projects in Southern Europe and some in the UK temporarily suspended. We worked closely with our contractors to monitor the situation and, as soon as it was feasible, safe, and permitted by regulation, sites were re-opened with the appropriate social distancing and other necessary measures in place. All of our development projects have now resumed with only minor delays to completion dates and, in some cases, are expected to finish ahead of schedule.

Development projects completed

We completed 358,500 sq m of new space during the first six months of 2020. These projects were 49 per cent pre-let prior to the start of construction and were 64 per cent let as at 30 June 2020, generating £13.8 million of headline rent, with a potential further £7.8 million to come when the remainder of the space is let. This translates into a yield on total development cost (including land, construction and finance costs) of 7.2 per cent when fully let.

Amongst the development projects completed in the first half was the first warehouse at our new UK logistics park, SEGRO Park Kettering Gateway, and we also completed two further data centres on the Slough Trading Estate. On the Continent we completed 237,900 sq m of big box warehouses including two pre-let big-box warehouses in Spain, helping us to build scale in this competitive market. We also completed further phases of urban warehousing in Germany and France totalling 49,300 sq m.

Current development pipeline

At 30 June 2020, we had development projects approved, contracted or under construction totalling 809,500 sq m, representing £303 million of future capital expenditure and £45 million of annualised gross rental income when fully let. These projects, which are expected to complete over the next 18 months, are 85 per cent pre-let and should yield 6.5 per cent on total development cost when fully occupied.

- In the UK, we have 66,300 sq m of space under construction across eight projects. This includes a further data centre in the Slough Trading Estate, our fifth warehouse at SEGRO Logistics Park East Midlands Gateway, our largest ever pre-let in London at a site close to Purfleet and our second phase at SEGRO Park Rainham.
- In Continental Europe, we have 743,200 sq m of space under construction across 26 projects. We have six urban warehouse schemes in Paris developed on a speculative basis to cater for increasing demand for modern distribution space, as well as urban warehouses in Lille, Barcelona and Parma that have been pre-let. We also have big box projects in Poland, Germany, the Netherlands, France and Italy. Italy accounts for just over 561,200 sq m of new space, of which 98 per cent is pre-let.

Within our Continental European development programme, approximately £28.8 million of potential gross rental income is associated with big box warehouses developed outside our SELP joint venture. Under the terms of the joint venture, SELP has the option, but not the obligation, to acquire these assets shortly after completion. Assuming SELP acquires the assets, the net impact for SEGRO would be to retain a 50 per cent share of the rent.

We are on track to invest in excess of £800 million in our development pipeline during 2020, comprising in excess of £500 million on development capex and the remainder on land acquisitions and infrastructure costs.

Future development pipeline

<u>Near-term development pipeline</u>

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

These projects total 451,000 sq m of space, equating to an estimated £311 million of additional capital expenditure and £33 million of additional headline rent, roughly double the size of the near-term pipeline at the same time last year (H1 2019: 274,000 sq m of space, £14 million of potential rent).

<u>Land bank</u>

Our land bank identified for future development totalled 642 hectares at 30 June 2020, valued at £646 million, or around 6 per cent of our total portfolio. We invested £202 million in acquiring new land during the first half of the year, including two sites for UK logistics parks that were under option and will be developed out over the next decade.

We estimate that our land bank, including the near-term projects above, can support 2.8 million sq m of development, much of which should be deliverable over the coming five years. We estimate that the prospective capital expenditure associated with the future pipeline is just over £1.6 billion and that it could generate £162 million of gross rental income. This represents a yield on total development cost (i.e. including land and notional finance costs) of approximately 7 per cent and approximately 10 per cent on the incremental capital expenditure, excluding land already acquired.

These figures are indicative of our current expectations but are dependent on our ability to secure pre-let agreements, planning permissions, construction contracts and on the outlook for occupier conditions in local markets.

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

Conditional land acquisitions and land held under option agreements

Land acquisitions (contracted but subject to certain conditions) and land held under option agreements are not included in the figures above but together represent significant further development opportunities. These include sites for big box warehouses in the UK Midlands as well as in Germany and Italy. They also include urban warehouse sites in East and West London.

These options are held on the balance sheet at a value of £19 million (including joint ventures at share). Those we expect to exercise over the next two to three years are for land capable of supporting just over 1 million sq m of space and generating approximately £69 million of headline rent (SEGRO share) for a blended yield on investment of approximately 7 per cent.

Further details of our completed projects, and our current and future development pipelines are available in the H1 2020 Property Analysis Report, which is available to download at www.segro.com/investors.

ENVIRONMENTAL IMPACT

The carbon generated through our development activity is a significant part of our total carbon footprint and we understand that, as a developer, we are responsible for minimising the environmental impact of our activity and making our buildings as efficient as possible to operate.

We have either received or expect to receive BREEAM 'Excellent' or 'Very Good' (or local equivalent) certification on all of the eligible space completed in the first half of 2020, recognising the high sustainability credentials of these buildings.

We pay attention to our use of energy, resources and materials throughout the construction of our warehouses and are increasingly looking at how we can minimise the carbon footprint throughout their entire life cycle. We now regularly include features such as LED lighting, transparent panels to improve natural daylight, water recycling systems and electric vehicle charging points.

We are also investigating ways of improving the sustainability credentials of our buildings, for example by installing solar panels to produce renewable energy that our customers can benefit from to reduce their own carbon footprint. During the first half of 2020 we increased our renewable energy capacity by approximately 8 per cent bringing it to 20 MW, enough to power 4,800 homes.

During the period we completed a flagship development, SEGRO Park Enfield, London, which sets a new standard in sustainability and wellbeing for UK warehouse space. It has been registered to pursue WELL certification and, if successful, we believe it would be the first WELL certified industrial building in the UK. The warehouses are surrounded by extensive green space landscaping (including biodiverse planting) and are designed to maximise natural light and incorporate break-out areas to enhance the working environment. They also use photovoltaic solar roof panels, utilise energy efficient LED lighting and are equipped with electric vehicle charging points. We are also piloting SMART technology using sensors to enable occupiers to measure air quality, water purity, acoustics and temperature, and to make sure the building is operating as efficiently as possible.

Focusing on the environmental sustainability of our buildings is important not just for the long-term performance and resilience of the portfolio, but also because increasingly our customers want to occupy buildings that align with and help them achieve their own environmental targets.

USING THE DEVELOPMENT PROGRAMME TO HELP OUR COMMUNITIES

Our urban warehouse developments typically involve the regeneration of former, often neglected, 'brownfield' manufacturing sites and the redevelopment of this land attracts new businesses and brings jobs and prosperity to the area.

We work closely with local authorities on the section 106 agreements (or equivalent) that form part of the planning process and often go above and beyond what is required. This can involve making an investment to improve the local infrastructure, asking our contractors to source materials from local suppliers and advocating the recruitment of local workers during the construction process.

Once our warehouses are occupied, we work with our customers, local authorities and community groups to provide training. We also create job networks and other support to help local people find employment in the buildings we create.

As long-term owners of our assets we are passionate about helping the communities that we are part of to thrive. Taking this into consideration from the very start of the development process is key to maximising the contribution that we can make and the positive impact that we can have.

BALANCE SHEET POSITIONED TO SUPPORT FURTHER GROWTH

Net borrowings, including our share of joint venture net debt was £2.5 billion at 30 June 2020. The look-through loan to value ratio (LTV) reduced to 22 per cent (31 December 2019: 24 per cent). This is consistent with our aim to have an LTV ratio of around 30 per cent, taking into account our investment plans.

The movement in net debt, including our share of debt in joint ventures, from £2,484 million to £2,511 million, reflects the £680 million (gross) proceeds of the equity placing that we carried out in June, net capital investment of £633 million and the impact of exchange rate movements in the period as the majority of our debt is in Euros.

Since the period end we have agreed a €450 million US Private Placement debt issue with an average maturity of just under 17 years and a blended coupon of 1.6 per cent, to be drawn down in the fourth quarter and will in part be used to repay the remaining £118 million of 2021 and 2022 sterling bonds which we have given notice to redeem in full. Proforma for this activity, our weighted average cost of debt is 1.6 per cent and the average duration of debt is 10.7 years.

INTERIM DIVIDEND OF 6.9 PENCE PER SHARE

The Board has previously guided that the interim dividend will be set at one-third of the previous year's total dividend. As a result, and consistent with this guidance, the Board has declared an increase in the interim dividend of 0.6 pence per share to 6.9 pence (H1 2019: 6.3 pence), a rise of 9.5 per cent. The Board currently expects to follow its existing policy of targeting a pay-out ratio of 85 to 95 per cent of Adjusted profit after tax when considering the full year 2020 dividend.

This interim dividend of 6.9 pence will be paid as an ordinary dividend on 24 September 2020 to shareholders on the register at the close of business on 14 August 2020.

The Board will offer a scrip dividend option for the 2020 interim dividend, allowing shareholders to choose whether to receive the dividend in cash or new shares. 39 per cent of the 2019 final dividend was paid in new shares, equating to £55 million of cash retained on the balance sheet and 7.6 million new shares being issued.

FINANCIAL REVIEW

Like-for-like net rental income growth and income from new developments were the primary drivers of the 6.5 per cent increase in Adjusted profit before tax compared to H1 2019. Adjusted NAV per share increased by 2.6 per cent to 718 pence compared to December 2019 driven in part by the valuation uplift on the property portfolio and equity raise.

Financial highlights

	30 June 2020	30 June 2019	31 December 2019
IFRS[1] net asset value (NAV) per share (diluted) (p)	**716**	665	697
Adjusted NAV per share[1] (diluted) (p)	**718**	666	700
IFRS profit before tax (£m)	**220.9**	410.8	902.0
Adjusted[2] profit before tax (£m)	**140.4**	131.8	267.5
IFRS earnings per share (EPS) (p)	**19.5**	37.1	79.3
Adjusted[2] EPS (p)	**12.5**	12.2	24.4

1. A reconciliation between IFRS NAV and Adjusted NAV is shown in Note 11.
2. A reconciliation between IFRS profit before tax and Adjusted profit before tax is shown in Note 2 and between IFRS EPS and Adjusted EPS is shown in Note 11.

Presentation of financial information

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

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

A detailed reconciliation between Adjusted profit after tax and IFRS profit after tax is provided in Note 2 of the condensed financial information. The Adjusted NAV per share measure reflects the EPRA Net Tangible Asset metric and based on the updated EPRA best practice reporting guidelines as discussed further in the Balance Sheet section below.

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

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

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

ADJUSTED PROFIT

Adjusted profit

	Six months to 30 June 2020 £m	Six months to 30 June 2019 £m
Gross rental income	**187.2**	173.4
Property operating expenses	**(42.1)**	(36.9)
Net rental income	**145.1**	136.5
Joint venture fee income	**10.9**	9.4
Administration expenses	**(24.9)**	(23.6)
Share of joint ventures' Adjusted profit after tax[1]	**29.2**	27.7
Adjusted operating profit before interest and tax	**160.3**	150.0
Net finance costs	**(19.9)**	(18.2)
Adjusted profit before tax	**140.4**	131.8
Tax on Adjusted profit	**(1.5)**	(1.1)
Non-controlling interests share of adjusted profits	**(0.1)**	(0.1)
Adjusted profit after tax[2]	**138.8**	130.6

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

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

Adjusted profit before tax increased by 6.5 per cent to £140.4 million (H1 2019: £131.8 million). The primary driver was a £8.6 million increase in net rental income to £145.1 million, as discussed further below.

Net rental income (including joint ventures at share)

Net rental income	**Six months to 30 June 2020 £m**	Six months to 30 June 2019 £m	Variance £m	Change %
UK	**103.9**	101.0	2.9	2.9%
Continental Europe	**56.8**	56.5	0.3	0.5%
Like-for-like net rental income before other items	**160.7**	157.5	3.2	2.0%
Expected credit losses arising from H1 2020 billings	**(3.0)**	–	(3.0)	
Other[1]	**(3.0)**	(2.5)	(0.5)	
Like-for-like net rental income	**154.7**	155.0	(0.3)	(0.2%)
Development lettings	**21.1**	4.2		
Properties taken back for development	**(0.4)**	0.3		
Like-for-like net rental income plus developments	**175.4**	159.5		
Properties acquired	**2.9**	0.4		
Properties sold	**0.6**	6.1		
Net rental income before surrenders, dilapidations and exchange	**178.9**	166.0		
Lease surrender premiums and dilapidations income	**0.7**	0.4		
Rent lost from lease surrenders and other items	**8.7**	9.2		
Impact of exchange rate difference between periods	**–**	(0.2)		
Net rental income before joint venture fees	**188.3**	175.4		
Share of joint venture fees	**(4.8)**	(4.2)		
Net rental income per income statements	**183.5**	171.2		

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

The like-for-like rental growth metric is based on properties held throughout both H1 2020 and H1 2019 and comprises wholly owned assets (net rental income of £145.1 million) and SEGRO's share of net rental income held in joint ventures (£43.2 million, excluding joint venture fees paid of £4.8 million).

Net rental income on this basis increased by £12.9 million to £188.3 million which mainly reflects £16.9 million of additional income from development lettings and £3.2 million of like-for-like net rental income growth before other items (a growth rate of 2.0 per cent compared to H1 2019).

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

Expected credit losses of £3.0 million have been recognised in the period in respect of rent billed but unpaid (1.6 per cent of Q2 and Q3 rent billed), allowing for any security held, as discussed further below in 'Rent collection'. This is based on an analysis of various factors, including an assessment of the tenant's default risk based on their industry and geography and their payment record, and takes into account the overall impact of Covid-19 on economic conditions. Specific provisions are also made where required following a review of tenant debtors' recoverability.

Investment activity had a negative impact on net rental income when compared to the prior period, with additional income on acquisitions (£2.5 million) being offset by income lost from disposals (£5.5 million), primarily those completed during 2019.

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

Rent collection

The lockdown measures implemented by governments across Europe to combat the spread of the virus resulted in widespread disruption across many sectors of the economy. SEGRO has worked proactively and constructively to support customers facing genuine cash flow challenges by, in most cases, offering to reschedule rental payments, which has affected the level of rent collected in the second and third quarters.

As at 31 July 2020, 99 per cent of the £92 million of rent due for the second quarter has been paid after adjusting for £10 million of re-profiled rent agreed with customers. 1 per cent (approximately £1 million) remains to be paid.

With regards to the third quarter, as at 31 July 2020, taking into account rent typically billed on a monthly basis in Continental Europe, 95 per cent of the £72 million of rent billed to date has been collected or is expected to be paid shortly (UK: 98 per cent, CE: 90 per cent), adjusting for £12 million of rent that has been re-profiled, mostly to be paid in the second half of 2020.

Income from joint ventures

Joint venture management fee income increased by £1.5 million to £10.9 million in line with the growth in activity in the SELP joint venture.

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

SEGRO's share of joint ventures' Adjusted profit after tax increased by £1.5 million, mainly reflecting the growth in income from the SELP joint venture.

Administrative and operating costs

The Total Cost Ratio for H1 2020 improved to 21.2 per cent from 22.0 per cent in H1 2019. Excluding the impact of share based payments (£5.6 million), the cost of which are directly linked to the outperformance of the property portfolio, the Cost Ratio improved to 18.6 per cent in H1 2020 from 19.2 per cent in H1 2019. The calculations are set out in Table 8 of the Supplementary Notes to the condensed financial information.

Net finance costs

Net finance costs have increased by £1.7 million during the period from £18.2 million at H1 2019 to £19.9 million at H1 2020. This has been driven by lower levels of interest capitalised during the period (as interest capitalisation rates were lower in H1 2020 than H1 2019) offsetting favourable impacts following the refinancing activity in the current and prior periods (as discussed further in the Financial Position and Funding section below).

Taxation

The tax charge on Adjusted profit of £1.5 million (H1 2019: £1.1 million) reflects an effective tax rate of 1.1 per cent (H1 2019: 0.8 per cent), consistent with a Group target tax rate of less than 3 per cent.

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

Adjusted earnings per share

Adjusted earnings per share were 12.5 pence (H1 2019: 12.2 pence) reflecting the £8.2 million increase in Adjusted profit after tax and non-controlling interests, partly offset by a higher number of shares following the equity placings in February 2019 and June 2020.

IFRS PROFIT

IFRS profit before tax in H1 2020 was £220.9 million (H1 2019: £410.8 million), equating to post-tax IFRS earnings per share of 19.5 pence compared with 37.1 pence for H1 2019. The decrease in IFRS profits is driven primarily by unrealised and realised gains on our property portfolio, including joint ventures at share, which were £251.6 million lower in H1 2020 than in the same period a year ago. The section above on page 8 describes the valuation movements in more detail.

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

Realised and unrealised gains on wholly owned investment and trading properties of £57.3 million in H1 2020 (H1 2019: £247.6 million, including £6.9 million gain on sale of trading properties) have been recognised in the income statement, mainly comprising an unrealised valuation surplus of £57.4 million (H1 2019: £237.9 million surplus).

SEGRO's share of realised and unrealised gains on properties held in joint ventures was £10.6 million (H1 2019: £71.9 million) arising, primarily, in the SELP joint venture.

BALANCE SHEET

Adjusted net asset value

	£m	Shares million	Pence per share
Adjusted net assets attributable to ordinary shareholders at 31 December 2019	**7,712.1**	**1,102.1**	**700**
Realised and unrealised property gain (including joint ventures)	67.9		
Adjusted profit after tax	138.8		
Dividend net of scrip shares issued (2019 final)	(103.1)		
Issue of shares	671.9		
Exchange rate movement (net of hedging)	78.5		
Other	2.7		
Adjusted net assets attributable to ordinary shareholders at 30 June 2020	**8,568.8**	**1,193.3**	**718**

At 30 June 2020, IFRS net assets attributable to ordinary shareholders (on a diluted basis) were £8,539.8 million (31 December 2019: £7,677.6 million), equating to 716 pence per share (31 December 2019: 697 pence).

Adjusted net asset value per share at 30 June 2020 was 718 pence measured on a diluted basis (31 December 2019: 700 pence), an increase of 2.6 per cent in the period. The table above highlights the other principal factors behind the increase. A reconciliation between IFRS and Adjusted net assets is available in Note 11 to the condensed financial information.

We note the EPRA Best Practices reporting guidelines were updated in respect of EPRA NAV metrics. Accordingly, the Adjusted NAV per share metric above adopts the Net Tangible Assets approach as it is most consistent with the nature of SEGRO's business as a UK REIT providing long-term progressive and sustainable income returns. The Adjusted NAV per share as at 31 December 2019 has been restated from 708 pence to 700 pence as a result of this change. Note 11 and Table 4 to the condensed financial information includes further detail on this.

CASH FLOW AND NET DEBT RECONCILIATION

Cash flow from operations for the period was £107.2 million, a decrease of £57.6 million from H1 2019 (£164.8 million) primarily due to the inclusion in the prior period of £50.5 million proceeds from sale of trading properties. Free cash flow for the period was £84.5 million, which includes £26.6 million net finance costs (broadly consistent with prior period).

The largest cash outflow in the period relates to acquisitions and developments of investment properties at £614.0 million, which primarily reflects the Group's investment activity during the period and ongoing development activity (see Capital Expenditure section for more details). Cash flows from investment property sales are £53.2 million, which is £29.7 million lower than in H1 2019.

The proceeds from issue of ordinary shares of £671.9 million primarily arises as a result of the equity placing undertaken in June 2020. Other significant financing cash flows include dividends paid of £80.2 million (H1 2019: £77.1 million) reflecting the increased dividend per share and level of scrip dividend take-up and an outflow of £34.4 million from the derivatives which are used to manage the Group's exposure to foreign exchange during the period as the euro has strengthened against the pound.

As a result of these factors there was a net funds inflow of £74.3 million during the period compared to an inflow of £353.7 million in H1 2019.

Cash flow and net debt reconciliation

	Six months to 30 June 2020 £m	Six months to 30 June 2019 £m
Opening net debt	**(1,811.0)**	(2,177.0)
Cash flow from operations	**107.2**	164.8
Finance costs (net)	**(26.6)**	(26.3)
Early repayment of debt	**–**	(18.5)
Dividends received	**1.5**	6.2
Tax received/(paid)	**2.4**	(14.6)
Free cash flow	**84.5**	111.6
Dividends paid	**(80.2)**	(77.1)
Acquisitions and development of investment properties	**(614.0)**	(197.4)
Investment property sales	**53.2**	82.9
Acquisitions of other interests in property and other investments	**(3.5)**	(1.7)
Net settlement of foreign exchange derivatives	**(34.4)**	4.5
Proceeds from issue of ordinary shares	**671.9**	443.8
Net investment in joint ventures	**–**	(10.0)
Other items	**(3.2)**	(2.9)
Net funds flow	**74.3**	353.7
Non-cash movements	**(1.1)**	(1.1)
Exchange rate movements	**(60.7)**	7.6
Closing net debt	**(1,798.5)**	(1,816.8)

Capital expenditure

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

Total spend for the period was £723.0 million, a significant increase of £389.6 million compared to H1 2019. This is primarily driven by an increased volume of acquisitions, in particular urban warehousing in London and the long-term logistics development sites at Coventry and Northampton. Development capital expenditure increased by £69.6 million to £264.6 million with particular spend on our schemes in Italy and UK National Logistics.

Spend on existing completed properties totalled £12.9 million (H1 2019: £18.4 million), of which £7.8 million was for value-enhancing major refurbishment and fit-out costs prior to re-letting.

EPRA capital expenditure analysis

	Six months to 30 June 2020			Six months to 30 June 2019		
	Wholly owned £m	**Joint ventures £m**	**Total £m**	Wholly owned £m	Joint ventures £m	Total £m
Acquisitions	**420.2[1]**	**9.6**	**429.8[7]**	21.1	67.4	88.5
Development[4]	**235.9[2]**	**28.7**	**264.6**	163.9	31.1	195.0
Completed properties[5]	**11.8[3]**	**1.1**	**12.9**	15.7	2.7	18.4
Other[6]	**10.9**	**4.8**	**15.7**	28.5	3.0	31.5
Total	**678.8**	**44.2**	**723.0**	229.2	104.2	333.4

1. Being £418.4 million investment property and £1.8 million trading property (2019: £21.1 million and £nil million respectively) see Note 12.
2. Being £228.5 million investment property and £7.4 million trading property (2019: £160.1 million and £3.8 million respectively) see Note 12.
3. Being £11.8 million investment property and £nil trading property (2019: £15.7 million and £nil million respectively) see Note 12.
4. Includes wholly owned capitalised interest of £3.8 million (2019: £6.0 million) as further analysed in Note 8 and share of joint venture capitalised interest of £0.3 million (2019: £0.5 million).
5. Capital expenditure on completed properties in 2020 and 2019 did not create additional lettable space.
6. Tenant incentives, letting fees and rental guarantees.
7. Includes acquisitions of property sold from the Group's wholly owned investment property portfolio to the SELP joint venture of £nil (2019: £33.3 million). Total acquisitions completed in H1 2020 of £425.7 million shown on page 8 of the Chief Executive's Review excludes the acquisition of trading properties by wholly owned and joint ventures (at share) of £4.1 million.

FINANCIAL POSITION AND FUNDING

Financial Key Performance Indicators

GROUP ONLY	30 June 2020	30 June 2019	31 December 2019
Net borrowings (£m)	**1,798.5**	1,816.8	1,811.0
Available Group cash and undrawn facilities (£m)	**1,319.7**	1,271.4	1,173.2
Gearing (%)	**21**	25	23
LTV ratio (%)	**20**	22	22
Weighted average cost of debt[1] (%)	**1.8**	1.6	1.8
Interest cover[2] (times)	**6.5**	5.0	6.2
Average duration of debt (years)	**11.1**	12.1	11.6
INCLUDING JOINT VENTURES AT SHARE			
Net borrowings (£m)	**2,510.5**	2,390.3	2,484.3
Available cash and undrawn facilities (£m)	**1,541.4**	1,614.4	1,370.0
LTV ratio (%)	**22**	24	24
Weighted average cost of debt[1] (%)	**1.7**	1.5	1.7
Interest cover[2] (times)	**6.4**	5.4	6.3
Average duration of debt (years)	**9.4**	10.5	10.0

1. Based on gross debt, excluding commitment fees and amortised costs.
2. Net rental income/adjusted net finance costs (before capitalisation).

At 30 June 2020, the Group's net borrowings (including the Group's share of borrowings in joint ventures) were £2,510.5 million (31 December 2019: £2,484.3 million) at a weighted average cost of 1.7 per cent and an average duration of 9.4 years. The loan to value ratio (including joint ventures at share) was 22 per cent (31 December 2019: 24 per cent) with £1,541.4 million of cash and undrawn facilities available for investment.

Gross borrowings of SEGRO Group were £2,001.9 million at 30 June 2020, all but £2.6 million of which were unsecured, and cash and cash equivalent balances were £203.4 million. SEGRO's share of gross borrowings in its joint ventures was £767.8 million (all of which were advanced on a non-recourse basis to SEGRO) and cash and cash equivalent balances of £55.8 million.

Cash and cash equivalent balances, together with the Group's interest rate and foreign exchange derivative portfolio, are spread amongst a strong group of banks, all of which have a credit rating of A- or better.

In 2020 to date, SEGRO has carried out £1.1 billion of financing activity to enable it to take advantage of growth opportunities, particularly from developments, while maintaining appropriate levels of leverage.

- **£680 million of new equity:** In June 2020, SEGRO undertook an equity placing in which we raised £680 million of gross proceeds by issuing 83 million new shares at a price of 820 pence.
- **€450 million US Private Placement:** In July 2020, SEGRO agreed a third US PP debt issue of €450 million across four tranches with a number of institutional investors. The notes have an average maturity of 16.8 years and a weighted average coupon of 1.6 per cent. Closing is due to take place in August 2020 followed by funding in October and December 2020.
- **£118 million early redemption of 2021 and 2022 bonds:** In July 2020, SEGRO gave notice that it intended to redeem the outstanding £79.3 million 6.75 per cent bonds due in 2021 and £39.1 million 7 per cent bonds due in 2022. The bonds will be redeemed in August and September 2020 for a cash settlement of £131 million.

Pro forma for the position as at 30 June 2020, and taking into account associated hedging, the impact of these transactions is to extend SEGRO's average debt maturity (on a look through basis) to 10.7 years and to reduce the average cost of gross debt to 1.6 per cent (including joint ventures at share, excluding commitment fees and amortised costs).

MONITORING AND MITIGATING FINANCIAL RISK

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

Treasury policies and governance

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

Gearing and financial covenants

The key leverage metric for SEGRO is its loan to value ratio (LTV), which incorporates assets and net debt on SEGRO's balance sheet and SEGRO's share of assets and net debt on the balance sheets of its joint ventures. The LTV at 30 June 2020 on this 'look-through' basis was 22 per cent.

Our borrowings contain gearing covenants based on Group net debt and net asset value, excluding debt in joint ventures. The gearing ratio of the Group at 30 June 2020, as defined within the principal debt funding arrangements of the Group, was 21 per cent (31 December 2019: 23 per cent). This is significantly lower than the Group's tightest financial gearing covenant within these debt facilities of 160 per cent. Property valuations would need to fall by around 66 per cent from their 30 June 2020 levels to reach the gearing covenant threshold of 160 per cent.

The Group's other key financial covenant within its principal debt funding arrangements is interest cover, requiring that net interest before capitalisation be covered at least 1.25 times by net property rental income. At 30 June 2020, the Group comfortably met this ratio at 6.5 times. On a look-through basis, including joint ventures, this ratio was 6.4 times.

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

Our intention for the foreseeable future is to maintain our LTV (including joint ventures at share) at around 25-30 per cent, lower than our mid-cycle target of 40 per cent. This provides the flexibility to take advantage of investment opportunities arising and ensures significant headroom compared to our tightest gearing covenants should property values decline.

At 30 June 2020, there were no debt maturities falling due within 12 months and the weighted average maturity of the gross borrowings of the Group was 11.1 years (9.4 years on a look-through basis). With a majority of the Group's bank debt facilities not due to mature until 2025, and no debt maturities in 2020, this long average debt maturity translates into a favourable, well spread debt funding maturity profile which reduces future refinancing risk.

Interest rate risk

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

As at 30 June 2020, including the impact of derivative instruments, 93 per cent (31 December 2019: 89 per cent) of the net borrowings of the Group (including the Group's share of borrowings within joint ventures) were at fixed or capped rates. The fixed-only level of debt is 60 per cent at 30 June 2020 (31 December 2019: 57 per cent).

As a result of the fixed rate cover in place, if short term interest rates had been 1 per cent higher throughout a 12 month period to 30 June 2020, the adjusted net finance cost of the Group would have increased by approximately £9.9 million representing around 4 per cent of Adjusted profit after tax.

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

Foreign currency translation risk

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

The Group seeks to limit its exposure to volatility in foreign exchange rates by hedging at a level between the year-end Group LTV percentage and 100 per cent of its foreign currency gross assets through either borrowings or derivative instruments. At 30 June 2020, the Group had gross foreign currency assets which were 64 per cent hedged by gross foreign currency denominated liabilities (including the impact of derivative financial instruments).

The exchange rate used to translate euro denominated assets and liabilities as at 30 June 2020 into sterling within the balance sheet of the Group was €1.10:£1 (30 June 2019: €1.12:£1). Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, if the value of the other currencies in which the Group operates at 30 June 2020 weakened by 10 per cent against sterling (€1.21, in the case of euros), net assets would have decreased by approximately £116 million and there would have been a reduction in gearing of approximately 1.9 per cent and in the LTV of approximately 1.8 per cent. The impact if the other currencies in which the Group operates should strengthen by 10 per cent against Sterling would be broadly equal and opposite.

The average exchange rate used to translate euro denominated earnings generated during the 6 months ending 30 June 2020 into sterling within the consolidated income statement of the Group was €1.14:£1 (H1 2019: €1.15:£1).

Based on the hedging position at 30 June 2020, and assuming that this position had applied throughout the 6 month period, if the euro had been 10 per cent weaker than the average exchange rate (€1.25:£1), Adjusted profit after tax for the six month period would have been approximately £4.5 million (1.6 per cent) lower than reported. If it had been 10 per cent stronger, adjusted profit after tax for the period would have been approximately £5.5 million (1.9 per cent) higher than reported.

GOING CONCERN

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

- In 2020, the Group has raised £680 million of new equity and agreed €450 million of new debt as well as extending the term of its main €1.1 billion RCF by one year, significantly enhancing its liquidity.
- Group cash and available facilities at 30 June 2020 were £1.3 billion; adjusting for US Private Placement arranged in July, the Group has total liquidity available of £1.7 billion.
- The Group continuously monitors its liquidity position compared to committed and expected capital and operating expenses on a rolling forward 18 month basis. The quantum of committed capital expenditure at any point in time is typically low due to the short timeframe to construct warehouse buildings.
- The Group also regularly stress-tests its financial covenants. As noted above, at 30 June 2020, property values would need to fall by around 66 per cent before breaching the gearing covenant. In terms of interest cover, net rental income would need to fall by 81 per cent before breaching the interest cover covenant. Both would be significantly in excess of the Group's experience during the financial crisis and its experience in 2020 after the outbreak of the Covid-19 pandemic to date.

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

STATEMENT OF PRINCIPAL RISKS

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

The Group's risk appetite, its integrated approach to managing risk, and the governance arrangements in place are described in the Principal Risks section of the 2019 Annual Report on pages 65 to 68.

Covid-19

We have reviewed and updated the Group's risk register during the period, in particular in light of the current Covid-19 health pandemic, the impact of which continues to evolve. The speed and scale of the pandemic are unprecedented in recent memory and the consequential severity and duration of such impacts risks to our business remain uncertain. In most cases Covid-19 has acted to increase the impact, or probability, or both in respect of risks already on the risk register. The Group's Board, and key Committees continue to meet regularly and assess the risks as they evolve and consider appropriate responses accordingly, as detailed further below.

Our response to Covid-19 through the various phases, prior to lockdown measures being introduced, during lockdown and the gradual relaxation of restrictions are as follows:

Prior to lockdown measures

We monitored the fast-changing situation and triggered our Incident Management Plan in early March. The Incident Management Team (IMT) was led by the Executive Committee (EC) members, with support from our Group Health and Safety Manager and received a daily summary health guidelines and updates for countries in which we operate. The priority was to ensure the safety and well-being our people, to ensure that our business continuity plans had been activated and implemented by each Business Unit in conjunction with any local regulations.

Operationally the business continued to keep in close contact with both our tenants and suppliers, being open and responsive to their needs in light of the changing environment. We also adopted a more cautious approach to our investment activity while the impacts of the evolving situation became better understood.

Period of lockdown

Our well-established business continuity plans were triggered for each office and the IMT closely monitored the fluid situation, providing regular consistent guidance to employees. Furthermore, the EC compiled a list key impacts, the 'Covid-19 tracker' which was reviewed each week. A dedicated Covid-19 risk register was compiled and reviewed by the IMT regularly.

Face to face meetings were replaced by online interactions and key processes and controls were adjusted to the new working practice. Concurrently online training relevant to the new working environment such as cyber risk was provided to all employees.

During this period, we are also mindful of the well-being of our people. Regular online employee team meetings were encouraged to maintain regular contact which was supplemented by regular Group-wide briefings and internal communications, to ensure the Group's response to the situation was fully understood. We are actively monitoring the wellbeing of our employees as a priority as people adapt to new working environments away from the office.

Gradual relaxation of restrictions

As the business responds to the gradual relaxation of restrictions and transitions to a post lockdown environment the IMT team continues to meet regularly to monitor employee issues, local regulation changes and oversee a return to office process. Each Business Continuity team has prepared and issued a detailed, cautious, gradual return to work plan for their office, within their local regulations.

As restriction measures ease across our geographies we are mindful of the risk of localised outbreaks and a second wave of infections in the second half of the year and beyond. Our approach remains cautious and flexible in order that we can effectively respond to such circumstances whilst maintaining the operations of our business. The Covid-19 tracker and risk register is regularly reviewed and updated.

Brexit

During the period, the UK formally left the EU on 31 January 2020 but any significant impact to the Group is expected once the transition period ends, which is anticipated to be on 31 December 2020. Whilst the situation remains uncertain, we continue to actively monitor the Brexit process and how the various possible outcomes may impact on the Group. Whilst the impact of Covid-19 in the period has been a major focus, we ensure we do not lose sight of the potentially imminent additional impact of Brexit on our macroeconomic and regulatory environment. The EC regularly reviews our approach and response plans and will continue to do so, for as long as is necessary.

Emerging risks

We continue to identify and monitor emerging risks in our risk processes. Emerging risks are those which may be evolving rapidly and whose impact or probability may not yet be fully understood and whose mitigations are consequently evolving. This process is supplemented by formal horizon scans with the Executive Committee. Clearly the impact of Covid-19, discussed above, has been a major focus in the period, its medium and long term impacts are not yet fully understood, including amongst other things, the way we work in future and the recovery of air and cargo travel.

Principal Risks and Appetite

A summary of the Group's principal risks including an update for changes during the period and expected impacts during the second half of 2020, is provided below. The principal risks remain the same as reported in the Annual Report for 2019 and the residual risk for each remains within appetite however each has heightened risk of volatility in the period.

Our risk appetite depends on the nature of the risk and falls into 3 broad categories:

Property Risk

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

We recognise that, in seeking outperformance from our portfolio, the Group must accept a balanced level of property risk – with diversity in geographic locations and asset types and an appropriate mixture of stabilised income producing and opportunity assets – in order to enhance opportunities for superior returns. As discussed further below, our investment strategy has been more cautious in light of the volatility created from the impact of Covid-19 in the period.

Financial Risk

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

The Group maintains a low to moderate appetite for financial risk in general, with a very low appetite for risks to solvency and gearing covenant breaches, particularly in light of economic uncertainty created by the Covid-19 pandemic.

Corporate Risk

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

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

Principal risks

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

  Update: There is an increased risk of market volatility currently but we believe this is mitigated by strong structural drivers in our sector.

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

  Update: The Group's approach to capital allocation reflects the current and continuing volatility in the market, prioritising lower-risk projects due to the economic uncertainty.

- **Disruptive Brexit.** The uncertainty associated with Brexit may adversely impact investment, capital, financial, occupier and labour markets in the UK as the nature and timing of exit and future relationships are negotiated.

  Update: The risk of a disruptive Brexit has increased in the period with the macroeconomic impacts already exacerbated by the Covid-19 pandemic. We continue to monitor the potential macroeconomic impacts of various different Brexit scenarios and evaluate a number of corporate and regulatory risks in the light of the increased risk of no deal. Where the risk relates to a specific technical issue (rather than wider market impact) we have identified and, where possible and practicable, put in place mitigation plans to address these risks.

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

  Update: The safety of the workforce whilst working away from the office as well as the gradual return have been a priority of the Health and Safety team (as detailed in the Covid-19 section above). We are undertaking regular checks of our development sites, using local consultants where necessary, in line with local guidance in order to ensuring a safe working environment in this current period.

- **Development Plan Execution.** The Group has an extensive current programme and future pipeline of developments. The Group could suffer significant financial losses from the inability to deliver projects on time and budget or above-appetite exposure to non-income producing land, infrastructure and speculatively developed building.

  Update: Whilst some development sites initially experienced delays, our contractors have implemented Covid-19 compliant working practices and we continue to work closely with our contractors regarding supply chains. Consequently, to date, we have currently not experienced significant delays in delivery of our developments. We continue to monitor the strength of our contractors and allocate work to a portfolio to mitigate against the risk of individual company insolvency.

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

  Update: As detailed in portfolio strategy, the impact of Covid-19 has been reflected in the Group's approach to capital allocation. However we continue to be open to transactions which meet our criteria as demonstrated by the acquisition of Perivale in June 2020 and further development projects as detailed further on page 7.

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

  Update: Currently the Group has strong access to financial markets as seen by our equity raise of £680 million in June and the €450 million US Private Placement in July. Consequently, our Balance Sheet and covenant headroom position, which are constantly monitored, remain strong (as detailed further on pages 22 to 25). Whilst the situation can change rapidly, we believe that we are well positioned as we enter the second half of the year should such circumstances arise.

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

  Update: Whilst the impacts of Covid-19 and Brexit remain uncertain it is not possible to fully predict their impact on the Group however our proactive planning and assessment of various scenarios leave us well placed to respond accordingly.

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

  Update: The working life of our people has been significantly impacted and we continually monitor the organisational resilience to respond to this including ensuring everyone has the ability and resources to work away from the office for sustained periods, including the technology to access our systems remotely. We have also prioritised the health and well-being of our employees ensuring they have the support needed to adapt to the new working environment. With more remote working the risk of cyber security has increased and we continue to be vigilant against this through our existing procedures and training. We continue to work closely with our customers to manage rent collection whilst balancing the challenges they are facing. Measures taken to combat Covid-19 are detailed against each significant risk above.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

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

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

By order of the Board,

David Sleath
Chief Executive

Soumen Das
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO SEGRO PLC

Report on the condensed set of financial statements

Our conclusion

We have reviewed SEGRO plc's condensed set of financial statements (the "interim financial statements") in the half-yearly report of SEGRO plc for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Group Balance Sheet as at 30 June 2020;
- the Condensed Group Income Statement and Condensed Group Statement of Comprehensive Income for the period then ended;
- the Condensed Group Cash Flow Statement for the period then ended;
- the Condensed Group Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP

Chartered Accountants

London

4 August 2020

CONDENSED GROUP INCOME STATEMENT

For the six months ended 30 June 2020

	Notes	**Half year to 30 June 2020 (unaudited) £m**	Half year to 30 June 2019[1] (unaudited) £m	Year to 31 December 2019 (audited) £m
Revenue	4	**198.1**	233.3	432.5
Costs	5	**(42.1)**	(80.5)	(123.9)
		156.0	152.8	308.6
Administration expenses		**(24.9)**	(23.6)	(51.5)
Share of profit from joint ventures after tax	6	**34.9**	56.7	203.1
Realised and unrealised property gain	7	**57.3**	240.7	489.2
Operating profit		**223.3**	426.6	949.4
Finance income	8	**38.3**	40.9	65.3
Finance costs	8	**(40.7)**	(56.7)	(112.7)
Profit before tax		**220.9**	410.8	902.0
Tax	9	**(3.7)**	(13.5)	(41.4)
Profit after tax		**217.2**	397.3	860.6
Attributable to equity shareholders		**216.2**	395.9	857.9
Attributable to non-controlling interests		**1.0**	1.4	2.7
Earnings per share (pence)				
Basic	11	**19.5**	37.1	79.3
Diluted	11	**19.4**	36.9	78.9

[1] Certain prior period comparatives have been re-presented to reflect the presentation adopted in the Group Income Statement for the year ended 31 December 2019. See Note 1.

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Half year to 30 June 2020 (unaudited) £m	Half year to 30 June 2019 (unaudited) £m	Year to 31 December 2019 (audited) £m
Profit for the period	**217.2**	397.3	860.6
Items that may be reclassified subsequently to profit or loss			
Foreign exchange movement arising on translation of international operations	**149.4**	(10.2)	(110.2)
Fair value movements on derivatives and borrowings in effective hedge relationships	**(70.9)**	4.6	57.6
	78.5	(5.6)	(52.6)
Tax on components of other comprehensive income	**–**	–	–
Other comprehensive income/(loss)	**78.5**	(5.6)	(52.6)
Total comprehensive income for the period	**295.7**	391.7	808.0
Attributable to – equity shareholders	**295.6**	390.3	804.7
– non-controlling interests	**0.1**	1.4	3.3

CONDENSED GROUP BALANCE SHEET

As at 30 June 2020

	Notes	**30 June 2020 (unaudited) £m**	30 June 2019 (unaudited) £m	31 December 2019 (audited) £m
Assets				
Non-current assets				
Intangible assets		**1.8**	2.6	2.5
Investment properties	12	**9,208.1**	8,244.8	8,401.7
Other interests in property		**18.9**	16.3	28.3
Property, plant and equipment		**24.9**	20.2	23.0
Investments in joint ventures	6	**1,234.5**	1,053.4	1,121.4
Other investments		**29.0**	27.3	27.5
Other receivables		**114.3**	27.0	110.6
Derivative financial instruments		**66.5**	55.2	59.7
		10,698.0	9,446.8	9,774.7
Current assets				
Trading properties	12	**29.2**	11.7	20.2
Trade and other receivables		**197.2**	157.9	146.6
Derivative financial instruments		**2.6**	1.4	8.7
Cash and cash equivalents	13	**203.4**	170.0	132.5
		432.4	341.0	308.0
Total assets		**11,130.4**	9,787.8	10,082.7
Liabilities				
Non-current liabilities				
Borrowings	13	**2,001.9**	1,986.8	1,943.5
Deferred tax liabilities	9	**61.6**	36.9	53.2
Trade and other payables		**108.9**	107.7	102.9
Derivative financial instruments		**12.8**	–	–
		2,185.2	2,131.4	2,099.6
Current liabilities				
Trade and other payables		**388.8**	318.8	298.6
Derivative financial instruments		**11.1**	5.8	1.7
Tax liabilities		**5.5**	29.3	5.2
		405.4	353.9	305.5
Total liabilities		**2,590.6**	2,485.3	2,405.1
Net assets		**8,539.8**	7,302.5	7,677.6
Equity				
Share capital	14	**119.1**	109.3	109.6
Share premium		**3,271.5**	2,529.5	2,554.3
Capital redemption reserve		**113.9**	113.9	113.9
Own shares held		**(1.3)**	(0.9)	(2.6)
Other reserves		**267.8**	240.2	199.5
Retained earnings		**4,768.8**	4,310.5	4,702.9
Total shareholders' equity		**8,539.8**	7,302.5	7,677.6
Non-controlling interests		**–**	–	–
Total equity		**8,539.8**	7,302.5	7,677.6
Net assets per ordinary share (pence)				
Basic	11	**717**	668	700
Diluted	11	**716**	665	697

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(unaudited)	Ordinary share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Share-based payment reserve £m	Translation, hedging and other reserve £m	Merger reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interest[1] £m	Total equity £m
	Attributable to owners of the parent				Other reserves						
Balance at 1 January 2020	**109.6**	**2,554.3**	**113.9**	**(2.6)**	**28.8**	**1.6**	**169.1**	**4,702.9**	**7,677.6**	**–**	**7,677.6**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**216.2**	**216.2**	**1.0**	**217.2**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**79.4**	**–**	**–**	**79.4**	**(0.9)**	**78.5**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**79.4**	**–**	**216.2**	**295.6**	**0.1**	**295.7**
Transactions with owners of the Company											
Issues of shares	**8.7**	**663.2**	**–**	**–**	**–**	**–**	**–**	**–**	**671.9**	**–**	**671.9**
Own shares acquired	**–**	**–**	**–**	**(1.6)**	**–**	**–**	**–**	**–**	**(1.6)**	**–**	**(1.6)**
Equity-settled share based payment transactions	**–**	**–**	**–**	**2.9**	**(11.1)**	**–**	**–**	**8.5**	**0.3**	**–**	**0.3**
Dividends	**0.8**	**54.0**	**–**	**–**	**–**	**–**	**–**	**(157.9)**	**(103.1)**	**–**	**(103.1)**
Movement in non-controlling interest[1]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.9)**	**(0.9)**	**(0.1)**	**(1.0)**
Total transactions with owners of the Company	**9.5**	**717.2**	**–**	**1.3**	**(11.1)**	**–**	**–**	**(150.3)**	**566.6**	**(0.1)**	**566.5**
Balance at 30 June 2020	**119.1**	**3,271.5**	**113.9**	**(1.3)**	**17.7**	**81.0**	**169.1**	**4,768.8**	**8,539.8**	**–**	**8,539.8**

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

For the six months ended 30 June 2019[2]

(unaudited)	Ordinary share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Share-based payment reserve £m	Translation, hedging and other reserve £m	Merger reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interest[1] £m	Total equity £m
	Attributable to owners of the parent				Other reserves						
Balance at 1 January 2019	101.3	2,047.7	113.9	(2.0)	22.3	54.8	169.1	4,056.9	6,564.0	–	6,564.0
Profit for the period	–	–	–	–	–	–	–	395.9	395.9	1.4	397.3
Other comprehensive income	–	–	–	–	–	(5.6)	–	–	(5.6)	–	(5.6)
Total comprehensive income for the period	–	–	–	–	–	(5.6)	–	395.9	390.3	1.4	391.7
Transactions with owners of the Company											
Issues of shares	7.3	436.5	–	–	–	–	–	–	443.8	–	443.8
Own shares acquired	–	–	–	(1.8)	–	–	–	–	(1.8)	–	(1.8)
Equity-settled share based payment transactions	–	–	–	2.9	(0.4)	–	–	3.3	5.8	–	5.8
Dividends	0.7	45.3	–	–	–	–	–	(143.7)	(97.7)	–	(97.7)
Movement in non-controlling interest[1]	–	–	–	–	–	–	–	(1.9)	(1.9)	(1.4)	(3.3)
Total transactions with owners of the Company	8.0	481.8	–	1.1	(0.4)	–	–	(142.3)	348.2	(1.4)	346.8
Balance at 30 June 2019	109.3	2,529.5	113.9	(0.9)	21.9	49.2	169.1	4,310.5	7,302.5	–	7,302.5

1. Non-controlling interests relate to Vailog Sàrl and are shown net of the estimated gross settlement amount of a put option held by the minority shareholder.
2. The format of the statement of changes in equity has been changed from that disclosed in the condensed set of financial statements for six months ended 30 June 2019 for better presentation and to reconcile total comprehensive income for the period.

For the year ended 31 December 2019

(audited)	Ordinary share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Share-based payment reserve £m	Translation, hedging and other reserve £m	Merger reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interest[1] £m	Total equity £m
	Attributable to owners of the parent				Other reserves						
Balance at 1 January 2019	101.3	2,047.7	113.9	(2.0)	22.3	54.8	169.1	4,056.9	6,564.0	–	6,564.0
Profit for the year	–	–	–	–	–	–	–	857.9	857.9	2.7	860.6
Other comprehensive income	–	–	–	–	–	(53.2)	–	–	(53.2)	0.6	(52.6)
Total comprehensive income for the year	–	–	–	–	–	(53.2)	–	857.9	804.7	3.3	808.0
Transactions with owners of the Company											
Issues of shares	7.3	436.7	–	–	–	–	–	–	444.0	–	444.0
Own shares acquired	–	–	–	(3.4)	–	–	–	–	(3.4)	–	(3.4)
Equity-settled share based payment transactions	–	–	–	2.8	6.5	–	–	3.1	12.4	–	12.4
Dividends	1.0	69.9	–	–	–	–	–	(212.6)	(141.7)	–	(141.7)
Movement in non-controlling interest[1]	–	–	–	–	–	–	–	(2.4)	(2.4)	(3.3)	(5.7)
Total transactions with owners of the Company	8.3	506.6	–	(0.6)	6.5	–	–	(211.9)	308.9	(3.3)	305.6
Balance at 31 December 2019	109.6	2,554.3	113.9	(2.6)	28.8	1.6	169.1	4,702.9	7,677.6	–	7,677.6

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

CONDENSED GROUP CASH FLOW STATEMENT

For the six months ended 30 June 2020

	Notes	**Half year to 30 June 2020 (unaudited) £m**	Half year to 30 June 2019 (unaudited) £m	Year to 31 December 2019 (audited) £m
Cash flows from operating activities	15	**107.2**	164.8	291.6
Interest received		**18.2**	19.1	47.1
Dividends received		**1.5**	6.2	33.3
Interest paid		**(44.8)**	(45.4)	(91.7)
Cost of early close out of interest rate derivatives and new derivatives transacted		**–**	–	(11.4)
Proceeds from early close out of interest rate derivatives		**–**	–	6.9
Cost of early close out of debt		**–**	(18.5)	(18.6)
Tax received/(paid)		**2.4**	(14.6)	(46.9)
Net cash received from operating activities		**84.5**	111.6	210.3
Cash flows from investing activities				
Purchase and development of investment properties		**(614.0)**	(197.4)	(602.9)
Sale of investment properties		**53.2**	82.9	412.4
Acquisition of other interests in property		**(2.6)**	(0.9)	(13.3)
Purchase of plant and equipment and intangibles		**(2.0)**	(1.0)	(2.7)
Acquisition of other investments		**(0.9)**	(0.8)	(1.2)
Investment and loans to joint ventures		**–**	(33.6)	(148.6)
Divestment and repayment of loans from joint ventures		**–**	23.6	136.4
Net cash used in investing activities		**(566.3)**	(127.2)	(219.9)
Cash flows from financing activities				
Dividends paid to ordinary shareholders		**(80.2)**	(77.1)	(141.7)
Proceeds from borrowings		**–**	–	10.2
Repayment of borrowings	15	**(2.4)**	(250.2)	(251.1)
Principal element of lease payments		**(0.8)**	(0.1)	(0.9)
Settlement of foreign exchange derivatives		**(34.4)**	4.5	26.9
Purchase of non-controlling interest		**–**	–	(7.9)
Proceeds from issue of ordinary shares		**671.9**	443.8	444.0
Purchase of ordinary shares		**(1.6)**	(1.8)	(3.4)
Net cash generated from financing activities		**552.5**	119.1	76.1
Net increase in cash and cash equivalents		**70.7**	103.5	66.5
Cash and cash equivalents at the beginning of the period		**132.5**	66.5	66.5
Effect of foreign exchange rate changes		**0.2**	–	(0.5)
Cash and cash equivalents at the end of the period	13	**203.4**	170.0	132.5

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed set of financial statements for the six months ended 30 June 2020 were approved by the Board of Directors on 4 August 2020.

The condensed set of financial statements for the six months ended 30 June 2020 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information contained in this report for the year ended 31 December 2019 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and has been extracted from the statutory accounts, which were prepared in accordance with EU-endorsed International Financial Reporting Standards (IFRSs) and were delivered to the Registrar of Companies. The auditor's opinion on these accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement made under S498(2) or S498(3) of the Companies Act 2006. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The condensed set of financial statements have been prepared on a going concern basis for a period of at least 12 months from the date of approval of the financial statements. This is discussed further in the Financial Review in page 25.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest financial statements. Certain new accounting amendments became effective for the financial year beginning on 1 January 2020, however the Group did not have to change its accounting policies or make retrospective adjustments as a result of these amendments.

The format of the Group Income Statement shown in the SEGRO plc Annual Report and Accounts for the year ended 31 December 2019 was changed to improve the presentation of the financial statements. As a result certain prior period comparatives for the six months ended 30 June 2019 have been represented to reflect this change. For further details on the representation can be found on page 140 of the SEGRO plc Annual Report and Accounts for the year ended 31 December 2019.

The principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.10 (30 June 2019: £1 = €1.12; 31 December 2019: £1 = €1.18)
Income statement: £1 = €1.14 (30 June 2019: £1 = €1.15; 31 December 2019: £1 = €1.14)

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

2. ADJUSTED PROFIT

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

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

The Directors may also exclude from the EPRA profit measure additional items (gains and losses) which are considered by them to be non-recurring, not in the ordinary course of business and significant by virtue of size and nature. No non-EPRA adjustments to underlying profit were made in the current period (30 June 2019: no adjustments; 31 December 2019: no adjustments).

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

	Notes	**Half year to 30 June 2020 £m**	Half year to 30 June 2019 £m	Year to 31 December 2019 £m
Gross rental income	4	**187.2**	173.4	362.0
Property operating expenses	5	**(42.1)**	(36.9)	(80.7)
Net rental income		**145.1**	136.5	281.3
Joint venture fee income	4	**10.9**	9.4	20.4
Administration expenses		**(24.9)**	(23.6)	(51.5)
Share of joint ventures' adjusted profit after tax	6	**29.2**	27.7	54.0
Adjusted operating profit before interest and tax		**160.3**	150.0	304.2
Net finance costs (including adjustments)	8	**(19.9)**	(18.2)	(36.7)
Adjusted profit before tax		**140.4**	131.8	267.5
Adjustments to reconcile to IFRS:				
Adjustments to the share of profit from joint ventures after tax[1]	6	**5.7**	29.0	149.1
Realised and unrealised property gain	7	**57.3**	240.7	489.2
Gain on sale of trading properties		**–**	6.9	6.9
Cost of early close out of debt		**–**	(18.5)	(18.6)
Net fair value gain on interest rate swaps and other derivatives	8	**17.5**	20.9	7.9
Total adjustments		**80.5**	279.0	634.5
Profit before tax		**220.9**	410.8	902.0
Tax				
On Adjusted profit	9	**(1.5)**	(1.1)	(3.2)
In respect of adjustments	9	**(2.2)**	(12.4)	(38.2)
Total tax adjustments		**(3.7)**	(13.5)	(41.4)
Profit after tax before non-controlling interests		**217.2**	397.3	860.6
Non-controlling interests:				
Less: share of adjusted profit attributable to non-controlling interests		**(0.1)**	(0.1)	(0.2)
: share of adjustments attributable to non-controlling interests		**(0.9)**	(1.3)	(2.5)
Profit after tax and non-controlling interests		**216.2**	395.9	857.9
Of which:				
Adjusted profit after tax and non-controlling interests		**138.8**	130.6	264.1
Total adjustments after tax and non-controlling interests		**77.4**	265.3	593.8
Profit attributable to equity shareholders		**216.2**	395.9	857.9

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

3. SEGMENTAL REPORTING

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

	Gross rental income £m	Net rental income £m	Share of joint ventures' Adjusted profit £m	Adjusted operating PBIT[2] £m	Total directly owned property assets £m	Investments in joint ventures £m	Capital expenditure[3] £m
30 June 2020							
Thames Valley	**41.5**	**38.6**	**–**	**37.3**	**1,783.8**	**–**	**9.8**
National Logistics	**16.7**	**18.2**	**(0.2)**	**17.9**	**1,098.1**	**1.1**	**216.9**
Greater London	**75.0**	**64.8**	**–**	**62.9**	**4,235.3**	**–**	**257.4**
Northern Europe	**14.5**	**8.8**	**12.1**	**23.3**	**597.2**	**679.4**	**14.5**
Southern Europe	**34.0**	**19.8**	**13.3**	**35.7**	**1,374.0**	**796.1**	**166.3**
Central Europe	**5.5**	**2.1**	**10.2**	**14.4**	**148.9**	**483.5**	**3.0**
Other[1]	**–**	**(7.2)**	**(6.2)**	**(31.2)**	**–**	**(725.6)**	**2.0**
Total	**187.2**	**145.1**	**29.2**	**160.3**	**9,237.3**	**1,234.5**	**669.9**
30 June 2019							
Thames Valley	38.8	36.0	–	35.1	1,698.4	–	17.3
National Logistics	18.7	17.1	–	17.1	1,085.0	2.7	36.7
Greater London	68.2	62.4	–	61.2	3,773.4	–	36.7
Northern Europe	12.9	7.3	9.9	19.7	537.8	558.0	20.7
Southern Europe	28.6	17.3	12.9	31.8	1,026.7	661.3	81.8
Central Europe	6.2	2.8	9.7	14.3	135.2	428.0	7.5
Other[1]	–	(6.4)	(4.8)	(29.2)	–	(596.6)	1.0
Total	173.4	136.5	27.7	150.0	8,256.5	1,053.4	201.7
31 December 2019							
Thames Valley	78.9	72.8	–	70.9	1,752.4	–	38.4
National Logistics	40.2	36.8	0.5	37.8	871.6	3.9	50.1
Greater London	142.6	129.7	–	127.0	4,001.0	–	199.5
Northern Europe	26.9	15.6	21.8	42.4	573.4	604.3	53.3
Southern Europe	61.9	35.7	24.4	64.1	1,085.6	735.9	254.8
Central Europe	11.5	4.5	19.6	27.3	137.9	435.9	8.2
Other[1]	–	(13.8)	(12.3)	(65.3)	–	(658.6)	2.7
Total	362.0	281.3	54.0	304.2	8,421.9	1,121.4	607.0

1. Other includes the corporate centre, SELP holding companies and costs relating to the operational business which are not specifically allocated to a geographical business unit. This includes the bonds issued by SELP Finance SARL, a Luxembourg entity.
2. A reconciliation of total Adjusted PBIT to the IFRS profit before tax is provided in Note 2.
3. Capital expenditure includes additions and acquisitions of investment and trading properties but does not include tenant incentives, letting fees and rental guarantees. The "Other" category includes non-property related spend, primarily IT.

4. REVENUE

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year to 31 December 2019 £m
Rental income from investment and trading properties	**160.8**	147.0	306.9
Rent averaging	**7.6**	12.8	25.1
Service charge income*	**16.7**	12.1	27.6
Management fees*	**1.4**	0.7	1.4
Surrender premiums and dividend income from property related investments	**0.7**	0.8	1.0
Gross rental income[1]	**187.2**	173.4	362.0
Joint venture fees - management fees	**10.9**	9.4	20.4
- performance and other fees	**–**	–	–
Joint venture fee income*	**10.9**	9.4	20.4
Proceeds from sale of trading properties*	**–**	50.5	50.1
Total revenue	**198.1**	233.3	432.5

* The above income streams reflect revenue recognition under IFRS 15 Revenue from Contracts with Customers and total £29.0 million (31 December 2019: £99.5 million; 30 June 2019: £72.7 million).

1. Net rental income of £145.1 million (31 December 2019: £281.3 million; 30 June 2019: £136.5 million) is calculated as gross rental income of £187.2 million (31 December 2019: £362.0 million; 30 June 2019: £173.4 million) less total property operating expenses of £42.1 million (31 December 2019: £80.7 million; 30 June 2019: £36.9 million) shown in Note 5.

5. PROPERTY OPERATING EXPENSES

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year to 31 December 2019 £m
Vacant property costs	**1.9**	2.6	4.8
Letting, marketing, legal and professional fees	**4.3**	4.0	8.5
Loss allowance and impairment of receivables	**3.0**	0.3	1.0
Service charge expense	**16.7**	12.1	27.6
Other expenses	**3.0**	4.5	10.5
Property management expenses	**28.9**	23.5	52.4
Property administration expenses[1]	**17.5**	17.0	35.6
Costs capitalised[2]	**(4.3)**	(3.6)	(7.3)
Total property operating expenses	**42.1**	36.9	80.7
Trading properties cost of sales	**–**	43.6	43.2
Total costs	**42.1**	80.5[3]	123.9

1. Property administration expenses predominantly relate to the employee staff costs of personnel directly involved in managing the property portfolio.
2. Costs capitalised relate to staff costs of those internal employees directly involved in developing the property portfolio.
3. 30 June 2019 Total costs of £80.5 million consists of: Property operating expenses of £24.8 million which was reported and presented as a line item in the 30 June 2019 Group Income Statement, service charge expense of £12.1 million and trading properties costs of sales of £43.6 million.

6. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

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

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year to 31 December 2019 £m
Revenue[1]	**124.7**	108.3	223.5
Gross rental income	**117.8**	105.1	214.1
Property operating expenses:			
-underlying property operating expenses	**(6.4)**	(4.0)	(8.5)
-vacant property costs	**(1.4)**	(0.9)	(2.1)
-property management fees	**(9.7)**	(8.3)	(17.1)
-service charge expense	**(23.6)**	(22.5)	(44.1)
Net rental income	**76.7**	69.4	142.3
Administration expenses	**(1.1)**	(1.4)	(3.3)
Net finance costs (including adjustments)	**(12.2)**	(8.8)	(20.1)
Adjusted profit before tax	**63.4**	59.2	118.9
Tax	**(5.0)**	(3.8)	(10.9)
Adjusted profit after tax	**58.4**	55.4	108.0
At share	***29.2***	*27.7*	*54.0*
Adjustments:			
Loss on sale of investment properties	**–**	(1.0)	(1.1)
Valuation surplus on investment properties	**20.9**	153.9	437.0
Impairment of other interests in properties	**–**	(9.3)	(9.7)
Gain on sale of trading properties	**0.2**	2.1	2.1
Impairment of trading properties	**–**	(2.0)	–
Tax in respect of adjustments	**(9.7)**	(85.7)	(130.2)
Total adjustments	**11.4**	58.0	298.1
At share	***5.7***	*29.0*	*149.1*
Profit after tax	**69.8**	113.4	406.1
At share	***34.9***	*56.7*	*203.1*
Total comprehensive income for the period	**69.8**	113.4	406.1
At share	***34.9***	*56.7*	*203.1*

1. Total revenue at 100% of £124.7 million (31 December 2019: £223.5 million; 30 June 2019: £108.3 million) includes: Gross rental income £117.8 million (31 December 2019: £214.1 million; 30 June 2019: £105.1 million) and proceeds from sale of trading properties £6.9 million (31 December 2019: £9.4 million; 30 June 2019: £3.2 million). Proceeds from sale of trading properties is presented net of cost of sale and shown in the line 'Gain on sale of trading properties' in the table above.

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

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Investment properties	**4,172.2**	3,472.9	3,796.7
Other interests in property	**1.4**	14.1	16.6
Total non-current assets	**4,173.6**	3,487.0	3,813.3
Trading properties	**–**	1.7	1.9
Other receivables	**108.5**	101.5	127.3
Cash and cash equivalents	**111.6**	239.6	42.0
Total current assets	**220.1**	342.8	171.2
Total assets	**4,393.7**	3,829.8	3,984.5
Borrowings	**(1,535.5)**	(1,386.5)	(1,338.4)
Deferred tax liabilities	**(271.8)**	(210.2)	(243.2)
Total non-current liabilities	**(1,807.3)**	(1,596.7)	(1,581.6)
Borrowings	**–**	–	(50.1)
Other liabilities	**(117.5)**	(126.4)	(110.0)
Total current liabilities	**(117.5)**	(126.4)	(160.1)
Total liabilities	**(1,924.8)**	(1,723.1)	(1,741.7)
Net assets	**2,468.9**	2,106.7	2,242.8
At share	***1,234.5***	*1,053.4*	*1,121.4*

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

No additional performance fee has been recognised by SEGRO (and no performance fee expense recognised by SELP) in the Income Statement for the period ended 30 June 2020 (31 December 2019: £nil; 30 June 2019: £nil).

7. REALISED AND UNREALISED PROPERTY GAIN

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year to 31 December 2019 £m
Profit/(loss) on sale of investment properties	**1.7**	(0.2)	7.2
Valuation surplus on investment properties[1]	**57.4**	237.9	476.7
(Increase)/decrease in provision for impairment of trading properties	**(0.4)**	–	1.4
Increase in provision for impairment in other interests in property	**–**	–	(0.4)
Valuation (deficit)/surplus on other investments	**(1.4)**	3.0	4.3
Total realised and unrealised property gain	**57.3**	240.7	489.2

1. Includes £57.6 million valuation surplus on investment properties (31 December 2019: £477.1 million; 30 June 2019: £237.9 million) less £0.2 million valuation loss on head lease ROU asset (31 December 2019: £0.4 million; 30 June 2019: £nil).

The above table does not include realised gains on sale of trading properties of £nil (31 December 2019: £6.9 million; 30 June 2019: £6.9 million) as detailed further in Note 2.

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

8. NET FINANCE COSTS

Finance income	**Half year to 30 June 2020 £m**	Half year to 30 June 2019 £m	Year to 31 December 2019 £m
Interest received on bank deposits and related derivatives	**18.3**	16.5	32.0
Fair value gain on interest rate swaps and other derivatives	**19.9**	24.4	33.1
Exchange differences	**0.1**	–	0.2
Total finance income	**38.3**	40.9	65.3
Finance costs			
Interest on overdrafts, loans and related derivatives	**(39.4)**	(38.0)	(71.8)
Cost of early close out of debt	**–**	(18.5)	(18.6)
Amortisation of issue costs	**(1.1)**	(1.1)	(2.3)
Interest on lease liabilities	**(1.6)**	(1.6)	(3.0)
Total borrowing costs	**(42.1)**	(59.2)	(95.7)
Less amount capitalised on the development of properties	**3.8**	6.0	8.2
Net borrowing costs	**(38.3)**	(53.2)	(87.5)
Fair value loss on interest rate swaps and other derivatives	**(2.4)**	(3.5)	(25.2)
Total finance costs	**(40.7)**	(56.7)	(112.7)
Net finance costs	**(2.4)**	(15.8)	(47.4)

Net finance costs (including adjustments) in Adjusted profit (see Note 2) are £19.9 million (31 December 2019: £36.7 million; 30 June 2019: £18.2 million). This excludes net fair value gain on interest rate swaps and other derivatives of £17.5 million (31 December 2019: £7.9 million; 30 June 2019: £20.9 million) and cost of early close out of debt of £nil (31 December 2019: £18.6 million; 30 June 2019: £18.5 million) in the table above.

9. TAX

9(i) Tax on profit

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year to 31 December 2019 £m
Tax:			
On Adjusted profit	**(1.5)**	(1.1)	(3.2)
In respect of adjustments	**(2.2)**	(12.4)	(38.2)
Total tax charge	**(3.7)**	(13.5)	(41.4)
Current tax			
Current tax charge	**(1.5)**	(3.0)	(11.7)
Adjustments in respect of earlier years	**4.2**	–	(0.3)
Total current tax credit/(charge)	**2.7**	(3.0)	(12.0)
Deferred tax			
Origination and reversal of temporary differences	**(1.3)**	(1.3)	(6.1)
Released in respect of property disposals in the period	**–**	–	4.7
On valuation movements	**(4.9)**	(9.0)	(39.2)
Total deferred tax in respect of investment properties	**(6.2)**	(10.3)	(40.6)
Other deferred tax	**(0.2)**	(0.2)	11.2
Total deferred tax charge	**(6.4)**	(10.5)	(29.4)
Total tax charge on profit on ordinary activities	**(3.7)**	(13.5)	(41.4)

9(ii) Deferred tax liabilities

Movement in deferred tax was as follows:

	Balance 1 January 2020 £m	**Exchange movement £m**	**Acquisitions/ (disposals) £m**	**Recognised in income £m**	**Balance 30 June 2020 £m**	Balance 30 June 2019 £m
Valuation surplus and deficits on properties/accelerated tax allowances	**51.4**	**3.8**	**(1.8)**	**6.2**	**59.6**	35.0
Deferred tax asset on revenue losses	**(0.5)**	**–**	**–**	**–**	**(0.5)**	(1.3)
Others	**2.3**	**0.1**	**(0.1)**	**0.2**	**2.5**	3.2
Total deferred tax liabilities	**53.2**	**3.9**	**(1.9)**	**6.4**	**61.6**	36.9

10. DIVIDENDS

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year to 31 December 2019 £m
Ordinary dividends paid			
Final dividend for 2019 @ 14.40 pence per share	**157.9**	–	–
Interim dividend for 2019 @ 6.30 pence per share	**–**	–	68.9
Final dividend for 2018 @ 13.25 pence per share	**–**	143.7	143.7
	157.9	143.7	212.6

The Board has declared an interim dividend of 6.9 pence per ordinary share (2019: 6.3 pence). This dividend has not been recognised in the condensed financial statements.

11. EARNINGS AND NET ASSETS PER ORDINARY SHARE

The earnings per share calculations use the weighted average number of shares in issue during the period and the net assets per share calculations use the number of shares in issue at the period end. Earnings per share calculations exclude 0.5 million shares (0.4 million for the full year 2019 and 0.5 million for half year 2019) being the average number of shares held on trust during the period for employee share schemes and net assets per share exclude 0.3 million shares (0.6 million for the full year 2019 and 0.4 million for the half year 2019) being the actual number of shares held on trust for employee share schemes at period end.

11(i) Earnings per ordinary share (EPS)

	Half year to 30 June 2020			Half year to 30 June 2019			Year to 31 December 2019		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic EPS	**216.2**	**1,108.1**	**19.5**	395.9	1,067.1	37.1	857.9	1,081.3	79.3
Dilution adjustments:									
Employee share schemes	**–**	**4.4**	**(0.1)**	–	5.4	(0.2)	–	5.8	(0.4)
Diluted EPS	**216.2**	**1,112.5**	**19.4**	395.9	1,072.5	36.9	857.9	1,087.1	78.9
Basic EPS	**216.2**	**1,108.1**	**19.5**	395.9	1,067.1	37.1	857.9	1,081.3	79.3
Adjustments to profit before tax[1]	**(80.5)**		**(7.3)**	(279.0)		(26.1)	(634.5)		(58.7)
Tax in respect of Adjustments	**2.2**		**0.2**	12.4		1.1	38.2		3.6
Non-controlling interest on adjustments	**0.9**		**0.1**	1.3		0.1	2.5		0.2
Adjusted Basic EPS	**138.8**	**1,108.1**	**12.5**	130.6	1,067.1	12.2	264.1	1,081.3	24.4
Adjusted Diluted EPS	**138.8**	**1,112.5**	**12.5**	130.6	1,072.5	12.2	264.1	1,087.1	24.3

1. Details of adjustments are included in Note 2.

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

In October 2019, EPRA issued new best practice reporting guidelines for Net Asset Value (NAV) metrics, these recommendations are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group in reporting the 30 June 2020 position.

EPRA have introduced three new NAV metrics: EPRA Net Tangible Assets (NTA), Net Reinvestment Value (NRV) and Net Disposal Value (NDV). EPRA NTA is considered to be the most relevant measure for SEGRO's operating activity and is now the primary measure of net asset value, replacing the metric EPRA net assets previously reported.

As EPRA NTA is considered the primary measure of net asset value, this metric is also referred to as Adjusted Net Asset Value (or Adjusted NAV).

A reconciliation from IFRS NAV to Adjusted NAV as at 30 June 2020 is set out in the table below along with the net asset per share metrics. The 30 June 2019 and 31 December 2019 position have been represented on a comparable basis.

Table 4 of the supplementary notes provides more details of the changes and the calculation for each of the three new EPRA net asset value metrics.

	As at 30 June 2020			As at 30 June 2019			As at 31 December 2019		
	Equity attributable to ordinary shareholders	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders	Shares million	Pence per share	Equity attributable to ordinary shareholders	Shares million	Pence per share
	£m			£m			£m		
Basic NAV	**8,539.8**	**1,190.6**	**717**	7,302.5	1,092.9	668	7,677.6	1,096.1	700
Dilution adjustments:									
Employee share schemes	**–**	**2.7**	**(1)**	–	5.1	(3)	–	6.0	(3)
Diluted NAV	**8,539.8**	**1,193.3**	**716**	7,302.5	1,098.0	665	7,677.6	1,102.1	697
Fair value adjustment in respect of interest rate derivatives – Group	**(68.1)**		**(6)**	(55.8)		(6)	(50.5)		(5)
Fair value adjustment in respect of trading properties – Group	**1.8**		**–**	1.2		–	–		–
Fair value adjustment in respect of trading properties – Joint ventures	**–**		**–**	–		–	0.9		–
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	**29.8**		**2**	17.5		2	26.0		2
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures[1]	**67.3**		**6**	51.7		5	60.6		6
Intangible assets	**(1.8)**		**–**	(2.6)		–	(2.5)		–
Adjusted NAV (EPRA NTA)	**8,568.8**	**1,193.3**	**718**	7,314.5	1,098.0	666	7,712.1	1,102.1	700

1.50% of deferred tax in respect of depreciation and valuation surpluses have been excluded in calculating Adjusted NAV.

12. PROPERTIES

12(i) Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2020	**7,407.2**	**807.9**	**8,215.1**
Exchange movement	98.2	31.2	129.4
Property acquisitions	220.5	197.9	418.4
Additions to existing investment properties	11.8	228.5	240.3
Disposals[2]	(44.0)	(10.2)	(54.2)
Transfers on completion of development	245.2	(245.2)	–
Transfers from trading properties	–	1.5	1.5
Revaluation surplus during the period	30.0	27.6	57.6
At 30 June 2020	**7,968.9**	**1,039.2**	**9,008.1**
Add tenant lease incentives, letting fees and rental guarantees	125.0	–	125.0
Investment properties excluding head lease liabilities at 30 June 2020	**8,093.9**	**1,039.2**	**9,133.1**
Add head lease liabilities (ROU assets)[1]	75.0	–	75.0
Total investment properties at 30 June 2020	**8,168.9**	**1,039.2**	**9,208.1**
Total investment properties at 30 June 2019	7,521.3	723.5	8,244.8

1. At 30 June 2020 investment properties included £75.0 million (31 December 2019: £70.2 million; 30 June 2019: £74.5 million) for the head lease liabilities recognised under IFRS 16.
2. Total disposals completed in H1 2020 of £58.7 million shown on page 8 of the Chief Executive's Review includes: Carrying value of investment properties disposed by SEGRO Group of £54.2 million and profit generated on disposal of £1.7 million (see Note 7), share of joint venture investment properties disposal proceeds of £1.7 million; carrying value of lease incentives, letting fees and rental guarantees disposed by SEGRO Group and joint venture (at share) of £1.1 million.

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

CBRE Ltd also undertake some professional and agency work on behalf of the Group, although this is limited relative to the activities provided by other advisors to the Group as a whole. The firm advises us that the total fees paid by the Group represent less than 5 per cent of their total revenue in any year.

In respect of certain office, retail and leisure assets totalling 2.1 per cent (£236 million) of the portfolio value (at share), the external valuer noted a material uncertainty clause relating to the Covid-19 pandemic in line with current industry practice. The form of this clause can be found in section 5 of the document at: https://www.rics.org/globalassets/rics-website/media/knowledge/impact-of-covid-on-valuation-10-july.pdf

Sensitivity analysis

An increase/decrease to ERV will increase/decrease valuations, while an increase/decrease to yield will decrease/increase valuations. In light of the relatively small valuation movement in the period, management continue to consider a +/- 25bp change in yield and a +/- 5% change in ERV to be reasonably possible changes to the assumptions. A sensitivity analysis showing the impact on valuations of changes in yields and ERV on the property portfolio (including joint ventures at share) is shown below.

		Impact on valuation of 25bp change in nominal equivalent yield		**Impact on valuation of 5 % change in estimated rental value (ERV)**	
	Group total completed property portfolio[1] £m	Increase £m	Decrease £m	Increase £m	Decrease £m
30 June 2020	**10,111.6**	**(514.1)**	**460.1**	**372.6**	**(366.9)**
30 June 2019	9,104.0	(417.3)	442.3	331.0	(336.1)
31 December 2019[2]	9,316.9	(473.5)	425.3	342.1	(337.7)

1. For further details see Table 6 of the supplementary notes.
2. Following a change in methodology, the December 2019 sensitivities have changed from those values disclosed in the SEGRO plc Annual Report and Accounts for the year ended 31 December 2019 in order to be consistent with the June 2020 position.

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

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

At 30 June 2020 investment properties included £125.0 million tenant lease incentives, letting fees and rent guarantees (31 December 2019: £116.4 million; 30 June 2019: £108.5 million).

The carrying value of investment properties situated on land held under leaseholds amount to £168.0 million (excluding head lease ROU assets) (31 December 2019: £151.1 million; 30 June 2019: £129.1 million).

The disposals of completed properties during the period includes properties with a carrying value of £nil (31 December 2019: £221.0 million; 30 June 2019: £66.6 million) sold to the SELP joint venture.

12(ii) Trading properties

The carrying value of trading properties at 30 June 2020 was £29.2 million (31 December 2019: £20.2 million; 30 June 2019: £11.7 million). Trading properties were externally valued by CBRE resulting in an increase in the provision for impairment of £0.4 million (31 December 2019: decrease in provision of £1.4 million; 30 June 2019: £nil). Based on the fair value at 30 June 2020, the portfolio has unrecognised surplus of £1.8 million (31 December 2019: £nil; 30 June 2019: £1.2 million).

13. NET BORROWINGS AND FINANCIAL INSTRUMENTS

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
In one year or less	**–**	–	–
In more than one year but less than two	**121.0**	–	79.3
In more than two years but less than five	**81.8**	197.7	120.6
In more than five years but less than ten	**933.4**	448.4	896.5
In more than ten years	**865.7**	1,340.7	847.1
In more than one year	**2,001.9**	1,986.8	1,943.5
Total borrowings	**2,001.9**	1,986.8	1,943.5
Cash and cash equivalents	**(203.4)**	(170.0)	(132.5)
Net borrowings	**1,798.5**	1,816.8	1,811.0
Total borrowings is split between secured and unsecured as follows:			
Secured (on land and buildings)	**2.6**	3.0	2.6
Unsecured	**1,999.3**	1,983.8	1,940.9
Total borrowings	**2,001.9**	1,986.8	1,943.5
Currency profile of total borrowings after derivative instruments			
Sterling	**(15.6)**	378.0	184.7
Euros	**2,017.5**	1,608.8	1,758.8
Total borrowings	**2,001.9**	1,986.8	1,943.5
Maturity profile of undrawn borrowing facilities			
In one year or less	**9.1**	13.9	8.5
In more than one year but less than two	**–**	–	–
In more than two years	**1,107.2**	1,087.5	1,032.2
Total available undrawn facilities	**1,116.3**	1,101.4	1,040.7

Fair value of financial instruments			
Book value of debt	**2,001.9**	1,986.8	1,943.5
Interest rate derivatives	**(68.1)**	(55.8)	(50.5)
Foreign exchange derivatives	**22.9**	5.0	(16.2)
Book value of debt including derivatives	**1,956.7**	1,936.0	1,876.8
Net fair market value	**2,209.7**	2,089.0	2,110.1
Mark to market adjustment (pre-tax)	**253.0**	153.0	233.3

Fair value measurements recognised in the Balance Sheet

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

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

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

14. SHARE CAPITAL

	Number of shares m	Par value of shares £m
Issued and fully paid ordinary shares at 10p each:		
At 1 January 2020	**1,096.7**	**109.6**
Issue of shares – placing	**82.9**	**8.3**
Issue of shares – scrip dividends	**7.6**	**0.8**
Issue of shares – other	**3.7**	**0.4**
At 30 June 2020	**1,190.9**	**119.1**
At 30 June 2019	1,093.3	109.3

On 9 June 2020 the Company announced the placing of 82.9 million ordinary shares of 10p each in the capital of the Company at a price of 820 pence per share. The Company raised £680.0 million before £8.7 million of expenses and as a result the Company's share capital increased by £8.3 million and share premium by £663.0 million.

15. NOTES TO THE CONDENSED GROUP CASH FLOW STATEMENT

15(i) Reconciliation of cash generated from operations

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year to 31 December 2019 £m
Operating profit	**223.3**	426.6	949.4
Adjustments for:			
Depreciation of property, plant and equipment	**1.7**	1.4	3.4
Share of profit from joint ventures after tax	**(34.9)**	(56.7)	(203.1)
Profit/(loss) on sale of investment properties	**(1.7)**	0.2	(7.2)
Revaluation surplus on investment properties	**(57.4)**	(237.9)	(476.7)
Valuation deficit/(surplus) on other investments	**1.4**	(3.0)	(4.3)
Other provisions	**(1.3)**	2.5	8.2
	131.1	133.1	269.7
Changes in working capital:			
(Increase)/decrease trading properties	**(8.7)**	40.3	30.9
Increase in debtors and tenant incentives	**(26.4)**	(27.1)	(59.3)
Increase in creditors	**11.2**	18.5	50.3
Net cash inflow generated from operations	**107.2**	164.8	291.6

15(ii) Analysis of net debt

	At 1 January 2020 £m	Cash flow[1] £m	Non-cash movements: Exchange movement £m	Non-cash movements: Other non-cash adjustments[2] £m	**At 30 June 2020 £m**
Bank loans and loan capital	1,958.3	(2.4)	60.9	–	**2,016.8**
Capitalised finance costs	(14.8)	(1.2)	–	1.1	**(14.9)**
Total borrowings	1,943.5	(3.6)	60.9	1.1	**2,001.9**
Cash in hand and at bank	(132.5)	(70.7)	(0.2)	–	**(203.4)**
Net debt	1,811.0	(74.3)	60.7	1.1	**1,798.5**

1. Net cash outflow from Bank loans and loan capital of £2.4 million relates to the repayment of borrowings.
2. The other non-cash adjustments relate to the amortisation of issue costs offset against borrowings.

16. RELATED PARTY TRANSACTIONS

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

17. SUBSEQUENT EVENTS

During July 2020 the Group agreed €450 million of US Private Placement notes. The debt refinancing is discussed in more detail in the Finance Review on page 23.

SUPPLEMENTARY NOTES NOT PART OF CONDENSED FINANCIAL INFORMATION

TABLE 1: EPRA PERFORMANCE MEASURES SUMMARY

		Half year to 30 June 2020		Half year to 30 June 2019		Year to 31 December 2019	
	Notes	**£m**	**Pence per share**	£m	Pence per share	£m	Pence per share
EPRA Earnings	Table 2	**138.8**	**12.5**	130.6	12.2	264.1	24.4
EPRA NTA (Adjusted NAV)	Table 4	**8,568.8**	**718**	7,314.5	666	7,712.1	700
EPRA NRV	Table 4	**9,281.7**	**778**	7,917.8	721	8,370.7	760
EPRA NDV	Table 4	**8,290.2**	**695**	7,131.7	650	7,425.8	674
EPRA net initial yield	Table 6		**3.7%**		3.9%		3.8%
EPRA 'topped up' net initial yield	Table 6		**4.0%**		4.4%		4.3%
EPRA vacancy rate	Table 7		**5.2%**		4.8%		4.0%
EPRA cost ratio (including vacant property costs)	Table 8		**21.2%**		22.0%		22.9%
EPRA cost ratio (excluding vacant property costs)	Table 8		**20.0%**		20.5%		21.5%

TABLE 2: INCOME STATEMENT, PROPORTIONALLY CONSOLIDATED

		Half year to 30 June 2020			Half year to 30 June 2019			Year to 31 December 2019		
	Notes	**Group £m**	**JV £m**	**Total £m**	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Gross rental income	2, 6	**187.2**	**58.9**	**246.1**	173.4	52.6	226.0	362.0	107.1	469.1
Property operating expenses	2, 6	**(42.1)**	**(15.7)**	**(57.8)**	(36.9)	(13.7)	(50.6)	(80.7)	(27.4)	(108.1)
Net rental income		**145.1**	**43.2**	**188.3**	136.5	38.9	175.4	281.3	79.7	361.0
Joint venture fee income[1]	2	**10.9**	**(4.8)**	**6.1**	9.4	(4.2)	5.2	20.4	(8.6)	11.8
Administration expenses	2	**(24.9)**	**(0.6)**	**(25.5)**	(23.6)	(0.7)	(24.3)	(51.5)	(1.6)	(53.1)
Adjusted operating profit before interest and tax		**131.1**	**37.8**	**168.9**	122.3	34.0	156.3	250.2	69.5	319.7
Net finance costs (including adjustments)	2, 6	**(19.9)**	**(6.1)**	**(26.0)**	(18.2)	(4.4)	(22.6)	(36.7)	(10.0)	(46.7)
Adjusted profit before tax		**111.2**	**31.7**	**142.9**	104.1	29.6	133.7	213.5	59.5	273.0
Tax on adjusted profit	2, 6	**(1.5)**	**(2.5)**	**(4.0)**	(1.1)	(1.9)	(3.0)	(3.2)	(5.5)	(8.7)
Adjusted earnings		**109.7**	**29.2**	**138.9**	103.0	27.7	130.7	210.3	54.0	264.3
Non-controlling interest on adjusted profit		**(0.1)**	**–**	**(0.1)**	(0.1)	–	(0.1)	(0.2)	–	(0.2)
Adjusted/EPRA earnings after tax and non-controlling interests		**109.6**	**29.2**	**138.8**	102.9	27.7	130.6	210.1	54.0	264.1
Number of shares				**1,108.1**			1,067.1			1,081.3
Adjusted/EPRA EPS, pence per share				**12.5**			12.2			24.4
Number of shares				**1,112.5**			1,072.5			1,087.1
Adjusted/EPRA EPS, pence per share – diluted				**12.5**			12.2			24.3

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

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

TABLE 3: BALANCE SHEET, PROPORTIONAL CONSOLIDATION

		As at 30 June 2020			As at 30 June 2019			As at 31 December 2019		
	Notes	**Group £m**	**JV £m**	**Total £m**	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Investment properties	12, 6	**9,208.1**	**2,086.1**	**11,294.2**	8,244.8	1,736.4	9,981.2	8,401.7	1,898.3	10,300.0
Trading properties	12, 6	**29.2**	**–**	**29.2**	11.7	0.8	12.5	20.2	1.0	21.2
Total properties		**9,237.3**	**2,086.1**	**11,323.4**	8,256.5	1,737.2	9,993.7	8,421.9	1,899.3	10,321.2
Investment in joint ventures	6	**1,234.5**	**(1,234.5)**	**–**	1,053.4	(1,053.4)	–	1,121.4	(1,121.4)	–
Other net liabilities		**(133.5)**	**(139.6)**	**(273.1)**	(190.6)	(110.3)	(300.9)	(54.7)	(104.6)	(159.3)
Net borrowings	13,6	**(1,798.5)**	**(712.0)**	**(2,510.5)**	(1,816.8)	(573.5)	(2,390.3)	(1,811.0)	(673.3)	(2,484.3)
Total shareholders' equity[1]		**8,539.8**	**–**	**8,539.8**	7,302.5	–	7,302.5	7,677.6	–	7,677.6
EPRA adjustments	11			**29.0**			12.0			34.5
Adjusted NAV	11			**8,568.8**			7,314.5			7,712.1
Number of shares, millions	11			**1,193.3**			1,098.0			1,102.1
Adjusted NAV pence per share	11			**718**			666			700

1. After non-controlling interests.

Loan to value of 22 per cent at 30 June 2020 is calculated as net borrowings of £2,510.5 million divided by total properties (excluding head lease ROU asset of £75.0 million) of £11,248.4 million (30 June 2019: 24 per cent, £2,390.3 million net borrowings and £9,919.2 million total properties; 31 December 2019: 24 per cent, £2,484.3 million net borrowings and £10,251.0 million total properties).

TABLE 4: EPRA NET ASSET MEASURES

In October 2019, the European Public Real Estate Association ('EPRA') published new best practice recommendations (BPR) for financial disclosures by public real estate companies. The BPR introduced three new measures of net asset value: EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV).

These recommendations are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group in reporting the 30 June 2020 position.

EPRA NTA is considered to be the most relevant measure for SEGRO's operating activities and therefore now acts as the primary measure of net asset value. To avoid confusion for shareholders, we intend to refer to this metric as Adjusted Net Asset Value (or Adjusted NAV).

A reconciliation of the three new EPRA NAV metrics from IFRS NAV is shown in the table below. The previously reported EPRA NAV and EPRA NNNAV have also been included for comparative purposes.

As at 30 June 2020	Current measures: EPRA NTA (Adjusted NAV) £m	Current measures: EPRA NRV £m	Current measures: EPRA NDV £m	Previously reported measures: EPRA NAV £m	Previously reported measures: EPRA NNNAV £m
Equity attributable to ordinary shareholders	8,539.8	8,539.8	8,539.8	8,539.8	8,539.8
Fair value adjustment in respect of interest rate derivatives – Group	(68.1)	(68.1)	–	(68.1)	–
Fair value adjustment in respect of trading properties – Group	1.8	1.8	1.8	1.8	1.8
Fair value adjustment in respect of trading properties – Joint ventures	–	–	–	–	–
Deferred tax in respect of depreciation and valuation surpluses – Group	29.8[1]	59.5	–	59.5	–
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	67.3[1]	134.5	–	134.5	–
Intangible assets	(1.8)	–	–	–	–
Fair value adjustment in respect of debt – Group	–	–	(253.0)	–	(253.0)
Fair value adjustment in respect of debt – Joint ventures	–	–	1.6	–	1.6
Real estate transfer tax	–	614.2	–	–	–
Net assets	8,568.8	9,281.7	8,290.2	8,667.5	8,290.2
Diluted shares (million)	1,193.3	1,193.3	1,193.3	1,193.3	1,193.3
Diluted net assets per share	718	778	695	726	695

1. 50% of deferred tax in respect of depreciation and valuation surpluses have been excluded in calculating EPRA NTA.

As at 30 June 2019	Current measures: EPRA NTA (Adjusted NAV) £m	Current measures: EPRA NRV £m	Current measures: EPRA NDV £m	Previously reported measures: EPRA NAV £m	Previously reported measures: EPRA NNNAV £m
Equity attributable to ordinary shareholders	7,302.5	7,302.5	7,302.5	7,302.5	7,302.5
Fair value adjustment in respect of interest rate derivatives – Group	(55.8)	(55.8)	–	(55.8)	–
Fair value adjustment in respect of trading properties – Group	1.2	1.2	1.2	1.2	1.2
Fair value adjustment in respect of trading properties – Joint ventures	–	–	–	–	–
Deferred tax in respect of depreciation and valuation surpluses – Group	17.5[1]	35.0	–	35.0	–
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	51.7[1]	103.3	–	103.3	–
Intangible assets	(2.6)	–	–	–	–
Fair value adjustment in respect of debt – Group	–	–	(153.0)	–	(153.0)
Fair value adjustment in respect of debt – Joint ventures	–	–	(19.0)	–	(19.0)
Real estate transfer tax	–	531.6	–	–	–
Net assets	7,314.5	7,917.8	7,131.7	7,386.2	7,131.7
Diluted shares (million)	1,098.0	1,098.0	1,098.0	1,098.0	1,098.0
Diluted net assets per share	666	721	650	673	650

1. 50% of deferred tax in respect of depreciation and valuation surpluses have been excluded in calculating EPRA NTA.

As at 31 December 2019	Current measures			Previously reported measures	
	EPRA NTA (Adjusted NAV) £m	EPRA NRV £m	EPRA NDV £m	EPRA net assets £m	EPRA triple net assets £m
Equity attributable to ordinary shareholders	7,677.6	7,677.6	7,677.6	7,677.6	7,677.6
Fair value adjustment in respect of interest rate derivatives – Group	(50.5)	(50.5)	–	(50.5)	–
Fair value adjustment in respect of trading properties – Group	–	–	–	–	–
Fair value adjustment in respect of trading properties – Joint ventures	0.9	0.9	0.9	0.9	0.9
Deferred tax in respect of depreciation and valuation surpluses – Group	26.0[1]	51.9	–	51.9	–
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	60.6[1]	121.1	–	121.1	–
Intangible assets	(2.5)	–	–	–	–
Fair value adjustment in respect of debt – Group	–	–	(233.3)	–	(233.3)
Fair value adjustment in respect of debt – Joint ventures	–	–	(19.4)	–	(19.4)
Real estate transfer tax	–	569.7	–	–	–
Net assets	7,712.1	8,370.7	7,425.8	7,801.0	7,425.8
Diluted shares (million)	1,102.1	1,102.1	1,102.1	1,102.1	1,102.1
Diluted net assets per share	700	760	674	708	674

1. 50% of deferred tax in respect of depreciation and valuation surpluses have been excluded in calculating EPRA NTA.

TABLE 5: EPRA EARNINGS

	Notes	**Half year to 30 June 2020 £m**	Half year to 30 June 2019 £m	Year to 31 December 2019 £m
Earnings per IFRS income statement		**216.2**	395.9	857.9
Adjustments to calculate EPRA Earnings, exclude:				
Valuation surplus on investment properties	7	**(57.4)**	(237.9)	(476.7)
(Profit)/loss on sale of investment properties	7	**(1.7)**	0.2	(7.2)
Gain on sale of trading properties	7	**–**	(6.9)	(6.9)
Increase/(decrease) in provision for impairment of trading properties	12	**0.4**	–	(1.4)
Increase in provision for impairment of other interests in property	7	**–**	–	0.4
Valuation deficit/(surplus) on other investments	7	**1.4**	(3.0)	(4.3)
Tax on profits on disposals[1]		**(4.0)**	2.1	9.2
Costs of early close out of debt	8	**–**	18.5	18.6
Net fair value gain on interest rate swaps and other derivatives	8	**(17.5)**	(20.9)	(7.9)
Deferred tax in respect of EPRA adjustments[1]		**6.2**	10.3	29.0
Adjustments to the share of profit from joint ventures after tax	6	**(5.7)**	(29.0)	(149.1)
Non-controlling interests in respect of the above	2	**0.9**	1.3	2.5
EPRA earnings		**138.8**	130.6	264.1
Basic number of shares	11	**1,108.1**	1,067.1	1,081.3
EPRA Earnings per Share (EPS)		**12.5**	12.2	24.4
Company specific adjustments:				
Non-EPRA adjustments	2	**–**	–	–
Adjusted earnings		**138.8**	130.6	264.1
Adjusted EPS		**12.5**	12.2	24.4

1. Total tax charge in respect of adjustments per Note 2 of £2.2 million (H1 2019: 12.4 million, FY 2019: £38.2 million) comprises tax credit on profits on disposals of £4.0 million (H1 2019: charge £2.1 million, FY 2019: charge £9.2 million) and deferred tax charge of £6.2 million (H1 2019: £10.3 million, FY 2019: £29.0 million).

TABLE 6: EPRA NET INITIAL YIELD AND TOPPED-UP NET INITIAL YIELD

Combined property portfolio including joint ventures at share – 30 June 2020	Notes	UK £m	Continental Europe £m	Total £m
Total properties per financial statements	Table 3	**7,117.2**	**4,206.2**	**11,323.4**
Add valuation surplus not recognised on trading properties[1]		–	1.8	1.8
Other items		(3.8)	–	(3.8)
Less head lease ROU assets	12	–	(75.0)	(75.0)
Combined property portfolio per external valuers' report[5]		**7,113.4**	**4,133.0**	**11,246.4**
Less development properties (investment, trading and joint venture)		(540.4)	(594.4)	(1,134.8)
Net valuation of completed properties		**6,573.0**	**3,538.6**	**10,111.6**
Add notional purchasers' costs		444.7	169.5	614.2
Gross valuation of completed properties including notional purchasers' costs	A	**7,017.7**	**3,708.1**	**10,725.8**
Income				
Gross passing rents[2]		261.0	159.9	420.9
Less irrecoverable property costs		(3.2)	(7.7)	(10.9)
Net passing rents	B	**257.8**	**152.2**	**410.0**
Adjustment for notional rent in respect of rent frees		26.1	26.2	52.3
Topped up net rent	C	**283.9**	**178.4**	**462.3**
Including fixed/minimum uplifts[3]		10.7	1.7	12.4
Total topped up net rent		**294.6**	**180.1**	**474.7**
Yields – 30 June 2020		%	%	%
EPRA net initial yield[4]	B/A	3.7	4.1	3.8
EPRA topped up net initial yield[4]	C/A	4.0	4.8	4.3
True net equivalent yield		4.6	5.2	4.8

1. Trading properties are recorded in the Financial Statements at the lower of cost and net realisable value, therefore valuations above cost of £1.8 million have not been recognised.
2. Gross passing rent excludes short term lettings and licences.
3. Certain leases contain clauses which guarantee future rental increases, whereas most leases contain five yearly, upwards-only rent review clauses (UK) or indexation clauses (Continental Europe).
4. In accordance with the Best Practices Recommendations of EPRA.
5. Total assets under management of £13,332.5 million includes Combined property portfolio (including JV at 50% share) of £11,246.4 million plus 50% of JV properties not owned but under management of £2,086.1 million (Table 3).

TABLE 7: EPRA VACANCY RATE

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year to 31 December 2019 £m
Annualised potential rental value of vacant premises	**27.0**	23.0	19.2
Annualised potential rental value for the completed property portfolio	**517.7**	477.1	474.2
EPRA vacancy rate	**5.2%**	4.8%	4.0%

TABLE 8: TOTAL COST RATIO / EPRA COST RATIO

Total cost ratio	Notes	**Half year to 30 June 2020 £m**	Half year to 30 June 2019 £m	Year to 31 December 2019 £m
Costs				
Property operating expenses[1]	5	**42.1**	36.9	80.7
Administration expenses		**24.9**	23.6	51.5
Share of joint venture property operating and administration expenses[2]	6	**21.1**	18.6	37.6
Less:				
Joint venture property management fee income, service charge income, management fees and other costs recovered through rents but not separately invoiced[3]		**(42.6)**	(35.0)	(74.6)
Total costs (A)		**45.5**	44.1	95.2
Gross rental income				
Gross rental income	4	**187.2**	173.4	362.0
Share of joint venture property gross rental income	6	**58.9**	52.6	107.1
Less:				
Service charge income, management fees and other costs recovered through rents but not separately invoiced[3]		**(31.7)**	(25.6)	(54.2)
Total gross rental income (B)		**214.4**	200.4	414.9
Total cost ratio (A)/(B)		**21.2%**	22.0%	22.9%
Total costs (A)		**45.5**	44.1	95.2
Share-based payments		**(5.6)**	(5.6)	(12.5)
Total costs after share based payments (C)		**39.9**	38.5	82.7
Total cost ratio after share based payments (C)/(B)		**18.6%**	19.2%	19.9%

EPRA cost ratio			
Total costs (A)	**45.5**	44.1	95.2
Non-EPRA adjustments	**–**	–	–
EPRA total costs including vacant property costs (D)	**45.5**	44.1	95.2
Group vacant property costs	**(1.9)**	(2.6)	(4.8)
Share of joint venture vacant property costs	**(0.7)**	(0.5)	(1.1)
EPRA total costs excluding vacant property costs (E)	**42.9**	41.0	89.3
Total gross rental income (B)	**214.4**	200.4	414.9
Total EPRA costs ratio (including vacant property costs) (D)/(B)	**21.2%**	22.0%	22.9%
Total EPRA costs ratio (excluding vacant property costs) (E)/(B)	**20.0%**	20.5%	21.5%

1. Property operating expenses are net of costs capitalised in accordance with IFRS of £4.3 million (H1 2019: £3.6 million, FY 2019: £7.3 million) (see Note 5 for further detail on the nature of costs capitalised).
2. Share of joint venture property operating and administration expenses after deducting costs related to performance and other fees.
3. Total deduction of £42.6 million (H1 2019: £35.0 million, FY 2019: £74.6 million) from costs includes: joint venture management fees income of £10.9 million (H1 2019: £9.4 million, FY 2019: £20.4 million), service charge income including joint ventures of £28.5 million (H1 2019: £23.4 million, FY 2019: £49.7 million) and management fees and other costs recovered through rents but not separately invoiced, including joint ventures, of £3.2 million (H1 2019: £2.2 million, FY 2019: £4.5 million). These items have been represented as an offset against costs rather than a component of income in accordance with EPRA BPR Guidelines as they are reimbursing the Group for costs incurred. Gross rental income of £187.2 million (H1 2019: £173.4 million, FY 2019: £362.0 million) does not include joint venture management fees income of £10.9 million (H1 2019: £9.4 million, FY 2019: £20.4 million) and these fees are not required to be included in the total deduction to income of £31.7 million (H1 2019: £25.6 million, FY 2019: £54.2 million).

GLOSSARY OF TERMS

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

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

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

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

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

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

Gross rental income: Contracted rental income recognised in the period in the Income Statement, including surrender premiums and service charge income. Lease incentives, initial costs and any contracted future rental increases are amortised on a straight line basis over the lease term. Service charge expenses are captured in "Property Operating Expenses".

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

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

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

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

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

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

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

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

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

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

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

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

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

Rent roll: See Passing Rent.

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

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

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

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

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

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

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

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

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

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

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