PRESS RELEASE

16 February 2024

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

GROWTH IN RENTS, EARNINGS AND DIVIDENDS SUPPORTED BY FAVOURABLE OCCUPIER MARKETS AND ACTIVE ASSET MANAGEMENT

KEY MESSAGES:

- Occupier markets remained favourable throughout 2023, supporting a strong operating performance that has driven income and earnings growth, with momentum continuing into 2024.
- Significant progress with our Responsible SEGRO targets, including tracking ahead of schedule with our carbon reduction targets and a large increase in our solar capacity during the year.
- SEGRO is well-placed for further attractive growth as asset valuations start to bottom-out, rents continue to grow and development offers improved profitability at a yield on cost of 7-8 per cent.

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

"SEGRO delivered a strong operating performance in 2023, despite the weaker macroeconomic backdrop. Significant rental uplifts on the standing portfolio and our profitable development programme have driven further growth in both earnings and dividends.

"Last year, tighter monetary conditions resulted in a modest, yield-driven valuation decline; however, we are reassured by continued rental growth across our markets. Market expectations for lower interest rates, if sustained, provide a positive backdrop for a recovery of investment market sentiment as the year progresses.

"In the next three years we expect to increase our passing rents by more than fifty per cent through capturing embedded reversion, leasing vacant units and developing new space. Looking beyond this our exceptional land bank, continuing occupier demand and constrained supply, offer significant additional opportunities for profitable growth."

HIGHLIGHTS[1]:

- **Favourable occupier markets, along with our customer focus and proactive management of the portfolio, supported new headline rent commitments of £88 million during the period** (2022: £98 million), including £27 million of new pre-let agreements, and a 31 per cent average uplift on rent reviews and renewals.
- **12.5 per cent increase in net rental income to £587 million (2022: £522 million),** driven by development completions and **strong like-for-like rental growth of 6.5 per cent**.
- **Adjusted pre-tax profit of £409 million up 6.0 per cent compared with the prior year (2022: £386 million)**. Adjusted EPS increased by 5.5 per cent to 32.7 pence (2022: 31.0 pence).
- **Adjusted NAV per share down 6.1 per cent to 907 pence** (31 December 2022: 966 pence), reflecting a 4.0 per cent like-for-like portfolio valuation decline (2022: 11.0 per cent decline), as a result of interest-rate driven yield expansion. This was partly offset by **rental value (ERV) growth of 6.0 per cent**, asset management initiatives and development profits.

- **Capital investment of £931 million** (2022: £1.3 billion) in development and land purchases, less £356 million of disposals completed during the year significantly ahead of book value.
- **£50 million of potential new headline rent from 625,700 sq m of development completions, delivered at a yield on cost (excluding forward funded schemes) of 7.0 per cent.** 87 per cent of this is already let to customers from a diverse range of sectors.
- **Continued momentum in the development pipeline with 623,900 sq m of projects under construction or in advanced negotiations** equating to £71 million of potential rent, 73 per cent of which has been or is expected to be pre-let. Expected yield on cost for these projects is 7.4 per cent.
- **€103 million (£89 million) performance fee received from SELP joint venture[2]** based on its ten-year IRR of 12.7 per cent which significantly outperformed its hurdle rate, resulting in €51 million (£44 million) net benefit before tax to SEGRO (not included in Adjusted profit).
- **Strong balance sheet with access to £1.9 billion of available liquidity and a modest level of gearing reflected in an LTV of 34 per cent at 31 December 2023** (31 December 2022: 32 per cent). Average cost of debt at 31 December 2023 of 3.1 per cent, and interest cover of 3.0 times.
- **2023 full year dividend increased 5.7 per cent to 27.8 pence** (2022: 26.3 pence). Final dividend increased by 4.9 per cent to 19.1 pence (2022: 18.2 pence).

OUTLOOK

SEGRO has one of the highest quality, best located and most modern pan-European industrial warehouse portfolios, with a diverse customer base. Our strategic focus is to ensure that our properties are located in the most supply constrained locations and are of a standard that makes them highly appealing to occupiers - and are therefore able to generate superior long-term rental growth and overall performance.

As we progress through 2024, whilst macroeconomic and geopolitical uncertainty remain elevated, we note that inflation has fallen sharply over recent months and capital market pricing is now implying that interest rates have peaked. If sustained, this provides a positive backdrop for a recovery of investment market sentiment as the year progresses.

Take-up levels are in line with or higher than pre-pandemic levels across our markets, supported by the key structural drivers of occupier demand which remain very much in evidence: data and digitalisation, supply chain optimisation, sustainability and urbanisation. This gives us confidence in the outlook for continued rental growth in line with our medium-term guidance of two to six per cent per annum, particularly as supply remains restricted in the near-term due to low levels of vacancy and limited capital availability for developers; and in the longer-term as public policy, particularly in urban areas, continues to favour housing over industrial usage and severely restricts the use of greenbelt land.

£137 million of our future income growth is underpinned by rent reversion within our existing portfolio, approximately 20 per cent of our current rent roll. Most of this reversion is in the UK and will be captured by the five-yearly open market rent review process, whilst we will continue to benefit from index-linked uplifts on over half of our leases (mostly in Continental Europe).

Further, our high-quality land bank, with the potential to add over £390 million of rental income, provides us with the ability to meet occupier demand through further development. Projects within this land bank, as well as redevelopment opportunities within our existing portfolio such as on the Slough Trading Estate, combine to give the potential for 1.2 GW of new data centre capacity across 24 sites. Our strong balance sheet provides financial flexibility to invest at a time when construction costs are moderating, and supply of new competing product remains low. Development therefore continues to offer a profitable growth opportunity, as demonstrated with improving development yields of seven to eight per cent.

Overall, we believe the present market environment offers an attractive opportunity for profitable mid-term investment, including the ability to grow passing rents by more than 50 per cent over the next three years. SEGRO is therefore well-placed to deliver attractive returns and continued growth in earnings and dividends.

FINANCIAL SUMMARY

	2023	2022	Change per cent
Adjusted[3] profit before tax (£m)	**409**	386	6.0
IFRS[3] loss before tax (£m)	**(263)**	(1,967)	–
Adjusted[3] earnings per share (pence)	**32.7**	31.0	5.5
IFRS[3] earnings per share (pence)	**(20.7)**	(159.7)	–
Dividend per share (pence)	**27.8**	26.3	5.7
Total Accounting Return (%)[4]	**(3.3)**	(12.8)	–
	2023	**2022**	**Change per cent**
Assets under Management (£m)	**20,677**	20,947	–
Portfolio valuation (SEGRO share, £m)	**17,762**	17,925	(4.0)[5]
Net true equivalent yield (per cent)	**5.3**	4.8	
Adjusted[6 7] net asset value per share (pence, diluted)	**907**	966	(6.1)
IFRS net asset value per share (pence, diluted)	**886**	938	–
Net debt (SEGRO share, £m)	**6,016**	5,693	–
Loan to value ratio including joint ventures and associates at share (per cent)	**34**	32	–
Net debt:EBITDA[8]	**10.4**	11.7	–

1 Figures quoted on pages 1 to 18 refer to SEGRO and SEGRO's share of joint ventures and associates, 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.
2 For further information on the SELP Performance fee see Note 6 to the condensed financial information.
3 The primary driver of the difference between Adjusted profit before tax and IFRS loss before tax (£263m IFRS loss before tax versus £409m Adjusted profit before tax) and earnings per share (32.7p Adjusted earnings versus -20.7p IFRS earnings) is the unrealised valuation deficit on our portfolio recognised in IFRS but not recognised in our Adjusted profit and earnings metrics. Further information and reconciliations between the Adjusted and IFRS metrics can be found in Note 2 (Adjusted profit) and Notes 11 (Earnings per ordinary share) to the condensed financial information.
4 Total Accounting Return is calculated based on the opening and closing adjusted NAV per share adding back dividends paid during the period.
5 Percentage valuation movement during the period based on the difference between opening and closing valuations for all properties including buildings under construction and land, adjusting for capital expenditure, acquisitions and disposals.
6 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.
7 Adjusted net asset value is in line with EPRA Net Tangible Assets (NTA) (see Table 5 in the Supplementary Notes for a NAV reconciliation).
8 For further information on net debt:EBITDA see footnote 2 to Table 2 in the Supplementary Notes.

FINANCIAL CALENDAR

2023 final dividend ex-div date	14 March 2024
2023 final dividend record date	15 March 2024
2023 final dividend scrip dividend price announced	22 March 2024
Last date for scrip dividend elections	12 April 2024
2023 final dividend payment date	3 May 2024
2024 Q1 Trading Update	18 April 2024
Half Year 2024 Results (provisional)	26 July 2024

OPERATING SUMMARY & KEY METRICS

		2023	2022
MARKET RENTAL GROWTH REMAINS STRONG DUE TO TIGHT SUPPLY-DEMAND DYNAMICS, PORTFOLIO VALUATION IMPACTED BY INTEREST RATE DRIVEN YIELD SHIFT (see page 9):			
Valuation decline driven by increased yields (50 basis points), partly offset by strong rental value (ERV) growth, active asset management of the standing portfolio and gains recognised on completed development and buildings under construction.			
Portfolio valuation change (%):	Group	**(4.0)**	(11.0)
	UK	**(3.4)**	(13.1)
	CE	**(5.1)**	(7.3)
ERV growth (%)	Group	**6.0**	10.9
	UK	**4.9**	11.5
	CE	**7.9**	9.9
STRONG GROWTH IN RENTAL INCOME DRIVEN BY HIGH OCCUPIER DEMAND AND ACTIVE ASSET MANAGEMENT OF OUR PRIME PORTFOLIO (see page 15):			
Existing portfolio contributed strongly to our rent roll growth through continued capture of reversion in the UK portfolio and indexation provisions on the Continent, supplemented by pre-lets signed during the year.			
Total new rent signed during the period (£m)		**88**	98
Pre-lets signed during the period (£m)		**27**	41
Like-for-like net rental income growth (%):	Group	**6.5**	6.7
	UK	**5.3**	7.7
	CE	**8.5**	4.9
Uplift on rent reviews and renewals (%):	Group	**31.0**	23.3
(note: excludes uplifts from indexation)	UK	**39.9**	28.0
	CE	**7.9**	1.7
Occupancy rate (%)		**95.0**	96.0
Customer retention (%)		**81**	76
Visibility of customer energy use (%)		**81**	68
Corporate and customer carbon emission (tonnes CO2e)		**254,168**	272,218
INVESTMENT ACTIVITY REMAINS DISCIPLINED AND FOCUSED ON SECURING PROFITABLE GROWTH (see page 12):			
Capital investment continues to focus on our development programme (through capex and securing land to provide future growth opportunities). Development capex for 2024, including infrastructure, expected to be approximately £600 million.			
Development capex (£m)		**527**	787
Asset acquisitions (£m)		**–**	155
Land acquisitions (£m)		**404**	712
Disposals (£m)		**356**	367
DEVELOPMENT PIPELINE HELPING TO GROW OUR RENT ROLL (see page 13):			
Our active and largely pre-let development pipeline remains a key driver of rent roll growth and attractive returns on capital. Potential rent of £71 million from projects currently on site or expected to commence shortly at a yield on cost of 7.4 per cent.			
Development completions:			
– Space completed (sq m)		**625,700**	639,200
– Potential rent (£m) (Rent secured)		**50 (87%)**	46 (80%)
Average embodied carbon intensity (kgCO2e/m^2)		**348**	353
Current development pipeline potential rent (£m) (Rent secured)		**51 (62%)**	67 (73%)
Near-term development pipeline potential rent (£m)		**20**	19

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/65a5393dbacfa60c00652ed9/ater

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 08:30am (UK time) on the following number:

Dial-in:	+44 (0)800 279 3956
	+44 (0) 207 107 0613
Access code:	43520861

An audio recording of the conference call will be available until **23 February 2024** on:

UK:	+44 (0) 203 608 8021
Access code:	43520861#

A video of David Sleath, Chief Executive discussing the results will be available to view on www.segro.com, together with this announcement, the Full Year 2023 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)
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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 10.4 million square metres of space (112 million square feet) valued at £20.7 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.

The financial information set out in this announcement does not constitute the consolidated statutory accounts ("**Group Financial Statements**") for the years ended 31 December 2023 and 2022, but is derived from those Financial Statements. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 (approved by the Board on 15 February 2024) will be delivered following the Company's annual general meeting. The external auditor has reported on the Group Financial Statements for the year ended 31 December 2023 and their report did not contain any modification.

The Board of Directors of SEGRO plc met on 15 February 2024 and approved the Group Annual Report and Financial Statements for the year ended 31 December 2023. Certain parts of the Group Annual Report and Financial Statements have not been included in this announcement.

Forward-Looking Statements: This announcement contains certain forward-looking statements with respect to SEGRO's expectations and plans, strategy, management objectives, future developments and performance, costs, revenues and other trend information. All statements other than historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations and all forward-looking statements are subject to assumptions, risk and uncertainty. Many of these assumptions, risks and uncertainties relate to factors that are beyond SEGRO's ability to control or estimate precisely and which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Certain statements have been made with reference to forecast process changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of SEGRO are based upon the knowledge and information available to Directors on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and you are cautioned not to place undue reliance on the forward-looking statements. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The information contained in this announcement is provided as at the date of this announcement and is subject to change without notice. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), SEGRO does not undertake to update forward-looking statements, including to reflect any new information or changes in events, conditions or circumstances on which any such statement is based. Past share performance cannot be relied on as a guide to future performance. Nothing in this announcement should be construed as a profit estimate or profit forecast. The information in this announcement does not constitute an offer to sell or an invitation to buy securities in SEGRO plc or an invitation or inducement to engage in or enter into any contract or commitment or other investment activities.

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

CHIEF EXECUTIVE'S REVIEW

SEGRO has delivered a strong operational performance during 2023, throughout a period of ongoing geopolitical and macroeconomic uncertainty. We have continued to focus on delivering excellent customer service; actively asset managing our portfolio; reducing our carbon footprint; and tactically adapting our capital allocation to reflect current financial conditions.

Our market-leading operating platform, with in-house property expertise in all of our local markets, ensures we keep close to our customers, develop local stakeholder relationships and provides us with critical insights to help identify attractive opportunities and optimise performance from our portfolio. This platform has enabled us to deliver another set of strong operating metrics, which led to continued growth in both Adjusted earnings and dividends.

Highlights of the year included:

- £88 million of new rent contracted, close to our 2022 record year which benefited from exceptional occupier demand during the pandemic;
- Significant success in capturing rental reversion, with a 31 per cent uplift in rent from reviews and renewals, whilst maintaining high levels of customer retention at 81 per cent, illustrating that our customers are prepared to pay higher rents to occupy the best-located, modern and sustainable space. This helped us to deliver like-for-like net rental income growth of 6.5 per cent;
- Development completions delivering £50 million of potential headline rent, 92 per cent of which have been, or are designed to be, certified at least BREEAM ‘Excellent’ (or local equivalent);
- Outperforming our carbon-reduction targets with a further reduction in the average carbon intensity in our development programme and significant progress in gaining visibility of, and influencing the carbon emissions of our customers;
- Good progress with our Community Investment Plans, providing tangible economic and social benefits for thousands of people in the communities closest to our assets.

Financially we are pleased to report a 5.5 per cent increase in Adjusted earnings per share and we are therefore recommending a 5.7 per cent increase in the total distribution to our shareholders to 27.8 pence for 2023 (2022: 26.3 pence) through payment of a 19.1 pence per share final dividend.

Adjusted net asset value per share was down 6.1 per cent to 907 pence (31 December 2022: 966 pence), reflecting a 4.0 per cent like-for-like portfolio valuation decline (2022: 11.0 per cent decline), as a result of interest rate-driven yield expansion. This was partly offset by rental value (ERV) growth of 6.0 per cent, resulting from asset management initiatives and by development profits.

I would like to thank everyone at SEGRO for their contributions to our 2023 performance. In what have been more challenging market conditions, these results are a testament to the successful reshaping of our portfolio and balance sheet over the past decade; the strong relationships that we have built with our customers; and the continued focus of our team on delivering benefits for all of our stakeholders.

A year of continued occupier demand in the industrial and logistics sector

During 2023, occupier demand in the industrial and logistics sector normalised close to pre-pandemic levels of take-up, proving resilient in the face of cost challenges (rising input costs, wage inflation and higher interest rates) and macroeconomic headwinds, faced both by consumers and businesses.

We believe this level of activity demonstrates the enduring strength of the structural tailwinds which have been driving occupier demand over recent years and will continue to do so. These include the explosion of data and the digitalisation of businesses and society, including continued growth in e-commerce volumes and of demand for data centres; supply chain optimisation to drive cost savings, improve customer service and provide greater resilience; increased focus on sustainability; and urbanisation – the long-term trend for urban population growth which creates greater demand for warehouse space, whilst reducing the supply of available land.

These trends highlight both the changing nature of our customer base and a fundamental change in the way industrial and logistic space is used. Today it represents part of the critical infrastructure of businesses providing a range of goods and services which are essential to the smooth running of the economy and supporting our day-to-day lives.

For users of industrial and logistics space, location is critical to the success of their operations. They are increasingly seeking modern, flexible and highly sustainable space to improve operational efficiency and to attract talent in a competitive labour market. Beyond the typical users such as manufacturers, retailers and third-party logistics operators, modern warehouse space is used by data centres, digital content producers, healthcare and life sciences, as well as a huge array of other businesses that provide essential goods and services to our towns and cities. Our buildings are essential to support the growth, productivity and competitiveness of our economies.

New supply to meet this broad demand is restricted by the low levels of land available for new development across Europe, especially in the major cities in which we operate, where public policy and restrictive planning regimes give housing preference over industrial usage and severely limit the release of green belt land. In the immediate-term, financial market conditions are also restricting the supply of new space, with tighter (and more expensive) capital availability resulting in a reduction of speculative construction starts and less competition. This should play in the favour of market participants such as SEGRO who have prime portfolios, focus on total returns over a multi-year period and are supported by strong balance sheets.

As a result of continuing occupier demand and limited new supply, market vacancy rates remain low by any historical standard in our key markets at four to six per cent. Average country-level vacancy rates, which are above this range in Spain and Poland, hide significant disparities in regional supply and, importantly, the quality of available stock. Not all warehouse space is equal: there are older buildings and estates in secondary locations that do not compete directly with the quality of space provided by SEGRO.

Laser-focused strategy execution

We have long followed a clear and consistent strategy comprised of Disciplined capital allocation and Operational excellence, underpinned by an Efficient financial and corporate structure and a commitment to making a significant social and environmental contribution through our Responsible SEGRO approach.

In a higher interest rate and inflationary environment, taking a disciplined and thoughtful approach to capital allocation has never been more important. Recognising that capital is more scarce and more expensive for all market participants, we increased our return requirements for all investment opportunities, focusing our efforts on those projects with the best risk-adjusted returns. With development, we have continued to favour pre-let projects, remaining prudent in only bringing forward speculative schemes in markets with the tightest supply and the deepest demand. In some cases, we have sold selective land plots to key customers to develop themselves. During 2023, we sought to match a substantial proportion of our development expenditure with sales proceeds, and we were pleased to complete total sales of £356 million significantly ahead of book value.

As a result, our balance sheet remains in great shape, with moderate leverage and no near-term refinancing requirements, helping to ensure we have an efficient capital structure with capacity to continue investing in the most attractive investment opportunities as we move forward in 2024.

Operational excellence has also remained a key focus: delivering superior customer service; actively managing our portfolio to capture reversion; creating value through asset management initiatives and executing on our development pipeline efficiently and sustainably. Our operating results, once again, show the benefits of this strategy in action, despite the more challenging macroeconomic environment.

2023 saw the retirement of our long-standing Chief Operating Officer, Andy Gulliford. Andy made a tremendous contribution to SEGRO since he joined the business in 2004 and particularly since becoming our COO in 2011.

Following Andy's retirement, we took the opportunity to change our organisational structure to reflect the increased scale and footprint of our business. The new structure provided opportunities to promote great talent from within the business, whilst ensuring that the leadership team has the right experience and capabilities to deliver SEGRO's strategic priorities and secure its ambitious plans for future growth. The main changes were:

- We have consolidated our six regional business units into two property businesses, each under a separate Managing Director – the UK and Continental Europe – enabling us to drive performance and consistency across the two businesses.
- We have appointed a Group Customer and Operations Director to further drive a high-level customer experience across the Group, and to ensure greater consistency of execution of several operational functions such as sustainability, health & safety and procurement.
- We also appointed a Chief of Staff to support the work of the Executive Committee, to drive progress around our core strategic priorities, including digital transformation, and new growth initiatives across the business in areas such as data centres and renewable energy.

I am very pleased that we were able to fill these roles from our internal pool of talent, and I am very much enjoying the fresh perspective and additional debate that our new and expanded Executive Committee offers.

Responsible SEGRO remains a key priority and we continue to work hard towards achieving the challenging targets that we have set ourselves. Reducing our own carbon footprint, increasing our solar capacity and the energy efficiency of our buildings remains a key focus for all of our stakeholders and it is of growing relevance to property occupiers and investors, felt through both rental and capital values. We made good progress in 2023 towards our mid-term carbon reduction goals, but we still have some way to go to become a net zero enterprise.

Our Community Investment Plans are gaining traction and are having a real impact on the communities near our assets, embedding our buildings as local centres of economic success, helping to create opportunities for local people and improving the environment and local amenities for local residents.

Finally, our success in developing and promoting colleagues across the Group shows the importance of Nurturing talent. We continue to strive to ensure that SEGRO provides a fulfilling and rewarding place to work, offers an inclusive environment and equal opportunities for all. We are working hard towards becoming a more diverse and representative organisation and although we are gender diverse at a Group level, we are not satisfied with the current levels of gender and ethnic diversity in more senior roles and recognise that we still have some way to go. For this reason, we have set ourselves stretching targets to improve diversity in senior leadership roles to 40 per cent women by 2025 and 15 per cent ethnic minorities by 2027 (currently 33 and 5 per cent).

Positioning our business for long-term success

Last year we launched a new and bolder ambition, to be the best property company. We focused on this ambition at our Group Conference in September, while getting the whole company together for the first time since the pandemic. We discussed how, by challenging ourselves to search for excellence in every aspect of our business, we can drive SEGRO to achieve even more success in the decade ahead than we have in the past ten years. This ambition will drive us to keep one eye on the continuously changing horizon, think outside the box, innovate, search for new ways of serving our customers, challenge market norms and seek to remain one step ahead of the competition in our markets.

There are a number of areas that we are prioritising to help us achieve this:

- We remain focused on developing outstanding customer relationships, built upon a consistent, high-level experience through every aspect of the customers' journey with us. The more we can create genuine long-term partnerships with our customers, the better we can anticipate future trends, identify new opportunities and help them achieve their goals.
- In parallel, we are sourcing and analysing data to gain valuable insights into our markets to enhance decision-making and keep us one step ahead of our peers. Our focus on strategic active asset management has helped to shape, and drive value from, our prime portfolio, but we want to harness these insights to ensure we maximise long-term performance and create exceptional opportunities for growth. We are also dedicating time to investigate potential ways of accelerating this growth, such as new business areas, strategic partnerships and other opportunities to create value.
- We are creating a culture of continuous change and improvement in our processes, our ways of working and our digital and technological capabilities to help us become more efficient as a business, allowing us to improve productivity and maximise the talents of our employees.
- We cannot be the best property company without a strong social responsibility and a compelling offering to our wider stakeholders. Our focus on Championing low-carbon growth, Investing in our local communities and environments and Nurturing talent are parts of our DNA, increasingly embedded within our day-to-day activities and other strategic priorities.

Together, we believe that these priorities will ensure that we continue to deliver on our Purpose of creating the space that enables extraordinary things to happen, and fulfil our ambition to be the best property company.

PORTFOLIO UPDATE

Warehouse property values saw modest declines during 2023, as higher interest rates and uncertainty over the future trajectory for interest rates continued to impact investors' appetite for real estate assets. Investment market volumes remained low and yields expanded further, although at a much slower pace than during 2022.

Occupier markets continued to perform well and although macroeconomic uncertainty contributed to take-up returning closer to pre-pandemic levels, the availability of well-located, modern and sustainable space remains limited across our markets. This helped us to grow the rental income on our portfolio, by increasing the rents on our existing space and through our development programme, both of which contributed to income and earnings growth.

The Group's property portfolio was valued at £17.8 billion at 31 December 2023 (£20.7 billion of assets under management). The portfolio valuation, including completed assets, land and buildings under construction, decreased by 4.0 per cent (after adjusting for capital expenditure and asset recycling) during the year, compared to a decline of 11.0 per cent in 2022. The majority of the fall came in the second half of the year and reflected the tighter financial conditions in capital markets, particularly in September and October. The significant fall in bond yields and future interest rate expectations at the end of 2023 did not come in time for an increase in investment activity last year, but it appears to have improved sentiment in the investment market in the early stages of 2024, which we expect will lead to increased activity during the year ahead.

The reduction in the valuation of our portfolio primarily comprises a 4.5 per cent decline in assets held throughout the year (2022: 13.1 per cent decline), driven by yield expansion in most markets, which was partly offset by a 6.0 per cent increase in our valuer's estimate of the market rental value of our portfolio (2022: 10.9 per cent increase) as well as development profits and the benefit of our asset management initiatives.

Assets held throughout the year in the UK decreased in value by 3.3 per cent (2022: 15.5 per cent decrease), underperforming the MSCI Real Estate All Industrial Quarterly Index which decreased by 0.3 per cent over the same period. The underperformance was due to our weighting towards lower yielding prime assets that were more sensitive to yield movements in response to higher interest rates. The net true equivalent yield applied to our UK portfolio was 5.2 per cent, 40 basis points higher than at 31 December 2022 (4.8 per cent). Rental values improved by 4.9 per cent (2022: 11.5 per cent).

Assets held throughout the year in Continental Europe decreased in value by 6.4 per cent (2022: 8.8 per cent decrease) on a constant currency basis, reflecting a combination of 60 basis points of yield expansion to 5.4 per cent (31 December 2022: 4.8 per cent) and rental value growth of 7.9 per cent (2022: 9.9 per cent).

Strong rent roll growth, with a large contribution from the capture of reversion on the standing portfolio as well as development

During 2023, we contracted £88 million (2022: £98 million) of new headline rent, consistent with our expectations after the elevated levels seen during the pandemic and its immediate aftermath.

We added £30 million of net new rent from our existing portfolio (2022: £31 million). This comprised £16 million on new lettings (2022: £21 million) and £35 million from the capture of reversion (the difference between in-place and market rents) on rent reviews and renewals, and from inflation-related uplifts in index-linked leases (2022: £28 million), offset by rent lost from space returned of £21 million (2022: £18 million), much of it for refurbishment.

Occupier demand for new space enabled us to sign further pre-let agreements for delivery over the next two years. We contracted £27 million of headline rent from pre-let agreements and lettings of speculative developments prior to completion (2022: £41 million). The pre-lets signed during 2023 included an additional data centre on the Slough Trading Estate and big box warehouses across the UK and Continental Europe for third-party logistics operators, manufacturers and retailers (both traditional and online).

As a result of this activity, 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, was £65 million (2022: £77 million).

At 31 December 2023, our portfolio generated passing rent of £639 million, rising to £697 million once rent free periods expire ('headline rent').

Portfolio: what to expect in 2024

Forecasting yields over any future period is notoriously difficult given the multitude of economic and financial drivers (particularly interest rates and credit spreads), most of which are outside of our direct control.

However, if market expectations that central bank rates have peaked are sustained, this should provide a supportive backdrop for a recovery of investment market sentiment during 2024.

The fundamentals for our sector remain strong, with occupier demand supported by structural drivers and limited supply, which leaves us optimistic about the prospects for further rental value growth. This should result in investment markets in the industrial and logistics sector recovering more quickly than wider real estate assets. In addition, we expect investors to remain selective about where and in what they invest which, along with our active approach to asset management, should lead to our high-quality, modern and sustainable portfolio outperforming the wider industrial and logistics market on a long-run basis.

In terms of rent roll, we expect this to increase through the letting up of space currently under refurbishment, the further capture of reversion on the existing portfolio and by signing further pre-lets in response to occupier demand. We have the potential to more than double our rent roll over the coming years through our active asset management of the existing portfolio and the build out of our high-quality land bank.

Property portfolio metrics at 31 December 2023[1]

		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 %	Occupancy (ERV) %
UK									
Greater London	1,321,311	5,859	241	6,100	6,119	(4.7)	3.7	4.9	91.2
Thames Valley	632,031	2,523	708	3,231	3,231	(0.7)	4.4	5.6	96.8
National Logistics	736,275	1,253	597	1,850	1,850	(1.8)	4.9	5.5	98.4
UK Total	**2,689,617**	**9,635**	**1,546**	**11,181**	**11,200**	**(3.3)**	**4.0**	**5.2**	**93.7**
Continental Europe									
Germany	1,860,875	1,664	308	1,972	2,778	(5.8)	4.3	4.9	98.7
Netherlands	287,974	189	12	201	401	(2.4)	5.7	5.2	100.0
France	1,655,731	1,674	353	2,027	2,553	(7.4)	4.6	5.5	94.3
Italy	1,738,979	1,074	126	1,200	1,702	(6.3)	5.2	5.5	98.5
Spain	297,699	237	76	313	505	(9.9)	4.8	5.2	100.0
Poland	1,717,508	684	82	766	1,333	(5.5)	6.3	6.5	95.4
Czech Republic	169,897	98	4	102	205	(3.0)	4.9	6.1	97.7
Continental Europe Total	**7,728,663**	**5,620**	**961**	**6,581**	**9,477**	**(6.4)**	**4.9**	**5.4**	**96.9**
GROUP TOTAL	**10,418,280**	**15,255**	**2,507**	**17,762**	**20,677**	**(4.5)**	**4.3**	**5.3**	**95.0**

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.

Summary of key leasing data for 2023

Summary of key leasing data[1] for the year to 31 December		**2023**	2022
Take-up of existing space[2] (A)	£m	**16**	21
Space returned[3] (B)	£m	**(21)**	(18)
NET ABSORPTION OF EXISTING SPACE[2] (A-B)	£m	**(5)**	3
Other rental movements (rent reviews, renewals, indexation)[2] (C)	£m	**35**	28
RENT ROLL GROWTH FROM EXISTING SPACE	£m	**30**	31
Take-up of pre-let developments completed in the year (signed in prior years)[2] (D)	£m	**39**	27
Take-up of speculative developments completed in the past two years[2] (D)	£m	**12**	13
TOTAL TAKE-UP[2] (A+C+D)	£m	**102**	89
Less take-up of pre-lets and speculative lettings signed in prior years[2]	£m	(41)	(32)
Pre-lets signed in the year for future delivery[2]	£m	**27**	41
RENTAL INCOME CONTRACTED IN THE YEAR[2]	£m	**88**	98
Takeback of space for redevelopment	£m	**(1)**	(4)
Known Takeback/letting from acquisition	£m	**–**	–
Retention rate[4]	%	**81**	76

1 All figures reflect exchange rates at 31 December 2023 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.

INVESTMENT UPDATE

(DISCIPLINED CAPITAL ALLOCATION)

Taking a disciplined approach to capital allocation is key to delivering long-term outperformance. We use our in-depth knowledge of our markets and our customer base to position our portfolio accordingly. We also adapt our approach to capital deployment depending on our assessment of the property cycle and other external factors. During 2023 this has resulted in us prioritising capital deployment into the most profitable development opportunities on land that we already own, and increasingly funding this through disposals rather than taking on additional debt.

Net investment during the year was £575 million comprising: development capital expenditure of £527 million and £404 million of land acquisitions, partly offset by £356 million of disposals during the period.

Capital deployment focused on the most profitable development opportunities, increasingly funded by disposals

During the year we invested £931 million into our development pipeline, which comprised £527 million (2022: £787 million) in development spend, of which £92 million was for infrastructure and £404 million on new land acquisitions. The land acquisitions focused on rare and unique sites providing opportunities for future development.

In the UK, this included the acquisition of Bath Road Shopping Park in Slough, which creates significant further potential for data centre development due to its position adjacent to the Slough Trading Estate. We also acquired the former Radlett Aerodrome in Hertfordshire, a brownfield site on the edge of London and close to the M25, which provides us with the opportunity to develop an exceptionally rare site of scale that will deliver over 330,000 sq m of logistics buildings. It will be supported by a strategic rail freight interchange, allowing customers to reduce the number of trucks used in their operations, as well as a substantial 610 acre country park for use by the local community.

In Continental Europe we purchased an excellent plot of land outside Dortmund which will deliver over 200,000 sq m of big box and urban warehouse space in one of Germany's most attractive logistics markets. We also purchased small plots of land in Italy, France, Spain and Poland.

Amid volatile capital markets and higher financing costs, we increased the pace of disposals to fund our development activity, generating £356 million of proceeds from asset and land sales, crystallising a profit of £39 million compared to book value.

These included:

- Asset sales totalling £242 million, mainly of assets that did not meet our hurdle rates in our annual asset review process, as well as some non-core office assets. In total, £8 million of rental income (annualised) was lost as a result of these disposals.
- Land plots totalling £114 million, the majority of which came from the sale of land that the buyer intends to develop themselves for owner-occupation, offering us attractive risk-adjusted returns.

Investment: what to expect in 2024

We will continue to take the same disciplined approach during 2024, putting most of our focus on building out our attractive land bank but will continue to consider unique asset or land acquisition opportunities that may arise in these subdued investment market conditions.

We expect to dispose of between one and two per cent of the portfolio as per our normal levels of capital recycling but adapting the overall volume of disposals to market conditions. We have a number of transactions under discussion and expect to make further progress with these during 2024.

DEVELOPMENT UPDATE
(DISCIPLINED CAPITAL ALLOCATION/ OPERATIONAL EXCELLENCE)

Disciplined capital allocation and Operational excellence are both key to the success of our development programme. They ensure that we deploy capital into the most profitable opportunities and into markets with the greatest long-term return potential, execute on our pipeline efficiently and safely, and build to the highest construction and sustainability standards.

Development completions delivered £50 million of potential headline rent

Development completions added 625,700 sq m of new space to the portfolio during 2023, generating £43 million of headline rent, with a potential further £7 million to come when the remainder of the space is let. The yield on total development cost (including land, construction and finance costs) is expected to be 7.0 per cent when fully let (excluding developments completed by third parties on a forward funded basis acquired at investment value).

We completed 478,800 sq m of big box warehouse space, including one of our last remaining plots at SEGRO Logistics Park East Midlands Gateway and across all of our major European markets, let to third-party logistics operators, retailers and manufacturers.

We completed 146,900 sq m of urban warehouses, including three data centres in Slough and industrial units in South London, Berlin, Cologne and Paris. The majority of these were developed speculatively and almost 80 per cent of the rent has already been secured.

During the year the contractor on one of our UK big box projects, Buckingham Contracting Group, entered administration. Our development team responded quickly to secure the scheme and liaise with our affected customers. Thanks to our strong relationship with an alternative contractor we were able to restart works quickly. Although an inevitable consequence has been an increase in costs along with a short delay to the original delivery programmes, we have managed the impacts of this alongside our customers and have revised completion dates in place. Contractor failure is a supply chain risk we consider explicitly and it is managed in part through avoiding over-reliance on any single contractor.

Reducing embodied carbon in our development programme is critical to helping us achieve our net-zero targets and we continue to make progress in this area, reducing the carbon intensity of our developments to 348 kgCO2e per sq m during 2023. This represents a 13 per cent reduction from our 2020 baseline, meaning we are on course to achieve our science-based target of a 20 per cent reduction by 2030.

Almost all (99 per cent) of our eligible development completions during 2023 have been, or are expected to be, accredited at least BREEAM ‘Very Good’ (or local equivalent), with 92 per cent ‘Excellent’ or ‘Outstanding’.

£71 million of potential headline rent currently under development or due to start shortly

At 31 December 2023, we had development projects approved, contracted or under construction totalling 415,200 sq m, representing £183 million of future capital expenditure to complete and £51 million of annualised gross rental income when fully let. 62 per cent of this rent has already been secured and these projects should yield 7.3 per cent on total development cost when fully occupied.

In the UK, we have 169,900 sq m of space approved or under construction. Within this are our first multi-level warehouse scheme in West London, two new data centres on the Slough Trading Estate (the second largest hub of data centres globally) and big box warehouses at our logistics park in Coventry.

In Continental Europe, we have 245,200 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 Italy, Spain and Poland. We are also developing a further phase of our successful urban warehouse park in Amsterdam and are also on site with our underground scheme in central Paris.

We continue to focus our speculative developments on urban warehouse projects, particularly in cities such as London and Paris, where modern space is in short supply and occupier demand is strong.

We have factored current construction and financing costs into the returns for our future development projects. Encouragingly, we are seeing build costs stabilise across most of our markets and in some regions have started to see construction tenders coming in at reduced prices. We expect to be able to develop at a margin over the valuation yields on equivalent standing assets of at least 150 to 200 basis points, meaning that development remains a profitable way of growing the rent roll.

Within the future development pipeline are a number of pre-let projects close to being approved, awaiting either final conditions to be met or planning approval to be granted. We expect to commence these 'near-term' projects within the next six to 12 months. These projects total 208,700 sq m of space, equating to approximately £159 million of future capital expenditure and £20 million of potential annual rent.

£481 million of future potential rent from land bank and options

Our land bank identified for future development (including the near-term projects detailed above) totalled 1,138 hectares as at 31 December 2023, valued at £1.7 billion, roughly 10 per cent of our total portfolio value. This includes £645 million of land acquired for future redevelopment but which is currently income producing, reducing the holding costs until development can start (equating to £20 million of annualised rent).

We estimate our land bank can support 3.7 million sq m of development over the next five to seven years. The estimated capital expenditure associated with the future pipeline is approximately £3.7 billion. It could generate £392 million of gross rental income, representing a yield on total development cost (including land and notional finance costs) of between 7 and 8 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.

The land bank also includes 24 sites that SEGRO has identified as suitable for data centre development, equating to a potential 1.2 GW of additional capacity across the UK and Continental Europe. SEGRO expects to be able to commence construction on several of these sites (two of which are currently under development) over the next five years, which could more than double the current £50 million of headline rent attributed to the data centre sector (approximately 7 per cent of group headline rent at 31 December 2023).

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

The options are held on the balance sheet at a value of £26 million (including joint ventures and associates at share). Those we expect to exercise over the next two to three years are for land capable of supporting almost 830,000 sq m of space and generating £89 million of headline rent, for a blended yield of approximately 7 per cent.

Further details of our completed projects and development pipeline are available in the FY 2023 Property Analysis Report, at www.SEGRO.com/investors.

Development: what to expect in 2024

We expect to invest approximately £600 million in development capex during 2024, including £150 million of infrastructure related to our UK big box logistics parks. The yield on cost for our development programme is expected to be between 7 and 8 per cent.

ASSET MANAGEMENT UPDATE

(OPERATIONAL EXCELLENCE)

The performance of our existing portfolio relies on our continued focus on Operational excellence; whether that means providing the best customer experience throughout the customer's 'journey' with SEGRO, optimising rental income and lease terms, ensuring consistency of operating standards, or driving efficiency through continuous improvement and the digitalisation of processes.

We believe SEGRO has a market-leading operating platform, with people on the ground in all of our key locations. Through the internal management of our portfolio, we build strong and meaningful relationships with our customers and other business partners, and actively manage our assets to generate long-term outperformance.

Strong and diversified customer base

Understanding our customers and their evolving needs is crucial to the success of our business. The insights that we gain from these partnerships help us to shape our portfolio and ensure that our buildings are fit for the future and suitable for occupier's evolving needs.

Our customer base remains well diversified, reflecting the flexibility of warehouse space and that two-thirds of our portfolio is in urban locations. Our top 20 customers account for 32 per cent of total headline rent. Amazon remains our largest customer, accounting for 7 per cent of our total rent roll.

Customers from the transport and logistics sector were the largest takers of our space during 2023, as they continued to focus on prioritising efficiency, resilience and sustainability into their operations. This was closely followed by the technology, media and telecoms sector, which was driven by data centre operators taking additional space to keep up with increased corporate and consumer demand.

The health of our customer base remains strong: less than £3 million of rent was lost due to insolvency (2022: £2 million) and rent collection is tracking at normal levels despite the tougher economic environment.

Focused on delivering excellent customer service

Although the quality and location of our portfolio is important to our customers, we aim to build outstanding customer relationships through the delivery of excellent customer service. This enables us to maintain high levels of customer retention, grow rents and create new business opportunities.

We often work with our larger customers in more than one location and regularly across geographies: 27 per cent of our headline rent comes from customers with whom we have leases in more than one country. Our cross-border customer account teams help to ensure that we offer a streamlined and informed approach to these businesses.

We carry out a rolling survey of our customers throughout the year to identify and rectify issues promptly. In 2023, we spoke to 347 customers, and 96 per cent said that they would recommend SEGRO to others (2022: 98 per cent) while 86 per cent said they rated their experience with SEGRO as 'Excellent' or 'Good' (2022: 85 per cent).

During 2023 we extended the reach of our customer insight programme and added new customer onboarding and senior stakeholder interviews to better understand our customers' experiences of working with SEGRO and how we can best support them. One of the key takeaways from these interviews was that customers appreciate our efforts to improve connectivity with SEGRO and between their fellow customers. Our regular Customer Futures Forums bring together customers from different sectors to discuss emerging trends and anticipate future requirements.

Actively managing our portfolio to create value

The supply-demand dynamics across our chosen markets remained favourable during 2023, helping to drive further rental (ERV) growth and £88 million of new headline rent signed during the year. The active asset management of portfolio ensures that we generate long-term outperformance. We create plans for every single asset as part of our annual asset review process, aiming to strike a balance between maintaining current high occupancy and creating opportunities to drive future rents and create value through refurbishment, redevelopment or conversion to alternative uses such as data centres.

We monitor a number of metrics that help us assess the performance of our existing portfolio:

- **Good progress in capturing the embedded reversion within our portfolio:** Lease reviews and renewals during the period generated an uplift of 31.0 per cent (2022: 23.3 per cent), adding £20 million of new headline rent. New rents agreed at review and renewal were 39.9 per cent higher in the UK (2022: 28.0 per cent) as reversion accumulated over the past five years was reflected in new rents agreed. In Continental Europe, rents agreed on renewal were 7.9 per cent higher (2022: 1.7 per cent higher), as a result of market rental growth continuing to outpace annual indexation uplifts that have accumulated over recent years. Our portfolio is now 20 per cent reversionary, providing us with the opportunity to capture a further £137 million of headline rent over the next five years, £84 million of which is up for rent review or renewal by the end of 2026.
- **Occupancy has remained high at 95.0 per cent (31 December 2022: 96.0 per cent)**, in line with our 94 to 96 per cent target. The slight reduction from 2022 is concentrated in our London portfolio and primarily reflects the recent completion of speculative projects in South London as well as the take-back of some older buildings to facilitate refurbishment or redevelopment. For example, a number of customers were relocated from their existing, older SEGRO premises into brand new space at SEGRO Park Hayes and SEGRO Park Tottenham. The occupancy rate excluding recently completed speculative developments remains high at 96.0 per cent (31 December 2022: 97.3 per cent) and the average occupancy rate during the period was 95.5 per cent (2022: 96.4 per cent).
- **Customer retention rate increased to 81 per cent.** Approximately £71 million of headline rent was at risk from a break or lease expiry during the period, of which we retained 78 per cent in existing space (2022: 75 per cent), and a further 3 per cent in new premises (2022: 1 per cent).
- **Lease terms continue to offer attractive income security.** The level of incentives agreed for new leases (excluding those on developments completed in the period) fell slightly to 5.8 per cent of the headline rent (2022: 6.1 per cent). We maintained the portfolio's weighted average lease length, with 7.3 years to first break and 8.3 years to expiry (31 December 2022: 7.0 years to first break, 8.3 years to expiry). Lease terms are longer in the UK (8.4 years to break) than in Continental Europe (5.7 years to break), reflecting the market convention of shorter leases in countries such as France and Poland.

Working closely with our customers and refurbishing older assets to help us achieve our Championing low-carbon growth ambitions

We have targets set and approved under the international Science-Based Targets Initiative (SBTi) to reduce the absolute corporate and customer carbon emissions from our portfolio by 42 per cent by 2030 (compared to a 2020 baseline), in line with the 1.5 degree scenario. During 2023, we reduced these carbon emissions by 7 per cent, taking our reduction from 2020 to 19 per cent and putting us a year ahead of our target.

The recent introduction of green lease clauses is helping us to improve our visibility of customer carbon emissions, which allows us to better identify opportunities to help them operate their buildings more efficiently, reducing their carbon footprint and operating costs. These clauses, as well as an increase in the number of automatic meter feeds that we receive, have helped take the visibility of our portfolio energy use to 81 per cent (2022: 68 per cent).

At the end of 2023, 65 per cent of the portfolio had an EPC rating of B or better (2022: 58 per cent). Whilst the majority of our portfolio is modern and already meets the highest sustainability standards, we do have some older assets in heavily populated and congested cities such as London and Paris, where land and buildings are in short supply and rents continue to grow. This provides us with the opportunity to add significant value through refurbishment, redevelopment, or conversion into alternative uses whilst also improving their environmental performance.

A key part of our asset planning process is therefore determining the phasing of these projects and managing the space to ensure we have vacant possession to suit our future plans. This can lead to periods where the headline vacancy in these sub-markets is elevated, for example in our West London portfolio at the end of 2023, but the cost of this vacancy is more than outweighed by the value created through the refurbishment or redevelopment. Opportunities such as these are not included in our future development programme and could create significant rental uplifts. One such refurbishment, SEGRO Park Greenford in West London, was awarded BREEAM 'Outstanding' during the period and rated EPC A+ and is our most sustainable refurbishment to date.

Our asset management teams are also working hard to expand the solar capacity of our portfolio through retrofitting onto existing assets (whilst the development teams are installing panels on new developments) where feasible. During 2023 we added 15 MW to our solar capacity, including 11 MW through retrofits onto existing buildings.

Asset management: what to expect in 2024

We have a unique portfolio in Europe's strongest markets. Our active asset management approach will ensure that it will continually evolve to provide high quality, modern space appealing to the widest variety of customers, thereby increasing rental levels. In 2024, we will continue to focus on providing excellent customer service and to capture the reversion inherent in our leases which reflects the quality of our buildings. We will continue to take advantage of leases coming to an end on some of our older buildings to refurbish them, bringing them up to the high environmental standards our customers and other stakeholders expect.

Financial highlights

	31 December 2023	31 December 2022
IFRS[1] net asset value (NAV) per share (diluted) (p)	**886**	938
Adjusted[1] NAV per share (diluted) (p)	**907**	966
IFRS loss before tax (£m)	**(263)**	(1,967)
Adjusted[2] profit before tax (£m)	**409**	386
IFRS earnings per share (EPS) (p)	**(20.7)**	(159.7)
Adjusted[2] EPS (p)	**32.7**	31.0

1 A reconciliation between IFRS NAV and its Adjusted NAV equivalent is shown in Note 11.
2 A reconciliation between IFRS loss 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 Group Financial Statements are prepared under IFRS where the Group's interests in joint ventures and associates 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 reflects the underlying financial performance of the Group's property rental business, which is our core operating activity. It is based on EPRA earnings as set out in the Best Practices Recommendations Guidelines of the European Public Real Estate Association (EPRA) which are widely used alternate metrics to their IFRS equivalents within the European real estate sector (further details can be found at www.epra.com). In calculating Adjusted profit, the Directors may also exclude additional items considered to be non-recurring, unusual, or significant by virtue of size and nature. In the current year, the net profit after tax impact of the SELP performance fees recognised of £42 million have been excluded. Furthermore an impairment of a loan to an associate of £28 million has also been excluded. Both items are discussed in more detail in Note 2. In the prior year there have been no such adjustments and therefore Adjusted profit and EPRA earnings were the same.

ADJUSTED PROFIT

Adjusted profit

	2023 £m	2022 £m
Gross rental income	**547**	488
Property operating expenses	**(85)**	(76)
Net rental income	**462**	412
Joint venture management fee income	**29**	30
Management and development fee income	**4**	5
Net solar energy income	**1**	1
Administrative expenses	**(63)**	(59)
Share of joint ventures and associates' Adjusted profit[1]	**82**	71
Adjusted operating profit before interest and tax	**515**	460
Net finance costs	**(106)**	(74)
Adjusted profit before tax	**409**	386
Tax on Adjusted profit	**(10)**	(11)
Non-controlling interests share of Adjusted profit	**–**	(1)
Adjusted profit after tax	**399**	374

1 Comprises net property rental income less administrative expenses, net finance costs and taxation.

Net rental income

Net rental income increased by £50 million to £462 million (or by £65 million to £587 million including joint ventures and associates at share before joint venture fees), reflecting the positive net impact of like-for-like rental growth, development completions and investment activity during the year, offset by the impact of disposals.

On a like-for-like basis, before other items (primarily corporate centre and other costs not specifically allocated to a geographic Business Unit), net rental income increased by £31 million, or 6.5 per cent, compared to 2022.

This is due to strong rental performance across our portfolio. Continental Europe: 8.5 per cent increase, primarily through indexation; and UK: 5.3 per cent increase, primarily through capturing the reversionary potential in the portfolio through lease reviews and renewals.

Like-for-like net rental income

(including JVs and associates at share)	**2023 £m**	2022 £m	Change %[3]
UK	**313**	297	5.3
Continental Europe	**195**	180	8.5
Like-for-like net rental income before other items[1]	**508**	477	6.5
Other[2]	**(5)**	(4)	
Like-for-like net rental income (after other)	**503**	473	6.3
Development lettings	**52**	10	
Properties taken back for development	**13**	19	
Like-for-like net rental income plus developments	**568**	502	
Properties acquired	**5**	4	
Properties sold	**5**	11	
Net rental income before surrenders, dilapidations and exchange	**578**	517	
Lease surrender premiums and dilapidation income	**2**	3	
Other items and rent lost from lease surrenders	**7**	6	
Impact of exchange rate difference between periods	**–**	(4)	
Net rental income (including joint ventures and associates at share)	**587**	522	
SEGRO share of joint venture management fees	**(12)**	(13)	
Net rental income after SEGRO share of joint venture fees	**575**	509	

1 Like-for-like change by Business Unit: Greater London 7.3%, Thames Valley 3.5%, National Logistics 0.3%, Northern Europe 11.3%, Southern Europe 7.3%, Central Europe 7.5%.

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 numbers accurate to one decimal place.

4 The like-for-like net rental growth metric is based on properties held throughout both 2023 and 2022 on a proportionally consolidated basis. The value of these properties as at 31 December 2023 on a proportional basis was £13,149 million (2022: £13,916 million). This provides details of net rental income growth excluding the distortive impact of acquisitions, disposals and development completions. Where an asset has been sold into a joint venture (sales to SELP, for example) the 50 per cent share owned throughout the period is included in like- for-like calculation, with the balance shown as disposals.

Income from joint ventures and associates

SEGRO's share of joint ventures and associates' Adjusted profit after tax increased by £11 million from £71 million in 2022 to £82 million in 2023, excluding performance fee expense. The increase is driven by net rental income growth partially offset by interest costs and taxation.

Joint venture fee management fee income decreased by £1 million to £29 million in 2023 due to a reduction in property values on which elements of the fees are based.

Performance fees from joint ventures have been excluded from Adjusted profit and are discussed in the IFRS loss section below.

Net finance costs

Net finance costs were £32 million higher than 2022 at £106 million. Average interest rates during the year were 3.2 per cent compared to 2.6 per cent in the prior year. This has been partially offset by a £42 million increase in capitalised interest compared to the prior year due to the higher rate of interest on debt used to finance development projects. Furthermore, gross debt levels were higher in 2023 compared to the prior year. At 31 December 2023 gross debt was £5,348 million, £464 million higher than the prior year.

Taxation

The tax charge on Adjusted profit of £10 million (2022: £11 million) reflects an effective tax rate of 2.4 per cent (2022: 2.8 per cent).

The Group's effective tax rate reflects the fact that around three-quarters of its wholly-owned assets are located in the UK and qualify for REIT status. This status means that income from rental profits and gains on disposals of assets in the UK 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 profit/Earnings per share

Adjusted profit after tax increased by £25 million to £399 million (2022: £374 million) as a result of the above movements, primarily growth in rental income offset by increased finance costs.

Adjusted profit is detailed further in Note 2 to the Condensed Financial Statements.

Adjusted earnings per share are 32.7 pence compared to 31.0 pence in 2022 due to the increase in Adjusted profit slightly offset by the 13 million increase in the average number of shares in issue compared to the prior year.

IFRS loss

IFRS loss before tax in 2023 was £263 million (2022: £1,967 million loss), equating to basic post-tax IFRS loss per share of 20.7 pence compared with loss per share of 159.7 pence for 2022. A reconciliation between Adjusted profit before tax and IFRS loss before tax is provided in Note 2 to the Condensed Financial Statements.

The principal driver of IFRS loss is realised and unrealised property losses and gains which is the main reason for the lower loss per share in 2023 versus 2022. Total loss on properties is £760 million (2022: £2,175 million loss). This includes a £598 million realised and unrealised property loss on investment and trading properties in the wholly-owned business (2022: £1,939 million loss) and £162 million loss from joint ventures and associates at share (2022: £236 million loss). The largest component are valuation losses on investment and trading properties of £809 million including joint ventures at share (2022: £2,191 million), which is driven by yield expansion in most markets partially offset by increases in ERV. Other property movements include profit on sale of wholly-owned investment properties of £39 million (2022: £9 million profit).

There was also a loss of £28 million recognised in the year in relation to the impairment of a loan to an associate which is assumed to be recovered through the fair value of land which has fallen during the year. This is further detailed in Note 6(ii).

IFRS earnings in the year also included recognition of a performance fee from SELP following the-ten year anniversary of the joint venture. The overall net profit impact was £42 million (2022: £nil). This constituted a £89 million income less taxation of £10 million in respect of the wholly-owned business and a cost of the performance fee of £45 million less a tax credit of £8 million from the joint venture (at share).

Further detail on the performance fee including the recognition criteria and cumulative fee recognised are detailed in Note 6(ii).

IFRS earnings were also impacted by a net fair value gain on interest rate swaps and other derivatives of £24 million (2022: loss of £199 million).

In addition, SEGRO recognised a tax credit in respect of adjustments of £30 million (2022: £48 million) primarily in relation to property valuation movements.

Balance sheet

	£m	Shares million	Pence per share
EPRA NTA attributable to ordinary shareholders at 31 December 2022	**11,717**	**1,212.5**	**966**
Realised and unrealised property loss	(760)		(64)
Adjusted profit after tax and non-controlling interests	399		33
Dividend net of scrip shares issued (2022 final and 2023 interim)	(198)		(27)
SELP performance fee (net after tax)	42		3
Exchange rate movement (net of hedging)	(26)		(3)
Other	(12)		(1)
EPRA NTA attributable to ordinary shareholders at 31 December 2023	**11,162**	**1,230.7**	**907**

At 31 December 2023, IFRS net assets were £10,904 million (31 December 2022: £11,373 million), reflecting 886 pence per share (31 December 2022: 938 pence) on a diluted basis.

Adjusted NAV per share at 31 December 2023 was 907 pence (31 December 2022: 966 pence). The 6.1 per cent decrease primarily reflects property valuation losses in the year as explained above. The table above highlights the other main factors behind the decrease. A reconciliation between IFRS and Adjusted NAV is available in Note 11 to the Condensed Financial Statements.

Cash flow and net debt reconciliation

Cash flows from operating activities of £584 million are £105 million higher than the prior year. This is primarily due to increased rental income received during the year, and other working capital movements. As well as finance cost outflows of £162 million in servicing the debt facilities, a further £5 million was spent in closing out debt and reprofiling interest rate derivatives. In addition there were tax payments of £24 million primarily in France.

The Group made net investments of £487 million in investment and development properties during the year on a wholly-owned cash flow basis (2022: £1,162 million). This is principally driven by expenditure of £839 million (2022: £1,472 million) to purchase and develop investment properties to deliver further growth in line with our strategy. Disposals of investment properties increased by £42 million to £352 million compared to the prior year (2022: £310 million) as the business looked to recycle assets when the opportunity arose.

During the year £185 million (2022: £222 million) dividends were paid which is lower than the total dividend due to the level of scrip uptake of £129 million (2022: £79 million) and tax due after year end on a Property Income Distribution of £13 million (2022: £nil).

Other significant cash flows include £29 million acquisition of plant and equipment and intangibles primarily on enhancing the businesses technology and PV plant, and £16 million to acquire the residual non-controlling interest of Vailog Sarl.

Overall, net debt has increased in the year by £250 million to £4,972 million.

Cash flow and Net Debt Reconciliation

	2023 £m	2022 £m
Operating net debt	**(4,722)**	(3,321)
Cash flows from operating activities	**584**	479
Finance costs (net)	**(162)**	(103)
Cost of early close out of interest rate derivatives and new interest rate derivatives transacted	**(4)**	(77)
Cost of early close out of debt	**(1)**	–
Dividends received	**38**	9
Tax paid	**(24)**	(95)
Net cash received from operating activities	**431**	213
Dividends paid	**(185)**	(222)
Purchase and development of investment properties	**(839)**	(1,472)
Sale of investment properties	**352**	310
Acquisition of interest in property and other investments	**(5)**	(9)
Net investment in joint ventures and associates	**(5)**	(75)
Settlement of foreign exchange derivatives	**(2)**	15
Purchase of non-controlling interest	**(16)**	–
Purchase of plant and equipment and intangibles	**(29)**	(9)
Other items	**(1)**	24
Net funds flow	**(299)**	(1,225)
Non-cash movements on borrowings	**(9)**	(9)
Exchange rate movements on net debt	**58**	(167)
Closing net debt	**(4,972)**	(4,722)

Capital expenditure

The table below sets out analysis of the capital expenditure during the year. 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 and associates, at share.

Total spend for the year was £1,121 million, a decrease of £777 million compared to 2022, primarily from lower acquisition and development spend. More detail on this spend can be found in the Development and Investment Update above.

Development capital expenditure was £527 million in the year (2022: £787 million) across all our Business Units, particularly Southern Europe and National Logistics, reflecting our development-led growth strategy. Interest of £68 million (2022: £24 million) has been capitalised in the year.

Spend on existing completed properties, totalled £67 million (2022: £62 million), of which £1 million (2022: £13 million) was for incremental lettable space. The balance mainly comprises refurbishment and fit-out costs, which equates to less than six per cent of total spend.

EPRA capital expenditure analysis

	2023			2022		
	Wholly owned £m	**Joint ventures and associates £m**	**Total £m**	Wholly owned £m	Joint ventures and associates £m	Total £m
Acquisitions	**403[1]**	**10**	**413[5]**	800[1]	176	976
Development	**443[2]**	**84**	**527**	718[2]	69	787
Capitalised interest[4]	**64**	**4**	**68**	22	2	24
Investment properties:						
Incremental lettable space	**1**	**–**	**1**	11	2	13
No incremental lettable space	**53**	**13**	**66**	42	7	49
Tenant incentives[3]	**37**	**9**	**46**	39	10	49
Total	**1,001**	**120**	**1,121**	1,632	266	1,898

1 Being £403 million investment property and £nil trading property (2022: £799 million and £1 million respectively) see Note 12.
2 Being £443 million investment property and £nil trading property (2022: £656 million and £62 million respectively) see Note 12.
3 Includes tenant incentives and letting fees.
4 Capitalised interest on development expenditure.
5 Total acquisitions completed in 2023 shown in the Investment Update, being land acquisitions of £404 million, excludes share of assets acquired by SELP from SEGRO of £9 million.

Dividend increase reflects the strong operational results and confidence for the future

Under the UK REIT rules, we are required to pay out 90 per cent of UK-sourced, tax- exempt rental profits as a ‘Property Income Distribution’ (PID). Since we also receive income from our properties in Continental Europe, our total dividend should normally exceed this minimum level and we target a payout ratio of 85 to 95 per cent of Adjusted profit after tax. We aim to deliver a progressive and sustainable dividend which grows in line with our profitability in order to achieve our goal of being a leading income-focused REIT.

The Board has concluded that it is appropriate to recommend an increase in the final dividend per share by 0.9 pence to 19.1 pence (2022: 18.2 pence). We will pay the 2023 final dividend as a PID and expect to pay the 2024 interim dividend as an ordinary dividend. The Board’s recommendation is subject to approval by shareholders at the 2024 Annual General Meeting to be held on 18 April 2024, in which event the final dividend will be paid on 3 May 2024 to shareholders on the register at the close of business on 15 March 2024.

In considering the final dividend, the Board took into account:

- the policy of targeting a payout ratio of between 85 and 95 per cent of Adjusted profit after tax;
- the desire to ensure that the dividend is sustainable and progressive throughout the cycle; and
- the results for 2023 and the outlook for earnings.

The total dividend for the year will, therefore, be 27.8 pence, a rise of 5.7 per cent versus 2022 (26.3 pence) and represents distribution of 85 per cent of Adjusted profit after tax.

The Board has decided to retain a scrip dividend option for the 2023 final dividend (subject to approval by shareholders at the 2024 AGM), allowing shareholders to choose whether to receive the dividend in cash or new shares. In 2023, 49 per cent of the 2022 final dividend and 21 per cent of the 2023 interim dividend were paid in new shares, equating to £129 million of cash retained on the balance sheet.

Financial position at 31 December 2023

As at 31 December 2023, the gross borrowings of SEGRO Group and its share of gross borrowings in joint ventures totalled £6,420 million (31 December 2022: £5,887 million), of which £6 million (31 December 2022: £7 million) are secured by way of legal charges over specific assets. The remainder of gross borrowings are unsecured. Cash and cash equivalent balances were £404 million (31 December 2022: £194 million). The average debt maturity was 6.9 years (31 December 2022: 8.6 years) and the average cost of debt (excluding non-cash interest and commitment fees) was 3.1 per cent (31 December 2022: 2.5 per cent).

Financial Position and Funding

	31 December 2023		31 December 2022	
	SEGRO Group	**SEGRO Group, JVs and associates at share**	SEGRO Group	SEGRO Group, JVs and associates at share
Net borrowings (£m)	**4,972**	**6,016**	4,722	5,693
Available cash and undrawn facilities (£m)	**1,736**	**1,930**	1,920	2,208
Balance sheet gearing (%)	**45**	**N/A**	41	N/A
Loan to value ratio (%)	**34**	**34**	32	32
Net debt:EBITDA ratio (times)[3]	**10.4**	**N/A**	11.7	N/A
Weighted average cost of debt (%)[1]	**3.2**	**3.1**	2.6	2.5
Interest cover (times)[2]	**2.7**	**3.0**	4.3	4.5
Average duration of debt (years)	**7.6**	**6.9**	9.4	8.6

1 Based on gross debt, excluding commitment fees and non-cash interest.
2 Net rental income/Adjusted net finance costs (before capitalisation).
3 Calculation detailed in Table 2 in the Supplementary Notes.

Funds available to SEGRO Group (including its share of joint venture funds) at 31 December 2023 totalled £1,930 million (31 December 2022: £2,208 million), comprising £404 million cash and short-term investments and £1,526 million of undrawn credit facilities of which £148 million was uncommitted. Cash and cash equivalent balances, together with the Group's interest rate and foreign exchange derivatives portfolio, are spread amongst a strong group of banks, all of which have a credit rating of A- or better.

Financing

During 2023, we arranged £230 million of additional term loan facilities with existing relationship banks to finance the Group's obligations and strengthen liquidity. We have extended £1,096 million of SEGRO bank facilities and €600 million of SELP bank facilities by a further year. In response to increased interest rate volatility, we have expanded our interest rate cap portfolio to maintain the level of fixed and capped rate debt at 95 per cent.

Financing during the year

Short-term debt: SEGRO has extended the term of €800 million of its revolving credit facilities by a further year, €200 million to 2028 and €600 million to 2026. SELP also extended the term of its €600 million of facilities a further year to 2027. In January 2024, SEGRO arranged a €100 million bilateral revolving credit facility with a new relationship bank, increasing available revolving credit facilities to €1.9 billion.

Medium-term debt: SEGRO arranged £100 million and €150 million of new term loans, maturing in 2026, from existing relationship banks, and extended the term of £300 million and €115 million of term loans by a further year also to 2026. During the year, SEGRO drew £400 million and €558 million of term loans.

Long-term debt: SEGRO repurchased the remaining £82 million of 6.75 per cent bonds maturing in 2024.

Monitoring and mitigating financial risk

As explained in the Risks section of this Annual Report, 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

We consider the key leverage metric for SEGRO to be a proportionally consolidated ('look-through') 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 31 December 2023 on this basis was 34 per cent (31 December 2022: 32 per cent), the increase primarily driven by the reduction in asset values and a higher debt balance.

SEGRO's 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 31 December 2023, as defined within the principal debt funding arrangements of the Group, was 45 per cent (31 December 2022: 41 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 44 per cent from their 31 December 2023 values to reach the gearing covenant threshold of 160 per cent. A 44 per cent fall in property values would equate to an LTV ratio of approximately 62 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: the ratio for 2023 was 2.7 times, comfortably ahead of the covenant minimum. Net property rental income would need to fall by around 54 per cent from 2023 levels, or interest rates would need to rise to 7.4 per cent from the full year average interest rate of 3.4 per cent to breach the interest cover covenant threshold. On a proportionally consolidated basis, including joint ventures, the interest cover ratio was 3.0 times.

SEGRO also monitors its leverage on a net debt:EBITDA basis which is an increasingly important metric for rating agencies and our investors. SEGRO has a long-term issuer default rating of 'BBB+' and a senior unsecured rating of 'A-' from Fitch Ratings as at 31 December 2023. These ratings were reduced from 'A-' and 'A' respectively in May 2023, and placed on 'negative watch'.

SEGRO's net debt:EBITDA ratio at the end of 2023 was 10.4 times (2022: 11.7 times), reflecting the net impact of an £75 million increase in EBITDA and a £250 million increase in net debt. The elevated 2022 ratio was the prime reason cited by Fitch Ratings for downgrading our senior unsecured debt rating during the year to A- from A and applying a negative outlook. Fitch state that a net debt:EBITDA ratio of 9.5 times is consistent with an A- rating and we have made significant progress towards that during 2023 as a result of growing our rent roll and funding a significant proportion of our investment with the proceeds of disposals.

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.

Our intention for the foreseeable future is to maintain our LTV at around 30 per cent, although the evolution of the property cycle will inevitably mean that there are periods of time when our LTV is higher or lower than this. However, this level of LTV through the cycle provides the flexibility to take advantage of investment opportunities arising and ensures significant headroom compared against our tightest gearing covenants should property values decline.

The weighted average maturity of the gross borrowings of the Group (including joint ventures at share) was 6.9 years, with the closest maturity being SELP's €500 million euro bond in November 2025, followed by SEGRO's €195 million term loan in December 2025. This long average debt maturity comprises a 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.

At 31 December 2023, including the impact of derivative instruments, 95 per cent (2022: 95 per cent) of the net borrowings of the Group (including the Group's share of borrowings within joint ventures) were either at fixed rates or are protected from rising interest rates with interest rate caps, with a spread of expiry dates over the next 6 years and an average expiry of 3.4 years. The pure fixed level of debt is 76 per cent at 31 December 2023 (31 December 2022: 83 per cent), rising to 95 per cent including floating rate debt which is now subject to an active cap. The remaining 5 per cent of debt is at floating rates.

During the year, in line with our risk management processes and due to the higher levels of market volatility, the Group entered into €532 million of interest rate cap contracts to mitigate the risk of rising interest rates on our floating rate debt exposure. At 31 December 2023 all of these caps were triggered.

	31 December 2023	31 December 2022
SEGRO Group (% of net borrowings)		
Floating rate	**4**	6
Capped rate – not triggered	**–**	6
Capped rate – triggered	**23**	9
Fixed rate	**73**	79
Total	**100**	100
SEGRO Group, JVs and associates at share (% of net borrowings)		
Floating rate	**5**	5
Capped rate – not triggered	**–**	4
Capped rate – triggered	**19**	8
Fixed rate	**76**	83
Total	**100**	100

As a result of the fixed rate cover in place, if short-term interest rates had been 200 basis points higher throughout the year to 31 December 2023, the adjusted net finance cost of the Group would have been approximately £10 million higher (31 December 2022: £27 million higher) representing around 3 per cent (31 December 2022: 7 per cent) of Adjusted profit after tax. This decrease in sensitivity to interest rate increases since 2022 is attributed to the greater protection from our interest rate cap portfolio.

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

Foreign currency translation risk

The Group has minimal transactional foreign currency exposure but does have a potentially significant currency translation exposure arising on the conversion of its 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 its foreign currency gross assets using either borrowings or derivative instruments. The Group targets a hedging range of between the last reported LTV ratio (34 per cent at 31 December 2023) and 100 per cent. At 31 December 2023, the Group was 74 per cent hedged by gross foreign currency denominated liabilities (31 December 2022: 76 per cent).

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 31 December 2023 weakened by 10 per cent against sterling (to €1.27, in the case of euros), net assets would have decreased by approximately £151 million and there would have been a reduction in gearing of approximately 2.2 per cent and in the LTV of 1.3 per cent.

The average exchange rate used to translate euro denominated earnings generated during 2023 into sterling within the consolidated income statement of the Group was €1.15: £1. Based on the hedging position at 31 December 2023, and assuming that this position had applied throughout 2023, if the euro had been 10 per cent weaker than the average exchange rate (€1.27: £1), Adjusted profit after tax for the year would have been approximately £9 million (2.3 per cent) lower than reported. If it had been 10 per cent stronger, Adjusted profit after tax for the year would have been approximately £11 million (2.8 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 2023, the Group extended the term of its €600 million and €200 million revolving credit facilities to 2026 and 2028, respectively, and extended the term of its £300 million and €115 million term loans to 2026.
- The Group added a further £100 million and €150 million term loan facilities, both maturing in 2026.
- Cash and available committed facilities at 31 December 2023 were £1.5 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 31 December 2023, property values would need to fall by around 44 per cent before breaching the gearing covenant. In terms of interest cover, net rental income would have needed to fall by 54 per cent or the average interest rate would have needed to reach 7.4 per cent before breaching the interest cover covenant. All would be significantly in excess of the Group's experience during the financial crisis.

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.

PRINCIPAL RISKS

Principal risks and uncertainties

A summary of the Group's principal risks including an update of changes during the period and activity during the year, is provided below. The principal risks remain the same as reported in the 2022 Annual Report but, as mentioned earlier, the development plan execution risk has been slightly amended and renamed 'Development and Construction Execution'. The impact and probability of each risk has not changed in the last year and the residual risk for each (after factoring in mitigations) remains within appetite.

1. Macroeconomic impact on market cycle

The property market is cyclical in nature and there is a continuous risk that the Group could either misread or fail to react appropriately to the changing property market, cost of finance or wider macroeconomic and geopolitical conditions. This could result in the adoption of an inappropriate strategy or the ability to deliver a strategy being inhibited, and consequential impact on property performance and shareholder value.

> *Current year activity.* The uncertain geopolitical and macroeconomic outlook has continued to cause volatility in the capital markets and reduced liquidity in the property investment market. In response, we have continued to perform economic outlook assessments regularly and have ensured that portfolio strategy consequences are appropriately linked (see separate principal risk). We are therefore prepared to withstand these pressures even if they persist across the countries we operate in for some time.

2. 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. This could be caused by:

- Unexpected macroeconomic factors;
- Incorrect or ineffective capital allocation decisions;
- Poor or incorrect market or asset level assumptions including disruptions, for example from changing occupier and customer needs, technological developments and innovation;
- Inaccurate modelling or forecasting;
- Increased market competition for our assets or target customers; and/or
- Lack of appropriate procedures and inadequate due diligence resulting in lengthy, onerous or costly transactions and missed opportunities.

> *Current year activity*. The Group's approach to portfolio management and capital allocation remains disciplined and responsive to opportunities that arise, as detailed in the Investment and Development updates sections. We continue to review our portfolio and maintain appropriate investment criteria and hurdle rates to ensure we remain resilient to macroeconomic uncertainty.

3. Major event/business disruption

Unexpected global, regional or national events may 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 disruptor may include, but is not limited to, a global financial crisis, health pandemic, power/water shortages, weather-related event, war or civil unrest, acts 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.

> *Current year activity.* The heightened geopolitical uncertainty (including the ongoing conflict in Ukraine and the Middle East) has exacerbated global macroeconomic volatility. This economic backdrop continues to cause a degree of uncertainty to the Group's operations and stakeholders. The Group maintains a robust financing and portfolio strategy in order to be well positioned and flexible in response to major events/business disruption. The Board and other committees remain vigilant and responsive in managing the mitigation of risks as they evolve. Working groups are set up, as required and often at

short notice, to collate and align the Group's response in an agile fashion as issues arise. These groups report directly to the Executive Committee.

4. Health and safety

A health and safety incident may occur which involves harm to an individual or loss of life. This may be due to the failure of management processes, failure of a building or other physical asset, or negligence of a third-party. Furthermore, the Group may breach relevant legislation and fail to provide suitable employee support. This may consequentially result in litigation, fines, serious reputational damage and a negative impact on employees.

Current year activity. The health and safety of the workforce remains a key priority in locations where we operate, including when working away from the office. We have continued to expand our wellbeing activities with employees. We have closely monitored our development sites with in-person inspections, in local language, in order to ensure a safe and compliant working environment.

5. Environmental sustainability and climate change

There is a risk that we fail to anticipate and respond to the impact of both physical and transitional risks from climate change on our business as well as changes in climate-related regulatory reporting. The likelihood of increased severity and unpredictability of weather-related events may result in more frequent and/or prolonged damage to our buildings causing disruption and increased costs to SEGRO and our customers. Non-compliance with changing laws, regulations, policies, taxation and obligations cause loss of value to the Group. Not keeping pace with social attitudes and customer behaviours and preferences whereby SEGRO may need to alter the design and build and/or energy provision of their assets could additionally cause reputational damage and reduce the attractiveness and value of our assets.

Current year activity. Our Responsible SEGRO framework continues to outline our strategy to reduce our corporate and customer carbon emissions and embodied carbon and is underpinned by minimum requirements set out in our Mandatory Sustainability policy. This risk has increasing prominence each year and we expect this to continue.

6. Development and construction execution

The Group has an extensive current programme and future pipeline of developments which brings the following risks:

- Cost over-runs on larger, more complex projects, for example, due to contractor default or poor performance and management;
- Increased construction costs or overoptimistic appraisals leading to reduced or uneconomic development yields;
- Above-appetite exposure to non-income producing assets, reducing returns;
- Below-appetite land holdings restricting opportunities; and
- Additional costs, reputation damage, health and safety exposure or regulatory breach due to building defect or deleterious materials in buildings.

Current year activity. As market conditions have remained challenging, as detailed in the Portfolio and Strategy Execution risk above, we have maintained clear investment criteria. We continue to work closely with our contractors and were able to react with agility and responsiveness when a UK contractor faced difficulties during the year. Going forward, with an expected continuing volatile economic environment, similar pressures are likely to continue so we must carefully monitor the risks while we balance the needs of our contractors and customers. We have investigated our exposure to defective and deleterious materials in response to issues as they have arisen.

7. Financing strategy

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

Such an event may be caused by a number of factors including a failure to obtain debt or equity funding (for example, due to market disruption or rating downgrade); having an inappropriate debt structure (including leverage level, debt maturity, interest rate or currency exposure); poor forecasting; defaulting on loan agreements as a result of a breach of financial or other covenants; or counterparty default.

> *Current year activity.* Despite uncertainty caused by the external geopolitical macroeconomic environment the Group can still access financial markets as seen by our funding activity (as detailed in the Financial Review). The Group (including its largest joint venture SELP) maintains a meaningful presence in the Euro bond market as well as in the sterling bond and US Private Placement markets leaving us well positioned financially to fund activity in line with our strategy priorities. The Group continues to use fixed rate debt and relevant derivatives to mitigate against the risk of interest rates increasing both now and going forward.

8. Legal, political and regulatory

The Group could fail to anticipate legal, political, tax or other regulatory changes, leading to litigation, censure, penalties and fines. This would result in a significant unforeseen financial or reputational impact.

In general, legal, regulatory and tax matters present medium- to long-term risks with a medium likelihood of causing significant harm to the Group.

Political risks could impact business confidence and conditions in the short and longer terms.

> *Current year activity.* The legal and regulatory environment remains dynamic with an ever-increasing number of new laws and regulations.
>
> Tax authorities are continuing to update regulations and SEGRO is working closely with advisors to respond to this enhanced reporting environment.
>
> In addition, the current economic situations means we are alert to an increased risk of unethical behaviour making our Code of Business Conduct and Ethics, with the accompanying training, even more important.

9. People and talent

The performance of the business could be impaired due to SEGRO:

- Not having the appropriate culture, organisational structure, policies and procedures or skilled people;
- Failing to attract, motivate, retain and develop diverse talent as part of our Nurturing talent ambition due to inappropriate reward and recognition, learning and development, performance management, hybrid working practices or social policies; and
- Failing to prepare adequate succession plans.

> *Current year activity*. The talent market continues to be relatively benign and attrition levels are within appetite and lower than the previous year. We have restructured our organisation in 2023 and, with a new Executive Committee and Leadership Team in place, we are well progressed with embedding the changes. The majority of appointments were internal, showing the strength of our talent and succession pipeline.
>
> We have further developed our Values and introduced clear Behaviours for all colleagues. We continue to review our employment proposition in each country to ensure that we are able to attract and retain strong talent.

10. Operational delivery

The Group could suffer an operational failure such as: major customer default; supply chain, reporting or treasury failure; inappropriate or inaccurate valuation reporting; erroneous lease execution or poor customer insight and retention. This could cause a range of negative impacts including reputational damage and financial impact from fines, unexpected costs and lost revenue.

Current year activity. During the period we continue to have enhanced engagement with our customers in light of the volatile economic conditions and have continued to consider customer concentration risks. Our customer development team has grown over the year to support the customer engagement and development work.

We have introduced workflow tools which increase the automation and transparency of the lettings and asset management processes.

We work closely with our supply chain and have undertaken a review of key suppliers to ensure suitable alternatives are in place should one fail. Critical suppliers include those contractors and, by association their sub-contractors (detailed more fully in the Development and Construction Execution risk) and IT suppliers. Furthermore, we continue to ensure our suppliers are paid promptly.

RESPONSIBILITY STATEMENT

The Statement of Directors' Responsibilities below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 31 December 2023. Certain parts of the Annual Report and Accounts have not been included in this announcement as set out in Note 1 to the condensed financial information.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance section of the Annual Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The responsibility statement was approved by the Board of Directors on 15 February 2024 and signed on its behalf by:

David Sleath	Soumen Das
Chief Executive	Chief Financial Officer
15 February 2024	15 February 2024

CONDENSED GROUP INCOME STATEMENT

For the year ended 31 December 2023

	Notes	**2023 £m**	2022 £m
Revenue	4	**749**	669
Costs	5	**(161)**	(214)
		588	455
Administrative expenses		**(63)**	(59)
Share of loss from joint ventures and associates after tax	6	**(76)**	(144)
Realised and unrealised property gains and losses	7	**(601)**	(1,946)
Impairment loss on loan due from associates	6	**(28)**	–
Operating loss		**(180)**	(1,694)
Finance income	8	**84**	67
Finance costs	8	**(167)**	(340)
Loss before tax		**(263)**	(1,967)
Tax	9	**10**	37
Loss after tax		**(253)**	(1,930)
Attributable to equity shareholders		**(253)**	(1,927)
Attributable to non-controlling interests		**–**	(3)
Earnings per share (pence)			
Basic	11	**(20.7)**	(159.7)
Diluted	11	**(20.7)**	(159.7)

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 £m	2022 £m
Loss for the year	**(253)**	(1,930)
Items that may be reclassified subsequently to profit or loss		
Foreign exchange movement arising on translation of international operations	**(61)**	179
Fair value movements on derivatives and borrowings in effective hedge relationships	**35**	(98)
	(26)	81
Tax on components of other comprehensive (expense)/income	**–**	–
Other comprehensive (expense)/income	**(26)**	81
Total comprehensive expense for the year	**(279)**	(1,849)
Attributable to equity shareholders	**(279)**	(1,845)
Attributable to non-controlling interests	**–**	(4)

CONDENSED GROUP BALANCE SHEET

As at 31 December 2023

	Notes	2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets		**30**	12
Investment properties	12	**14,914**	14,939
Other interests in property		**26**	30
Plant, property and equipment		**28**	23
Investments in joint ventures and associates	6	**1,636**	1,768
Other investments		**10**	9
Other receivables		**8**	81
Derivative financial instruments		**47**	58
		16,699	16,920
Current assets			
Trading properties	12	**3**	35
Trade and other receivables		**195**	199
Tax asset		**25**	21
Derivative financial instruments		**8**	11
Cash and cash equivalents	13	**376**	162
		607	428
Total assets		**17,306**	17,348
Liabilities			
Non-current liabilities			
Borrowings	13	**5,347**	4,884
Deferred tax liabilities	9	**192**	226
Trade and other payables		**74**	77
Derivative financial instruments		**97**	188
Tax liabilities		**–**	10
		5,710	5,385
Current liabilities			
Trade and other payables		**614**	560
Borrowings	13	**1**	–
Derivative financial instruments		**52**	14
Tax liabilities		**25**	16
		692	590
Total liabilities		**6,402**	5,975
Net assets		**10,904**	11,373
Equity			
Share capital		**123**	121
Share premium		**3,577**	3,449
Capital redemption reserve		**114**	114
Own shares held		**(2)**	(1)
Other reserves		**204**	227
Retained earnings		**6,888**	7,463
Total shareholders' equity		**10,904**	11,373
Non-controlling interests		**–**	–
Total equity		**10,904**	11,373
Net assets per ordinary share (pence)			
Basic	11	**889**	941
Diluted	11	**886**	938

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the parent										
					Other reserves						
	Ordinary share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Share-based payments reserves £m	Translation, hedging and other reserve £m	Merger reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling Interests[1] £m	Total equity £m
Balance at 1 January 2023	**121**	**3,449**	**114**	**(1)**	**25**	**33**	**169**	**7,463**	**11,373**	**–**	**11,373**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(253)**	**(253)**	**–**	**(253)**
Other comprehensive expense	**–**	**–**	**–**	**–**	**–**	**(26)**	**–**	**–**	**(26)**	**–**	**(26)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(26)**	**–**	**(253)**	**(279)**	**–**	**(279)**
Transactions with owners of the Company											
Issue of shares	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**1**
Own shares acquired	**–**	**–**	**–**	**(4)**	**–**	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Equity-settled share-based transactions	**–**	**–**	**–**	**3**	**3**	**–**	**–**	**5**	**11**	**–**	**11**
Dividends	**2**	**127**	**–**	**–**	**–**	**–**	**–**	**(327)**	**(198)**	**–**	**(198)**
Movement in non-controlling interest[1]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total transaction with owners of the Company	**2**	**128**	**–**	**(1)**	**3**	**–**	**–**	**(322)**	**(190)**	**–**	**(190)**
Balance at 31 December 2023	**123**	**3,577**	**114**	**(2)**	**28**	**7**	**169**	**6,888**	**10,904**	**–**	**10,904**

1 During the year ended 31 December 2023, the non-controlling interest held in Vailog Sàrl. was acquired by the Group. There is no non-controlling interest held at 31 December 2023

For the year ended 31 December 2022

	Attributable to owners of the parent										
					Other reserves						
	Ordinary share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Share-based payments reserves £m	Translation, hedging and other reserves £m	Merger reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling Interests[1] £m	Total equity £m
Balance at 1 January 2022	120	3,371	114	(1)	20	(49)	169	9,692	13,436	–	13,436
Loss for the year	–	–	–	–	–	–	–	(1,927)	(1,927)	(3)	(1,930)
Other comprehensive income/(expense)	–	–	–	–	–	82	–	–	82	(1)	81
Total comprehensive income/(expense) for the year	–	–	–	–	–	82	–	(1,927)	(1,845)	(4)	(1,849)
Transactions with owners of the Company											
Own shares acquired	–	–	–	(4)	–	–	–	–	(4)	–	(4)
Equity-settled share-based transactions	–	–	–	4	5	–	–	2	11	–	11
Dividends	1	78	–	–	–	–	–	(301)	(222)	–	(222)
Movement in non-controlling interest[1]	–	–	–	–	–	–	–	(3)	(3)	4	1
Total transaction with owners of the Company	1	78	–	–	5	–	–	(302)	(218)	4	(214)
Balance at 31 December 2022	121	3,449	114	(1)	25	33	169	7,463	11,373	–	11,373

1 Non-controlling interests relate to Vailog S.r.l.

CONDENSED GROUP CASH FLOW STATEMENT

For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Cash generated from operations	14	**584**	479
Interest received		**37**	28
Dividends received		**38**	9
Interest paid		**(199)**	(131)
Cost of early close out of interest rate derivatives and new interest rate derivatives transacted		**(4)**	(77)
Cost of early close out debt		**(1)**	–
Tax paid		**(24)**	(95)
Net cash received from operating activities		**431**	213
Cash flows from investing activities			
Purchase and development of investment properties[1]		**(839)**	(1,472)
Sale of investment properties		**352**	310
Acquisition of other interest in property		**(3)**	(6)
Purchase of plant and equipment and intangibles		**(29)**	(9)
Acquisition of other investments		**(2)**	(3)
Investment and loans to joint ventures and associates		**(12)**	(112)
Divestment from and repayment of loans by joint ventures and associates		**7**	37
Net cash used in investing activities		**(526)**	(1,255)
Cash flows from financing activities			
Dividends paid[2]		**(185)**	(222)
Proceeds from borrowings		**961**	2,752
Repayment of borrowings		**(444)**	(1,421)
Principal element of lease payments		**(2)**	(2)
Settlement of foreign exchange derivatives		**(2)**	15
Purchase of non-controlling interest		**(16)**	–
Proceeds from issue of ordinary shares		**1**	–
Purchase of ordinary shares		**(4)**	(4)
Net cash generated from financing activities		**309**	1,118
Net increase in cash and cash equivalents		**214**	76
Cash and cash equivalents at the beginning of the year		**162**	85
Effect of foreign exchange rate changes		**–**	1
Cash and cash equivalents at the end of the year	13	**376**	162

1 Cash payment for the purchase and development of investment properties of £839 million (2022: £1,472 million) represents total costs for property acquisitions and additions to existing investment properties per Note 12(i) of £964 million (2022: £1,530 million) adjusted for the following cash and non-cash movements: deducts interest capitalised of £64 million (2022: £22 million); deducts net movement in capital related accruals, prepayments and VAT of £61 million (2022: £23 million); deducts non-cash movements of £nil (2022: £13 million) from asset swaps.

2 The total 2023 divided paid as cash was £198 million (2022: £222 million), see Note 10. Tax of £13 million relating to the 2023 interim PID dividend is unpaid at 31 December 2023 (2022: £nil) meaning the actual cash paid in the year is £185 million (2022: £222 million).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Material Accounting Policies

The financial information set out in this announcement does not constitute the consolidated statutory accounts for the years ended 31 December 2023 and 2022, but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 (approved by the Board on 15 February 2024) will be delivered following the Company's annual general meeting. The external auditor has reported on the accounts and their reports did not contain any modifications.

Given due consideration to the nature of the Group's business and financial position, including the financial resources available to the Group, the Directors consider that the Group is a going concern and this financial information is prepared on that basis.

The financial information set out in this announcement is based on the consolidated financial statements which are prepared in accordance with UK-adopted International Accounting Standards (IAS) and the requirements of the Companies Act 2006 as applicable to companies reporting under those standards and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 Financial Statements for the periods presented, which therefore also comply with International Reporting Standards as adopted by the EU.

The financial information is in accordance with the accounting policies set out in the 2022 financial statements apart from as detailed below.

While the financial information included in these condensed financial statements has been prepared in accordance with the recognition and measurement criteria of UK-adopted IAS and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, this announcement does not itself contain sufficient information to comply with IASs and IFRSs. The Company expects to publish full financial statements that comply with IASs and IFRSs by March 2024.

The principal exchange rates used to translate foreign currency denominated amounts are: Balance sheet: £1 = €1.15 (31 December 2022: £1 = €1.13) and Income statement: £1 = €1.15 (2022: £1 = €1.17).

New and amended standards adopted by the Group

The new accounting standards and amendments that became applicable for the current reporting year did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revisions and future periods if the revision affects both current and future periods.

Significant areas of estimation uncertainty

Property valuations

Valuation of property is a central component of the business. In estimating the fair value, the Group engages third-party qualified valuers to perform the valuation.

In the Financial Statements for the year ended 31 December 2022, the performance fee payable from the SELP joint venture to SEGRO was disclosed as a significant area of estimation uncertainty. As detailed further in Note 6, the 10-year performance fee period ended during 2023 and the fee was agreed and paid in the year. Therefore no estimation uncertainty exists over the recognition of the fee.

Significant areas of judgements in applying the Group's accounting policies

Accounting for significant property transactions

Property transactions are complex in nature. Management considers each material transaction separately, with an assessment carried out to determine the most appropriate accounting treatment and judgements applied. The judgements include whether the transaction represents an asset acquisition or business combination and the cut-off for property transactions on recognition of property assets and revenue recognition. In making its judgement over the cut-off for property transactions, management considers whether the control of ownership of the assets acquired or disposed of has transferred to or from the Group (this consideration includes the revenue recognition criteria set out in IFRS 15 for the sale of trading properties).

In making its judgement on whether the acquisition of property through the purchase of a corporate vehicle represents an asset acquisition or business combination, management considers whether the integrated set of assets and activities acquired contain both inputs and processes along with the ability to create outputs. Management also applies the optional 'concentration test' allowed under IFRS 3. When applying the optional test, management considers if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). Where management judge that substantially all of the fair value of the gross assets acquired are concentrated in a single asset (or a group of similar assets) and the 'concentration test' met, the assets acquired would not represent a business and the purchase would be treated as an asset acquisition.

There were no property transactions during the current or prior year requiring significant judgement.

REIT status

The Company has elected for UK REIT and French SIIC status. To continue to benefit from these tax regimes, the Group is required to comply with certain conditions as outlined in Note 9. Management intends that the Group should continue as a UK REIT and a French SIIC for the foreseeable future.

Uncertain tax positions

The Group is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. The tax impact can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. Management judgement is required in assessing the likelihood of whether a liability, including any associated penalties, will arise and the significant assessment relating to the recognition of withholding tax in France and is discussed further in Note 9.

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 Guidelines 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, are also excluded. Refer to the Supplementary Notes for all EPRA adjustments.

The Directors may also exclude from the EPRA earnings measure additional items (gains and losses) which are considered by them to be non-recurring, unusual or significant by virtue of size and nature. In excluding such items going forward, management believe this gives a better measure of the underlying performance of the business.

Historically SELP performance fees were included in Adjusted Profit. They were not excluded because it was anticipated that further fees would subsequently be recognised throughout the latter part of the performance period and therefore these would not be considered unusual.

The market volatility that was seen in the latter half of 2022 significantly impacted property valuations and, consequentially management's consideration of SELP performance fees, leading to no performance fee being recognised for the year ended 31 December 2022. Based on this volatility, these fees are now considered unusual as they are inherently uncertain and sensitive to movements in property valuations (which themselves are excluded from the EPRA earnings metric). For the year ended 31 December 2023, the net profit after tax impact of the SELP performance fee recognised of £42 million has been excluded from the calculation of Adjusted profit and treated as a Company specific adjustment, see footnote 3 below and Note 6(ii) for further details.

As detailed further in Note 6(ii) an impairment loss of £28 million (2022: £nil) on a loan due from an associate has been recognised for the year ended 31 December 2023. The impairment of the loan is directly related to a wider property transaction entered into by the Group and has arisen due to a fair value deficit on land held by an associate. As the size and nature of the impairment does not reflect the underlying performance of the business this has been treated as a Company specific adjustment.

No Company specific adjustments to underlying profits were made in the year ended 31 December 2022.

	Notes	**2023 £m**	2022 £m
Gross rental income	4	**547**	488
Property operating expenses	5	**(85)**	(76)
Net rental income		**462**	412
Joint venture management fee income	4	**29**	30
Management and development fee income	4	**4**	5
Net solar energy income[2]		**1**	1
Administrative expenses		**(63)**	(59)
Share of joint ventures and associates' Adjusted profit after tax[1]	6	**82**	71
Adjusted operating profit before interest and tax		**515**	460
Net finance costs	8	**(106)**	(74)
Adjusted profit before tax		**409**	386
Adjustments to reconcile to IFRS:			
Adjustments to the share loss from joint ventures and associates' after tax[1]	6	**(158)**	(215)
Realised and unrealised property gains and losses	7	**(601)**	(1,946)
Profit on sale of trading properties	12	**3**	7
Cost of early close out debt	8	**(1)**	–
Net fair value gain/(loss) on interest rate swaps and other derivatives	8	**24**	(199)
Joint venture performance fee income[3]	4	**89**	–
Impairment loss on loan due from associate	6	**(28)**	–
Total adjustments		**(672)**	(2,353)
Loss before tax		**(263)**	(1,967)
Tax			
On Adjusted profit	9	**(10)**	(11)
In respect of adjustments	9	**20**	48
Total tax adjustments		**10**	37
Loss after tax before non-controlling interests		**(253)**	(1,930)
Non-controlling interests:			
Less: share of adjusted profit attributable to non-controlling interests		**–**	(1)
share of adjustments attributable to non-controlling interests		**–**	4
Loss after tax and non-controlling interests		**(253)**	(1,927)
Of which:			
Adjusted profit after tax and non-controlling interests		**399**	374
Total adjustments after tax and non-controlling interests		**(652)**	(2,301)
Loss attributable to equity shareholders		**(253)**	(1,927)

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

2 Net solar income of £1 million (2022: £1 million) is calculated as Solar energy income of £2 million (2022: £2 million) shown in Note 4, less Solar energy expenses of £1 million (2022: £1 million) shown in Note 5.

3 Total impact of the joint venture performance fee from SELP being: Performance fee of £89 million within Joint venture fee income; cost of £37 million within Share of joint ventures' and associates adjusted profit after tax (being the share of performance fee cost of £45 million less a tax credit of £8 million) and a tax charge of £10 million recognised in respect of the performance fee income. Overall, the net profit after tax impact was £42 million. There was no performance fee recognised in the year ended 31 December 2022.

3. SEGMENTAL ANALYSIS

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

31 December 2023	Gross rental income £m	Net rental income £m	Share of joint ventures and associates' Adjusted profit £m	Adjusted PBIT[2] £m	Total directly owned property assets £m	Investments in joint ventures and associates £m	Capital expenditure[3] £m
Thames Valley	**132**	**122**	**–**	**120**	**3,231**	**–**	**164**
National Logistics	**54**	**51**	**–**	**53**	**1,850**	**–**	**402**
Greater London	**221**	**202**	**–**	**199**	**6,079**	**20**	**32**
UK Total	**407**	**375**	**–**	**372**	**11,160**	**20**	**598**
Northern Europe	**39**	**28**	**39**	**74**	**1,167**	**935**	**111**
Southern Europe	**93**	**71**	**50**	**131**	**2,390**	**1,159**	**232**
Central Europe	**8**	**3**	**30**	**37**	**200**	**603**	**23**
Continental Europe Total	**140**	**102**	**119**	**242**	**3,757**	**2,697**	**366**
Other[1]	**–**	**(15)**	**(37)**	**(99)**	**–**	**(1,081)[4]**	**29**
Total	**547**	**462**	**82**	**515**	**14,917**	**1,636**	**993**

31 December 2022	Gross rental income £m	Net rental income £m	Share of joint ventures and associates' Adjusted profit £m	Adjusted PBIT[2] £m	Total directly owned property assets £m	Investments in joint ventures and associates £m	Capital expenditure[3] £m
Thames Valley	116	109	–	107	3,011	–	80
National Logistics	47	43	–	45	1,721	–	362
Greater London	203	185	–	183	6,401	11	325
UK Total	366	337	–	335	11,133	11	767
Northern Europe	33	23	29	60	1,149	958	345
Southern Europe	82	63	40	114	2,503	1,191	474
Central Europe	7	3	22	31	189	616	7
Continental Europe Total	122	89	91	205	3,841	2,765	826
Other[1]	–	(14)	(20)	(80)	–	(1,008)[4]	9
Total	488	412	71	460	14,974	1,768	1,602

1 'Other' category includes the corporate centre, SELP holding companies and costs relating to the operational business which are not specifically allocated to a geographical Business Unit.

2 A reconciliation of total Adjusted PBIT to the IFRS loss 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 and letting fees. 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 Includes the bonds held by SELP Finance S.à r.l, a Luxembourg entity.

Revenues from the most significant countries within the Group were: UK £513 million (2022: £451 million), France £114 million (2022: £77 million), Italy £37 million (2022: £36 million), Germany £52 million (2022: £46 million), Netherlands £3 million (2022: £30 million) and Poland £18 million (2022: £17 million).

4. REVENUE

	2023 £m	2022 £m
Rental income from investment and trading properties	**536**	473
Rent averaging	**10**	14
Surrender premia	**1**	1
Gross rental income[1]	**547**	488
Joint venture fee income – management fees*	**29**	30
– performance fees*[2]	**89**	–
Joint venture fee income	**118**	30
Management and development fee income*	**4**	5
Service charge income*	**43**	44
Solar energy income*	**2**	2
Proceeds from sale of trading properties*	**35**	100
Total revenue	**749**	669

* The above income streams reflect revenue recognition under IFRS 15 'Revenue from Contracts with Customers' and total £202 million (2022: £181 million).

1 Net rental income of £462 million (2022: £412 million) is calculated as gross rental income of £547 million (2022: £488 million) less total property operating expenses of £85 million (2022: £76 million) shown in Note 5.

2 See Note 6(ii) for further details on the performance fee from SELP.

5. COSTS

	2023 £m	2022 £m
Vacant property costs	**14**	10
Letting, marketing, legal and professional fees	**15**	17
Loss allowance and impairment of receivables	**3**	3
Other expenses	**16**	12
Property management expenses	**48**	42
Property administrative expenses[1]	**49**	45
Costs capitalised[2]	**(12)**	(11)
Total property operating expenses	**85**	76
Service charge expense	**43**	44
Solar energy expense	**1**	1
Trading properties cost of sales	**32**	93
Total costs	**161**	214

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

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

6. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

6(i) Loss from joint ventures and associates after tax

The table below presents a summary Income Statement of the Group's largest joint ventures and associates, all of which are accounted for using the equity method. SEGRO European Logistics Partnership (SELP) is incorporated in Luxembourg and owns logistics property assets in Continental Europe. The Group holds 50 per cent of the share capital and voting rights in the material joint ventures.

	SELP £m	Other £m	At 100% 2023 £m	At 100% 2022 £m	At share 2023 £m	At share 2022 £m
Revenue[1]	**347**	**–**	**347**	303	**174**	152
Gross rental income	**267**	**–**	**267**	237	**134**	119
Property operating expenses:						
– underlying property operating expenses	**(16)**	**–**	**(16)**	(16)	**(8)**	(8)
– vacant property costs	**(1)**	**–**	**(1)**	(1)	**(1)**	(1)
– property management fees[2]	**(24)**	**–**	**(24)**	(25)	**(12)**	(13)
Net rental income	**226**	**–**	**226**	195	**113**	97
Management fee income	**4**	**–**	**4**	3	**2**	2
Administrative expenses	**(5)**	**–**	**(5)**	(6)	**(2)**	(3)
Finance costs (including adjustments)	**(40)**	**–**	**(40)**	(34)	**(20)**	(17)
Adjusted profit before tax	**185**	**–**	**185**	158	**93**	79
Tax	**(22)**	**–**	**(22)**	(16)	**(11)**	(8)
Adjusted profit after tax	**163**	**–**	**163**	142	**82**	71
Adjustments:						
Valuation deficit on investment properties	**(318)**	**(7)**	**(325)**	(472)	**(162)**	(236)
Early close out of debt	**–**	**–**	**–**	(3)	**–**	(2)
Performance fees[3]	**(89)**	**–**	**(89)**		**(45)**	–
Tax in respect of adjustments	**98**	**–**	**98**	46	**49**	23
Total adjustments	**(309)**	**(7)**	**(316)**	(429)	**(158)**	(215)
Loss after tax	**(146)**	**(7)**	**(153)**	(287)	**(76)**	(144)
Other comprehensive income	**–**	**–**	**–**	–	**–**	–
Total comprehensive expense for the year	**(146)**	**(7)**	**(153)**	(287)	**(76)**	(144)

1 Total revenue at 100% of £347 million (2022: £303 million) includes: Gross rental income of £267 million (2022: £237 million); service charge income of £76 million (2022: £63 million) and management fee income of £4 million (2022: £3 million). Service charge income is netted against the equal and opposite service charge expense in calculating Adjusted profit before tax.

2 Property management fees paid to SEGRO.

3 Performance fees recognised by SEGRO and treated as a Company specific adjustment. This is further discussed in the Fees section below.

The Group has not recognised cumulative losses totalling £14 million at share (2022: £12 million) in relation to its interests in associates, because the Group has no obligation in respect of these losses.

There was no other comprehensive income included in the Group Statement of Comprehensive Income (2022: £nil).

SELP is a SPPICAV in France, and does not pay tax on its French property income or gains on property sales, provided that at least 85 per cent of the French subsidiaries' property income is distributed to their immediate shareholder. In addition, SELP has to meet certain conditions such as ensuring the property rental business of each French subsidiary represents more than 60 per cent of its assets. Any potential or proposed changes to the SPPICAV legislation are monitored.

6(ii) Summarised Balance Sheet information in respect of the Group's joint ventures and associates

	SELP £m	**Other £m**	**At 100% 2023 £m**	At 100% 2022 £m	**At share 2023 £m**	At share 2022 £m
Investment properties	**5,786**	**44**	**5,830**	6,044	**2,915**	3,022
Property, plant and equipment	**12**	**–**	**12**	6	**6**	3
Other receivables	**2**	**–**	**2**	3	**1**	1
Total non-current assets	**5,800**	**44**	**5,844**	6,053	**2,922**	3,026
Other receivables	**61**	**1**	**62**	72	**31**	36
Cash and cash equivalents	**53**	**3**	**56**	63	**28**	32
Total current assets	**114**	**4**	**118**	135	**59**	68
Total assets	**5,914**	**48**	**5,962**	6,188	**2,981**	3,094
Borrowings	**(2,143)**	**–**	**(2,143)**	(2,005)	**(1,072)**	(1,003)
Deferred tax	**(381)**	**–**	**(381)**	(481)	**(191)**	(241)
Other liabilities[1]	**–**	**(34)**	**(34)**	(41)	**(17)**	(20)
Total non-current liabilities	**(2,524)**	**(34)**	**(2,558)**	(2,527)	**(1,280)**	(1,264)
Other liabilities	**(156)**	**(3)**	**(159)**	(148)	**(79)**	(74)
Total current liabilities	**(156)**	**(3)**	**(159)**	(148)	**(79)**	(74)
Total liabilities	**(2,680)**	**(37)**	**(2,717)**	(2,675)	**(1,359)**	(1,338)
Unrecognised share of losses	**–**	**28**	**28**	23	**14**	12
Net assets	**3,234**	**39**	**3,273**	3,536	**1,636**	1,768

1 Other non-current liabilities of £34 million (2022: £41 million) relates to a loan due from an associate to the Group. See below for details on the impairment of the loan receivable held by the Group in the year.

Fees

SEGRO provides certain services, including venture advisory and asset management, to the SELP joint venture and receives fees for doing so.

A 10-year performance fee, denominated in euros, was due from SELP to SEGRO in October 2023 based on SELP's internal rate of return (IRR) subject to certain hurdle rates. The IRR calculation is based on a 10-year performance period from the inception of SELP in October 2013 to October 2023.

The total 10-year performance fee of £115 million (€132 million) has been agreed with SELP. The balancing payment of £89 million (€103 million) was received during the year ended 31 December 2023 (£26 million (€29 million) was paid in 2018). As the fee has now been agreed and settled the previous estimation uncertainty on the fee to be received has fallen away.

Up to 31 December 2022, SEGRO had recognised a cumulative fee income for the 10-year performance period of £26 million (€29 million).

This means SEGRO has recognised further performance fee income of £89 million (€103 million) (being the total fee of £115 million less the cumulative fee recognised to 31 December 2022 of £26 million) in its 31 December 2023 Income Statement. An equivalent performance fee expense at share of £45 million has been recognised within the share of profit from joint ventures and associates and shown in Note 6(i).

The total performance fee received be SEGRO over the 10-year period from the inception of SELP in October 2013 to October 2023 is £141 million (€161 million). The total fee includes £26 million (€29 million) for the 5 year performance fee period recognised and paid in the year ended 31 December 2018 and £115 million (€132 million) for the 10-year performance fee period as detailed above.

Subsequent performance fee

Under the Venture Advisor Agreement with SELP, future performance fees could be payable to SEGRO over a new performance period. The performance fee is based on a similar IRR subject to certain hurdle rates to the previous fee. It is too early to reliably estimate the performance fees that could be payable to SEGRO, and no fee has been recognised in the year. As at 31 December 2023 the fee for the subsequent performance period is not considered to be a significant area of estimation uncertainty.

Impairment loss on loan due from associate

The Group holds a gross loan due from an associate of £34 million as at 31 December 2023 (2022: £41 million). The associate used the proceeds from the loan to acquire land in November 2022. The Group expects to recover the loan either through the granting of planning permission on the land which will trigger the other shareholder to acquire the Group's share in the associate and repay the loan; or, if planning permission is not gained on the land, the Group would acquire the other shareholder's share in the associate for nominal consideration and it will become wholly owned. In this event the extent of the recovery of the loan would be through the fair value of the land. The carrying value of the associate as at 31 December 2023 is £nil (2022: £nil).

During the second half of 2023 the likelihood of gaining planning permission reduced and the market conditions deteriorated sufficiently to conclude that there is a significantly increased probability that the Group will take ownership of the associate. For purposes of the impairment review of the loan under IFRS 9 the recovery of the loan is now assumed to be based on the fair value of the land held by the associate which was £6 million as at 31 December 2023 (at 100 per cent). This has resulted in the loan being impaired by £28 million down to a carrying value of £6 million as at 31 December 2023.

The loan balance arose as part of a wider property transaction which also included the acquisition of an investment property by the Group disclosed within acquisitions in 2022. When considered together the overall transaction has had an accretive impact on net assets since inception.

As set out in Note 2, the impairment charge has been treated as a Company specific adjustment to EPRA earnings to determine Adjusted profit. This is due to the size and that the nature of the loan impairment relates to a wider property transaction and changes in the fair value of the related land held by an associate.

7. REALISED AND UNREALISED PROPERTY GAINS AND LOSSES

	2023 **£m**	2022 £m
Profit on sale of investment properties and other investment income[1]	**46**	9
Valuation deficit on investment properties[2]	**(647)**	(1,970)
Decrease in provision for impairment of trading properties	**–**	15
Total realised and unrealised property loss	**(601)**	(1,946)

1 Includes profit on sale of investment properties of £39 million (2022: £9 million) and other property related investment income of £7 million (2022: £nil).

2 Includes £646 million valuation deficit on investment properties (2022: £1,970 million) and £1 million valuation loss on head lease ROU asset (2022: £nil).

The total valuation deficit on investment and trading properties total £809 million (2022: £2,191 million). This comprises £647 million deficit from investment properties (2022: £1,970 million), £nil impairment from trading properties (2022: impairment reversal of £15 million) and £162 million deficit from joint ventures and associates at share (2022: £236 million).

The total property loss on investment and trading properties is £760 million (2022: £2,175 million). This comprises of the total valuation deficit on investment properties and trading properties of £809 million (2022: £2,191 million) plus £46 million profit on sale of investment properties and other investment income (2022: £9 million) and £3 million profit on sale of trading property (2022: £7 million).

Details of profit on sale of trading properties are given in Note 12(ii).

8. NET FINANCE COSTS

Finance income	**2023 £m**	2022 £m
Interest received on bank deposits and related derivatives	**25**	21
Fair value gain on interest rate swaps and other derivatives	**59**	46
Total finance income	**84**	67
Finance costs		
Interest on overdrafts, loans and related derivatives	**(184)**	(104)
Cost of early close out of debt	**(1)**	–
Amortisation of issue costs	**(8)**	(9)
Interest on lease liabilities	**(3)**	(3)
Total borrowing costs	**(196)**	(116)
Less amounts capitalised on the development of properties	**64**	22
Net borrowing costs	**(132)**	(94)
Fair value loss on interest rate swaps and other derivatives	**(35)**	(245)
Exchange differences	**–**	(1)
Total finance costs	**(167)**	(340)
Net finance costs	**(83)**	(273)

Net finance costs (including adjustments) in Adjusted profit (Note 2) are £106 million (2022: £74 million). This excludes net fair value gains and losses on interest rate swaps and other derivatives of £24 million gain (2022: £199 million loss) and the cost of early close debt of £1 million (2022: £nil).

The interest capitalisation rates for 2023 ranged from 2.6 per cent to 6.5 per cent (2022: 1.9 per cent to 4.0 per cent). Interest is capitalised gross of tax relief.

9. TAX

9(i) Tax on loss

	2023 £m	2022 £m
Tax:		
On Adjusted profit	**(10)**	(11)
In respect of adjustments:		
– Performance fee	**(10)**	–
– Other (primarily in respect of property valuation movements)	**30**	48
Total tax in respect of adjustments	**20**	48
Total tax credit	**10**	37
Current tax		
United Kingdom		
Current tax (charge)/credit	**(10)**	7
Total UK current tax (charge)/credit	**(10)**	7
Overseas		
Current tax charge	**(10)**	(31)
Total overseas current tax charge	**(10)**	(31)
Total current tax charge	**(20)**	(24)
Deferred tax		
Origination and reversal of temporary differences	**(10)**	(13)
Released in respect of property disposals in the year	**5**	25
On valuation movements	**33**	50
Total deferred tax in respect of investment properties	**28**	62
Other deferred tax	**2**	(1)
Total deferred tax credit	**30**	61
Total tax credit on loss on ordinary activities	**10**	37

9(ii) REIT and SIIC regimes and other tax judgements

SEGRO is a Real Estate Investment Trust (REIT) and does not pay tax on its UK property income or gains on property sales, provided that at least 90 per cent of the Group's UK property income is distributed as a dividend to shareholders, which becomes taxable in their hands. In addition, the Group has to meet certain conditions such as ensuring its worldwide property rental business represents more than 75 per cent of total profits and assets. Any potential or proposed changes to the REIT legislation are monitored and discussed with HMRC. It is management's intention that the Group will continue as a REIT for the foreseeable future.

SEGRO is also a SIIC in France, and does not pay corporation tax on its French property income or gains on property sales, provided that at least 95 per cent of the relevant Group French subsidiaries' property income is distributed to their immediate shareholder. In addition, the Group has to meet certain conditions such as ensuring the property rental business of each French subsidiary represents more than 80 per cent of its assets. Any potential or proposed changes to the SIIC legislation are monitored. It is management's intention that the Group will continue as a SIIC for the foreseeable future.

In 2021 a formal tax assessment in relation to the applicability of a 25 per cent withholding tax on distributions from the SIIC was received from the French tax authorities and a tax charge was recognised. A legal conclusion has not been reached and communication with the French tax authorities remains ongoing. As a result, a tax charge for the 25 per cent withholding tax on results generated from the French business has been recognised in the current and prior year, this includes withholding tax on unremitted earnings. As noted below, until a legal conclusion has been reached, it is possible further tax charges may arise in relation to this matter.

The Group operates in a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. The tax impact can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The Group uses in-house expertise when assessing uncertain tax positions and seeks the advice of external professional advisors where appropriate. The Group believes that its provisions for tax liabilities and associated penalties are adequate for all open tax years based on its assessment of many factors, including tax laws and prior experience. The significant assessment relating to the recognition of withholding tax in France is discussed above.

9(iii) Deferred tax liabilities

Movement in deferred tax was as follows:

2023	Balance 1 January £m	Exchange movement £m	Acquisitions/ disposals £m	Recognised in income £m	Balance 31 December £m
Valuation surpluses and deficits on properties/accelerated tax allowances	**209**	**(3)**	**–**	**(28)**	**178**
Others	**17**	**(1)**	**–**	**(2)**	**14**
Total deferred tax liabilities	**226**	**(4)**	**–**	**(30)**	**192**

10. DIVIDENDS

	2023 £m	2022 £m
Ordinary dividends paid		
Interim dividend for 2023 @ 8.7 pence per share	**107**	–
Final dividend for 2022 @ 18.2 pence per share	**220**	–
Interim dividend for 2022 @ 8.1 pence per share	**–**	98
Final dividend for 2021 @ 16.9 pence per share	**–**	203
Total dividends	**327**	301

The Board recommends a final dividend for 2023 of 19.1 pence which is estimated to result in a distribution of up to £234 million. The total dividend paid and proposed per share in respect of the year ended 31 December 2023 is 27.8 pence (2022: 26.3 pence).

The total dividend in 2023 of £327 million (2022: £301 million) was paid: £198 million as cash (2022: £222 million) and £129 million in scrip dividends (2022: £79 million).

11. EARNINGS AND NET ASSETS PER SHARE

The earnings per share calculations use the weighted average number of shares in issue during the year and the net assets per share calculations use the number of shares in issue at year end. Earnings per share calculations exclude 0.3 million shares (2022: 0.2 million) being the average number of shares held on trust for employee share schemes and net assets per share calculations exclude 0.4 million shares (2022: 0.2 million) being the actual number of shares held on trust for employee share schemes at year end.

11(i) Earnings per ordinary share (EPS)

	2023			2022		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic EPS	**(253)**	**1,220.0**	**(20.7)**	(1,927)	1,206.6	(159.7)
Dilution adjustments:						
Share and save as you earn schemes	**–**	**–**	**–**	–	–	–
Diluted EPS[2]	**(253)**	**1,220.0**	**(20.7)**	(1,927)	1,206.6	(159.7)
Basic EPS	**(253)**	**1,220.0**	**(20.7)**	(1,927)	1,206.6	(159.7)
Adjustments to loss before tax[1]	**672**		**55.1**	2,353		195.0
Tax in respect of Adjustments	**(20)**		**(1.7)**	(48)		(4.0)
Non-controlling interest on Adjustments	**–**		**–**	(4)		(0.3)
Adjusted Basic EPS	**399**	**1,220.0**	**32.7**	374	1,206.6	31.0
Adjusted Diluted EPS	**399**	**1,223.4**	**32.6**	374	1,210.0	30.9

1 Details of adjustments are included in Note 2.

2 Share options are excluded from the weighted average diluted number of shares when calculating IFRS diluted loss per share because they are not dilutive.

11(ii) Net assets 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 5 of the Supplementary Notes provides a reconciliation from IFRS NAV for each of the three EPRA net asset value metrics.

	2023			2022		
	Equity attributable to ordinary shareholders £m	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	**10,904**	**1,227.2**	**889**	11,373	1,209.1	941
Dilution adjustments:						
Share and save as you earn schemes	**–**	**3.5**	**(3)**	–	3.4	(3)
Diluted NAV	**10,904**	**1,230.7**	**886**	11,373	1,212.5	938
Fair value adjustment in respect of interest rate derivatives – Group	**106**		**9**	131		11
Fair value adjustment in respect of trading properties – Group	**1**		**–**	2		–
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	**89**		**7**	104		8
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures and associates[1]	**92**		**7**	119		10
Intangible assets	**(30)**		**(2)**	(12)		(1)
Adjusted NAV	**11,162**	**1,230.7**	**907**	11,717	1,212.5	966

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 2023	**12,113**	**2,589**	**14,702**
Exchange movement	**(47)**	**(18)**	**(65)**
Property acquisitions	**–**	**403**	**403**
Additions to existing investment properties	**54**	**507**	**561**
Disposals	**(204)**	**(83)**	**(287)**
Transfers on completion of development and completed properties taken back for redevelopment	**824**	**(824)**	**–**
Revaluation deficit during the year	**(455)**	**(191)**	**(646)**
At 31 December 2023	**12,285**	**2,383**	**14,668**
Add tenant lease incentives and letting fees	**175**	**–**	**175**
Investment properties excluding head lease ROU assets at 31 December 2023	**12,460**	**2,383**	**14,843**
Add head lease liabilities (ROU assets)[1]	**71**	**–**	**71**
Total investment properties at 31 December 2023	**12,531**	**2,383**	**14,914**

1 At 31 December 2023 investment properties included £71 million (2022: £73 million) for the head lease liabilities recognised under IFRS 16.

Investment properties are stated at fair value as at 31 December 2023 based on external valuations performed by professionally qualified, independent valuers. The Group's wholly- owned, joint venture and associate property portfolio is valued by CBRE Ltd on a half-yearly basis. The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties. In estimating the fair value of the properties, the valuers consider the highest and best use of the properties. There has been no change to the valuation technique during the year.

CBRE Ltd also undertakes some professional and agency work on behalf of the Group. This is carried out by departments separate from the Valuation team in CBRE and overall the total fees earned from the Group are below 5 per cent of CBRE's total income. This work does not therefore lead to a conflict of interest for the properties being valued by CBRE at the period end.

Completed properties include buildings that are occupied or are available for occupation. Development properties include land available for development (land bank), land under development, construction in progress and covered land. The carrying value of covered land held within Development properties as at 31 December 2023 is £645 million (2022: £656 million).

The carrying value of investment properties situated on land held under leaseholds is £186 million (excluding head lease ROU assets) (2022: £209 million).

Sensitivity analysis

An increase/decrease to ERV will increase/decrease valuations, while an increase/decrease to yield will decrease/increase valuations. Sensitivity analysis showing the impact on valuations of changes in yields and ERV on the property portfolio (including joint ventures and associates at share) and the impact on valuations of changes in development costs on the development property and land portfolio (including joint ventures and associates at share) is shown below.

On the basis inflation has fallen during the latter half of 2023 and the expectation interest rates may have peaked, management expect market conditions to be less volatile and consider a +/- 25bp change in yield, a +/- 5% change in ERV and a +/- 10% change in development costs to be reasonably possible changes to the assumptions.

2023	£m	Impact on valuation of 25bp change in equivalent yield		Impact on valuation of 5% change in estimated rental value (ERV)		Impact on valuation of 10% change in estimated development costs	
		Increase £m	Decrease £m	Increase £m	Decrease £m	Increase £m	Decrease £m
Completed property	**15,255**	**(742)**	**819**	**570**	**(563)**	**–**	**–**
Development property and land	**2,507**	**(210)**	**225**	**310**	**(310)**	**(385)**	**385**
Group total property portfolio	**17,762**	**(952)**	**1,044**	**880**	**(873)**	**(385)**	**385**

2022	£m	Impact on valuation of 25bp change in equivalent yield		Impact on valuation of 5% change in estimated rental value (ERV)		Impact on valuation of 10% change in estimated development costs	
		Increase £m	Decrease £m	Increase £m	Decrease £m	Increase £m	Decrease £m
Completed property	15,191	(793)	883	580	(576)	–	–
Development property and land	2,734	(226)	245	295	(295)	(321)	321
Group total property portfolio	17,925	(1,019)	1,128	875	(871)	(321)	321

12(ii) Trading properties

	2023 £m	2022 £m
At 1 January	**35**	45
Exchange movement	**–**	1
Property acquisitions	**–**	1
Additions to existing trading properties	**–**	62
Disposals[1]	**(32)**	(93)
Decrease in provision for impairment during the year	**–**	15
Transfer from investment properties	**–**	4
At 31 December	**3**	35

1 Profit on sale of trading properties of £3 million in the year (2022: £7 million) have been generated from total proceeds of £35 million (2022: £100 million), see Note 4, less costs of £32 million (2022: £93 million), see Note 5.

Trading properties were externally valued, as detailed in Note 12(i), resulting in no provision for impairment during the year (2022: decrease of £15 million). Based on the fair value at 31 December 2023, the portfolio has unrecognised surplus of £1 million (2022: £2 million).

13. NET BORROWINGS

	2023 £m	2022 £m
In one year or less	**1**	–
In more than one year but less than two	**168**	83
In more than two years but less than five	**2,057**	1,562
In more than five years but less than ten	**1,729**	1,662
In more than ten years	**1,393**	1,577
In more than one year	**5,347**	4,884
Total borrowings	**5,348**	4,884
Cash and cash equivalents[1]	**(376)**	(162)
Net borrowings	**4,972**	4,722
Total borrowings is split between secured and unsecured as follows:		
Secured (on land, buildings and other assets)	**1**	1
Unsecured	**5,347**	4,883
Total borrowings	**5,348**	4,884
Currency profile of total borrowings after derivative instruments		
Sterling	**1,836**	1,120
Euros	**3,512**	3,764
Total borrowings	**5,348**	4,884
Maturity profile of undrawn borrowing facilities		
In one year or less	**148**	150
In more than one year but less than two	**–**	–
In more than two years	**1,212**	1,608
Total available undrawn facilities	**1,360**	1,758

1 Cash and cash equivalents also include tenant deposits held in separate designated bank accounts of £61 million (2022: £50 million), the use of the deposits is subject to restrictions as set out in the tenant lease agreement and therefore not available for general use by the Group.

14. NOTES TO THE CONDENSED GROUP CASH FLOW STATEMENT

14(i) – Reconciliation of cash generated from operations

	2023 £m	2022 £m
Operating loss	**(180)**	(1,694)
Adjustments for:		
Depreciation of property, plant and equipment and amortisation of intangibles	**6**	4
Share of loss from joint ventures and associates after tax	**76**	144
Profit on sale of properties	**(39)**	(9)
Revaluation deficit on investment properties	**647**	1,970
Other provisions	**8**	(6)
Increase in impairment of loan held with associate	**28**	–
	546	409
Changes in working capital:		
Decrease in trading properties	**33**	33
Increase in debtors and tenant incentives	**(22)**	(6)
Increase in creditors	**27**	43
Net cash inflow generated from operations	**584**	479

14(ii) – Analysis of net debt

Management defines net debt as total borrowing less cash and cash equivalents.

		Cash movements		Non-cash movements			
	At 1 January 2023 £m	Cash inflow[1] £m	Cash outflow[2] £m	Exchange movement £m	Cost of early close out of debt £m	Other non-cash adjustments[3] £m	At 31 December 2023 £m
Bank loans and loan capital	4,928	961	(445)	(58)	1	–	5,387
Capitalised finance costs	(44)	–	(3)	–	–	8	(39)
Total borrowings	**4,884**	**961**	**(448)**	**(58)**	**1**	**8**	**5,348**
Cash and cash equivalents	(162)	(214)	–	–	–	–	(376)
Net debt	**4,722**	**747**	**(448)**	**(58)**	**1**	**8**	**4,972**

1 Proceeds from borrowings of £961 million.

2 Cash outflow of £448 million, comprises repayment of borrowings of £444 million, cash settlement for early repayment of debt of £1 million and capitalised finance costs of £3 million.

3 Total other non-cash adjustments of £8 million relates to the amortisation of issue costs. See Note 8.

SUPPLEMENTARY NOTES NOT PART OF CONDENSED FINANCIAL INFORMATION

TABLE 1: EPRA PERFORMANCE MEASURES SUMMARY

		2023		2022	
	Notes	**£m**	**Pence per share**	£m	Pence per share
EPRA Earnings	Table 4	**413**	**33.9**	374	31.0
EPRA NTA	Table 5	**11,162**	**907**	11,717	966
EPRA NRV	Table 5	**12,317**	**1,001**	12,879	1,062
EPRA NDV	Table 5	**11,310**	**919**	12,170	1,004
EPRA LTV	Table 6		**36.9%**		34.2%
EPRA net initial yield	Table 7		**4.0%**		3.7%
EPRA 'topped up' net initial yield	Table 7		**4.3%**		3.9%
EPRA vacancy rate	Table 8		**5.0%**		4.0%
EPRA cost ratio (including vacant property costs)	Table 9		**24.0%**		20.3%
EPRA cost ratio (excluding vacant property costs)	Table 9		**21.9%**		18.5%

TABLE 2: INCOME STATEMENT, PROPORTIONALLY CONSOLIDATED

		2023			2022		
	Notes	**Group £m**	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Gross rental income	2,6	**547**	**134**	**681**	488	119	607
Property operating expenses	2,6	**(85)**	**(9)**	**(94)**	(76)	(9)	(85)
Net rental income		**462**	**125**	**587**	412	110	522
Joint venture management fee income[1]	2,6	**29**	**(12)**	**17**	30	(13)	17
Management and development fee income	2,6	**4**	**2**	**6**	5	2	7
Net solar energy income	2,6	**1**	**–**	**1**	1	–	1
Administrative expenses	2,6	**(63)**	**(2)**	**(65)**	(59)	(3)	(62)
Adjusted operating profit before interest and tax		**433**	**113**	**546**	389	96	485
Net finance costs (including adjustments)	2,6	**(106)**	**(20)**	**(126)**	(74)	(17)	(91)
Adjusted profit before tax		**327**	**93**	**420**	315	79	394
Tax on adjusted profit	2,6	**(10)**	**(11)**	**(21)**	(11)	(8)	(19)
Adjusted earnings before non-controlling interests		**317**	**82**	**399**	304	71	375
Non-controlling interest on adjusted profit	2,6	**–**	**–**	**–**	(1)	–	(1)
Adjusted earnings after tax and non-controlling interests (A)		**317**	**82**	**399**	303	71	374
Number of shares, million	11			**1,220.0**			1,206.6
Adjusted EPS, pence per share				**32.7**			31.0
Number of shares, million	11			**1,223.4**			1,210.0
Adjusted EPS, pence per share – diluted				**32.6**			30.9
EPRA earnings							
Adjusted earnings after tax and non-controlling interests (A)		**317**	**82**	**399**	303	71	374
Joint venture performance fee income (net)	2	**79**	**(37)**	**42**	–	–	–
Impairment loss on loan due from associates	2	**(28)**	**–**	**(28)**	–	–	–
EPRA earnings after tax and non-controlling interests		**368**	**45**	**413**	303	71	374
Number of shares, million	11			**1,220.0**			1,206.6
EPRA, EPS, pence per share				**33.9**			31.0
Number of shares, million	11			**1,223.4**			1,210.0
EPRA, EPS, pence per share - diluted				**33.8**			30.9

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

2 Group net debt:EBITDA ratio as defined in the glossary was 10.4 times at 31 December 2023 (2022: 11.7 times). Group net debt being £4,972 million (2022: £4,722 million), per Note 13. Group EBITDA being £477 million (2022: £402 million) which takes Adjusted operating profit before interest and tax, less share of joint ventures and associates' adjusted profit, of £433 million (2022: £389 million) shown in the table above, adding back depreciation and amortisation charges of £6 million (2022: £4 million) per Note 14(i) and includes dividends received from joint ventures and associates of £38 million (2022: £9 million).

TABLE 3: BALANCE SHEET, PROPORTIONALLY CONSOLIDATED

		2023			2022		
	Notes	**Group £m**	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Investment properties	12,6	**14,914**	**2,915**	**17,829**	14,939	3,022	17,961
Trading properties	12,6	**3**	**–**	**3**	35	–	35
Total properties		**14,917**	**2,915**	**17,832**	14,974	3,022	17,996
Investment in joint ventures and associates	6	**1,636**	**(1,636)**	**–**	1,768	(1,768)	–
Other net liabilities		**(677)**	**(235)**	**(912)**	(647)	(283)	(930)
Net borrowings	13,6	**(4,972)**	**(1,044)**	**(6,016)**	(4,722)	(971)	(5,693)
Total shareholders' equity[1]		**10,904**	**–**	**10,904**	11,373	–	11,373
EPRA adjustments	11			**258**			344
Adjusted NAV	11			**11,162**			11,717
Number of shares, million	11			**1,230.7**			1,212.5
Adjusted NAV, pence per share	11			**907**			966

1 After non-controlling interests.

The portfolio valuation deficit of 4.0 per cent shown in the Performance Review section cannot be directly derived from the Financial Statements and is calculated to be comparable with published MSCI Real Estate indices against which SEGRO is measured. Based on the Financial Statements there is a valuation deficit of £809 million (see Note 7) and property value of £17,762 million (see Table 7) giving a valuation deficit of 4.4 per cent. The primary differences are that the portfolio valuation deficit excludes the impact of rent free incentives (£10 million, 0.1 per cent), capitalised interest (£68 million, 0.4 per cent) and other movements (-£18 million, -0.1 per cent).

Total disposals completed in 2023 of £356 million shown in the Investment Update includes: Carrying value of investment properties disposed by SEGRO Group of £287 million (see Note 12) and profit generated on disposal of £39 million (see Note 7); proceeds from the sale of trading properties by SEGRO Group of £35 million (see Note 4); carrying value of lease incentives and letting fees disposed by SEGRO Group and joint ventures and associates (at share) of £4 million; and excludes 50 per cent of the disposal proceeds for assets sold by SEGRO to SELP JV of £9 million.

Total assets under management of £20,677 million (2022: £20,947 million) includes Group total properties of £14,847 million (2022: £14,903 million) (which excludes head lease ROU asset of £71 million and includes valuation surplus not recognised on trading properties of £1 million) and 100 per cent of total properties owned by joint ventures and associates of £5,830 million (2022: £6,044 million) (see Note 6(ii)).

TABLE 4: EPRA EARNINGS

	Notes	**2023 Group £m**	2022 Group £m
Equity shareholder earnings per IFRS income statement		**(253)**	(1,927)
Adjustments to calculate EPRA Earnings, exclude:			
Valuation deficit on investment properties	7	**647**	1,970
Profit on sale of investment properties and other investment income	7	**(46)**	(9)
Profit on sale of trading properties	12	**(3)**	(7)
Decrease in provision for impairment of trading properties	7	**–**	(15)
Tax on profits on disposals[1]		**(1)**	15
Cost of early close out of debt	8	**1**	–
Net fair value (gain)/loss on interest rate swaps and other derivatives	8	**(24)**	199
Deferred tax credit in respect of EPRA adjustments[1]		**(29)**	(63)
Adjustments to the share of loss from joint ventures and associates after tax[3]	6	**121**	215
Non-controlling interests in respect of the above	2	**–**	(4)
EPRA earnings		**413**	374
Basic number of shares, million	11	**1,220.0**	1,206.6
EPRA Earnings per Share (EPS) (pence)		**33.9**	31.0
Company specific adjustments:			
Joint venture performance fee income (net after tax)[2]	2	**(42)**	–
Impairment loss on loan due from associate[2]	2	**28**	–
Adjusted earnings		**399**	374
Adjusted EPS (pence)	11	**32.7**	31.0

1 Total tax credit in respect of adjustments per Note 2 of £20 million (2022: £48 million) comprises tax credit on profits on disposals of £1 million (2022: £15 million charge), deferred tax credit of £29 million (2022: £63 million) and tax charge on joint venture performance fee income of £10 million (2022: £nil). The tax charge on joint venture perfromance fee income is recognised within the Company specific adjustments in the table above.

2 See Note 2 for further details on the Company specific adjustment to exclude the net impact of joint venture performance fees and impairment of loan from associates from Adjusted earnings.

3 Adjustments to the share of loss from joint ventures and associates after tax above of £121 million (2022: £215 million) includes the impact of the performance fee expense of £45 million (2022: £nil) and an associated tax credit of £8 million (2022: £nil) which are shown as a Company specifc adjustment in the table above within 'Joint venture performance fee income (net after tax)'. The Adjustments to share of loss from joint ventures and associates per Note 6(i) of £158 million (2022: £215 million) excludes the impact of the performance fee.

TABLE 5: 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.

	EPRA measures		
As at 31 December 2023	**EPRA NTA £m**	**EPRA NRV £m**	**EPRA NDV £m**
Equity attributable to ordinary shareholders	**10,904**	**10,904**	**10,904**
Fair value adjustment in respect of interest rate derivatives – Group	**106**	**106**	**–**
Fair value adjustment in respect of trading properties – Group	**1**	**1**	**1**
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	**89**	**178**	**–**
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures and associates[1]	**92**	**184**	**–**
Intangible assets	**(30)**	**–**	**–**
Fair value adjustment in respect of debt – Group	**–**	**–**	**357**
Fair value adjustment in respect of debt – Joint ventures and associates	**–**	**–**	**48**
Real estate transfer tax[2]	**–**	**944**	**–**
Net assets	**11,162**	**12,317**	**11,310**
Diluted shares (million)	**1,230.7**	**1,230.7**	**1,230.7**
Diluted net assets per share	**907**	**1,001**	**919**

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.

	EPRA measures		
As at 31 December 2022	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
Equity attributable to ordinary shareholders	11,373	11,373	11,373
Fair value adjustment in respect of interest rate derivatives – Group	131	131	–
Fair value adjustment in respect of trading properties – Group	2	2	2
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	104	208	–
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures and associates[1]	119	238	–
Intangible assets	(12)	–	–
Fair value adjustment in respect of debt – Group	–	–	672
Fair value adjustment in respect of debt – Joint ventures and associates	–	–	123
Real estate transfer tax[2]	–	927	–
Net assets	11,717	12,879	12,170
Diluted shares (million)	1,212.5	1,212.5	1,212.5
Diluted net assets per share	966	1,062	1,004

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 6: EPRA LTV, PROPORTIONAL CONSOLIDATION

	Notes	2023 Group £m	2023 Joint ventures and associates £m	2023 Total £m	2022 Group £m	2022 Joint ventures and associates £m	2022 Total £m
Borrowings[1,2]		**2,652**	**100**	**2,752**	2,085	15	2,100
Bonds[1,2]		**2,735**	**978**	**3,713**	2,843	996	3,839
Exclude:							
Cash and cash equivalents	13	**(376)**	**(28)**	**(404)**	(162)	(32)	(194)
Net Debt (before capitalised finance costs) (a)		**5,011**	**1,050**	**6,061**	4,766	979	5,745
Foreign currency derivatives		**(12)**	**–**	**(12)**	2	–	2
Net payables[3]		**485**	**64**	**549**	362	57	419
Adjusted Net Debt (b)		**5,484**	**1,114**	**6,598**	5,130	1,036	6,166
Investment properties at fair value (excluding head lease ROU asset)	12	**14,843**	**2,915**	**17,758**	14,866	3,022	17,888
Trading properties	12	**3**	**–**	**3**	35	–	35
Total Property Value (c)		**14,846**	**2,915**	**17,761**	14,901	3,022	17,923
Head lease ROU asset	12	**71**	**–**	**71**	73	–	73
Unrecognised valuation surplus on trading properties	12	**1**	**–**	**1**	2	–	2
Other interest in property		**26**	**–**	**26**	30	–	30
Intangibles		**30**	**–**	**30**	12	–	12
Adjusted Total Property Value (d)		**14,974**	**2,915**	**17,889**	15,018	3,022	18,040
LTV (a/c)		**33.8%**		**34.1%**	32.0%		32.1%
EPRA LTV (b/d)		**36.6%**		**36.9%**	34.2%		34.2%

1 Total Group borrowings as at 31 December 2023 per Note 13 of £5,348 million (2022: £4,884 million) consists of: Nominal value of borrowings from financial institutions of £2,652 million (2022: £2,085 million) less unamortised finance costs of £13 million (2022: £14 million) and nominal value of bond loans of £2,735 million (2022: £2,843 million) less unamortised finance costs of £26 million (2022: £30 million).

2 Joint ventures and associates' borrowings as at 31 December 2023 per Note 6 of £1,072 million at share (2022: £1,003 million) consists of: Nominal value of borrowings from financial institutions of £100 million (2022: £15 million) less unamortised finance costs of £1 million (2022: £2 million) and nominal value of bond loans of £978 million (2022: £996 million) less unamortised finance costs of £5 million (2022: £6 million).

3 Net payables is calculated as the net position of the following line items shown on the Balance Sheet: Non-current other receivables, current trade and other receivables, tax asset, non-current trade and other payables, non-current tax liabilities, current trade and other payables and current tax liabilities.

TABLE 7: EPRA NET INITIAL YIELD AND TOPPED-UP NET INITIAL YIELD

Combined property portfolio including joint ventures and associates at share – 2023	Notes	UK £m	Continental Europe £m	Total £m
Total properties per financial statements	Table 3	**11,180**	**6,652**	**17,832**
Add valuation surplus not recognised on trading properties[1]	12	1	–	1
Less head lease ROU assets	12	–	(71)	(71)
Combined property portfolio per external valuers' reports		**11,181**	**6,581**	**17,762**
Less land and development properties (investment, trading, joint ventures and associates)		(1,546)	(961)	(2,507)
Net valuation of completed properties		**9,635**	**5,620**	**15,255**
Add notional purchasers' costs		654	290	944
Gross valuation of completed properties including notional purchasers' costs	A	**10,289**	**5,910**	**16,199**
Income				
Gross passing rent[2]		393	266	659
Less irrecoverable property costs		(2)	(10)	(12)
Net passing rent	B	**391**	**256**	**647**
Adjustment for notional rent in respect of rent free periods		25	33	58
Topped up net rent	C	**416**	**289**	**705**
Including fixed/minimum uplifts[4]		8	1	9
Total topped up net rent		**424**	**290**	**714**

Yields – 2023		%	%	%
EPRA net initial yield[3]	B/A	3.8	4.3	4.0
EPRA topped-up net initial yield[3]	C/A	4.0	4.9	4.3
Net true equivalent yield		5.2	5.4	5.3

1 Trading properties are recorded in the Financial Statements at the lower of cost and net realisable value, therefore valuations above cost have not been recognised.
2 Gross passing rent excludes short-term lettings and licences.
3 In accordance with the Best Practices Recommendations of EPRA.
4 Certain leases contain clauses which guarantee future rental increases, whereas most leases contain five-yearly, upwards only rent review clauses (UK) or indexation clauses (Continental Europe).

Table 8: EPRA vacancy rate

	2023 £m	2022 £m
Annualised estimated rental value of vacant premises	**44**	32
Annualised estimated rental value for the completed property portfolio	**879**	797
EPRA vacancy rate[1,2]	**5.0%**	4.0%

1 Vacancy rate percentages have been calculated using the figures presented in the table above in millions accurate to one decimal place.
2 There are no significant or distorting factors influencing the EPRA vacancy rate.

TABLE 9: TOTAL COST RATIO/EPRA COST RATIO

Total cost ratio	Notes	2023 £m	2022 £m
Costs			
Property operating expenses[1]	5	**85**	76
Administrative expenses		**63**	59
Share of joint venture and associates property operating and administrative expenses	6	**23**	25
Less:			
Joint venture management fees income, management fees and other costs recovered through rents but not separately invoiced[2]		**(36)**	(37)
Total costs (A)		**135**	123
Gross rental income			
Gross rental income	4	**547**	488
Share of joint venture and associates gross rental income	6	**134**	119
Less:			
Other costs recovered through rents but not separately invoiced[2]		**(3)**	(3)
Total gross rental income (B)		**678**	604
Total cost ratio (A)/(B)[3]		**19.9%**	20.3%
Total costs (A)		**135**	123
Share-based payments		**(10)**	(9)
Total costs after share-based payments (C)		**125**	114
Total cost ratio after share-based payments (C)/(B)[3]		**18.4%**	18.8%
EPRA cost ratio			
Total costs (A)		**135**	123
Impairment loss on loan due from associates	2	**28**	–
EPRA total costs including vacant property costs (D)		**163**	123
Group vacant property costs	5	**(14)**	(10)
Share of joint venture and associates vacant property costs	6	**(1)**	(1)
EPRA total costs excluding vacant property costs (E)		**148**	112
Total gross rental income (B)		**678**	604
Total EPRA cost ratio (including vacant property costs) (D)/(B)[3]		**24.0%**	20.3%
Total EPRA cost ratio (excluding vacant property costs) (E)/(B)[3]		**21.9%**	18.5%

1 Property operating expenses are net of costs capitalised in accordance with IFRS of £12 million (2022: £11 million) (see Note 5 for further detail on the nature of costs capitalised).

2 Total deduction of £36 million (2022: £37 million) from costs includes: joint venture management fees income of £29 million (2022: £30 million) and management fees and other costs recovered through rents but not separately invoiced, including joint ventures and associates, of £7 million (2022: £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 £547 million (2022: £488 million) does not include joint venture management fees income of £29 million (2022: £30 million) and management fees income of £4 million (2022: £4 million). These fees are not required to be included in the total deduction to income of £3 million (2022: £3 million).

3 Cost ratio percentages have been calculated using the figures presented in the table above in millions accurate to one decimal place.

GLOSSARY OF TERMS

Associates: An entity in which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20 per cent and 50 per cent of the voting rights.

BREEAM: BREEAM provides sustainability assessment and certification for real estate assets.

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

Covered land: Income-producing assets acquired with the explicit intention to redevelop them in the short to medium term.

Development pipeline: The Group's current programme of developments authorised or in the course of construction at the Balance Sheet date (Current Pipeline), together with projects that are conditional (for example, on achieving planning permission or final signing of the contract) but in a sufficiently advanced stage that we expect to commence development within the next 12 months (Near-term Pipeline) and potential schemes not yet commenced on land owned or controlled by the Group (Future Pipeline).

Earnings before interest, tax, depreciation and amortisation (EBITDA): Adjusted operating profit before interest and tax, adding back depreciation and amortisation charges, less share of joint ventures' and associates' adjusted profit and including dividends received.

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

ESG: Environmental, Social and Governance issues.

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. It assumes that rent is received annually in arrears.

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.

GRESB: An organisation which provides independent benchmarking of ESG metrics for the property industry.

Green lease clause: A clauses added to our leases that require our customers to provide us with their energy usage data and, where possible, source their energy via a renewable tariff.

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

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

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

IAS: International Accounting Standards, the standards under which SEGRO reports its financial statements.

IFRS: International Financial Reporting Standards, the standards under which SEGRO reports its financial accounts.

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.

Life cycle assessments: Life cycle assessment (LCA) is a methodology for assessing the environmental impacts associated with all the stages of the life cycle of a building.

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

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

Net debt:EBITDA ratio: Net debt divided by EBITDA.

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. It assumes that rent is received quarterly in advance.

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

Pre-let: A lease signed with an occupier prior to 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.

Reversion: The difference between in place contracted rents and estimated market rental value (ERV).

SELP: SEGRO European Logistics Partnership, a 50-50 joint venture between SEGRO and the Public Sector Pension Investment Board (PSP Investments) established in 2013 to own big box warehouses in Continental Europe.

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.

SPPICAV: Société de Placement à Prépondérance Immobilière à Capital Variable is a French equivalent of UK Real Estate Investment Trusts (see REIT).

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.

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

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

Total accounting return (TAR): A measure of the Group's return, calculated as the change in adjusted NAV per share during the period adding back dividends paid during 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.