SEGRO

2016 HALF YEAR RESULTS

26 JULY 2016

2016 Half Year Results – Summary

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- **Strong operational performance**
  - Favourable occupational market fundamentals
  - Step-up in development
  - Active asset management

- **Stable investment market**
  - Portfolio outperformance from active management, rental growth and development

- **Substantial de-risked development pipeline**
  - Underpins future earnings growth

Too early to assess 'Brexit' impacts but initial signs are encouraging

2016 HALF YEAR RESULTS

FINANCIAL REVIEW

JUSTIN READ

Financial Summary

SEGRO

- Good earnings momentum
  - Healthy like-for-like net rental income growth
  - Strong contribution from development
  - Offsets loss of income from disposals

+6.5%	Adjusted EPS, 9.8p
+4.1%	Like-for-like net rental income growth
4.8%	Vacancy rate (FY 2015: 4.8%)

- 2.6% increase in NAV
  - Capital value growth from asset management actions, developments and UK ERV growth
  - Stable yields

475p	EPRA NAV per share
+1.9%	Capital value growth

- Strong financial structure
  - Net divestment during the period

36%	Loan to Value ratio (FY 2015: 38%)

7.2% increase in Adjusted PBT

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	H1 2016 £m	H1 2015 £m
Gross rental income	110.7	101.2
Property operating expenses	(22.1)	(15.8)
Net rental income	**88.6**	**85.4**
Share of joint ventures' adjusted profit[1]	25.5	23.6
Joint venture fee income	9.1	6.7
Administration expenses	(15.5)	(13.0)
Adjusted operating profit	**107.7**	**102.7**
Net finance costs	(33.5)	(33.5)
Adjusted profit before tax	**74.2**	**69.2**
Tax on adjusted profit	1.1%	0.7%

- £1.2m positive impact on PBT from strengthening euro

- FY 2016 admin costs estimated +5% vs 2015

1 Net property rental income less administrative expenses, net interest expenses and taxation

4.1% growth in like-for-like net rental income

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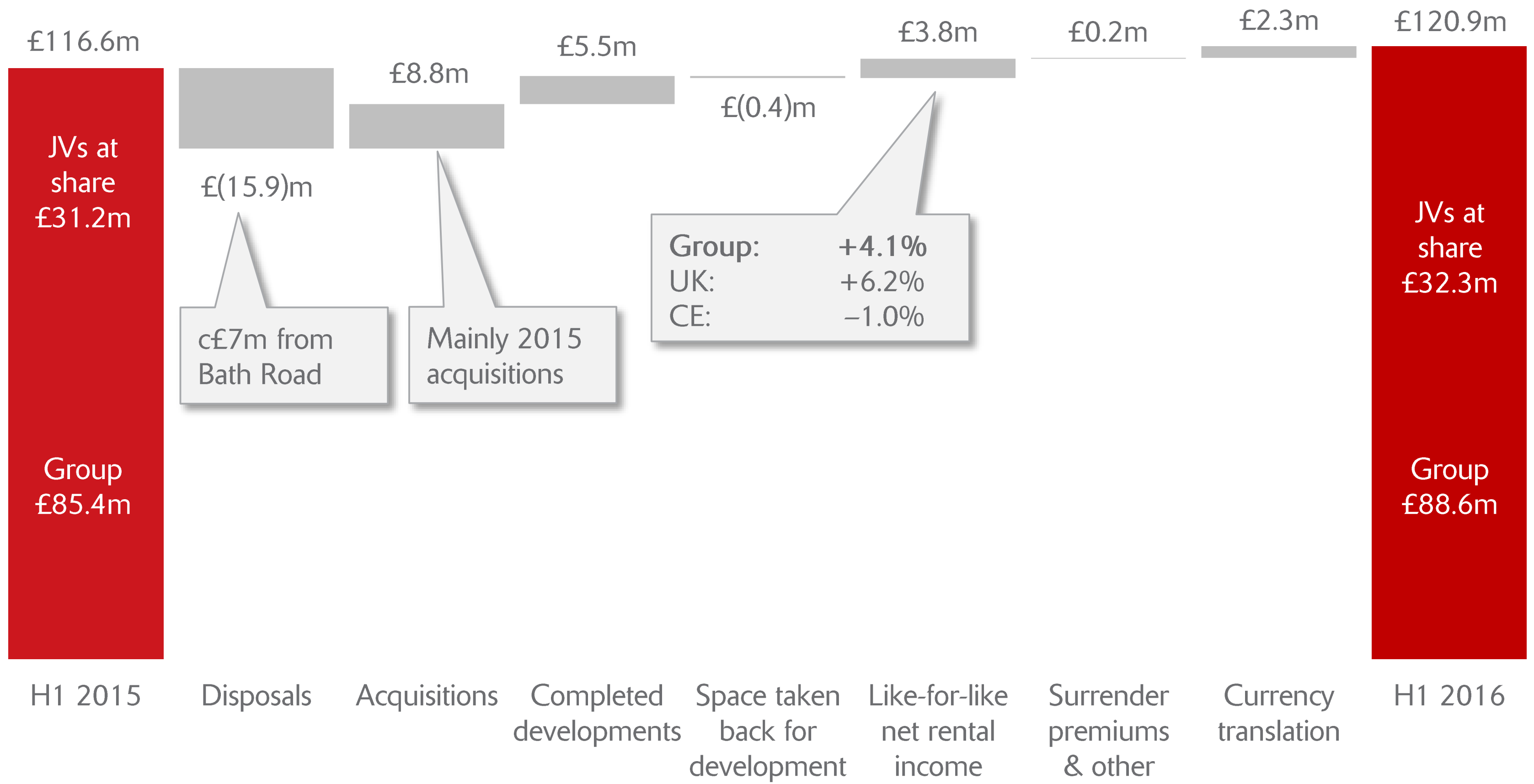

Stable, low vacancy rate

1 Speculative developments completed in 2015 and H1 2016 (June 2016) and 2014 and 2015 (December 2015)

Pro-forma accounting net rental income

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	Group £m	JVs £m	Total £m
H1 2016 net rental income	**88.6**	**32.3**	**120.9**
Incremental impact of:			
Disposals since 1 January 2016	(3.1)	(0.4)	(3.5)
Acquisitions since 1 January 2016	0.2	0.9	1.1
Developments completed and let during H1 2016	1.3	0.2	1.5
One-off items	(0.4)	(0.5)	(0.9)
Pro-forma H1 2016 net rental income	**86.6**	**32.5**	**119.1**

Excludes:

- Full year impact of lower average vacancy rate and rent roll growth
- £2.1m of potential annual gross rent[1] from speculative developments completed in 2015 and H1 2016 not yet let
- £26m of potential gross rent[1] to come from current development programme (of which £18m pre-let)
- **Impact of foreign exchange (H1 2016 average rate of £1:€1.28)**

1 Annualised headline rental income (on a cash flow basis) after the expiry of rent-free periods

Costs higher due to new businesses

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Incl. joint ventures at share	H1 2016 £m	H1 2015 £m
Gross rental income	149.0	138.2
Property operating expenses	(22.1)	(15.8)
Administration expenses[1]	(15.5)	(13.0)
JV operating expenses	(5.7)	(5.3)
JV management fees[2]	8.2	5.8
Total costs[3]	**(35.1)**	**(28.3)**
Total cost ratio	**23.6%**	**20.5%**

- Increased cost base partly reflects
  - New businesses in Italy and Spain, yet to reach scale (+£1.6m)
  - Out-of-period credits in H1 2015 not repeated in H1 2016 (+£2.2m)
  - Higher corporate share-based payments and bonus accruals (+£1.8m)
  - Weaker sterling exchange rate (+£0.8m)
- 20% cost ratio medium-term target remains achievable

1 Administrative expenses in H1 2015 exclude the pension settlement charge of £4.8m
2 H1 2016 JV management fees exclude performance fees of £0.9m
3 Total costs include vacant property costs of £4.2m for H1 2016 (H1 2015: £1.7m)

2.6% increase in EPRA NAV

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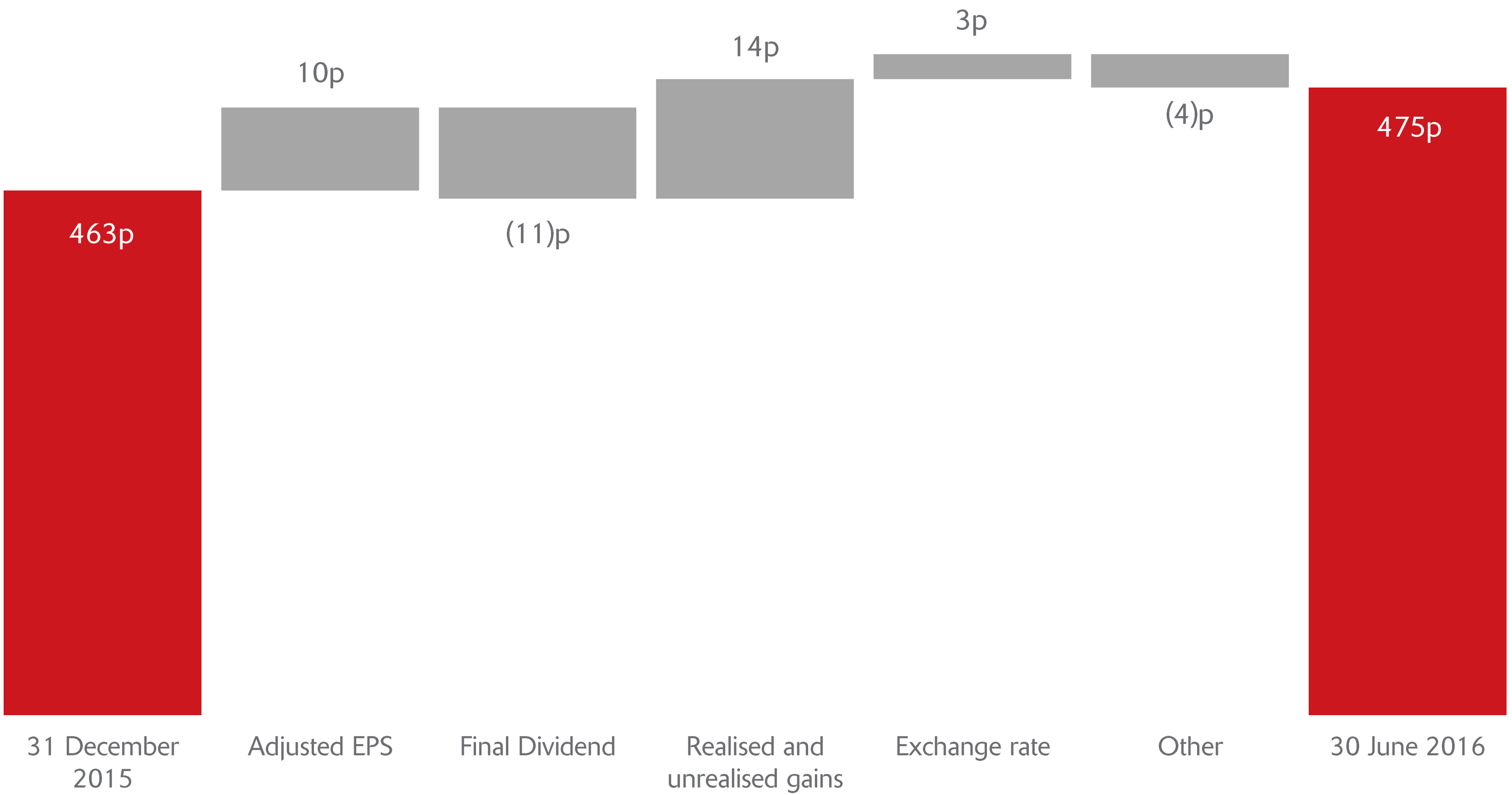

Portfolio value change driven by asset management and ERV growth[1]

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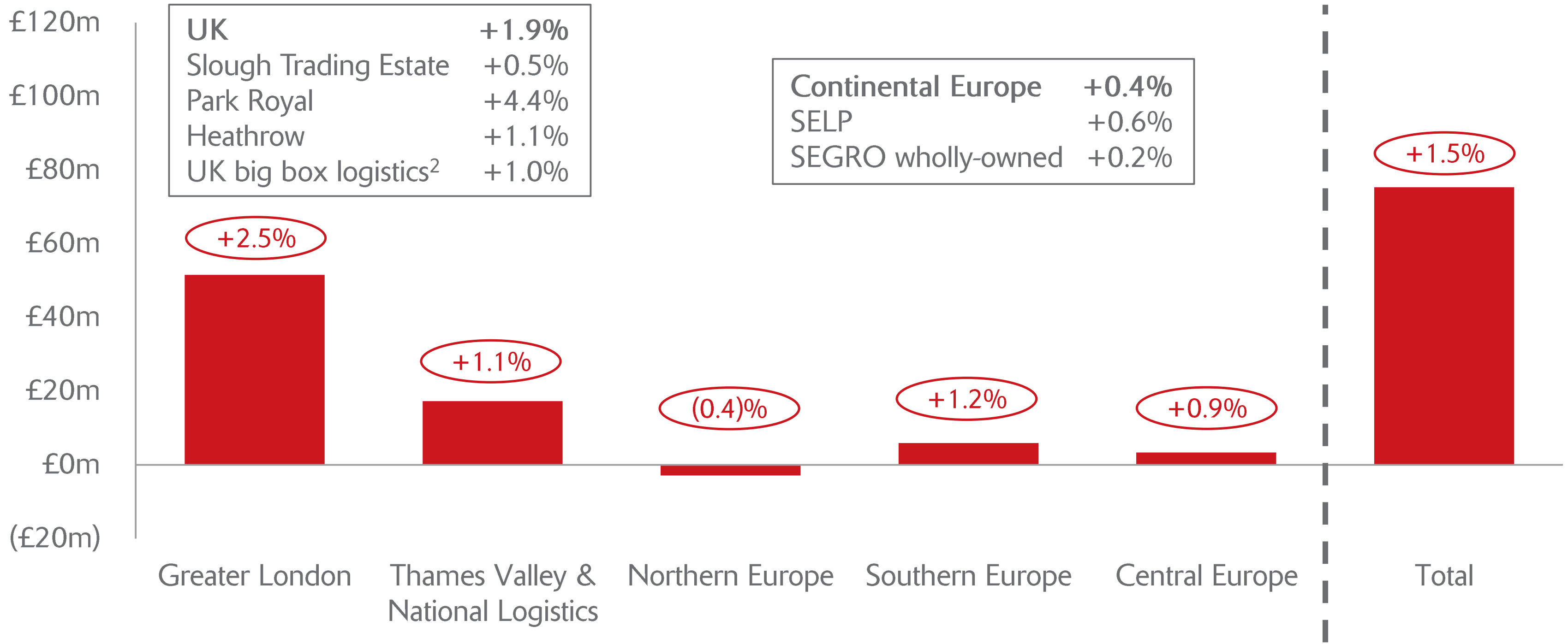

	Greater London	Thames Valley & National Logistics	Northern Europe	Southern Europe	Central Europe	Total
ERV growth	3.6%	2.1%	0.1%	(0.2)%	0.1%	2.0%
	UK: 2.9%		Cont. Europe: 0.0%			

1 Percentage change relates to completed properties, including JVs at share.
2 Includes big box warehouses part of the Greater London portfolio

Solid financial position

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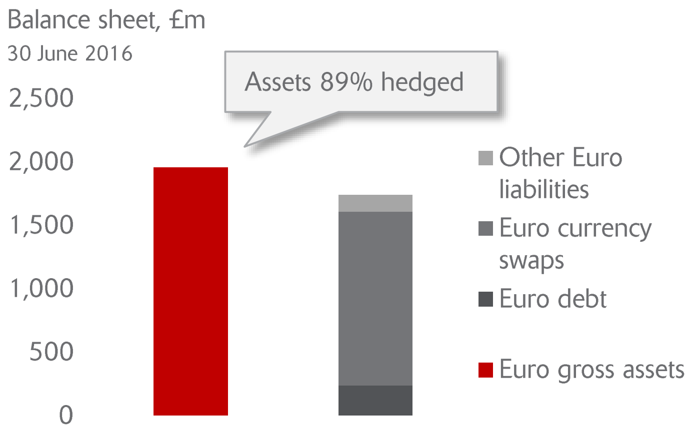
	30 June 2016 £m	31 December 2015 £m
Group only		
Net borrowings (£m)	1,707	1,807
Group cash and undrawn facilities (£m)	440	234
Weighted average cost of debt[1] (%)	3.7	3.7
Interest cover[2] (times)	2.4	2.5
Including JVs at share		
Net borrowings (£m)	2,112	2,193
LTV ratio (%)	36	38
Average maturity of debt (years)	6.3	6.0
Fixed rate debt as proportion of net debt (%)	83	75
Weighted average cost of debt[3] (%)	3.4	3.5

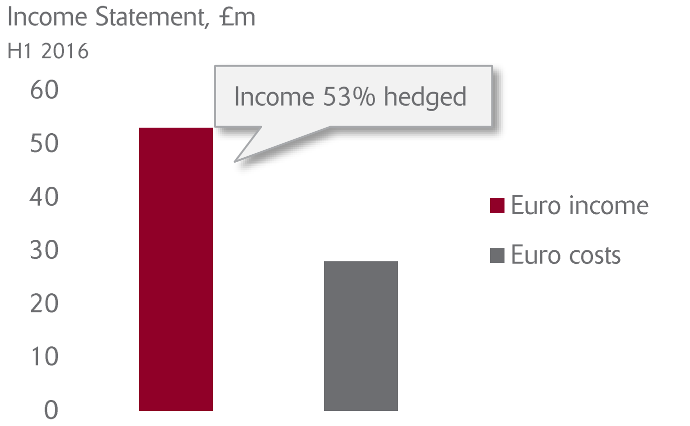
1 Based on gross debt, excluding commitment fees and amortised costs
2 Net rental income / EPRA net finance costs (before capitalisation) on an annualised basis
3 Fixed for an average period of 6.8 years
4 Marginal borrowing costs after commitment fee

- Net debt (incl JVs) fell £81m reflecting net divestment during the period
- Attractive marginal cost of Group bank borrowings of c1.3% (UK) and 0.7% (CE)[4]

- No scheduled Group debt maturities until mid-2018
- Estimated development capex:
  FY 2016: c£300m
  FY 2017: c£250-300m

Euro currency exposure and hedging





- €1.20:£1 as at 30 June 2016
- € assets 89% hedged by € liabilities
- €214m (£178m) of residual exposure – 5% of Group NAV
- Illustrative NAV sensitivity vs €1.20:
  - +5% (€1.26) = –c£8m (c.1.1p per share)
  - -5% (€1.14) = +c£9m (c.1.2p per share)

Loan to Value (on look-through basis) at €1.20:£1 is 36%, sensitivity vs €1.20:

- +5% (€1.26) LTV -0.7%-points
- -5% (€1.14) LTV +0.8%-points

- Average rate for 6 months to 30 June 2016 €1.28:£1
- € income 53% hedged by € expenditure (including interest)
- Net € income for the period €25m (£20m) – 19% of Group
- Illustrative annualised net income sensitivity versus €1.28:
  - +5% (€1.34) = –c.£1.9m (c0.2p per share)
  - -5% (€1.22) = +c.£2.1m (c0.3p per share)

Financial summary

- Strong operating performance in H1 2016
- Good earnings momentum from developments and rental growth
- Solid financial position

2016 HALF YEAR RESULTS

STRONG OPERATING PERFORMANCE

Well placed to outperform

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- Market backdrop remains favourable
  - Structural drivers of occupier demand
  - Low availability, constraints in new supply
- SEGRO well placed to capitalise on opportunities
  - Development
  - Asset management
  - Prudent financial management
- Near-term growth underpinned by committed developments
  - Largely de-risked through pre-lets
  - Significant potential to add further projects

Strategic priorities remain unchanged

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Asset Management

- Record low vacancy rate of 4.8%
- 4.1% like-for-like net rental income growth
- 3.9% uplift from rent reviews and renewals

Development

- 14 projects completed: £10m potential rent, 83% leased
- Leasing of speculative projects ahead of appraisals
- 10 pre-let agreements signed in the period

Disposals

- £383m of disposals completed in the period
    - Bath Road offices £325m
    - SELP transfers €97m[1]
    - Other non-strategic £20m

Acquisitions

- Lower priority given asset pricing
- £14.5m spent on urban warehouses in Continental Europe
- £44m spent on land and £49m on land options

1 At 100%

Innova Park, Enfield

Coslada, Madrid

Gatwick International Distribution Centre

…leading to strong operating and capital performance in H1

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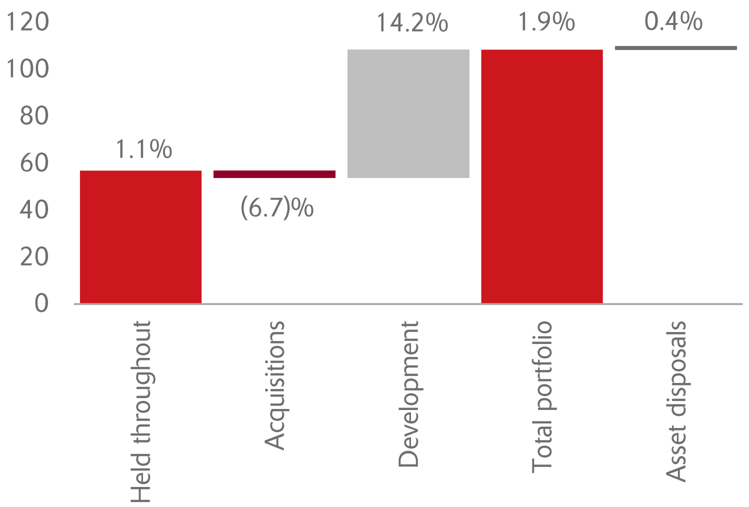
Capital value growth of £108m

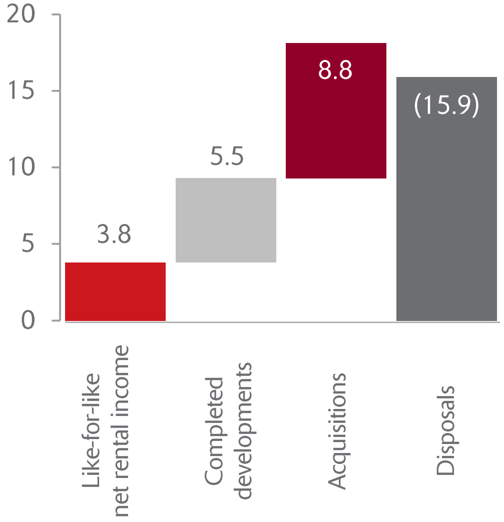
H1 2016 portfolio realised and unrealised valuation movement, £ millions



NAV per share up 2.6% to 475p

Net rental income growth of £4.3m

H1 2016 accounting net rental income, £ millions



Adjusted EPS up 6.5% to 9.8p

Taking advantage of development opportunities

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Completed developments

12 Liverpool Road, STE – spec, now let as data centre

- £82m of capital invested
- £10m of potential rent, 83% secured
- Fully-let yield of 7.9%

Current pipeline (c6-8 months)

Navigation Park, Enfield

- £210m invested; £125m cost to complete
- £26.5m rent, 67% pre-let
- 7.9% yield on cost

Near-term pipeline (12-18 months)

Beam Reach 5, East London

- £228m of potential capex
- £24m of rent
- 63% of rent associated with pre-lets signed or in advanced discussion

Near-term pipeline (12-18 months)

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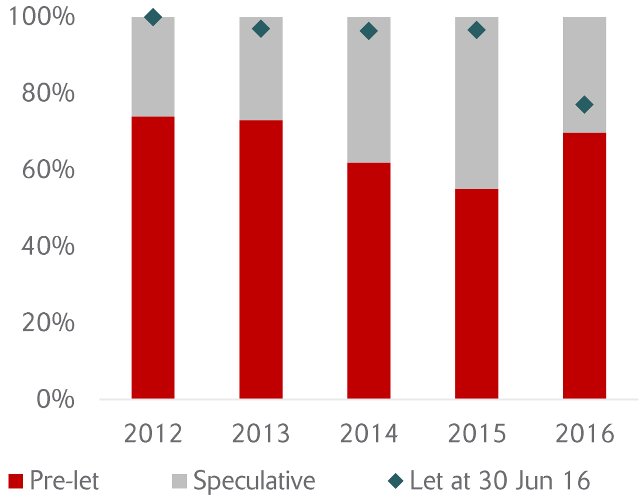
Pre-let projects (328,000 sq m)

- Involve pre-let agreements signed subject to planning permission or in advanced negotiation
- Continental Europe 68%; UK 32%
- £160m development capital expenditure
- Projected annual rents of £15m
- 7.4% yield on TDC

Speculative projects (165,000 sq m)

- Significant optionality over timing, depending on strength of occupier demand
- Focused on urban warehouses in Continental Europe (84% potential rent)
- £68m future development capital expenditure
- Projected annual rents of £9m
- 9.1% yield on TDC

Rapid leasing of speculative space
(Letting status of development completions in 2012-16, %)



Further development opportunities

Current land bank
(30 June 2016)

Future pipeline on current land bank (1-5 years)

- SEGRO-owned land bank
- £900m potential capex (excl land)
- £100m potential rent

Land under option (1-10 years)

- SEGRO control
- £850m potential capex (incl land)
- £70m potential rent

Substantial opportunity to grow rental income

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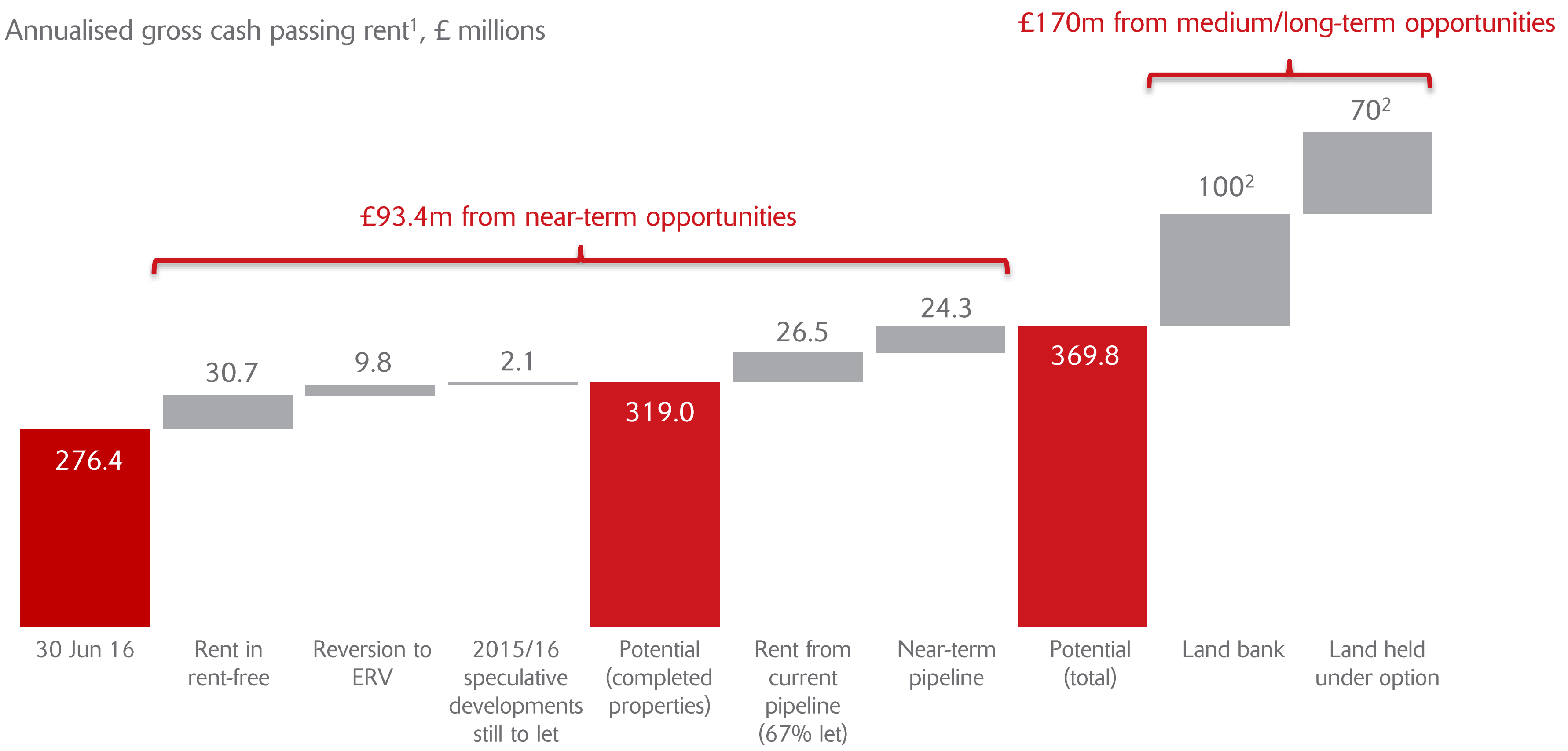

1 Including JVs at share; excludes rental value of vacant properties of £17.5m
2 Estimated. Excludes rent from development projects identified for sale on completion

Structural drivers of demand outweigh referendum concerns

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- 12 lettings / pre-lets signed since referendum (24 June – 20 July)
- 39,000 sq m (60% UK; 40% Cont Europe)
- £3.4m of rent, 6% above ERV
- Spread across a range of industries: retail, logistics, manufacturing, food producers
- All need space to expand, to manufacture, to distribute

Global on-line retailer	Tazaki Foods	KUEHNE+NAGEL	tails.com	toucan BOX
15,100 sq m pre-let, Munich	7,400 sq m letting, Enfield	8,000 sq m letting, Heathrow	1,900 sq m letting, Heathrow	1,850 sq m letting, Heathrow

Outlook

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- Optimistic about occupational markets
  - Structural demand drivers, supply likely to remain constrained
- Too early to assess the impact of the EU referendum
  - Encouraging early signs
- Asset values likely to out-perform wider real estate market
- Well positioned to take advantage of suitable investment opportunities

Future earnings growth underpinned by developments

2016 HALF YEAR RESULTS

Q&A

APPENDIX I

PORTFOLIO AND FINANCIAL DATA

Market backdrop has remained supportive

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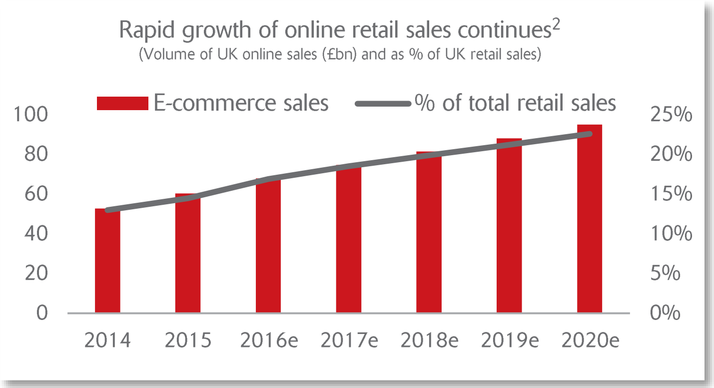

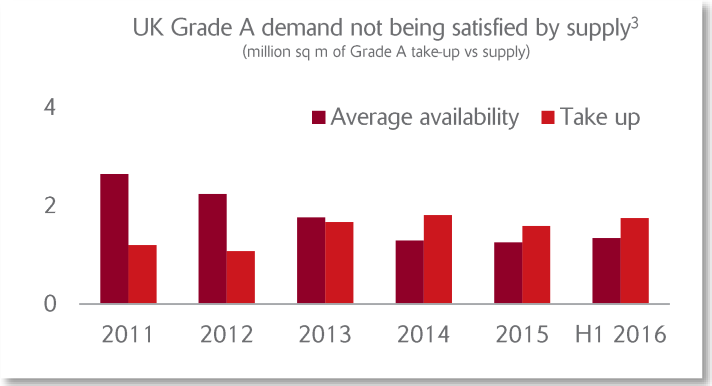

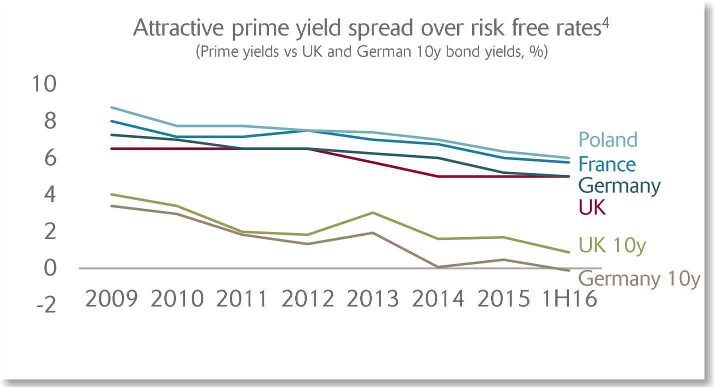

Sources: 1 Economist Intelligence Unit July 2016, 2 eMarketer June 2016, 3 JLL (H1 2016 take-up reflects rolling annual take-up), 4 CBRE, Bloomberg (data at period-end)

EPRA performance measures

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	30 June 2016		30 June 2015		31 December 2015	
	£m	£p per share	£m	£p per share	£m	£p per share
EPRA[1] profit after tax	73.4	9.8	63.9	8.6	137.3	17.8
EPRA NAV	3,593.8	475	3,100.7	416	3,453.4	463
EPRA NNNAV	3,285.5	435	2,836.3	380	3,195.9	428
EPRA net initial yield		4.9%		5.1%		5.0%
EPRA topped-up net initial yield		5.4%		5.5%		5.5%
EPRA vacancy rate		4.8%		7.4%		4.8%
EPRA[1] cost ratio (including vacant property costs)		23.6%		23.9%		24.2%
EPRA[1] cost ratio (excluding vacant property costs)		20.7%		22.7%		22.5%

1 See Supplementary notes to the condensed financial information for reconciliation to SEGRO adjusted metrics

Adjusted income statement (JVs proportionally consolidated)

SEGRO

	H1 2016			H1 2015		
	Group £m	JVs £m	Total £m	Group £m	JVs £m	Total £m
Gross rental income	110.7	38.3	149.0	101.2	37.0	138.2
Property operating expenses	(22.1)	(6.0)	(28.1)	(15.8)	(5.8)	(21.6)
Net rental income	**88.6**	**32.3**	**120.9**	**85.4**	**31.2**	**116.6**
JV management fee income	9.1	–	9.1	6.7	–	6.7
Administration expenses	(15.5)	(0.1)	(15.6)	(13.0)	(0.4)	(13.4)
Adjusted operating profit	**82.2**	**32.2**	**114.4**	**79.1**	**30.8**	**109.9**
Net finance costs	(33.5)	(6.2)	(39.7)	(33.5)	(6.5)	(40.0)
Adjusted profit before tax	**48.7**	**26.0**	**74.7**	**45.6**	**24.3**	**69.9**
Tax and non-controlling interests	(0.8)	(0.5)	(1.3)	(0.5)	(0.7)	(1.2)
Adjusted profit after tax	**47.9**	**25.5**	**73.4**	**45.1**	**23.6**	**68.7**

Balance sheet (JVs proportionally consolidated)

SEGRO

	30 June 2016			31 December 2015		
	Group £m	JVs £m	Total £m	Group £m	JVs £m	Total £m
Investment properties	4,394.5	1,483.4	**5,877.9**	4,424.0	1,303.5	**5,727.5**
Trading properties	33.0	0.5	**33.5**	37.6	5.8	**43.4**
Total properties	**4,427.5**	**1,483.9**	**5,911.4**	**4,461.6**	**1,309.3**	**5,770.9**
Investment in joint ventures	1,050.7	(1,050.7)	–	867.3	(867.3)	–
Other net liabilities	(122.4)	(28.0)	**(150.4)**	(32.5)	(55.3)	**(87.8)**
Net debt	(1,706.9)	(405.2)	**(2,112.1)**	(1,806.5)	(386.7)	**(2,193.2)**
Net asset value[1]	**3,648.9**	–	**3,648.9**	**3,489.9**	–	**3,489.9**
EPRA adjustments			(55.1)			(36.5)
EPRA net assets			**3,593.8**			**3,453.4**

1 After minority interests

EPRA capital expenditure analysis

SEGRO

	H1 2016			H1 2015		
	Group £m	JVs £m	Total £m	Group £m	JVs £m	Total £m
Acquisitions	65.5	39.8	105.3	349.0	74.9	423.9
Development[1]	97.1	17.6	114.7	41.9	4.2	46.1
Completed properties[2]	9.8	2.0	11.8	12.9	3.9	16.8
Other[3]	10.2	2.1	12.3	5.7	1.2	6.9
TOTAL	182.6	61.5	244.1	409.5	84.2	493.7

- Approximately 60% of completed properties capex is directly linked to generating rents
- c£5m of maintenance capex within "Completed properties"

1 Includes wholly-owned capitalised interest of £2.4 million (H1 2015: £1.2 million) and share of JV capitalised interest of £0.5 million (H1 2015: £0.1 million).

2 Completed properties are those not deemed under development during the year. Incorporates minor refurbishment (not deemed to be directly ERV enhancing), and infrastructure expenditure and major refurbishment and fit-out of existing buildings (which are considered ERV enhancing)

3 Tenant incentives, letting fees and rental guarantees

Look-through loan-to-value ratio at 30 June 2016

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	30 June 2016 £m	Weighted average cost of gross debt, %[1]
Group gross borrowings	1,718	3.7
Group cash & equivalents	11	–
Group net borrowings	**1,707**	–
Share of joint venture net borrowings	405	2.4
SEGRO net borrowings including joint ventures at share	**2,112**	**3.4**
Total properties (including SEGRO share of joint ventures)	**5,911**	
'Look-through' loan to value ratio	**36**	

1 Figures exclude commitment fees and amortised costs

Debt maturity profile at 30 June 2016, £m

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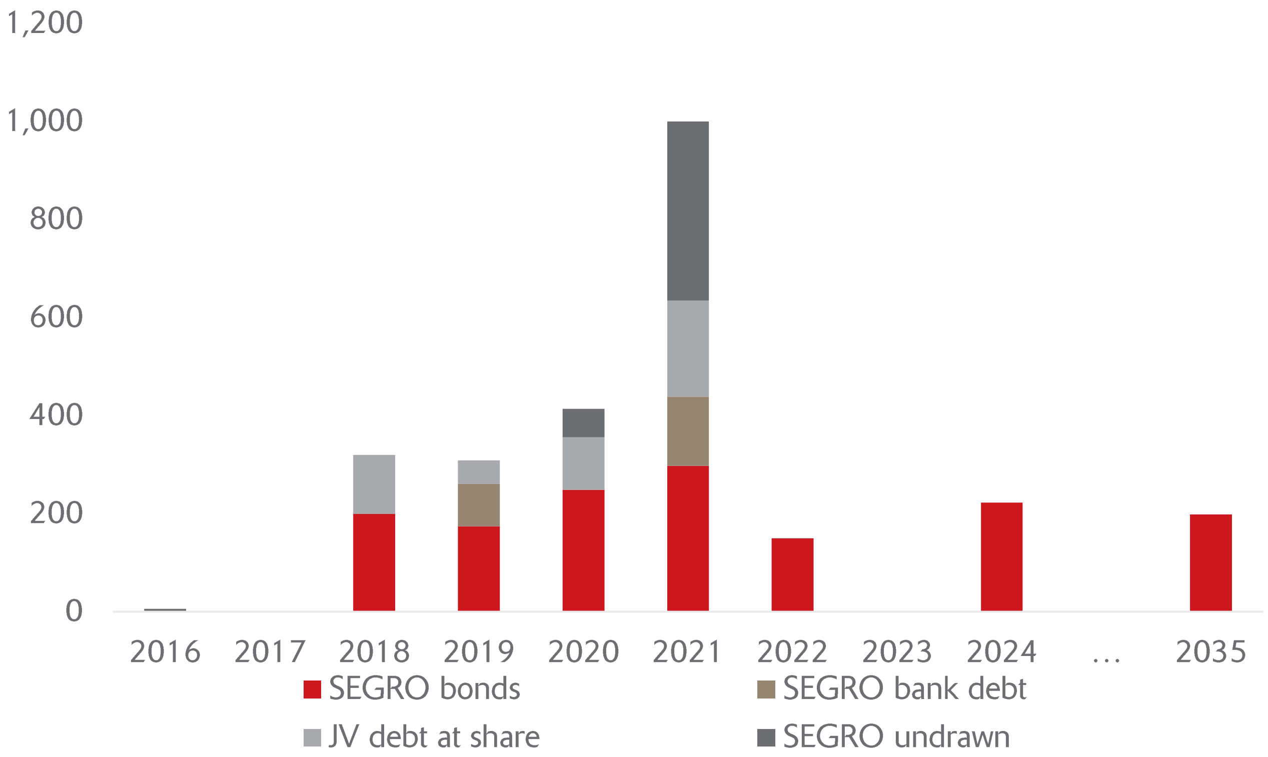
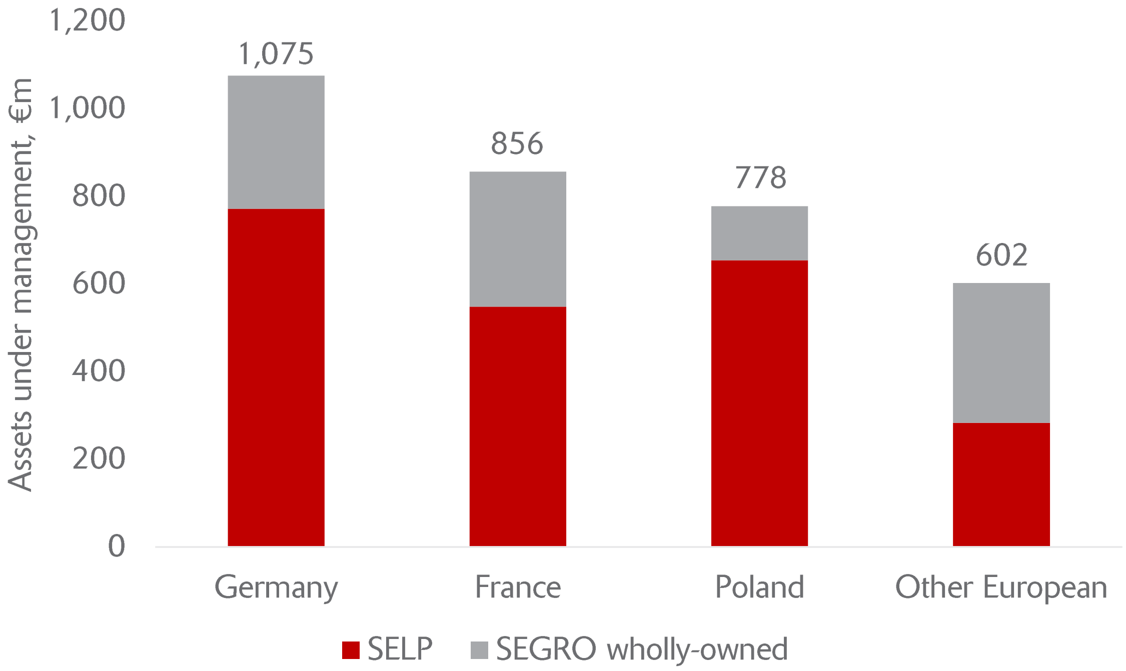


SEGRO Continental Europe assets under management



- €3.3bn AUM at 30 June 2016 (£2.8bn)
- SELP joint venture focuses on big box logistics assets
- Other European countries comprise:
  - The Netherlands, Belgium and Austria — supported by our platform in Germany
  - Italy and Spain — supported by our platform in France
  - Czech Republic and Hungary — supported by our platform in Poland

Current pipeline completion schedule

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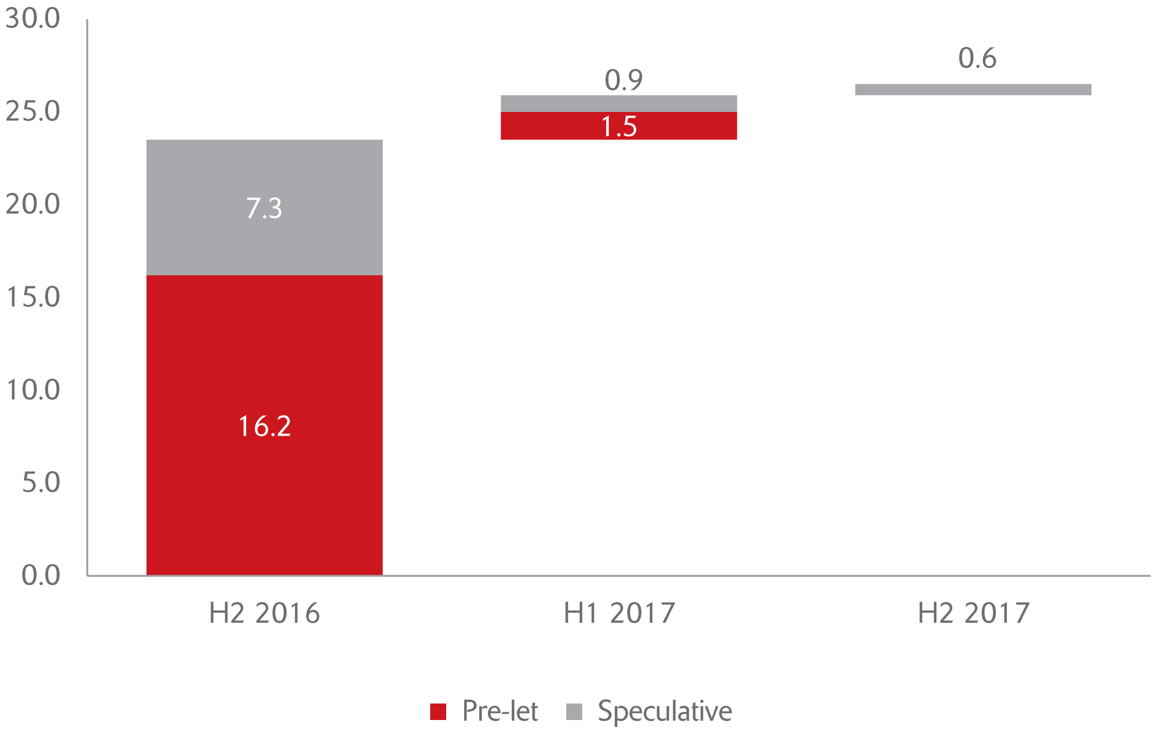

- Almost all of the current pipeline expected to complete in 2016
- £26.5m gross rent when fully let
  - £17.7m gross rent from pre-let developments
  - £8.8m potential gross rent from speculative developments

1 At 30 June 2016, including joint ventures at share

Current development projects – significantly de-risked

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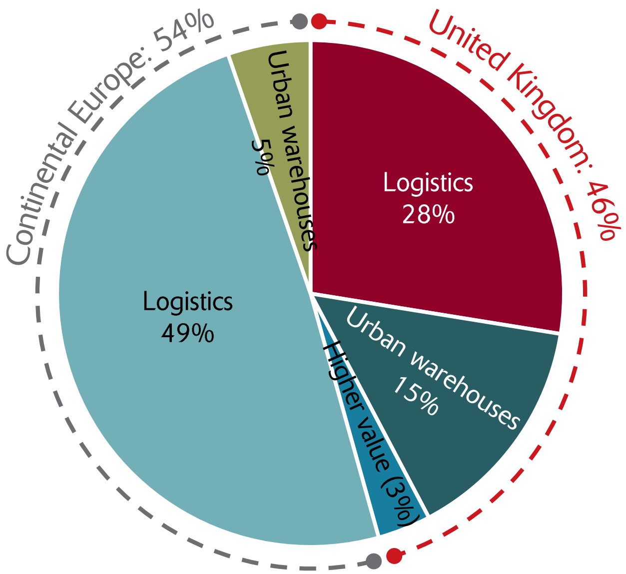
Current development projects, asset type by ERV
(30 June 2016)



Current pipeline (440,500 sq m)

- £125m development cost to complete
- Projected annual rents of £26.5m
- 67% pre-let at 30 June 2016
- 7.9% estimated yield on total development cost[1]
- 90% of projects expected to complete in 2H 2016

1 Total development cost including land value at commencement of development

Long-term growth potential from land bank in core industrial markets

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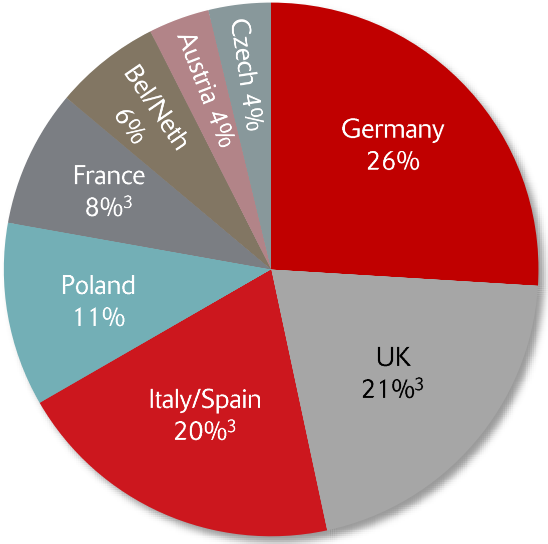
Current land bank
(30 June 2016)

Geographic split of future pipeline, by ERV[1 3]
(30 June 2016)



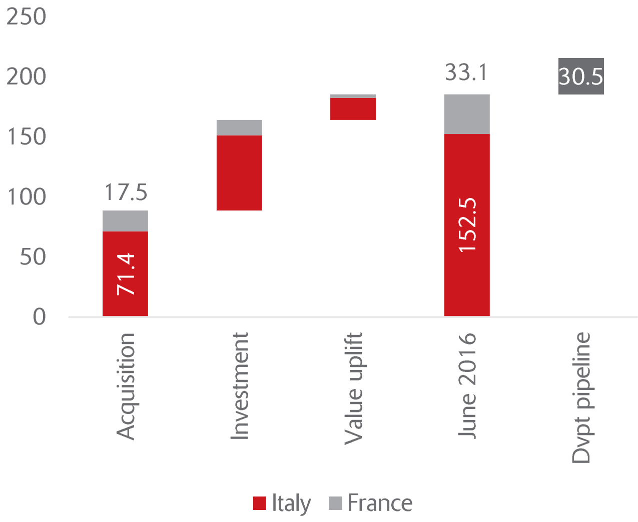
Future pipeline (2.4m sq m)[3]

- £950m estimated development costs[1]
- £106m of potential annual rent[1]
- 8.5% estimated yield on TDC[2]
- 11.1% estimated yield on new money
- 60% ERV from Continental Europe big box logistics
- 40% ERV from urban warehouses

1 Including joint ventures at share.
2 Total development cost: includes land valued at £297m. Further details in the H1 2016 Property Analysis Report.
3 Excludes potential developments on land held under option.

Building scale in Italy through Vailog

Assets under management from Vailog acquisition, €m



- Vailog acquired in June 2015 with €89m of standing assets, land and development in Italy and France
- AUM in Italy already projected to be near €200m by end-2016
- Accretive developments:
  - **Completed:** 111,000 sq m in Milan and Piacenza, pre-let to OVS and Leroy Merlin
  - **Underway:** 147,000 sq m pre-let projects to TNT, One Express, ExorNaturasi, Yoox in Paris, Milan and Bologna
  - **In the pipeline:** 240,000 sq m pre-let agreements in France and Italy
- Three assets in Italy transferred into SELP during the period
- 13% capital gains since acquisition

Future opportunities under option – East Plus

- 1.4m sq ft of urban distribution space in a major regeneration area of London
- Capex of c£180m over 10 years
- Partly funded by sales of completed assets when fully let
- **2016 – Beam Reach 5 Phase 1:** Planning permission granted; £30m capex, 240,000 sq ft, 7.3% yield on TDC
- **2017 – Jenkins Lane Phase 1:** Pre-let discussions for 120,000 sq ft warehouse; £27m capex, 6.1% yield on TDC

Land bank provides optionality and opportunity for growth

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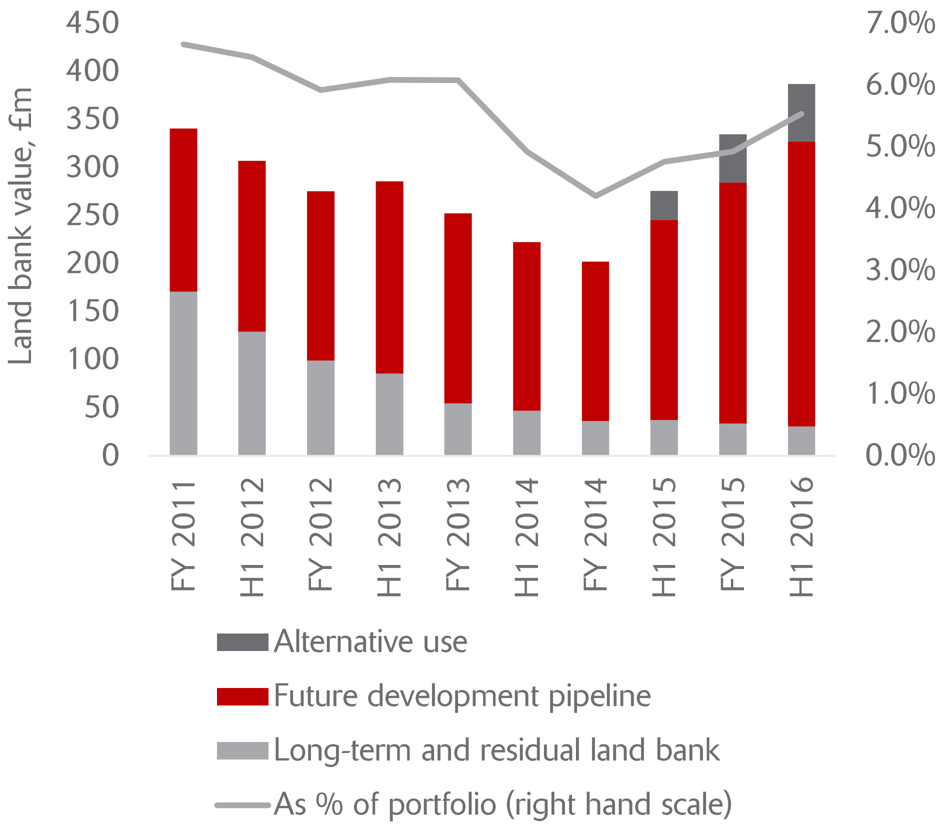
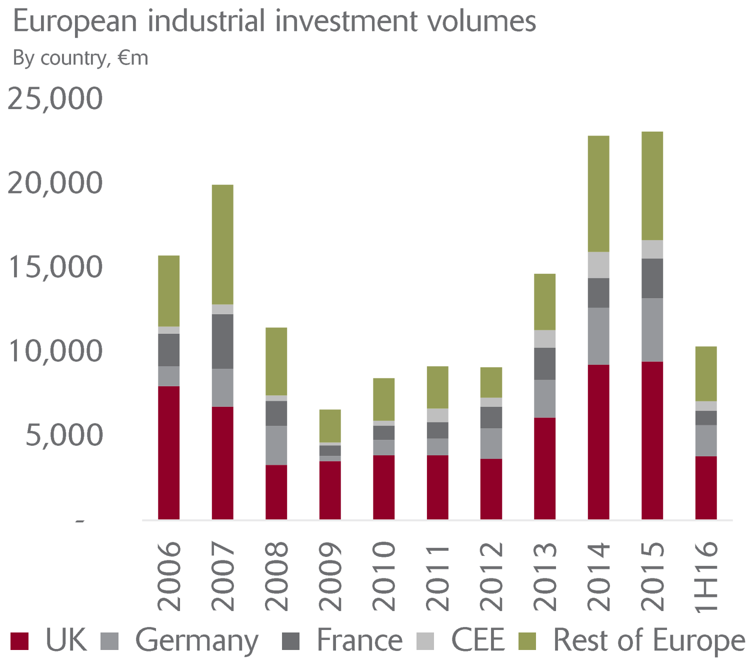


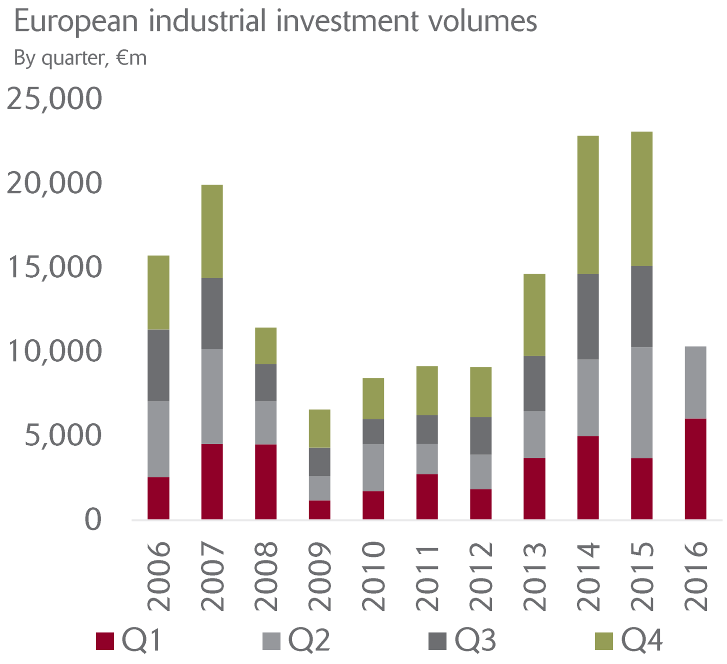
- £60m of land bank identified for sale for alternative use (mainly residential) – held at industrial land value
- Additional opportunity from land held under option
  - Roxhill — 587 hectares of industrial land in Midlands and SE England
  - East Plus — 35 hectares of industrial land in East London
  - Vailog — 40 hectares of industrial land in France and Italy

APPENDIX II

MARKET DATA

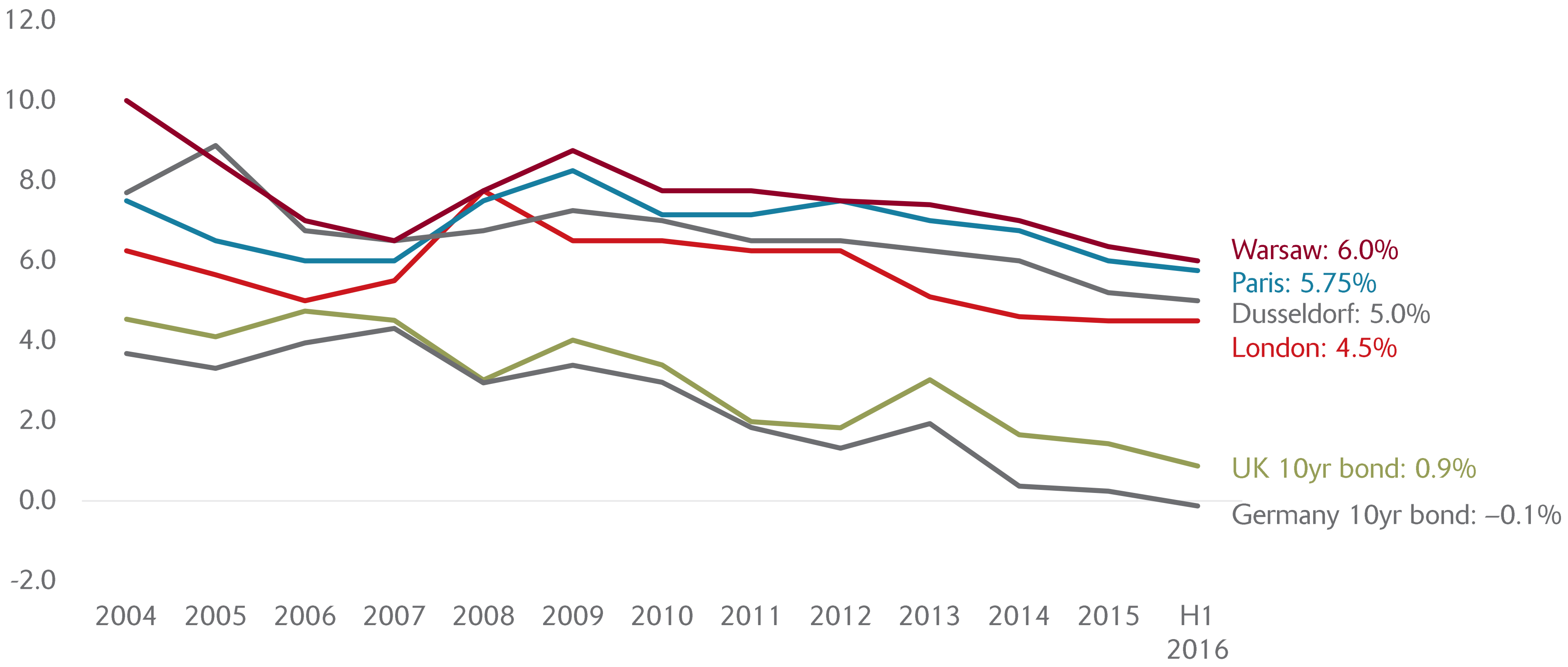
European industrial investment volumes





Source: CBRE

Prime logistics yields vs 10 year bond yields



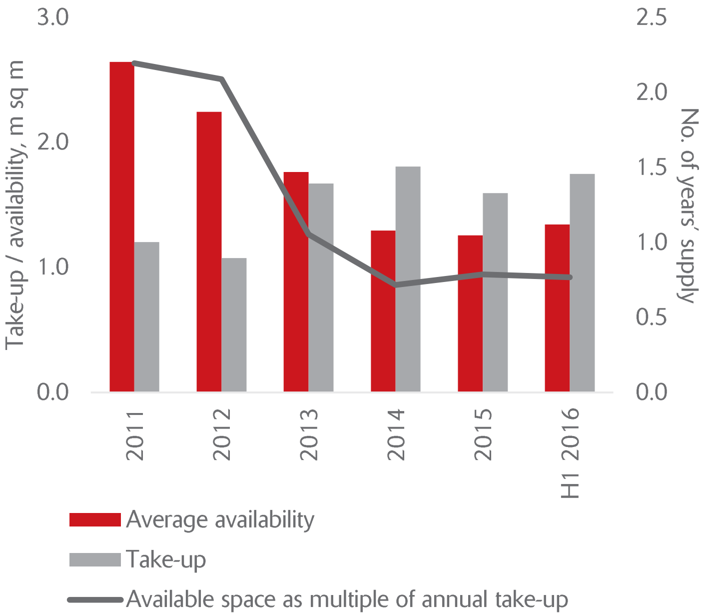
Source: CBRE, Bloomberg (data correct at 30 June 2016)

Supply of UK big box warehouses falling behind levels of demand

SEGRO

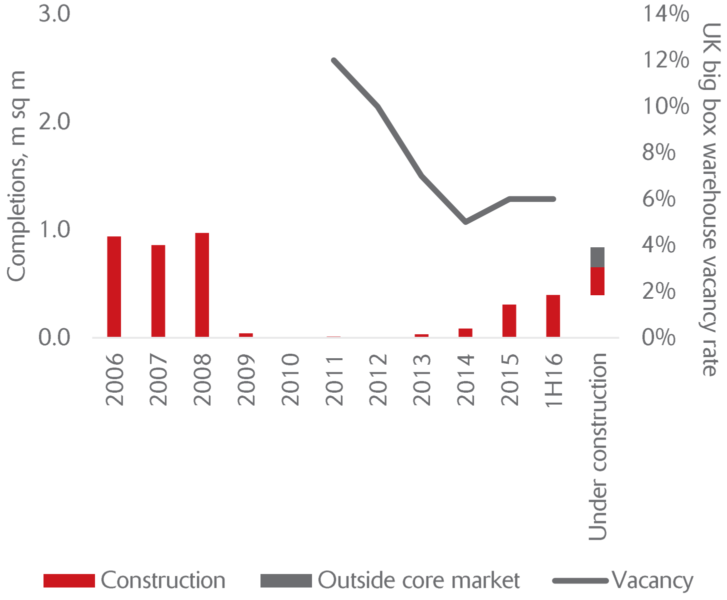
UK Big Box supply-demand dynamics[1]

(m sq m)



Speculative UK Big Box completions[2]

(m sq m)



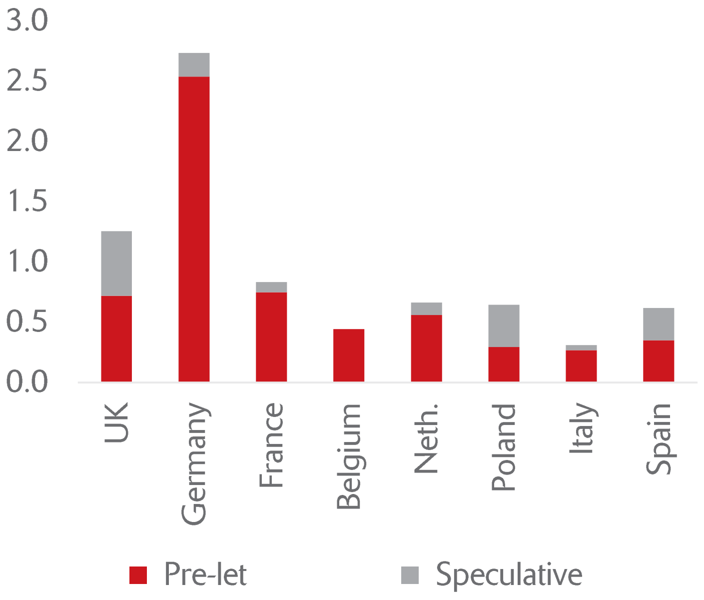
1 Source: JLL (logistics warehouses >100,000 sq ft, Grade A); H1 2016 take-up is rolling annual take-up
2 Source: JLL

European industrial and logistics supply dynamics

SEGRO

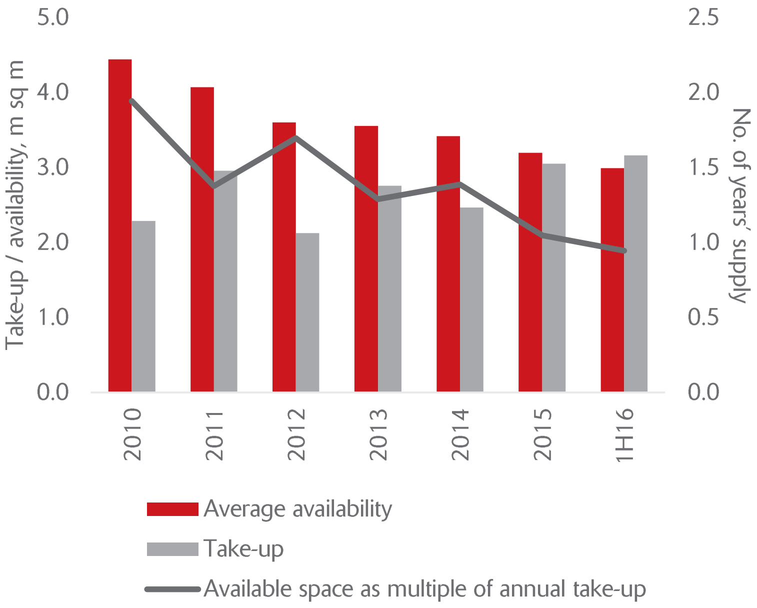
Logistics space under construction[1]

(m sq m)



France logistics supply-demand dynamics[2]

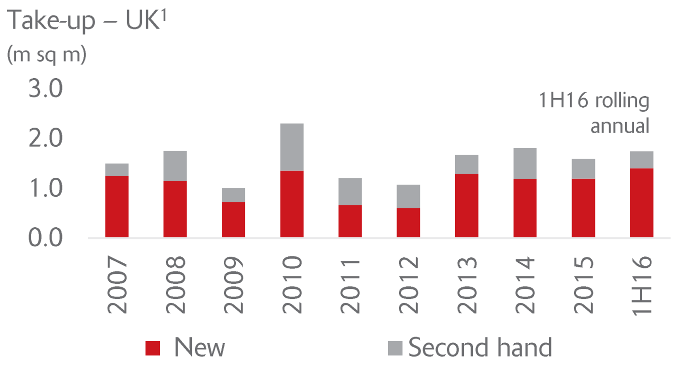
(m sq m)

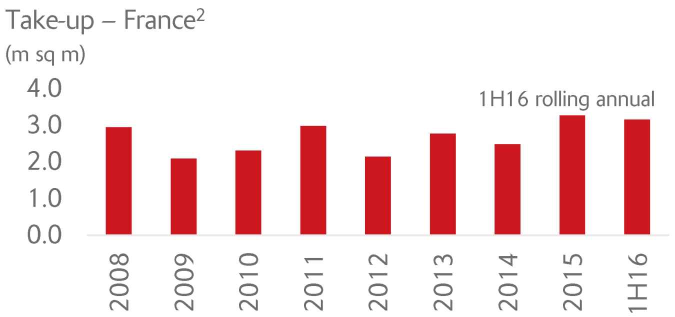


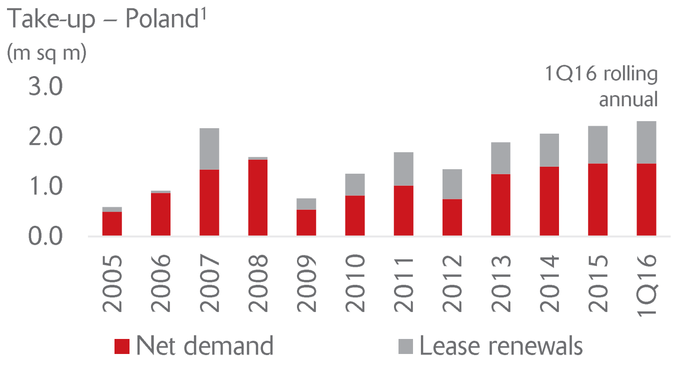
1 Source: 1Q 2016, JLL

2 Source: CBRE; take-up for H1 2016 reflects rolling annual take-up

European industrial and logistics — take-up statistics







1 Source: JLL (Q1 and H1 2016 reflect rolling annual take-up)
2 Source: CBRE (H1 2016 is rolling annual take-up)
3 Source: BNP Paribas Real Estate

European industrial and logistics — availability statistics

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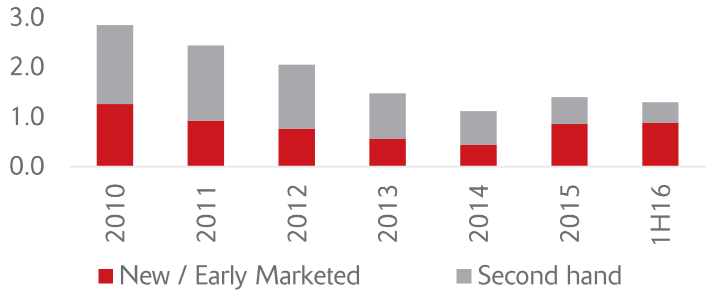
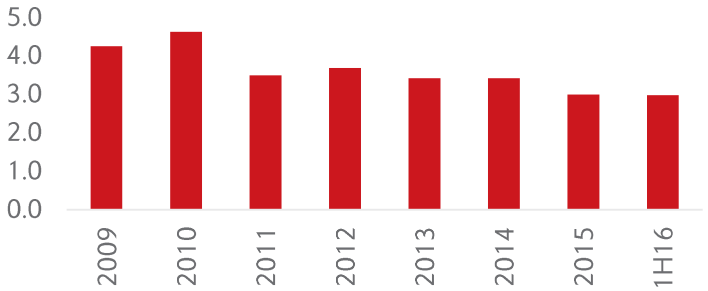
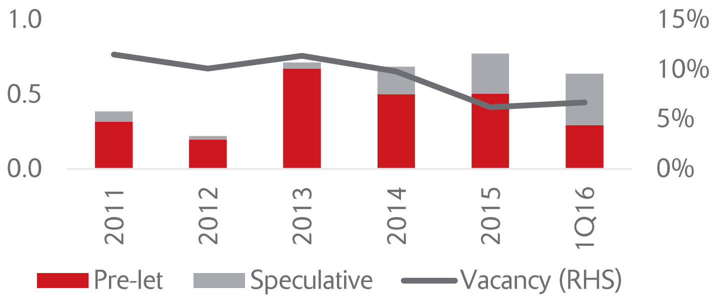
Availability – UK[1]
(m sq m)



Availability – France[2]
(m sq m)



Space under construction and vacancy rate – Poland[1]
(m sq m)

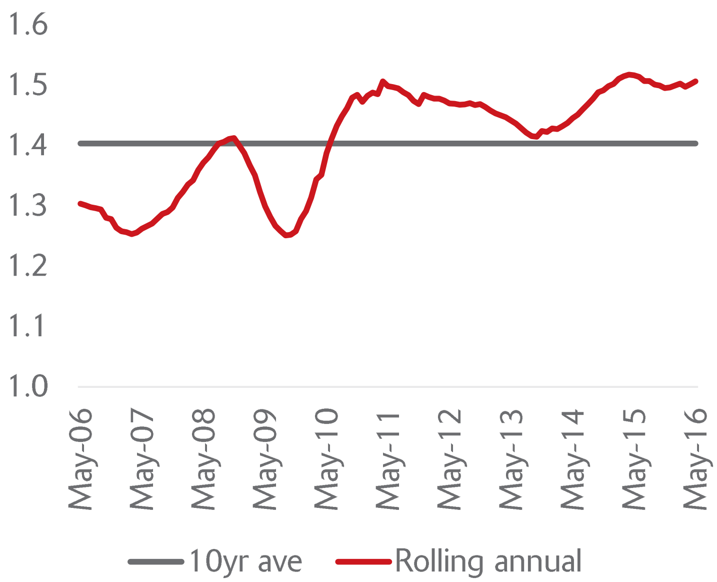


1 Source: JLL
2 Source: CBRE

Heathrow Airport cargo and passenger volumes

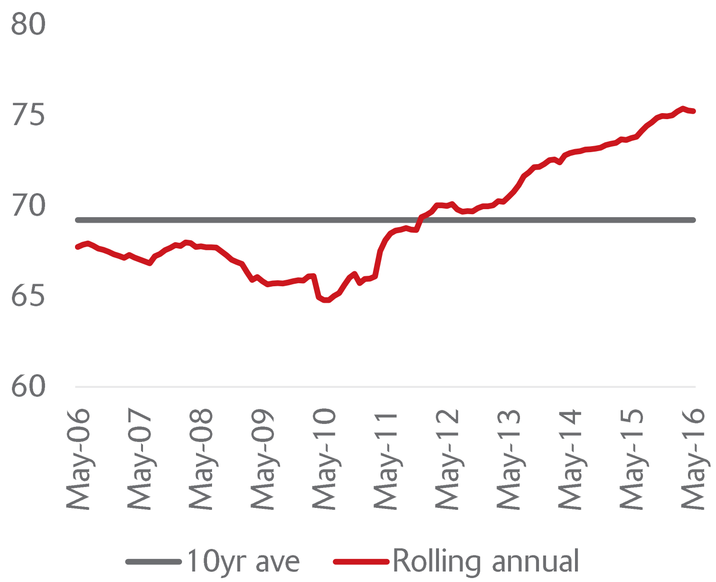
Heathrow Airport cargo volumes

(million metric tonnes)



Heathrow Airport passenger volumes

(millions)



Source: Heathrow Airport

Forward-looking statements

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