2012 Half Year Results

2 August 2012

Headlines

SEGRO
WHERE BUSINESS WORKS

- Further operational progress – good underlying earnings momentum
- Encouraging start to the strategic reshaping of our portfolio
- NAV impacted by the non-core and large, less-liquid, non-strategic assets
- Core portfolio performing well

Making good progress towards our goal of creating a leading, income-focused REIT

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Financial Results

Justin Read, Finance Director

Key financial highlights

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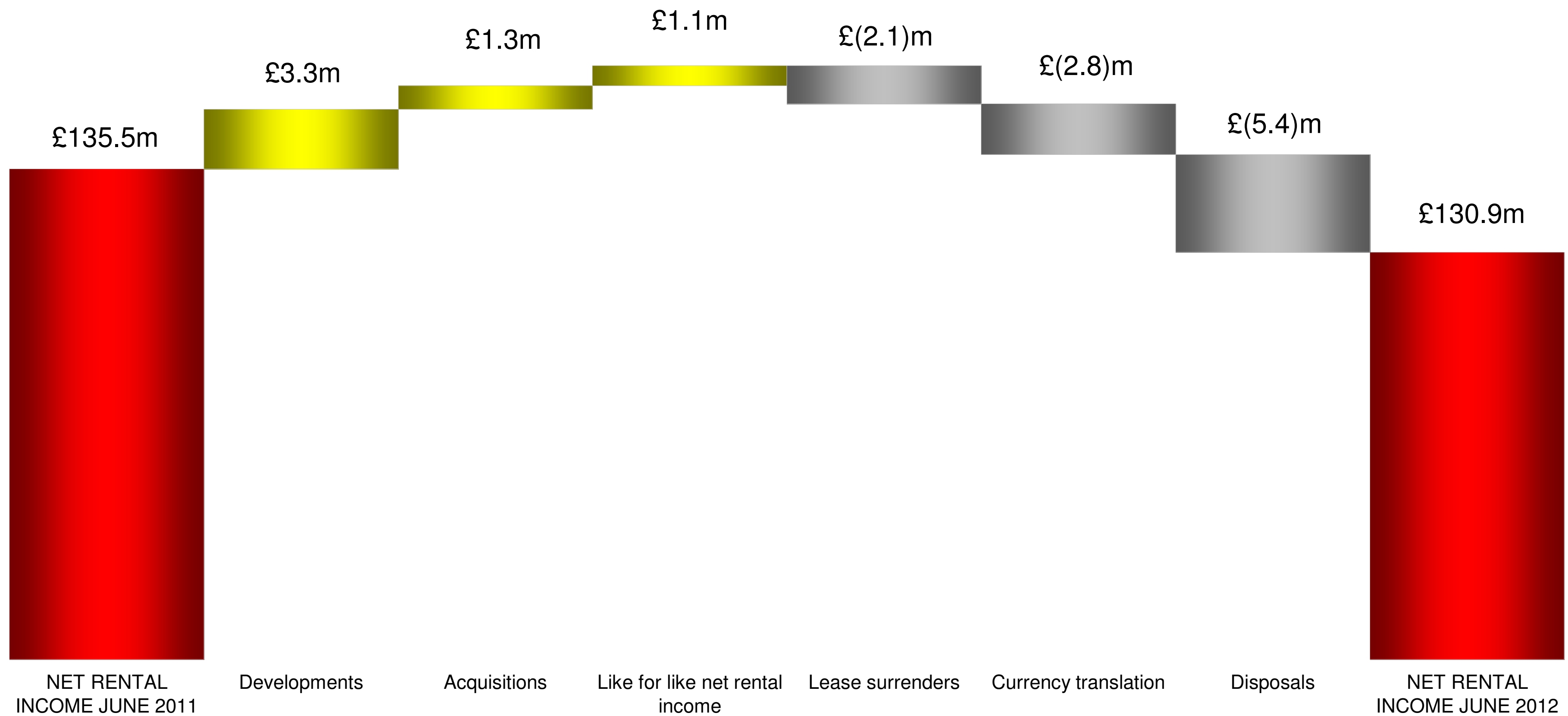
P&L	H1 2012	H1 2011	Change %
EPRA PBT (£m)	74.9	71.1	5.3
EPRA EPS (pence)	9.9	9.4	5.3
Dividend per share (pence)	4.9	4.9	-

Balance sheet	30 June 2012	31 December 2011	Change %
EPRA NAV per share[1] (pence)	317	340	(6.7)
Net borrowings (£m)	2,022.3	2,303.4	(12.2)
LTV (%)	49	50	

1. EPRA NAV per share excludes fair value of interest rate derivatives and capital deferred tax provisions but includes trading property uplifts

Net rental income lower due to strategic non-core asset disposals



Good underlying earnings momentum; 5.3% increase in EPRA PBT

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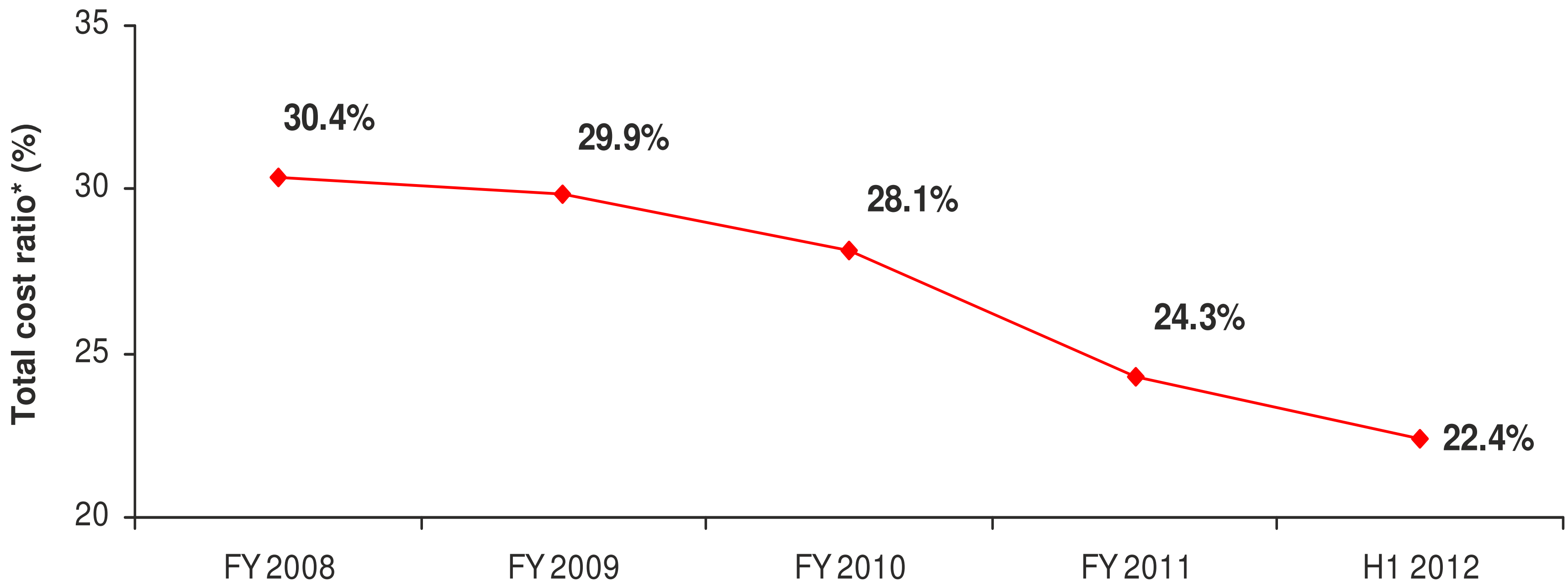
	H1 2012 £m	H1 2011 £m
Gross rental income	156.9	161.5
Property operating expenses	(26.0)	(26.0)
Net rental income	**130.9**	**135.5**
Joint venture management fee income	2.9	1.8
Share of joint ventures' EPRA profit after tax[1]	10.1	9.7
Administration expenses	(13.1)	(15.8)
EPRA operating profit	**130.8**	**131.2**
EPRA net finance costs[2]	(55.9)	(60.1)
EPRA profit before tax	**74.9**	**71.1**

1. Net property rental income less administrative expenses, net interest expenses and taxation
2. EPRA net finance costs exclude fair value movements on derivatives and a gain arising from the cancellation of committed debt facilities at a discount to face value

Further reduction in the total cost ratio



	H1 2012 (£m)	H1 2011 (£m)	Movement (%)
Property operating expenses	(26.0)	(26.0)	-
Administration expenses	(13.1)	(15.8)	(17.1)

*Total costs as a percentage of gross rental income. Total costs include property operating expenses (net of service charge income and management fees) and recurring administration expenses.

Cash flow summary

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	H1 2012 £m	H1 2011 £m
Cash flow from operations	**107.4**	**106.5**
Finance costs (net)	(52.3)	(54.3)
Dividends received (net)	2.3	3.3
Tax paid (net)	(12.2)	(2.1)
Free cash flow	**45.2**	**53.4**
Capital expenditure (excluding trading properties)	(64.6)	(65.6)
Investment property sales	352.5	21.8
Investment in joint ventures	(50.8)	(0.4)
Net settlement of derivatives	45.8	(25.5)
Dividends paid	(65.9)	(66.0)
Other items	2.7	7.0
Net funds flow	**264.9**	**(75.3)**

Key financing metrics

	30 June 2012	31 December 2011
Available funds – cash & undrawn facilities (£m)	618.9	456.1
Net borrowings (£m)	2,022.3	2,303.4
Loan to value ratio (%)	49	50
Gearing (%)	84	89
Weighted average cost of debt* (%)	5.1	4.8
Average duration of debt (years)	9.1	8.8
Interest cover (x)	2.2	2.2
Fixed rate debt (%)	70	74
Currency asset hedging (%)	88	84

*Excluding commitment fees and amortised costs

Currency translation impact in the first half of the year

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- **Income statement**
  - H1 2012: Average exchange rate €1.22: £1
  - H1 2011: Average exchange rate €1.15: £1
  - Translation impact: £(1.0)m (EPRA pre-tax profit)

- **NAV**
  - 30 June 2012: Exchange rate €1.24: £1
  - 31 Dec 2011: Exchange rate €1.20: £1
  - Translation impact: £(6.6)m

Euro currency management and hedging

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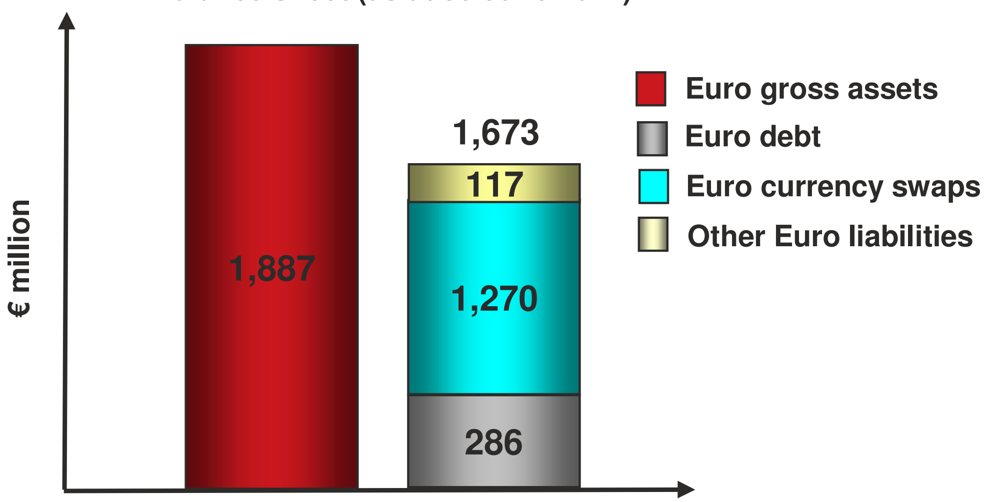
Balance sheet (as at 30 June 2012)

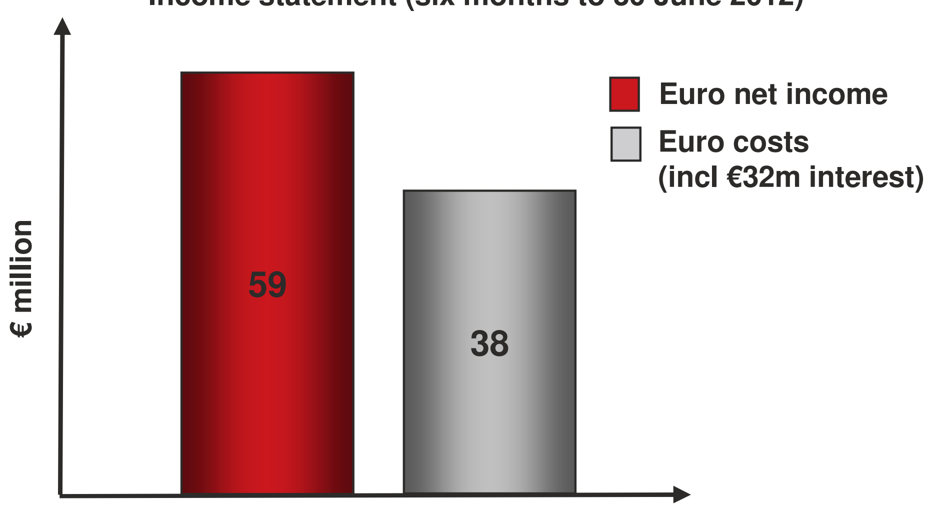


- €1.24:£1 as at 30 June 2012
- € assets 89% hedged by € liabilities
- €214m (£173m) of residual exposure – 7% of Group NAV

NAV sensitivity versus €1.24:

- **+/- 10%** (€1.36/€1.12) = +/- c£17m (**c2.3p per share**)

Income statement (six months to 30 June 2012)



Excludes US dollar/Zloty hedging

- Average rate for six months to 30 June 2012 €1.22:£1
- € income 65% hedged by € expenditure (including interest)
- Net € income for the period €21m (£17m) – 23% of Group

- **Annualised net income sensitivity versus €1.22**
  - **+/- 10%** (€1.34/€1.10) = +/- c£3.4m (**c0.5p per share**)

EPRA NAV per share bridge

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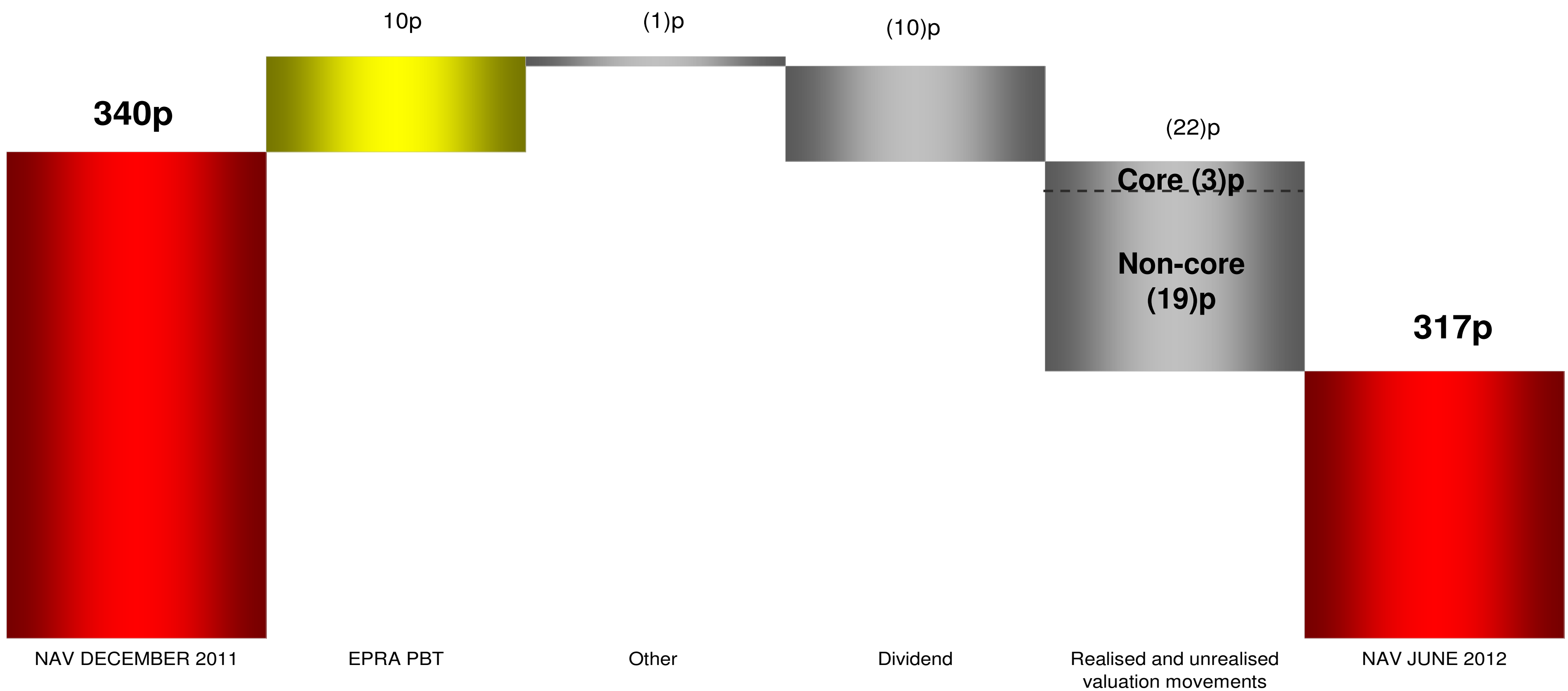

Valuation movements support our strategic selection of assets and markets

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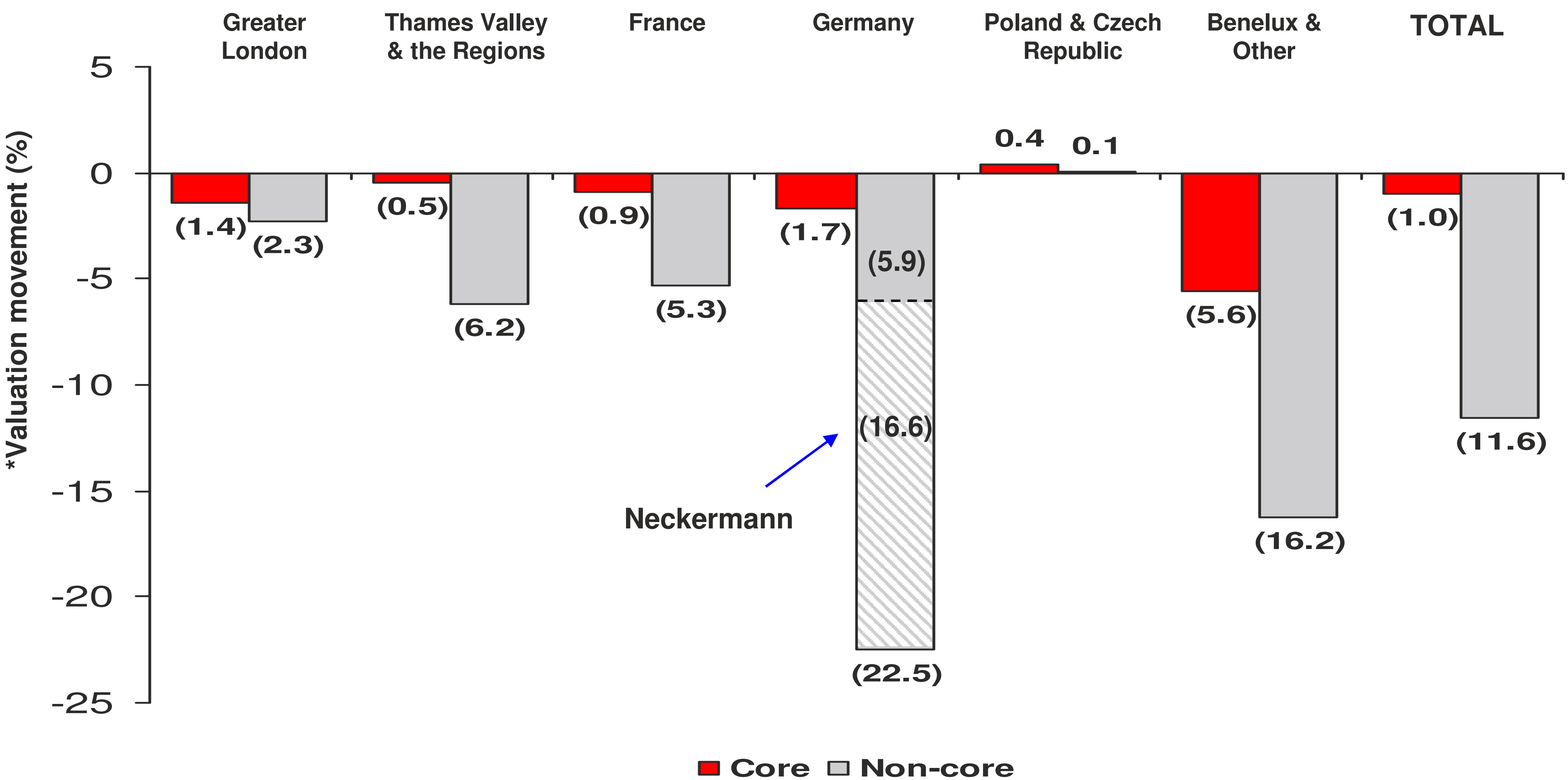
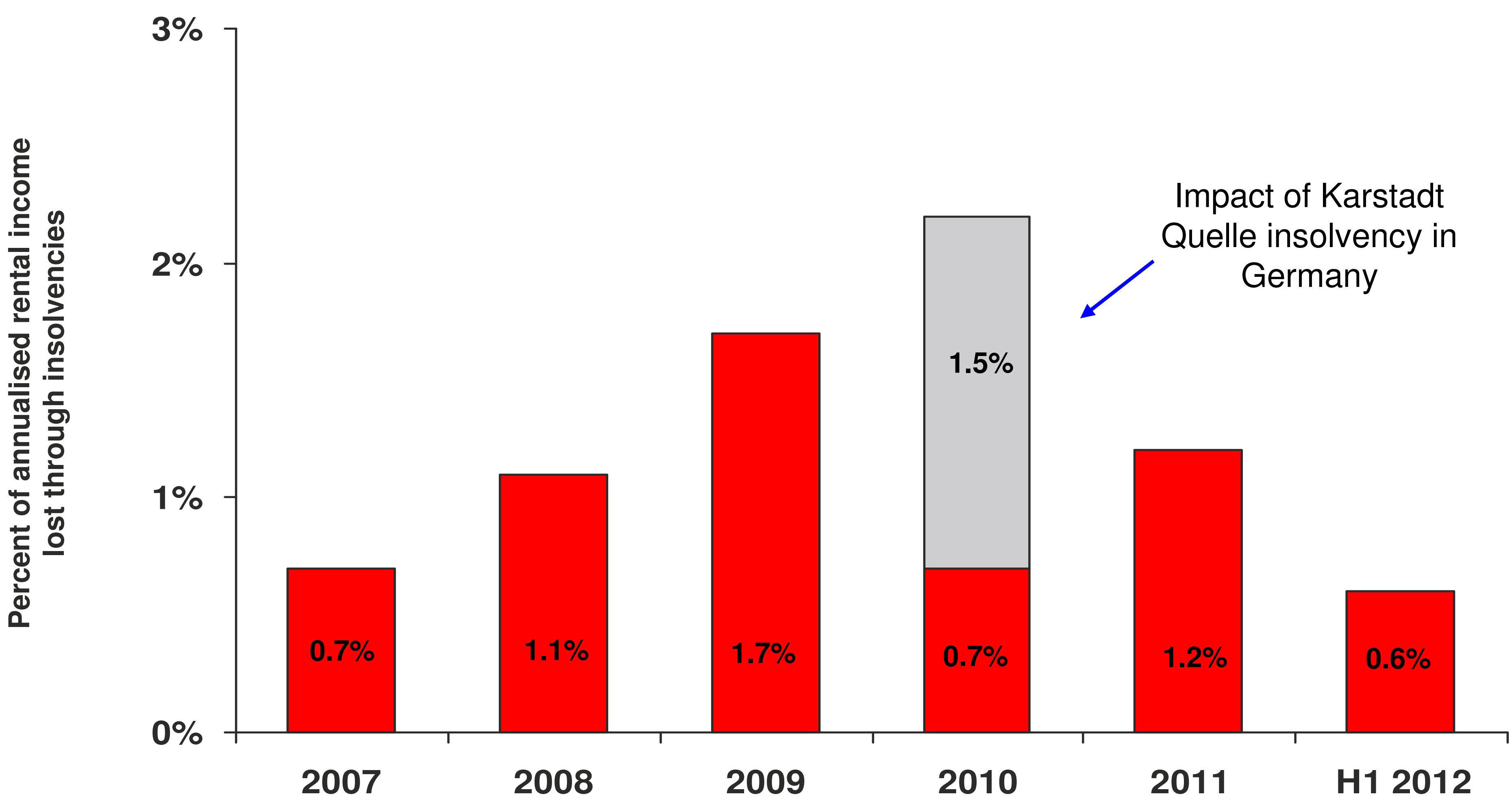


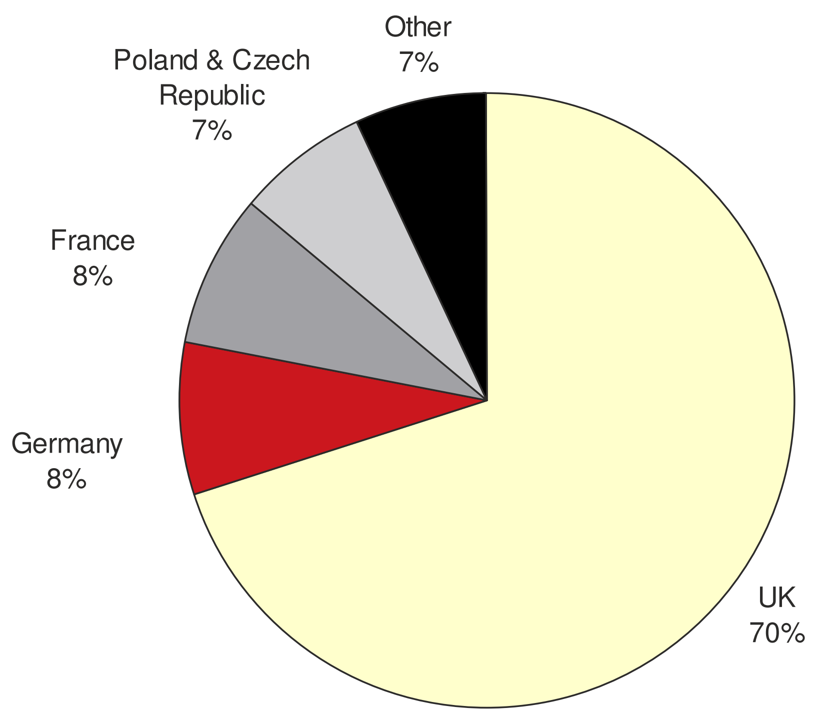
*Valuation movement relates to the completed properties, including joint ventures at share.

Insolvency rates generally low as a result of our large and diversified customer base

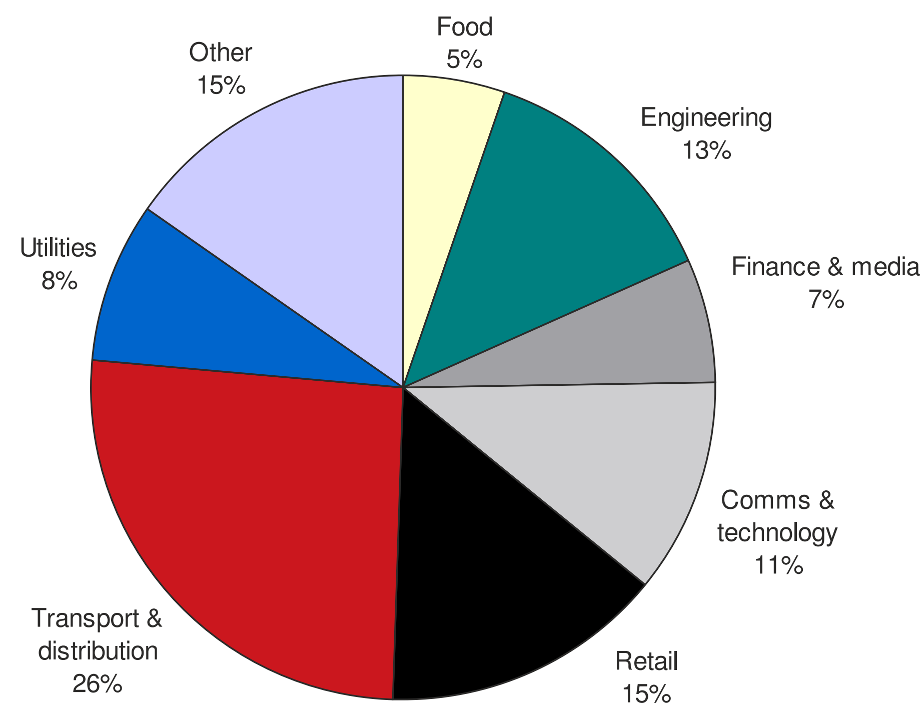


A diversified income stream

Headline rent by customer geography



Headline rent by customer type



SEGRO has over 1,400 customers across eight countries and multiple sectors

Top 20 customers represent 22% of the Group's headline rent (excluding Neckermann)

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	Customer	Type
1	**Telefonica/O2**	Communications & technology
2	**Deutsche Post/DHL**	Transport & distribution
3	**Krauss-Maffei**	Engineering & electrical
4	**Thales**	Engineering & electrical
5	**British Airways**	Transport & distribution
6	**Royal Mail**	Transport & distribution
7	**Mars Chocolate**	Agriculture & food
8	**Sainsbury**	Retail
9	**UCB**	Chemicals & commodities
10	**Alcatel-Lucent**	Communications & technology

	Customer	Type
11	**Jacobs**	Engineering & electrical
12	**Equinix**	Communications & technology
13	**Ducros Express**	Transport & distribution
14	**Antalis**	Timber, paper & printing
15	**Lonza**	Chemicals & commodities
16	**Tesco**	Retail
17	**Barclays**	Finance
18	**Federal Express**	Transport & distribution
19	**DAHER**	Transport & distribution
20	**Cisco**	Communications & technology

Financial summary

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- Good underlying earnings growth
  - EPRA EPS up 5.3% to 9.9p
  - Dividend unchanged from prior year at 4.9p

- EPRA NAV 317p
  - Reduction impacted by 19p write-down of non-core assets

- Solid balance sheet
  - Interest cover remains comfortable at 2.2 times
  - Net borrowings reduced by 12.2% to £2,022.3m
  - Weighted average maturity of borrowings 9.1 years (from 8.8 years)

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Business Review

David Sleath, Chief Executive

Four strategic priorities to transform our business

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1. Re-shape the existing portfolio
   - Divest assets which do not fit our strategic criteria
   - Reduce land holdings and other non-income producing assets

2. Re-invest – grow AUM in a smaller number of core markets through development and acquisition
   - ‘Edge of town’ light industrial/business parks in the largest conurbations
   - ‘Big-box’ logistics warehouses in major distribution corridors
   - Exploit opportunities to create higher value uses on industrial land

3. Reduce financial leverage over time and introduce third-party capital

4. Retain focus on operational excellence and drive further improvements

Encouraging progress with our strategic priorities

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1. £503m of non-core asset disposals in the year to date

2. £374 million of capital being recycled into core products and markets via acquisitions and development

3. Net debt reduced by 12.2% to £2,022m

4. Further operational progress in weak macro environment

Further operational progress in a weakening macro-economic environment

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Leasing, Customer and Asset Management

- 126 new leases signed - take-up of £12.8m
- 45 lease renewals, securing £16.6m of rental income
- Transactional rental values 2.0% above December 2011 ERVs
- Retention rate of 63% (core 69%); takebacks broadly flat at £13.5m
- Group vacancy rate 9.1%; core vacancy 8.8%, non-core vacancy 10.5%
- Like for like net rental income +1.0%

Development

- Seven developments completed; £3.6m annualised rental income when fully let
- Seven pre-lets secured in the period; £2.9m of annual rental income
- 20 developments in pipeline – 81% pre-let
- Current pipeline £18.2m annualised rental income and £84.9m future capex
- Expected development yields close to 10%

Operational Efficiency

- Total costs down by 6.5% period-on-period to £39.1m
- Cost ratio reduced to 22.4%
- Improved customer management, sustainability, procurement & property systems

Occupier market trends

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Continuing to benefit from SEGRO's strong operating platform combined with the constrained supply of prime, well located assets in the strongest areas of economic activity

UK Demand most resilient in London and the South East; more difficult in the regions

Germany Occupier markets benefitting from the stronger macro-economy

France Steady demand, very little supply in the Ile de France and Lyon

Poland Continuing demand for distribution space with very limited supply

Other Belgian office market conditions remain challenging due to over-supply

Soft logistics market in The Netherlands/Belgium

£3.6m of new annualised rental income from developments completed in H1 2012

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Encouraging progress with our strategic priorities

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WHERE BUSINESS WORKS

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2. £374 million of capital being recycled into core products and markets via acquisitions and development
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4. Further operational progress in weak macro environment

£503m of non-core asset disposals; 3.1% average discount to December 2011 valuations

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Month	Portfolio/Asset	Acquirer	Sale proceeds (£m)	Net initial yield (%)
February	Four regional UK estates	Ignis	71.2	6.5
April	IQ Farnborough	Harbert	90.2	6.5
May	Four regional UK estates	Harbert	204.5	6.7
July	10 regional UK estates	UK institution	111.0	8.4
Various	Other UK non-core assets	Various	10.9	6.9
Various	Other CE non-core assets	Various	15.3	7.6
Total			**503.1**	**7.0**

£0.8bn of non core assets remaining, following £111m disposal completed today

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	Valuation			Income
	UK (£m)	Europe (£m)	Total (£m)	Total (£m)
'Big five' assets	84	247	331	36
Other industrial assets	204	217	421	34
Other land holdings	10	54	64	-
Total	**298**	**518**	**816**	**70**

Valuations as at 30 June 2012, including joint ventures at share
Income based on headline rental income as at 30 June 2012

Neckermann, Frankfurt

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Key information:

A 309,000 sq m campus including offices and bespoke distribution facilities for the German retailer, Neckermann

- Acquired in 2007 as a sale & leaseback to Neckermann
- Asset valued at £43m at 30 June 2012
- Neckermann filed for administration on 18 July 2012
- Potential to re-lease existing space to new occupiers
- Potential change of use, re-development and/or outright disposal under review

The remaining large non-strategic assets

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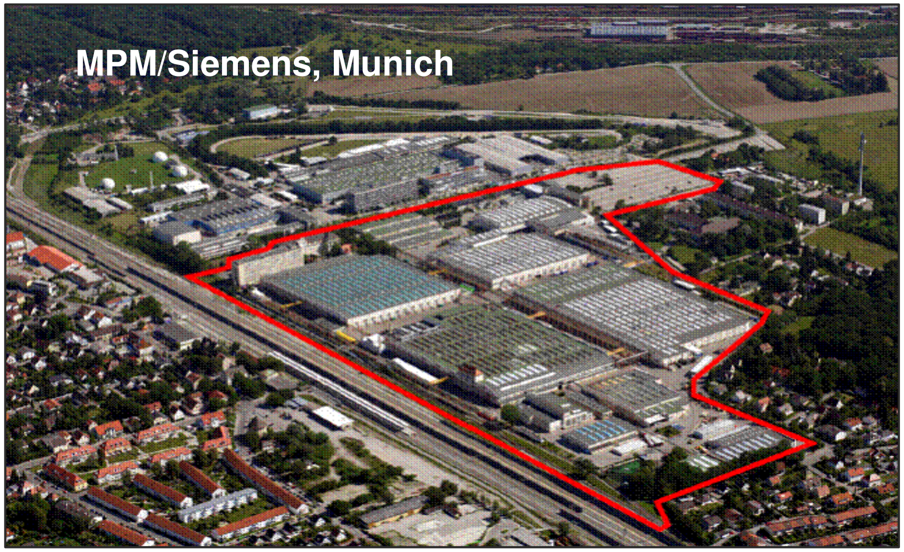

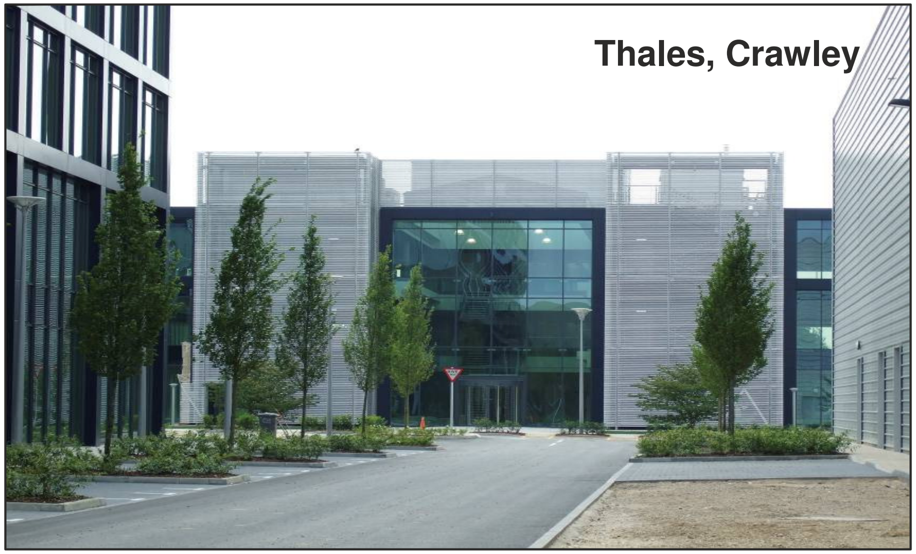

Encouraging progress with our strategic priorities

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1. £503m of non-core asset disposals in the year to date
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4. Further operational progress in weak macro environment

20 developments in the pipeline representing £18.2m of new annualised rental income

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Rolls-Royce at the Portal Site, Heathrow
Due to be completed December 2012

DB Schenker at the Portal Site, Heathrow
Due to be completed August 2012

French sports retailer, Gliwice in Poland
Due to be completed September 2012

Parc des Damiers in Ile de France
Due to be completed September 2012

Acquisition of the UK Logistics Fund

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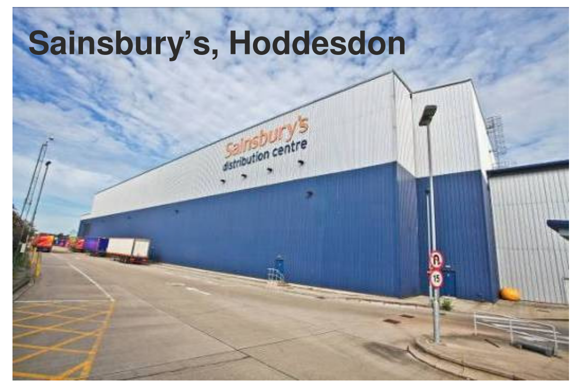
- £315m portfolio acquisition in a 50/50 JV partnership with Moorfield Real Estate Fund (SEGRO's equity contribution £65m)
- 14 prime logistics warehouses, located predominantly in the Midlands and South
- Excellent customer base, including Tesco, Sainsbury's, Royal Mail, DHL, GKN, Booker
- High-quality income stream – c £18m in 2011; average 13 years to lease expiry
- 9.4% cash running yield on SEGRO share of equity investment, rising to 12.7%; 6.3% ungeared net initial yield rising to 7.7%
- Potential to add further value through active asset management

Significantly enhancing our logistics platform in the UK


Royal Mail, Birmingham



Sainsbury's, Hoddesdon

Booker, Hatfield

Acquisition of French logistics assets

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- £130m acquisition, due to complete September 2012
- 13 prime logistics assets in the Ile de France and Lyon; close to our existing assets
- Strong customer line-up: UPS, Geodis, Saint-Gobain
- €14.2m of high quality annualised rental income
- 8.4% net initial yield, reverting to 7.7%
- Potential to add value through active asset management

Significantly enhancing our logistics platform in France


Ris Orangis, Ile de France


Saint Witz, Ile de France


Genas, Lyon

Encouraging progress with our strategic priorities

1. £503m of non-core asset disposals in the year to date

2. £374 million of capital being recycled into core products and markets via acquisitions and development

3. Net debt reduced by 12.2% to £2,022m

4. Further operational progress in weak macro environment

Encouraging momentum with strategic portfolio reshaping

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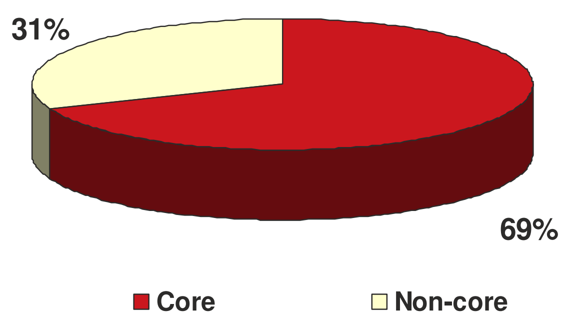
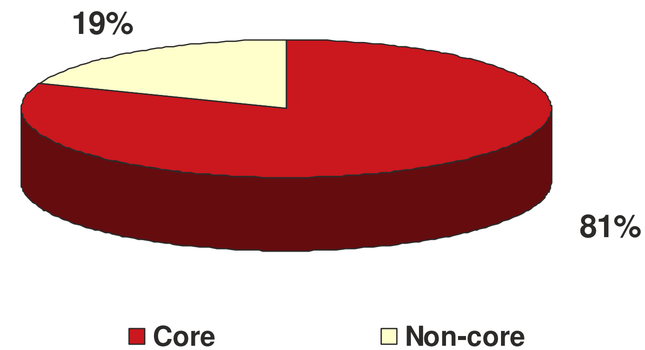
Split of total portfolio by core and non-core assets

30 June 2011

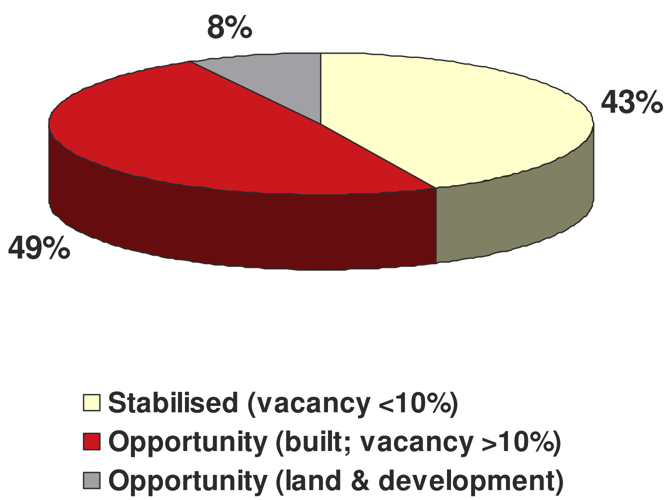


30 June 2012

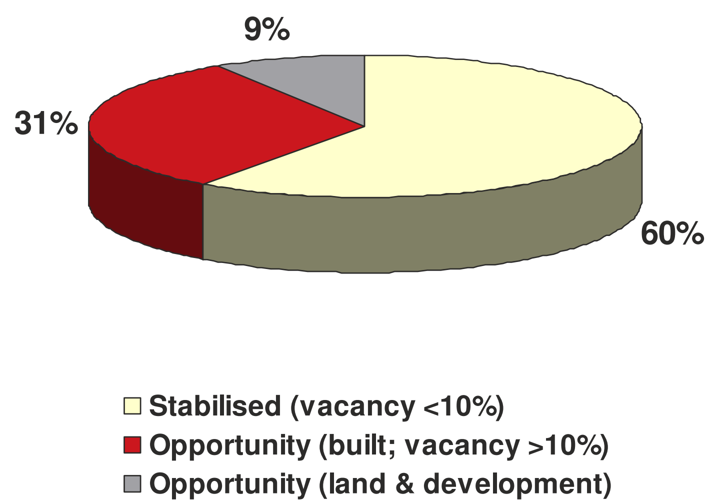


Split of core portfolio by stabilised and opportunity assets

30 June 2011



30 June 2012



Outlook

- General economic environment expected to remain challenging
- 81% of total portfolio exposed to more resilient core markets & segments
- Well positioned to make further progress with strategic priorities over the coming years
- Re-affirming our intention to at least maintain the current level of dividend during the portfolio re-shaping exercise

Conclusions

- Further operational progress – core portfolio performing well
- Encouraging start to the strategic reshaping of our portfolio
- Making good progress towards our goal of creating a leading, income-focused REIT

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2012 Half Year Results

2 August 2012

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Appendix I
Core and non core analysis

Overall performance of core portfolio supports our strategic selection of assets and markets

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	Core	Big five	Other non-core	Group
Portfolio value* (£m) (completed properties)	3,483.8	296.8	527.3	4,307.9
Land and developments* (£m)	347.6	33.6	63.4	444.6
Net initial yield (%)	6.1	10.4	7.1	6.5
True equivalent yield (%)	7.7	8.8	8.6	7.9
Valuation movement* (%) (Entire portfolio)	(0.5)	(21.7)	(5.3)	(2.9)
Net absorption (£m)	(0.4)	-	(0.3)	(0.7)
Vacancy (%)	8.8	6.3	13.0	9.1
Pre-lets signed (£m)	2.9	-	-	2.9
WAULT to break (yrs)	6.5	6.6	4.8	6.3

*Based on 30 June 2012 valuations including joint ventures at share

Thales, Crawley

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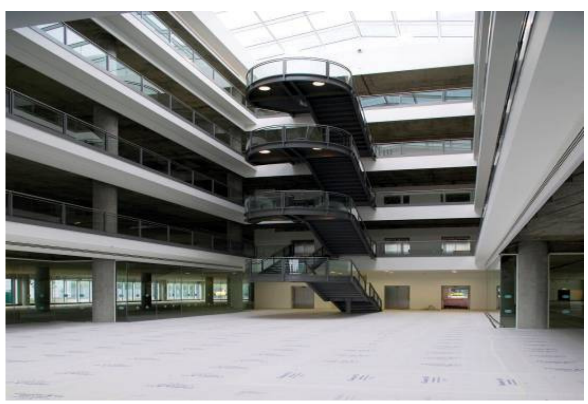
Key information:

A 35,000 sq m bespoke office and R&D campus for French defence contractor, Thales, located close to Gatwick airport in Crawley.

- Pre-let development agreed in 2005; completed in 2007
- Total development cost £60m
- Vacancy 0.0% at 30 June 2012
- WAULT to break 13.5 years at 30 June 2012



Energy Park, Vimercate (Milan)

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Key information:

A 70,000 sq m office and R&D campus located approximately 20km north-east from central Milan close to the A4 highway.

- Acquired in 2007 as a long term re-development opportunity
  - First new building of 10,900 sq m completed in 2009; 100% occupied (SAP principal tenant)
  - Two further pre-let developments under construction, totalling 45,200 sq m for Alcatel-Lucent and Esprinet. Total capex of £65.9m, annual rental income of £5.6m (89% pre-let)
  - Further development projects likely to span multiple years
- Vacancy 0.0% at 30 June 2012
- WAULT to break 3.2 years at 30 June 2012 will increase significantly with new developments

Pegasus Park, Brussels

Key information:

A high quality 82,000 sq m modern suburban office park located approximately 8km east of Brussels within close proximity to the international airport.

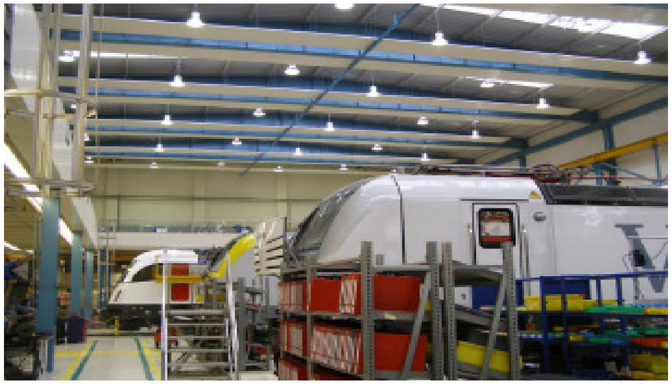
- First building acquired in 1984
- Site developed over a number of years
- Last development completed in 2009
- Vacancy 16.3% at 30 June 2012
- WAULT to break 4.8 years at 30 June 2012
- Customers include: Johnson Controls, Bombardier, Stanley Black & Decker, Cisco, Sunguard

MPM/Siemens, Munich

Key information:

A large 155,000 sq m engineering and manufacturing facility leased by Krauss-Maffei (formerly MPM) and Siemens (as a sub-tenant).

- Acquired in 2007 as a sale & leaseback to MPM
- Vacancy 0.0% at 30 June 2012
- WAULT to break 10.6 years at 31 March 2012



Appendix II
Operational performance

Segmental reporting

	Net rental income (£m)		EPRA PBIT (£m)	
Business unit	**30 June 2012**	**30 June 2011**	**30 June 2012**	**30 June 2011**
Greater London	33.3	34.2	43.8	45.4
Thames Valley and the Regions	51.9	56.2	53.9	55.9
Germany and Northern Europe	22.0	22.9	21.3	21.6
France and Southern Europe	16.9	16.8	16.2	15.9
Poland and Central Europe	9.6	9.1	9.1	8.3
Other	(2.8)	(3.7)	(13.5)	(15.9)
Total	**130.9**	**135.5**	**130.8**	**131.2**

EPRA pro forma profit before tax: JVs proportionally consolidated

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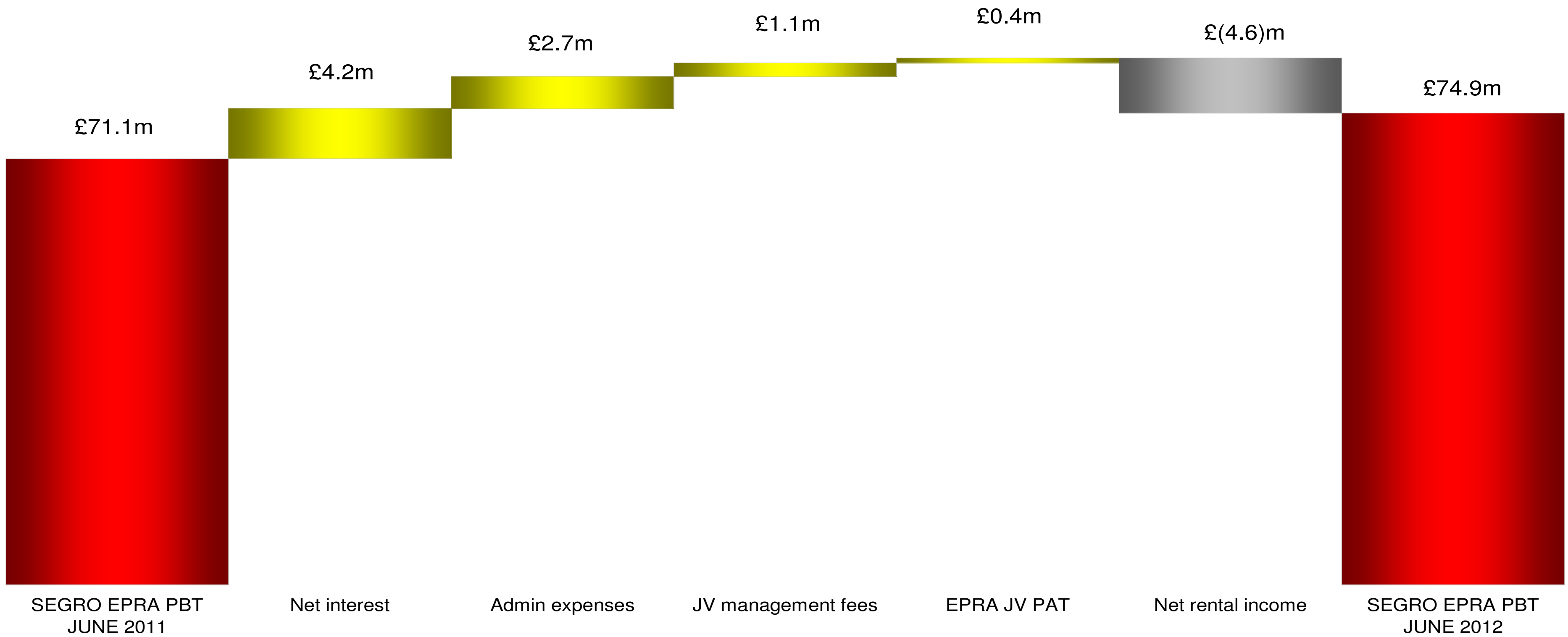
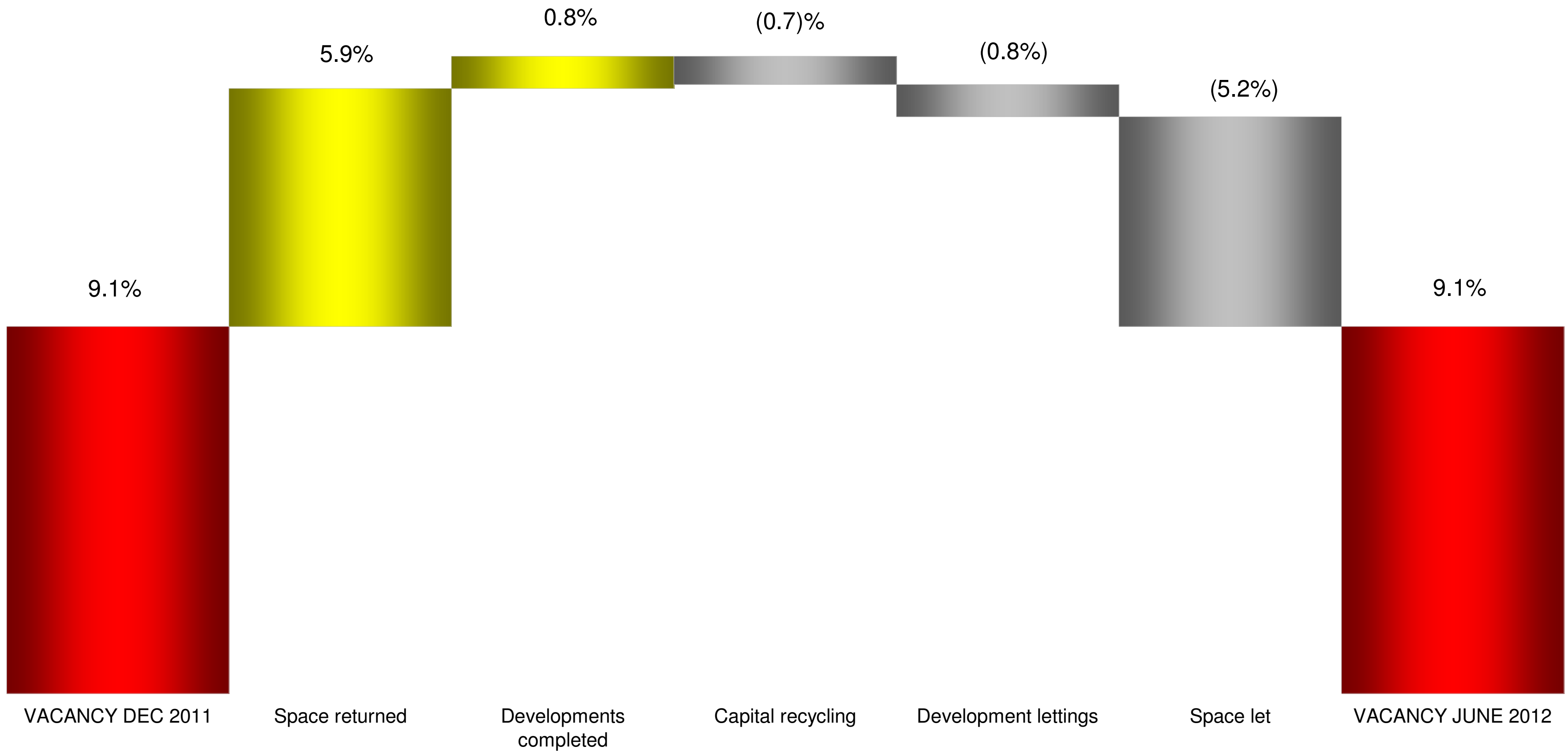
	H1 2012 £m	H1 2011 £m
Gross rental income	176.5	178.4
Property operating expenses	(28.1)	(28.2)
Net rental income	**148.4**	**150.2**
Joint venture management fee income	2.3	1.8
Administration expenses	(13.1)	(15.8)
EPRA operating profit	**137.6**	**136.2**
EPRA net finance costs	(62.7)	(65.1)
Joint venture tax	-	-
EPRA profit before tax	**74.9**	**71.1**

EPRA PBT bridge (£m)



Group vacancy bridge



Group vacancy unchanged at 9.1% – the lowest level since 2007

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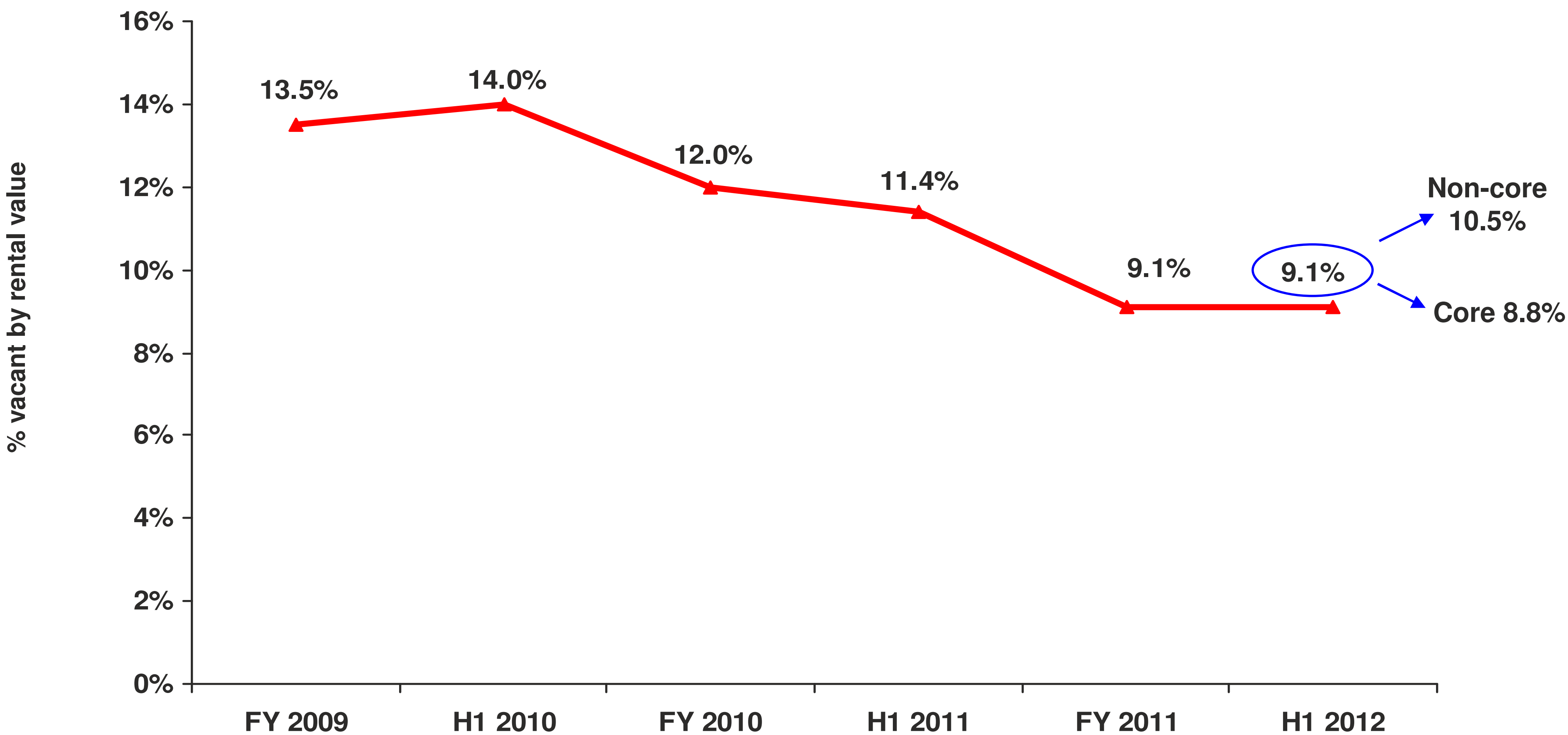
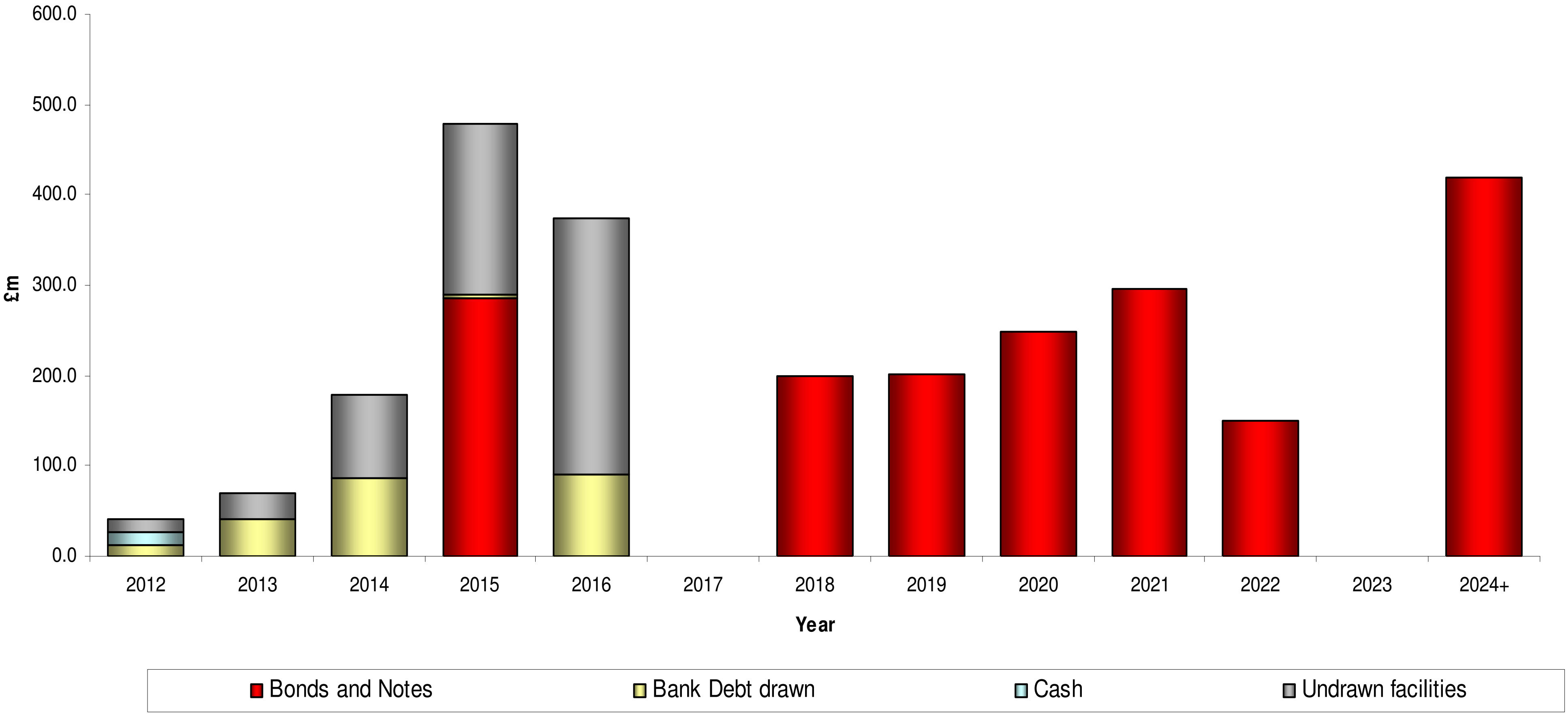


Appendix III
Financing

No significant debt maturities before 2014

Weighted average maturity of gross borrowings 9.1 years



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Appendix IIII
Reinvestment: Development and acquisitions

Significant earnings momentum from the current development pipeline

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Project	Customer	Space to be built (sq m)
UK		
Pre-let projects under construction		
STE	Infinity	11,600
Ajax Avenue, STE	Data centre operator	5,600
APP Portal at Heathrow, London	DB Schenker	9,900
APP Portal at Heathrow, London	Rolls-Royce	8,500
Montrose & Perth Avenue, STE	Karl Storz (63%)/spec	4,100
Contracted projects		
Tudor Estate, Park Royal	Warmup (28%)/spec	3,200
Speculative developments		
Galvin Road, STE	n/a	3,100
Total		**36,800***

*Includes APP Portal contracted projects at Group share

- **£18.2m of annualised rental income**
- **£84.9m of future capital expenditure**
- **81% pre-let**

Project	Customer	Space to be built (sq m)
CONTINENTAL EUROPE		
Pre-let projects under construction		
Frankfurt, Germany	Pro Tex (30%)/spec	14,300
Krefeld, Germany	Wir Packens (80%)/spec	11,300
Vimercate, Italy	Alcatel-Lucent	34,000
Vimercate, Italy	Esprinet (72%)/spec	11,200
Gliwice, Poland	Decathlon	31,300
Lodz, Poland	OPEK	7,600
Poznan, Poland	Flexlink	12,200
Contracted projects		
Gdansk, Poland	DB Schenker	5,200
Strykow, Poland	Investa	4,900
Strykow, Poland	Azymut	4,800
Wroclaw, Poland	DPD	6,900
Speculative developments		
Paris, France	45% let	8,200
Dusseldorf, Germany	10% let	12,200
Total		**164,100**

Forward-looking statements

This presentation may contain certain forward-looking statements with respect to SEGRO's expectations and plans, strategy, management's objectives, future performance, costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this presentation should be construed as a profit forecast. Past share performance cannot be relied on as a guide to future performance.