PRESS RELEASE

31 JULY 2013

SEGRO
WHERE BUSINESS WORKS

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

An active first half based on strong leasing activity, development successes and significant further progress with strategy implementation

David Sleath, Chief Executive, said:

"We have made further encouraging progress in the first half of the year, both operationally and with our strategic repositioning programme. We have made significant further disposals, continued to actively reinvest and announced a new joint venture to facilitate the growth of our Continental European logistics property business.

Whilst the general sentiment of many industrial occupiers across Europe remains somewhat cautious, we have seen good demand for modern, well located warehousing property from a range of users, including parcel delivery companies, data centre operators and third party logistics providers. This, combined with a shortage of available new supply in most of our markets, has supported a strong leasing performance across the portfolio and a successful, active development programme. Within the investment market, we have observed an increased level of investor interest in industrial assets and suburban offices which has caused investment yields to stabilise in the first half of the year and may result in yields tightening in the months ahead."

Strong operational performance

- 122 new lettings completed in the period, generating £16.7m of new annualised rental income, 30% higher than H1 2012. A further £2.6m of annualised rental income in solicitors' hands as at 30 June 2013
- Highly profitable active development programme: 8 developments completed in the period and 14 projects under construction worth, in aggregate, £13.8m of new annualised rental income when fully let (75% already leased); 4 additional pre-let developments signed subject to planning consent or in advanced discussions with customers representing £2.2m of new annualised rental income
- Continued focus on operational and cost efficiency leading to 7.6% reduction in administration expenses
- As expected, EPRA profit before tax was down on H1 2012, by £5.9m to £69.0m, principally reflecting the sale of non-core assets and the net loss of the Neckermann site rent, partially offset by the impact of developments and new acquisitions

Further significant progress with strategic repositioning

- £437m of disposals in the year to date, including IQ Winnersh and the Neckermann site (for which contracts were exchanged in July 2013); sold on a 6.2% average exit yield and 5.6% premium to December 2012 values.
- £126m invested in or committed to development projects completed and/or started during the first half of the year; 9.0% average expected yield on total development cost. £25m of further land acquisitions in the UK, France and Poland to support future development
- £55m invested in the acquisition of modern distribution warehouses with a 7.5% average entry yield
- Announcement of the creation of a €1bn Continental European logistics joint venture to accelerate growth and take advantage of market consolidation, to be seeded with 1.6m sq m of SEGRO's existing logistics assets
- Overall increase in look through net debt of £48m to £2,436m in H1 2013. On a pro forma basis, allowing for the disposals announced after the end of H1 2013, look through net debt reduced by £604m to £1,784m, with pro forma look through LTV reducing to 44%

Completed portfolio valuation up by 0.3 per cent - outperforming IPD Industrial index

- Core portfolio of well located, modern warehouse, light industrial and data centre properties up 0.8% on a like for like basis; suburban offices unchanged, non-core assets down 2.4%

FINANCIAL SUMMARY

	6 months to 30 June 2013	6 months to 30 June 2012
Profit before tax (£m)	20.3	(81.8)
EPRA profit before tax (£m)	69.0	74.9
Earnings per share (p)	2.2	(10.8)
EPRA earnings per share (p)	9.2	9.9
Dividend per share (p)	4.9	4.9
	As at 30 June 2013	**As at 31 Dec 2012**
Net borrowings (£m)	2,132	2,090
Look through net borrowings (including joint ventures at share) (£m)	2,436	2,388
Net asset value per share (p)	297	302
EPRA net asset value per share (p)	294	294
Look through LTV ratio (including joint ventures at share) (%)	52	51
Pro forma look through LTV ratio (including joint ventures at share) (%)	44[1]	n/a

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

[1]Pro forma LTV is stated after adjusting for the announced disposals of IQ Winnersh and Neckermann and for the announced logistics JV transaction

WEBCAST/CONFERENCE CALL FOR INVESTORS AND ANALYSTS

A live webcast of the results presentation will be available from 09.00 (BST) at:

http://www.media-server.com/m/p/pujvamxh

A conference call facility will be available at 09:00 (BST) on the following numbers:

Toll:	**+44 (0) 20 3427 1917**
Free phone:	**0800 279 4992**
Access code:	**5909097**

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

Toll:	*+44 (0) 20 3427 0598*
Access code:	*5909097*

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

A video interview with David Sleath discussing the results is now available to view on www.segro.com, together with this announcement, the H1 2013 Property Analysis Booklet and other information about SEGRO.

CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES RESPECTIVELY:

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DIVIDEND

The timetable for the 2013 interim dividend is set out on page 8.

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

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

CHIEF EXECUTIVE'S REVIEW

BUSINESS OVERVIEW

SEGRO is a leading owner, asset manager and developer of modern warehousing, light industrial and data centre properties (collectively referred to as 'industrial properties'), with £4.7 billion of assets (including our share of joint venture assets) principally concentrated in London's Western Corridor (including the Thames Valley) and in key conurbations in France, Germany and Poland. We also own suburban office buildings in the Thames Valley, Brussels and Milan.

In the UK, we have a leading market position in Heathrow, with £0.7 billion of assets (including our share of joint venture assets) in some of the most sought after airside and off-airport locations. We have a £0.6 billion portfolio at Park Royal and Greenford, which has become a primary focus for businesses seeking 'urban logistics' space to service Central London. We also own the £1.0 billion Slough Trading Estate, which is a well-established, modern business park in the Thames Valley and which has also grown to become one of Europe's largest data centre hubs. In Continental Europe we have £1.7 billion of assets predominantly comprising logistics warehousing and light industrial assets concentrated in attractive sub-markets such as the Ile de France region around Paris, which shares similar characteristics to Greater London, the Rhine Rhür region in Germany and key markets in Poland.

FURTHER PROGRESS AGAINST OUR STRATEGIC OBJECTIVES

Our ambition is to be the best owner-manager and developer of industrial properties in Europe and a leading income-focused REIT. In order to achieve that vision we set out our strategy in November 2011 to create a portfolio of modern industrial properties in the strongest locations. We believe that such a portfolio should deliver attractive, low risk income returns, with above average rental and capital growth when market conditions are favourable, whilst also providing resilience in a downturn. We seek to partner with third party capital providers to accelerate growth, improve risk-adjusted returns and provide access to opportunities to that we couldn't deliver on our own. We aim to support our overall portfolio strategy with an efficient cost structure and relatively modest financial leverage through the cycle.

Fundamental to the implementation of our strategy are two key pillars of activity:

Disciplined Capital Allocation - picking the right geographical markets and assets, creating the right portfolio shape and actively managing the portfolio composition in order to time the property market cycle and individual asset life cycles; and,

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

Our plan to implement the strategy consists of four key priorities, which we have continued to deliver against during the first half of this year, as set out below.

1. Reshaping the Existing Portfolio

Month	Portfolio/Asset	Acquirer	Gross proceeds (£m)	Net initial yield (%)
H1 2013				
January	Thales, UK	L&G Property	80.0	5.9 / 5.9[1]
February	MPM, Germany	Private investor	55.6	7.9 / 7.9[1]
Various	Other non-core assets	Various	16.6	7.7 / 7.7[1]
H2 2013				
July	IQ Winnersh[2]	Patrizia & Oaktree Capital JV	245.1	5.8 / 7.4[1]
July	Neckermann[2]	Private investors	39.3	n/a
		Total disposals	**436.6**	**6.2 / 7.2[1]**

1 Including the benefit of top-ups

2 Contracts exchanged in July. IQ Winnersh sale also completed in July. Completion of Neckermann site sale expected in Q4 2013

The first of our strategic priorities is to reshape the portfolio and focus on high quality modern warehouses located close to major population centres and transportation nodes. As such, we identified non-core assets for disposal at the time of our strategic review in November 2011 (valued at £1.6 billion at that time) which mainly comprised older more secondary assets or assets in markets which we consider to be relatively less attractive.

Having completed asset sales of £548 million in 2012, we are pleased to have made further progress with our portfolio reshaping in 2013. Since January 2013, we have announced or completed the sale of £437 million of assets, including Thales, MPM and the Neckermann site (three of the remaining five large non-strategic assets) and IQ Winnersh in the Thames Valley. IQ Winnersh is a suburban office and business park, which SEGRO had upgraded from a mainly industrial estate over recent years. Having reached a relatively mature state, we decided that it was an appropriate time in the asset and market cycle at which to crystallise value.

The remaining non-core assets from our original November 2011 disposal list amount to £560 million as at 30 June 2013 (adjusted to exclude the Neckermann site, the disposal of which will complete after the period end). This includes £157 million relating to the two remaining large non-strategic assets (Pegasus Park and Energy Park). Given the good progress we have made to date, we now expect to end the year at, or slightly above, the top end of our previously guided 2013 disposals target range of £300-500 million. We will continue to seek a prompt exit from the remaining non-core assets; however, with occupier and investment market conditions generally expected to improve, we will flex the pace of the future disposals according to value and the availability of capital reinvestment opportunities across the business.

In aggregate, the £437 million of disposals announced so far this year were priced at a 5.6 per cent premium to December 2012 book values and at an average exit yield of 6.2 per cent.

2. Delivering Profitable Growth Through Development And Acquisition

Developments

Month	Portfolio/Asset	Total capital invested or committed to projects completed and/or started in H1 2013(£m)	Estimated yield on total development cost (%)
On-going	Pre-let and speculative developments	125.5[2]	9.0

Acquisitions

Month	Portfolio/Asset	Seller	Acquisition price (£m)	Net initial yield (%)
H1 2013				
April	Zeran Park, Warsaw	AREA & Apollo Rida	36.9	7.5
June	Land, Warsaw	RSP Ożarów	7.2	n/a
H2 2013				
Various	Land, UK and Paris	Various	18.1	n/a
August[1]	Big box warehouse, UK	Westbrook Partners	18.1	7.5
		Total acquisitions	**80.3**	**7.5**

1 Contracts exchanged in June 2013, with completion expected in August 2013

2 Including £37.5m which was spent prior to H1 2013

Our second strategic priority is to seek profitable growth by reinvesting in core markets and asset types, by taking advantage of attractive development and acquisition opportunities which are expected to meet, or exceed, our targeted rates of return and which will contribute to the desired shape of our overall portfolio.

We have invested, or committed to invest, £126 million into eight development projects which completed during the first half of the year and a further 14 projects which comprise our current development pipeline. These projects are predominantly pre-let driven and are expected to deliver average yields on total development cost of 9.0 per cent.

We have spent £80 million on acquisitions of modern warehouse space and development land in our core markets. In central Warsaw, we acquired an urban distribution park, which is home to a range of local and multi-national businesses, in line with our ambition to grow our presence in and around selected major conurbations. In the UK, we have exchanged contracts to acquire a big box logistics warehouse on a distribution park in the Midlands which will be used by Clipper Logistics, a third party logistics provider, to service a major new contract with Superdry brand owner, SuperGroup.

We have completed or exchanged contracts to also acquire three pieces of land in key markets. This includes 50 hectares near Rugby, in the Midlands, for the development of big box logistics assets in a joint venture with Roxhill Developments Limited. We acquired a 12 hectare plot of land close to Charles de Gaulle airport, in the Ile de France, and an 11.5 hectare plot adjacent to the Ożarów Business Centre in Warsaw (subsequently renamed SEGRO Business Park Warsaw Ożarów), which we acquired last year. The land in Warsaw will be mainly developed on a pre-let basis, with one agreement already secured to build a 4,600 sq m facility for CAT.

3. Reducing Net Debt and Introducing Third Party Capital

Our third strategic priority is to reduce the LTV ratio over the longer term and increase the use of third party capital, predominantly to grow our big box logistics platform. This sector is large but fragmented and there are multiple competitive advantages from having scale which therefore requires large amounts of capital. Such advantages include market knowledge, the ability to leverage customer and other relationships on a multi-jurisdictional basis and the achievement of operational efficiencies.

At 30 June 2013, our look through net debt stood at £2,436 million, compared with £2,388 million at 31 December 2012, mainly due to the impact of disposals being offset by reinvestment, dividend payment and foreign exchange movements. As a result our look through LTV ratio increased slightly to 52 per cent (31 December 2012: 51 per cent).

However, in June, we were pleased to announce a significant step forward with our strategic plan by signing an agreement to create a 50:50 joint venture with Public Sector Pension Investment Board ('PSP Investments') to grow our logistics platform in Continental Europe to over €2 billion in the coming years. The joint venture will be known as SEGRO European Logistics Partnership ('SELP').

We will contribute substantially all of our core completed logistics assets in France, Germany, Belgium, the Netherlands, Poland and the Czech Republic to the venture, along with 84 hectares of adjacent development land, for a price of €974 million. This price is equal to the portfolio's valuation as at 31 December 2012 together with subsequent capital expenditure and development gains.

The joint venture, which is expected to close during the third quarter of 2013, will be funded by up to €390 million of medium term non-recourse debt with the balance in equity in equal shares of €303 million from SEGRO and PSP Investments.

This transaction provides us with far greater financial flexibility to take advantage of consolidation opportunities in the Continental European logistics sector and to reinvest in our other core activities. We will have the role of asset, property and development manager of the joint venture assets, earning fees of approximately €6 million per annum initially, with the potential to also earn additional fees as the joint venture grows and for development and for the future performance of the fund. These fees, along with our reduced exposure to any single customer or property, will enhance our overall risk-adjusted returns.

On a pro forma basis, taking into account £571 million of proceeds to be received from the SELP transaction and £284 million of proceeds from the disposal of IQ Winnersh and Neckermann, our look-through LTV ratio would have improved from 52 per cent to 44 per cent at 30 June 2013, thus serving to meet our third strategic objective to reduce leverage.

The proceeds from the SELP transaction include 50 per cent of PSP Investments' equity commitment (€152 million) which has been deferred, at SEGRO's option, for up to two years, earning us a cash coupon of not less than 7 per cent per annum.

4. Driving 'Operational Excellence'

Our fourth strategic priority is to deliver improving operational performance through our focus on customer relationships, operational efficiency and cost control.

During the first half of the year, we generated £16.7 million of new annualised rental income from leasing activity, 30 per cent higher than in the first half of 2012, and our Group retention rate increased, from 63 per cent to 75 per cent over the same period. We reduced the overall level of administrative expenses within the business by 7.6 per cent and held property operating expenses broadly flat compared with the same period in the prior year. The 1.3 per cent increase in the Group vacancy rate to 9.5 per cent (31 December 2012: 8.2 per cent) resulted from the net takeback of space at the Neckermann site in Frankfurt combined with capital recycling activity. This marks an improvement from 10.4 per cent at 31 March 2013, driven by good leasing activity. We also continued to deliver good momentum in our development pipeline, with eight projects completed in the first half and a further 14 projects underway.

The overall reduction in our EPRA EPS by 7.1 per cent to 9.2 pence per share reflects the income lost as a result of the progress we have made in disposing of non-core assets since the start of 2012.

STRONG LEASING ACTIVITY ACROSS THE PORTFOLIO

Summary of key leasing data[1]		**H1 2013**	**H1 2012**
Take-up of existing space, excluding Neckermann site[2] (A)	£m	12.5	9.6
Space returned, excluding Neckermann site[3] (B)	£m	(12.7)	(13.1)
Net absorption of existing space (A-B)	**£m**	**(0.2)**	**(3.5)**
Take back of space for redevelopment	£m	(1.5)	(0.4)
Neckermann site space returned, net of reletting[3]	£m	(9.7)	n/a
Take-up of new developments[2] (C)	£m	4.2	3.2
Total take up[2] (A+C), excluding Neckermann site	£m	16.7	12.8
Transactional rental levels versus prior December estimated rental values[4]	%	7.1	2.0
Lease incentives[4]	%	11.9	7.7

1. All figures include joint ventures at share

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

3. Annualised rental income

4. Excluding developments and the Neckermann site

Overall, during the first half of 2013, we completed 122 new lettings totalling 253,700 sq m which will generate £16.7 million of new annualised rental income (H1 2012: £12.8 million). This included £4.2 million from the letting of recently completed developments but excludes the re-letting of 63,700 sq m at the Neckermann site representing £1.8 million of annualised rental income. Our underlying take-backs were 3 per cent lower than in the same period last year at £12.7 million.

During the first half of the year, valuers' estimated rental values were, on average, unchanged compared with December 2012. However, there have been pockets of growth where demand has been more robust and supply particularly limited.

Our lettings were, on average, 7.1 per cent higher than December 2012 ERVs although the level of incentives given on new lettings also increased during the period to 11.9 per cent, on average.

The unique platform we are creating benefits from a number of positive trends that are continuing to drive demand for our assets both in the UK and in Continental Europe. The growth in on-line retailing and convenience shopping is creating the need for businesses, such as retailers and parcel delivery companies, to restructure their supply chains in order to position themselves closer to the consumer and to their local store networks. To that end, many of our customers are still evolving their distribution networks and this presents a significant opportunity for us, both as a provider of big box international/national distribution warehouse space as well as of 'last mile' delivery solutions.

During the first six months of the year, we let approximately 30,000 sq m to parcel delivery companies. This included 11,700 sq m of speculatively developed space to UPS at Krefeld, near Dusseldorf. UPS signed this new lease two months ahead of the building being completed, in April. At Park Royal in the UK, a prime location for last mile delivery into central London, we let 5,700 sq m to DHL on a 10 year lease to accommodate the significant increase in demand it is seeing for its parcel distribution services. DHL also took 5,200 sq m in Lyon, France, which it uses for international distribution. At The Heathrow Estate, we let 2,600 sq m to Asendia (a joint venture between Swiss Post and La Poste), in addition to 3,900 sq m of existing space at the site, in order for it to grow its cross-border mail business. We also let a newly refurbished 4,300 sq m unit at the Slough Trading Estate to UK Mail on a 15 year lease, almost doubling their existing space. This unit represented the largest void at the Estate. In addition we have a number of lettings to parcel courier companies either in advanced discussions or in solicitors' hands.

Demand for data centre and IT disaster recovery space also remains strong, in particular for data storage facilities close to major financial centres such as London. During the period we completed two new data centre lettings at the Slough Trading Estate. The first was a 1,300 sq m unit let to Paragon on a 15 year lease and the second was 3,100 sq m of space developed speculatively at Ajax Avenue in 2012, let to Gyron on a 20 year lease. This represents Gyron's third data centre lease signed with us in the past two years. Including these two deals, we now have 148,000 sq m of data centre space around London and on the Slough Trading Estate.

We are also continuing to see a good level of demand from other third party logistics providers. Key lettings in the UK included 3,300 sq m to Hitachi Transport Systems in Basingstoke and 3,200 sq m to Uti Worldwide in West London. In the Ile de France we let 8,900 sq m to Arene, a furniture storage and distribution company.

Within our UK suburban office portfolio, we completed several lettings during the period. This included 3,400 sq m to BMC Software at IQ Winnersh, and 3,600 sq m to Biocompatibles at Watchmoor Park, in Camberley. At the Slough Trading Estate, Blackberry extended the lease on its office building for a further 10 years.

At the Neckermann site in Frankfurt, we let 63,700 sq m, mainly to BLG Logistics. Approximately 80,000 sq m of the 309,000 sq m site had been successfully re-let at the end of the first half of the year. We also let 25,800 sq m at Alzenau in Frankfurt (which had previously been let to a sub-tenant of Neckermann) to B+S GmbH in two tranches commencing in July 2013 and January 2014, respectively.

A summary of our lettings by business unit is provided below:

Business unit	Lettings	Total space let (sq m)
Thames Valley & National Logistics	34	35,300
Greater London	37	37,100
Northern Europe (excluding Neckermann)	22	79,600
Southern Europe	9	38,800
Central Europe	20	62,900
Total	**122**	**253,700**

In addition to the lettings detailed above, we had £2.6 million of annualised rental income relating to deals in solicitors' hands as at 30 June 2013.

HIGH CUSTOMER RETENTION DRIVING VACANCY IMPROVEMENTS

Our commitment to maintaining strong relationships with our customers and our proactive approach to working with them ahead of lease breaks or expiries helped us to achieve a Group retention rate of 75 per cent in the six months to 30 June 2013 (H1 2012: 63 per cent).

The Group vacancy rate at 30 June 2013 increased to 9.5 per cent compared with 8.2 per cent at 31 December 2012 but had reduced from the 10.4 per cent reported at 31 March 2013. The 9.5 per cent vacancy rate comprised 8.1 per cent for the core portfolio (31 December 2012: 7.6 per cent) and 17.4 per cent for the non-core portfolio (31 December 2012: 11.1 per cent). Overall, short term lettings benefitted the Group vacancy rate by 1.4 per cent at 30 June 2013 compared with 1.6 per cent at 31 December 2012.

Key reasons for the rise in Group vacancy over the first half of the year were the takeback of space at the Neckermann site which accounted for 1.0 per cent of the increase, net of re-lettings, and our capital recycling activity in the first half of the year, which accounted for the remaining 0.3 per cent increase over the six months to 30 June 2013.

On a pro forma basis, taking into account the disposal of IQ Winnersh and the Neckermann site and the planned transfer of substantially all of our Continental European logistics assets into SELP, the Group vacancy rate at 30 June 2013 would have been 8.9 per cent.

A more detailed breakdown of vacancy rates across the Group is available in our Property Analysis Booklet, which is available to download at www.segro.com/investors.

SUCCESSFUL AND GROWING DEVELOPMENT PIPELINE

After a strong year of development completions in 2012 (21 projects) we have continued to maintain good momentum in the development of our land bank. This is being driven by the shortage of modern, well-located warehouses in our core markets, combined with attractive demand drivers such as the growing requirement for urban distribution space from parcel courier companies and retailers alongside the need for big box national and international distribution facilities. These projects provide a valuable source of new income, delivering average yields on total development cost of approximately 9.0 per cent.

Development projects completed in the year to date

During the first half, we completed eight developments totalling 69,100 sq m, representing £3.5 million of new annualised rental income when fully let (86% let already).

In the UK, at the Slough Trading Estate, we completed a 2,300 sq m warehouse for Karl Storz Endoscopy, together with 1,800 sq m of speculatively developed space. At Tudor Gate, Park Royal, we completed 900 sq m of warehouse and office space for Warmup, in addition to 2,300 sq m of speculatively developed space.

In Germany, we completed a 11,700 sq m speculative project at Krefeld Logistics Park, near Dusseldorf, which was fully let to UPS two months ahead of being finished in April. This warehouse will be used for the national and international distribution of online orders for Birkenstock. It is located adjacent to a 9,020 sq m pre-let facility we completed for Wir Packens, which provides national distribution for Nespresso, last year.

Additionally, we completed 5 pre-let logistics development projects in Poland, totalling 50,100 sq m. This comprised 18,500 sq m for Dayco in Tychy, 5,200 sq m for DB Schenker in Gdansk and 19,500 sq m for Valeo, CAT, Geodis and Azymut in Strykow. We also built a 6,900 sq m parcel distribution warehouse for DPD in Wroclaw.

Active development projects

As at 30 June 2013, we had 14 development projects approved, contracted or under construction (of which 11 are pre-let or part pre-let) representing £10.3 million of future annualised rental income when fully let (71 per cent let) and £48.6 million of future capital expenditure. We have a further 4 projects under advanced discussions with customers or signed, subject to planning consent, representing £2.2 million of new annualised rental income.

In Enfield, North London, we will build a five-storey hotel for Premier Inn covering 4,000 sq m, with the opening scheduled for May 2014. Adjacent to the hotel, we will also build 7,800 sq m of speculatively developed space suitable for light industrial or urban distribution usage.

On the Slough Trading Estate, we have signed an agreement with FedEx to build a 3,100 sq m distribution centre to meet increasing demand for its parcel delivery services. This will almost triple the size of their existing facility on the Estate, which will be vacated when the new building is completed in early 2014. This follows on from the letting of 2,900 sq m of speculatively developed space to FedEx at La Courneuve, Ile de France, at the end of 2012 to meet increasing demand for parcel delivery. We will also build 2,900 sq m of speculative space with the new FedEx facility on the Slough Trading Estate.

In Alzenau we started the second phase of our part pre-let development at Alzenau, Frankfurt. This comprised a 5,800 sq m pre-let logistics warehouse for textile company, Sauerbrei, in addition to 11,500 sq m of speculative space and completed in July, after the period end.

The Polish market has remained active and we signed four pre-let or part pre-let agreements during the period to build 22,900 sq m of logistics facilities for a range of businesses. This included a 4,600 sq m cross dock warehouse for CAT on land adjacent to the SEGRO Business Park Warsaw Ożarów. The other projects comprised 4,300 sq m for Specjal, a Polish distributor of grocery products, with an additional 2,300 sq m of speculative space, in Wroclaw and 5,900 sq m for a food producer and Colquimica, with an additional 3,300 sq m of speculative space in Poznan and a 2,500 sq m extension for Zabka at its facility in Tychy.

In Hostivice, Czech Republic, we have signed a pre-let agreement with a Swedish furniture retailer to build a 5,700 sq m warehouse, which it will use to distribute to stores and customers in the Prague region.

We also approved the second phase of speculative development close to Berlin Brandenburg Airport following the successful letting of almost 90 per cent of the first phase, despite the delayed opening of the airport, which completed during 2012. This will comprise 8,500 sq m of light industrial space and is expected to complete in Q4 2013.

Update on development projects completed during 2012

During 2012, we completed 21 development projects representing 190,000 sq m of space and £16.4 million of annualised rental income when fully let. In February, when we reported our 2012 full year results, we had achieved 89 per cent occupancy. Since that time, we have let an additional 3,100 sq m of speculatively developed space at Ajax Avenue, on the Slough Trading Estate, to Gyron, meaning that the 5,900 sq m scheme is now fully let. We have also completed further lettings of speculatively developed space close to Berlin Airport and at Rhinepark in Dusseldorf. As a consequence, the 2012 completed projects are now 94 per cent let.

A more detailed breakdown of our current and completed development projects is available in our Property Analysis Booklet, which is available to download at www.segro.com/investors.

POSITIVE PORTFOLIO VALUATION

An increasing number of well-capitalised investors are targeting the industrial and logistics sectors across Europe, attracted to the high income returns, relative stability of performance and positive growth prospects compared to alternative asset classes.

This has led to robust levels of transaction volumes in the first half of the year, particularly in the strongest economic centres such as London, Paris and the major German cities. The growing level of competition from investors for good quality industrial and logistics assets in the best locations is exerting downward pressure on yields and beginning to feed through to asset valuations.

With the IPD Monthly Index recording an increase in capital values for UK All Property over May and June, following 18 consecutive monthly declines, there is increased confidence, depth and liquidity being seen in investment markets. A number of property investors are now selectively looking to regional markets and more secondary assets where values are believed to have stabilised and visibility of demand is more apparent. Currently this activity is restricted to established players, with the availability of debt still scarce for this type of investment product.

In terms of SEGRO's own assets, these market trends are consistent with the valuation movements we have seen across the portfolio in the first six months of the year. In aggregate, the total portfolio recorded a marginally positive like for like valuation gain of 0.3 per cent on completed properties.

The positive valuation movement reflects the significant progress made in disposing of non-core assets, which are mainly secondary and higher vacancy or located in sub-optimal markets, such that the portfolio is now predominantly concentrated in well located, high quality, modern assets.

Overall, our portfolio of core warehouse, light industrial and data centre properties recorded a like for like valuation increase of 0.8 per cent, compared with the IPD Industrial Monthly Index which remained flat over the six month period. This comprised a 1.1 per cent increase in the UK and a 0.2 per cent increase in Continental Europe.

SEGRO's office portfolio showed no change in like for like valuation over the period. However, within this, IQ Winnersh recorded a 7.5 per cent valuation uplift reflecting initial interest from potential buyers which had been received at 30 June 2013. Office valuations at the Slough Trading Estate showed a reduction of 2.4 per cent, reflecting the valuers' opinion as to the yield risk premium investors would require for shorter lease length suburban offices.

The portfolio of non-core assets recorded a valuation decline of 2.4 per cent, mainly attributable to the Continental European assets, and reflecting a continuing lack of investor interest or liquidity in older, more secondary assets. This included a reduction in the valuation of Neckermann, to reflect the offer received from its eventual buyer.

A more detailed analysis of our portfolio valuation by country and asset type is available below and in our Property Analysis Booklet, which is available to download at www.segro.com/investors.

INTERIM DIVIDEND OF 4.9 PENCE PER SHARE

The Board has declared an interim dividend of 4.9 pence per share (H1 2012: 4.9 pence) which will be paid as an ordinary cash dividend. The Board is offering a Dividend Reinvestment Plan and the last date for DRIP elections will be on 13 September 2013.

The timetable for the 2013 interim dividend will be as follows:

Ex-Dividend date	4 September 2013
Record Date	6 September 2013
Payment Date	4 October 2013

As previously stated, the Board expects to at least maintain the dividend throughout the period of the strategic portfolio reshaping and is committed to a progressive dividend policy in the longer term.

SUMMARY OF PROPERTY PORTFOLIO ANALYSIS AS AT 30 JUNE 2013

By asset type	Lettable area sq m	Completed £m	Owner occupied £m	Land & development[3] £m	Combined property portfolio £m	Net initial yield[2] %	Net true equivalent yield[2] %	Valuation movement[1 2] %	Vacancy by ERV[2 4] %
Larger logistics warehouses	2,259,102	1,228.1	-		1,228.1	7.2	8.0	0.3	5.7
Smaller warehouses and light industrial buildings	2,407,718	2,155.4	0.5		2,155.9	5.8	7.9	0.2	13.5
Data centres	147,977	310.7	-		310.7	6.3	6.8	2.3	1.0
Offices	329,513	501.9	3.7		505.6	8.3	8.9	0.0	7.7
Other business space	75,974	161.0	-		161.0	6.6	7.1	(1.1)	1.0
	5,220,284	**4,357.1**	**4.2**	**335.4**	**4,696.7**	**6.6**	**8.0**	**0.3**	**9.5**
By ownership									
Wholly owned	4,705,233	3,725.2	4.2	311.5	4,040.9	6.7	8.1	0.3	9.2
Joint ventures	515,051	631.9	-	23.9	655.8	5.7	7.3	0.3	11.6
Group Total	**5,220,284**	**4,357.1**	**4.2**	**335.4**	**4,696.7**	**6.6**	**8.0**	**0.3**	**9.5**

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

2 In relation to the completed properties only.

3 Land and development valuations by asset type are not available as land sites are not yet categorised by asset type.

4 Vacancy rate excluding short term lettings for the Group at 30 June 2013 is 10.9%.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The Group recognises that its ability to manage risk consistently across the organisation is central to its success. It defines risk as the potential effect of uncertainty on its ability to achieve its objectives, while risk management ensures a structured approach to decision-making that aims to reduce the uncertainty surrounding expected outcomes, balanced against the objective of creating value for the Group's shareholders.

The process for identifying, assessing and reviewing risks faced by the Group is described in the Principal Risks and Uncertainties section on page 40 of the 2012 Annual Report. There are no significant changes from the risks and mitigations presented in the 2012 Annual Report on pages 41 to 43, which includes further information about the risks and mitigating activity.

The proposed creation of SEGRO European Logistics Partnership ('SELP'), a Continental European logistics joint venture, has been risk-assessed and mitigating action plans for the associated execution risks have been identified and put in place. Whilst the injection of assets into a joint venture will change the nature of our ownership of those assets, the SELP transaction has a positive impact on a number of the Group's principal risks. Assuming completion of the transaction, the Group will have made a further significant step in implementing the strategic changes announced in November 2011 and delivering the target portfolio shape. The Group will also reduce its exposure to Eurozone economic environment risks in the short term, strengthen its solvency position and improve headroom against the Group's tightest covenant, the adjusted gearing covenant. Contingency plans are also in place in the event that the transaction does not complete.

A summary of the principal risks and uncertainties for the second half of 2013 is provided below.

1. Strategic Risks

Portfolio shape and performance. Management considers that if the Group holds the wrong shape portfolio then non-performing assets or the wrong type of assets may dilute portfolio returns resulting in relative underperformance of TPR and TSR against the market and external expectations.

Pace of strategic change. If SEGRO does not deliver its stated strategic changes at the right pace and within an acceptable timeframe then investor expectations may not be met and improved shareholder returns may not be delivered.

Impact of the Eurozone economic environment. A deterioration in economic conditions in the Eurozone could result in a loss in value or reduction in income to the Group, by adversely impacting economic performance in the markets in which we hold property assets in Continental Europe. If this deterioration also resulted in a weakening of the euro against sterling this would have an adverse currency translation impact on the reported sterling income and asset values from our euro denominated operations.

2. Financial Risks

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

3. Operational Risks

Operational delivery. The Group's ability to maintain its reputation, revenues and shareholder value could be damaged by operational failures such as: health and safety incidents; environmental damage; business systems or IT disruption; failing to attract, retain and motivate key staff; breach of anti-bribery and corruption legislation.

4. Investment/Real Estate Risks

Market cycle. The property market is cyclical and there is an inherent 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 time in the cycle.

Appropriateness of investment plans. Decisions to buy, hold, sell or develop assets could be flawed due to inadequate analysis, inappropriate assumptions, poor due diligence or changes in the economic or operating environment.

Portfolio valuation. If we fail to anticipate portfolio valuation changes we may fail to take action to sell under-performing assets or we may not be able to manage shareholder expectations appropriately, resulting in TPR underperformance or potential damage to our reputation with investors and, ultimately, to an increase in our cost of capital.

5. Compliance Risks

There are currently no risks within this category that meet the criteria for classification as a principal risk.

FINANCIAL REVIEW

HIGHLIGHTS

	30 June 2013	30 June 2012	31 December 2012
Total property return (%)	**3.5**	0.2	(0.1)
Net asset value (NAV) per share (p)	**297**	322	302
EPRA[1] NAV per share (p)	**294**	317	294
Realised and unrealised property loss[2]	**(8.5)**	(161.9)	(353.2)
Profit/(loss) before tax (£m)	**20.3**	(81.8)	(202.2)
EPRA[1] profit before tax (£m)	**69.0**	74.9	144.9
Earnings/(loss) per share (EPS) (p)	**2.2**	(10.8)	(26.6)
EPRA[1] EPS (p)	**9.2**	9.9	19.3

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

2. Includes the realised and unrealised property loss of £8.2 million for the wholly owned portfolio (see note 7 to the financial information) and the realised and unrealised property loss of £0.3 million from our share of joint ventures (see note 6 to the financial information).

TOTAL PROPERTY RETURN

Total property return for the period was 3.5 per cent, a significant improvement on the return for the same period in 2012. This reflects an income return of 3.2 per cent (H1 2012: 3.3 per cent), and a 0.3 per cent capital return compared to a 3.1 per cent negative capital return in the first half of 2012. The capital return on the core assets was 0.8 per cent in the period, which compares favourably with the IPD UK Industrial Index, where the capital return was zero in the period.

NAV AND EPRA NAV PER SHARE

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

EPRA NAV per share at 30 June 2013 was 294 pence, consistent with 31 December 2012. EPRA profit before tax generated during the period largely covers the final dividend payment, with the relatively small realised and unrealised property loss offset by exchange gains.

	£m	**Number of shares (m)**	**Pence per share**
EPRA net assets attributable to ordinary shareholders at 31 December 2012	**2,176.0**	**740.9**	**294**
Realised and unrealised property loss	(8.5)		(1)
EPRA profit before tax	69.0		9
Dividend (final)	(73.4)		(10)
Exchange rate movement (net of hedging)	13.6		2
Other	(1.7)		-
EPRA net assets attributable to ordinary shareholders at 30 June 2013	**2,175.0**	**740.9**	**294**

REALISED AND UNREALISED PROPERTY LOSS

A total realised and unrealised loss on property for the wholly owned portfolio of £8.2 million (H1 2012: £151.3 million loss) has been recognised during the period, which includes an unrealised valuation deficit on investment properties of £0.1 million (H1 2012: £127.2 million deficit), a loss of £0.5 million on the disposal of investment properties (H1 2012: £14.0 million loss) and a loss of £1.6 million on disposal of trading properties (H1 2012: £0.7 million profit). Impairment provisions of £5.9 million (H1 2012: £10.1 million) were recorded against remaining trading properties as their fair values are deemed to be less than their original cost. The total realised and unrealised loss on property for the period is further analysed in note 7.

Our share of the realised and unrealised loss on property generated from joint ventures was £0.3 million (H1 2012: £10.6 million loss) and is further analysed in note 6.

The Group’s trading property portfolio (including share of joint ventures) has an unrealised valuation surplus of £7.8 million at 30 June 2013, which has not been recognised in the financial statements (H1 2012: £11.8 million surplus) as they are recorded at the lower of cost or fair value.

EPS and EPRA EPS

EPS is 2.2 pence for the period to 30 June 2013, compared with (10.8) pence in H1 2012. The negative EPS in H1 2012 was largely driven by the realised and unrealised property loss of £161.9 million, compared to a much smaller loss of £8.5 million this period. This is partially offset by lower EPRA profit this period compared to H1 2012 and a net fair value loss on interest rate swaps and other derivatives of £39.2 million in this period, compared to a net gain of £6.1 million in H2 2012.

EPRA EPS of 9.2 pence per share is lower than the same period in 2012 (9.9 pence per share) reflecting a £5.5 million decrease in EPRA profit after tax, which is analysed in further detail in the EPRA profit and following sections below.

EPRA PROFIT

The quantum of disposals over the last 18 months (£19.5 million of net rental income sold) and the income lost from the Neckermann insolvency (£7.1 million of net rental income) have contributed to a reduction in EPRA profit for the period. However, EPRA net finance costs are lower and good progress has been made to replace income over the same period through reinvesting in acquisitions (£7.0 million of net rental income) and the development pipeline (£6.2 million of net rental income), such that EPRA profit after tax only decreased by £5.5 million (7.5 per cent) in comparison to the same period last year. EPRA profit can be analysed as follows:

	Six months to 30 June 2013 £m	Six months to 30 June 2012 £m
Gross rental income	**144.6**	156.9
Property operating expenses	**(25.9)**	(26.0)
Net rental income	**118.7**	130.9
Joint venture management fee income	**2.0**	2.9
Administration expenses	**(12.1)**	(13.1)
Share of joint ventures' EPRA profit[1]	**11.4**	10.1
EPRA operating profit before interest and tax	**120.0**	130.8
EPRA net finance costs	**(51.0)**	(55.9)
EPRA profit before tax	**69.0**	74.9
Tax on EPRA profit	**(0.9)**	(1.3)
EPRA profit after tax	**68.1**	73.6

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

A reconciliation between EPRA profit and IFRS profit is provided in note 2. Movements in the key components of EPRA profit after tax are analysed in further detail in the sections following.

NET RENTAL INCOME

Net rental income in total has decreased by £12.2 million. Net rental income lost due to disposals (£19.5 million) and the Neckermann insolvency (£7.1 million, being the net impact of the Neckermann insolvency offset by the partial re-letting of space at the site), is partially offset by the impact of acquisitions (£7.0 million) and developments (£6.2 million). Adjusting for Neckermann, like for like rent is broadly flat, at £0.6 million below the same period last year.

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

Like for like net rental income	**Six months to 30 June 2013 £m**	Six months to 30 June 2012 £m
Completed properties owned throughout both periods, excluding the Neckermann site	**100.5**	101.1
Neckermann site	**(0.9)**	6.2
Like for like net rental income	**99.6**	107.3
Development lettings	**7.1**	0.5
Properties taken back for development	**-**	0.4
Like for like net rental income plus developments	**106.7**	108.2
Properties acquired	**7.0**	-
Properties sold	**1.1**	20.6
Net rental income before surrenders, dilapidations and exchange	**114.8**	128.8
Lease surrender premiums and dilapidations income	**2.4**	1.1
Rent lost from lease surrenders and other income	**1.5**	3.1
Impact of exchange rate difference between periods	**-**	(2.1)
Net rental income per income statement	**118.7**	130.9

JOINT VENTURES

Joint venture management fee income has decreased by £0.9 million, largely due to additional fees earned in H1 2012 from development activity within the APP joint venture.

SEGRO's share of joint ventures' EPRA profit is £11.4 million, an increase of £1.3 million compared to the prior period, largely due to one extra month's earnings from the LPP joint venture which was acquired at the end of January 2012. In addition, our share of EPRA profit from the Big Box joint venture has increased by £0.4 million due to the impact of lower interest rates following a refinancing of its debt facility in the second half of 2012.

TOTAL COSTS

The Group is focused on carefully managing its cost base and has adopted the recently released EPRA cost ratio as a key measure of cost management. The EPRA cost ratio is calculated on a consistent basis with the total cost ratio previously reported by SEGRO and the calculation is outlined below.

The EPRA cost ratio (including vacant property costs) for the six months ended 30 June 2013 was 23.5 per cent compared to 22.9 per cent for the year ended 31 December 2012 and 22.5 per cent for the six months ended 30 June 2012. The increase in the cost ratio is largely driven by the Neckermann insolvency and the £11.2 million reduction in gross rental income (including JV's at share) due to the net impact of capital recycling activities (disposals, acquisitions and developments).

If the Neckermann site was excluded from the cost ratio, the cost ratio for the period to 30 June 2013 would have been 22.4% compared to 23.3% for the same period in 2012, which demonstrates our continued progress on cost reduction, despite the income lost from disposals.

Total costs are lower by £0.9 million, largely driven by a decrease in administration expenses as a result of a reduction in employment costs.

One of the Group's largest costs is associated with vacant properties, whereby property taxes, maintenance and other estate service expenses are borne by the Group. The EPRA cost ratio (excluding vacant property costs) provides an indicator of the opportunity to reduce costs through vacancy reduction and for the six months ended 30 June 2013 was 18.9 per cent (H1 2012: 18.0 per cent).

EPRA cost ratio	**Six months to 30 June 2013 £m**	Six months to 30 June 2012 £m
Costs		
Property operating expenses[1] (see note 5)	**25.9**	26.0
Administration expenses	**12.1**	13.1
Share of joint venture property operating expenses[2] (see note 6)	**2.8**	2.5
Less:		
Joint venture property management fee income (see note 4)	**(2.0)**	(1.9)
Total costs (A)	**38.8**	39.7
Vacant property costs (see note 5)	**(7.6)**	(8.0)
Total costs excluding vacant property costs (B)	**31.2**	31.7
Gross rental income		
Gross rental income (see note 4)	**144.6**	156.9
Share of joint venture property gross rental income (see note 6)	**20.7**	19.6
Total gross rental income (C)	**165.3**	176.5
Total EPRA cost ratio (including vacant property costs) (A)/(C)	**23.5%**	22.5%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	**18.9%**	18.0%

1. Property operating expenses are net of costs capitalised in accordance with IFRS of £1.0 million (see note 5 for further detail on the nature of costs capitalised).

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

NET FINANCE COSTS

EPRA net finance costs (which exclude fair value gains and losses on interest rate swaps and currency derivatives and realised gains or losses on debt buy backs) were £51.0 million in the period, £4.9 million lower than the £55.9 million incurred for the six months ended 30 June 2012. This is largely due to a higher portion of debt at floating interest rates for the period to 30 June 2013, following the bond buy-back in December 2012, additional sterling pay floating/receive fixed interest rate swaps and the maturity of euro pay fixed/receive floating interest rate swaps. Disposals have also contributed positively to a lower finance cost, however this impact was broadly offset by acquisitions, development spend and the net settlement of foreign exchange derivatives.

A net fair value loss on interest rate swaps and other derivatives of £39.2 million has been recognised within net finance costs for the six months ended 30 June 2013 (H1 2012: £6.1 million gain), mainly as a result of an increase in medium-term sterling interest rates in the second quarter, decreasing the fair value of the Group's pay floating, received fixed sterling interest rate swap portfolio.

TAX

A tax charge of £5.0 million has been recognised for the six months to 30 June 2013 (H1 2012: £1.6 million credit), with a £0.9 million tax charge attributable to EPRA profit (H1 2012: £1.3 million charge) and a £4.1 million tax charge in relation to the non-EPRA items (H1 2012: £2.9 million credit). The underlying tax rate at 30 June 2013 on an EPRA profits basis was 1.3 per cent, broadly consistent with the same period last year (H1 2012: 1.7 per cent), and consistent with a target tax rate of less than 3 per cent.

The Group's target tax rate of less than 3 per cent reflects the fact that around three quarters of its assets are located in the UK and France and qualify for REIT and SIIC status in the UK and France respectively. These regimes were introduced by the respective governments to remove inequalities between different real estate investors and to provide an opportunity for shareholders of all sizes to invest in property in a low-cost and tax efficient way. As a result, UK REIT and French SIIC status means that income from rental profits and gains on disposals of assets (in France and the UK) are exempt from corporation tax provided SEGRO meets a number of conditions, including, but not limited to, distributing 90 per cent of profits from rental income. These distributions (PIDs) are subject to 20 per cent withholding tax unless the shareholder has tax exempt status. The distributions are then further taxed in the hands of the shareholder at their relevant marginal rate of tax. SEGRO's profits in other countries remain taxable.

CASH FLOW

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

	Six months to 30 June 2013 £m	Six months to 30 June 2012 £m
Opening net debt	**(2,090.3)**	(2,303.4)
Cash flow from operations	**91.4**	107.4
Finance costs (net)	**(58.4)**	(52.3)
Dividends received (net)	**11.8**	2.3
Tax paid (net)	**(0.7)**	(12.2)
Free cash flow	**44.1**	45.2
Dividends paid	**(63.0)**	(65.9)
Acquisitions and development of investment properties	**(93.6)**	(64.6)
Investment property sales (including joint ventures)	**155.7**	352.5
Net settlement of foreign exchange derivatives	**(64.4)**	45.8
Net investment in joint ventures	**(4.6)**	(50.8)
Other items	**0.2**	2.7
Net funds flow	**(25.6)**	264.9
Non-cash movements	**(2.1)**	(2.3)
Exchange rate movements	**(14.3)**	18.5
Closing net debt	**(2,132.3)**	(2,022.3)

Free cash flow generated from operations for the period was £44.1 million, broadly in line with the same period in 2012.

The largest cash inflow for the period was £155.7 million from investment property sales, following the disposal of Thales, Munich and various other non-core assets. The proceeds were used to fund the acquisition of Zeran Park, Warsaw and capital expenditure, predominantly in relation to our development programme. Other significant cash flows include the dividends paid of £63.0 million, consistent with the prior period, and £64.4 million paid to settle foreign exchange derivatives (H1 2012: £45.8 million receipt). The dividends paid were in respect of the final dividend, which was two thirds of the full year amount. The foreign exchange derivatives movement reflects the settlement of short dated cross currency swaps used to hedge euro denominated assets; with the euro strengthening during the period, a net cash outflow occurred on settlement of those swaps. As a result of these factors there was a net cash outflow of £25.6 million during the period (H1 2012: net cash inflow of £264.9 million).

CAPITAL INVESTMENT/DIVESTMENT

During the first half of 2013, the Group made further progress on reshaping the portfolio, with two large non-strategic assets (Thales and Munich) sold during the period, which contributed to a net divestment of £32.6 million for the period.

	Six months to 30 June 2013 £m	Six months to 30 June 2012 £m
Investment		
Development expenditure on investment properties	**57.5**	64.5
Acquisitions of investment properties	**44.0**	-
Development expenditure on trading properties	**3.2**	9.0
Total investment	**104.7**	73.5
Divestment		
Investment properties	**(142.4)**	(369.5)
Trading properties	**(0.3)**	(11.6)
Joint ventures	**(0.4)**	-
Total disposals	**(143.1)**	(381.1)
Net investment in joint ventures	**5.8**	66.1
Net capital divestment[1]	**(32.6)**	(241.5)

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

FINANCIAL POSITION AND FUNDING

At 30 June 2013, the Group's net borrowings were £2,132.3 million, an increase of £42.0 million since year end (31 December 2012: £2,090.3 million). The net borrowings comprise gross borrowings of £2,144.6 million (31 December 2012: £2,106.9 million) and cash balances of £12.3 million (31 December 2012: £16.6 million).

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

At 30 June 2013 funds availability was £325.4 million, comprising £12.3 million of cash and £313.1 million of undrawn facilities, of which £14.3 million was uncommitted. The Group has a favourable debt maturity profile. At 30 June 2013 total debt maturities (bonds, notes and bank facilities) falling due within 12 months were £6.7 million and the weighted average maturity of the gross borrowings of the Group was 7.8 years (31 December 2012: 8.3 years).

During the period €15.0 million of committed debt facilities matured and we cancelled at face value €70.0 million of committed debt facilities (maturing in October 2013) and €45.6 million of secured debt facilities (maturing in 2014 and 2016).

GEARING AND FINANCIAL COVENANTS

The interest cover covenant in our banking facilities requires that net interest before capitalisation be covered at least 1.25 times by property rental income in the prior twelve month period. The Group comfortably met this ratio at 30 June 2013 at 2.3 times (31 December 2012: 2.3 times).

On a look-through basis, the loan to value ratio, including the Group's share of borrowings and property assets from joint ventures, was 52 per cent at 30 June 2013 (31 December 2012: 51 per cent). On a pro-forma basis, adjusting for the future impact of the SELP transaction and the disposals of Neckermann and Winnersh, the loan to value ratio was 44 per cent.

The gearing ratio of the Group at 30 June 2013 within the principal debt financing arrangements of the Group (i.e. excluding debt funding arrangements within joint ventures) was 96 per cent (31 December 2012: 93 per cent), 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 19 per cent (31 December 2012: 21 per cent) from their 30 June 2013 values to reach the gearing covenant threshold of 160 per cent.

INTEREST RATE EXPOSURE

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

At 30 June 2013, including the impact of derivative instruments, £1,266.0 million of borrowings were at fixed rates, representing 59 per cent (31 December 2012: 59 per cent, 30 June 2012: 70 per cent) of the net borrowings of the Group. By currency, 59 per cent of euro denominated net borrowings of the Group of £1,305.6 million and 60 per cent of the remaining net borrowings (predominantly sterling) of £826.7 million were at fixed rates.

The weighted average maturity of fixed rate cover at 30 June 2013 of £1,266.0 million was 8.0 years at an average fixed interest rate of 5.8 per cent. Including the impact of derivative financial instruments, floating rate gross borrowings at 30 June 2013 were £878.6 million at an average interest rate (including margin) of 2.7 per cent giving a weighted average interest rate (including margin) for gross borrowings at that date, before commitment fees and amortised costs, of 4.5 per cent (31 December 2012: 4.6 per cent) or 4.8 per cent (31 December 2012: 4.9 per cent) after allowing for such items. The look-through weighted average interest rate before commitment fees and amortised costs, including the Group's share of average borrowings and finance costs from joint ventures, was 4.4 per cent, or 4.8 per cent after allowing for such items.

If short term interest rates had been 1 per cent higher throughout the 6 month period to 30 June 2013, the adjusted net finance cost of the Group would have increased by approximately £3.7 million, representing 5 per cent of EPRA profit after tax.

FOREIGN CURRENCY TRANSLATION EXPOSURE

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

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

As at 30 June 2013, the Group had foreign currency assets amounting to £1,752.3 million, which were 86 per cent hedged by foreign currency denominated liabilities of £1,507.2 million.

A 5 per cent strengthening against sterling in the value of the other currencies in which the Group operates at 30 June 2013 would have increased net assets by approximately £13 million and reported gearing by less than 1 per cent. Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, the impact on gearing would have been approximately 2 per cent.

A 5 per cent strengthening against sterling in the value of the other currencies in which the Group operates at 30 June 2013, including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, would have increased the LTV ratio on a look-through basis by 0.5 per cent.

The average exchange rate used to translate euro denominated earnings generated during the period into sterling within the consolidated income statement of the Group was €1.17: £1. Based on the hedging position at 30 June 2013, and assuming that this position had applied throughout the six months to June 2013, if the euro had been 5 per cent stronger than it was against sterling throughout the period (€1.11: £1), EPRA profits after tax for the period would have been approximately £1.0 million (1.5 per cent) higher than those reported.

On the same basis, if the euro sterling exchange rate during the six months to June 2013 had been consistent with the average rate during 2012 of €1.23: £1 (i.e. the euro was 5 per cent weaker than it was), EPRA profits after tax for the period would have been approximately £1.0 million (1.4 per cent) lower than those reported.

GOING CONCERN

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

Having made enquiries and having considered the principal risks and uncertainties facing the Group as detailed on page 10, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

RESPONSBILITY STATEMENT

We confirm that to the best of our knowledge:

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

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

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

By order of the Board,

David Sleath	Justin Read
Chief Executive	Group Finance Director

INDEPENDENT REVIEW REPORT TO SEGRO PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the condensed Group income statement, the condensed Group statement of comprehensive income, the condensed Group balance sheet, the condensed Group statement of changes in equity, the condensed Group cash flow statement and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
30 July 2013

CONDENSED GROUP INCOME STATEMENT

For the six months ended 30 June 2013

	Notes	**Half year to 30 June 2013 (unaudited) £m**	Half year to 30 June 2012 (unaudited) £m	Year to 31 December 2012 (audited) £m
Revenue	4	**168.4**	190.1	371.0
Gross rental income	4	**144.6**	156.9	305.4
Property operating expenses	5	**(25.9)**	(26.0)	(50.6)
Net rental income		**118.7**	130.9	254.8
Joint venture management fee income		**2.0**	2.9	7.4
Administration expenses		**(12.1)**	(13.1)	(27.9)
Share of profit/(loss) from joint ventures after tax	6	**11.5**	(3.9)	2.7
Realised and unrealised property loss	7	**(8.1)**	(150.6)	(340.0)
(Loss)/gain on sale of investment in joint ventures		**(0.2)**	–	0.2
Other investment income		**0.2**	–	2.4
Amounts written off on acquisitions		**(1.5)**	(0.5)	(0.6)
Operating profit/(loss)		**110.5**	(34.3)	(101.0)
Finance income	8	**30.1**	31.7	66.1
Finance costs	8	**(120.3)**	(79.2)	(167.3)
Profit/(loss) before tax		**20.3**	(81.8)	(202.2)
Tax	9	**(5.0)**	1.6	4.9
Profit/(loss) after tax		**15.3**	(80.2)	(197.3)
Attributable to equity shareholders		**16.5**	(80.2)	(197.3)
Attributable to non-controlling interests		**(1.2)**	–	–
		15.3	(80.2)	(197.3)
Earnings per share				
Basic and diluted earnings/(loss) per share	11	**2.2**	(10.8)	(26.6)

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	**Half year to 30 June 2013 (unaudited) £m**	Half year to 30 June 2012 (unaudited) £m	Year to 31 December 2012 (audited) £m
Profit/(loss) for the period		**15.3**	(80.2)	(197.3)
Items that will not be reclassified subsequently to profit or loss				
Valuation deficit on owner occupied properties	7	**(0.1)**	(0.7)	(0.8)
Actuarial gain/(loss) on defined benefit pension schemes		**3.6**	(9.8)	(4.9)
		3.5	(10.5)	(5.7)
Items that may be reclassified subsequently to profit or loss				
Foreign exchange movement arising on translation of international operations		**16.8**	(13.3)	(12.2)
(Decrease)/increase in value of available-for-sale investments		**(0.4)**	0.8	–
Fair value movements on derivatives in effective hedge relationships		**(0.8)**	4.9	4.0
		15.6	(7.6)	(8.2)
Tax on components of other comprehensive income		**–**	–	–
Other comprehensive profit/(loss) before transfers		**19.1**	(18.1)	(13.9)
Transfer to income statement on sale and impairment of available-for-sale investments		**–**	–	(1.0)
Total comprehensive profit/(loss) for the period		**34.4**	(98.3)	(212.2)
Attributable to – equity shareholders		**35.6**	(98.3)	(212.2)
– non-controlling interests		**(1.2)**	–	–
Total comprehensive profit/(loss) for the period		**34.4**	(98.3)	(212.2)

CONDENSED GROUP BALANCE SHEET

As at 30 June 2013

	Notes	**30 June 2013 (unaudited) £m**	30 June 2012 (unaudited) £m	31 December 2012 (audited) £m
Assets				
Non-current assets				
Goodwill and other intangibles		**4.4**	1.5	4.0
Investment properties	12	**2,831.6**	3,842.8	3,795.7
Owner occupied properties		**4.2**	5.3	4.3
Plant and equipment		**2.3**	5.5	2.9
Investments in joint ventures	6	**345.6**	356.4	342.6
Finance lease receivables		**8.1**	8.2	8.1
Available-for-sale investments		**16.1**	18.0	15.5
Trade and other receivables		**102.0**	126.7	146.2
		3,314.3	4,364.4	4,319.3
Current assets				
Trading properties	12	**153.6**	241.3	193.3
Trade and other receivables		**121.8**	109.2	118.2
Cash and cash equivalents	13	**12.3**	13.1	16.6
Assets held for sale	12	**1,044.0**	–	–
		1,331.7	363.6	328.1
Total assets		**4,646.0**	4,728.0	4,647.4
Liabilities				
Non-current liabilities				
Borrowings	13	**2,137.9**	2,021.4	2,052.1
Deferred tax provision	9	**28.4**	23.8	23.3
Provisions		**5.4**	18.3	11.3
Trade and other payables		**35.9**	46.2	45.6
		2,207.6	2,109.7	2,132.3
Current liabilities				
Trade and other payables		**227.6**	210.1	219.0
Borrowings	13	**6.7**	14.0	54.8
Tax liabilities		**5.4**	7.6	4.7
		239.7	231.7	278.5
Total liabilities		**2,447.3**	2,341.4	2,410.8
Net assets		**2,198.7**	2,386.6	2,236.6
Equity				
Share capital		**74.2**	74.2	74.2
Share premium		**1,069.9**	1,069.7	1,069.9
Capital redemption reserve		**113.9**	113.9	113.9
Own shares held		**(7.3)**	(10.1)	(7.3)
Revaluation reserve		**(2.7)**	(1.3)	(2.6)
Other reserves		**189.9**	182.6	173.3
Retained earnings		**760.4**	955.9	813.6
Total shareholders' equity		**2,198.3**	2,384.9	2,235.0
Non-controlling interests		**0.4**	1.7	1.6
Total equity		**2,198.7**	2,386.6	2,236.6
Net assets per ordinary share				
Basic and diluted	11	**297p**	322p	302p

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

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

For the six months ended 30 June 2012

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

For the year ended 31 December 2012

(audited)	Balance 1 January 2012 £m	Exchange movement £m	Retained loss £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividend £m	Transfers £m	Balance 31 December 2012 £m
Ordinary share capital	74.2	–	–	–	–	–	–	–	74.2
Share premium	1,069.5	–	–	–	0.4	–	–	–	1,069.9
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(10.2)	–	–	–	–	(0.7)	–	3.6	(7.3)
Revaluation reserve	(0.6)	–	–	(0.8)	–	–	–	(1.2)	(2.6)
Other reserves:									
Share based payments reserve	4.4	–	–	–	–	1.7	–	(1.0)	5.1
Fair value reserve for AFS[1]	5.5	–	–	–	–	(1.0)	–	–	4.5
Translation and other reserves	10.2	(12.2)	–	4.0	–	–	–	(7.4)	(5.4)
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	189.2	(12.2)	–	4.0	–	0.7	–	(8.4)	173.3
Retained earnings	1,119.5	–	(197.3)	(4.9)	–	–	(109.7)	6.0	813.6
Total equity attributable to equity shareholders	2,555.5	(12.2)	(197.3)	(1.7)	0.4	–	(109.7)	–	2,235.0
Non-controlling interests	2.2	–	–	–	–	(0.6)	–	–	1.6
Total equity	2,557.7	(12.2)	(197.3)	(1.7)	0.4	(0.6)	(109.7)	–	2,236.6

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

CONDENSED GROUP CASH FLOW STATEMENT

For the six months ended 30 June 2013

	Notes	**Half year to 30 June 2013 (unaudited) £m**	Half year to 30 June 2012 (unaudited) £m	Year to 31 December 2012 (audited) £m
Cash flows from operating activities	14	**91.4**	107.4	205.1
Interest received		**30.7**	30.1	49.3
Dividends received		**11.8**	2.3	18.7
Interest paid		**(89.1)**	(82.4)	(153.2)
Tax paid		**(0.7)**	(12.2)	(12.8)
Net cash received from operating activities		**44.1**	45.2	107.1
Cash flows from investing activities				
Purchase and development of investment properties		**(92.7)**	(63.9)	(277.9)
Sale of investment properties		**155.7**	352.5	490.1
Purchase of plant and equipment		**(0.9)**	(0.7)	(3.0)
Sale of available-for-sale investments		**–**	0.7	3.5
Sale of investment in joint ventures		**0.2**	–	4.1
Investment in joint ventures		**(4.3)**	(50.1)	(50.6)
Net increase in loans to joint ventures		**(0.3)**	(0.7)	(1.2)
Purchase of minority interest		**–**	(0.5)	(0.6)
Net cash received from investing activities		**57.7**	237.3	164.4
Cash flows from financing activities				
Dividends paid to ordinary shareholders		**(63.0)**	(65.9)	(109.7)
Repayment of bonds		**–**	–	(112.6)
Net increase/(decrease) in other borrowings		**15.4**	(268.6)	(90.4)
Proceeds from/(costs to) early close out bank debt		**–**	2.3	(14.8)
Net settlement of foreign exchange derivatives		**(64.4)**	45.8	56.0
Proceeds from the issue of ordinary shares		**–**	0.2	0.4
Purchase of ordinary shares		**–**	–	(0.7)
Net cash used in financing activities		**(112.0)**	(286.2)	(271.8)
Net decrease in cash and cash equivalents		**(10.2)**	(3.7)	(0.3)
Cash and cash equivalents at the beginning of the period		**15.4**	16.0	16.0
Effect of foreign exchange rate changes		**0.4**	(0.2)	(0.3)
Cash and cash equivalents at the end of the period		**5.6**	12.1	15.4
Cash and cash equivalents per balance sheet	13	**12.3**	13.1	16.6
Bank overdrafts		**(6.7)**	(1.0)	(1.2)
Cash and cash equivalents per cash flow		**5.6**	12.1	15.4

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements for the six months ended 30 June 2013 were approved by the Board of Directors on 30 July 2013.

The condensed set of financial statements for the six months ended 30 June 2013 is unaudited and does not constitute statutory accounts within the meaning of S434 of the Companies Act 2006. The financial information contained in this report for the year ended 31 December 2012 does not constitute statutory accounts within the meaning of S434 of the Companies Act 2006 and has been extracted from the statutory accounts, which were prepared in accordance with EU-endorsed International Financial Reporting Standards (IFRSs) and were delivered to the Registrar of Companies. The auditor's opinion on these accounts was unqualified did not draw attention to any matters by way of emphasis and did not contain a statement made under S498(2) or S498(3) of the Companies Act 2006. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

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

In the current financial year the Group has adopted the amendments to IAS 1 "Presentation of Items of Other Comprehensive Income", IAS 19 (revised) "Employment Benefits" and IFRS13 "Fair Value Measurement". Otherwise the same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest audited financial statements.

The amendments to IAS 1 require items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit or loss and those that will never be reclassified as well as their associated income tax. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income has been re-grouped to reflect the change. The effect of these changes is evident from the condensed consolidated statement of comprehensive income.

IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit scheme, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined liability. For the current period the profit was £0.5 million lower and other comprehensive income was £0.5 million higher than it would have been prior to the adoption of IAS 19. As the Group has always recognised actuarial gains/losses immediately, there has been no effect on the prior year defined benefit obligation. The comparative period has not been restated as the impact of adopting IAS 19 (revised 2011) is not considered material.

IFRS 13 has impacted the measurement criteria of fair value for certain assets and liabilities and also introduced new disclosures as set out in Note 13. No retrospective changes were necessary as a result of the adoption of the Standard.

The principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.17 (30 June 2012: £1 = €1.24; 31 December 2012: £1 = €1.23)
Income statement: £1 = €1.17 (30 June 2012: £1 = €1.22; 31 December 2012: £1 = €1.23)

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

2. EPRA PROFIT

	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Gross rental income	**144.6**	156.9	305.4
Property operating expenses	**(25.9)**	(26.0)	(50.6)
Net rental income	**118.7**	130.9	254.8
Joint venture management fee income	**2.0**	2.9	7.4
Administration expenses	**(12.1)**	(13.1)	(27.9)
Share of joint ventures' EPRA profit after tax	**11.4**	10.1	20.2
EPRA operating profit before interest and tax	**120.0**	130.8	254.5
EPRA net finance costs	**(51.0)**	(55.9)	(109.6)
EPRA profit before tax	**69.0**	74.9	144.9
Adjustments:			
Adjustments to the share of profit/(loss) from joint ventures after tax[1]	**0.1**	(14.0)	(17.5)
Loss on sale of investment properties	**(0.5)**	(14.0)	(28.9)
Valuation deficit on investment and owner occupied properties	**(0.1)**	(127.2)	(284.4)
(Loss)/profit on sale of trading properties	**(1.6)**	0.7	(1.8)
Increase in provision for impairment of trading properties	**(5.9)**	(10.1)	(24.9)
(Loss)/gain on sale of investment in joint ventures	**(0.2)**	-	0.2
Other investment income	**0.2**	-	2.4
Amounts written off on acquisitions	**(1.5)**	(0.5)	(0.6)
Loss on early close out of bonds	**-**	-	(16.8)
Gain on early close out of bank debt	**-**	2.3	2.3
Net fair value (loss)/gain on interest rate swaps and other derivatives	**(39.2)**	6.1	22.9
Total adjustments	**(48.7)**	(156.7)	(347.1)
Profit/(loss) before tax	**20.3**	(81.8)	(202.2)
Tax			
On EPRA profits	**(0.9)**	(1.3)	(1.9)
In respect of EPRA adjustments	**(4.1)**	2.9	6.8
	(5.0)	1.6	4.9
Profit/(loss) after tax			
EPRA profit after tax	**68.1**	73.6	143.0
Adjustments	**(52.8)**	(153.8)	(340.3)
Profit/(loss) after tax	**15.3**	(80.2)	(197.3)

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

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

3. SEGMENTAL REPORTING

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

	Gross rental income £m	Net rental income £m	Share of joint ventures' EPRA profit £m	EPRA PBIT £m	Total directly owned property assets £m	Investments in joint ventures £m	Capital expenditure £m
				30 June 2013			
Greater London	**34.8**	**29.1**	**8.4**	**39.2**	**1,082.8**	**262.9**	**4.5**
Thames Valley and National Logistics	**48.2**	**42.9**	**2.7**	**45.6**	**1,327.8**	**63.2**	**14.0**
Germany and Northern Europe	**20.8**	**14.4**	**0.3**	**13.7**	**540.3**	**19.5**	**10.8**
France and Southern Europe	**26.4**	**22.8**	**–**	**22.1**	**608.6**	**–**	**16.2**
Poland and Central Europe	**14.4**	**12.9**	**–**	**12.4**	**473.9**	**–**	**59.2**
Other[1]	**–**	**(3.4)**	**–**	**(13.0)**	**–**	**–**	**0.6**
Total	**144.6**	**118.7**	**11.4**	**120.0**	**4,033.4**	**345.6**	**105.3**
				30 June 2012			
Greater London	39.4	33.3	7.8	43.8	1,223.1	269.5	6.5
Thames Valley and National Logistics	60.6	51.9	2.0	53.9	1,455.9	64.1	19.9
Germany and Northern Europe	26.8	22.0	0.3	21.3	600.6	22.4	18.1
France and Southern Europe	18.9	16.9	–	16.2	449.6	0.4	13.9
Poland and Central Europe	11.2	9.6	–	9.1	360.2	–	15.1
Other[1]	–	(2.8)	–	(13.5)	–	–	1.0
Total	156.9	130.9	10.1	130.8	4,089.4	356.4	74.5
				31 December 2012			
Greater London	77.7	66.8	14.7	88.3	1,159.5	261.3	7.1
Thames Valley and National Logistics	110.1	95.2	4.8	100.1	1,305.0	62.8	40.5
Germany and Northern Europe	53.5	43.3	0.7	41.9	564.5	18.5	30.3
France and Southern Europe	40.5	35.9	–	34.5	574.2	–	170.4
Poland and Central Europe	23.6	20.7	–	19.8	390.1	–	47.9
Other[1]	–	(7.1)	–	(30.1)	–	–	3.3
Total	305.4	254.8	20.2	254.5	3,993.3	342.6	299.5

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

4. REVENUE

		Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Rental income from investment properties		**130.9**	143.6	280.9
Rental income from trading properties		**6.4**	7.8	13.8
Rent averaging		**4.9**	5.0	8.8
Surrender premiums		**2.1**	0.2	1.4
Interest received on finance lease assets		**0.3**	0.3	0.5
Gross rental income		**144.6**	156.9	305.4
Joint venture management fee	- property management	**2.0**	1.9	4.1
	- performance and other fees	**–**	1.0	3.3
Service charge income		**21.5**	18.0	37.2
Proceeds from sale of trading properties		**0.3**	12.3	21.0
Total revenue		**168.4**	190.1	371.0

5. PROPERTY OPERATING EXPENSES

	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Vacant property costs	**7.6**	8.0	13.7
Letting, marketing, legal and professional fees	**4.3**	4.7	8.9
Bad debt expense	**1.3**	0.7	1.7
Other expenses, net of service charge income	**5.5**	4.8	11.2
Property management expenses	**18.7**	18.2	35.5
Property administration expenses[1]	**8.2**	8.6	17.7
Costs capitalised[2]	**(1.0)**	(0.8)	(2.6)
Total property operating expenses	**25.9**	26.0	50.6

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

2.Costs capitalised relate to internal employee staff costs directly involved in developing the property portfolio.

6. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

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

	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Gross rental income	**20.7**	19.6	40.0
Property operating expenses			
-underlying property operating expenses	**(1.4)**	(1.1)	(1.9)
-property management fees	**(1.4)**	(1.4)	(2.9)
-performance and other fees	**–**	(0.2)	(1.7)
Net rental income	**17.9**	16.9	33.5
EPRA net finance costs	**(6.6)**	(6.8)	(13.3)
EPRA profit before tax	**11.3**	10.1	20.2
Tax	**0.1**	–	–
EPRA profit after tax	**11.4**	10.1	20.2
Adjustments:			
Loss on sale of investment properties	**–**	–	(0.1)
Valuation deficit on investment properties	**–**	(9.4)	(11.8)
Profit on sale of trading properties	**–**	0.5	1.5
Increase in provision for impairment of trading properties	**(0.3)**	(1.7)	(2.0)
Net fair value gain/(loss) on interest rate swaps and other derivatives	**0.6**	–	(0.8)
Amounts written off on acquisition	**(0.2)**	(3.2)	(3.4)
Other investment loss	**–**	(0.1)	–
Tax in respect of adjustments	**–**	(0.1)	(0.9)
Total adjustments	**0.1**	(14.0)	(17.5)
Profit/(loss) after tax	**11.5**	(3.9)	2.7

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

	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Investment properties	**623.5**	622.4	621.5
Other investments	**9.5**	8.0	9.3
Total non-current assets	**633.0**	630.4	630.8
Trading properties	**29.7**	29.7	29.1
Other receivables	**7.7**	20.6	10.3
Cash	**14.1**	25.1	19.7
Total current assets	**51.5**	75.4	59.1
Total assets	**684.5**	705.8	689.9
Borrowings	**(307.7)**	(301.1)	(306.0)
Deferred tax	**(1.2)**	(0.9)	(1.3)
Other liabilities	**(8.6)**	(12.9)	(7.7)
Total non-current liabilities	**(317.5)**	(314.9)	(315.0)
Borrowings	**(10.5)**	(10.8)	(11.0)
Other liabilities	**(10.9)**	(23.7)	(21.3)
Total current liabilities	**(21.4)**	(34.5)	(32.3)
Total liabilities	**(338.9)**	(349.4)	(347.3)
Group share of net assets	**345.6**	356.4	342.6

7. REALISED AND UNREALISED PROPERTY LOSS

	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Loss on sale of investment properties	**(0.5)**	(14.0)	(28.9)
Valuation deficit on investment properties	**(0.1)**	(127.2)	(283.2)
Valuation deficit on owner occupied properties	**–**	–	(1.2)
(Loss)/profit on sale of trading properties	**(1.6)**	0.7	(1.8)
Increase in provision for impairment of trading properties	**(5.9)**	(10.1)	(24.9)
Total realised and unrealised property loss – income statement	**(8.1)**	(150.6)	(340.0)
Valuation deficit on owner occupied properties – other comprehensive income	**(0.1)**	(0.7)	(0.8)
Total realised and unrealised property loss	**(8.2)**	(151.3)	(340.8)

8. NET FINANCE COSTS

Finance income	**Half year to 30 June 2013 £m**	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Interest received on bank deposits and related derivatives	**18.0**	13.9	29.6
Gain on early close out of bank debt	**–**	2.3	2.3
Fair value gain on interest rate swaps and other derivatives	**11.9**	15.5	33.8
Net interest income on defined benefit obligation	**–**	–	0.3
Exchange differences	**0.2**	–	0.1
Total finance income	**30.1**	31.7	66.1

Finance costs			
Interest on overdrafts, loans and related derivatives	**(68.3)**	(69.0)	(137.4)
Loss on early close out of bonds	**–**	–	(16.8)
Amortisation of issue costs	**(2.1)**	(2.3)	(5.6)
Net interest expense on defined benefit obligation	**(0.2)**	–	–
Total borrowing costs	**(70.6)**	(71.3)	(159.8)
Less amount capitalised on the development of properties	**1.4**	1.5	3.4
Net borrowing costs	**(69.2)**	(69.8)	(156.4)
Fair value loss on interest rate swaps and other derivatives	**(51.1)**	(9.4)	(10.9)
Total finance costs	**(120.3)**	(79.2)	(167.3)
Net finance costs	**(90.2)**	(47.5)	(101.2)

9. TAX

9(i) – Tax on profit

	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Tax on:			
EPRA profits	**(0.9)**	(1.3)	(1.9)
In respect of EPRA adjustments	**(4.1)**	2.9	6.8
Total tax (charge)/credit	**(5.0)**	1.6	4.9
Current tax			
Current tax charge	**(0.9)**	(1.1)	(1.5)
Adjustments in respect of earlier years	**(0.1)**	2.2	4.9
Total current tax (charge)/credit	**(1.0)**	1.1	3.4
Deferred tax			
Origination and reversal of temporary differences	**(2.9)**	2.4	(6.3)
On valuation movements	**(0.6)**	(4.2)	8.5
Total deferred tax in respect of investment properties	**(3.5)**	(1.8)	2.2
Other deferred tax	**(0.5)**	2.3	(0.7)
Total deferred tax	**(4.0)**	0.5	1.5
Total tax (charge)/credit on profit on ordinary activities	**(5.0)**	1.6	4.9

9(ii) – Deferred tax provision

Movement in deferred tax was as follows:

	Balance 1 January 2013 £m	**Exchange movement £m**	**Recognised in income £m**	**Balance 30 June 2013 £m**	Balance 30 June 2012 £m
Valuation	**(36.5)**	**(1.9)**	**0.6**	**(37.8)**	(23.6)
Accelerated tax allowances	**65.4**	**3.3**	**2.9**	**71.6**	55.9
Deferred tax asset on revenue losses	**(5.0)**	**(0.3)**	**0.5**	**(4.8)**	(6.3)
Others	**(0.6)**	**–**	**–**	**(0.6)**	(2.2)
Total deferred tax provision	**23.3**	**1.1**	**4.0**	**28.4**	23.8

10. DIVIDENDS

	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Ordinary dividends paid			
Final dividend for 2012 @ 9.9 pence per share	**73.4**	–	–
Interim dividend for 2012 @ 4.9 pence per share	**–**	–	36.4
Final dividend for 2011 @ 9.9 pence per share	**–**	73.3	73.3
	73.4	73.3	109.7

The Board has declared an interim dividend of 4.9 pence per ordinary share (2012: 4.9 pence). This dividend has not been recognised in the condensed financial statements.

11. EARNINGS AND NET ASSETS PER ORDINARY SHARE

The earnings per share calculations use the weighted average number of shares during the period and the net assets per share calculations use the number of shares in issue at the period end. Earnings per share calculations exclude 1.2 million shares (1.1 million for the full year 2012 and 1.2 million for half year 2012) being the average number of shares held on trust during the period for employee share schemes and net assets per share exclude 1.3 million shares (1.2 million for the full year 2012 and 1.3 million for the half year 2012) being the actual number of shares held on trust for employee share schemes at period end.

11(i) Earnings per ordinary share (EPS)

	Half year to June 2013			Half year to June 2012			Full year to December 2012		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic EPS	**16.5**	**740.9**	**2.2**	(80.2)	740.6	(10.8)	(197.3)	740.7	(26.6)
Dilution adjustments:									
Share options and save as you earn schemes	**–**	**0.2**	**–**	–	0.1	–	–	–	–
Diluted EPS	**16.5**	**741.1**	**2.2**	(80.2)	740.7	(10.8)	(197.3)	740.7	(26.6)
Adjustments to profit before tax[1]	**48.7**		**6.6**	156.7		21.1	347.1		46.8
Deferred tax on investment property which does not crystallise unless sold	**3.5**		**0.5**	1.8		0.2	(2.2)		(0.3)
Other tax	**0.6**		**0.1**	(4.7)		(0.6)	(4.6)		(0.6)
Minority interest on adjustments	**(1.2)**		**(0.2)**	–		–	–		–
EPRA EPS	**68.1**	**740.9**	**9.2**	73.6	740.6	9.9	143.0	740.7	19.3

1. Details of adjustments are included in note 2.

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

	As at June 2013			As at to June 2012			As at December 2012		
	Equity attributable to ordinary shareholders £m	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders £m	Shares million	Pence per share	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	**2,198.3**	**740.9**	**297**	2,384.9	740.7	322	2,235.0	740.9	302
Dilution adjustments:									
Share options and save as you earn schemes	**–**	**0.2**	**–**	–	0.1	–	–	–	–
Diluted NAV	**2,198.3**	**741.1**	**297**	2,384.9	740.8	322	2,235.0	740.9	302
Fair value adjustment in respect of debt	**(276.8)**		**(37)**	(223.0)		(30)	(303.0)		(41)
Fair value adjustment in respect of trading properties - Group	**5.3**		**–**	7.3		1	4.2		1
Fair value adjustment in respect of trading properties – Joint ventures	**2.5**		**–**	4.5		–	3.7		–
EPRA triple net NAV (NNNAV)	**1,929.3**	**740.9**	**260**	2,173.7	740.7	293	1,939.9	740.9	262
Fair value adjustment in respect of debt	**276.8**		**37**	223.0		30	303.0		41
Fair value adjustment in respect of interest rate swap derivatives – Group	**(69.5)**		**(9)**	(84.5)		(11)	(103.3)		(14)
Fair value adjustment in respect of interest rate swap derivatives – Joint ventures	**4.6**		**1**	5.8		1	7.5		1
Deferred tax in respect of depreciation	**71.6**		**10**	55.9		7	65.4		9
Deferred tax in respect of valuation surpluses	**(37.8)**		**(5)**	(23.6)		(3)	(36.5)		(5)
EPRA NAV	**2,175.0**	**740.9**	**294**	2,350.3	740.7	317	2,176.0	740.9	294

12. PROPERTIES

12(i) Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2013	**3,454.5**	**253.9**	**3,708.4**
Exchange movement	**60.7**	**7.4**	**68.1**
Property acquisitions	**37.2**	**6.8**	**44.0**
Additions to existing investment properties	**6.2**	**51.3**	**57.5**
Disposals	**(141.3)**	**(1.1)**	**(142.4)**
Transfers between completed and development properties	**48.5**	**(48.5)**	**–**
Revaluation (deficit)/surplus during the period	**8.1**	**(8.2)**	**(0.1)**
At 30 June 2013	**3,473.9**	**261.6**	**3,735.5**
Add tenant lease incentives, letting fees and rental guarantees	**94.0**	**-**	**94.0**
Total investment properties at 30 June 2013	**3,567.9**	**261.6**	**3,829.5**
Total investment properties – continuing	**2,602.0**	**229.6**	**2,831.6**
Total investment properties – held for sale	**965.9**	**32.0**	**997.9**
Total investment properties at 30 June 2012	3,508.6	334.2	3,842.8

Investment properties are stated at fair value as at 30 June 2013 based on external valuations performed by professionally qualified valuers. The Group's wholly owned property portfolio is valued at 30 June 2013 by CBRE Ltd. Valuations for the joint venture properties within the UK were performed by Jones Lang LaSalle (APP and LPP) and CBRE Ltd (Big Box). Valuations for the joint venture properties within Continental Europe were performed by CBRE Ltd. The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties.

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

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

12(ii) – Trading properties

	Completed £m	Development £m	Total £m
At 1 January 2013	**139.6**	**53.2**	**192.8**
Exchange movement	**6.8**	**2.5**	**9.3**
Additions	**0.5**	**2.7**	**3.2**
Disposals	**(0.3)**	**–**	**(0.3)**
Transfers between completed and development properties	**5.3**	**(5.3)**	**–**
Increase in provision for impairment in the period	**(5.0)**	**(0.9)**	**(5.9)**
At 30 June 2013	**146.9**	**52.2**	**199.1**
Add tenant lease incentives, letting fees and rental guarantees	**0.6**	**–**	**0.6**
Total trading properties at 30 June 2013	**147.5**	**52.2**	**199.7**
Total trading properties – continuing	**115.6**	**38.0**	**153.6**
Total trading properties – held for sale	**31.9**	**14.2**	**46.1**
Total trading properties at 30 June 2012	170.7	70.6	241.3

Trading properties were externally valued resulting in a net increase in the provision for impairment of £5.9 million (30 June 2012: £10.1 million). Based on the fair value at 30 June 2013, the portfolio has an unrecognised surplus of £5.3 million (30 June 2012: £7.3 million).

12(iii) – Held for sale

The Group has exchanged to sell a UK mixed use suburban office light industrial business park, an office and distribution facility in Germany and a portfolio of logistics assets held across Continental Europe (which are being sold into SELP, a joint venture that will be owned 50% by the Group), with a total book value of £1,044.0 million (of which £997.9 million are investment properties and £46.1 million are development properties); these were considered held for sale at 30 June 2013.

13. NET BORROWINGS AND FINANCIAL INSTRUMENTS

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
In one year or less	**6.7**	14.0	54.8
In more than one year but less than two	**2.7**	46.8	100.2
In more than two years but less than five	**651.0**	461.8	468.7
In more than five years but less than ten	**1,064.2**	1,093.0	1,063.3
In more than ten years	**420.0**	419.8	419.9
In more than one year	**2,137.9**	2,021.4	2,052.1
Total borrowings	**2,144.6**	2,035.4	2,106.9
Cash and cash equivalents	**(12.3)**	(13.1)	(16.6)
Net borrowings	**2,132.3**	2,022.3	2,090.3
Total borrowings is split between secured and unsecured as follows:			
Secured (on land and buildings)	**2.9**	41.8	41.0
Unsecured	**2,141.7**	1,993.6	2,065.9
Total borrowings	**2,144.6**	2,035.4	2,106.9
Currency profile of total borrowings after derivative instruments			
Sterling	**824.9**	804.4	844.0
Euros	**1,315.0**	1,223.5	1,258.5
US dollars	**4.7**	7.5	4.4
Total borrowings	**2,144.6**	2,035.4	2,106.9
Maturity profile of undrawn borrowing facilities			
In one year or less	**7.6**	26.1	42.6
In more than one year but less than two	**25.6**	96.8	24.4
In more than two years	**279.9**	482.9	364.9
Total available undrawn facilities	**313.1**	605.8	431.9
Fair value of financial instruments			
Book value of debt	**2,144.6**	2,035.4	2,106.9
Interest rate derivatives	**(69.5)**	(84.5)	(103.3)
Foreign exchange derivatives	**0.2**	(8.3)	13.8
Book value of debt including derivatives	**2,075.3**	1,942.6	2,017.4
Net fair market value	**2,352.1**	2,165.6	2,320.4
Mark to market adjustment (pre-tax)	**276.8**	223.0	303.0

Fair value measurements recognised in the Balance Sheet

The financial instruments that are measured subsequent to initial recognition at fair value are available-for-sale investments, forward exchange and currency swap contracts and interest rate swaps. All of these financial instruments would be classified as Level 2 fair value measurements, as defined by IFRS 7, being those derived from inputs other than quoted prices (included in Level 1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). There were no transfers between categories in the current or prior year.

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

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

14. NOTES TO THE CONDENSED GROUP CASH FLOW STATEMENT

14(i) Reconciliation of cash generated from operations

	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Operating profit/(loss)	**110.5**	(34.3)	(101.0)
Adjustments for:			
Depreciation of property, plant and equipment	**0.8**	1.0	3.2
Share of (profit)/loss from joint ventures after tax	**(11.5)**	3.9	(2.7)
Loss on sale of investment properties	**0.5**	14.0	28.9
Loss/(gain) on sale of investment in joint ventures	**0.2**	–	(0.2)
Amounts written off on acquisitions	**0.1**	–	0.6
Revaluation deficit on investment and owner occupied properties	**0.1**	127.2	284.4
Gain on sale of available-for-sale investments	**(0.2)**	–	(2.4)
Pensions and other provisions	**(1.8)**	(2.2)	(3.1)
	98.7	109.6	207.7
Changes in working capital:			
Decrease in trading properties	**1.6**	10.6	36.6
(Increase)/decrease in debtors	**(5.3)**	2.2	(32.5)
Decrease in creditors	**(3.6)**	(15.0)	(6.7)
Net cash inflow generated from operations	**91.4**	107.4	205.1

14(ii) Analysis of net debt

	At 1 January 2013 £m	Exchange movement £m	Cash flow £m	Non-cash adjustment[1] £m	**At 30 June 2013 £m**
Bank loans and loan capital	2,130.1	14.7	15.4	–	**2,160.2**
Capitalised finance costs	(24.4)	–	–	2.1	**(22.3)**
Bank overdrafts	1.2	–	5.5	–	**6.7**
Total borrowings	2,106.9	14.7	20.9	2.1	**2,144.6**
Cash in hand and at bank	(16.6)	(0.4)	4.7	–	**(12.3)**
Net debt	2,090.3	14.3	25.6	2.1	**2,132.3**

1. The non cash adjustment related to the amortisation of issue costs offset against borrowings and gains on the early close out of bank debt.

15. RELATED PARTY TRANSACTIONS

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

GLOSSARY OF TERMS

Completed portfolio

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

Development pipeline

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

EPRA

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

Estimated cost to completion

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

Estimated rental value (ERV)

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

Gearing

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

Gross rental income

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

Hectares (Ha)

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

Investment property

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

Joint Venture

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

Loan to Value (LTV)

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

Net equivalent yield

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

Net initial yield

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

Net rental income

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

Net true equivalent yield

Net Equivalent Yield assuming rent is received quarterly in advance.

Passing rent

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

Pre-let

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

REIT

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

Speculative development

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

Rent roll

See Passing Rent.

Square metres (sq m)

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

Takeback

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

Topped up net initial yield

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

Total Property Return (TPR)

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

Total Shareholder Return (TSR)

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

Trading property

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