Performance review

Assets under management

£20.9bn

2021: £21.3bn

Portfolio valuation

£17.9bn

2021: £18.4bn

Portfolio valuation change

-11.0%

2021: +28.8%

ERV growth

+10.9%

2021: +13.1%

2022 was a year of contrasts with very different dynamics in the investment and occupier markets.

Soumen Das
Chief Financial Officer

Portfolio Performance Summary

Valuation declines from market-driven yield expansion were partly offset by gains from strong rental growth, asset management and development.

Warehouse property values continued to rise during the first six months of 2022, but sharp increases in interest rates resulted in market uncertainty and volatility. This led to a higher cost of capital, which was reflected by the valuers through significant yield expansion during the second half of the year.

Occupier demand was strong throughout, and supply remained at historically low levels, driving further market rental growth. Along with asset management and development gains, this helped to offset some of the impact of yield expansion, but not enough to prevent property values falling over the year.

The Group's property portfolio was valued at £17.9 billion at 31 December 2022 (£20.9 billion of assets under management). The portfolio valuation, including completed assets, land and buildings under construction, decreased by 11.0 per cent (adjusting for capital expenditure and asset recycling during the year), offsetting some of the 28.8 per cent growth achieved in 2021. The valuation fell 16.6 per cent in the second half of 2022.

In total, our portfolio generated a total property return (TPR) of -8.1 per cent (2021: 35.6 per cent). The UK delivered a TPR of -10.6 per cent which compared favourably to its MSCI calculated benchmark of -14.4 per cent. The Continental European TPR was -3.7 per cent, however the MSCI calculated benchmark will not be available until later in the year.

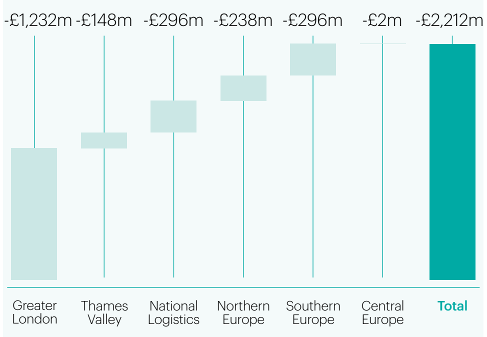
The reduction in valuation of our portfolio primarily comprises a 13.1 per cent decrease in the assets held throughout the year (2H22: -19.6 per cent, 2021: +29.0 per cent), driven by yield expansion in most markets (100 basis points across the whole portfolio), but this was partly offset by a 10.9 per cent increase in our valuer's estimate of the market rental value of our portfolio (2021: 13.1 per cent).

Assets held throughout the year in the UK decreased in value by 15.5 per cent (2H22: -21.4 per cent, 2021: +34.5), outperforming the MSCI Real Estate UK All Industrial Quarterly index which decreased by 17.4 per cent over the same period. The outperformance was due to the prime quality of our portfolio providing resilience on capital values along with the significant embedded reversionary potential. The true equivalent yield applied to our UK portfolio was 4.8 per cent, 110 basis points higher than at 31 December 2021 (3.7 per cent) Rental values improved by 11.5 per cent (2021: 18.8 per cent).

Assets held throughout the year in Continental Europe decreased in value by 8.8 per cent (2H22: -12.4 per cent, 2021: +18.7 per cent) on a constant currency basis, reflecting a combination of yield expansion to 4.8 per cent (31 December 2021: 4.0 per cent) and rental value growth of 9.9 per cent (2021: 4.1 per cent).

More details of our property portfolio can be found in Note 26 to the Financial Statements and in the 2022 Property Analysis Report at www.SEGRO.com/investors.

Unrealised losses on whole portfolio



Valuation: what to expect in 2023

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

Nevertheless, the operating prospects for our portfolio are strong, supported by structural drivers of occupational demand and limited supply, therefore we are optimistic about the potential for further rental value growth, particularly in our urban warehouse portfolio.

These attractive fundamentals mean we anticipate investors will return to the market to invest in industrial and logistics assets once there is more clarity over the interest rate trajectory. We have seen encouraging early signs that this activity is increasing.

We believe that our high-quality portfolio and focus on active asset management will enable us to outperform the wider industrial and logistics markets in the countries in which we operate through the cycle.

COO's Q&A

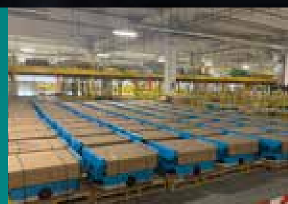
Scan here to see video.

Enabling extraordinary things in 2022

To ensure we are able to consistently deliver the extraordinary we stay close to our customers, helping us to understand their changing requirements.

Andy Gulliford addresses:

- Outlook for rental growth
- Development strategy going forward
- Operational priorities for 2023



To find out more about SEGRO visit www.segro.com

Performance review
continued

Asset management update

Portfolio passing rent

£587m

2021: £518m

Rent contracted during the year

£98m

2021: £95m

Customer satisfaction

85%

2021: 90%

Corporate and customer carbon emissions

272,218 tonnes CO_2e

2021: 280,575 tonnes CO_2e

Visibility of customer emissions

68%

2021: 54%

On-site renewable energy capacity

44MW

2021: 35 MW

Strong occupier demand and low levels of vacancy across our markets created the perfect conditions for rental growth during 2022.

Andy Gulliford
Chief Operating Officer

What we said we would do

We expected occupier demand to remain strong in all of our markets and expected vacancy rates to remain low. With supply also limited, we expected customer retention to remain high and rental growth to continue.

What we achieved in 2022

Our focus on Operational excellence and commitment to excellent customer service helped us to contract a record level of rent during 2022, reflecting a strong performance in rent reviews and renewals, and continued momentum in pre-lettings. Occupancy remained high, aided by rapid letting of recently completed speculative developed space. We also made great progress in improving our visibility of customer emissions, and significantly increased our solar capacity, which is key to reducing our overall Scope 3 emissions (which are included in our net-zero target).

What to expect in 2023

Occupier demand has moderated from pandemic highs but remains strong versus historical levels. There are additional pressures on customers from the weaker macro economic environment, energy prices (and business rate revaluations in our UK portfolio) but for many of our customers rents are a small part of the cost base and leasing modern, sustainable space in the right locations helps them to reduce other costs. With market rates at record low levels and new supply constrained by the availability of land, particularly in urban markets, we expect rental growth to continue.

Growing rental income from letting existing space and new developments

At 31 December 2022, our portfolio generated passing rent of £587 million, rising to £634 million once rent free periods expire ('headline rent'). During the year, we contracted £98 million of new headline rent. We grew the rent from our existing space significantly as a result of the capture of reversionary potential, and also due to the impact of indexation. Strong occupier demand for new space also helped us sign a high number of pre-let agreements for delivery over the next two years.

Our customer base remains well diversified, reflecting the multitude of uses of warehouse space. Our top 20 customers account for 32 per cent of total headline rent. Amazon remained our largest customer during 2022, 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 2022, in order to service their e-commerce and increasingly manufacturing related contracts as these businesses focus on building efficiency and resilience into their supply chains and distribution networks. We also signed new leases with data centre operators taking space in response to the growth in cloud computing.

- **£31 million of net new rent from existing assets.** We generated £21 million of headline rent from new leases on existing assets (2021: £26 million) and £28 million from rent reviews, lease renewals and indexation (2021: £9 million). This was offset by rent from space returned of £18 million (2021: £20 million), much of it taken back for refurbishment and including £2 million of rent lost due to insolvency (2021: £2 million).
- **Rental growth from lease reviews and renewals.** These generated an uplift of 23.3 per cent (2021: 13.0 per cent) for the portfolio, compared to previous headline rent. During the year, new rents agreed at review and renewal were 28.0 per cent higher in the UK (2021: 18.7 per cent) as reversion accumulated over the past five years was reflected in new rents agreed, adding £18 million of headline rent. In Continental

Europe, rents agreed on renewal were 1.7 per cent higher (2021: 1.5 per cent higher), as a result of market rental growth continuing to outpace the indexation provisions that have accumulated over recent years.

- **Continued strong demand from customers for pre-let agreements.** We contracted £41 million of headline rent from pre-let agreements and lettings of speculative developments prior to completion (2021: £49 million). This includes the first pre-let at our new UK big box park in Coventry, space for third-party logistics operators, online retailers and manufacturers across Continental Europe, and a multi-storey data centre development in Slough.
- **Rent roll growth increased to £77 million.** An important contributor to increases in earnings and dividends is the growth in our rent roll, primarily through increasing rent from our existing assets and generating new rent through development. Rent roll growth, which reflects net new headline rent from existing space (adjusted for takebacks of space for development), take-up of developments and pre-lets agreed during the period, increased to £77 million in 2022, from £72 million in 2021.

Existing portfolio continues to perform well and delivered another set of strong operating metrics

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

- **High levels of customer satisfaction.** Although the quality and location of our portfolio is important to our customers, we believe the service we provide is crucial to maintaining high customer retention and low vacancy. We carry out a rolling survey of our customers throughout the year to identify and rectify issues promptly. In 2022, we spoke to 286 customers, and 98 per cent said that they would recommend SEGRO to others (2021: 97 per cent) while 85 per cent said they rated their experience with SEGRO as 'Excellent' or 'Good' (2021: 90 per cent).
- **Occupancy has remained high**. The occupancy rate at 31 December 2022 was 96.0 per cent (31 December 2021: 96.8 per cent), with a slight decrease due to taking some existing space back for our redevelopment plans and some speculative completions towards the end of the year. The occupancy rate excluding recently completed speculative developments remains high at 97.3 per cent (2021: 97.3 per cent). The average occupancy rate during the period was 96.4 per cent (2021: 96.2 per cent) which is above our target of 94 to 96 per cent.
- **Customer retention rate of 76 per cent.** Approximately £61 million of headline rent was at risk from a break or lease expiry during the period, of which we retained 75 per cent in existing space, with a further 1 per cent retained but in new premises. We value the long-term relationships that we build with our customers and always try to work with them to meet their changing requirements. However, with vacancy at such low levels we also take the opportunity to create space for reletting, and to capture market rental growth. We have actively taken space back during 2022 to enable redevelopment.
- **Lease terms continue to offer attractive income security.** The level of incentives agreed for new leases (excluding those on developments completed in the period) represented 6.1 per cent of the headline rent (2021: 6.3 per cent). We maintained the portfolio's weighted average lease length, with 7.0 years to first break and 8.3 years to expiry (31 December 2021: 7.2 years to first break, 8.5 years to expiry). Lease terms are longer in the UK (8.1 years to break) than in Continental Europe (5.6 years to break), reflecting the market convention of shorter leases in countries such as France and Poland.

A reduction in our corporate and customer carbon emissions and increased visibility of the energy usage of our customers

Alongside the day-to-day management of our portfolio, our teams also worked hard during 2022 on our Responsible SEGRO commitment to Champion low-carbon growth and be a net-zero carbon business by 2030.

We made good progress towards our science-based target 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 2022, we reduced carbon emissions by 3 per cent, taking our reduction from 2020 to 13 per cent.

All energy for our own operations, and where we procure energy on behalf of our customers, has been on renewable tariffs since 2021. During 2022, we focused our efforts on the customer emissions that we do not directly control. An important step in this is gaining better visibility of this usage, so that we do not have to rely on estimates. We now have visibility of 68 per cent of our portfolio (2021: 54 per cent).

This improved visibility allows us to better identify opportunities to help our customers operate their buildings more efficiently, saving them both carbon emissions and money. During 2022, we introduced the inclusion of green clauses on all new leases across our portfolio. These clauses require our customers to provide us with visibility of their energy use and, where feasible, procure it via a renewable tariff.

We continue to improve the carbon footprint of our portfolio through the ongoing maintenance and refurbishment of our warehouses. At the end of 2022, 58 per cent of the portfolio had an EPC rating of B or better and we expect that proportion to increase through refurbishment and development.

We also made great progress with our ambition to expand the solar capacity of our portfolio. During 2022 we increased our total capacity by 9 MW taking it to 44 MW (2021: 35 MW). This included the retrofitting of solar onto an existing asset in the Netherlands which added almost 6 MW of capacity. We continue to add solar capacity through our development programme, installing panels on every asset where feasible.

We made good progress in reducing our corporate and customer carbon emissions during the year and also with our solar strategy, which will be a key to reducing this further over coming years.

Andy Gulliford
Chief Operating Officer

Performance review
continued

Development update

Development completions
639,200sq m
2021: 839,200 sq m

Development capex
£787m
2021: £639[1]m

Current pipeline potential rent
£67m
2021: £62m

Current pipeline yield on cost
6.5%
2021: 7.0%

Potential rent from future pipeline
£305m
2021: £169m

Embodied carbon
353kgCO_2e/sq m
2021: 391 kgCO_2e/sq m

1 2021 development capex has been restated to exclude capitalised interest.

What we said we would do
We expected to continue developing at an increased pace during 2022 and anticipated investing around £700 million in development capex, including infrastructure.

What we achieved in 2022
2022 has been another strong of year of development for SEGRO. We completed 639,200 sq m of space, capable of delivering £46 million of new headline rent. We spent £787 million on development capex (including £149 million on infrastructure).

We reduced the embodied carbon in our development programme by 10 per cent.

What to expect in 2023
We have 749,000 sq m of development projects under way, capable of generating £67 million of new headline rent, of which 73 per cent has been secured.

We expect to invest in excess of £600 million in development capex, including £100 million of infrastructure expenditure.

Development activity
During 2022, we invested £1.5 billion in our development pipeline, which comprised £787 million (2021: £639 million) in development spend, of which £149 million was for infrastructure, and a further £712 million to replenish our land bank to secure future development-led growth opportunities.

Development projects completed
We completed 639,200 sq m of new space during the year. These projects were 59 per cent pre-let prior to the start of construction and were 80 per cent let as at 31 December 2022, generating £37 million of headline rent, with a potential further £9 million to come when the remainder of the space is let. This translates into a yield on total development cost (including land, construction and finance costs) of 7.4 per cent when fully let.

We completed 475,000 sq m of big box warehouse space, including units at our UK big box parks in the East Midlands, Derby and Kettering. Also within this was 381,000 sq m of big box warehouses across all of our major European markets, let to third-party logistics operators, online retailers, food retailers and manufacturers.

We completed some great projects during 2022, including a London estate that has been awarded, what we believe to be, the highest BREEAM rating for a property of its kind.

Andy Gulliford
Chief Operating Officer

We completed 153,400 sq m of urban warehouses, the majority built on a speculative basis, of which almost 66 per cent is already let. In the UK, this includes our new estates SEGRO Park Hayes and SEGRO Park Tottenham, as well as a further data centre in Slough. On the Continent, we completed further phases of urban warehouse parks in the key markets of Frankfurt, Munich and Paris.

The remaining 10,800 sq m of space was for high value or other uses, for example additional car parking for customers.

Construction cost inflation, caused mainly by supply chain issues and labour shortages, was at its highest during the first half of 2022 but stabilised in the second half of the year. We are seeing evidence of increased contractor availability which may be an early sign of construction costs softening.

Reducing embodied carbon in our development programme
This is critical to helping us achieve net-zero carbon by 2030. In 2022, we reduced this by 10 per cent to 353kgCO_2e/sq m.

We continued to use best available data, including the use of Building Information Modelling (BiM) for our life cycle assessments, which helps us to assess how best to reduce the carbon footprint of our development programme.

As a result, wherever possible, we use timber instead of steel on projects across Continental Europe and low-carbon concrete alternatives. We also work with our supply chain partners to find innovative solutions, such as using recycled parts of an old roof to create asphalt for use as a road surface in the Netherlands. During the significant infrastructure works at our Northampton, UK big box logistics park a concrete plant was located onsite to reduce transport emissions and we used over one million recycled milk bottles for the site's drainage system, achieving a 90 per cent carbon saving.

The introduction of our Mandatory Sustainability policy during 2022 also supports our ambitions in this area. It covers all development projects larger than 5,000 sq m (98 per cent of our current development pipeline) and sets out a range of mandatory measures to future-proof our operations and ensure that our net-zero ambitions can be met, including guidelines for embodied carbon, solar installations, electric vehicle charging, energy data, building certifications as well as biodiversity and wellbeing requirements.

All of our development completions in 2022 have been, or are expected to be, accredited BREEAM 'Very Good' (or local equivalent) or higher and 68 per cent were rated 'Excellent' or above. See page 35 for our mandatory sustainability policy.

Current development pipeline

At 31 December 2022, we had development projects approved, contracted or under construction totalling 749,000 sq m, representing £328 million of future capital expenditure to complete and £67 million of annualised gross rental income when fully let. 73 per cent of this rent has already been secured and these projects should yield 6.5 per cent on total development cost when fully occupied.

- In the UK, we have 207,600 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 and big box warehouses at our logistics parks in Coventry, Derby and East Midlands.
- In Continental Europe, we have 484,800 sq m of space approved or under construction. This includes pre-let big box warehouses for a variety of different occupiers, from retailers to manufacturers, across all our European markets. We are also developing further phases of our successful urban warehouse parks in Berlin, Cologne and Paris.
- In addition to the projects we are developing ourselves, we also have 56,600 sq m of space under construction as part of forward-funded agreements with local developers in South London and Paris.

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

Within our Continental European current development programme, approximately £15 million of potential gross rental income is associated with big box warehouses developed outside our SELP joint venture. Under the terms of the joint venture, SELP has the option, but not the obligation, to acquire these assets shortly after completion. Assuming SELP exercises its option, we would retain a 50 per cent share of the rent after disposal. In 2022, SEGRO sold £218 million of completed assets to SELP, representing a net disposal of £109 million.

We have factored current construction and financing costs into the development returns for our current and future development projects. We continue to expect to be able to develop at a 150-200 basis point margin over standing asset yields which means that development remains highly profitable.

Further details of our completed projects and current development pipeline are available in the 2022 Property Analysis Report, at www.SEGRO.com/investors.

Future development pipeline

Near-term development pipeline

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 projects within the next six to 12 months.

These projects total 166,600 sq m of space, equating to approximately £179 million of capital expenditure and £19 million of rent.

Land bank

Our land bank identified for future development (including the near-term projects detailed above) totalled 756 hectares as at 31 December 2022, valued at £1.8 billion, roughly 10 per cent of our total portfolio value. This includes £656 million of land acquired for future re-development but which is currently income producing reducing the holding costs until development can start (equating to £21 million of annualised rent, excluded from passing rent), known as 'covered' land.

The land bank includes £712 million of land acquired during 2022, including land associated with developments already underway or expected to start in the short term. We acquired land in most of our major markets, with the largest acquisitions in supply-constrained urban markets including London, Paris, Berlin and Düsseldorf.

We estimate our land bank can support 3.5 million sq m of development over the next five to seven years. The estimated capital expenditure associated with the future pipeline is approximately £2.8 billion. It could generate £305 million of gross rental income, representing a yield on total development cost (including land and notional finance costs) of around 6-7 per cent. These figures are indicative, based on our current expectations, and are dependent on our ability to secure pre-let agreements, planning permissions, construction contracts and on our outlook for occupier conditions in local markets.

Conditional land acquisitions and land held under option agreements

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

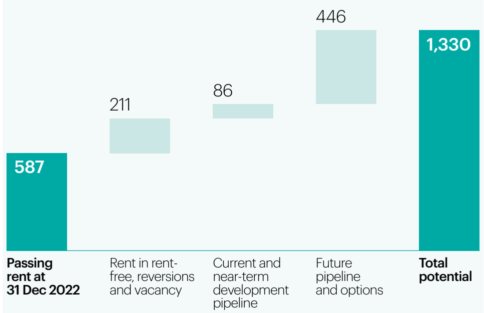
The options are held on the balance sheet at a value of £30 million (including joint ventures and associates at share). Those we expect to exercise over the next two to three years are for land capable of supporting almost 1.7 million sq m of space and generating almost £160 million of headline rent, for a blended yield of approximately 6 per cent.

Impact of our development pipeline on our rental income

Our development pipeline added a potential £46 million of headline rent to our income in 2022, which has a meaningful impact on our earnings and dividend growth.

The chart below outlines how we can grow our rent roll over the next four to five years through active asset management of our existing assets and executing our current, near-term and future pipeline, as well as through our land options. It does not reflect the impact of future rental growth, acquisitions or disposals.

Annualised rent potential
as at 31 December 2021 (£m)



Performance review
continued

Investment update

£1.3bn
of investment for growth

Acquisitions of assets[1]

£155m
2021: £494m

Acquisitions of land[1]

£712m
2021: £829m

Development capex[2]

£787m
2021: £639m

Disposals of land and assets (including sales to SELP)

£367m
2021: £515m

1 2021 asset and land acquisition comparators have been restated to reflect £503 million of assets that were recategorised as covered land
2 2021 comparator has been restated to exclude £10 million of capitalised interest

What we said we would do

We expected demand for warehouse assets to remain strong and intended to follow our Disciplined approach to capital allocation, trimming the portfolio and selling assets where we believed we had maximised our returns in order to release funds for opportunities offering a better risk-return profile.

We intended to continue the focus of our investment activity on development, while taking advantage of opportunities to acquire income-producing assets offering attractive risk-adjusted returns if they arose.

What we achieved in 2022

We continued to focus our investment on our development programme, with asset acquisitions focused on older assets with redevelopment potential, as well as successful land acquisitions in some of our most supply-constrained urban markets.

Net investment during the year was £1.3 billion and this included development capital expenditure of £787 million, £155 million of assets and £712 million of land. This was partly offset by £367 million of disposals.

What to expect in 2023

We will continue our disciplined approach to capital allocation, focusing the majority of our investment on the development pipeline (through development capex, land acquisitions and acquiring assets with future redevelopment potential), and making strategic asset acquisitions when the opportunity arises.

When normality returns in investment markets we will return to recycling 1-2 per cent of the portfolio per year.

Acquisitions focused on adding to our development programme

The majority of our asset acquisitions took place in the first half of 2022 and focused on older assets with redevelopment potential.

We acquired assets totalling £155 million, reflecting a blended topped-up initial yield of 2.7 per cent. This included:

- urban warehouse estates in Park Royal and Slough (one of which was part of an asset swap) that neighbour our existing assets and unlock potential development opportunities;
- two well-located older urban warehouse estates near to Essen and Frankfurt in Germany, both of which we intend to redevelop in the medium-term;
- a big box warehouse close to Paris developed by a customer to a high specification and sold to us off-market.

In addition, we acquired £712 million of land to create future development opportunities; £261 million of this was covered land (see page 53 for further information),

We continue to take a disciplined approach to capital allocation and focused the majority of our investment on the development programme during 2022.

Andy Gulliford
Chief Operating Officer

Asset recycling to crystallise profits on developments

Asset and land disposals combined totalled £367 million. Most of these disposals completed in the first six months of the year, taking advantage of strong investment markets to crystallise profits on assets where we believed we had maximised returns, and to reinvest the proceeds into our development programme.

We disposed of £247 million of assets, reflecting a blended topped-up initial yield of 4.4 per cent. They included:

- a stand-alone warehouse on the edge of the Slough Trading Estate as part of an asset swap;
- freehold sales of small units in East London;
- big box warehouses in Italy, including an older stand-alone warehouse on the outskirts of Milan and a state-of-the-art facility for an online retailer;
- stand-alone older warehouses in Spain and the Netherlands;
- a big box unit that we developed for a customer in the UK Midlands.

In addition to the above disposals we sold a portfolio of Continental European big box warehouses developed by SEGRO to SELP and some development land, for which we received £109 million net proceeds from an effective sale of a 50 per cent interest.

Finally, we disposed of £11 million of land, primarily comprising plots in non-core markets and residual land that was unsuitable for industrial development.