PRESS RELEASE

29 July 2021

SEGRO

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

SEGRO reports a strong performance in H1 2021 and remains well-positioned to deliver further growth.

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

“SEGRO has delivered another strong set of results, which reflect the high quality of our portfolio and increased demand from a diverse range of occupiers and investors. Together with our active approach to asset management, rental growth and further progress with our development pipeline, these factors have driven significant valuation increases and earnings growth.

“We have also made important progress on our Responsible SEGRO priorities, putting the necessary framework in place to enable us to deliver on our long-term commitments, whilst continuing to work with our local teams and partners to embed our approach into our day-to-day business.

“SEGRO is well-placed to continue benefitting from the structural tailwinds driving the industrial property sector with our unique portfolio of prime warehouses, two-thirds of which are located in the most supply constrained urban markets, and an enviable land bank capable of supporting our profitable and expanding development programme. The combination of our established pan-European, customer-focused operating platform and our relationships and reputation with other key stakeholders, give us a significant competitive advantage which further enhances our ability to secure opportunities for future growth.”

HIGHLIGHTS[A]:

- **Adjusted pre-tax profit of £168 million up 19 per cent compared with the prior year (H1 2020: £141 million)**. Adjusted EPS is 13.8 pence, up 10 per cent (H1 2020: 12.5 pence).

- **Adjusted NAV per share is up 12 per cent to 909 pence** (31 December 2020: 814 pence) driven by portfolio asset management initiatives, yield compression, rental growth and our development activity delivering a 10 per cent increase in the valuation of the portfolio.

- **Strong occupier demand, our customer focus and active management of the portfolio generated £38 million of new headline rent commitments during the period,** including £21 million of new pre-let agreements, and a 12 per cent average uplift on rent reviews and renewals (UK: 16 per cent, CE: 2 per cent).

- **Further growth in the development pipeline with 1.3 million sq m of projects under construction or in advanced pre-let discussions** equating to £96 million of potential rent, of which 75 per cent has been pre-let, substantially de-risking the 2021-2022 pipeline.

- **Balance sheet positioned to support further, development-led growth** with access to over £1.2 billion of available liquidity and a low level of gearing reflected in an LTV of 21 per cent at 30 June 2021 (31 December 2020: 24 per cent).

- **Interim dividend increased by 7 per cent to 7.4 pence** (2020: 6.9 pence), in line with our usual practice of setting the interim dividend at one-third of the previous full year dividend.

FINANCIAL SUMMARY

	6 months to 30 June 2021	6 months to 30 June 2020	Change per cent
Adjusted[1] profit before tax (£m)	**168**	141	19.1
IFRS profit before tax (£m)	**1,413**	221	-
Adjusted[2] earnings per share (pence)	**13.8**	12.5	10.4
IFRS earnings per share (pence)	**110.3**	19.5	-
Dividend per share (pence)	**7.4**	6.9	7.2
Total Accounting Return (%)[3]	**13.5**	4.6	
	30 June 2021	**31 December 2020**	**Change per cent**
Portfolio valuation (SEGRO share, £m)	**14,446**	12,995	10.2[4]
Adjusted[5 6] net asset value per share (pence, diluted)	**909**	814	11.7
IFRS net asset value per share (pence, diluted)	**897**	809	10.9
Net debt (SEGRO share, £m)	**3,092**	3,088	
Loan to value ratio including joint ventures at share (per cent)	**21**	24	

1. A reconciliation between Adjusted profit before tax and IFRS profit before tax is shown in Note 2 to the condensed financial information.
2. A reconciliation between Adjusted earnings per share and IFRS earnings per share is shown in Note 11 to the condensed financial information.
3. Total Accounting Return is calculated based on the opening and closing adjusted NAV per share adding back dividends paid during the period.
4. Percentage valuation movement during the period based on the difference between opening and closing valuations for all properties including buildings under construction and land, adjusting for capital expenditure, acquisitions and disposals.
5. A reconciliation between Adjusted net asset value per share and IFRS net asset value per share is shown in Note 11 to the condensed financial information.
6. Adjusted net asset value is in line with EPRA Net Tangible Assets (NTA) (see Table 4 in the Supplementary Notes for a NAV reconciliation).

[A] Figures quoted on pages 1 to 17 refer to SEGRO's share, except for land (hectares) and space (square metres) which are quoted at 100 per cent, unless otherwise stated. Please refer to the Presentation of Financial Information statement in the Financial Review for further details.

OUTLOOK

SEGRO continues to be positioned well for further growth, benefiting from a unique portfolio of assets and a development pipeline located in areas which are highly sought after and where land is in increasingly short supply. Our ability to provide our customers with modern, sustainable premises in prime locations, two-thirds of which are in Europe's major cities, combined with the extensive experience and networks of our local teams, give us a strong competitive advantage.

Our buildings are adaptable to many different uses and serve a wide range of customers and sectors. A significant portion of occupier demand continues to arise from the increased use of digital channels by retailers and consumers which, in turn, is driving increased e-commerce penetration and consumption of data across Europe. Although internet sales penetration levels have understandably fallen from their highs as physical retail has reopened, they remain significantly higher than pre-pandemic levels as cultural barriers have been overcome and habits have changed. We believe that the long-term trend towards increased on-line shopping has been amplified and accelerated by the pandemic and this has given a new impetus to demand for space.

Coupled with that, many customers and logistics suppliers are placing renewed emphasis on supply chain resilience, near-shoring and local sourcing, improved customer service and cost or inventory efficiency which are fuelling increased demand for modern, well-located warehouses – both urban and big box. We expect these themes to continue for some time. More recently we have also seen demand arising from emerging new sectors including creative industries and q-commerce (including rapid food delivery providers).

Record levels of take-up across Europe have resulted in low vacancy rates and in most of our markets supply currently equates to less than a year of take-up. This is resulting in rental growth in our core markets, most notably in urban areas where the combination of a shortage of modern warehouse space, a shortage of land suitable for development and the diversity of the occupier base is most prevalent.

Given these strong market dynamics investor demand for well-located, modern industrial assets is likely to continue to grow, putting further upward pressure on asset values.

These factors, combined with our active approach to asset management, are enabling us to drive strong returns from the existing portfolio, supplemented by our profitable, de-risked development programme which generates additional rental income and allows us to further modernise the portfolio to help our customers meet their own sustainability requirements.

We remain confident in the outlook for the remainder of 2021 and beyond given the strong levels of occupier demand and the competitive position of our business, but remain alert to macro risks, not least the ongoing Covid-19 pandemic.

SUMMARY & KEY METRICS

		H1 2021	H1 2020	FY2020
STRONG PORTFOLIO PERFORMANCE (see page 8):				
Valuation increase driven by yield compression, rental value growth and active asset management of the standing portfolio, supplemented by development gains.				
Portfolio valuation uplift (%)		**10.2**	0.7	10.3
Like-for-like portfolio valuation growth (%)	UK	**8.6**	0.1	9.2
	CE	**8.3**	0.8	10.2
Estimated rental value (ERV) growth (%)	UK	**3.6**	1.0	3.1
	CE	**1.5**	0.4	1.5
ACTIVE ASSET MANAGEMENT DRIVING OPERATIONAL PERFORMANCE (see page 9):				
Strong performance in capturing new rent, including leases signed with customers from new sectors, highlighting the versatility of our urban portfolio. Our approach to asset management and customer focus has also resulted in continued capture of reversionary potential.				
Total new rent contracted during the period (£m)		**38**	34	78
Pre-lets signed during the period (£m)		**21**	19	41
Like-for-like net rental income growth (%):	Group	**4.7**	(0.2)	2.1
	UK	**4.8**	0.6	0.9
	CE	**4.6**	(0.7)	4.3
Uplift on rent reviews and renewals (%)		**12.1**	10.4	19.1
Vacancy rate (%)		**4.3**	5.2	3.9
Customer retention (%)		**83**	88	86
INVESTMENT ACTIVITY CONTINUES TO FOCUS ON DEVELOPMENT (see page 14):				
Investment continues to focus on development and we sourced further land to secure future opportunities. Development capex for 2021, including infrastructure, expected to be c.£750 million.				
Development capex (£m)		**364**	265	531
Acquisitions (£m)		**92**	426	889
Disposals (£m)		**154**	59	139
EXECUTING ON AND GROWING OUR DEVELOPMENT PIPELINE (see page 12):				
Continuing to add to our development pipeline with a further 770,000 sq m expected to complete by year end and £96m of potential rent from developments under construction or in advanced discussions.				
Development completions:				
– Space completed (sq m)		**104,000**	358,500	835,900
– Potential rent (£m) (Rent secured, %)		**8 (75%)**	22 (64%)	47 (84%)
Current development pipeline potential rent (£m) (Rent secured, %)		**74 (72%)**	45 (85%)	54 (66%)
Near-term development pipeline potential rent (£m)		**22**	33	27
FINANCING (see page 15):				
Strong balance sheet and low cost of debt provides significant capacity to invest for future growth.				
Cost of debt (%)		**1.5**	1.7	1.6
Average debt maturity (years)		**9.7**	9.4	9.9
Cash and available facilities (£m)		**1,230**	1,541	1,189

WEBCAST / CONFERENCE CALL FOR INVESTORS AND ANALYSTS

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

https://www.investis-live.com/segro/60e718e680fc931000313c84/hy21

The webcast will be available for replay at SEGRO's website at: http://www.segro.com/investors shortly after the live presentation.

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

Dial-in:	+44 (0)800 640 6441
	+44 (0) 203 936 2999
Access code:	933901

An audio recording of the conference call will be available until 5 August 2021 on:

UK:	+44 (0) 203 936 3001
Access code:	713190

A video of David Sleath, Chief Executive discussing the results will be available to view on www.segro.com, together with this announcement, the Half Year 2021 Property Analysis Report and other information about SEGRO.

CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES:

SEGRO	Soumen Das (Chief Financial Officer)	Tel: + 44 (0) 20 7451 9110 (after 11am)
	Claire Mogford (Head of Investor Relations)	Mob: +44 (0) 7710 153 974 Tel: +44 (0) 20 7451 9048 (after 11am)
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FINANCIAL CALENDAR

2021 interim dividend ex-div date	12 August 2021
2021 interim dividend record date	13 August 2021
2021 interim dividend scrip dividend price announced	19 August 2021
Last date for scrip dividend elections	3 September 2021
2021 interim dividend payment date	24 September 2021
2021 Third Quarter Trading Update	20 October 2021
Full Year 2021 Results (provisional)	18 February 2022

ABOUT SEGRO

SEGRO is a UK Real Estate Investment Trust (REIT), listed on the London Stock Exchange and Euronext Paris, and is a leading owner, manager and developer of modern warehouses and industrial property. It owns or manages 8.8 million square metres of space (95 million square feet) valued at £17.1 billion serving customers from a wide range of industry sectors. Its properties are located in and around major cities and at key transportation hubs in the UK and in seven other European countries.

For over 100 years SEGRO has been creating the space that enables extraordinary things to happen. From modern big box warehouses, used primarily for regional, national and international distribution hubs, to urban warehousing located close to major population centres and business districts, it provides high-quality assets that allow its customers to thrive.

A commitment to be a force for societal and environmental good is integral to SEGRO's purpose and strategy. Its Responsible SEGRO framework focuses on three long-term priorities where the company believes it can make the greatest impact: Championing Low-Carbon Growth, Investing in Local Communities and Environments and Nurturing Talent.

See www.SEGRO.com for further information.

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

SEGRO has delivered another strong set of results, which reflect the high quality of our portfolio and increased demand from a diverse range of occupiers and investors. Together with our active approach to asset management, rental growth and further progress with our development pipeline, these factors have driven significant valuation increases and earnings growth.

Our business is well-placed to continue benefitting from the structural tailwinds driving the industrial property sector with our unique portfolio of prime warehouses, two-thirds of which are located in the most supply constrained urban markets, and an enviable land bank capable of supporting our profitable and expanding development programme. The combination of our established pan-European, customer-focused operating platform and our relationships and reputation with other key stakeholders, give us a significant competitive advantage which further enhances our ability to secure opportunities for future growth.

IMPORTANT PROGRESS WITH RESPONSIBLE SEGRO PRIORITIES

Earlier this year we launched our new Responsible SEGRO ambitions and commitments which address the key areas where we believe we can make the greatest environmental and social contribution, helping to position SEGRO for another 100 years of success.

Our three priorities are:

- Championing low-carbon growth – we recognise the world faces a climate emergency and are committed to playing our part in tackling climate change.
- Investing in our local communities and environments – as a long-term investor we are committed to contributing to the vitality of the communities in which we operate.
- Nurturing talent – our people are vital to and inseparable from our success and we are committed to attracting, creating and retaining talented individuals from a wide range of backgrounds.

We have been working on these focus areas throughout the first half of the year, alongside and as part of the management of our property portfolio, and engaging with our stakeholders to gain their feedback, which has been overwhelmingly positive.

We have made good progress in Championing Low-Carbon Growth, particularly in the area of our Scope 3 carbon emissions. One of our key challenges in reducing and eliminating operational carbon emissions is for us to gain visibility over, and then influence, our customers' energy usage and sources of supply. We are gathering more data than we have ever done before and now have visibility over significantly more data than we did at the end of 2020. We have also moved our Polish portfolio, which is one of the few parts of the portfolio where we directly source energy on behalf of our customers, onto a renewable energy tariff. This represents an important step forward as Poland has a highly coal-based power network and accounted for almost half of our known total carbon emissions in 2020. All of the markets where we procure energy (for ourselves and on behalf of our customers) are now on renewable energy targets. Finally, we have also signed our first Green lease on a data centre on the Slough Trading Estate which requires the customer to procure certified renewable energy.

We are addressing embodied carbon in our development pipeline by undertaking full lifetime carbon assessments for most developments and we continue to test and introduce leading sustainability features in our developments and refurbishments such as solar panels, LED lighting, living walls, battery storage, rainwater harvesting and sensors to measure air quality, energy usage and other day to day operational metrics.

In terms of Investing in our Local Communities and Environments, we have been working hard to put the necessary framework in place to launch our first Community Investment Plans (CIPs) in the second half of 2021. We have identified eight key markets and started to accept proposals for an initial set of projects.

The SEGRO Centenary Fund, which supports our Responsible SEGRO goal of improving employment prospects of the individuals within the communities in our major markets, has now committed its third and fourth rounds of funding. These two rounds contributed to 23 programmes supporting over 3,000 beneficiaries, with a focus on employability and skills training. Finally, we have continued our work with LandAid and Pathways to Property on projects aligned with our areas of focus.

We also continue to work to improve the physical environments within and around our estates, including the introduction of biodiversity features such as beehives and green spaces. For example, we recently funded the creation of Tree Trails in Slough and in Germany are working with Plant-My-Tree to support forest conservation and plant 1,430 trees near Hamburg.

A crucial element of Nurturing Talent is to ensure that we are a fully inclusive business which appeals to a wide, diverse and talented range of people. Our work in the first half has included working with the National Equality Standards to audit our business, participating in the Social Mobility Index and building on our strengths and identifying opportunities for improvement from the results of our 'Your Say' employee survey. These programmes and other initiatives will help us prioritise actions and improvements to ensure that we provide an inclusive culture and a healthy, supportive working environment.

Alongside the ongoing work on these three focus areas, an important next step within our Responsible SEGRO framework in the second half of the year is to identify challenging but achievable non-financial KPIs to help us measure and report on our progress and to link these to remuneration as part of our updated Remuneration Policy which will be presented to shareholders for approval at the 2022 Annual General Meeting.

PORTFOLIO VALUATION: STRONG GROWTH IN ALL MARKETS

Valuation gains from asset management, market-driven yield improvement and development

There has been significant growth in property values across all of our markets in the first six months of 2021 as a result of the continued strong occupier and investor appetite for industrial assets.

The Group's property portfolio was valued at £14.4 billion at 30 June 2021 (£17.1 billion of assets under management). The portfolio valuation, including completed assets, land and buildings under construction, increased by 10.2 per cent (adjusting for capital expenditure and asset recycling during the period) compared to 0.7 per cent in H1 2020.

This primarily comprises an 8.5 per cent increase in the assets held throughout the period (H1 2020: 0.3 per cent), driven by strong yield compression in most markets (the true equivalent yield fell 30 basis points across the whole portfolio to 4.2 per cent) and a 2.8 per cent increase in our valuers' estimate of the market rental value of our portfolio (ERV).

Assets held throughout the period in the UK increased in value by 8.6 per cent (H1 2020: 0.1 per cent). The true equivalent yield applied to our UK portfolio was 4.1 per cent (31 December 2020: 4.3 per cent), reflecting yield compression, rental growth and the impact of newly completed developments. Rental values improved by 3.6 per cent (H1 2020: 1.0 per cent).

Assets held throughout the period in Continental Europe increased in value by 8.3 per cent (H1 2020: 0.8 per cent) on a constant currency basis, reflecting a combination of yield compression to 4.4 per cent (31 December 2020: 4.8 per cent) and rental value growth of 1.5 per cent (H1 2020: 0.4 per cent).

More details of our property portfolio can be found in the H1 2021 Property Analysis Report available at www.segro.com/investors.

Property portfolio metrics at 30 June 2021

		Portfolio value, £m					Yield[3]		
	Lettable area sq m (AUM)	Completed	Land & develop-ment	Combined property portfolio	Combined property portfolio (AUM)	Valuation movement[2 3] %	Topped -up net initial %	Net true equivalent %	Vacancy (ERV)[4] %
UK									
Greater London	1,225,704	5,165	184	5,349	5,349	8.4	3.2	3.9	6.6
Thames Valley	568,337	2,033	216	2,249	2,249	8.5	4.0	4.4	2.4
National Logistics	546,252	911	527	1,438	1,438	9.6	4.3	4.3	-
UK Total	**2,340,293**	**8,109**	**927**	**9,036**	**9,036**	**8.6**	**3.5**	**4.1**	**4.7**
Continental Europe									
Germany	1,478,357	1,323	163	1,486	2,224	6.6	3.7	3.8	2.4
Netherlands	233,193	159	16	175	334	14.2	4.0	4.1	2.5
France	1,420,452	1,419	184	1,603	2,074	6.0	4.1	4.6	6.1
Italy	1,357,237	764	327	1,091	1,612	16.4	4.3	4.2	-
Spain	311,056	219	115	334	507	14.1	4.2	4.3	-
Poland	1,475,328	586	41	627	1,104	6.5	5.6	5.6	6.3
Czech Republic	169,515	83	11	94	180	10.7	4.8	5.2	2.9
Continental Europe Total	**6,445,138**	**4,553**	**857**	**5,410**	**8,035**	**8.3**	**4.2**	**4.4**	**3.7**
GROUP TOTAL	**8,785,431**	**12,662**	**1,784**	**14,446**	**17,071**	**8.5**	**3.8**	**4.2**	**4.3**

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

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

3 In relation to completed properties only.

4 Vacancy rate excluding short term lettings for the Group at 30 June 2021 is 4.3 per cent.

ASSET MANAGEMENT: CREATING VALUE THROUGH OPERATIONAL EXCELLENCE

Our portfolio comprises two main asset types: urban warehouses and big box warehouses. The demand-supply dynamics in both asset classes continue to be positive.

Urban Warehouses

Urban warehouses account for 67 per cent of our portfolio value. They tend to be smaller warehouses and are located mainly in and on the edges of major cities where land supply is restricted and there is strong demand for warehouse space, particularly catering for the needs of urban logistics and, around London, from data centre users.

Our urban portfolio is concentrated in London and South-East England (80 per cent) and major cities in Continental Europe (20 per cent), including Paris, Düsseldorf, Frankfurt, Berlin, Amsterdam and Warsaw. These locations share similar characteristics in terms of limited (and shrinking) supply of industrial land and growing populations, while occupiers are attracted to modern warehouses with plenty of yard space to allow easy and safe vehicle circulation. We believe that this enduring occupier demand and limited supply bodes well for future rental growth.

Big Box Warehouses

Big box warehouses account for 31 per cent of our portfolio value. They tend to be used for storage, processing and distribution of goods on a regional, national or international basis and are, therefore, much larger than urban warehouses.

They are focused on the major logistics hubs and corridors in the UK (South-East and Midlands regions), France (the logistics 'spine' linking Lille, Paris, Lyon and Marseille), Germany (Düsseldorf, Berlin, Frankfurt and Hamburg), Italy (Milan, Bologna and Rome), Poland (Warsaw, Łódz, Poznán, and the industrial region of Silesia) and Spain (Barcelona and Madrid). 27 per cent of our big box warehouses are in the UK and 73 per cent are in Continental Europe.

Occupier demand is strong across all of our markets but the nature (and typical location) of big box warehouses tends to mean that, over time, supply is able to increase more easily to satisfy demand, as there is generally more land available in out-of-town locations. However, record take-up levels over the past 12 months have meant that most of the markets that we operate in have less than a year of available space and vacancy levels remain low.

Overall, we believe the prospects for significant rental growth in big box warehouses are, and have always been, limited but this asset class brings other benefits including lower asset management intensity and long leases which help to ensure a sustainable level of income. In addition, by holding the majority of our Continental European big box warehouses in the SELP joint venture, we receive additional income from managing the venture which enhances total returns.

Customer relationships key to our continued success

Our long-term ownership and internalised management of our portfolio allows us to focus on developing strong customer relationships. These relationships proved to be particularly important last year in helping us to respond quickly to the impacts of the pandemic on our customer base. This meant that we were able to alleviate the cash flow pressures that some of our customers were experiencing and, as a result, help their businesses to survive an unprecedented period. A small proportion of customers continue to pay their rents monthly but are paying on time and in full and, as a result, rental collections have largely reverted to pre-pandemic levels and patterns.

Our experience last year demonstrates why we believe that an important part of the role of our asset managers is to build a knowledge of the businesses that occupy our space. By understanding their evolving needs and requirements, we can help them through difficult situations such as the pandemic but also help them to change and grow in more positive times, whilst also becoming better able to identify emerging trends and innovate accordingly.

Almost 60 per cent of our headline rent comes from customers with whom we have multiple leases and over a quarter of our rent comes from customers with whom we are active in more than one geography. Additionally, over 20 per cent of our rent comes from customers with whom we have both a big box and urban warehouse lease which shows the importance of being able to offer both types of assets to our customers.

Our customer relationships also help to drive the growth of our development pipeline and over 80 per cent of the potential rent from the projects in our near-term pipeline has been secured by a pre-let with an existing customer.

Partnering with our customers is vital to achieving our Responsible SEGRO ambitions. Our commitment to be net-zero carbon by 2030 covers Scope 3 carbon emissions from our portfolio (including customer energy use). We therefore need to engage with our customers to get visibility on the amount of energy that they use and work with them to reduce the operating carbon emissions from our portfolio (for further detail on the progress made with this so far in 2021 see page 7).

Growing Rental Income from Letting Existing Space and New Developments

At 30 June 2021, our portfolio generated passing rent of £461 million, rising to £503 million once rent free periods expire ('headline rent'). During the period, we contracted £38 million of new headline rent and pre-let agreements contributed £21 million to this number.

Our customer base remains well diversified, reflecting the multitude of uses of warehouse space. Our top 20 customers account for 30 per cent of total headline rent, and Amazon continues to be the largest customer, accounting for 4.7 per cent of the total.

Approximately half of our customers are involved in businesses affected by e-commerce, including third party logistics and parcel delivery businesses, and retailers. These businesses also accounted for almost half of our take-up during the period.

Summary of key leasing data for H1 2021 and H1 2020

Summary of key leasing data[1] for the six months to 30 June		**H1 2021**	H1 2020
Take-up of existing space[2] (A)	£m	**9.5**	6.6
Space returned[3] (B)	£m	**(9.5)**	(8.2)
NET ABSORPTION OF EXISTING SPACE[2] (A-B)	£m	**-**	(1.6)
Other rental movements (rent reviews, renewals, indexation)[2] (C)	£m	**4.4**	3.9
RENT ROLL GROWTH FROM EXISTING SPACE	£m	**4.4**	2.3
Take-up of pre-let developments completed in the year (signed in prior years)[2] (D)	£m	**4.8**	10.1
Take-up of speculative developments completed in the past two years[2] (D)	£m	**4.0**	6.1
TOTAL TAKE-UP[2] (A+C+D)	£m	**22.7**	26.7
Less take-up of pre-lets and speculative lettings signed in prior years[2]	£m	**(5.5)**	(11.8)
Pre-lets signed in the year for future delivery[2]	£m	**21.2**	18.8
RENTAL INCOME CONTRACTED IN THE PERIOD[2]	£m	**38.4**	33.7
Takeback of space for redevelopment	£m	**(1.9)**	(0.5)
Retention rate[4]	%	**83**	88

1 All figures reflect exchange rates at 30 June 2021 and include joint ventures at share.

2 Headline rent.

3 Headline rent, excluding space taken back for redevelopment.

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

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

- **Rental growth from lease reviews and renewals.** These generated an uplift of 12.1 per cent (H1 2020: 10.4 per cent) compared to previous headline rent. During the period, new rents agreed at review and renewal were 16.4 per cent higher in the UK (H1 2020: 16.2 per cent higher) as reversion accumulated over the past five years was reflected in new rents agreed, adding £3 million of headline rent. In Continental Europe, rents agreed on renewal were 1.8 per cent higher (H1 2020: 0.9 per cent higher), with market rental growth slightly ahead of the indexation provisions that have accumulated over recent years.

- **Vacancy has remained low.** The vacancy at 30 June 2021 increased slightly to 4.3 per cent (31 December 2020: 3.9 per cent) mainly due to some takebacks of older assets for refurbishment and redevelopment, which we expect to relet at higher rental levels. The vacancy rate on our standing stock remains low at 3.0 per cent (31 December 2020: 2.6 per cent). The vacancy rate remains at the lower end of our target range of between 4 and 6 per cent. The average vacancy rate during the period was 4.3 per cent (H1 2020: 4.8 per cent).

- **High retention rate of 83 per cent**. During the period, space equating to £9.5 million (H1 2020: £8.2 million) of rent was returned to us, including £1.4 million of rent lost due to insolvency (H1 2020: £1.5 million). We also took back space equating to £1.9 million of rent for redevelopment. Approximately £35 million of headline rent was at risk from a break or lease expiry during the period of which we retained 82 per cent in existing space, with a further 1 per cent retained but in new premises.

- **Lease terms continue to offer attractive income security.** The level of incentives agreed for new leases (excluding those on developments completed in the period) represented 6.0 per cent of the headline rent (H1 2020: 8.0 per cent). The portfolio's weighted average lease length reduced slightly during the first six months of the year with 7.3 years to first break and 8.6 years to expiry (31 December 2020: 7.5 years to first break, 8.8 years to expiry). Lease terms are longer in the UK (8.7 years to break) than in Continental Europe (5.4 years to break), reflecting the market convention of shorter leases in countries such as France and Poland.

- **£4.4 million of net new rent from existing assets**. We generated £9.5 million of headline rent from new leases on existing assets (H1 2020: £6.6 million) and £4.4 million from rent reviews, lease renewals and indexation (H1 2020: £3.9 million). This was offset by rent from space returned of £9.5 million (H1 2020: £8.2 million).
- **Continued strong demand from customers for pre-let agreements.** In addition to increased rents from existing assets, we contracted £21.2 million of headline rent from pre-let agreements and lettings of speculative developments prior to completion (H1 2020: £18.8 million). Included in this within the UK is a sizeable new data centre on the Slough Trading Estate and a further letting at SEGRO Logistics Park East Midlands Gateway. On the Continent, we agreed pre-lets in most of our major markets with the majority being to online retailers or third-party logistics operators.
- **Net rent roll growth of £27.0 million**. An important element of achieving our goal of being a leading income-focused REIT is to grow our rent roll from both our existing assets and our development pipeline. Rent roll growth, which reflects net new headline rent from existing space (adjusted for takebacks of space for development), take-up of developments and pre-lets agreed during the period, increased to £27.0 million in the period, from £25.0 million in H1 2020.

DEVELOPMENT: FURTHER GROWTH IN OUR DEVELOPMENT PIPELINE

Development Activity

During the period, we invested £456 million in our development pipeline which comprised £364 million (H1 2020: £265 million) in development spend, of which £42 million (H1 2020: £34 million) was for infrastructure, and a further £92 million (H1 2020: £202 million) to replenish our land bank to enable future development.

Development Projects Completed

We completed 104,000 sq m of new space during the first half, a lower amount than usual as our completion schedule is significantly weighted towards the second half of the year in 2021. These projects were 58 per cent pre-let prior to the start of construction and were 75 per cent let as at 30 June 2021, generating £6 million of headline rent, with a potential further £2 million to come when the remainder of the space is let. This translates into a yield on total development cost (including land, construction and finance costs) of 6.7 per cent when fully let.

We completed 54,500 sq m of big box warehouse space, including pre-lets in Germany, the Netherlands, Poland and Italy to customers in the e-commerce and logistics space. We also completed 49,500 sq m of urban warehouses, 66 per cent of which has already been leased, including a further data centre on the Slough Trading Estate, phase two of SEGRO Park Rainham and urban warehouse parks in Paris and Warsaw.

All of the eligible space that we completed in the period has been, or is in the process of being, accredited as BREEAM ‘Excellent’ or ‘Very Good’ (or a local equivalent).

Current Development Pipeline

At 30 June 2021, we had development projects approved, contracted or under construction totalling 1.1 million sq m, representing £337 million of future capital expenditure to complete and £74 million of annualised gross rental income when fully let. 72 per cent of this rent has already been secured and these projects should yield 6.5 per cent on total development cost when fully occupied.

- In the UK, we have 216,200 sq m of space approved or under construction. Within this are three more data centres on the Slough Trading Estate, developments in East, South and West London as well as four pre-lets at our big box logistics park SEGRO Logistics Park East Midlands Gateway.
- In Continental Europe, we have 843,000 sq m of space approved or under construction. This includes pre-let big box warehouses for a variety of different occupiers, from retailers to manufacturers, across all of our European markets. We are also developing further phases of our successful urban warehouse parks in Berlin, Cologne, Düsseldorf and Ingolstadt in Germany as well as two projects in Paris.

- In addition to the above projects that we are developing ourselves, we also have 72,200 sq m of space under construction as part of forward-funded agreements with local developers. This is proving to be an additional and effective method of accessing opportunities in competitive markets where sourcing land is more difficult.

We continue to focus our speculative developments primarily on urban warehouse projects, particularly in the UK, France and Germany, where modern space is in short supply and occupier demand is strong. In the UK, our speculative projects are concentrated in London and on the Slough Trading Estate. In Continental Europe, we continue to build scale in Germany, where projects are underway in a number of major cities.

Within our Continental European development programme, approximately £22 million of potential gross rental income is associated with big box warehouses developed outside our SELP joint venture. Under the terms of the joint venture, SELP has the option, but not the obligation, to acquire these assets shortly after completion. Assuming SELP exercises its option, we would retain a 50 per cent share of the rent after disposal. In the period, SEGRO sold £233 million of completed assets to SELP, representing a net disposal of £117 million.

In recent months, there has been media commentary around the availability and costs of certain materials as economies reopen post various local Covid lockdowns. We have not experienced any delays to the completion date of any of our actual or pipeline development projects, working closely with our construction partners to ensure that any supply chain interruptions can be managed within the overall project timetable. In terms of costs, the majority of our development pipeline is on fixed price contracts so there has been little impact so far. We anticipate that rental growth would more than offset any additional costs that arise on the future pipeline described below, given the compelling demand from occupiers for new, high-quality, space and the low level of vacancy across our markets..

We continue to pay attention close to our use of energy, resources and materials throughout the construction of our warehouses and are increasingly looking at how we can minimise the carbon footprint throughout their entire life cycle. It is now a SEGRO wide policy to undertake BIM (Building Information Management) modelling on all new developments of 5,000 sq m or larger, which enables us to do a full lifecycle assessment.

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

Future Development Pipeline

Near-Term Development Pipeline

Within the future development pipeline are a number of pre-let projects which are close to being approved, awaiting either final conditions to be met or planning approval to be granted. We expect to commence these projects within the next six to 12 months.

These projects total 183,100 sq m of space, equating to approximately £186 million (H1 2020: £311 million) of additional capital expenditure and £22 million (H1 2020: £33 million) of additional rent.

Land Bank

Our land bank identified for future development (including the near-term projects detailed above) totalled 597 hectares at 30 June 2021, valued at £651 million, less than 5 per cent of our total portfolio value. We invested £92 million in acquiring new land during the period, the majority of which was land associated with developments already underway or expected to start in the short term.

We estimate that our land bank (excluding projects currently under construction) can support over 2.5 million sq m of development over the next five years. The prospective capital expenditure associated with the future pipeline is approximately £1.4 billion. It could generate £144 million of gross rental income, representing a yield on total development cost (including land and notional finance costs) of around 6.9 per cent. These figures are indicative based on our current expectations and are dependent on our ability to secure pre-let agreements, planning permissions, construction contracts and on our outlook for occupier conditions in local markets.

Conditional Land Acquisitions and Land Held Under Option Agreements

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

The options are held on the balance sheet at a value of £16 million (including joint ventures at share). Those we expect to exercise over the next two to three years are for land capable of supporting just over 1.1 million sq m of space and generating approximately £66 million of headline rent (SEGRO share) for a blended yield of approximately 6 per cent.

INVESTMENT: CONTINUING TO FOCUS ON OUR DEVELOPMENT PIPELINE

We invested £456 million in our portfolio during the period: development capital expenditure of £364 million, and £92 million on acquisitions. This was partly offset by £154 million of disposals.

Acquisitions: Focused on sourcing land to add to the future development pipeline

Acquisitions during the period totalled £92 million, mainly land or redevelopment opportunities to further grow our development pipeline. They included a site in South London on which we have agreed a forward-funding agreement to build an urban warehouse park. We also bought land in France, Italy and Spain for a mix of urban warehouse and big box development projects.

Disposals: Asset Recycling to Improve Portfolio Focus

During the period, we recognised proceeds of £154 million from the disposal of land and assets.

The asset disposals included a recently developed stand-alone car showroom in the Thames Valley portfolio and, as in previous years, we sold a portfolio of Continental European big box warehouses developed by SEGRO to SELP for which we received £117 million net proceeds from an effective sale of a 50 per cent interest. The consideration for these asset disposals was £136 million, reflecting a blended topped-up initial yield of 4.3 per cent.

In addition to the above asset disposals, we also completed the disposal of a building that we developed on a turnkey basis in our East London portfolio. The remainder of the disposals were residual plots of land in Budapest and Warsaw that were not suitable for our development pipeline.

Since the end of June, we have also agreed the sale of a portfolio of urban warehouses in Italy that were developed on behalf of our largest customer to help them expand their distribution network in the country. As these assets are situated in locations that are not core to our strategy we took advantage of the strong investment markets and disposed of this portfolio for £109 million, a price materially ahead of December 2020 book value.

Disposals completed in H1 2021

Asset type	Disposal proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Big boxes	117	2.7	4.2
Urban warehousing	19	4.6	4.6
Other (including sale of turnkey development site)	16	n/a	n/a
Land	2	n/a	n/a
Disposals completed in H1 2021[2]	**154**	**3.0**	**4.3**

1 Yield excludes land transactions.

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

BALANCE SHEET POSITIONED TO SUPPORT FURTHER GROWTH

Net borrowings, including our share of joint venture net debt, increased slightly by £4 million from 31 December 2020 to £3,092 million. The look-through loan to value ratio reduced to 21 per cent (31 December 2020: 24 per cent). Our intention for the foreseeable future is to maintain our LTV at around 30 per cent. This provides the flexibility to take advantage of investment opportunities arising and ensures significant headroom compared to our tightest gearing covenants should property values decline. We were pleased to note the decision by Fitch Ratings to upgrade our senior unsecured credit rating to 'A' (from 'A-').

During the period we launched our Green Finance Framework, issued the first SELP Green Bond (8-year tenure, 0.875% coupon) and extended the bank facilities for both SEGRO and SELP. This activity helped reduce our weighted average cost of debt to 1.5 per cent and extended the average duration of debt to 9.7 years.

INTERIM DIVIDEND OF 7.4 PENCE PER SHARE

Consistent with its previous guidance that the interim dividend would normally be set at one-third of the previous year's total dividend, the Board has declared an increase in the interim dividend of 0.5 pence per share to 7.4 pence (H1 2020: 6.9 pence), a rise of 7.2 per cent. This will be paid as an ordinary dividend on 24 September 2021 to shareholders on the register at the close of business on 13 August 2021. The Board will offer a scrip dividend option for the 2021 interim dividend, allowing shareholders to choose whether to receive the dividend in cash or new shares. 39 per cent of the 2020 final dividend was paid in new shares, equating to £66 million of cash retained on the balance sheet and 7.2 million new shares being issued.

FINANCIAL REVIEW

Like-for-like net rental income growth, income from acquisitions and new developments were the primary drivers of the 19 per cent increase in Adjusted profit before tax compared to H1 2020. Adjusted NAV per share increased by 12 per cent to 909 pence compared to December 2020, primarily driven by the valuation uplift on the property portfolio.

Financial highlights

	30 June 2021	30 June 2020	31 December 2020
IFRS[1] net asset value (NAV) per share (diluted) (p)	**897**	716	809
Adjusted NAV per share[1] (diluted) (p)	**909**	718	814
IFRS profit before tax (£m)	**1,413**	221	1,464
Adjusted[2] profit before tax (£m)	**168**	141	296
IFRS earnings per share (EPS) (p)	**110.3**	19.5	124.1
Adjusted[2] EPS (p)	**13.8**	12.5	25.4

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

Presentation of financial information

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

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

A detailed reconciliation between Adjusted profit after tax and IFRS profit after tax is provided in Note 2 of the condensed financial information. The Adjusted NAV per share measure reflects the EPRA Net Tangible Asset metric and based on the EPRA best practice reporting guidelines. A detailed reconciliation between Adjusted NAV and IFRS NAV is provided in Note 11(ii) of the condensed financial information.

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

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

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

ADJUSTED PROFIT

Adjusted profit

	Six months to 30 June 2021 £m	Six months to 30 June 2020 £m
Gross rental income	**220**	187
Property operating expenses	**(49)**	(42)
Net rental income	**171**	145
Joint venture fee income	**12**	11
Administration expenses	**(27)**	(25)
Share of joint ventures' Adjusted profit after tax[1]	**32**	29
Adjusted operating profit before interest and tax	**188**	160
Net finance costs	**(20)**	(19)
Adjusted profit before tax	**168**	141
Tax on Adjusted profit	**(3)**	(2)
Adjusted profit after tax[2]	**165**	139

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

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

Adjusted profit before tax increased by 19 per cent to £168 million (H1 2020: £141 million). The primary driver was a £26 million increase in net rental income to £171 million, as discussed further below.

Net rental income (including joint ventures at share)

Net rental income	**Six months to 30 June 2021 £m**	Six months to 30 June 2020 £m	Change[3] %
UK	**118**	112	4.8
Continental Europe	**65**	63	4.6
Like-for-like net rental income before other items[1]	**183**	175	4.7
Other[2]	**(3)**	(3)	
Like-for-like net rental income (after other)	**180**	172	4.9
Development lettings	**15**	2	
Properties taken back for development	**-**	2	
Like-for-like net rental income plus developments	**195**	176	
Properties acquired	**11**	1	
Properties sold	**2**	2	
Net rental income before surrenders, dilapidations and exchange	**208**	179	
Lease surrender premiums and dilapidations income	**3**	1	
Other items and rent lost from lease surrenders	**8**	7	
Impact of exchange rate difference between periods	**-**	1	
Net rental income (including joint ventures at share)	**219**	188	
SEGRO share of joint venture management fees	**(5)**	(5)	
Net rental income after SEGRO share of joining venture fees	**214**	183	

1. Includes expected credit losses UK £1.3 million (H1 2020: £2.4 million); CE £0.2 million (H1 2020: £0.8 million). Excluding these losses the like for like change would be: Group 3.7%; UK 3.7%; CE 3.6%.
2. Other includes the corporate centre and other costs relating to the operational business which are not specifically allocated to a geographical business unit.
3. Percentage change has been calculated using the figures presented in the table above in millions accurate to one decimal place.

The like-for-like rental growth metric is based on properties held throughout both H1 2021 and H1 2020 and comprises wholly owned assets (net rental income of £171 million) and SEGRO's share of net rental income held in joint ventures (£43 million).

Net rental income on this basis increased by £31 million to £214 million which mainly reflects £13 million of additional income from development lettings, £10 million from properties acquired (almost entirely during 2020) and £8 million of like-for-like net rental income growth before other items (a growth rate of 4.7 per cent compared to H1 2020). The growth rate is calculated based on figures in millions to one decimal place rather than those rounded to £ million as presented in the table.

The growth in like-for-like net rental income before other items was mainly due to rental increases on review and renewal in both our UK portfolio and Continental Europe portfolios. This includes the impact of expected credit losses. Excluding such items would reduce the Group like for like increase to 3.7 per cent, as the levels of losses have decreased compared to the prior period.

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

Income from joint ventures

Joint venture management fee income increased by £1 million to £12 million in line with the growth in activity in the SELP joint venture.

SEGRO provides certain services, including venture advisory and asset management, to the SELP joint venture and receives fees for doing so, including potential performance fees based on the performance of the portfolio. The next performance fee measurement date is on the tenth anniversary, in October 2023. No performance fee was recognised in the current or prior period.

SEGRO's share of joint ventures' Adjusted profit after tax increased by £3 million, mainly reflecting the growth in income from the SELP joint venture.

Administrative and operating costs

The Total Cost Ratio for H1 2021 improved to 19.8 per cent from 21.2 per cent in H1 2020. Excluding the impact of share based payments (£6 million), the cost of which are directly linked to the outperformance of the property portfolio, the Cost Ratio improved to 17.4 per cent in H1 2021 from 18.6 per cent in H1 2020. The calculations are set out in Table 8 of the Supplementary Notes to the condensed financial information.

Net finance costs

Net finance costs have increased by £1 million during the period from £19 million at H1 2020 to £20 million at H1 2021. Whilst absolute levels of debt are higher than the comparative period this is mitigated through a reduction in the cost of debt (as discussed further in the Financial Position and Funding section below).

Taxation

The tax charge on Adjusted profit of £3 million (H1 2020: £2 million) reflects an effective tax rate of 1.8 per cent (H1 2020: 1.1 per cent), calculated on figures in millions to one decimal place. The effective tax rate is consistent with a Group target tax rate of less than 3 per cent.

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

Adjusted earnings per share

Adjusted earnings per share were 13.8 pence (H1 2020: 12.5 pence) reflecting the £26 million increase in Adjusted profit after tax and non-controlling interests, offset by the 8 per cent increase in the weighted number of shares in issue as a result of the equity issue in June 2020.

IFRS PROFIT

IFRS profit before tax in H1 2021 was £1,413 million (H1 2020: £221 million), equating to post-tax IFRS earnings per share of 110.3 pence compared with 19.5 pence for H1 2020. The increase in IFRS profits is driven primarily by unrealised and realised gains on our property portfolio, including joint ventures at share, which were £1,273 million higher in H1 2021 than in the same period a year ago.

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

Realised and unrealised gains on wholly owned investment and trading properties of £1,123 million in H1 2021 (H1 2020: £57 million) have been recognised in the income statement, mainly comprising an unrealised valuation surplus on investment properties of £1,118 million (H1 2020: £57 million).

SEGRO's share of realised and unrealised gains on properties held in joint ventures was £217 million (H1 2020: £10 million) arising on revaluation gains in the SELP joint venture.

BALANCE SHEET

Adjusted net asset value

	£m	Shares million	Pence per share
Adjusted net assets attributable to ordinary shareholders at 31 December 2020	**9,725**	**1,194.7**	**814**
Realised and unrealised property gain (including joint ventures)	1,340		
Adjusted profit after tax	165		
Dividend net of scrip shares issued (2020 final)	(115)		
Exchange rate movement (net of hedging)	(76)		
Tax charge in respect of realised and unrealised property gain[1]	(54)		
SIIC entry tax charge	(39)		
Other	(17)		
Adjusted net assets attributable to ordinary shareholders at 30 June 2021	**10,929**	**1,202.5**	**909**

1. Includes 50 per cent of deferred tax charge in respect of depreciation and valuation surpluses.

At 30 June 2021, IFRS net assets attributable to ordinary shareholders (on a diluted basis) were £10,783 million (31 December 2020: £9,659 million), equating to 897 pence per share (31 December 2020: 809 pence).

Adjusted net asset value per share at 30 June 2021 was 909 pence measured on a diluted basis (31 December 2020: 814 pence), an increase of 12 per cent in the period. The table above highlights the other principal factors behind the increase. The tax charge of £54 million includes both the impact of deferred tax in respect of valuation surpluses recognised (of which 50 per cent are recognised in Adjusted net assets) and the tax liability due from the disposal of a property portfolio in the period. In addition, a portfolio of properties acquired in France in the prior period has been entered in to the SIIC regime at a cost of £39 million as discussed further in Note 9.

A reconciliation between IFRS and Adjusted net assets is available in Note 11 to the condensed financial information.

CASH FLOW AND NET DEBT RECONCILIATION

Cash flow from operations for the period was £168 million, an increase of £61 million from H1 2020 (£107 million), primarily due to increased operating profits and improved working capital cashflows including improved debtor collections and reduced trading property spend.

The largest cash outflow in the period relates to acquisitions and developments of investment properties at £371 million, which primarily reflects the Group's investment activity during the period and ongoing development activity (see Capital Expenditure section for more details). Cash flows from investment property sales are £350 million, giving a net outflow of £21 million from property investment activity. In addition investment outflows of £56 million to joint ventures was made primarily to fund the SELP investing activity.

Other significant financing cash flows include dividends paid of £90 million (H1 2020: £80 million) reflecting the increased dividend per share and level of scrip dividend take-up and an inflow of £34 million from the derivatives which are used to manage the Group's exposure to foreign exchange during the period as the euro has weakened against sterling.

As a result of these factors there was a net funds outflow of £8 million during the period compared to an inflow of £74 million in H1 2020.

Cash flow and net debt reconciliation

	Six months to 30 June 2021 £m	Six months to 30 June 2020 £m
Opening net debt	**(2,325)**	(1,811)
Cash flow from operations	**168**	107
Finance costs (net)	**(25)**	(27)
Dividends received	**4**	2
Tax (paid)/received	**(2)**	2
Free cash flow	**145**	84
Dividends paid	**(90)**	(80)
Acquisitions and development of investment properties	**(371)**	(614)
Investment property sales	**350**	53
Acquisitions of other interests in property and other investments	**(3)**	(4)
Purchase of non-controlling interest	**(12)**	-
Net settlement of foreign exchange derivatives	**34**	(35)
Proceeds from issue of ordinary shares	**1**	672
Net investment in joint ventures	**(56)**	-
Other items	**(6)**	(2)
Net funds flow	**(8)**	74
Non-cash movements	**(1)**	(1)
Exchange rate movements	**59**	(61)
Closing net debt	**(2,275)**	(1,799)

Capital expenditure

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

Total spend for the period was £490 million, a decrease of £233 million compared to H1 2020. This is primarily driven by a decreased volume of acquisitions, with significant UK acquisitions in the prior period. Development capital expenditure increased by £99 million to £364 million with particular spend on our schemes in Italy and the UK National Logistics business unit.

Spend on existing completed properties totalled £21 million (H1 2020: £13 million), over half of which was for value-enhancing major refurbishment and fit-out costs prior to re-letting.

EPRA capital expenditure analysis

	Six months to 30 June 2021			Six months to 30 June 2020		
	Wholly owned £m	**Joint ventures £m**	**Total £m**	Wholly owned £m	Joint ventures £m	Total £m
Acquisitions	**90[1]**	**2**	**92[7]**	420	10	430
Development[4]	**327[2]**	**37**	**364**	236	29	265
Completed properties[5]	**16[3]**	**5**	**21**	12	1	13
Other[6]	**8**	**5**	**13**	11	4	15
Total	**441**	**49**	**490**	679	44	723

1. Being £90 million investment property and £nil trading property (2020: £418 million and £2 million respectively) see Note 12.
2. Being £318 million investment property and £9 million trading property (2020: £229 million and £7 million respectively) see Note 12.
3. Being £16 million investment property and £nil trading property (2020: £12 million and £nil respectively) see Note 12.
4. Includes wholly owned capitalised interest of £4 million (2020: £4 million) as further analysed in Note 8 and share of joint venture capitalised interest of £nil (2020: £nil).
5. Being £19 million expenditure used for enhancing existing space (2020: £13 million) and £2 million used for creation of additional lettable space (2020: £nil).
6. Tenant incentives, letting fees and rental guarantees.
7. Excludes acquisitions of property sold from the Group's wholly owned portfolio to the SELP joint venture of £117 million (2020: £nil) and associated property tax of £2 million, which is effectively a net 50 percent disposal by the Group.

FINANCIAL POSITION AND FUNDING

Financial Key Performance Indicators

GROUP ONLY	30 June 2021	30 June 2020	31 December 2020
Net borrowings (£m)	**2,275**	1,799	2,325
Available Group cash and undrawn facilities (£m)	**983**	1,319	1,061
Gearing (%)	**21**	21	24
LTV ratio (%)	**19**	20	22
Weighted average cost of debt[1] (%)	**1.6**	1.8	1.7
Interest cover[2] (times)	**7.0**	6.5	6.6
Average duration of debt (years)	**11.3**	11.1	11.7
INCLUDING JOINT VENTURES AT SHARE			
Net borrowings (£m)	**3,092**	2,511	3,088
Available cash and undrawn facilities (£m)	**1,230**	1,541	1,189
LTV ratio (%)	**21**	22	24
Weighted average cost of debt[1] (%)	**1.5**	1.7	1.6
Interest cover[2] (times)	**6.9**	6.4	6.5
Average duration of debt (years)	**9.7**	9.4	9.9

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

At 30 June 2021, the Group's net borrowings (including the Group's share of borrowings in joint ventures) were £3,092 million (31 December 2020: £3,088 million) at a weighted average cost of 1.5 per cent and an average duration of 9.7 years. The loan to value ratio (including joint ventures at share) was 21 per cent (31 December 2020: 24 per cent) with £1,230 million of cash and undrawn facilities available for investment.

Gross borrowings of SEGRO Group were £2,353 million at 30 June 2021, all but £13 million of which were unsecured, and cash and cash equivalent balances were £78 million. SEGRO's share of gross borrowings in its joint ventures was £850 million (all of which were advanced on a non-recourse basis to SEGRO) and cash and cash equivalent balances of £33 million.

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

In May 2021, SELP consolidated its €0.5 billion of revolving credit facilities and simultaneously extended maturity to 2025. This was followed, also in May 2021, with SEGRO extending the maturity of its €1.2 billion of revolving credit facilities for a further year to 2026.

In May 2021, SEGRO published its Green Finance Framework, building on the Responsible SEGRO strategy launched in February 2021. The framework, which applies to SEGRO, its subsidiaries and joint ventures including SELP, integrates financial strategy with the Responsible SEGRO commitments.

In May 2021, SELP issued a €500 million, 8.0 year unsecured green bond at a coupon of 0.875 per cent. The proceeds were used to refinance existing bank borrowings as well as provide additional liquidity to the venture.

MONITORING AND MITIGATING FINANCIAL RISK

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

Treasury policies and governance

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

Gearing and financial covenants

The key leverage metric for SEGRO is its loan to value ratio (LTV), which incorporates assets and net debt on SEGRO's balance sheet and SEGRO's share of assets and net debt on the balance sheets of its joint ventures. The LTV at 30 June 2021 on this 'look-through' basis was 21 per cent (31 December 2020: 24 per cent).

Our borrowings contain gearing covenants based on Group net debt and net asset value, excluding debt in joint ventures. The gearing ratio of the Group at 30 June 2021, as defined within the principal debt funding arrangements of the Group, was 21 per cent (31 December 2020: 24 per cent). This is significantly lower than the Group's tightest financial gearing covenant within these debt facilities of 160 per cent. Property valuations would need to fall by around 66 per cent from their 30 June 2021 levels to reach the gearing covenant threshold of 160 per cent.

The Group's other key financial covenant within its principal debt funding arrangements is interest cover, requiring that net interest before capitalisation be covered at least 1.25 times by net property rental income. At 30 June 2021, the Group comfortably met this ratio at 7.0 times. On a look-through basis, including joint ventures, this ratio was 6.9 times.

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

Our intention for the foreseeable future is to maintain our LTV at around 30 per cent. This provides the flexibility to take advantage of investment opportunities arising and ensures significant headroom compared to our tightest gearing covenants should property values decline.

At 30 June 2021, the only debt maturities within 12 months are €1 million of principal repayments on an amortising loan, acquired with Sofibus Patrimoine SA. The weighted average maturity of the gross borrowings of the Group was 11.3 years (9.7 years on a look-through basis). With the majority of the Group's revolving credit facilities not due to mature until 2026, and no material Group debt maturities until 2024, this long average debt maturity translates into a favourable, well spread debt funding maturity profile which reduces future refinancing risk.

Interest rate risk

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

As at 30 June 2021, including the impact of derivative instruments, 74 per cent (31 December 2020: 70 per cent) of the net borrowings of the Group (including the Group's share of borrowings within joint ventures) were at fixed or capped rates. The fixed-only level of debt is 49 per cent at 30 June 2021 (31 December 2020: 44 per cent).

As a result of the fixed rate cover in place, if short term interest rates had been 1 per cent higher throughout the six month period to 30 June 2021, the adjusted net finance cost of the Group would have increased by approximately £8 million representing around 5 per cent of Adjusted profit after tax.

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

Foreign currency translation risk

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

The Group seeks to limit its exposure to volatility in foreign exchange rates by hedging at a level between the year-end Group LTV percentage and 100 per cent of its foreign currency gross assets through either borrowings or derivative instruments. At 30 June 2021, the Group had gross foreign currency assets which were 64 per cent hedged by gross foreign currency denominated liabilities (including the impact of derivative financial instruments).

The exchange rate used to translate euro denominated assets and liabilities as at 30 June 2021 into sterling within the balance sheet of the Group was €1.17:£1 (31 December 2020: €1.12:£1). Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, if the value of the other currencies in which the Group operates at 30 June 2021 weakened by 10 per cent against sterling (€1.29, in the case of euros), net assets would have decreased by approximately £155 million and there would have been a reduction in gearing of approximately 1.7 per cent and in the LTV of approximately 1.5 per cent. The impact if the other currencies in which the Group operates should strengthen by 10 per cent against Sterling would be broadly equal and opposite.

The average exchange rate used to translate euro denominated earnings generated during the six months ending 30 June 2021 into sterling within the consolidated income statement of the Group was €1.15:£1 (H1 2020: €1.14:£1).

Based on the hedging position at 30 June 2021, and assuming that this position had applied throughout the 6 month period, if the euro had been 10 per cent weaker than the average exchange rate (€1.27:£1), Adjusted profit after tax for the six month period would have been approximately £5 million (3.2 per cent) lower than reported. If it had been 10 per cent stronger, adjusted profit after tax for the period would have been approximately £6 million (3.9 per cent) higher than reported.

GOING CONCERN

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

- In 2021, the Group has extended the term of its €1.2 billion of bank facilities to 2026.
- Cash and available facilities at 30 June 2021 were £1.0 billion.
- The Group continuously monitors its liquidity position compared to committed and expected capital and operating expenses on a rolling forward 18 month basis. The quantum of committed capital expenditure at any point in time is typically low due to the short timeframe to construct warehouse buildings.
- The Group also regularly stress-tests its financial covenants. As noted above, at 30 June 2021, property values would need to fall by around 66 per cent before breaching the gearing covenant. In terms of interest cover, net rental income would need to fall by 82 per cent before breaching the interest cover covenant. Both would be significantly in excess of the Group's experience during the financial crisis and its experience in 2021 to date.

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

STATEMENT OF PRINCIPAL RISKS

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

The Group's risk appetite, its integrated approach to managing risk, and the governance arrangements in place are described in the Principal Risks section of the 2020 Annual Report on pages 72 to 81.

Covid-19

The uncertainties and challenges caused by the Covid-19 pandemic continue to impact our entire risk landscape including the global economy, our markets and our operations.

The Group's Board, and key committees have overseen the Group's response to the pandemic throughout the period and taken actions to mitigate its impacts including on our operations, the health and wellbeing of our employees and to support our stakeholders.

We have reviewed and updated the Group's risk register during the period, in particular in light of the continued impact of Covid-19 which has acted to increase the impact, or probability, or both in respect of risks already on the risk register, as detailed further in our Principal Risks section below. No new risks have been identified in this period as a result of the pandemic.

Looking forward, it is clear there is still much uncertainty around the future trajectory of the pandemic. Whilst the progress of the vaccine programme offers a pathway to re-opening of economies and some degree of normality, the emergence of new variants puts this at risk both in the near- and longer-term. Accordingly, we remain vigilant to the rapidly changing environment and possible prolonged impact of Covid-19 on the locations in which we operate.

Emerging risks

We continue to identify and monitor emerging risks in our risk processes. Emerging risks are those which may be evolving rapidly and whose impact or probability may not yet be fully understood and whose mitigations are consequently evolving. This process is supplemented by formal horizon scans with the Executive Committee. Clearly the impact of Covid-19, discussed above, continues to be a major focus, as does the long term impact of climate change on our business.

Risks Appetite

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

- **Property risk** - we recognise that, in seeking outperformance from our portfolio, the Group must accept a balanced level of property risk – with diversity in geographic locations and asset types and an appropriate mixture of stabilised income producing and opportunity assets – in order to enhance opportunities for superior returns. This is balanced against the backdrop of the macro economic climate and its impact on the property cycle.
- **Financial risk** - we maintain a low to moderate appetite for financial risk in general, with a very low appetite for risks to solvency and gearing covenant breaches.
- **Corporate risk** - we have a very low appetite for risks to our good reputation and risks to being well-regarded by our investors, regulators, employees, customers, business partners, suppliers, lenders and by the wider communities and environments in which we operate.

Principal Risks

A summary of the Group's principal risks including an update for changes during the period and expected impacts during the second half of 2021, is provided below. Following the trade agreement with the EU in December 2020, the risk of a 'Disruptive Brexit' was, at least in part, mitigated and, as no subsequent material impacts on the Group have arisen, it has been removed as a Principal Risk. The relevant consequences of Brexit are now being managed as part of their applicable risks such as Political and Regulatory. Disruptive Brexit aside, the other principal risks remain the same as reported in the Annual Report for 2020 and the residual risk for each remains within appetite however each continues to have an elevated probability of volatility in the period.

- **Macroeconomic Impact on Market Cycle.** The property market is cyclical and there is a continuous risk that the Group could either misinterpret the market or fail to react appropriately to changing market and wider geopolitical conditions, which could result in capital being invested or disposals taking place at the wrong price or time in the cycle.
  Update: The pandemic continues to cause greater market volatility and less predictability and in response we have increased the regularity of our economic outlook assessments. Whilst we are not entirely immune to these fluctuations, the most material adverse impacts appear to be focused in sectors where we do not have significant exposure.

- **Portfolio Strategy and Execution.** The Group's Total Property and/or Shareholder Returns could underperform in absolute or relative terms as a result of an inappropriate portfolio strategy.
  Update: The Group's approach to portfolio management and capital allocation remains responsive to opportunities that arise, as detailed further in the Investment and Development sections above. The attractiveness of the industrial property asset class has led to increased market competition and the consequent impact on pricing has led to us being more selective in our investing.

- **Major Event / Business Disruption.** Unexpected global, regional or national events result in severe adverse disruption to SEGRO, such as sustained asset value or revenue impairment, solvency or covenant stress, liquidity or business continuity challenges. A global event or business disruption may include, but is not limited to a global financial crises, health pandemic, civil unrest, act of terrorism, cyber-attack or other IT disruption. Events may be singular or cumulative, and lead to acute/systemic issues in the business and/or operating environment.
  Update: As detailed in the Covid-19 section above, the pandemic continues to cause increased uncertainty to the Group's operations and stakeholders. The Board and other committees remain vigilant and responsive in managing the mitigation of risks as they evolve.

- **Health & Safety.** Health and safety management processes could fail, leading to a loss of life, litigation, fines and serious reputational damage to the Group.
  Update: The health and safety of the workforce remains a key priority whilst working away from the office as well as the potential gradual return to the office. We continue to closely monitor our development sites in order to ensuring a safe and compliant working environment.

- **Environmental Sustainability.** Failure to anticipate and respond to the impact of both physical and transitional risks from climate change on the sustainability of our environment as both a principal and emerging risk. Changes in social attitudes, laws, regulations, policies, taxation, obligations, and customer preferences associated with environmental sustainability could cause significant reputational damage and impact on our business, through non-compliance with laws and regulations, increased costs of tax and energy and loss of value through not meeting stakeholder expectations in addressing these challenges when reporting.
  Update: We refreshed our 'Responsible SEGRO' framework earlier this year that sets out our key priorities: championing low carbon growth, investing in local communities and environments and nurturing talent. This is detailed further in the Responsible SEGRO Update above.

- **Development Plan Execution.** The Group could suffer significant financial losses from its extensive current programme and future pipeline of developments.

  Update: We continue to work with our contractors to ensure Covid-19 compliant work practices are in place at all work sites on our major development sites operate effective and efficiently. During the period we have become aware of possible bottlenecks in the construction supply chain for certain materials and whilst these have not currently caused undue delay we look to proactively work alongside our contractors to manage such issues as they arise.

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

  Update: Currently the Group has strong access to financial markets as seen by our funding activity as detailed in the Financial Position and Funding section above leaving us well positioned, financially, in order to fund activity in the remainder of the year and beyond.

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

  Update: Following the UK's exit from the EU the Group has closely monitored and managed its consequential legal and regulatory risks through a dedicated internal team and external advisors ensuring timely remedial actions were taken where necessary. Whilst the full extent of such risks continue to be monitored, no significant unexpected issues have currently arisen. In addition we continue to closely monitor changes in other legislation, such as tax, to ensure they are understood and addressed in an appropriate and effective manner.

- **Operational Delivery & Compliance**. The Group's ability to protect its reputation, revenues and shareholder value could be damaged by operational failures such as: failing to attract, retain and motivate key employees; major customer default; supply chain failure or the structural failure of one of our assets. Compliance failures, such as breaches of joint venture shareholders' agreements, loan agreements or tax legislation could also damage reputation, revenue and shareholder value.

  Update: The pandemic continues to impact working practices with significant time spent away from the office, although we have seen an increase in the number of employees in our offices more recently. In due course, we remain committed to returning to our agile working approach to promote our strong, positive corporate culture, ensuring our key employees continue to be motivated and challenged. We continue to ensure the resilience and security of our technology, and to engage closely with our customers.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

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

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

By order of the Board,

David Sleath
Chief Executive

Soumen Das
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO SEGRO PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed SEGRO plc's condensed consolidated interim financial statements (the "interim financial statements") in the half-yearly report of SEGRO plc for the 6 month period ended 30 June 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority, and EU adopted International Accounting Standard 34, 'Interim Financial Reporting'.

What we have reviewed

The interim financial statements comprise:

- the Condensed Group Balance Sheet as at 30 June 2021;
- the Condensed Group Income Statement and Condensed Group Statement of Comprehensive Income for the period then ended;
- the Condensed Group Cash Flow Statement for the period then ended;
- the Condensed Group Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP

Chartered Accountants

London

28 July 2021

CONDENSED GROUP INCOME STATEMENT

For the six months ended 30 June 2021

	Notes	**Half year to 30 June 2021 (unaudited) £m**	Half year to 30 June 2020 (unaudited) £m	Year to 31 December 2020 (audited) £m
Revenue	4	**246**	198	432
Costs	5	**(62)**	(42)	(104)
		184	156	328
Administration expenses		**(27)**	(25)	(52)
Share of profit from joint ventures after tax	6	**210**	35	236
Realised and unrealised property gain	7	**1,122**	57	989
Operating profit		**1,489**	223	1,501
Finance income	8	**23**	38	50
Finance costs	8	**(99)**	(40)	(87)
Profit before tax		**1,413**	221	1,464
Tax	9	**(92)**	(4)	(35)
Profit after tax		**1,321**	217	1,429
Attributable to equity shareholders		**1,317**	216	1,427
Attributable to non-controlling interests		**4**	1	2
Earnings per share (pence)				
Basic	11	**110.3**	19.5	124.1
Diluted	11	**110.0**	19.4	123.6

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Half year to 30 June 2021 (unaudited) £m	Half year to 30 June 2020 (unaudited) £m	Year to 31 December 2020 (audited) £m
Profit for the period	**1,321**	217	1,429
Items that may be reclassified subsequently to profit or loss			
Foreign exchange movement arising on translation of international operations	**(124)**	149	112
Fair value movements on derivatives and borrowings in effective hedge relationships	**48**	(71)	(52)
	(76)	78	60
Tax on components of other comprehensive income	**-**	-	-
Other comprehensive (loss)/income	**(76)**	78	60
Total comprehensive income for the period	**1,245**	295	1,489
Attributable to – equity shareholders	**1,241**	295	1,487
– non-controlling interests	**4**	-	2

CONDENSED GROUP BALANCE SHEET

As at 30 June 2021

	Notes	**30 June 2021 (unaudited) £m**	30 June 2020 (unaudited) £m	31 December 2020 (audited) £m
Assets				
Non-current assets				
Intangible assets		**8**	2	2
Investment properties	12	**11,850**	9,208	10,671
Other interests in property		**16**	19	16
Property, plant and equipment		**23**	25	27
Investments in joint ventures	6	**1,620**	1,235	1,423
Other investments		**4**	29	2
Other receivables		**36**	114	37
Derivative financial instruments		**58**	66	63
		13,615	10,698	12,241
Current assets				
Trading properties	12	**47**	29	52
Trade and other receivables		**175**	197	270
Derivative financial instruments		**4**	3	15
Cash and cash equivalents	13	**78**	203	89
		304	432	426
Total assets		**13,919**	11,130	12,667
Liabilities				
Non-current liabilities				
Borrowings	13	**2,352**	2,002	2,413
Deferred tax liabilities	9	**112**	61	87
Trade and other payables		**107**	109	110
Derivative financial instruments		**41**	13	5
		2,612	2,185	2,615
Current liabilities				
Trade and other payables		**460**	389	372
Borrowings	13	**1**	-	1
Derivative financial instruments		**1**	11	5
Tax liabilities		**62**	5	3
		524	405	381
Total liabilities		**3,136**	2,590	2,996
Net assets		**10,783**	8,540	9,671
Equity				
Share capital		**120**	119	119
Share premium		**3,343**	3,271	3,277
Capital redemption reserve		**114**	114	114
Own shares held		**(1)**	(1)	(1)
Other reserves		**170**	268	253
Retained earnings		**7,037**	4,769	5,897
Total shareholders' equity		**10,783**	8,540	9,659
Non-controlling interests		**-**	-	12
Total equity		**10,783**	8,540	9,671
Net assets per ordinary share (pence)				
Basic	11	**899**	717	811
Diluted	11	**897**	716	809

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent										
					Other reserves						
(unaudited)	Ordinary share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Share-based payment reserve £m	Translation, hedging and other reserve £m	Merger reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interest[1] £m	Total equity £m
Balance at 1 January 2021	**119**	**3,277**	**114**	**(1)**	**22**	**62**	**169**	**5,897**	**9,659**	**12**	**9,671**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,317**	**1,317**	**4**	**1,321**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(76)**	**-**	**-**	**(76)**	**-**	**(76)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(76)**	**-**	**1,317**	**1,241**	**4**	**1,245**
Transactions with owners of the Company											
Issues of shares	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Own shares acquired	**-**	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**	**(3)**	**-**	**(3)**
Equity-settled share-based payment transactions	**-**	**-**	**-**	**3**	**(7)**	**-**	**-**	**5**	**1**	**-**	**1**
Dividends	**1**	**65**	**-**	**-**	**-**	**-**	**-**	**(181)**	**(115)**	**-**	**(115)**
Movement in non-controlling interest[1]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**	**(16)**	**(17)**
Total transactions with owners of the Company	**1**	**66**	**-**	**-**	**(7)**	**-**	**-**	**(177)**	**(117)**	**(16)**	**(133)**
Balance at 30 June 2021	**120**	**3,343**	**114**	**(1)**	**15**	**(14)**	**169**	**7,037**	**10,783**	**-**	**10,783**

1. Non-controlling interests relate to Vailog Sàrl and Sofibus Patrimoine SA. During the period the remaining share capital of Sofibus Patrimoine SA was acquired and is a 100% subsidiary of the Group at 30 June 2021.

For the six months ended 30 June 2020

	Attributable to owners of the parent										
					Other reserves						
(unaudited)	Ordinary share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Share-based payment reserve £m	Translation, hedging and other reserve £m	Merger reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interest[1] £m	Total equity £m
Balance at 1 January 2020	109	2,554	114	(3)	29	2	169	4,703	7,677	-	7,677
Profit for the period	-	-	-	-	-	-	-	216	216	1	217
Other comprehensive income	-	-	-	-	-	79	-	-	79	(1)	78
Total comprehensive income for the period	-	-	-	-	-	79	-	216	295	-	295
Transactions with owners of the Company											
Issues of shares	9	663	-	-	-	-	-	-	672	-	672
Own shares acquired	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Equity-settled share-based payment transactions	-	-	-	3	(11)	-	-	9	1	-	1
Dividends	1	54	-	-	-	-	-	(158)	(103)	-	(103)
Movement in non-controlling interest[1]	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Total transactions with owners of the Company	10	717	-	2	(11)	-	-	(150)	568	-	568
Balance at 30 June 2020	119	3,271	114	(1)	18	81	169	4,769	8,540	-	8,540

1. Non-controlling interests relate to Vailog Sàrl.

For the year ended 31 December 2020

	Attributable to owners of the parent										
					Other reserves						
(audited)	Ordinary share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Share-based payment reserve £m	Translation, hedging and other reserve £m	Merger reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interest[1] £m	Total equity £m
Balance at 1 January 2020	109	2,554	114	(3)	29	2	169	4,703	7,677	-	7,677
Profit for the year	-	-	-	-	-	-	-	1,427	1,427	2	1,429
Other comprehensive income	-	-	-	-	-	60	-	-	60	-	60
Total comprehensive income for the year	-	-	-	-	-	60	-	1,427	1,487	2	1,489
Transactions with owners of the Company											
Issues of shares	9	663	-	-	-	-	-	-	672	-	672
Own shares acquired	-	-	-	(2)	-	-	-	-	(2)	-	(2)
Equity-settled share-based payment transactions	-	-	-	4	(7)	-	-	9	6	-	6
Dividends	1	60	-	-	-	-	-	(240)	(179)	-	(179)
Movement in non-controlling interest[1]	-	-	-	-	-	-	-	(2)	(2)	10	8
Total transactions with owners of the Company	10	723	-	2	(7)	-	-	(233)	495	10	505
Balance at 31 December 2020	119	3,277	114	(1)	22	62	169	5,897	9,659	12	9,671

1. Non-controlling interests relate to Vailog Sàrl and Sofibus Patrimoine SA.

CONDENSED GROUP CASH FLOW STATEMENT

For the six months ended 30 June 2021

	Notes	**Half year to 30 June 2021 (unaudited) £m**	Half year to 30 June 2020 (unaudited) £m	Year to 31 December 2020 (audited) £m
Cash flows from operating activities	14	**168**	107	233
Interest received		**21**	18	42
Dividends received		**4**	2	34
Interest paid		**(46)**	(45)	(94)
Cost of new interest rate derivatives transacted		**-**	-	(12)
Proceeds from early close out of interest rate derivatives		**-**	-	12
Cost of early close out of debt		**-**	-	(11)
Tax (paid)/received		**(2)**	2	(5)
Net cash received from operating activities		**145**	84	199
Cash flows from investing activities				
Purchase and development of investment properties		**(371)**	(614)	(1,216)
Sale of investment properties		**350**	53	159
Acquisition of other interests in property		**-**	(3)	(4)
Purchase of plant and equipment and intangibles		**(5)**	(2)	(5)
Acquisition of other investments		**(3)**	(1)	-
Investment and loans to joint ventures		**(67)**	-	(40)
Divestment and repayment of loans from joint ventures		**11**	-	-
Net cash used in investing activities		**(85)**	(567)	(1,106)
Cash flows from financing activities				
Dividends paid to ordinary shareholders		**(90)**	(80)	(179)
Proceeds from borrowings	14	**35**	-	551
Repayment of borrowings	14	**(34)**	(2)	(122)
Principal element of lease payments		**(1)**	(1)	(2)
Settlement of foreign exchange derivatives		**34**	(35)	(55)
Purchase of non-controlling interest		**(12)**	-	-
Proceeds from issue of ordinary shares		**1**	672	672
Purchase of ordinary shares		**(3)**	(1)	(2)
Net cash (used in)/generated from financing activities		**(70)**	553	863
Net (decrease)/increase in cash and cash equivalents		**(10)**	70	(44)
Cash and cash equivalents at the beginning of the period		**89**	133	133
Effect of foreign exchange rate changes		**(1)**	-	-
Cash and cash equivalents at the end of the period	13	**78**	203	89

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed set of financial statements for the six months ended 30 June 2021 were approved by the Board of Directors on 28 July 2021.

The condensed set of financial statements for the six months ended 30 June 2021 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information contained in this report for the year ended 31 December 2020 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and has been extracted from the statutory accounts, which were prepared in accordance with International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006 and EU-adopted International Financial Reporting Standards (IFRS) 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 both UK-adopted International Accounting Standard 34 'Interim Financial Reporting', and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority as well as EU-adopted International Accounting Standard 34 'Interim Financial Reporting'.

On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted International Accounting Standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. The consolidated financial statements transitioned to UK-adopted international accounting standards for the financial period beginning 1 January 2021. There were no impact or changes in accounting policies from the transition. UK adopted International Accounting Standards differs in certain respects from International Financial Reporting Standards as adopted by the EU. The differences have no material impact on the Group's condensed financial statements for the periods presented, which therefore also comply with International Reporting Standards as adopted by the EU.

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

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest financial statements. The following new accounting amendment became effective for the financial year beginning on 1 January 2021:

- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The Group did not have to change its accounting policies or make retrospective adjustments as a result of this amendment.

The condensed set of financial statements are presented in pounds sterling to the nearest million. In prior periods the financial statements were presented in millions to one decimal place, as a result the comparative figures for the six months ended 30 June 2020 and year ended 31 December 2020 have been represented to the nearest million.

The principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.17 (30 June 2020: £1 = €1.10; 31 December 2020: £1 = €1.12)
Income statement: £1 = €1.15 (30 June 2020: £1 = €1.14; 31 December 2020: £1 = €1.13)

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

2. ADJUSTED PROFIT

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

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

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

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

	Notes	**Half year to 30 June 2021 £m**	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Gross rental income	4	**220**	187	393
Property operating expenses	5	**(49)**	(42)	(88)
Net rental income		**171**	145	305
Joint venture fee income	4	**12**	11	22
Administration expenses		**(27)**	(25)	(52)
Share of joint ventures' adjusted profit after tax	6	**32**	29	61
Adjusted operating profit before interest and tax		**188**	160	336
Net finance costs (including adjustments)	8	**(20)**	(19)	(40)
Adjusted profit before tax		**168**	141	296
Adjustments to reconcile to IFRS:				
Adjustments to the share of profit from joint ventures after tax[1]	6	**178**	6	175
Realised and unrealised property gain	7	**1,122**	57	989
Gain on sale of trading properties		**1**	-	1
Cost of early close out of debt		**-**	-	(11)
Net fair value (loss)/gain on interest rate swaps and other derivatives	8	**(56)**	17	14
Total adjustments		**1,245**	80	1,168
Profit before tax		**1,413**	221	1,464
Tax				
On Adjusted profit	9	**(3)**	(2)	(4)
In respect of adjustments	9	**(50)**	(2)	(31)
In respect of SIIC entry charge[2]	9	**(39)**	-	-
Total tax adjustments		**(92)**	(4)	(35)
Profit after tax before non-controlling interests		**1,321**	217	1,429
Non-controlling interests:				
Less: share of adjusted profit attributable to non-controlling interests		**-**	-	-
: share of adjustments attributable to non-controlling interests		**(4)**	(1)	(2)
Profit after tax and non-controlling interests		**1,317**	216	1,427
Of which:				
Adjusted profit after tax and non-controlling interests		**165**	139	292
Total adjustments after tax and non-controlling interests		**1,152**	77	1,135
Profit attributable to equity shareholders		**1,317**	216	1,427

1. A detailed breakdown of the adjustments to the share of profit from joint ventures is included in Note 6.
2. In line with EPRA Best Practices Recommendations guidelines the tax charge in respect of SIIC entry (detailed further in Note 9) has been excluded from Tax on adjusted profit in the table above.

3. SEGMENTAL REPORTING

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

	Gross rental income £m	Net rental income £m	Share of joint ventures' Adjusted profit £m	Adjusted operating PBIT[2] £m	Total directly owned property assets £m	Investments in joint ventures £m	Capital expenditure[3] £m
				30 June 2021			
Thames Valley	**43**	**40**	**-**	**39**	**2,249**	**-**	**15**
National Logistics	**18**	**17**	**-**	**17**	**1,438**	**1**	**94**
Greater London	**90**	**79**	**-**	**77**	**5,349**	**-**	**79**
Northern Europe	**15**	**9**	**12**	**24**	**765**	**834**	**27**
Southern Europe	**49**	**29**	**16**	**49**	**1,939**	**1,116**	**217**
Central Europe	**5**	**2**	**11**	**15**	**157**	**517**	**1**
Other[1]	**-**	**(5)**	**(7)**	**(33)**	**-**	**(848)**	**5**
Total	**220**	**171**	**32**	**188**	**11,897**	**1,620**	**438**
				30 June 2020			
Thames Valley	41	38	-	37	1,784	-	10
National Logistics	17	18	-	18	1,098	1	217
Greater London	75	65	-	63	4,235	-	257
Northern Europe	15	9	12	23	597	680	15
Southern Europe	34	20	13	36	1,374	796	166
Central Europe	5	2	10	14	149	484	3
Other[1]	-	(7)	(6)	(31)	-	(726)	2
Total	187	145	29	160	9,237	1,235	670
				31 December 2020			
Thames Valley	84	78	-	76	1,997	-	57
National Logistics	34	34	-	33	1,223	1	267
Greater London	160	140	-	138	4,867	-	454
Northern Europe	29	18	25	48	682	803	29
Southern Europe	75	44	30	79	1,803	914	566
Central Europe	11	4	22	30	151	496	4
Other[1]	-	(13)	(16)	(68)	-	(791)	5
Total	393	305	61	336	10,723	1,423	1,382

1. Other includes the corporate centre, SELP holding companies and costs relating to the operational business which are not specifically allocated to a geographical business unit. This includes the bonds issued by SELP Finance S.à r.l, a Luxembourg entity.
2. A reconciliation of total Adjusted PBIT to the IFRS profit before tax is provided in Note 2.
3. Capital expenditure includes additions and acquisitions of investment and trading properties but does not include tenant incentives, letting fees and rental guarantees. Part of the capital expenditure incurred is in response to climate change including the reduction of the carbon footprint of the Group's existing investment properties and developments. The "Other" category includes non-property related spend, primarily IT.

4. REVENUE

	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Rental income from investment and trading properties	**190**	161	336
Rent averaging	**5**	7	18
Service charge income*	**21**	17	35
Management fees*	**2**	1	3
Surrender premiums and dividend income from property related investments	**2**	1	1
Gross rental income[1]	**220**	187	393
Joint venture fees - management fees*	**12**	11	22
Proceeds from sale of trading properties*	**14**	-	17
Total revenue	**246**	198	432

* The above income streams reflect revenue recognition under IFRS 15 Revenue from Contracts with Customers and total £49 million (31 December 2020: £77 million; 30 June 2020: £29 million).

1. Net rental income of £171 million (31 December 2020: £305 million; 30 June 2020: £145 million) is calculated as gross rental income of £220 million (31 December 2020: £393 million; 30 June 2020: £187 million) less total property operating expenses of £49 million (31 December 2020: £88 million; 30 June 2020: £42 million) shown in Note 5.

5. PROPERTY OPERATING EXPENSES

	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Vacant property costs	**3**	2	3
Letting, marketing, legal and professional fees	**5**	4	10
Loss allowance and impairment of receivables	**1**	3	4
Service charge expense	**21**	17	35
Other expenses	**5**	3	9
Property management expenses	**35**	29	61
Property administration expenses[1]	**19**	17	36
Costs capitalised[2]	**(5)**	(4)	(9)
Total property operating expenses	**49**	42	88
Trading properties cost of sales	**13**	-	16
Total costs	**62**	42	104

1. Property administration expenses predominantly relate to the employee staff costs of personnel directly involved in managing the property portfolio.
2. Costs capitalised relate to staff costs of those internal employees directly involved in developing the property portfolio.

6. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

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

	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Revenue[1]	**131**	125	249
Gross rental income	**131**	118	242
Property operating expenses:			
-underlying property operating expenses	**(6)**	(6)	(12)
-vacant property costs	**(1)**	(1)	(3)
-property management fees[2]	**(10)**	(10)	(19)
-service charge expense	**(27)**	(24)	(48)
Net rental income	**87**	77	160
Administration expenses	**(2)**	(1)	(3)
Net finance costs (including adjustments)	**(13)**	(13)	(25)
Adjusted profit before tax	**72**	63	132
Tax	**(8)**	(5)	(10)
Adjusted profit after tax	**64**	58	122
At share	***32***	*29*	*61*
Adjustments:			
Profit on sale of investment properties	**-**	-	2
Valuation surplus on investment properties	**435**	21	424
Gain on sale of trading properties	**-**	-	-
Other investment income	**-**	-	5
Tax in respect of adjustments	**(79)**	(10)	(81)
Total adjustments	**356**	11	350
At share	***178***	*6*	*175*
Profit after tax	**420**	69	472
At share	***210***	*35*	*236*
Total comprehensive income for the period	**420**	69	472
At share	***210***	*35*	*236*

1. Total revenue at 100% of £131 million (31 December 2020: £249 million; 30 June 2020: £125 million) includes: Gross rental income £131 million (31 December 2020: £242 million; 30 June 2020: £118 million) and proceeds from sale of trading properties £nil (31 December 2020: £7 million; 30 June 2020: £7 million). Proceeds from sale of trading properties is presented net of cost of sale and shown in the line 'Gain on sale of trading properties' in the table above.
2. Property management fees paid to SEGRO.

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

	As at 30 June 2021 £m	As at 30 June 2020 £m	As at 31 December 2020 £m
Investment properties	**5,249**	4,172	4,695
Other interests in property	**-**	2	-
Total non-current assets	**5,249**	4,174	4,695
Other receivables	**173**	108	115
Cash and cash equivalents	**66**	112	48
Total current assets	**239**	220	163
Total assets	**5,488**	4,394	4,858
Borrowings	**(1,701)**	(1,535)	(1,574)
Deferred tax liabilities	**(412)**	(272)	(346)
Total non-current liabilities	**(2,113)**	(1,807)	(1,920)
Other liabilities	**(136)**	(118)	(92)
Total current liabilities	**(136)**	(118)	(92)
Total liabilities	**(2,249)**	(1,925)	(2,012)
Net assets	**3,239**	2,469	2,846
At share	***1,620***	*1,235*	*1,423*

In May 2021, SELP issued an 8 year, €500 million unsecured bond at an annual coupon of 0.875 per cent as discussed further in the Finance Review.

SEGRO provides certain services, including venture advisory and asset management to the SELP joint venture and receives fees for doing so. Performance fees may also be payable from SELP to SEGRO based on its IRR subject to certain hurdle rates. The first fee of £52 million was paid on the fifth anniversary of the inception of SELP, October 2018, but 50 per cent of this is subject to clawback based on performance over the period to the tenth anniversary, October 2023. If performance has improved at this point, additional fees might be triggered.

The IRR calculation to determine whether the hurdle rates will be met when the performance period ends in October 2023 is an estimation and sensitive to movements and assumptions in property valuations over the remaining performance period. Due to the estimation uncertainties that exist in calculating the IRR management do not consider it highly probable there will not be a significant reversal of the fee subject to clawback over the remaining performance period. For these reasons, no performance fee has been recognised by SEGRO (and no performance fee expense recognised by SELP) in the Income Statement for the period ended 30 June 2021 (31 December 2020: £nil; 30 June 2020: £nil).

7. REALISED AND UNREALISED PROPERTY GAIN

	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Profit on sale of investment properties	**4**	2	5
Valuation surplus on investment properties	**1,118**	57	971
Increase in provision for impairment in other interests in property	**-**	-	(1)
Valuation (deficit)/ surplus on other investments	**-**	(2)	14
Total realised and unrealised property gain	**1,122**	57	989

The above table does not include realised gains on sale of trading properties of £1 million (31 December 2020: £1 million; 30 June 2020: £nil) as detailed further in Note 2.

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

8. NET FINANCE COSTS

Finance income	**Half year to 30 June 2021 £m**	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Interest received on bank deposits and related derivatives	**16**	18	27
Fair value gain on interest rate swaps and other derivatives	**7**	20	23
Total finance income	**23**	38	50
Finance costs			
Interest on overdrafts, loans and related derivatives	**(37)**	(39)	(68)
Cost of early close out of debt	**-**	-	(11)
Amortisation of issue costs	**(1)**	(1)	(3)
Interest on lease liabilities	**(2)**	(1)	(3)
Total borrowing costs	**(40)**	(41)	(85)
Less amount capitalised on the development of properties	**4**	4	7
Net borrowing costs	**(36)**	(37)	(78)
Fair value loss on interest rate swaps and other derivatives	**(63)**	(3)	(9)
Total finance costs	**(99)**	(40)	(87)
Net finance costs	**(76)**	(2)	(37)

Net finance costs (including adjustments) in Adjusted profit (see Note 2) are £20 million (31 December 2020: £40 million; 30 June 2020: £19 million). This excludes net fair value loss on interest rate swaps and other derivatives of £56 million (31 December 2020: gain of £14 million; 30 June 2020: gain of £17 million) and cost of early close out of debt of £nil (31 December 2020: £11 million; 30 June 2020: £nil) in the table above.

9. TAX

9(i) Tax on profit

	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Tax:			
On Adjusted profit	**(3)**	(2)	(4)
In respect of adjustments	**(50)**	(2)	(31)
In respect of SIIC entry charge	**(39)**	-	-
Total tax charge	**(92)**	(4)	(35)
Current tax			
Current tax charge	**(23)**	(2)	(7)
Adjustments in respect of earlier years	**-**	4	4
SIIC entry charge	**(39)**	-	-
Total current tax (charge)/credit	**(62)**	2	(3)
Deferred tax			
Origination and reversal of temporary differences	**(2)**	(1)	(3)
Released in respect of property disposals in the period	**21**	-	5
On valuation movements	**(48)**	(5)	(39)
Total deferred tax in respect of investment properties	**(29)**	(6)	(37)
Other deferred tax	**(1)**	-	5
Total deferred tax charge	**(30)**	(6)	(32)
Total tax charge on profit on ordinary activities	**(92)**	(4)	(35)

During April 2021, the Group elected Sofibus Patrimoine S.A. into the SIIC regime in France. The entry cost to the regime was €45 million (£39 million) and is payable over a period of four years, of which the first payment is due to be made during H2 2021. The entire entry cost has been recognised in the H1 2021 Income Statement.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience.

9(ii) Deferred tax liabilities

Movement in deferred tax was as follows:

	Balance 1 January 2021 £m	**Exchange movement £m**	**Acquisitions/ (disposals) £m**	**Recognised in income £m**	**Balance 30 June 2021 £m**	Balance 30 June 2020 £m
Valuation surplus and deficits on properties/accelerated tax allowances	**84**	**(5)**	**-**	**30**	**109**	60
Deferred tax asset on revenue losses	**-**	**-**	**-**	**-**	**-**	(1)
Others	**3**	**-**	**-**	**-**	**3**	2
Total deferred tax liabilities	**87**	**(5)**	**-**	**30**	**112**	61

10. DIVIDENDS

	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Ordinary dividends paid			
Final dividend for 2020 @ 15.2 pence per share	**181**	-	-
Interim dividend for 2020 @ 6.9 pence per share	**-**	-	82
Final dividend for 2019 @ 14.4 pence per share	**-**	158	158
	181	158	240

The Board has declared an interim dividend of 7.4 pence per ordinary share (2020: 6.9 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 in issue during the period and the net assets per share calculations use the number of shares in issue at the period end. Earnings per share calculations exclude 0.2 million shares (0.4 million for the full year 2020 and 0.5 million for half year 2020) being the average number of shares held on trust during the period for employee share schemes and net assets per share exclude 0.2 million shares (0.3 million for the full year 2020 and 0.3 million for the half year 2020) being the actual number of shares held on trust for employee share schemes at period end.

11(i) Earnings per ordinary share (EPS)

	Half year to 30 June 2021			Half year to 30 June 2020			Year to 31 December 2020		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic EPS	**1,317**	**1,194.1**	**110.3**	216	1,108.1	19.5	1,427	1,149.8	124.1
Dilution adjustments:									
Employee share schemes	**-**	**2.9**	**(0.3)**	-	4.4	(0.1)	-	4.7	(0.5)
Diluted EPS	**1,317**	**1,197.0**	**110.0**	216	1,112.5	19.4	1,427	1,154.5	123.6
Basic EPS	**1,317**	**1,194.1**	**110.3**	216	1,108.1	19.5	1,427	1,149.8	124.1
Adjustments to profit before tax[1]	**(1,245)**		**(104.3)**	(80)		(7.3)	(1,168)		(101.6)
Tax in respect of Adjustments	**50**		**4.2**	2		0.2	31		2.7
Tax in respect to SIIC entry charge	**39**		**3.3**	-		-	-		-
Non-controlling interest on adjustments	**4**		**0.3**	1		0.1	2		0.2
Adjusted Basic EPS	**165**	**1,194.1**	**13.8**	139	1,108.1	12.5	292	1,149.8	25.4
Adjusted Diluted EPS	**165**	**1,197.0**	**13.8**	139	1,112.5	12.5	292	1,154.5	25.3

1. Details of adjustments are included in Note 2.

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

The EPRA Net Tangible Assets (NTA) metric is considered to be most consistent with the nature of SEGRO's business as a UK REIT providing long-term progressive and sustainable returns. EPRA NTA acts as the primary measure of net asset value and is also referred to as Adjusted Net Asset Value (or Adjusted NAV).

A reconciliation from IFRS NAV to Adjusted NAV is set out in the table below along with the net asset per share metrics.

Table 4 of the supplementary notes provides a reconciliation for each of the three EPRA net asset value metrics.

	As at 30 June 2021			As at 30 June 2020			As at 31 December 2020		
	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	**10,783**	**1,200.0**	**899**	8,540	1,190.6	717	9,659	1,191.3	811
Dilution adjustments:									
Employee share schemes	**-**	**2.5**	**(2)**	-	2.7	(1)	-	3.4	(2)
Diluted NAV	**10,783**	**1,202.5**	**897**	8,540	1,193.3	716	9,659	1,194.7	809
Fair value adjustment in respect of interest rate derivatives – Group	**(1)**		**-**	(68)		(6)	(61)		(5)
Fair value adjustment in respect of trading properties – Group	**-**		**-**	2		-	1		-
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	**55**		**5**	30		2	42		3
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures[1]	**100**		**8**	67		6	86		7
Intangible assets	**(8)**		**(1)**	(2)		-	(2)		-
Adjusted NAV (EPRA NTA)	**10,929**	**1,202.5**	**909**	8,569	1,193.3	718	9,725	1,194.7	814

1. 50 per cent of deferred tax in respect of depreciation and valuation surpluses has been excluded in calculating Adjusted NAV in line with option 3 of EPRA Best Practices Recommendations guidelines.

12. PROPERTIES

12(i) Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2021	**9,397**	**1,062**	**10,459**
Exchange movement	(91)	(22)	(113)
Property acquisitions	6	84	90
Additions to existing investment properties	16	318	334
Disposals[2]	(248)	(2)	(250)
Transfers on completion of development	126	(126)	-
Revaluation surplus during the period	825	293	1,118
At 30 June 2021	**10,031**	**1,607**	**11,638**
Add tenant lease incentives, letting fees and rental guarantees	137	-	137
Investment properties excluding head lease liabilities at 30 June 2021	**10,168**	**1,607**	**11,775**
Add head lease liabilities (ROU assets)[1]	75	-	75
Total investment properties at 30 June 2021	**10,243**	**1,607**	**11,850**
Total investment properties at 30 June 2020	8,169	1,039	9,208

1. At 30 June 2021 investment properties included £75 million (31 December 2020: £77 million; 30 June 2020: £75 million) for the head lease liabilities recognised under IFRS 16.
2. Total disposals completed in H1 2021 of £154 million shown in the Investment section of the Chief Executive's Review includes: Carrying value of investment properties disposed by SEGRO Group of £250 million and profit generated on disposal of £4 million (see Note 7); proceeds from the sale of trading properties by SEGRO Group of £14 million (see Note 4); share of joint venture investment properties disposal proceeds of £nil; carrying value of lease incentives, letting fees and rental guarantees disposed by SEGRO Group and joint venture (at share) of £3 million; and excludes 50 per cent of the disposal proceeds for assets sold by SEGRO to SELP JV of £117m (further discussed below).

Investment properties are stated at fair value based on external valuations performed by professionally qualified, independent valuers. The Group's wholly owned property portfolio and joint venture properties were performed by CBRE Ltd (apart from two assets valued by Knight Frank). The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties. In estimating the fair value of the properties, the valuers consider the highest and best use of the properties. All investment property would be classified as level 3 fair value measurements, there has been no change in the valuation technique and no significant changes in the assumptions used during the period. The valuation surplus recognised during the period is discussed further in the Chief Executive's Review.

CBRE Ltd also undertake some professional and agency work on behalf of the Group, although this is limited relative to the activities provided by other advisors to the Group as a whole.

Sensitivity analysis

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

		Impact on valuation of 25bp change in nominal equivalent yield		Impact on valuation of 5 % change in estimated rental value (ERV)	
	Group total completed property portfolio[1] £m	Increase £m	Decrease £m	Increase £m	Decrease £m
30 June 2021	**12,662**	**(685)**	**692**	**472**	**467**
30 June 2020	10,112	(514)	460	373	(367)
31 December 2020	11,807	(616)	608	436	(431)

1. For further details see Table 6 of the supplementary notes.

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

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

At 30 June 2021 investment properties included £137 million tenant lease incentives, letting fees and rent guarantees (31 December 2020: £136 million; 30 June 2020: £125 million).

The carrying value of investment properties situated on land held under leaseholds amount to £183 million (excluding head lease ROU assets) (31 December 2020: £179 million; 30 June 2020: £168 million).

The disposals of completed properties during the period includes properties with a carrying value of £233 million (31 December 2020: £92 million; 30 June 2020: £nil) sold to the SELP joint venture.

12(ii) Trading properties

The carrying value of trading properties at 30 June 2021 was £47 million (31 December 2020: £52 million; 30 June 2020: £29 million). Based on the fair value at 30 June 2021, the portfolio has unrecognised surplus of £nil (31 December 2020: £1 million; 30 June 2020: £2 million).

13. NET BORROWINGS AND FINANCIAL INSTRUMENTS

	As at 30 June 2021 £m	As at 30 June 2020 £m	As at 31 December 2020 £m
In one year or less	**1**	-	1
In more than one year but less than two	**1**	121	1
In more than two years but less than five	**210**	82	218
In more than five years but less than ten	**909**	933	934
In more than ten years	**1,232**	866	1,260
In more than one year	**2,352**	2,002	2,413
Total borrowings	**2,353**	2,002	2,414
Cash and cash equivalents	**(78)**	(203)	(89)
Net borrowings	**2,275**	1,799	2,325
Total borrowings is split between secured and unsecured as follows:			
Secured (on land and buildings)	**13**	3	14
Unsecured	**2,340**	1,999	2,400
Total borrowings	**2,353**	2,002	2,414
Currency profile of total borrowings after derivative instruments			
Sterling	**(113)**	(16)	180
Euros	**2,466**	2,018	2,234
Total borrowings	**2,353**	2,002	2,414
Maturity profile of undrawn borrowing facilities			
In one year or less	**9**	9	19
In more than one year but less than two	**-**	-	-
In more than two years	**896**	1,107	953
Total available undrawn facilities	**905**	1,116	972
Fair value of financial instruments			
Book value of debt	**2,353**	2,002	2,414
Interest rate derivatives	**(1)**	(68)	(61)
Foreign exchange derivatives	**(19)**	23	(7)
Book value of debt including derivatives	**2,333**	1,957	2,346
Net fair market value	**2,655**	2,210	2,813
Mark to market adjustment (pre-tax)	**322**	253	467

Fair value measurements recognised in the Balance Sheet

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

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

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

14. NOTES TO THE CONDENSED GROUP CASH FLOW STATEMENT

14(i) Reconciliation of cash generated from operations

	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Operating profit	**1,489**	223	1,501
Adjustments for:			
Depreciation of property, plant and equipment	**2**	2	4
Share of profit from joint ventures after tax	**(210)**	(35)	(236)
Profit on sale of investment properties	**(4)**	(2)	(5)
Revaluation surplus on investment properties	**(1,118)**	(57)	(971)
Valuation deficit/(surplus) on other investments	**-**	2	(14)
Other provisions	**5**	(2)	4
	164	131	283
Changes in working capital:			
Decrease/(increase) trading properties	**4**	(9)	(20)
Increase in debtors and tenant incentives	**(1)**	(26)	(52)
Increase in creditors	**1**	11	22
Net cash inflow generated from operations	**168**	107	233

14(ii) Analysis of net debt

				Non-cash movements		
	At 1 January 2021 £m	Cash inflow[1] £m	Cash Outflow[2] £m	Exchange movement £m	Other non-cash adjustments[3] £m	**At 30 June 2021 £m**
Bank loans and loan capital	2,431	35	(34)	(60)	-	**2,372**
Capitalised finance costs	(17)	-	(3)	-	1	**(19)**
Total borrowings	2,414	35	(37)	(60)	1	**2,353**
Cash in hand and at bank	(89)	-	10	1	-	**(78)**
Net debt	2,325	35	(27)	(59)	1	**2,275**

1. Proceeds from borrowings of £35 million.
2. Cash outflow of £37 million, comprises the repayment of borrowings of £34 million and capitalised costs of £3 million.
3. The other non-cash adjustments relate to the amortisation of issue costs offset against borrowings.

15. RELATED PARTY TRANSACTIONS

There have been no undisclosed material changes in the related party transactions as described in the last annual report, other than those disclosed in Note 12 in this condensed set of financial statements.

16. SUBSEQUENT EVENTS

On 5 July 2021 SEGRO entered into a binding agreement to sell a portfolio of six Italian urban warehouses for €127 million. Five of the properties were sold on 15 July 2021 and the sale of the sixth property is expected to complete later this year following practical completion of additional works.

SUPPLEMENTARY NOTES NOT PART OF CONDENSED FINANCIAL INFORMATION

TABLE 1: EPRA PERFORMANCE MEASURES SUMMARY

		Half year to 30 June 2021		Half year to 30 June 2020		Year to 31 December 2020	
	Notes	**£m**	**Pence per share**	£m	Pence per share	£m	Pence per share
EPRA Earnings	Table 2	**165**	**13.8**	139	12.5	292	25.4
EPRA NTA (Adjusted NAV)	Table 4	**10,929**	**909**	8,569	718	9,725	814
EPRA NRV	Table 4	**11,868**	**987**	9,282	778	10,571	885
EPRA NDV	Table 4	**10,432**	**868**	8,290	695	9,155	766
EPRA net initial yield	Table 6		**3.5%**		3.7%		3.8%
EPRA 'topped up' net initial yield	Table 6		**3.8%**		4.0%		4.1%
EPRA vacancy rate	Table 7		**4.3%**		5.2%		3.9%
EPRA cost ratio (including vacant property costs)	Table 8		**19.8%**		21.2%		21.1%
EPRA cost ratio (excluding vacant property costs)	Table 8		**18.4%**		20.0%		20.1%

TABLE 2: INCOME STATEMENT, PROPORTIONALLY CONSOLIDATED

		Half year to 30 June 2021			Half year to 30 June 2020			Year to 31 December 2020		
	Notes	**Group £m**	**JV £m**	**Total £m**	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Gross rental income	2, 6	**220**	**66**	**286**	187	59	246	393	121	514
Property operating expenses	2, 6	**(49)**	**(18)**	**(67)**	(42)	(16)	(58)	(88)	(31)	(119)
Net rental income		**171**	**48**	**219**	145	43	188	305	90	395
Joint venture fee income[1]	2	**12**	**(5)**	7	11	(5)	6	22	(10)	12
Administration expenses	2	**(27)**	**(1)**	**(28)**	(25)	(1)	(26)	(52)	(2)	(54)
Adjusted operating profit before interest and tax		**156**	**42**	**198**	131	37	168	275	78	353
Net finance costs (including adjustments)	2, 6	**(20)**	**(6)**	**(26)**	(19)	(6)	(25)	(40)	(12)	(52)
Adjusted profit before tax		**136**	**36**	**172**	112	31	143	235	66	301
Tax on adjusted profit	2, 6	**(3)**	**(4)**	**(7)**	(2)	(2)	(4)	(4)	(5)	(9)
Adjusted earnings before non-controlling interests		**133**	**32**	**165**	110	29	139	231	61	292
Non-controlling interest on adjusted profit		**-**	**-**	**-**	-	-	-	-	-	-
Adjusted/EPRA earnings after tax and non-controlling interests		**133**	**32**	**165**	110	29	139	231	61	292
Number of shares, million				**1,194.1**			1,108.1			1,149.8
Adjusted/EPRA EPS, pence per share				**13.8**			12.5			25.4
Number of shares, million				**1,197.0**			1,112.5			1,154.5
Adjusted/EPRA EPS, pence per share – diluted				**13.8**			12.5			25.3

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

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

TABLE 3: BALANCE SHEET, PROPORTIONAL CONSOLIDATION

		As at 30 June 2021			As at 30 June 2020			As at 31 December 2020		
		Group	**JV**	**Total**	Group	JV	Total	Group	JV	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Investment properties	12, 6	**11,850**	**2,624**	**14,474**	9,208	2,086	11,294	10,671	2,348	13,019
Trading properties	12, 6	**47**	**-**	**47**	29	-	29	52	-	52
Total properties		**11,897**	**2,624**	**14,521**	9,237	2,086	11,323	10,723	2,348	13,071
Investment in joint ventures	6	**1,620**	**(1,620)**	**-**	1,235	(1,235)	-	1,423	(1,423)	-
Other net liabilities		**(459)**	**(187)**	**(646)**	(133)	(139)	(272)	(162)	(162)	(324)
Net borrowings	13,6	**(2,275)**	**(817)**	**(3,092)**	(1,799)	(712)	(2,511)	(2,325)	(763)	(3,088)
Total shareholders' equity[1]		**10,783**	**-**	**10,783**	8,540	-	8,540	9,659	-	9,659
EPRA adjustments	11			**146**			29			66
Adjusted NAV	11			**10,929**			8,569			9,725
Number of shares, million	11			**1,202.5**			1,193.3			1,194.7
Adjusted NAV pence per share	11			**909**			718			814

1. After non-controlling interests.

Loan to value of 21 per cent at 30 June 2021 is calculated as net borrowings of £3,092 million divided by total properties (excluding head lease ROU asset of £75 million) of £14,446 million (30 June 2020: 22 per cent, £2,511 million net borrowings and £11,248 million total properties; 31 December 2020: 24 per cent, £3,088 million net borrowings and £12,994 million total properties).

TABLE 4: EPRA NET ASSET MEASURES

The European Public Real Estate Association ('EPRA') best practice recommendations (BPR) for financial disclosures by public real estate companies sets out three net asset value measures: EPRA net tangible assets (NTA), EPRA net reinstatement value (NRV) and EPRA net disposal value (NDV).

The EPRA Net Tangible Assets (NTA) metric is considered to be most consistent with the nature of SEGRO's business as a UK REIT providing long-term progressive and sustainable returns. EPRA NTA acts as the primary measure of net asset value and is also referred to as Adjusted Net Asset Value (or Adjusted NAV).

A reconciliation of the three EPRA NAV metrics from IFRS NAV is shown in the table below.

As at 30 June 2021	EPRA measures		
	EPRA NTA (Adjusted NAV)	EPRA NRV	EPRA NDV
	£m	£m	£m
Equity attributable to ordinary shareholders	10,783	10,783	10,783
Fair value adjustment in respect of interest rate derivatives – Group	(1)	(1)	-
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	55	110	-
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures[1]	100	200	-
Intangible assets	(8)	-	-
Fair value adjustment in respect of debt – Group	-	-	(322)
Fair value adjustment in respect of debt – Joint ventures	-	-	(29)
Real estate transfer tax[2]	-	776	-
Net assets	10,929	11,868	10,432
Diluted shares (million)	1,202.5	1,202.5	1,202.5
Diluted net assets per share	909	987	868

1. 50 per cent of deferred tax in respect of depreciation and valuation surpluses has been excluded in calculating EPRA NTA in line with option 3 of EPRA BPR guidelines.
2. EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

As at 30 June 2020	EPRA measures		
	EPRA NTA (Adjusted NAV)	EPRA NRV	EPRA NDV
	£m	£m	£m
Equity attributable to ordinary shareholders	8,540	8,540	8,540
Fair value adjustment in respect of interest rate derivatives – Group	(68)	(68)	-
Fair value adjustment in respect of trading properties – Group	2	2	2
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	30	60	-
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures[1]	67	134	-
Intangible assets	(2)	-	-
Fair value adjustment in respect of debt – Group	-	-	(253)
Fair value adjustment in respect of debt – Joint ventures	-	-	1
Real estate transfer tax[2]	-	614	-
Net assets	8,569	9,282	8,290
Diluted shares (million)	1,193.3	1,193.3	1,193.3
Diluted net assets per share	718	778	695

1. 50 per cent of deferred tax in respect of depreciation and valuation surpluses has been excluded in calculating EPRA NTA in line with option 3 of EPRA BPR guidelines.
2. EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

As at 31 December 2020	EPRA measures		
	EPRA NTA (Adjusted NAV)	EPRA NRV	EPRA NDV
	£m	£m	£m
Equity attributable to ordinary shareholders	9,659	9,659	9,659
Fair value adjustment in respect of interest rate derivatives – Group	(61)	(61)	-
Fair value adjustment in respect of trading properties – Group	1	1	1
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	42	84	-
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures[1]	86	171	-
Intangible assets	(2)	-	-
Fair value adjustment in respect of debt – Group	-	-	(467)
Fair value adjustment in respect of debt – Joint ventures	-	-	(38)
Real estate transfer tax[2]	-	717	-
Net assets	9,725	10,571	9,155
Diluted shares (million)	1,194.7	1,194.7	1,194.7
Diluted net assets per share	814	885	766

1. 50 per cent of deferred tax in respect of depreciation and valuation surpluses has been excluded in calculating EPRA NTA in line with option 3 of EPRA BPR guidelines.
2. EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

TABLE 5: EPRA EARNINGS

	Notes	**Half year to 30 June 2021 £m**	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Earnings per IFRS income statement		**1,317**	216	1,427
Adjustments to calculate EPRA Earnings, exclude:				
Valuation surplus on investment properties	7	**(1,118)**	(57)	(971)
Profit on sale of investment properties	7	**(4)**	(2)	(5)
Gain on sale of trading properties	7	**(1)**	-	(1)
Increase in provision for impairment of other interests in property	7	**-**	-	1
Valuation deficit/(surplus) on other investments	7	**-**	2	(14)
Tax on profits on disposals[1]		**29**	(4)	-
Costs of early close out of debt	8	**-**	-	11
Net fair value loss/(gain) on interest rate swaps and other derivatives	8	**56**	(17)	(14)
Deferred tax in respect of EPRA adjustments[1]		**21**	6	31
Tax charge in respect of SIIC entry	9	**39**	-	-
Adjustments to the share of profit from joint ventures after tax	6	**(178)**	(6)	(175)
Non-controlling interests in respect of the above	2	**4**	1	2
EPRA earnings		**165**	139	292
Basic number of shares, million	11	**1,194.1**	1,108.1	1,149.8
EPRA Earnings per Share (EPS)		**13.8**	12.5	25.4
Company specific adjustments:				
Non-EPRA adjustments	2	**-**	-	-
Adjusted earnings		**165**	139	292
Adjusted EPS		**13.8**	12.5	25.4

1. Total tax charge in respect of adjustments per Note 2 of £50 million (H1 2020: £2 million, FY 2020: £31 million) comprises tax charge on profits on disposals of £29 million (H1 2020: credit £4 million, FY 2020: £nil) and deferred tax charge of £21 million (H1 2020: £6 million, FY 2020: £31 million).

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

Combined property portfolio including joint ventures at share – 30 June 2021	**Notes**	**UK £m**	**Continental Europe £m**	**Total £m**
Total properties per financial statements	Table 3	**9,036**	**5,485**	**14,521**
Less head lease ROU assets	12	-	(75)	(75)
Combined property portfolio per external valuers' report[4]		**9,036**	**5,410**	**14,446**
Less development properties (investment, trading and joint venture)		(928)	(856)	(1,784)
Net valuation of completed properties		**8,108**	**4,554**	**12,662**
Add notional purchasers' costs		549	227	776
Gross valuation of completed properties including notional purchasers' costs	A	**8,657**	**4,781**	**13,438**
Income				
Gross passing rents[1]		288	189	477
Less irrecoverable property costs		(5)	(7)	(12)
Net passing rents	B	**283**	**182**	**465**
Adjustment for notional rent in respect of rent frees		22	21	43
Topped up net rent	C	**305**	**203**	**508**
Including fixed/minimum uplifts[2]		10	-	10
Total topped up net rent		**315**	**203**	**518**
Yields – 30 June 2021				
EPRA net initial yield[3]	B/A	3.3%	3.8%	3.5%
EPRA topped up net initial yield[3]	C/A	3.5%	4.2%	3.8%
True net equivalent yield		4.1%	4.4%	4.2%

1. Gross passing rent excludes short term lettings and licences.
2. Certain leases contain clauses which guarantee future rental increases, whereas most leases contain five yearly, upwards-only rent review clauses (UK) or indexation clauses (Continental Europe).
3. In accordance with the Best Practices Recommendations of EPRA.
4. Total assets under management of £17,071 million includes Combined property portfolio (including JV at 50% share) of £14,446 million plus 50% of JV properties not owned but under management of £2,625 million.

TABLE 7: EPRA VACANCY RATE

	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Annualised potential rental value of vacant premises	**24**	27	22
Annualised potential rental value for the completed property portfolio	**567**	518	561
EPRA vacancy rate[1]	**4.3%**	5.2%	3.9%

1 EPRA vacancy rate has been calculated using the figures presented in the table above in millions accurate to one decimal place.

TABLE 8: TOTAL COST RATIO / EPRA COST RATIO

Total cost ratio	Notes	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Costs				
Property operating expenses[1]	5	**49**	42	88
Administration expenses		**27**	25	52
Share of joint venture property operating and administration expenses[2]	6	**24**	21	43
Less:				
Joint venture property management fee income, service charge income, management fees and other costs recovered through rents but not separately invoiced[3]		**(51)**	(43)	(88)
Total costs (A)		**49**	45	95
Gross rental income				
Gross rental income	4	**220**	187	393
Share of joint venture property gross rental income	6	**66**	59	121
Less:				
Service charge income, management fees and other costs recovered through rents but not separately invoiced[3]		**(39)**	(32)	(66)
Total gross rental income (B)		**247**	214	448
Total cost ratio (A)/(B)[4]		**19.8%**	21.2%	21.1%
Total costs (A)		**49**	45	95
Share-based payments		**(6)**	(5)	(10)
Total costs after share based payments (C)		**43**	40	85
Total cost ratio after share based payments (C)/(B)[4]		**17.4%**	18.6%	18.8%

EPRA cost ratio			
Total costs (A)	**49**	45	95
Non-EPRA adjustments	**-**	-	-
EPRA total costs including vacant property costs (D)	**49**	45	95
Group vacant property costs	**(3)**	(2)	(3)
Share of joint venture vacant property costs	**(1)**	(1)	(2)
EPRA total costs excluding vacant property costs (E)	**45**	42	90
Total gross rental income (B)	**247**	214	448
Total EPRA costs ratio (including vacant property costs) (D)/(B)[4]	**19.8%**	21.2%	21.1%
Total EPRA costs ratio (excluding vacant property costs) (E)/(B)[4]	**18.4%**	20.0%	20.1%

1. Property operating expenses are net of costs capitalised in accordance with IFRS of £5 million (H1 2020: £4 million, FY 2020: £9 million) (see Note 5 for further detail on the nature of costs capitalised).
2. Share of joint venture property operating and administration expenses after deducting costs related to performance and other fees.
3. Total deduction of £51 million (H1 2020: £43 million, FY 2020: £88 million) from costs includes: joint venture management fees income of £12 million (H1 2020: £11 million, FY 2020: £22 million), service charge income including joint ventures of £35 million (H1 2020: £29 million, FY 2020: £59 million) and management fees and other costs recovered through rents but not separately invoiced, including joint ventures, of £4 million (H1 2020: £3 million, FY 2020: £7 million). These items have been represented as an offset against costs rather than a component of income in accordance with EPRA BPR Guidelines as they are reimbursing the Group for costs incurred. Gross rental income of £220 million (H1 2020: £187 million, FY 2020: £393 million) does not include joint venture management fees income of £12 million (H1 2020: £11 million, FY 2020: £22 million) and these fees are not required to be included in the total deduction to income of £39 million (H1 2020: £32 million, FY 2020: £66 million).
4. Cost ratio percentages have been calculated using the figures presented in the table above in millions accurate to one decimal place.

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rent roll: See Passing Rent.

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

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

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

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

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

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

Total accounting return (TAR): A measure of the growth in Net Asset Value (NAV) per share calculated as change in Adjusted NAV per share in the period plus dividend per share paid in the period, expressed as a percentage of Adjusted NAV per share at the beginning of the period.

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

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

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

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

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