

## DISCLAIMER

### STRICTLY NOT TO BE FORWARDED TO ANY OTHER PERSONS

**IMPORTANT:** You must read the following disclaimer before reading, accessing or making any other use of the attached document relating to SEGRO plc (the “**Company**”) dated 10 March 2017. In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended for you only and **you agree you will not forward, reproduce, copy, download or publish this electronic transmission or the attached document (electronically or otherwise) to any other person.** The attached document has been prepared solely in connection with the proposed rights issue and offering of nil paid rights, fully paid rights and new ordinary shares (the “**Securities**”) of the Company (the “**Transaction**”). The Prospectus has been published in connection with the admission of the Securities to the Official List of the UK Financial Conduct Authority (the “**Financial Conduct Authority**”) and to trading on the London Stock Exchange plc’s main market for listed securities (together, “**Admission**”). The Prospectus has been approved by the Financial Conduct Authority as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the Financial Services and Markets Act 2000, as amended.

NOTHING IN THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT AND THE SECURITIES REFERENCED THEREIN MAY ONLY BE DISTRIBUTED IN “OFFSHORE TRANSACTIONS” AS DEFINED IN, AND IN RELIANCE ON, REGULATION S UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES

SHAREHOLDERS IN CANADA ARE INTENDED ONLY TO RECEIVE AND REFER TO THE CANADIAN OFFERING MEMORANDUM, CONTAINING THE PROSPECTUS AS SUPPLEMENTED WITH ADDITIONAL INFORMATION FOR CANADIAN INVESTORS. SHAREHOLDERS IN CANADA WILL NOT RECEIVE ANY RIGHTS UNLESS THEY MEET THE APPLICABLE REQUIREMENTS AND FOLLOW THE PROCEDURES DESCRIBED IN THE CANADIAN OFFERING MEMORANDUM.

**Confirmation of Your Representation:** This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to the Company and Merrill Lynch International, UBS Limited, Barclays Bank PLC, BNP Paribas and HSBC Bank plc (collectively, the “**Underwriters**”) that you are located outside the United States.

You are reminded that you have received this electronic transmission and the attached document on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, the Underwriters nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing the attached document, you consent to receiving it in electronic form. A hard copy of the document will be made available to you only upon request. None of the Underwriters nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the attached document or for any statement made or purported to be

made by it, or on its behalf, in connection with the Company or the Securities. The Underwriters and each of their respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Underwriters or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in the attached document.

**Restriction:** Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

The Underwriters are acting exclusively for the Company and no one else in connection with the Transaction. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the Transaction and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the Transaction or any transaction or arrangement referred to in the attached document.

**You are responsible for protecting against viruses and other destructive items.** Your receipt of this document via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

**THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (“FSMA”) if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser. The Company has requested that the UK Listing Authority provides a certificate of approval and a copy of this document (and a translation of the Summary section of this document, where applicable) to the relevant competent authority in France, the Netherlands and the Republic of Ireland.

This document, which comprises a prospectus relating to the Company and the Rights Issue prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “FCA”) made under section 73A of FSMA, has been approved by the FCA in accordance with section 85 of FSMA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules. This document can also be obtained on request from the Company’s Receiving Agent, Equiniti Limited, or from [www.segro.com](http://www.segro.com).

Subject to the restrictions set out below, if you sell or transfer or have sold or transferred all of your Existing Ordinary Shares (other than ex-rights) held in certificated form before 13 March 2017 please send this document, together with any Provisional Allotment Letter, duly renounced, if and when received, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee. This document and/or the Provisional Allotment Letter should not, however, be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to (subject to certain exceptions), the United States, South Africa and any of the Excluded Territories. If you sell or have sold or otherwise transferred all or some of your Existing Ordinary Shares (other than ex-rights) held in uncertificated form before the ex-rights date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the ex-rights date, you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected. Instructions regarding split applications are set out in Part IX (*Terms and Conditions of the Rights Issue*) of this document and the Provisional Allotment Letter.

The distribution of this document, any other offering or public material relating to the Rights Issue and/or the Provisional Allotment Letter and/or the transfer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or any accompanying documents come should inform themselves about and observe any such restrictions. In particular, subject to certain exceptions, this document and the Provisional Allotment Letter should not be distributed, forwarded to or transmitted in or into the United States, South Africa or any of the other Excluded Territories. Any failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdictions. The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “US Securities Act”), or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

The Existing Ordinary Shares have been admitted to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. An application has been made to the UK Listing Authority for the New Ordinary Shares (nil and fully paid) to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to trading on the London Stock Exchange’s main market for listed securities (together “**Admission**”). It is expected that Admission will become effective and that dealings in the New Ordinary Shares (nil paid) will commence on the London Stock Exchange at 8.00 a.m. (London time) on 13 March 2017.

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# SEGRO

**SEGRO Public Limited Company**

*(Incorporated as a public limited company in England and Wales with registered number 00167591)*

**1 FOR 5 RIGHTS ISSUE OF 166,033,133 NEW ORDINARY SHARES  
AT 345 PENCE PER NEW ORDINARY SHARE**

*Joint Sponsors, Joint Global Co-ordinators, Joint Bookrunners and Underwriters*

**BofA Merrill Lynch**

**UBS Investment Bank**

*Co-Bookrunners and Underwriters*

**Barclays**

**BNP PARIBAS**

**HSBC**

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Your attention is drawn to the letter from the Chairman of the Company which is set out in Part VII (*Letter from the Chairman*) of this document. You should read the whole of this document, any accompanying document and any documents incorporated herein by reference. Shareholders and any other person contemplating a purchase of Nil Paid

Rights, Fully Paid Rights or New Ordinary Shares should review, in particular, the risk factors set out in Part II (*Risk Factors*) of this document for a discussion of certain risks and uncertainties and other factors that should be considered when deciding on what action to take in relation to the Rights Issue and deciding whether or not to purchase the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares. You should not rely solely on the information summarised in the letter from the Chairman.

The latest time and date for acceptance and payment in full for the New Ordinary Shares under the Rights Issue is expected to be 11.00 a.m. (London time) on 27 March 2017, unless otherwise announced by the Company. The procedure for acceptance and payment are set out in Part IX (*Terms and Conditions of the Rights Issue*) of this document and, for Qualifying Non-CREST Shareholders only, will also be set out in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to Section 5 of Part IX (*Terms and Conditions of the Rights Issue*) of this document. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

Each of BofA Merrill Lynch, UBS, Barclays, BNP PARIBAS and HSBC is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority and is acting exclusively for the Company and for no one else in connection with the Rights Issue, will not regard any other person (whether or not a recipient of this document) as its client in relation to the Rights Issue and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing any advice in connection with the Rights Issue or any other matter referred to in this document.

Except for the responsibilities and liabilities, if any, which may be imposed on BofA Merrill Lynch, UBS, Barclays, BNP PARIBAS and HSBC by FSMA, the regulatory regime established thereunder or otherwise under law, each of BofA Merrill Lynch, UBS, Barclays, BNP PARIBAS and HSBC does not accept any responsibility whatsoever for the contents of this document and no representation or warranty, express or implied is made by any of BofA Merrill Lynch, UBS, Barclays, BNP PARIBAS or HSBC in relation to the contents of this document, including as to its accuracy, completeness, fairness or verification or regarding the legality of any investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares by any person under the laws applicable to such person or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Rights Issue, and nothing in this document is or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. To the fullest extent permissible, each of BofA Merrill Lynch, UBS, Barclays, BNP PARIBAS and HSBC accordingly disclaims all and any responsibility or liability whether arising in tort, contract or otherwise (except as referred to above) which it might otherwise have in respect of this document or any such statement.

The Rights Issue has been fully underwritten by the Underwriters in accordance with the terms and subject to the conditions of the Underwriting Agreement. The Underwriters' obligations under the Underwriting Agreement are conditional upon certain matters being satisfied or not breached prior to Admission. If these conditions are not satisfied or (where permitted) waived by Admission, the Underwriting Agreement will terminate. After Admission, the Underwriters have no right to terminate the Underwriting Agreement.

In connection with the Rights Issue, each of the Underwriters, and any of their respective affiliates may, in accordance with applicable legal and regulatory provisions, take up a portion of the New Ordinary Shares as a principal position and in that capacity may retain, purchase or sell for its own account such securities and any related or other securities and may engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and/or related instruments for their own account otherwise than in connection with the Rights Issue. Accordingly, references in this document to Nil Paid Rights, Fully Paid Rights and New Ordinary Shares being offered or placed should be read as including any offering or placement of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions. The Company also intends to use a portion of the net proceeds of the Rights Issue to repay facilities provided by certain of the Underwriters, as further described below.

#### **NOTICE TO OVERSEAS SHAREHOLDERS**

**EXCEPT AS OTHERWISE SET OUT HEREIN, THE RIGHTS ISSUE DESCRIBED IN THIS DOCUMENT IS NOT BEING MADE TO SHAREHOLDERS OR INVESTORS IN THE UNITED STATES, SOUTH AFRICA OR ANY OF THE OTHER EXCLUDED TERRITORIES.** Subject to certain exceptions, neither this document nor the Provisional Allotment Letter constitutes, or will constitute, or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to any Shareholder with a registered address in, or who is resident or located in, the United States, South Africa or any of the other Excluded Territories. None of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares has been or will be registered under the relevant laws of any state, province or territory of the United States, South Africa or any of the other Excluded Territories. Neither this document nor the Provisional Allotment Letter constitutes an offer to sell or issue, or a solicitation of any offer to purchase or subscribe for New Ordinary Shares or any offer or solicitation to take up entitlements to Nil Paid Rights or Fully Paid Rights in any jurisdiction in which such offer or solicitation is unlawful. Subject to certain exceptions, neither this document nor the Provisional Allotment Letter should be distributed in or into the United States, South Africa or any of the other Excluded Territories. All Excluded Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if received, or other document to a jurisdiction outside the United Kingdom should read Part IX (*Terms and Conditions of the Rights Issue*) of this document.

#### **NOTICE TO US INVESTORS**

Except as otherwise provided for herein, this document does not constitute an offer of Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters to any Shareholder with a registered address in, or who is resident in, the United States. None of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letters

has been or will be registered under the US Securities Act or under securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Notwithstanding the foregoing, the Company reserves the right to offer and deliver the Nil Paid Rights to, and the Fully Paid Rights and the New Ordinary Shares may be offered to and acquired by, a limited number of persons in the United States reasonably believed to be “Qualified Institutional Buyers” within the meaning of Rule 144A under the US Securities Act, in transactions exempt from, or not otherwise subject to, the registration requirements, of the US Securities Act. The New Ordinary Shares being offered outside the United States are being offered in reliance on Regulation S under the US Securities Act (“**Regulation S**”). Subject to certain limited exceptions, neither this document nor the Provisional Allotment Letters will be distributed in or into the United States.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon, or endorsed the merits of, the offering of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

#### **NOTICE TO GERMAN INVESTORS**

Neither this document nor other documents sent to shareholders constitute an offer of securities in Germany under the Securities Prospectus Act (Wertpapierprospektgesetz). The Company does not intend to conduct any public offering of securities in the Federal Republic of Germany. This document and other documents sent to shareholders have not been and will not be submitted for approval nor have they been approved by the German Federal Financial Supervisory Authority (BaFin) or any other German public authority.

#### **NOTICE TO HONG KONG INVESTORS**

This document is not a prospectus under the Companies Ordinance (Cap 32 of the Laws of Hong Kong) (the “**Companies Ordinance**”), and nor is it required to be authorised under section 103 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the “**SFO**”).

**The contents of this document have not been reviewed by any regulatory authority in Hong Kong and no action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any document issued in connection with it.**

The Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and Provisional Allotment Letters have not been and will not be offered or sold in Hong Kong by means of any document, other than (a) to “professional investors” as defined in the SFO and any rules made under that Ordinance, or (b) in other circumstances which do not result in this document being a “prospectus” as defined in the Companies Ordinance or which do not constitute an offer to the public within the meaning of that Ordinance.

No advertisement, invitation or document relating to the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and Provisional Allotment Letters has been or will be issued in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and Provisional Allotment Letters which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO.

#### **NOTICE TO SPANISH INVESTORS**

The Rights Issue which this document refers to has not been registered with the Spanish National Securities Market Commission (“**Comisión Nacional del Mercado de Valores**”) pursuant to Spanish laws and regulations and does not form part of any public offer of securities in Spain. Accordingly, no Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters may be, and/or are intended to be publicly offered, marketed or promoted, nor any public offer in respect thereof made, in Spain, nor may this document or any other offering materials relating to the Rights Issue be distributed, in Spain, except in circumstances which do not constitute a public offering and marketing in Spain within the meaning of Spanish laws, or without complying with all legal and regulatory requirements in relation thereto. This document any other material relating to the Rights Issue may not be distributed to any person or entity other than its recipients.

#### **NOTICE TO PORTUGUESE INVESTORS**

The Rights Issue which this document refers to has not been registered with the Portuguese Securities Market Commission (“**Comissão do Mercado de Valores Mobiliários**”) pursuant to Portuguese laws and regulations and does not form part of any public offer of securities in Portugal. Accordingly, no Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters may be, and/or are intended to be publicly offered, marketed or promoted, nor any public offer in respect thereof made, in Portugal, nor may this document or any other offering materials relating to the Rights Issue be distributed, in Portugal, except in circumstances which do not constitute a public offering and marketing in Portugal within the meaning of Portuguese laws, or without complying with all legal and regulatory requirements in relation thereto. This document any other material relating to the Rights Issue may not be distributed to any person or entity other than its recipients.

#### **NOTICE TO JAPANESE INVESTORS**

The Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and Provisional Allotment Letters have not been and will not be registered under Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as

amended) (the “**FIEL**”) since the offering in Japan constitutes a private placement to a small number of offerees under Article 2, Paragraph 3, Item 2(iii) of the FIEL, and disclosure under the FIEL has not been and will not be made with respect to the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters. To fulfil the requirements of the private placement exemption under the FIEL, no offeree in Japan may transfer less than all of the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters acquired to any other third party.

#### **NOTICE TO CANADIAN INVESTORS**

Subject to certain exceptions, existing holders of Ordinary Shares who are located or resident in any province or territory of Canada (“**Canadian Shareholders**”) shall not be entitled to receive, take up, pay for or deal in any Nil Paid Rights. Certain Canadian Shareholders located or resident in the Provinces of Alberta, British Columbia, Ontario or Quebec (the “**Permitted Provinces**”) may be entitled to receive the Nil Paid Rights allocable to their Ordinary Shares in accordance with the procedures and subject to the restrictions adopted by the Company, solely for the purpose of taking up and paying for the Nil Paid Rights and receiving Ordinary Shares, fully paid, and not for the purpose of any resale, transfer or further dealing in Nil Paid Rights or Fully Paid Rights. In order to receive Nil Paid Rights, a Canadian Shareholder located or resident in a Permitted Province must qualify as an “accredited investor”, as such term is defined in National Instrument 45-106 *Prospectus Exemptions* of the Canadian Securities Administrators, or subsection 73.3(1) of the *Securities Act* (Ontario), and also qualify as a “permitted client”, as such term is defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* of the Canadian Securities Administrators. A Canadian Shareholder wishing to receive, take up and pay for Nil Paid Rights must complete and return the *Canadian Investor Letter for Shareholders and for Discretionary Account Managers in Canada* which forms part of the Canadian Offering Memorandum dated the same date as this document (the “**Canadian Offering Memorandum**”). Canadian Shareholders should refer to the Canadian Offering Memorandum for important additional information about the Rights Issue. The Canadian Offering Memorandum also includes additional information for prospective Canadian investors regarding sales of New Ordinary Shares in the Permitted Provinces by the Underwriters. Prospective Canadian purchasers of New Ordinary Shares from the Underwriters should also refer to Section 7.3 of Part IX (*Terms and Conditions of the Rights Issue*), entitled *Offering restrictions relating to Canada*.

#### **NOTICE TO SWISS INVESTORS**

The Company is not a collective investment scheme within the meaning of the Swiss Act on Collective Investment Schemes of 23 June 2006 and its implementing regulations and has not been approved by the Swiss Financial Market Supervisory Authority (“**FINMA**”). The Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and Provisional Allotment Letters or any related marketing materials may not and will not be publicly offered, sold, advertised, distributed or re-distributed, directly or indirectly, in or from Switzerland. No solicitation for investments in the New Ordinary Shares may be extended, distributed or otherwise made available in Switzerland in any way that could constitute a public offering pursuant to articles 1156 or 652a of the Swiss Code of Obligations (“**CO**”). This document or any other offering or marketing materials relating to the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters does not constitute an offering prospectus pursuant to articles 652a and 1156 CO and may not comply with the information standards required thereunder. The Company has not applied for a listing of the Shares on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this document does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange. This document is addressed to a specifically named recipient and may not be copied, reproduced, distributed or passed on to third parties.

#### **NOTICE TO SINGAPOREAN INVESTORS**

The offer of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares by the Company is made only to and directed at, and the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares are only available to, persons in Singapore who are existing holders of Ordinary Shares.

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may not be circulated or distributed, nor may Nil Paid Rights, Fully Paid Rights or New Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) Qualifying Shareholders under Section 273(1)(cd)(i) of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”); (ii) pursuant to, and in accordance with, the conditions of an exemption under Section 274 or Section 275 or, where applicable Section 276 of the SFA; or (iii) in the case of sales of New Ordinary Shares not taken up, pursuant to and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New Ordinary Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Ordinary Shares pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore. Qualifying Shareholders and/or any holder of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may only offer the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in Singapore to (i) existing members of the Company under Section 273(1)(cd)(i) of the Securities and Futures Act, Chapter 289 of Singapore, or (ii) pursuant to, and in accordance with, the conditions of an exemption under Section 274 or Section 275, or where applicable, Section 276, of the Securities and Futures Act, Chapter 289 of Singapore.

## NOTICE TO AUSTRALIAN INVESTORS

This document, and any other document issued by the Company in connection with this offer, does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia (the "**Corporations Act**"). It does not and is not required to contain all the information which would be required under the Corporations Act to be included in such a disclosure document, and has not been lodged with the Australian Securities and Investments Commission. The offering to which this document relates is being made in Australia in reliance on ASIC Corporations (Foreign Rights Issues) Instrument 2015/356 issued by the Australian Securities and Investments Commission. This document, and any other document issued by the Company in connection with this offer only constitutes an offer in Australia to persons who are recorded as Australian resident shareholders as at the Record Date.

## NOTICE TO JERSEY INVESTORS

Pursuant to Article 8(2) of the Control of Borrowing (Jersey) Order 1958, as amended, provided that the number of persons in Jersey to whom any offer for subscription, sale or exchange of securities contained in this document is communicated does not exceed 50, no Jersey regulatory consent is required in connection with such an offer and accordingly, the Jersey Financial Services Commission has not reviewed this document and therefore it takes no responsibility for the financial soundness of the Company or any correctness of any statement made, or opinions expressed herein.

## NOTICE TO ALL INVESTORS

Capitalised terms have the meanings ascribed to them in Part XXII (*Definitions and Interpretation*) which begins on page 251 of this document.

Certain information in relation to the Company is incorporated by reference into this document. You should refer to Part XXI (*Documents Incorporated by Reference*) of this document for further information. Without limitation, unless expressly stated herein, the contents of the websites of the Group, and any links accessible through the websites of the Group do not form part of this document.

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Neither the delivery of this document nor any acquisition or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct at any time after its date.

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**The date of this document is 10 March 2017.**

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**PART I  
SUMMARY**

*Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A-E (A.1 – E.7).*

*The summary contains all the Elements required to be included in a summary for this type of issuer and securities. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted into the summary because of the type of issuer and securities, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of the words “not applicable”.*

<b>Section A – Introduction and warnings</b>		
<b>Element</b>	<b>Disclosure requirement</b>	<b>Disclosure</b>
<b>A.1</b>	Warning	<p>This summary should be read as an introduction to the Prospectus. Any decision to invest in the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the relevant EEA State which has implemented the Prospectus Directive, have to bear the costs of translating this document before the legal proceedings are initiated.</p> <p>Civil liability attaches to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the securities.</p>
<b>A.2</b>	Any consents to and conditions regarding use of this document	Not applicable. The Company has not given its consent to the use of this document for the resale or final placement of the securities by financial intermediaries.

<b>Section B – Issuer</b>		
<b>Element</b>	<b>Disclosure requirement</b>	<b>Disclosure</b>
<b>B.1</b>	Legal and commercial name	SEGRO public limited company (“ <b>SEGRO</b> ” or the “ <b>Company</b> ”)
<b>B.2</b>	Domicile and legal form	The Company is a public limited company domiciled in England and Wales, with its registered number 00167591. The Company was incorporated and registered in England and Wales as a company limited by shares on 19 May 1920. The principal law and legislation under which the Company operates is the Companies Act.

<b>B.3</b>	Nature of the Company's current operations and principal activities	<p>SEGRO is a real estate investment trust whose ordinary shares are admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, and an owner, manager and developer of modern warehouses and light industrial property. SEGRO is headquartered in London and is a member of the FTSE 250 index.</p> <p>The Group manages over six million square metres of space (valued at £8.0 billion at 31 December 2016) owned by the Group or joint ventures in which it holds a stake. Taking into account its wholly owned property and stakes in joint ventures, the Group's property portfolio was valued at £6.3 billion at 31 December 2016, with the UK portfolio accounting for 68 per cent. (£4.3 billion) of the value of the overall portfolio, and the Continental Europe portfolio accounting for the remaining 32 per cent. (£2.0 billion). At 31 December 2016, 25 per cent. of the Group's portfolio was held within joint ventures.</p>
<b>B.4a</b>	Significant recent trends	<p>The portfolio of the Group comprises modern big box and urban warehouses which the Directors consider to be well specified and located, with good sustainability credentials, and which should benefit from a low structural void rate and relatively low-intensity asset management requirements. At 31 December 2016, approximately 68 per cent. of properties within the Group's portfolio were located in the UK, with 32 per cent. of properties located in Continental Europe, focused primarily in Germany (the office in Germany also administers its portfolio in the Netherlands, Belgium and Austria), France (the office also services Italy and Spain) and Poland (the office also services the Czech Republic).</p> <p>Occupier demand for big box warehouses has been strengthening across the Group's major markets in recent years, driven significantly by the structural shift towards online retailing (Source: JLL, Q4 2016 Logistics Market Fundamentals). Across the majority of European markets, immediately available space remains below total occupier demand, ensuring that vacancy rates are low (Source: JLL, Q4 2016 Logistics Market Fundamentals).</p> <p>JLL (Western Corridor Industrial Market, Autumn 2016) reports that take-up in the Western Corridor was 3.0 million square feet in H1 2016, 9 per cent. above the average of the previous five years and 5 per cent. higher than H1 2015. Just over half of demand (57 per cent.) came from West London and focused on Heathrow, which experienced strong demand from airline caterers, couriers and parcel companies.</p> <p>According to CBRE (Ile-de-France Light industrial Marketview, Q4 2016), take-up in Paris urban warehousing in 2016 increased by 15 per cent. to 948,000 square metres, representing a level 5 per cent. higher than the ten-year average. Available space at 31 December 2016 totalled 2.5 million square metres, a 4 per cent. decline over the year, and only 5 per cent. was represented by new or refurbished space.</p>
<b>B.5</b>	Group description	<p>The Company was incorporated in 1920 as "Slough Trading Company Limited" and became a public limited company in 1949. The Company is the ultimate parent company of the Group comprised of the Company and its subsidiaries from time to time.</p>

<p><b>B.6</b></p>	<p>Major shareholders</p>	<p>At 9 March 2017, being the latest practicable date prior to the publication of this document, in so far as it is known to the Company by virtue of the notifications made to the Company pursuant to Rule 5 of the Disclosure Guidance and Transparency Rules or otherwise, the name of each person who, directly or indirectly, is interested in voting rights representing 3 per cent. or more of the total voting rights in respect of the Company's issued ordinary share capital, and the amount of such person's holding, is as follows:</p> <table border="1" data-bbox="644 454 1402 772"> <thead> <tr> <th style="text-align: left;"><u>Name of Shareholder</u></th> <th style="text-align: right;"><u>Number of Ordinary Shares</u></th> <th style="text-align: right;"><u>Percentage of Voting Rights</u></th> </tr> </thead> <tbody> <tr> <td>BlackRock Inc . . . . .</td> <td style="text-align: right;">74,978,812</td> <td style="text-align: right;">9.03%</td> </tr> <tr> <td>APG Asset Management . . . . .</td> <td style="text-align: right;">49,264,583</td> <td style="text-align: right;">5.93%</td> </tr> <tr> <td>Artemis Investment Management . . . . .</td> <td style="text-align: right;">48,766,723</td> <td style="text-align: right;">5.87%</td> </tr> <tr> <td>Cohen &amp; Steers Asset Management . . . . .</td> <td style="text-align: right;">34,351,559</td> <td style="text-align: right;">4.14%</td> </tr> <tr> <td>State Street Global Advisors . . . . .</td> <td style="text-align: right;">38,824,333</td> <td style="text-align: right;">4.68%</td> </tr> <tr> <td>Legal &amp; General Investment Management . . . . .</td> <td style="text-align: right;">30,318,472</td> <td style="text-align: right;">3.65%</td> </tr> <tr> <td>The Vanguard Group . . . . .</td> <td style="text-align: right;">25,720,544</td> <td style="text-align: right;">3.10%</td> </tr> </tbody> </table> <p>Save as set out above, the Company is not aware of any person who, at 9 March 2017, being the latest practicable date prior to the publication of this document, exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company.</p> <p>None of the major shareholders of the Company set out above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Shares held by them.</p>	<u>Name of Shareholder</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of Voting Rights</u>	BlackRock Inc . . . . .	74,978,812	9.03%	APG Asset Management . . . . .	49,264,583	5.93%	Artemis Investment Management . . . . .	48,766,723	5.87%	Cohen & Steers Asset Management . . . . .	34,351,559	4.14%	State Street Global Advisors . . . . .	38,824,333	4.68%	Legal & General Investment Management . . . . .	30,318,472	3.65%	The Vanguard Group . . . . .	25,720,544	3.10%																																																											
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<p><b>B.7</b></p>	<p>Key financial information and narrative description of significant change to the Company's financial condition and operating results during or subsequent to the period covered by the historical financial information</p>	<p>The table below sets out the Group's summary financial information for the periods indicated. The financial information has been extracted without material adjustment from the audited financial statements of the Group for that period.</p> <table border="1" data-bbox="644 1227 1402 2029"> <thead> <tr> <th rowspan="2"></th> <th colspan="3" style="text-align: center;"><b>At and for the year ended 31 December</b></th> </tr> <tr> <th style="text-align: center;"><b>2016</b></th> <th style="text-align: center;"><b>2015</b></th> <th style="text-align: center;"><b>2014</b></th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="3" style="text-align: center;"><i>(in £m)</i></td> </tr> <tr> <td colspan="4"><i>Income statement data</i></td> </tr> <tr> <td>Revenue . . . . .</td> <td style="text-align: right;">283.5</td> <td style="text-align: right;">248.5</td> <td style="text-align: right;">290.0</td> </tr> <tr> <td>Gross rental income . . . . .</td> <td style="text-align: right;">225.5</td> <td style="text-align: right;">210.7</td> <td style="text-align: right;">215.1</td> </tr> <tr> <td>Property operating expenses . . . . .</td> <td style="text-align: right;">(44.9)</td> <td style="text-align: right;">(37.7)</td> <td style="text-align: right;">(40.5)</td> </tr> <tr> <td>Net rental income . . . . .</td> <td style="text-align: right;">180.6</td> <td style="text-align: right;">173.0</td> <td style="text-align: right;">174.6</td> </tr> <tr> <td>Realised and unrealised property gain . . .</td> <td style="text-align: right;">246.0</td> <td style="text-align: right;">461.5</td> <td style="text-align: right;">408.6</td> </tr> <tr> <td>Operating profit . . . . .</td> <td style="text-align: right;">498.7</td> <td style="text-align: right;">777.5</td> <td style="text-align: right;">719.8</td> </tr> <tr> <td>Profit before tax . . . . .</td> <td style="text-align: right;">426.4</td> <td style="text-align: right;">686.5</td> <td style="text-align: right;">654.4</td> </tr> <tr> <td>Profit after tax . . . . .</td> <td style="text-align: right;">418.7</td> <td style="text-align: right;">682.8</td> <td style="text-align: right;">682.0</td> </tr> <tr> <td colspan="4"><i>Financial position data</i></td> </tr> <tr> <td>Total assets . . . . .</td> <td style="text-align: right;">6,108.7</td> <td style="text-align: right;">5,564.5</td> <td style="text-align: right;">4,813.6</td> </tr> <tr> <td>Total liabilities . . . . .</td> <td style="text-align: right;">1,927.8</td> <td style="text-align: right;">2,076.4</td> <td style="text-align: right;">1,924.8</td> </tr> <tr> <td colspan="4"><i>Cash flow data</i></td> </tr> <tr> <td>Net cash received from operating activities . . . . .</td> <td style="text-align: right;">101.2</td> <td style="text-align: right;">87.7</td> <td style="text-align: right;">123.0</td> </tr> <tr> <td>Net cash received from/(used in) investing activities . . . . .</td> <td style="text-align: right;">80.7</td> <td style="text-align: right;">(165.5)</td> <td style="text-align: right;">(130.3)</td> </tr> <tr> <td>Net cash (used in)/ received from financing activities . . . . .</td> <td style="text-align: right;">(166.5)</td> <td style="text-align: right;">70.7</td> <td style="text-align: right;">(202.5)</td> </tr> <tr> <td>Net increase/(decrease) in cash and cash equivalents . . . . .</td> <td style="text-align: right;">15.4</td> <td style="text-align: right;">(7.1)</td> <td style="text-align: right;">(209.8)</td> </tr> <tr> <td>Cash and cash equivalents at the end of the year . . . . .</td> <td style="text-align: right;">32.0</td> <td style="text-align: right;">16.4</td> <td style="text-align: right;">23.8</td> </tr> </tbody> </table>		<b>At and for the year ended 31 December</b>			<b>2016</b>	<b>2015</b>	<b>2014</b>		<i>(in £m)</i>			<i>Income statement data</i>				Revenue . . . . .	283.5	248.5	290.0	Gross rental income . . . . .	225.5	210.7	215.1	Property operating expenses . . . . .	(44.9)	(37.7)	(40.5)	Net rental income . . . . .	180.6	173.0	174.6	Realised and unrealised property gain . . .	246.0	461.5	408.6	Operating profit . . . . .	498.7	777.5	719.8	Profit before tax . . . . .	426.4	686.5	654.4	Profit after tax . . . . .	418.7	682.8	682.0	<i>Financial position data</i>				Total assets . . . . .	6,108.7	5,564.5	4,813.6	Total liabilities . . . . .	1,927.8	2,076.4	1,924.8	<i>Cash flow data</i>				Net cash received from operating activities . . . . .	101.2	87.7	123.0	Net cash received from/(used in) investing activities . . . . .	80.7	(165.5)	(130.3)	Net cash (used in)/ received from financing activities . . . . .	(166.5)	70.7	(202.5)	Net increase/(decrease) in cash and cash equivalents . . . . .	15.4	(7.1)	(209.8)	Cash and cash equivalents at the end of the year . . . . .	32.0	16.4	23.8
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		<p>Rental income is the primary source of revenue for the Group. The most significant potential drivers of changing rental income are acquisition, disposal and development activity within the Group. On an operating level, changing vacancy levels can impact the rent generated by the portfolio, as can the rental terms achieved at lease inception, rent reviews in the UK, indexation in Continental Europe, the volume of new lettings on existing or newly-completed buildings, lease renewals on buildings that are currently let, and lease surrender premiums. This positive impact is offset by lease breaks, takebacks and lease incentives. In improving occupier markets and/or when supply of space is increasingly limited, conditions which have been experienced since 1 January 2014, tenants may take longer leases to improve certainty of tenure and landlords will be able to reduce the level of incentives. Such factors have had a positive impact on the Group's performance during the periods under review.</p> <p>Since 1 January 2014, the Group has made a number of significant disposals and acquisitions, which have been completed in order to improve the quality and focus of its property portfolio in the Group's major geographies and asset types. Such portfolio recycling can have a significant impact on the Group's results of operations in terms of both income generated from rents and costs associated with managing a property portfolio, which can vary both by size of the portfolio and by the type and location of the property.</p> <p>An integral element of a strategic plan for the Group agreed by the Directors in November 2011 was a disposal programme of assets no longer considered core to Group strategy, which has resulted in a number of significant disposals in the periods under review. The plan identified approximately £1.6 billion of non-core assets for disposal, substantially all of which have now been sold, and the proceeds of which have enabled the Group to both provide funding for new investment in acquisitions and developments in growth areas of the business and reduce leverage. The Group has also in recent years disposed of assets as part of the normal course asset recycling activity aimed at crystallising value on mature assets to raise funds for investment in new development projects and acquisitions.</p> <p>An important component of the Group's growth is its ability to develop and let new assets. New assets tend to be more attractive to occupiers and are often less intensive from an asset management perspective. The addition of new significant tenants when a property under development is completed, as well as delays in the development process, can result in material fluctuations in the Company's net rental income or operating profit between given periods. In 2014, the Group invested £157 million in new developments with a total of 268,000 square metres of new space created during the year. The Group invested £164 million in new developments (318,000 square metres of new space created) in 2015, with a further £221 million invested in acquisitions of land for future development, primarily in the UK. In 2016, the Group significantly accelerated the development capital expenditure (including through the use of proceeds of a placing of Ordinary Shares in September 2016), taking advantage of improving occupier markets due in particular to growing demand from</p>
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		<p>retailers for warehouse space to service customers ordering online, as well as a lack of modern warehouse space. Development capital expenditure increased to £302 million, with a further £155 million invested in acquisitions of land for future development. A total of 421,600 square metres of new space was created during the year. The Directors set out in the announcement by the Company of its results for the year ended 31 December 2016 that the Group's capital expenditure for the year ending 31 December 2017 is expected to be in excess of £300 million.</p> <p>The European commercial property market has experienced a period of relative recovery during the periods under review, and this has been reflected in the valuation of the Group's assets (and assets within its joint ventures). As a result of revaluation of the Group's properties in accordance with International Accounting Standard 40, net revaluation gains recognised on the income statement were £409 million in 2014, £462 million in 2015 and £246 million in 2016.</p> <p>The Group's gross borrowings increased from £1,630.4 million at 31 December 2016 to £1,703.1 million at 28 February 2017. In addition, the Group's gross borrowings have been increased as a result of the Acquisition, as follows: (i) £215 million drawn under the HSBC, BNP and RBS Facilities to finance the cash consideration for the Acquisition (which is to be repaid using the net proceeds of the Rights Issue) and (ii) the Group assumed outstanding net borrowings of APP (£340.0 million at 31 December 2016).</p> <p>There has been no significant change in the financial condition or operating results of the Group since 31 December 2016, the date to which the Group's last audited consolidated financial information was published.</p> <p>Deloitte LLP, the previous auditors of the Company, issued an unqualified audit opinion on the consolidated financial statements of the Group included in the 2014 Annual Report and Accounts and the 2015 Annual Report and Accounts. PricewaterhouseCoopers LLP, the current auditors of the Company, has issued an unqualified audit opinion on the consolidated financial statements of the Group included in the 2016 Annual Report and Accounts.</p>
<b>B.8</b>	Key pro forma financial information	<p>Selected key unaudited pro forma financial information is set out below. The unaudited pro forma net assets statement of the Group set out below has been prepared on a voluntary basis in accordance with Annex II items 1 to 6 of the PD Regulation and on the basis of the notes set out below to illustrate the impact of the Acquisition and the Rights Issue on the net assets of the Group as if they both had taken place at 31 December 2016.</p> <p>The unaudited pro forma net assets statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results. The pro forma financial information has been prepared in a manner consistent with the accounting policies adopted by the Group for the year ended 31 December 2016.</p> <p>The unaudited pro forma financial information does not take into account the trading of the Group subsequent to the period end balance sheet date of 31 December 2016.</p>

## Unaudited pro forma net assets statement

### Unaudited pro forma statement of net assets of the Group

As at 31 December 2016

	Note 1	Adjustments		Group adjusted for the impact of the Acquisition as at 31 December 2016	Adjustments	
		Note 2	Note 3		Note 4	
	Group	Recognition of the Acquisition	Consideration for the Acquisition		Net proceeds from the Rights Issue	Pro forma Group
	£m	£m	£m	£m	£m	£m
<b>ASSETS</b>						
<b>Non-current assets</b>						
Goodwill and other intangibles . . . . .	3.1	—	—	3.1	—	3.1
Investment properties . . . . .	4,714.4	1,096.8	(149.9)	5,661.3	—	5,661.3
Other interests in property . . . . .	9.6	—	—	9.6	—	9.6
Plant and equipment . . . . .	16.1	0.2	—	16.3	—	16.3
Investments in joint ventures (Note 5) . . . . .	1,066.2	(363.6)	—	702.6	—	702.6
Available for sale investments . . . . .	0.7	—	—	0.7	—	0.7
Derivative financial instruments . . . . .	80.1	—	—	80.1	—	80.1
Pension assets . . . . .	45.7	—	—	45.7	—	45.7
	<u>5,935.9</u>	<u>733.4</u>	<u>(149.9)</u>	<u>6,519.4</u>	<u>—</u>	<u>6,519.4</u>
<b>Current assets</b>						
Trading properties . . . . .	25.4	—	—	25.4	—	25.4
Trade and other receivables . . . . .	102.8	9.3	—	112.1	—	112.1
Derivative financial instruments . . . . .	12.6	—	—	12.6	—	12.6
Cash and cash equivalents . . . . .	32.0	23.2	0.5	55.7	340.3	396.0
Assets held for sale . . . . .	—	—	—	—	—	—
	<u>172.8</u>	<u>32.5</u>	<u>0.5</u>	<u>205.8</u>	<u>340.3</u>	<u>546.1</u>
<b>Total assets</b> . . . . .	<b>6,108.7</b>	<b>765.9</b>	<b>(149.4)</b>	<b>6,725.2</b>	<b>340.3</b>	<b>7,065.5</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Borrowings . . . . .	1,630.4	363.2	215.5	2,209.1	(215.5)	1,993.6
Deferred tax liabilities . . . . .	16.3	—	—	16.3	—	16.3
Trade and other payables . . . . .	4.7	2.1	(0.3)	6.5	—	6.5
Derivative financial instruments . . . . .	14.7	—	—	14.7	—	14.7
	<u>1,666.1</u>	<u>365.3</u>	<u>215.2</u>	<u>2,246.6</u>	<u>(215.5)</u>	<u>2,031.1</u>
<b>Current liabilities</b>						
Trade and other payables . . . . .	246.5	30.1	—	276.6	—	276.6
Derivative financial instruments . . . . .	11.1	6.9	—	18.0	—	18.0
Tax liabilities . . . . .	4.1	—	—	4.1	—	4.1
	<u>261.7</u>	<u>37.0</u>	<u>—</u>	<u>298.7</u>	<u>—</u>	<u>298.7</u>
<b>Total liabilities</b> . . . . .	<b>1,927.8</b>	<b>402.3</b>	<b>215.2</b>	<b>2,545.3</b>	<b>(215.5)</b>	<b>2,329.8</b>
<b>Net assets</b> . . . . .	<b>4,180.9</b>	<b>363.6</b>	<b>(364.6)</b>	<b>4,179.9</b>	<b>555.8</b>	<b>4,735.7</b>
<b>Selected KPIs</b>						
<b>Look Through</b>						
LTV (Note 6) . . . . .	33.0%			36.7%		28.5%

## NOTES

### Note 1

The Group financial information as at 31 December 2016 has been extracted without material adjustment from the audited 2016 Annual Report and Accounts.

### Note 2

The Acquisition by SEGRO (of the remaining 50% interest in APP) results in the derecognition of the Group's existing 50%

investment in APP and the recognition/consolidation of 100 per cent. of APP. The derecognition of the investment in joint ventures represents the Group's 50 per cent. investment of APP as at 31 December 2016 and has been extracted without material adjustment from note 7 of the audited 2016 Annual Report and Accounts. The consolidation of 100 per cent. of APP as at 31 December 2016 has been extracted without material adjustment from note 7 of the audited 2016 Annual Report and Accounts.

**Note 3**

As described in Part VII (*Letter from the Chairman*) the total consideration for the 50 per cent. interest in APP is £364.6 million. In addition, the consideration for APP will be in the form of the sale of five properties by the Group based on their book value at 31 December 2016 of £149.9 million less £0.3 million of rent apportionment adjustments and £0.5 million of associated tenant deposits. The net cash consideration is £215.5 million, which for the purposes of this pro forma has been shown as an increase in non-current borrowings.

**Note 4**

The net proceeds of the Rights Issue of £555.8 million are calculated on a 1 for 5 rights issue of new ordinary shares at 345 pence per ordinary share net of estimated expenses in connection with the Rights Issue of approximately £17.0 million. For the purposes of this pro forma this has been shown as a decrease in non-current borrowings to the extent these are repaid as set out in Part VII (*Letter from the Chairman*). The remainder is held in cash and cash equivalents.

**Note 5**

	Adjustments		Group adjusted for the impact of the Acquisition as at 31 December 2016	Adjustments	
	Group	Recognition of the Acquisition		Net proceeds from the Rights Issue	Pro forma Group
Investment in Joint Ventures (As at 31 December 2016)	£m	£m	£m	£m	£m
Investment and trading properties in joint ventures	1,605.6	(548.4)	1,057.2	—	1,057.2
Net Borrowings in joint ventures	(492.6)	170.0	(322.6)	—	(322.6)
Other	(46.8)	14.8	(32.0)	—	(32.0)
	1,066.2	(363.6)	702.6	—	702.6

**Note 6**

Look through LTV is net borrowings (including joint ventures at share) divided by the carrying value of total property assets (investment, owner occupied, trading properties) including joint ventures at share.



		This document relates not only to the issue of the New Ordinary Shares but also sets out information in relation to the Existing Ordinary Shares.
<b>C.2</b>	Currency	The Nil Paid Rights and the Ordinary Shares held on the register of members of the Company are denominated in Pounds Sterling.
<b>C.3</b>	Number of shares issued	At 9 March 2017 (being the latest practicable date prior to the publication of this document), the Company had 830,165,669 Existing Ordinary Shares of 10 pence each (all of which were fully paid or credited as fully paid) and the nominal share capital of the Company amounted to £83,016,567.
<b>C.4</b>	Rights attached to the securities	The New Ordinary Shares will, when issued and fully paid, rank <i>pari passu</i> with the Existing Ordinary Shares and will rank in full for all dividends and distributions thereafter declared, made or paid on the share capital of the Company, save in respect of any dividend or distribution with a record date falling before the date of the issue of the New Ordinary Shares, including the recommended final dividend for the year ended 31 December 2016.
<b>C.5</b>	Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the Ordinary Shares. However, the making of the proposed offer of New Ordinary Shares to persons located or resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom, may be affected by the law or regulatory requirements of the relevant jurisdiction, which may include restrictions on the free transferability of such New Ordinary Shares.
<b>C.6</b>	Admission to trading	<p>The Company has a premium listing on the Official List of the UK Listing Authority and the Existing Ordinary Shares are currently trading on the main market for listed securities operated by the London Stock Exchange.</p> <p>Application has been made to the UK Listing Authority for the New Ordinary Shares (nil and fully paid) to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that trading in the Nil Paid Rights (in the computerised system for the paperless settlement of sales and purchases of securities and through the renounceable provisional allotment letters relating to the Rights Issue) will commence on 13 March 2017.</p>
<b>C.7</b>	Dividend policy	<p>The Directors target a payout ratio of 85 to 95 per cent. of Adjusted Profit After Tax and aim to deliver a progressive and sustainable dividend which grows in line with profitability.</p> <p>Under the UK REIT rules, SEGRO is required to distribute 90 per cent. of UK-sourced, tax-exempt rental profits as a property income distribution ("PID"). Given that SEGRO also receives income from its properties in Continental Europe, the total dividend has historically exceeded this minimum level.</p> <p>The Directors have recommended a final dividend of 11.2 pence per Existing Ordinary Share, bringing the total aggregate amount paid and payable by way of dividend in respect of the year ended 31 December 2016 to 16.4 pence per Existing Ordinary Share. New Ordinary Shares issued</p>

		<p>pursuant to the Rights Issue will not be entitled to this final dividend because such dividend was declared before the date of allotment and issue of the New Ordinary Shares.</p> <p>The Company also currently operates a scrip dividend scheme, which provides Shareholders with an opportunity to receive new Ordinary Shares instead of cash in respect of any dividend and PID for which the Directors choose to offer the scrip dividend alternative. The UK tax implications of the Company's scrip dividend scheme are considered in the scrip dividend scheme booklet available in the "Investors // Dividend Information" section of the Company's website and are not further addressed in this document.</p> <p>Applying the indicative bonus factor element of the Rights Issue to the total aggregate amount paid and payable by way of dividend in respect of the year ended 31 December 2016 shows that, following the Rights Issue, the dividend of 16.4 pence per share would equate to approximately 15.6 pence per Existing Ordinary Share. Subject to performance and available resources, the Directors would seek to grow that level of dividend in line with profitability.</p>
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<b>Section D – Risks</b>		
<b>Element</b>	<b>Disclosure requirement</b>	<b>Disclosure</b>
<b>D.1</b>	Key risks that are specific to the Group and its industry	<p>The key risk factors relating to the Group and its industry are set forth below:</p> <ul style="list-style-type: none"> <li>• Deterioration in the real estate market including due to adverse economic and political conditions could have an impact on the Group's business, prospects, financial condition and/or results of operations.</li> <li>• The Group's development business could be adversely affected by cash flow restrictions.</li> <li>• Restrictions in the Group's borrowings may restrict the Group's activities or business plans and adversely affect the Group's ability to finance ongoing operations, strategic acquisitions, investments and development projects.</li> <li>• Gains and losses resulting from revaluations of properties could result in fluctuations in reported results and could potentially trigger covenant breaches.</li> <li>• Due to inherent uncertainties of property valuations, such valuations may not properly reflect the ability of properties to generate revenue or gains on sale.</li> <li>• The Group may fail to take advantage of market opportunities.</li> <li>• The Group may be unable to acquire and dispose of assets profitably.</li> <li>• Property developments may fail to deliver the anticipated returns.</li> <li>• The Group may hold excess land for future development which may not ultimately be beneficial to the Group.</li> <li>• The Group could be adversely affected if it is unable to address competitive industry threats.</li> </ul>

		<ul style="list-style-type: none"> <li>The Group could be adversely affected by uncertainty, disruption or other consequences of the result of the UK referendum on whether to remain within the EU.</li> </ul>
<b>D.3</b>	Key risks specific to the Ordinary Shares	<ul style="list-style-type: none"> <li>The market value of the Ordinary Shares may fluctuate significantly as a result of factors beyond the Company's control and may not always reflect the underlying asset value or prospects of the Company.</li> <li>An active market in the Nil Paid Rights may not develop.</li> <li>Shareholder ownership percentages may be diluted in connection with the Rights Issue or as a result of issuances of Ordinary Shares that may occur in the future.</li> </ul>

<b>Section E – Offer</b>		
<b>Element</b>	<b>Disclosure requirement</b>	<b>Disclosure</b>
<b>E.1</b>	Total net proceeds and estimate of total expenses of the issue/ offer, including estimated expenses charged to investors	<p>The Company's total estimated net proceeds of the Rights Issue are expected to be approximately £556 million.</p> <p>The total estimated expenses of the Rights Issue payable by the Company are approximately £17.0 million (excluding VAT).</p> <p>No expenses will be charged to Shareholders who take up their rights in the Rights Issue. Shareholders who do not take up their rights in the Rights Issue may have the New Ordinary Shares to which they are entitled sold on their behalf. To the extent that such New Ordinary Shares are sold at a premium to the Issue Price, the relevant Shareholders shall be entitled to such premium, subject to brokerage and exchange costs. No amount of less than £5.00 will be paid to such Shareholders.</p>
<b>E.2a</b>	Reasons for the offer and use of the proceeds	<p>On 10 March 2017, SEGRO announced that it had acquired full ownership of the Airport Property Partnership (“<b>APP</b>”) by purchasing the 50 per cent. stake in APP which it did not already own from the Aviva Group Entities. APP owns a well-positioned portfolio of warehouse properties and land at and around London's major airports, of which 87 per cent. by value at 31 December 2016 is situated at, or close to, Heathrow Airport. SEGRO acquired the Aviva Group Entities' stake for a total consideration of £365 million, which comprised £216 million in cash and a portfolio of five wholly-owned properties for a consideration totalling £149 million, in line with book value at 31 December 2016, adjusted for deferred income and tenant deposits (the “<b>Acquisition</b>”). Following the Acquisition, APP has become a wholly-owned subsidiary of SEGRO.</p> <p>Since the Placing in September 2016, the Directors have identified a number of new development projects in which they plan to invest the proceeds of the Rights Issue. The gross proceeds of the Placing, which totalled £325 million, are being used (consistent with their planned use announced in September 2016) to part fund £456 million of capital expenditure associated with development projects identified at the time of the Placing. At 31 December 2016, the Group had already invested or allocated £342 million (approximately 75 per cent.) of such capital expenditure and projects</p>

		<p>comprising the remaining £114 million (approximately 25 per cent.) of such capital expenditure continue to progress as planned. Since the time of the Placing, occupier demand in the markets in which the Group operates has continued to be strong and the Directors have already approved, or believe that they are likely to approve for development in the next six to 12 months, a further £165 million in respect of development projects which are additional to those identified at the time of the Placing for which proceeds of the Rights Issue are to be allocated.</p> <p>In light of the Acquisition and additional opportunities within the Company's development pipeline which have arisen since the time of the Placing, on 10 March 2017, SEGRO announced that it intends to raise approximately £556 million (net of estimated expenses) by way of the Rights Issue.</p> <p>SEGRO proposes to use the net proceeds of the Rights Issue as follows:</p> <ul style="list-style-type: none"> <li>(a) to finance the cash consideration of £216 million for the Acquisition, which on completion was funded from the Group's internal resources;</li> <li>(b) to invest approximately £165 million to progress the development projects within the Current Development Pipeline (approximately £34 million) and Near-Term Development Projects (approximately £131 million), which have been identified since the time of the Placing; and</li> <li>(c) to reserve the balance of approximately £175 million to fund additional projects associated with the development of the Group's land bank and/or land held under option. Should such development projects fail to materialise, the balance would be used for the Group's general corporate purposes, which might include potential acquisitions which fulfil the Group's strategic objectives.</li> </ul> <p>In the event that one or more of the development projects referenced in point (b) above fail to commence, any proceeds of the Rights Issue which would have been used to fund such relevant development projects would be expected to be utilised in the manner described in point (c) above. The Directors have previously stated that their aim is to keep the Group's leverage below the mid-cycle target LTV ratio of 40 per cent. The Directors expect that once the proceeds of the Rights Issue are fully deployed, the Company's LTV ratio will be consistent with this level at approximately 35 per cent.</p>
<b>E.3</b>	Terms and conditions of the offer	<p>The Company is proposing to raise gross proceeds of approximately £573 million by way of the Rights Issue, pursuant to which it proposes to issue 166,033,133 New Ordinary Shares. The Rights Issue is underwritten pursuant to the Underwriting Agreement. The price at which Qualifying Shareholders will be invited to subscribe for New Ordinary Shares will be 345 pence which represents 25.3 per cent. discount to the theoretical ex-rights price based on the Dividend Adjusted Closing Price on 9 March 2017. Under the Rights Issue, the New Ordinary Shares will be offered by way of rights to all Qualifying Shareholders. Subject to certain exceptions, Shareholders with a registered address, resident, or otherwise believed to be, in any Excluded Territory will not be entitled to participate in the Rights Issue.</p>

		<p>The Rights Issue is conditional upon:</p> <p>(a) Admission (nil paid) having occurred by not later than 8.00 a.m. on 13 March 2017 (or such later time and/or date as the parties to the Underwriting Agreement may agree, being not later than 17 March 2017); and</p> <p>(b) the Underwriting Agreement having become unconditional in all respects and not having been terminated in accordance with its terms.</p>
<b>E.4</b>	Interests material to the issue/offer, (including any conflicting interests)	Not applicable. There are no interests, known to the Company, including conflicting interests, that are material to the Rights Issue.
<b>E.5</b>	<p>Name of person selling securities</p> <p>Lock-up agreement details including the parties involved and indication of the period of lock-up</p>	<p>SEGRO public limited company</p> <p>Pursuant to the terms of the Underwriting Agreement, subject to certain exceptions, the Company has agreed not to allot, issue or grant any rights over any securities of the Company or any member of the Group without the consent of the Joint Bookrunners until the date which is 180 days after the last date for acceptances in the Rights Issue.</p>
<b>E.6</b>	Dilution resulting from the Rights Issue	Qualifying Shareholders who do not take up their entitlements to New Ordinary Shares in full (for example because they are Qualifying Shareholders in the Excluded Territories) will have their proportionate shareholdings in the Company diluted by approximately 16.7 per cent. as a consequence of the Rights Issue.
<b>E.7</b>	Estimated expenses charged to the investor by the Company	Not applicable. Investors will not be charged expenses by the Company in respect of the Rights Issue.

## PART II RISK FACTORS

*Any investment in Ordinary Shares is subject to a number of risks and uncertainties. Prior to investing in Ordinary Shares, prospective investors should carefully consider the factors, risks and uncertainties associated with any such investment, the Group's business, strategy and the industry in which it operates, together with all other information contained in this document including, in particular, the risk factors described below. Prospective investors should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in the section of this document headed "Summary" are the risks that the Company believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, amongst other things, the risks and uncertainties described below.*

*The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in Ordinary Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group's business, prospects, financial condition and/or results of operations. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations and, if any such risk should materialise, the price of Ordinary Shares may decline and investors could lose all or part of their investment. Investors should carefully consider whether an investment in Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.*

*The order in which the following risk factors are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse impact on the Group's business, prospects, financial condition and/or results of operations, or the market price of Ordinary Shares. Financial measures presented in this Part II (Risk Factors), unless otherwise indicated, are on a proportional consolidated (non-IFRS) basis. See the Section headed "Presentation of non-IFRS financial measures" in Part IV (Important Information) for further details.*

### **1. Risks related to the Group**

#### **1.1 Deterioration in the real estate market including due to adverse economic and political conditions could have an impact on the Group's business, prospects, financial condition and/or results of operations**

Returns from an investment in property depend largely upon the amount of rental income generated from the property net of the expenses incurred in the construction or redevelopment and management of the property, as well as changes in its market value. The Group's ability to generate revenues from, and increase the value of, its portfolio in turn is linked to market supply and demand conditions, the efficiency of rent collection, occupier covenant strength and vacancy levels. These factors are themselves determined by a number of other factors including, amongst other things: the underlying performance of the customers that rent space in those properties, which is influenced by business confidence; gross domestic product growth; infrastructure quality; financial performance and productivity of industry; technology-driven change in the operation of customers' supply chains; levels of employment; interest rates; political stability and changes in government policy; fluctuations in weather; taxation; regulatory changes; and oil and energy prices.

The Group derived 76.4 per cent. of its gross rental income from the UK in 2016 and derived the remainder of its gross rental income from Continental Europe, mostly from France, Germany and Poland. At 31 December 2016, urban distribution and light industrial warehouses located in, or close to, cities such as London, Paris, Düsseldorf, Frankfurt, Berlin and Warsaw accounted for 47 per cent. of the Group's portfolio value, and warehouses over 10,000 square metres in size mainly located in major logistics hubs and corridors in the UK, France, Germany and Poland accounted for 40 per cent. of the Group's portfolio value. Accordingly, the performance of the Group and the value of its properties are likely to be directly or indirectly influenced primarily by economic and political conditions in the UK and these other countries.

While economic growth in many EU member states has been adversely affected in recent years by a range of factors (including, amongst other things, the global financial crisis), the intended withdrawal of the UK from the EU following the outcome of the 2016 referendum has the potential to have a significant negative impact on the economies of the UK as well as other members of the EU which may affect the demand for industrial property. In addition to the uncertainty in respect of the future relationship between the UK and the EU, it is not possible to foresee the impact on the Group's business of the result of the US elections and the upcoming elections in the Netherlands, France and Germany (and potentially Italy). The precise nature and scope of the consequences of deterioration in economic and/or political conditions cannot be predicted and are outside the Group's control, but such consequences, nonetheless, may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

In addition, property markets have tended to operate, at least historically, on a cyclical basis. Any investments, divestments and/or speculative developments which are made by the Group at the wrong time in an economic cycle could lead to the loss of value or underperformance by the Group relative to its competitors. If the Group is geared too highly at a point in the economic cycle when property valuations are falling, movements in the Group's net asset value may be exacerbated and covenants or other restrictions in the Group's credit facilities and other borrowings may be breached. Equally, if the Group is geared too conservatively at a point in the economic cycle when property valuations are rising, there is a risk that attractive growth opportunities could be missed.

Any significant decline in rental income or in the valuation of the properties held by the Group may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

## **1.2 The Group's development business could be adversely affected by cash flow restrictions**

The Group's development business requires substantial capital outlay, particularly during the construction period. The Group finances its property developments primarily through a combination of cash flow from operations and external borrowings.

The Group's ability to engage in development activities (and to refinance its borrowings) cost effectively is affected by the availability (and costs) of borrowings from time to time as a result of its financing of certain activities of the Group with external borrowings, including, amongst other things, bank loans and publicly-listed debt. At 31 December 2016, the Group had net borrowings of £1,598.4 million (which does not include the non-recourse borrowings of its joint ventures as at that date, which totalled £492.6 million). An inability to fund its property developments cost effectively may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

The Group is currently rated BBB+ with a stable outlook by the credit rating agency Fitch Ratings (registered in the EU in accordance with the CRA Regulation). Any material deterioration in the Group's credit ratings may increase its costs of funding or negatively impact its ability to raise new funding. As the majority of the Group's principal banking facilities (under which at 31 December 2016 it had approximately €620 million available in undrawn funds) and the majority of the Group's publicly-traded Pounds Sterling-denominated bonds (which at 31 December 2016 had a value outstanding of approximately £1,500 million) are not due to mature for several years, if debt funding were unobtainable, restricted or accessible solely on unfavourable terms in the medium term only, the Group should be able to mitigate such adverse consequences successfully by cutting back on acquisitions and other capital expenditure (which is feasible given the short development lead times for both urban and big box warehouse assets). However, without prejudice to the working capital statement in Section 7 of Part XX (*Additional Information*) of this document, if debt funding were unobtainable, restricted or accessible solely on unfavourable terms for a sustained period (for example, as a result of one or more material adverse movements in the valuation of the assets in the Group's portfolio and/or as a result of failures in the debt capital markets), the Group may become reliant on equity or equity-related capital. This could increase the Group's overall cost of capital and make certain types of property investment economically unattractive or not feasible. In turn, this may have a significant impact on future profit growth and the long-term profitability of the Group. A severe rationing of debt funding over a sustained period may require the Group to dispose of property assets, potentially at unattractive prices, to avoid

expensive re-financing costs. Many of these risks are outside the Group's control, but such consequences, nonetheless, may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.3 Restrictions in the Group's borrowings may restrict the Group's activities or business plans and adversely affect the Group's ability to finance ongoing operations, strategic acquisitions, investments and development projects**

The Group's credit facilities and other borrowings impose certain restrictions on the Group. These restrictions may affect, limit or prohibit the Group's ability to create or permit to subsist any charges, liens or other encumbrances in the nature of a security interest; incur additional indebtedness by way of borrowing, leasing commitments, factoring of debts or granting of guarantees; make any material changes in the nature of its business as presently conducted; sell, transfer, lease or otherwise dispose of all or a substantial part of its assets; amend, vary or waive the terms of certain acquisition documents or give any consent or exercise any discretion thereunder; acquire any businesses; or make any co-investments or investments. If the Group were to seek to vary or waive any of these restrictions (for example, in the aftermath of material adverse movements in the valuation of the assets within the Group's portfolio) and the relevant lenders did not agree to such variation or amendment, the restrictions may limit the Group's ability to plan for or react to market conditions or meet capital needs or otherwise restrict the Group's activities or business plans and adversely affect the Group's ability to finance ongoing operations, strategic acquisitions, investments and development projects.

In particular, if the Group failed to comply with the financial covenants in its credit facilities or other borrowings (due, for example, to deterioration in financial performance or falls in asset valuations), it could result in acceleration of the Company's obligations to repay those borrowings or the cancellation of those credit facilities or inability to refinance borrowings more generally. Examples of covenants that could be breached include gearing ratios (for example, if property valuations fall) and interest cover ratios (for example, if income falls or non-hedged interest costs rise).

These risks may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.4 Gains and losses resulting from revaluations of properties could result in fluctuations in reported results and could potentially trigger covenant breaches**

The Group's properties are independently re-valued on a semi-annual basis, and any increase or decrease in the value of its properties is recorded as a revaluation gain or loss in the Group's IFRS Income Statement for the period during which the revaluation occurs. As a result, the Group may have significant non-cash revenue gains and losses from period to period depending on the change in fair market value of its properties, whether or not such properties are sold. For example, during, and in the aftermath of, the global financial crisis in the period from mid-2007 to 2012, the Group experienced falls in the valuation of properties within its portfolio of 35 per cent.

Whilst any revaluation gains and losses from the Group's existing properties may lead to non-cash revenue gains and losses from period to period, any such gains and losses would be unrealised and therefore would not have any impact on cash flow until such time as the Company chooses to crystallise such gains or losses through a sale of one or more properties (if at all). However, under IFRS, such gains and losses do have the potential to cause volatility in the Company's IFRS Income Statement for the period during which the revaluation occurs. While the Company has no reason to believe that the financial covenants in its credit facilities would be breached, the Directors have considered an extreme circumstance where property valuations decline sharply so that such volatility has been taken into consideration by them in making the working capital statement in Section 7 of Part XX (*Additional Information*) of this document. Notwithstanding the foregoing, if significant revaluation losses from the Group's existing properties were to arise which extend beyond the sharp decline considered by the Directors in making the working capital statement, the consequences may be so severe such that the Company could breach the terms of the financial covenants in its credit facilities if the Company were unable to renegotiate the terms, or obtain relevant waivers, of such financial covenants. The Group's borrowings or other leverage may also increase the volatility of the Group's financial performance, and amplify the effect of any change in the valuation of the Group's assets on its financial position and results of operations. Such consequences may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.5 Due to inherent uncertainties of property valuations, such valuations may not properly reflect the ability of properties to generate revenue or gains on sale**

The valuation of the Group's properties and property-related assets is undertaken by independent third party valuers, but is inherently subjective due to the individual nature of each property.

As a result, valuations are subject to a degree of uncertainty. Moreover, property valuations are made on the basis of assumptions (which include, amongst other things, models and forecasts) which may not prove to be accurate. Incorrect assumptions or flawed assessments underlying the valuation reports may have a material adverse impact on the Group's ability to realise a sale price that reflects the stated valuation or to raise finance using the Group's properties as security. The valuations of the Group's properties may not be reflected in any actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, and estimated yield and annual rental income that underlie valuations may not be attainable. Such consequences may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.6 The Group may fail to take advantage of market opportunities**

The Group works with locally-based professionals across its markets who have expertise in their respective investment markets to ensure that close contact is maintained with other market participants. A regular analysis is undertaken to compare the returns generated in relevant investment markets to SEGRO's internal targets to ensure that such target levels appropriately reflect the risks. However, there can be no assurance that investment opportunities will not be missed due to SEGRO using inappropriate targets. In the long term, investment decisions may not be sufficiently accurate, robust and responsive enough to implement SEGRO's strategy effectively. This may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

In addition, the UK REIT distribution requirements potentially limit the Group's ability to fund acquisitions and developments. To obtain full exemption from tax for the profits and gains from the Group's UK property rental businesses, the Company is required, amongst other things, to distribute annually to Shareholders at least 90 per cent. of the Group's income from those businesses by way of a PID payable either in cash or through the issue of shares (for those Shareholders who elect for the Scrip Dividend Scheme to apply). The foregoing requirement may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.7 The Group may be unable to acquire and dispose of assets profitably**

The Group's properties and those in which the Group may invest in the future are relatively illiquid, as there may not be ready buyers with financing who are willing to pay fair value at the time the Group desires to sell. This may affect the Group's ability to dispose of all, or part of, its portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions or to finance its development activity. In the case of an accelerated sale or a sale required for compliance with covenants contained in the Group's financing, or in the event of enforcement of security by a lender under one of the Group's non-recourse financings, there may be a significant shortfall between the carrying value of the property on the Group's consolidated balance sheet and the price achieved at the time of the sale of such property, and the Group may be unable to achieve a sales price at, or above, the book value of the property sold.

Periods of reduced liquidity in the capital markets may also mean that it may be difficult to achieve the sale of property assets at prices reflecting the Group's property valuations to the extent potential purchasers cannot obtain capital to acquire the assets. In addition, a lack of statistically significant levels of relevant transactional evidence increases the possibility of the Group being unable to achieve successful sales of properties at an acceptable price. Conversely, a liquid marketplace may make it more difficult for the Group to acquire properties at prices acceptable to the Group (based on, amongst other things, an expectation that the price of a relevant property would not produce a sufficient net true equivalent yield for the Group) and the prices of properties on the market may tend to exceed the Group's property valuations. In the event that the Group is unable to identify suitable properties or acquire properties at prices which are acceptable to it, the Group may determine that it should re-direct capital towards the acquisition and/or development of land, which are areas which historically have been associated with higher levels of investment risk relative to investment in property.

Failure to achieve successful sales and/or purchases of properties in the future at acceptable prices, or to successfully integrate newly-acquired portfolios into the Group, may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.8 Property developments may fail to deliver the anticipated returns**

Property developments typically require substantial capital outlay during the construction period and may take months or years before positive cash flows can be generated, if at all. While at 31 December 2016, the Group was committed only to £91.6 million of development expenditure for the purchase, construction, development and enhancement of investment property, it has a land bank of undeveloped land at 31 December 2016 capable of supporting 3.2 million square metres of warehouse development for total potential development capital expenditure of £1.3 billion, which includes the Current Development Pipeline and Near-Term Development Projects. See the section entitled "*Development properties*" in Part XI (*Information on the Group*) of this document for further details as to the development pipeline and plans for current and future development.

The time and costs required to complete new developments may be subject to substantial variables due to many factors, including, amongst other things, shortages of materials, equipment, technical skills and labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, contractor default, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may lead to delays in, or prevent, the completion of a property development and result in costs substantially exceeding those originally budgeted, which may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

The Group may commit significant time and resources to a project but may be unable to complete it successfully, which could result in the loss of some or all of the investment in that project. Postponement or cancellation of a property development may result in the Group holding too much development land, which may dilute the returns due to capital being invested in unproductive assets. In addition, failure to complete a property development according to its original schedule or business case, may give rise to investment returns being lower than originally expected, customers exiting contracts and/or bringing claims for damages against the Group due to the Group's breach of pre-let agreements, and potential liabilities. Such consequences may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

The Group may also be unable to lease speculatively developed properties or to renew the leases or find new customers on a timely basis or at all or at rents equal to or on equally favourable terms to those under the expiring leases (see risk factor 1.17).

### **1.9 The Group may hold excess land for future development which may not ultimately be beneficial to the Group**

At 31 December 2016, the Group held a land bank of undeveloped land which was capable of supporting 3.2 million square metres of warehouse development. In the event of a prolonged economic downturn, developments may be postponed, slowing down the rate of recycling of the capital invested in land. There is a risk that holding too much land for future development, or holding such land for long periods, may dilute the returns due to capital being invested in unproductive assets. Changes in governmental policy (including, amongst other things, changes in planning policies and zoning and the use of compulsory purchase orders) may also mean that the Group incurs costs, or is required to take certain action, in connection with development land held for longer than a prescribed period. Furthermore, planning consents and building permits necessary to the development of land may not be secured. Equally, external factors or changed circumstances may also cause customers to change their property requirements which may mean that the Group holds land which is located in undesirable areas. Conversely, there is also a risk that the Group's land bank will not be large enough, thereby constraining the growth opportunities of the Group. Either of these risks may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.10 The Group could be adversely affected if it is unable to address competitive industry threats**

The Group operates in specific markets and a competitive industry, in respect of both competition from other owners and developers for customers to lease properties, and competition from other investors to acquire built properties and land at attractive prices. The quantity and quality of competing developments in areas in which the Group operates could materially affect both its ability to lease units and the rental price charged to customers at its developments. Additional comparable developments built near the Group's developments could negatively affect the Group's business by creating increased competition for creditworthy customers. This could result in decreased revenue from customers and may cause the Group to make additional capital expenditures for renovation and improvement of facilities in order to compete effectively. Further, with respect to certain portfolios there is considerable supply offered by the Group's competitors, which could limit the Group's rental growth. Additionally, local factors, such as the particularly competitive market for pre-let activity in Poland relative to the other geographic markets served by the Group, may result in lower rental yields and decreased revenues from customers within certain geographies. Other competitive factors include operational efficiencies of competitors, competitive pricing strategies in the market, expansion by existing competitors, entry by new competitors into the Group's current markets and adoption of its business models by competitors. If the Group cannot respond to changes in market conditions of the relevant markets more swiftly or more effectively than its competitors, this may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.11 The Group could be adversely affected by uncertainty, disruption or other consequences of the result of the UK referendum on whether to remain within the EU**

On 23 June 2016, the UK held a referendum in which a majority of voters voted in favour of the UK leaving the EU (commonly referred to as 'Brexit'). The result of the referendum has created uncertainty surrounding the economy of the UK and other EU countries, which may have a material adverse impact on the respective economies of such countries. Consequently, the result of the referendum may cause uncertainty surrounding, and potentially disruptions to, the Group's business, including affecting its relationships with the Group's existing and future customers, suppliers and employees, which may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

As a result of the referendum, it is expected that the UK government will begin negotiating the terms of the UK's future relationship with the EU. The effects of 'Brexit' will depend on any agreements arising out of such negotiations which the UK government makes to retain access to EU markets either during a transitional period or more permanently. Although it is unknown what the terms of those agreements will be, it is possible that such agreements will lead to greater restrictions on the free movement of goods, services, people and capital between the UK and the remaining EU countries and increased regulatory complexities. Any such restrictions could potentially disrupt the markets the Group services and adversely impact the Group's operations in the jurisdictions in which it operates. In particular, any negative impact on trade between the UK and the EU may result in generally reduced demand for industrial property. Consequently, demand for properties held by the Group (including, for example, big box and urban warehouses) may reduce, which may mean that the Group is unable to renew leases or find new customers and, in the longer term, may lead to decreases in the value of its property in the UK and the EU. Further, given that a large proportion of the Group's portfolio in the south east of England serves the London market, a significant negative impact on the London economy (such as, for example, due to London losing its status as a pre-eminent centre for financial services) may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

The effects of 'Brexit' could also lead to legal uncertainty and potentially divergent national laws and regulations which may, directly or indirectly, impact the Group's customers, suppliers, and employees, as the UK determines which EU laws to adopt, replace, or amend, which may increase compliance costs, and the cost to the Group of carrying out business generally, in the UK and the EU. In particular, given that part of the Group's activities are covered in whole or part by tax regimes—notably for SIIC and SPPICAV in France, SOCIMI in Spain and REIFs in Italy—which are broadly similar to the UK REIT regime and confer similar tax benefits, any changes to the ability of the Group to benefit from such regimes as a result of the 'Brexit' process or otherwise, as well as other disruptions or

consequences caused by 'Brexit', may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.12 The Group is exposed to counterparty credit risk**

There is a risk of a loss being sustained by the Group as a result of payment default by a counterparty with whom the Group transacts derivatives or places surplus funds on deposit. Under the Group's treasury risk management policy, the Group only deals with counterparties with certain minimum credit ratings and has set its maximum exposure to each of them with regard to credit ratings. There can be no assurance, however, that the Group will successfully manage this risk, which may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

The global financial crisis, which began in 2007, also resulted in serious dislocation of financial markets around the world and caused a number of the world's largest financial and other institutions significant operational and financial difficulties. Consequently, such adverse conditions or other factors could inhibit the ability of a counterparty to honour its pre-existing lending or derivative contract commitments with the Group and could limit the Group's ability to access new funding over the longer term. While the Company has no reason to believe that these commitments will not remain outstanding and available to it during the term of such lending commitments and without prejudice to the working capital statement in Section 7 of Part XX (*Additional Information*) of this document, if, in the longer term, the Group is unable to access funding available under its existing credit facilities, or is unable to access funding through alternative arrangements in the longer term, it may be unable to meet its financial obligations (including interest payments, loan repayments, operating expenses, development costs and dividends) when they fall due or to raise new funding needed to finance its operations. Actions by counterparties who fail to fulfil their obligations to the Group as well as the inability of the Group to access new funding in the longer term may impact the Group's cash flow and liquidity. Such consequences may have a material adverse impact on its business, prospects, financial condition and/or results of operations.

### **1.13 The Group faces the risk of default or other adverse actions by its customers**

The Group faces the risk that its customers may be unwilling or unable to meet their rental commitments, which could result from the impact of macroeconomic conditions or be the result of other factors, which could result in:

- (a) an inability to collect amounts receivable on a timely basis or at all (late payments and non-payments of invoices issued by the Group are more likely to occur in unfavourable market conditions);
- (b) renegotiation of payment terms which are unfavourable to the Group;
- (c) customers defaulting on commitments to occupy a 'pre-let' development project, leading to increased vacant building costs and impaired cash flow;
- (d) customers vacating a building and the Group incurring empty rates liabilities; or
- (e) an inability to re-let space if a customer vacates several of the Group's properties simultaneously or vacates a bespoke property.

In some instances, deposits may be held by the Group based on an assessment of a customer's credit risk. However, in circumstances where a customer is unable to meet a rental commitment, such deposits are, in practice, usually required to cover uncollected rent and any required dilapidation spend on a relevant property. Accordingly, in practice, such deposits are unlikely to offer the Group complete (or, in some cases, even part) protection against any empty rates liabilities.

Negative changes in the financial condition of a significant number of the Group's customers, including actual customer failure, could result in a substantial decline in the Group's rental income or its ability to comply with its financial covenants. Similarly, a decline in demand for the Group's services could result in a substantial decrease in the Group's rental income. Such a decline could result from a range of factors affecting individual circumstances of customers or affecting customers more broadly. An example of the latter would be the change in lease accounting (IFRS 16), which is effective 1 January 2019 and could prompt customers of the Group to seek shorter (or more flexible) leasehold

agreements in relation to the assets of the Group or to obtain freehold interests in property assets rather than lease such assets. These factors could each have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

#### **1.14 The Group is exposed to translational and transactional effects of foreign exchange rate fluctuations**

The Group reports its results in Pounds Sterling. As a result, the Group's investments in Continental Europe expose it to foreign exchange risk, as such investments are valued, and related income is received, in local currencies (including, amongst others, the Euro). In addition, certain of the credit facilities entered into by the Group are denominated in Euro, whilst the covenants in such credit facilities are expressed in Pounds Sterling. The Group is therefore exposed to foreign exchange risk caused by fluctuations in the value of foreign currencies when the net income and net assets of those non-UK domiciled operations are translated into Pounds Sterling for the purposes of financial reporting. Conversely, as most cash flow is generated by the Group in Pounds Sterling, any depreciation in Pounds Sterling may make investments in Continental Europe more expensive for the Group. Further details in respect of the Group's sensitivity to fluctuations in foreign exchange rates and its approach to foreign currency risk management are included at Note 20 to the 2016 Annual Report and Accounts and the section headed the "*Quantitative and qualitative disclosures about market risk*" in Part XV (*Operating and Financial Review of the Group*).

Fluctuations in the value of the Euro relative to Pounds Sterling have become more pronounced as a consequence of the result of the UK referendum to leave the EU (see risk factor 1.11). The Group's approach to managing this risk has been to seek to match currency denominated assets and liabilities, predominantly by entering into certain derivative contracts, normally cross-currency swaps and forward sales, to hedge this risk. The effect of this has been to reduce the potential volatility in income and net asset value caused by currency fluctuations. While the Company has no reason to believe that it will breach the gearing ratios in its credit facilities, and without prejudice to the working capital statement in Section 7 of Part XX (*Additional Information*) of this document, one consequence of this is that the Group's debt to equity financial gearing has been and could be further adversely affected by a fall in the value of Pounds Sterling against the Euro as the value of Euro denominated debt and liabilities increases in Pounds Sterling terms (which is the basis on which the Group's gearing is calculated). Such consequences may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

#### **1.15 The Group is exposed to interest rate fluctuations, principally due to its external borrowing requirements**

The Group is exposed to movements in interest rates which affect the amount of interest paid on its borrowings and the return on its cash investments. Interest rates on real estate loans are also affected by other factors specific to the UK and European real estate finance and equity markets, such as changes to real estate value and overall liquidity in the real estate debt and equity financial markets.

To the extent that any of the Group's interest rate exposure remains unhedged, adverse movements in interest rates may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

#### **1.16 There are certain limitations as to the Group's ability to pay dividends**

Under English company law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. The Company's ability to pay cash dividends in the future is affected by a number of factors including its ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries.

The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities is subject to applicable local laws and regulatory requirements and other restrictions, including, amongst other things, applicable tax laws and covenants in some of the Company's credit facilities. These laws and restrictions could limit the payment of dividends and distributions to the Company by its subsidiaries, which could in future restrict the Company's ability to

fund other operations or to pay a dividend to holders of the Existing Ordinary Shares or the New Ordinary Shares (also see risk factor 1.6 in relation to the impact of the UK REIT distribution requirements on the Group's ability to fund acquisitions and developments).

### **1.17 The Group may face difficulties in renewing leases with existing customers or finding new customers on satisfactory terms**

The Group may be unable to lease speculatively developed properties or to renew its leases or find new customers on a timely basis or at all or at rents equal to, or on equally favourable terms to, those under its expiring leases. While properties remain vacant they may incur empty rates liabilities.

In particular:

- (a) vacancy rates could increase during periods of economic uncertainty;
- (b) existing and potential customers may seek to reduce their rental payments;
- (c) the weighted average lease length to break (or expiry) may become shorter due to prevailing market conditions and/or the advent of regulatory changes; and
- (d) rent free periods and/or other incentives for customers may increase.

Asset management decisions (including, amongst other things, decisions in relation to leasing, refurbishment and re-development investment) are based on assumptions about the future requirements of the Group's customers. If these requirements change relative to the Group's current expectations, there is a risk of increased obsolescence if the Group's properties become less attractive to customers and potential occupiers. In addition, there are numerous external factors that could cause customers to change their property requirements, including changes in legislation, increases in fuel costs and technological advances (including, amongst other things, the advent of autonomous vehicles). More stringent requirements for environmental protection may be imposed by the relevant authorities in the future, which could render the Group's buildings or properties technically obsolete. All of these factors may lead to a corresponding loss of value and rental income, which may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

If the actual rental levels on the Group's new developments decrease, or existing customers do not renew their lease agreements, or the Group is unable to find replacement customers in time after the expiration of existing tenancies, or the terms on which the Group agrees renewals or new leases become less favourable, this may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.18 The Group's business is subject to various health, safety and employment obligations**

On account of the nature of its operations, the Group is subject to various statutory compliance and litigation risks under health, safety and employment laws, including liability which may arise as a result of the actions of the Group's contractors. There can be no guarantee that there will be no accidents or incidents suffered by the Group's employees, its contractors or other third parties at the Group's facilities. If any of these incidents occur, the Group could be subject to prosecutions and litigation, which may lead to fines, penalties and other damages being imposed and cause damage to the Group's reputation and could otherwise lead to the Group failing to achieve its objectives for a particular project. Such events may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

Equally, there is a risk of an asset owned and/or constructed by the Group suffering a major structural failure which may lead to injury and/or loss of life which may lead to fines, penalties and other damages being imposed on the Group. Whilst the Group maintains commercial insurance, such insurance may not protect against liability arising from structural failure and any resultant injury and/or loss of life in all circumstances. Such structural failure may also lead to major service disruption and/or reputational damage, which may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.19 The Group's insurance coverage may prove inadequate, including due to failure or breach of insurance cover**

Whilst the Group maintains commercial insurance in an amount the Directors believe is appropriate against risks commonly insured against by persons carrying on similar businesses, there is no guarantee that it will be able to obtain the levels of cover desired by the Group on acceptable terms in the future. In addition, even with such insurance in place, the risk remains that the Group may incur liabilities to customers and other third parties which exceed the limits of such insurance cover or are not covered by it (for example, the Group's insurance policies may not fully cover misconduct by the Group's employees and/or the employees of third parties (in circumstances where the Group employs third parties to provide services for customers) or that action (or inaction) may be taken by the Group or one of its employees which may invalidate the terms of such insurance (for example, due to the Group failing to fulfil a building inspection obligation in accordance with the terms of a relevant insurance policy)). The Group may also find that it is unable to recover in respect of loss or damage (for example to its properties) for which it is not adequately insured. A substantial uninsured claim against a part of the Group may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations. This is particularly the case when market conditions are unfavourable and market participants may be more likely to litigate in relation to disputes or losses.

### **1.20 The Group's operations are subject to applicable laws and regulations, which are subject to change, and which could constrain its operations, increase its costs or have other adverse effects on the Group**

In each of the jurisdictions in which the Group operates it has to comply with laws, regulations and administrative actions and policies which relate to, amongst other matters, tax, REITs, planning, developing, building, land use, fire, health and safety, environment, anti-bribery, anti-corruption and employment. These regulations often provide broad discretion to the administering authorities.

Each aspect of the regulatory environment in which the Group operates is subject to change, which may be retrospective, and changes in regulations could affect existing planning consent, costs of property ownership and the value of properties. For example, there could be changes or increases in real estate taxes that cannot be recovered from the Group's customers or changes in environmental laws that require significant capital expenditure. Changes in regulations may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

The Group, as owner or occupier of existing or future property, is subject to a variety of laws and regulations concerning the protection of health and the environment. This includes environmental laws and regulations that can impose liability for cleaning up contaminated land, watercourses or groundwater. For those properties located in the UK, local legislation and regulations extend such liability to any person who causes or knowingly permits such contamination. For those properties situated outside the UK, local legislation and regulations may apply different thresholds and tests for such liability.

Accordingly, the Group may (as owner or occupier of existing or future property) be, or become, responsible for the costs of removal, investigation or remediation of any hazardous or toxic substances that are located on or in a property, or that are migrating to or have migrated from a property owned or occupied by it, which costs may be substantial. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect the Group's ability to sell or lease the real estate or to borrow using the real estate as security.

Laws and regulations, as these may be amended over time, may also impose liability for the release of certain materials into the air or water from a current or former real estate investment, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. Other laws and regulations can limit the development of, and impose liability for the disturbance of, wetlands or the habitats of threatened or endangered species.

In relation to previous acquisitions, and future acquisitions, while the Group may have obtained, and will seek, indemnities relating to environmental liabilities in any purchase agreement (particularly where any specific environmental liability risks may have been identified), it may not be possible for the Group to recover under such indemnity the full costs or losses that it may incur or suffer.

Non-compliance with, or liabilities under, existing or future environmental laws or any other laws and regulations, including failure to hold the requisite permits or licences, could result in reputational damage, fines, penalties, third-party claims and other costs that may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.21 The Group could be adversely affected were its properties subject to expropriation**

Any property or part of any property in the UK may, at any time, be compulsorily acquired by a UK government department or local authority in connection with proposed redevelopment or infrastructure projects. If this were to occur, compensation would be payable on the basis of the value of all owners' and tenants' proprietary interests in that property at the time of the related purchase as determined by reference to a statutory compensation code, but the compensation could be less than the Group's assessment of the property's current market value, or the relevant apportionment of such market value where only part of a property is subject to a compulsory purchase order. In the case of an acquisition of the whole or part of that property, the relevant freehold, heritable or long leasehold estate and any lease would both be acquired. If the amount received from the proceeds of purchase of the relevant freehold, heritable or long leasehold estate were inadequate, this may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.22 The Group's joint ventures and other forms of co-ownership subject the Group to certain risks of shared ownership and control of the properties affected**

The Group has entered, and may enter in the future, into joint ventures (such as the SELP joint venture) with certain business partners.

Under such arrangements, the Group is required to share control and specified major decisions require the approval of the Group's business partners. The Group's business partners may have economic or business interests that are inconsistent with the Group's objectives or those business partners could become insolvent, potentially leaving the Group liable for their share of any liabilities relating to the investment or joint venture. Although the Group generally seeks to maintain sufficient control of any business partnership to permit its objectives to be achieved, it might not be able to take action without its business partner or partners. Accordingly, the use of joint ventures could prevent the Group from achieving its objectives and could limit its business opportunities, which may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

There may be various restrictive provisions and rights which govern sales or transfers of interests in the Group's joint ventures and joint ownership arrangements. These may affect the Group's ability to dispose of a property at a time that is most advantageous, for instance by giving the joint venture partner a pre-emptive right and/or requiring the approval of the joint venture partner for disposal to a particular purchaser.

In addition, in the event of a partner being unable to make financial commitments to the relevant asset, it may be difficult to proceed with a particular project relating to an asset or the Group may have increased financial exposure as the Group may be jointly and severally liable under the terms of the joint venture agreement with the joint venture partner. The Group's ability to recover any such monies from a partner may be limited.

Restrictive provision and rights governing sales or transfers of interest, as well as joint venture partners being unable to make financial commitments, may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

In addition, the bankruptcy, insolvency or severe financial distress of one of the Group's business partners could materially and adversely affect the relevant joint venture or joint venture property. The Group may have a right to acquire the joint venture or the relevant joint venture property, but the Group may not wish to do so, or may not have sufficient funds available to do so, which could lead to a third party acquiring such interest or the joint venture's insolvency, both of which may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations. Further if the joint venture has incurred recourse obligations, the insolvency of a joint venture partner may, in certain circumstances, result in the Group assuming a liability for a greater portion of those obligations than it would otherwise bear.

Equally, if the Group were to fail to comply with its obligations in relation to such business partners in respect of any relevant joint venture arrangements (for example, amongst other things, by failing to follow a mandated governance procedure, defaulting under any of the Group's credit facilities or otherwise failing to comply with the terms of any relevant joint venture agreement), the Group may incur significant costs and/or be required to dispose of its stake in any relevant joint venture at less than its market value.

In addition, given the business relationships which exist between the Group and its joint venture partners, the Group is subject to reputational risk from adverse publicity which may, directly or indirectly, arise as a result of such relationships.

These risks may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.23 External events may occur that impact the Group's interests at Heathrow and other airports**

The Group holds a number of 'air side' assets (including those held by the Group's wholly-owned subsidiary, APP), a majority of which are located at Heathrow Airport. External events beyond the control of the Group, particularly those directly or indirectly impacting air-freight, which take place at Heathrow Airport and/or other airports may have a negative impact on the Group's interests in, and around, Heathrow Airport (including APP) and/or other relevant airports. For example, amongst other things, the occurrence of events such as a major environmental incident, a major health and safety incident, a major security incident (including acts of terrorism) and/or on-site protests at an airport may cause damage to the Group's assets and/or disruption to the services provided by the Group. In addition, accidents, system failures or other similar external events could raise questions as to the safety and security of the Group's 'air side' assets and result in reputational damage and/or cause disruption to business. Further, external events such as those described above could make APP (and/or certain other of the Group's properties and/or joint ventures) less valuable, including, in relation to APP, relative to the consideration paid to the Aviva Group Entities pursuant to the Acquisition. These risks may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

In addition to the above, notwithstanding the decision by the UK government in October 2016 to build a third runway at Heathrow Airport, prolonged uncertainty around the planning process and timetable for construction of the third runway means that the economic prospects for the area at, and around, Heathrow Airport may be negatively impacted, which in turn may have a material adverse impact on the underlying value of the Group's interests at Heathrow (including APP) over the medium-to-long term. Similar risks arise with respect to extensions or new constructions of other airports. These risks are outside the Group's control, but such consequences, nonetheless, may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.24 The Group is subject to litigation in the ordinary course of its business**

The Group may become subject to disputes with customers, commercial parties with whom it maintains relationships or other commercial parties in the property or related industries. Any such disputes could result in litigation between the Group and such commercial parties. Additionally, when the Group disposes of investments it may be required to give representations and warranties about those investments and disputes may arise to the extent that any such representations or warranties are claimed to be inaccurate.

Whether or not any dispute actually proceeds to litigation, the Group may be required to devote significant management time and attention to its successful resolution (through litigation, settlement or otherwise), which would detract from the Group's ability to focus on its business. The resolution of a dispute could involve the payment of damages or expenses by the Group which may be significant. Any such cash outflows from the Group may have a material adverse impact on its business, prospects, financial condition and/or results of operations. In addition, any such resolution could involve the Group agreeing to terms that restrict the operation of its business.

### **1.25 The Group is reliant on third party contractors and consultants**

The Group engages independent contractors and consultants to provide various services for its property developments, including construction and design. If the performance of any such contractor

or consultant is unsatisfactory, it may be necessary to replace them or take other actions to remedy the situation, which could adversely affect the cost and timing of the construction. Moreover, the Group's independent contractors or consultants may become bankrupt or insolvent which may lead to significant operational risk for the Group, including, amongst other things, cost overruns and strategic decisions in relation to the scope and scale of planned constructions.

Any of these factors may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

#### **1.26 The Group may have difficulty attracting or retaining key personnel**

The Group's success depends, to a significant extent, on the continued services of its executive management team, which has substantial experience in the property industry. In addition, the Group's ability to continue to identify, manage and develop properties depends on its management's knowledge of, and expertise in, the property market. If one or more senior executives or other personnel are unable or unwilling to continue in their present positions, the Group may not be able to replace them easily or at all, and its business may be disrupted and its financial condition and/or results of operations may be materially and adversely affected. Competition for experienced managers and key personnel is high, the pool of qualified candidates is limited and the Group may not be able to retain the services of its executives, managers or key personnel, or attract and retain high-quality executives, managers or key personnel in the future. In particular, the business of the Group is reliant on the performance of its development team, asset managers, property managers, investment managers and tax, treasury and accounting functions. If any key personnel from such teams or functions leave and carry on any activities competing with the Group, it may lose customers, key professionals and staff members, and legal remedies against such individuals may be limited, which may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

#### **1.27 Failure of information technology systems and processes and the proper operation of office space could be detrimental to the Group**

Given the limited amount of office space maintained by the Group and the limited number of individuals employed by the Group, the business of the Group is highly dependent on the proper functioning of its information technology systems and processes and the proper operation of its limited office space. The Group's systems and office space are vulnerable to damage or interruption from various factors, including, amongst other things, power loss, telecommunications failures, data corruption, network failure, computer viruses, malware, ransomware, security breaches, natural disasters, theft, vandalism, execution of unauthorised transactions or other acts. These threats may derive from fraud or malice on the part of the Group's employees, its contractors or other third parties, or may result from human error or accidental technological failure. In order to increase business efficiency, the Group upgrades certain systems periodically and, particularly during the upgrading process, may be vulnerable to system implementation and system performance issues as well as problems associated with the transition from legacy platforms. A disaster or disruption in the infrastructure that supports the Group's business (whether physical or non-physical) may have a material adverse impact on the Group's business (for example, amongst other things, in relation to the collection of rent, communications with customers and the proper functioning of treasury operations), prospects, financial condition and/or results of operations.

#### **1.28 Increases in operating expenses during the term of leases adversely affects the Group's profitability**

The weighted average lease length to expiry at Group level at 31 December 2016 was 8.7 years. The operating and other expenses of the Group could increase during the term of leases entered into by the Group without a corresponding increase in turnover generated by the leases. Accordingly, the Group would need to absorb such increased operating and other expenses until such time that a relevant lease may be renegotiated or renewed. Factors which could increase operating and other expenses include:

- (a) increases in property taxes and other statutory charges;
- (b) changes in laws, regulations or government policies which increase the costs of compliance;
- (c) increases in insurance premiums;

- (d) unforeseen increases in the costs of maintaining properties;
- (e) defects affecting the properties which need to be rectified; and
- (f) failure of sub-contractors leading to unforeseen costs.

Such increases may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

### **1.29 The Group could be subject to additional taxation were it to no longer qualify as a REIT under the UK regime and similar tax regimes overseas**

The Company became a UK REIT on 1 January 2007. The result is, broadly, that the Group is exempt from tax on the income profits and chargeable gains of its UK property rental business. In order to continue to qualify for the UK REIT regime, the Group has to comply with certain criteria, including requirements relating to the proportion which the Group's property rental business bears to its total business.

In the event that the Group ceases to comply with these criteria, it may lose the benefits of the UK REIT regime and may be subject to additional taxation, which may have a material adverse impact on the Group's results of operations. Any change to the legislative provisions relating to UK REITs could have a similar material adverse impact. Investors should note that there is no guarantee that the Company will continue to qualify as a UK REIT and that it could lose such status as a result of, amongst other things, the actions of third parties over which the Company has no control, in particular a successful takeover by a company that is not a UK REIT.

In certain non-UK jurisdictions, part of the Group's activities are covered in whole or part by tax regimes—notably for SIIC and SPPICAV in France, SOCIMI in Spain and REIFs in Italy—which are broadly similar to the UK REIT regime and confer similar tax benefits. The Group's ongoing qualification for these regimes is subject to its compliance with legislative and regulatory criteria in the relevant jurisdictions. In the event that the Group ceases to comply with these criteria, it may lose the benefits of the relevant regime and may be subject to additional taxation, which may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations. Further, any changes to the legislative provisions relating to such regimes, which are outside the Group's control, could have a similar material adverse impact.

## **2. Risks relating to the Rights Issue and the New Ordinary Shares**

### **2.1 The market value of the Ordinary Shares may fluctuate significantly as a result of factors beyond the Company's control and may not always reflect the underlying asset value or prospects of the Company**

The market price of the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights) and/or the Ordinary Shares could be volatile and subject to significant fluctuations due to a change in sentiment in the market regarding the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights) and/or the Ordinary Shares. Such risks depend on the market's perception of the likelihood of completion of the Rights Issue, and/or in response to various facts and events, including any industry sector changes affecting the Group's operations, variations in the Group's operating results, business developments of the Group and/or its competitors, the operating and share price performance of other companies in the industries and markets in which the Group operates, or speculation about the Group's business in the press, media or the investment community. Changes in the political and economic climate (such as a result of the UK vote to leave the EU (see risk factor 1.11)) may also cause volatility and significant fluctuations in the market. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Group's operating performance or prospects. Furthermore, the Group's business, prospects, financial condition and/or results of operations, or the underlying value of the Group's assets, from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights) and/or the Ordinary Shares.

## **2.2 An active market in the Nil Paid Rights may not develop**

An active trading market in the Nil Paid Rights may not develop on the London Stock Exchange during the trading period. In addition, because the trading price of the Nil Paid Rights depends on the trading price of the Ordinary Shares, the Nil Paid Rights price may be volatile and subject to the same risks as noted elsewhere in this document.

## **2.3 Shareholder ownership percentages may be diluted in connection with the Rights Issue or as a result of issuances of Ordinary Shares that may occur in the future**

If Shareholders do not take up the offer of New Ordinary Shares under the Rights Issue their proportionate ownership and voting interests in the Company will be reduced and the percentage that their shares will represent of the total share capital of the Company will be reduced accordingly. Even if a Shareholder elects to sell his, her or its unexercised Nil Paid Rights, or such Nil Paid Rights are sold on his, her or its behalf, the consideration he, she or it receives may not be sufficient to compensate him, her or it fully for the dilution of his, her or its percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

In addition, although the Group has no current plans for an offering of its Ordinary Shares or of rights to subscribe for its Ordinary Shares other than in connection with the Rights Issue, the Company's scrip dividend scheme, the SEGRO Share Plans and certain remuneration arrangements in relation to the Company's exclusive partnership with Roxhill Development Group announced on 19 February 2016, it is possible that the Group may decide to offer additional Ordinary Shares in the future, for example to effect a future acquisition. In addition, the granting of employee share options in respect of Ordinary Shares is an integral element of the Group's compensation policies. An additional offering of Ordinary Shares by the Group or significant grants of Ordinary Shares could dilute ownership and thereby have an adverse impact on the market price of outstanding Ordinary Shares.

## **2.4 The Directors believe the Company is a passive foreign investment company**

Generally, unfavourable U.S. federal income tax rules apply to U.S. persons, as such term is defined in the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), owning stock of a PFIC. A foreign corporation will be a PFIC if, after the application of certain 'look-through' rules with respect to subsidiaries in which it holds at least 25 per cent. of the value of such subsidiary, for a taxable year, (a) 75 per cent. or more of its gross income for such taxable year is passive income, or (b) 50 per cent. or more of the average value of its assets either produce passive income or are held for the production of passive income. The Directors believe that the Company has been a PFIC for U.S. federal income tax purposes for prior years and expect the Company to be a PFIC for the current year. The determination of the Company's PFIC status for any year is very fact-specific and depends on the types of income it earns and the types and value of its assets from time to time, all of which are subject to change, as well as, in part, the application of complex U.S. federal income tax rules, which are subject to differing interpretations. If the Company were a PFIC for any taxable year during which a U.S. Holder (as defined below) holds Ordinary Shares, such U.S. Holder may be subject to increased tax liability (including an interest charge) upon the sale or other disposition of such Ordinary Shares or upon the receipt of certain distributions treated as "excess distributions," regardless of whether such income was actually distributed. In addition, certain elections that generally mitigate these adverse tax results may be unavailable for U.S. Holders. See "Part XIX (*Taxation*)—U.S. Taxation—Passive Foreign Investment Company Rules" for additional discussion.

## **2.5 Overseas Shareholders may have fewer rights than they would as UK shareholders or as shareholders of companies organised in their local jurisdiction**

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England. The rights of holders of Ordinary Shares are governed by English law and by the Company's Memorandum and Articles. These rights differ from the rights of shareholders in typical U.S. corporations and some other non-UK corporations. In particular, English law significantly limits the circumstances under which shareholders of companies may bring derivative actions. Under such law generally, only a company can be the proper pursuer or claimant in proceedings in respect of wrongful acts committed against it. In addition, it may be difficult for an Overseas Shareholder to prevail in a claim against the Company under, or to enforce liabilities predicated upon, non-UK securities laws.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. All of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

## **2.6 Substantial Shareholders could be subject to adverse consequences as a result of the application of the UK REIT regime**

Under the UK REIT regime, a tax charge may be levied on the Company if it makes a distribution to a holder of "excessive rights" (a "**Substantial Shareholder**"), unless the Company has taken reasonable steps to avoid such a distribution being paid. A Substantial Shareholder is, broadly, a company (or another specified type of entity, including other bodies corporate but not partnerships) which: (i) is beneficially entitled, directly or indirectly, to 10 per cent. or more of the share capital of, or of the distributions paid by, the Company; or (ii) which controls, directly or indirectly, 10 per cent. or more of the voting rights in the Company.

In common with other UK REITs, the Company has included certain provisions in its Articles in order to prevent this tax charge from arising. These provisions permit the Company to withhold payment of distributions to any Substantial Shareholder and to require a Substantial Shareholder to dispose of some or all of its Ordinary Shares. Investors should be careful to avoid becoming a Substantial Shareholder as a result of the Rights Issue as this could adversely affect their ability to receive distributions and may result in their being required to sell some or all of their Ordinary Shares.

**PART III  
EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

**Each of the times and dates in the table below is indicative only and may be subject to change. Please read the notes to this timetable set out below.**

All references to times in the timetable below are to UK time.

	<u>2017</u>
Record Date for entitlements under the Rights Issue	close of business on Wednesday 8 March
Announcement of the Rights Issue	7.00 a.m. on Friday 10 March
Date of publication of Prospectus	Friday 10 March
Despatch of Provisional Allotment Letters (to Qualifying non-CREST Shareholders only) <sup>(1)</sup>	Friday 10 March
Existing Ordinary Shares marked “ex-rights” by the London Stock Exchange	8.00 a.m. on Monday 13 March
<b>Admission of New Ordinary Shares, nil paid, and start of subscription period</b>	Monday 13 March
<b>Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange</b>	8.00 a.m. on Monday 13 March
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only) <sup>(1)</sup>	As soon as practicable after 8.00 a.m. on Monday 13 March
Nil Paid Rights and Fully Paid Rights enabled in CREST	As soon as practicable after 8.00 a.m. on Monday 13 March
Recommended latest time for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. on Tuesday 21 March
Recommended latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights or Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them into uncertificated form)	3.00 p.m. on Wednesday 22 March
Latest time and date for splitting Provisional Allotment Letters, nil paid or fully paid, for rights traded on the London Stock Exchange	3.00 p.m. on Thursday 23 March
<b>Latest time and date in the UK for acceptance and payment in full and registration of renounced Provisional Allotment Letters</b>	11.00 a.m. on Monday 27 March
<b>Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange</b>	8.00 a.m. on Tuesday 28 March
Announcement of results of Rights Issue (including rump placement, if any)	Tuesday 28 March
<b>New Ordinary Shares credited to CREST accounts (uncertificated holders only)</b>	by no later than Tuesday 28 March
<b>Settlement in respect of rump shares</b>	Thursday 30 March
Expected date of despatch of definitive share certificates for New Ordinary Shares in certificated form	by no later than Thursday 6 April

Notes:

- (1) Subject to certain restrictions relating to Shareholders with registered addresses outside the UK, details of which are set out in Section 7 of Part IX (*Terms and Conditions of the Rights Issue*).
- (2) Each of the times and dates set out in the above timetables and mentioned in this document, the Provisional Allotment Letter and in any other document issued in connection with the Rights Issue is subject to change and may be adjusted by SEGRO in consultation with the Banks, in which event details of the new times and dates will be notified to the UK Listing Authority, the London Stock Exchange, and, where appropriate, Qualifying Shareholders.
- (3) If you have any questions relating to the Rights Issue or completion and return of your Provisional Allotment Letter, please contact the Shareholder Helpline on 0333 207 6530 (from inside the UK) or +44 121 415 0915 (if calling from outside the UK). The Shareholder Helpline is open from 8.30 a.m. to 5.30 p.m. (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Please note that calls may be recorded and randomly monitored for security and training purposes. Please note that for legal reasons, the Shareholder Helpline cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

## PART IV IMPORTANT INFORMATION

### General

Investors should rely only on the information in this document and the information incorporated herein by reference. No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Rights Issue and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors or the Underwriters to the Rights Issue. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to Section 87G of FSMA and PR 3.4.1 of the Prospectus Rules, neither the delivery of this document nor any subscription or sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own lawyer, financial advisor or tax adviser for legal, financial or tax advice in relation to any action in respect of the New Ordinary Shares or Existing Ordinary Shares.

None of the Company, the Directors or the Underwriters to the Rights Issue is making any representation to any Shareholder or purchaser of the New Ordinary Shares or Existing Ordinary Shares regarding the legality of an investment by such Shareholder.

Any investment decision relating to the New Ordinary Shares should be based on the consideration of this document in its entirety (and of the information incorporated into it by reference). In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risks involved.

This document relates not only to the issue of the New Ordinary Shares, but also sets out information in relation to the Existing Ordinary Shares.

### Presentation of Financial Information

The audited consolidated financial statements of the Company included in the 2014 Annual Report and Accounts for the year ended 31 December 2014, in the 2015 Annual Report and Accounts for the year ended 31 December 2015 and in the 2016 Annual Report and Accounts for the year ended 31 December 2016, together with the audit opinions thereon, are incorporated by reference into this document, as further detailed in Parts XVI (*Financial Information Relating to the Group*) and XXI (*Documents Incorporated by Reference*) of this document.

The Group Financial Information was prepared in accordance with IFRS, IFRS interpretations and the Companies Act applicable to companies reporting under IFRS. In addition, the Group has also adopted the recommendations of the Best Practice Committee of EPRA as appropriate.

The 2014 Financial Information and the 2015 Financial Information were audited by the Company's previous auditors, Deloitte LLP. The 2016 Financial Information was audited by the Company's current auditors, PricewaterhouseCoopers LLP.

The Company publishes its financial statements in Pounds Sterling. The abbreviations "£m" and "£bn" represent millions and thousands of millions of Pounds Sterling, respectively.

The financial information presented in a number of tables and in a number of other places in this document has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Certain financial information presented in this document has been presented including joint ventures, stated net of interest and taxation and before exceptional items and certain re-measurements. Part XV (*Operating and Financial Review of the Group*) explains the basis on which exceptional items and certain re-measurements have been presented separately.

### **Presentation of non-IFRS financial measures**

Parts of this document contain non-IFRS financial measures, which the Directors and management use to evaluate the Group's performance and the Directors believe provide investors with meaningful, additional insight as to underlying performance. An investor should not consider non-IFRS financial measures as alternatives to measures reflected in the Group Financial Information, which has been prepared in accordance with IFRS. In particular, an investor should not consider such measures as alternatives to profit after tax, operating profit or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities as a measure of the Group's activity. The Group's non-IFRS financial measures may not be comparable with similarly titled financial measures reported by other companies.

#### *Proportional consolidated measures*

The Group has both property assets of which it holds 100 per cent. and some which it holds through stakes in joint ventures. In the Group's IFRS financial statements, joint ventures are accounted for on an equity basis (included as a single profit figure in the IFRS Income Statement and as a single investment figure on the IFRS Balance Sheet). In operational terms, the Group manages joint venture assets in substantially the same way as it manages its wholly-owned assets. In light of this, the Directors manage the performance of the Group on the basis of various measures calculated consistent with the Best Practices Recommendations Guidelines of EPRA to take into account the performance of both wholly-owned and joint venture assets. Unless specifically stated, KPIs and financial measures in this document are stated in consideration of the Group's wholly-owned assets and its share of joint venture assets on a 'proportional consolidated' basis taking into account 100 per cent. of wholly-owned assets and a percentage equal to the Group's stake in respect of joint venture assets. Where reference is made to size of a property, it is stated at 100 per cent. of the space, irrespective of whether the property is wholly-owned or held in a joint venture. The 2014 Annual Report and Accounts, the 2015 Annual Report and Accounts, and the 2016 Annual Report and Accounts contain supplementary notes (not part of the audited financial statements) presenting income statement and balance sheet data on a proportional consolidated basis.

Proportional consolidated (non-IFRS) financial measures that have been presented in this document include gross rental income on a proportional consolidated basis, net rental income on a proportional consolidated basis, like-for-like net rental income on a proportional consolidated basis (see "—Like-for-like measures" below), and annualised gross and net rental income (see "—Annualised measures" below). The rental income figures on a proportional consolidated basis include the Group's IFRS gross rental income (rental income from wholly-owned properties) as well as the Group's proportional gross rental income from joint ventures, which is otherwise included within the line item "Share of profit from joint ventures after tax" in the IFRS Income Statement.

For a presentation of key performance indicators used by the Group, which, except as otherwise indicated in this document, are also calculated on a proportional consolidated basis, see "—Presentation of key performance indicators" below.

#### *Like-for-like measures*

The Directors use, and the Group presents, like-for-like measures (on a proportional consolidated basis) to reflect the underlying value and/or performance of the existing portfolio excluding changes in the portfolio (i.e., acquisitions and disposals, and developments) that have occurred between the periods.

Like-for-like rental growth measures are based on properties held as completed throughout the current and comparative periods under review (e.g., in respect of the 2016 analysis, both 2016 and 2015). Where an asset has been sold into a joint venture (transfers into the SELP joint venture, for example) or purchased from a joint venture, the 50 per cent. share owned throughout the period is included in the like-for-like calculation, with the balance shown as disposals or acquisitions as appropriate.

Like-for-like portfolio valuation growth includes valuation on assets classified as completed at the end of the period under review. This includes properties held throughout the period, as well as acquisitions and developments completed during the period and land and buildings under construction, all adjusted for capital expenditure, between the relevant valuation dates. The measure excludes any impact of tenant incentives which are included in the IFRS accounts.

#### *Annualised measures*

The Directors use, and the Group presents, annualised measures (on a proportional consolidated basis) to provide an indication of the rental income (on a gross or net basis) of a property or portfolio of properties at a particular point in time. It is the figure used to calculate the yield on a property or portfolio at a balance sheet date. The Directors refer to “headline rent” and “rent roll,” which are each annualised gross rent payable after expiry of any rent-free period. The Group uses headline rent to monitor rents from new lettings, rent reviews and renewals as well as rent lost from takebacks of space. Passing rent refers to the annualised gross rental income being paid on the particular date, which would be zero if the lease were then subject to a rent-free period.

#### *Adjusted Profit*

According to the Best Practices Recommendations Guidelines of EPRA, the earnings reported in the IFRS Income Statement do not provide stakeholders with the most relevant information on the operating performance of real estate companies. Such recommendations are on the basis that unrealised changes in valuation, gains or losses on disposals of properties and certain other items do not necessarily provide an accurate picture of a company’s underlying operational performance. In light of this, as recommended by EPRA, the Directors use, and the Group presents, adjusted profit (before and after tax, as well as on a per share basis), which is a non-IFRS measure, to provide indicators of the underlying income performance generated from the leasing and management of the property portfolio. The intention is not to replace IFRS profit measures but to give an additional disclosure providing relevant and more comparable industry information.

All components of profit, as presented in accordance with IFRS, that are not considered to be relevant to the underlying net income performance of the portfolio according to the EPRA recommendations, in particular the change in value of the underlying investments, the change in value of interest rate swaps and any gains or losses from the sales of properties, are excluded in the adjusted profit measures. In effect, what is left is the income return generated by the investment, rather than the Group’s change in value or capital return on investments.

In addition to the adjustments based on EPRA Best Practices Recommendations Guidelines, the Directors may also exclude from the EPRA profit measure additional items (gains and losses) that are considered by them to be non-recurring or unusual, which, in each case, are significant by virtue of size and nature. In the period 2014 to 2016, such items were limited to pension settlement costs incurred in 2015.

The adjusted measures calculated in accordance with the above and presented in this document are referred to as “Adjusted Profit Before Tax” and “Adjusted Profit After Tax”. See “Part XV (*Operating and Financial Review of the Group*)—Adjusted financial measures—Adjusted Profit Before Tax and Adjusted Profit After Tax” for further information on, and a discussion of, these measures, which includes reconciliations of these measures to the corresponding measures of profit on an IFRS basis.

#### **Presentation of key performance indicators**

In this document, the Group discusses certain key performance indicators (“**KPIs**”). These are used by the Directors to analyse the Group’s business and financial performance and to track the Group’s progress and help develop long-term strategic plans. The Directors regularly review the Group’s KPIs. The Directors consider that an understanding of these KPIs and the trends that may affect the Group’s performance in future periods is important to investors and analysts.

All KPIs used by the Group are calculated on a proportional consolidated basis. See “Part XV (*Operating and Financial Review of the Group*)—Key performance indicators” for further information and discussion of certain KPIs.

Amongst the Group's KPIs as presented in this document are the following:

- **Total Property Return ("TPR").** TPR is the ungeared return for the portfolio on a proportional consolidated basis 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 at 31 December each year and excluding land.
- **EPRA Net Asset Value ("NAV") per share.** NAV per share is the value of the Group's portfolio less the book value of its liabilities, calculated in accordance with EPRA recommendations, that is attributable to the Group's shareholders and calculated in accordance with EPRA guidelines on a per share diluted basis.
- **Loan to Value ("LTV") ratio.** LTV is net borrowings divided by the carrying value of total property assets (investment, owner occupied (if any), trading properties and at 31 December 2015 included the Bath Road office portfolio categorised as "Assets held for sale" on the balance sheet).
- **EPRA vacancy rate.** The EPRA vacancy rate measures the Group's ability to minimise the quantity of non-income-producing completed assets within the portfolio. The EPRA vacancy rate of the Group's portfolio is calculated on a proportional consolidated basis with reference to the ERV of vacant buildings compared with total completed portfolio ERV.
- **Total Cost Ratio ("TCR").** TCR reflects the total administration and property operating costs, less management fees including those from joint ventures (which are designed to compensate the Group for management costs incurred in earning those fees), expressed as a percentage of gross rental income (excluding management fees). In 2016, the Group adjusted in accordance with EPRA Best Practices Recommendations Guidelines how it computes TCR so that management fees, which amounted to £1.2 million in 2016 (2015: £1.0 million; 2014: £1.6 million), are offset against costs rather than as income in the cost ratio calculation as the management fees reimburse the Group for costs incurred. The Group has presented its TCR in this document on the basis of the 2016 calculation of TCR, with the adjustment applied to 2014 and 2015. As a result, the TCR for 2015 and 2014 is lower by 0.3 per cent. and 0.4 per cent., compared with previously reported TCR for those two years. Therefore, the TCR figures shown in the 2014 Financial Information and 2015 Financial Information are not comparable to the figures shown in the 2016 Financial Information.
- **Rent roll growth.** Rent roll growth measures the movement in the headline rent of the portfolio.

## Operating measures

In addition to the KPIs as set forth above, the Group uses certain key operating metrics, such as ERV, lease breaks, net initial yield, or takebacks as a means of evaluating operating performance, which are noted in the document. See Part XXII (*Definitions and Interpretation*) for the meanings of these terms.

## Management information

The information contained in this document includes statements relating to market shares and property data of the Group. Unless otherwise stated, these statements are management estimates. While management believes this information to be reliable, it has not been assessed or confirmed by independent sources.

## Foreign currency exchange rate information

Indicative exchange rates of Pounds Sterling against the US dollar and the Euro comprising the average rate used for income statements and the period-end rate used for balance sheet information at 31 December 2016 are shown below:

Year	US dollars per £1.00	
	Period end	Average
2014 .....	1.56	1.65
2015 .....	1.47	1.53
2016 .....	1.23	1.36

On 9 March 2017, being the latest practicable date prior to the publication of this document, the US dollar:Pounds Sterling exchange rate at 4:30 p.m. GMT was 1.22 as derived from data provided by Bloomberg.

Year	Euro per £1.00	
	Period end	Average
2014 .....	1.29	1.24
2015 .....	1.36	1.38
2016 .....	1.17	1.22

On 9 March 2017, being the latest practicable date prior to the publication of this document, the Euro:Pounds Sterling exchange rate at 4:30 p.m. GMT was 1.15 as derived from data provided by Bloomberg.

### Length measurement conversions

One foot is equal to 0.3048 metres. One metre is equal to 3.28 feet.

### Market, economic and industry data

The market, economic and industry data used in this document has been obtained by the Company from various third party reports, as identified in this document, including:

- (a) CBRE;
- (b) JLL;
- (c) OECD; and
- (d) the Civil Aviation Authority.

Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. The Group confirms that information sourced from a third party has been accurately reproduced, and as far as the Group is aware and has been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, in many cases the Group has made statements in this document regarding its industry and its position in the industry based on internal surveys as well as its own experience.

### Forward-Looking Statements

Certain information contained in this document, including information as to the Group's strategy, market position, plans or future financial or operating performance, constitutes "forward-looking statements". Generally, words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue" or similar expressions identify forward-looking statements.

These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Group and are difficult to predict, that may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Such factors include, but are not limited to: (i) general macroeconomic conditions and real estate activity in the markets in which the Group operates; and (ii) without prejudice to the working capital statement in Section 7 of Part XX (*Additional Information*) of this document, the Group's ability to implement its business strategy.

These statements are further qualified by the risk factors disclosed in this document that could cause actual results to differ materially from those in the forward-looking statements. See Part II (*Risk Factors*) for further details. For the avoidance of doubt, nothing in this document constitutes a qualification of the working capital statement contained in Section 7 of Part XX (*Additional Information*) of this document.

These forward-looking statements speak only as at the date of this document. Except as required by the rules contained in the Prospectus Rules, the Listing Rules, the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules or other applicable regulations, SEGRO does not have

any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the rules contained in the Prospectus Rules, the Listing Rules, the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules or other applicable regulations, SEGRO expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in SEGRO's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

### **Notice to all investors and Shareholders**

This document has been lodged with the London Stock Exchange. Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering the proposed Rights Issue is prohibited. By accepting delivery of this document, each recipient agrees to the foregoing.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by any member of the Group, or BofA Merrill Lynch, UBS, Barclays, BNP PARIBAS or HSBC or any of their respective affiliates. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of SEGRO since the date of this document or that the information in this document is correct as at any time subsequent to its date.

Without limitation, neither the contents of the websites of the Group nor any other website form part of this document. Capitalised terms have the meanings ascribed to them in Part XXII (*Definitions and Interpretation*) of this document. References to times in this document are to London times unless otherwise stated.

Certain information in relation to the Group is incorporated by reference into this document as set out in Part XXI (*Documents Incorporated by Reference*) of this document.

Investors and Shareholders should read the entire document and any document incorporated by reference and, in particular, the section headed "Risk Factors", when considering the proposed Rights Issue.

### **Enforcement of civil liabilities**

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England. The rights of holders of Ordinary Shares are governed by English law and by the Company's Memorandum and Articles. These rights differ from the rights of shareholders in typical U.S. corporations and some other non-UK corporations. In particular, English law significantly limits the circumstances under which shareholders of companies may bring derivative actions. Under such law generally, only a company can be the proper pursuer or claimant in proceedings in respect of wrongful acts committed against it. In addition, it may be difficult for an Overseas Shareholder to prevail in a claim against the Company under, or to enforce liabilities predicated upon, non-UK securities laws.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. All of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

## **Notice to investors in the United States**

Except as provided for below, neither this document nor the Provisional Allotment Letter constitutes, or will constitute, or forms or will form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights to any Shareholder with a registered address in, or who is resident located in, the United States. Except as provided for below, if you are in the United States, you may not exercise your Nil Paid Rights, Fully Paid Rights and/or acquire New Ordinary Shares offered hereby.

Notwithstanding the foregoing, the Company reserves the right to offer and deliver the Nil Paid Rights, and the Fully Paid Rights and the New Ordinary Shares may be offered to and acquired by investors in the United States reasonably believed to be QIBs in offerings exempt from, or in transactions not subject to, the registration requirements of the US Securities Act. The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares being offered outside the United States are being offered in reliance on Regulation S.

A QIB will be permitted to subscribe for the New Ordinary Shares or participate in any sales or purchases of the Nil Paid Rights or the Fully Paid Rights only if the QIB: (i) returns a duly completed and executed investor representation letter to the Company, in accordance with the instructions of its custodian or nominee; and (ii) such investor representation letter has been accepted by the Company.

Any envelope containing a Provisional Allotment Letter and post-marked from the United States will not be valid unless it contains a duly executed investor representation letter in the appropriate form, which is accepted by the Company. Similarly, any Provisional Allotment Letter in which the exercising holder requests New Ordinary Shares to be issued in registered form and gives an address in the United States will not be valid unless it contains a duly executed investor representation letter, which is accepted by the Company. The payment paid in respect of Provisional Allotment Letters that do not meet the foregoing criteria will be returned without interest, at the risk of the payer.

No representation has been, or will be, made by the Company, BofA Merrill Lynch, UBS, Barclays, BNP PARIBAS or HSBC as to the availability of Rule 144 under the US Securities Act or any other exemption under the US Securities Act or any state securities laws for the re-offer, or transfer of the New Ordinary Shares.

Any person in the United States who obtains a copy of this document or the Provisional Allotment Letter and who is not a QIB is required to disregard it.

## **Available information**

The Company has agreed that, for so long as any of the New Ordinary Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the US Securities Exchange Act, nor exempt from reporting under the US Securities Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act.

## WHERE TO FIND HELP

If you have any questions relating to the Rights Issue or completion and return of your Provisional Allotment Letter, please contact the Shareholder Helpline on the numbers set out below.

**Shareholder Helpline telephone numbers:**  
**0333 207 6530 (from inside the UK) or +44 121 415 0915 (if calling from outside the UK)**

The Shareholder Helpline is open from 8.30 a.m. to 5.30 p.m. (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Please note that calls may be recorded and randomly monitored for security and training purposes.

Please note that for legal reasons, the Shareholder Helpline cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

**PART V**  
**RIGHTS ISSUE STATISTICS**

Number of Existing Ordinary Shares as at the Record Date	830,165,669
Number of New Ordinary Shares available under the Rights Issue	166,033,133
Number of Ordinary Shares in the Enlarged Share Capital	996,198,802
Issue Price per New Ordinary Share	345 pence
New Ordinary Shares as a percentage of the Enlarged Share Capital	16.7 per cent.
Estimated gross proceeds of the Rights Issue	£572,814,309
Estimated net proceeds of the Rights Issue	£555,814,309

**PART VI**  
**DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS**

**Directors**

<b>Name</b>	<b>Position</b>
Gerald Corbett	<i>Chairman<sup>(2)</sup></i>
David Sleath	<i>Chief Executive Officer<sup>(2)</sup></i>
Soumen Das	<i>Chief Financial Officer</i>
Andy Gulliford	<i>Chief Operating Officer</i>
Phil Redding	<i>Chief Investment Officer</i>
Baroness Ford	<i>Senior Independent Non-Executive Director<sup>(1)(2)(3)</sup></i>
Christopher Fisher	<i>Independent Non-Executive Director<sup>(1)(2)(3)</sup></i>
Martin Moore	<i>Independent Non-Executive Director<sup>(1)(3)</sup></i>
Mark Robertshaw	<i>Independent Non-Executive Director<sup>(3)</sup></i>
Doug Webb	<i>Independent Non-Executive Director<sup>(1)(2)</sup></i>

Notes:

- (1) Member of the Audit Committee
- (2) Member of the Nomination Committee
- (3) Member of the Remuneration Committee

The usual business address of Gerald Corbett, David Sleath, Martin Moore, Soumen Das, Andy Gulliford, Phil Redding, Christopher Fisher, Mark Robertshaw and Doug Webb is SEGRO plc, Cunard House, 15 Regent Street, London SW1Y 4LR, United Kingdom.

The usual business address of Baroness Ford is STV Group plc, Pacific Quay, Glasgow, G51 1PQ, United Kingdom.

**Group Company Secretary**

Elizabeth Blease

**Registered Office**

Cunard House, 15 Regent Street, London SW1Y 4LR, United Kingdom

**Website**

<http://www.segro.com/>

## Advisers and others

*Joint Sponsor, Joint Global Co-ordinator  
Joint Bookrunner and Underwriter*

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

*Co-Bookrunner and Underwriter*

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

*Co-Bookrunner and Underwriter*

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

*Legal adviser to the Company  
(as to English law)*

**Slaughter and May**  
One Bunhill Row  
London EC1Y 8YY  
United Kingdom

*Auditors and Reporting Accountants*

**PricewaterhouseCoopers LLP**  
7 More London Riverside  
London SE1 2RT  
United Kingdom

*Registrar and Receiving Agent*

**Equiniti Limited**  
Aspect House  
Spencer Road, Lancing  
West Sussex, BN99 6DA  
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*Joint Sponsor, Joint Global Co-ordinator  
Joint Bookrunner and Underwriter*

**UBS Investment Bank**  
5 Broadgate  
London EC2M 2QS  
United Kingdom

*Co-Bookrunner and Underwriter*

**BNP PARIBAS**  
16, boulevard des Italiens  
75009 Paris  
France

*Legal adviser to the Company  
(as to US law)*

**Paul, Weiss, Rifkind,  
Wharton & Garrison LLP**  
Alder Castle, 10 Noble Street  
London EC2V 7JU  
United Kingdom

*Legal adviser to the Joint Sponsors,  
Joint Global Co-ordinators,  
Bookrunners and Underwriters  
(as to English and US law)*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

*Independent Valuer*

**CBRE Limited**  
St. Martin's Court  
10 Paternoster Row  
London, EC4M 7HP  
United Kingdom

PART VII  
LETTER FROM THE CHAIRMAN



*(Incorporated and registered in England and Wales with registered no. 00167591)*

*Registered Office:*  
Cunard House  
15 Regent Street  
London  
SW1Y 4LR

10 March 2017

*To Qualifying Shareholders and, for information purposes only, to holders of options under the SEGRO Share Plans.*

Dear Shareholder,

**1 for 5 RIGHTS ISSUE AT 345 PENCE PER NEW ORDINARY SHARE**

**1. Introduction**

On 10 March 2017, SEGRO announced that it had acquired full ownership of the Airport Property Partnership (“**APP**”) by purchasing the 50 per cent. stake in APP which it did not already own from the Aviva Group Entities. APP owns a well-positioned portfolio of warehouse properties and land at and around London’s major airports, of which 87 per cent. by value at 31 December 2016 is situated at, or close to, Heathrow Airport. SEGRO acquired the Aviva Group Entities’ stake for a total consideration of £365 million, which comprised £216 million in cash and a portfolio of five wholly-owned properties for a consideration totalling £149 million, in line with book value at 31 December 2016, adjusted for deferred income and tenant deposits (the “**Acquisition**”). Following the Acquisition, APP has become a wholly-owned subsidiary of SEGRO.

Since the Placing in September 2016, the Directors have identified a number of new development projects, in which they plan to invest the proceeds of the Rights Issue. The gross proceeds of the Placing, which totalled £325 million, are being used (consistent with their planned use announced in September 2016) to part fund £456 million of capital expenditure associated with development projects identified at the time of the Placing. At 31 December 2016, the Group had already invested or allocated approximately £342 million (approximately 75 per cent.) of such capital expenditure and projects comprising the remaining £114 million (approximately 25 per cent.) of such capital expenditure continue to progress as planned. Since the time of the Placing, occupier demand in the markets in which the Group operates has continued to be strong and the Directors have already approved, or believe that they are likely to approve for development in the next 6 to 12 months, a further £165 million in respect of development projects which are additional to those identified at the time of the Placing for which proceeds from the Rights Issue are to be allocated.

In light of the Acquisition and additional opportunities within the Company’s development pipeline which have arisen since the time of the Placing, on 10 March 2017, SEGRO announced that it intends to raise approximately £556 million (net of estimated expenses) by way of a fully underwritten Rights Issue of 166,033,133 New Ordinary Shares at 345 pence per share on the basis of 1 New Ordinary Share for every 5 Existing Ordinary Shares.

SEGRO proposes to use the net proceeds of the Rights Issue as follows:

- (a) to finance the cash consideration of £216 million for the Acquisition, which on completion was funded from the Group’s internal resources;

- (b) to invest approximately £165 million to progress the development projects within the Current Development Pipeline (approximately £34 million) and Near-Term Development Projects (approximately £131 million), which have been identified since the time of the Placing; and
- (c) to reserve the balance of approximately £175 million to fund additional projects associated with the development of the Group's land bank and/or land held under option. Should such development projects fail to materialise, the balance would be used for the Group's general corporate purposes, which might include potential acquisitions which fulfil the Group's strategic objectives.

In the event that one or more of the development projects referenced in point (b) above fail to commence, any proceeds of the Rights Issue which would have been used to fund such relevant development projects would be expected to be utilised in the manner described in point (c) above.

The Directors have previously stated that their aim is to keep the Group's leverage below the mid-cycle target LTV ratio of 40 per cent. The Directors expect that once the proceeds of the Rights Issue are fully deployed, the Company's LTV ratio will be consistent with this level at approximately 35 per cent.

This letter sets out the background to, reasons for and principal terms of the Rights Issue and explains why the Directors consider the Rights Issue to be in the best interests of the Group and Shareholders.

Financial measures presented in this Part VII (*Letter from the Chairman*), unless otherwise indicated, are on a proportional consolidated (non-IFRS) basis. See "*Presentation of non-IFRS financial measures*" in Part IV (*Important Information*).

Your attention is drawn to further risks associated with the Rights Issue and the New Ordinary Shares set out in Section 2 of Part II (*Risk Factors*).

## **2. Information on SEGRO**

SEGRO is a real estate investment trust whose Ordinary Shares are admitted to the premium segment of the Official List and trading on the London Stock Exchange's main market for listed securities and is a leading owner, manager and developer of modern warehouses and light industrial property. The Group owns or manages a property portfolio totalling over six million square metres of space, which was valued at £8.0 billion (£6.3 billion based on SEGRO's wholly-owned assets and its share of assets held within joint ventures) at 31 December 2016. Its portfolio comprises mainly modern big box and urban warehouses which the Directors consider to be well specified and located, with good sustainability credentials, and which should benefit from a low structural void rate and relatively low-intensity asset management requirements. Its assets are concentrated in strong sub-markets across the UK and nine Continental European countries, which, the Directors believe, have attractive property market characteristics, including good growth prospects and limited supply availability and where the Group already has, or can achieve, critical mass.

SEGRO's strategy is to create a portfolio which generates attractive, low-risk, income-led returns with above-average rental and capital growth when market conditions are positive, and which is resilient in a downturn. It seeks to enhance returns through development, while ensuring that the short-term income 'drag' associated with holding land does not outweigh the long-term potential benefits.

Fundamental to SEGRO's strategy is a focus on 'Disciplined Capital Allocation' and 'Operational Excellence' (as described in more detail in Part XI (*Information on the Group*)), which are designed to deliver an attractive income-led total property return, supported by an efficient capital and corporate structure. The Directors believe that the combination of these three elements should translate into sustainable, attractive returns for Shareholders in the form of progressive dividends and net asset value growth over time.

## **3. Update on the use of proceeds of the Placing**

On 2 September 2016, the Directors launched the Placing which raised approximately £325 million of gross proceeds for the Group to part-fund £456 million of capital expenditure on: (i) development projects which were already approved and underway at the time of the Placing; (ii) development projects which had been approved by the Directors at the time of the Placing, but which were subject to final pre-let agreements from customers or were conditional on being granted planning permission; and

(iii) speculative developments which the Directors had identified at the time of the Placing and which they believed may be approved within six to 12 months of the Placing subject to market conditions.

At 31 December 2016, £342 million (approximately 75 per cent.) of the expected investment of £456 million to develop projects in the Group's pipeline identified at the time of the Placing had been invested or allocated to such projects.

The following provides an update at 31 December 2016 as to the development programme identified at the time of the Placing:

- *Projects forming part of current pipeline at time of Placing:* out of the £199 million of investment which was identified by the Directors as required to be used to complete projects approved and underway at the time of the Placing, £75 million was invested in projects which had been completed by 31 December 2016, £86 million had been invested in projects still underway at 31 December 2016, and a further £38 million of funds had been allocated by the Group to complete projects.
- *Near-term pre-let development projects at time of Placing:* out of the £140 million of investment identified at the time of the Placing to be used for development projects associated with pre-let agreements with potential customers which were subject to planning or were in the advanced stages of negotiation at the time of the Placing, £63 million (or 45 per cent.) had been allocated by the Group to projects; and
- *Near-term potential speculative development projects:* out of £117 million of investment identified at the time of the Placing to be used for speculative urban warehouse development projects, £80 million (or 68 per cent.) had been invested or allocated by the Group to projects. This figure includes £28 million which had been invested by the Group in relation to land acquisitions associated with speculative urban warehouse projects.

Projects comprising the remaining £114 million (approximately 25 per cent.) of the expected investment identified at the time of the Placing, which had not been invested or allocated at 31 December 2016 continue to progress as planned and the Directors continue to expect that such projects will commence development within the timetable set out in the Placing announcement, subject to outstanding conditions being met. The Directors intend that these projects will be funded using borrowings under the Group's existing debt facilities and operating cash flow.

This document refers to certain amounts that have been allocated by the Group to certain projects. These amounts have been specifically allocated by the Group to be used for investment in projects which have been approved by the Directors, but such amounts have not yet been invested (spent) at the date of determination. Depending upon the project, a portion of such amounts may be committed contractually. For a discussion of the Group's capital expenditure and capital commitments, see "*Capital expenditure and capital commitments*" in Part XV (*Operating and Financial Review of the Group*).

#### **4. Information on the use of proceeds of the Rights Issue**

The Rights Issue is expected to raise approximately £556 million (net of expenses). The Directors propose to use the proceeds of the Rights Issue to: (i) finance the cash consideration of £216 million for the Acquisition, which on completion was funded from the Group's internal resources; (ii) fund development capital expenditure (approximately £165 million) for projects that have been identified for development in addition to those identified at the time of the Placing; and (iii) reserve the balance of approximately £175 million to fund additional projects associated with the development of the Group's land bank and/or land held under option.

##### **4.1 Information on the Acquisition and the disposal**

###### ***(a) The terms of the Acquisition***

SEGRO acquired a 50 per cent. stake in APP from the Aviva Group Entities pursuant to an agreement signed with such entities on 9 March 2017. Prior to the Acquisition, SEGRO owned a 50 per cent. stake in APP meaning that, as a result of the Acquisition, SEGRO now owns 100 per cent. of the share capital of APP.

SEGRO acquired the Aviva Group Entities' 50 per cent. stake in APP for consideration totalling £365 million, which comprised of: (i) £216 million in cash; and (ii) a portfolio of five mature or recently completed properties for a consideration totalling £149 million (in line with book value at 31 December 2016 adjusted for deferred income and tenant deposits), consisting of four light industrial estates in London and a manufacturing facility in Portsmouth, all of which were wholly-owned by the Group (the "**Disposal Assets**"). The total consideration for the Acquisition was broadly in line with 50 per cent. of the net asset value of APP at 31 December 2016. A summary of the APP Acquisition Agreement is included at Section 11.2 of Part XX (*Additional Information*).

**(b) Information on APP**

SEGRO acquired its 50 per cent. stake in the share capital of APP from British Airports Authority Limited in 2010. From 2010 until the completion of the Acquisition on 9 March 2017, APP was operated as a joint venture between SEGRO and the Aviva Group Entities, in which each partner owned a 50 per cent. interest in the share capital of APP. The Group acted as asset manager to APP, with responsibility for undertaking all property-level activities, ranging from strategic asset management, customer engagement, delivery of the development pipeline, as well as completing the quarterly valuation process and capital re-cycling, so is well acquainted with the properties owned by APP and the opportunities for further development and asset management they offer. The Aviva Group Entities were the operators of, and provided fund management services, to APP with responsibility for the strategic direction and performance of the fund and undertook all matters relating to governance, regulation and reporting, as well as leading on debt and funding strategy. Following completion of the Acquisition on 9 March 2017, Aviva ceased to act as operator and provider of fund management services to APP. Kingfisher Property Trustees Limited has been appointed as operator for APP with responsibility for carrying out activities in connection with the operation of APP as an authorised person for the purposes of FSMA and the Group will carry out the non-regulated responsibilities. The Directors do not expect that the Acquisition (including the additional responsibilities which have passed to the Group and the appointment of Kingfisher Property Trustees Limited) will negatively impact SEGRO operationally or have any material adverse impact on the proper functioning of the Group.

APP owns a portfolio of warehouse properties and land at, and close to, London's major airports (Heathrow, Gatwick and Stansted) valued at £1,097 million at 31 December 2016, of which Heathrow represents 87 per cent. by value (see Figure 1). Within the portfolio are assets which span the customs border between land- and air-side at all three airports, thereby allowing rapid access to aircraft for the international transfer of goods by cargo handlers and airlines. Such properties and land are let to occupiers including Worldwide Flight Services, Deutsche Post DHL, International Airlines Group (IAG), Federal Express and Heathrow Airport Limited. APP also owns cargo facilities at Gatwick and Stansted Airports.

Figure 1 shows the location of Group and APP assets, including two of the Disposal Assets (Southall and Stockley Close) in the immediate vicinity of Heathrow Airport.

**Figure 1: Group and APP wholly-owned Heathrow portfolio**



Source: SEGRO

Ever since the Group's acquisition of its initial 50 per cent. interest in APP in 2010, the Group has actively managed APP's portfolio, acquiring new land and assets, selling assets not core to APP's strategy, and developing new warehouse properties located mainly in the vicinity of Heathrow Airport. At 31 December 2016, the APP portfolio contained one development project (within the Current Development Pipeline as a project identified at the time of the Placing, which the Directors expect to be completed by the third quarter of 2017). In addition, in 2016 the amount of net recurring joint venture fee income earned was £1.6 million.

At 31 December 2016, APP's portfolio had an EPRA vacancy rate of 7.5 per cent. and an average lease length of approximately 11 years (calculated to the earliest of break or expiry). At 31 December 2016, APP's portfolio generated passing rent of £42 million, with a further £6 million payable after expiry of rent-free periods, 96 per cent. of which expire in 2017. In addition, a number of properties are subject to leases on peppercorn rents which expire in 2019 and which offer the potential to increase headline rental income by approximately £11 million based on the ERV of the properties at 31 December 2016.

The gross value of APP's portfolio at 31 December 2016 amounted to £1,097 million. This consisted of 350,000 square metres of standing assets valued at £1,068 million across 21 estates, buildings under construction valued at £9 million and land valued at £20 million. The purchase price for the Acquisition was broadly in line with 50 per cent. of the net asset value of APP at 31 December 2016. APP currently has a £320 million secured term debt facility and associated £80 million revolving credit facility (of which £47 million was drawn (before deduction of capitalised finance costs) at 31 December 2016). These facilities have a maturity of January 2021. However, given the Directors' preference for unsecured funding, the Directors anticipate refinancing these facilities on an unsecured basis prior to maturity, subject to prevailing market conditions.

**(c) Information on the Disposal Assets**

In part consideration for the Acquisition, the Group disposed of the Disposal Assets to the Aviva Group Entities. The Disposal Assets are a portfolio of five properties, previously wholly-owned by SEGRO, which had an aggregate book value of £150 million at 31 December 2016. The Disposal Assets comprised four light industrial estates in London (Uxbridge, Merton, Heathrow and Southall) and a manufacturing facility in Portsmouth, totalling approximately 70,000 square metres of warehouse space.

At 31 December 2016, the Disposal Assets generated £6.0 million of passing rent, with an additional £1.6 million payable after expiry of rent-free periods. This is reflected in a net initial yield of 3.7 per cent., rising to a topped-up net initial yield of 4.8 per cent. on the expiry of rent-free periods. The Disposal Assets had an EPRA vacancy rate of 2.5 per cent. at 31 December 2016 and had an average lease length of 7.8 years to break (8.7 years to expiry).

***(d) Background to and reasons for the Acquisition***

The Directors believe that the Acquisition represented a rare opportunity to acquire full control of a portfolio of assets which were well known to, and previously managed by, the Group and which the Directors consider to have potential for asset management and development-led growth. The Acquisition conforms to SEGRO's strategy of owning warehouse assets in areas of high demand and limited supply, of which Heathrow Airport is an excellent example given its important strategic position as the UK's major hub as a passenger and freight airport, its location in Greater London's protected green belt and longer-term expansion prospects. The UK government's support for a third runway at Heathrow Airport should enhance the attraction of the longer-term development prospects for the APP portfolio, but is not critical to them.

*(i) Asset management opportunities within the APP portfolio*

At 31 December 2016, the APP portfolio generated £42 million of passing rent, reflected in a net initial yield of 3.6 per cent. and the Directors estimate (based on the independent valuers' estimated rental values at 31 December 2016) that an additional £25 million of passing rent could be generated over the next five years through a combination of (a) the expiry of rent-free periods during 2017 and 2018 (£6 million), equivalent to a topped-up net initial yield of 4.2 per cent; (b) letting vacant space (£5 million), including £1 million from a development project within the Current Development Pipeline (see paragraph 4.1(d)(ii) below for further details); and (c) capturing reversionary potential from the APP portfolio (£14 million, including £11 million from re-gearing leases on peppercorn rents). At 31 December 2016, the portfolio was valued at an equivalent yield of 5.5 per cent.<sup>1</sup>

*(ii) Future development potential*

The APP portfolio contains a number of sites which the Directors consider to be suitable for development. One site, within the North Feltham Trading Estate, is in the Current Development Pipeline, on which 7,300 square metres of new urban warehouse properties are being constructed, (cost to complete of £7 million at 31 December 2016) which the Directors believe are capable of generating £1.2 million of headline rent when fully let. The Directors also consider other sites within the APP portfolio to be suitable for future profitable development or redevelopment, the most significant of which being the Heathrow Cargo Centre which was built in the 1960s and requires redevelopment to cater for the current needs of cargo handlers and to expand its capacity to meet occupier demand for space. The Directors believe that the potential exists to improve the cargo facilities for the APP portfolio's customers and believes that any such improvement works can be appropriately phased. Consideration of such improvements is already underway. Planning for such improvements was already underway as part of the Group's former role as asset manager to APP, and early discussions have taken place with customers and with Heathrow Airport Limited about how redevelopment can be best achieved.

*(iii) Expansion of Heathrow Airport should generate significantly greater demand for cargo facilities and other space required by airport and airline service companies*

Heathrow Airport accounted for approximately two-thirds of UK air freight in 2016, most of which is transported in commercial passenger aircraft (Source: Civil Aviation Authority). The Directors believe that the UK government's decision to back a third runway at Heathrow significantly increases the likelihood of expansion in the medium- to long-term which would enable airlines to serve an increased number of international and domestic markets. The Directors further believe that this should, in turn, increase the volume of cargo passing through Heathrow Airport and, therefore, the demand from airlines, airport and airline service companies, cargo handlers and other users of industrial property for the limited space in and around the airport.

<sup>1</sup> This statement does not constitute, and should not be construed as, a profit forecast.

*(iv) Full ownership provides SEGRO with greater flexibility and optionality over future management of the portfolio*

The Directors are familiar with APP's assets due to the Group's role as asset manager (which it adopted in 2010), and, now that the Group owns APP in its entirety, the Directors are able to take decisions and pursue asset management and investment opportunities without regard to any of Aviva plc's preferences. The Directors do not expect that the Group will incur any incremental management costs as a result of the Acquisition, but the Group will no longer earn fees in relation to its role as asset manager.

#### **4.2 Information on projects within the Current Development Pipeline and Near-Term Development Projects which will be funded by the proceeds of the Rights Issue**

In addition to, and distinct from, the projects associated with capital expenditure of £456 million which were identified in connection with the Placing, the Directors have identified a number of new development projects which form part of the Current Development Pipeline and the Near-Term Development Projects.

From the proceeds of the Rights Issue, the Directors propose to invest:

- (a) approximately £34 million to progress development projects within the Current Development Pipeline, which, in each case, are distinct from projects and opportunities identified at the time of the Placing; and
- (b) approximately £131 million to finance projects which form part of the Near-Term Development Projects (comprising £110 million for development projects which have been approved by the Directors, but which are subject to final pre-let agreements from customers or conditional on being granted planning permission and £21 million for speculative developments which the Directors have identified and which they believe may be approved in the next six to 12 months), which, in each case, are distinct from projects and opportunities identified at the time of the Placing.

Your attention is drawn to Part XI (*Information on the Group*) for further details about the Current Development Pipeline and the Near-Term Development Projects.

#### **4.3 Additional development projects**

At 31 December 2016, the Group owned a land bank of undeveloped land which the Directors believe is capable of supporting 2.15 million square metres of warehouse development, which is in addition to undeveloped land associated with the Near-Term Development Projects (being 520,000 square metres), and controlled land through option agreements which the Directors believe is capable of supporting 0.7 million square metres of additional warehouse space in Italy and in the Midlands and South East regions of the UK, including in London. The Directors believe that the land bank is capable of generating headline rent of £101 million per annum at current market rent levels following its development, based on current estimated capital expenditure of £0.9 billion.

Accordingly, the balance of approximately £175 million from the net proceeds of the Rights Issue will be reserved to fund additional projects associated with the development of the Group's land bank and/or land held under option.

Should such development projects fail to materialise, the balance would be used for the Group's general corporate purposes, which might include potential acquisitions which fulfil the Group's strategic objectives. In the unlikely event that the Near-Term Development Projects fail to commence, any net proceeds of the Rights Issue which would have been used to fund the Near-Term Development Projects will also be used in this manner.

## 5. Information on the Rights Issue

The Company is proposing to offer 166,033,133 New Ordinary Shares by way of a Rights Issue. The New Ordinary Shares will be offered to all Qualifying Shareholders other than to Shareholders with a registered address, or resident in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories. The Rights Issue will be made on the following basis:

### 1 New Ordinary Share at 345 pence each for every 5 Existing Ordinary Shares

held and registered in the name of Qualifying Shareholders at the close of business on the Record Date. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue, as will holdings under different designations, in different accounts and on different registers. Entitlements to New Ordinary Shares will be rounded down to the nearest whole number and resulting fractions of New Ordinary Shares will not be allotted to any Qualifying Shareholders, but will instead be aggregated and sold in the market ultimately for the benefit of the Company.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* with the Existing Ordinary Shares and will rank in full for all dividends and distributions thereafter declared, made or paid on the share capital of the Company, save in respect of any dividend or distribution with a record date falling before the date of the issue of the New Ordinary Shares, including the recommended final dividend for the year ended 31 December 2016.

Application has been made to the UK Listing Authority for the New Ordinary Shares (nil and fully paid) to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange at 8.00 a.m. on 13 March 2017 with dealings in the New Ordinary Shares, fully paid, expected to commence at 8.00 a.m. on 28 March 2017.

The Issue Price of 345 pence per New Ordinary Share represents a 25.3 per cent. discount to the theoretical ex-rights price based on the Dividend Adjusted Closing Price for an Ordinary Share of 485.4 pence on 9 March 2017, being the latest practicable date prior to the publication of this document. If a Qualifying Shareholder does not take up the offer of New Ordinary Shares in any way, his, her or its proportionate shareholding will be diluted by 16.7 per cent. The Rights Issue is expected to raise approximately £556 million (net of expenses).

The Company has arranged for the Rights Issue to be fully underwritten by the Underwriters to provide certainty as to the amount of capital to be raised. The Underwriting Agreement is not subject to any right of termination after Admission (including in respect of any statutory withdrawal rights).

The terms of the Underwriting Agreement are summarised in Section 11.1 of Part XX (*Additional Information*). The Rights Issue is conditional, *inter alia*, upon:

- (a) the Underwriting Agreement having become unconditional in all respects and not having been terminated in accordance with its terms; and
- (b) Admission (nil paid) having occurred by not later than 8.00 a.m. on 13 March 2017 (or such later time and/or date as the parties to the Underwriting Agreement may agree, being not later than 17 March 2017).

Some questions and answers, together with details of further terms and conditions of the Rights Issue including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Parts VIII (*Some Questions and Answers about the Rights Issue*) and IX (*Terms and Conditions of the Rights Issue*) and, where relevant, will also be set out in the Provisional Allotment Letter.

Overseas Shareholders should refer to Section 7 of Part IX (*Terms and Conditions of the Rights Issue*) for further information on their ability to participate in the Rights Issue.

## 6. Financial position, current trading and prospects

On 17 February 2017, the Group announced its results for the year ended 31 December 2016.

The financial highlights of the year ended 31 December 2016 are set out below:

- (a) Adjusted EPS up 7.1 per cent. to 19.7 pence (2015: 18.4 pence), underpinned by a 4.0 per cent. increase in like-for-like net rental income (including 6.0 per cent. growth in the UK and a 0.7 per cent. decrease in Continental Europe), a continued low vacancy rate of 5.7 per cent. and a strong contribution from development completions;
- (b) Reported (IFRS) EPS of 53.9 pence (2015: 91.7 pence), which includes the impact of unrealised capital gains on the portfolio and reflects continued capital growth, but at a slower rate than in 2015;
- (c) EPRA NAV per share up 8.0 per cent. to 500 pence, driven by a 4.8 per cent., like-for-like increase in the value of the portfolio (2015: 11.1 per cent.), reflecting UK rental growth and asset management activities, development gains and an uplift in the value of two industrial sites to be sold for residential development;
- (d) At 31 December 2016, IFRS net assets attributable to Shareholders were £4,182.1 million (31 December 2015: £3,489.9 million), reflecting 502 pence per share (31 December 2015: 468 pence) on a diluted basis; and
- (e) £45 million of new rent contracted (14 per cent. ahead of prior year) including £23 million from new development pre-let agreements and lettings of speculatively developed space prior to completion.

### ***Future prospects***

The Directors believe that occupier demand is holding up well and that there is little evidence of over-supply in any of the Group's markets, meaning that the prospects are good for further rental growth in the UK and stable or improving rents in Continental Europe. The Directors consider that the persistent low interest rate environment continues to cast warehouse yields in a favourable light and believe that they see evidence of a healthy appetite for modern, well-located assets amongst investors. While the Directors believe that scope for further yield compression is limited, they expect that both rental growth and development profits should provide support for the value of the Group's portfolio in 2017.

The Directors welcome the UK government's decision to support a third runway at Heathrow Airport, which will enhance the business case for the long-term redevelopment of the airport's cargo centres which are owned by APP, which is now a wholly-owned subsidiary of the Group.

The Directors acknowledge that the UK's decision to leave the European Union has undoubtedly caused uncertainty for the property industry generally. The Directors believe that it is likely to take months, if not years, for occupier demand to adjust to the new situation and are not complacent about the impact the 'Brexit' vote could have on the Group's business. Indeed, the work done to reposition the Group's portfolio over the past five years was designed to ensure it would be resilient in times of market uncertainty or weakness. The Directors believe that the early signs are encouraging and have seen little, if any, impact on occupier and investor demand for the Group's warehouse properties since the referendum result.

While the Directors are aware that there are a number of broader economic and geopolitical uncertainties, they remain confident that the Group's portfolio is well positioned to be able to outperform the wider property market.

The Directors reported an active start to 2017 and that they continue to see opportunities to grow the business and intend to do so through further disciplined investment, matched by a prudent approach to financing.

## 7. Dividend and dividend policy

The Directors target a payout ratio of 85 to 95 per cent. of Adjusted Profit After Tax and aim to deliver a progressive and sustainable dividend.

Under the UK REIT rules, SEGRO is required to distribute 90 per cent. of UK-sourced, tax-exempt rental profits as a property income distribution (“PID”). Given that SEGRO also receives income from its properties in Continental Europe, the total dividend has historically exceeded this minimum level.

The Directors have recommended a final dividend of 11.2 pence per Existing Ordinary Share, bringing the total aggregate amount paid and payable by way of dividend in respect of the year ended 31 December 2016 to 16.4 pence per Existing Ordinary Share. New Ordinary Shares issued pursuant to the Rights Issue will not be entitled to this final dividend because such dividend was declared before the date of allotment and issue of the New Ordinary Shares.

The Company also currently operates a scrip dividend scheme, which provides Shareholders with an opportunity to receive new Ordinary Shares instead of cash in respect of any dividend and PID for which the Directors choose to offer the scrip dividend alternative. The UK tax implications of the Company’s scrip dividend scheme are considered in the scrip dividend scheme booklet available in the “Investors // Dividend Information” section of the Company’s website and are not further addressed in this document.

Applying the indicative bonus factor element of the Rights Issue to the total aggregate amount paid and payable by way of dividend in respect of the year ended 31 December 2016 shows that, following the Rights Issue, the dividend of 16.4 pence per share would equate to approximately 15.6 pence per Existing Ordinary Share. Subject to performance and available resources, the Directors would seek to increase that level of dividend over the medium term.

## **8. Financial impact of the Acquisition and the Rights Issue**

The Directors expect the Acquisition and capital expenditure associated with the Current Development Pipeline and Near-Term Development Projects for which proceeds of the Rights Issue are expected to be used to be accretive on an Adjusted EPS and EPRA NAV basis upon completion and leasing of the expanded development programme and following the adjustment for the New Ordinary Shares issued pursuant to the Rights Issue.<sup>2</sup> Further benefits are expected to be generated on deployment of the remaining proceeds of the Rights Issue on additional development projects.

Part XVII (*Unaudited Pro Forma Financial Information*) of this document contains an unaudited pro forma statement of net assets, which illustrates the effect of the Acquisition and the Rights Issue on the consolidated net assets of SEGRO as if it had occurred on 31 December 2016. This information has been prepared for illustrative purposes only.

## **9. Taxation**

Your attention is drawn to Part XIX (*Taxation*). If you are in any doubt as to your tax position, you should consult your own professional adviser immediately.

## **10. SEGRO Share Plans**

In accordance with the rules of the SEGRO Share Plans (save in respect of the SIP, for which, see below), the Directors propose to make adjustments to the terms of outstanding options and awards to take account of the Rights Issue, subject to any necessary approvals. Where options and awards are subject to performance conditions, adjustments will, if appropriate, be made subject to those conditions. Participants in the SEGRO Share Plans will be contacted separately in due course with detailed information on how their options and awards will be affected by the Rights Issue.

Participants in the tax-advantaged SIP beneficially own their Ordinary Shares which are held on their behalf by the trustees of the plan. The participants will be able to instruct the trustees how to act or vote in relation to the Rights Issue on their behalf.

## **11. Overseas Shareholders**

The attention of Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Ordinary Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and

<sup>2</sup> *This statement does not constitute, and should not be construed as, a profit forecast.*

agents) or who have a contractual or other legal obligation to forward this document, the Provisional Allotment Letter or any other document in relation to the Rights Issue to such persons, is drawn to the information which appears in Section 7 of Part IX (*Terms and Conditions of the Rights Issue*).

New Ordinary Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Overseas Shareholders. However, Provisional Allotment Letters will not be sent to Qualifying Non-CREST Shareholders with registered addresses in, or who are resident or located (as applicable) in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories, nor will the CREST stock accounts of Qualifying CREST Shareholders with registered addresses in, or who are resident or located (as applicable) in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories, be credited.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, SEGRO reserves the right to permit any Qualifying Shareholder on the register at the Record Date to take up his rights if SEGRO in its sole and absolute discretion is satisfied that the transaction in question will not violate applicable laws.

The provisions of Section 7 of Part IX (*Terms and Conditions of the Rights Issue*) will apply generally to Overseas Shareholders who cannot or do not take up the New Ordinary Shares provisionally allotted to them.

## **12. Action to be taken**

In relation to the Rights Issue, if you are a:

- (a) Qualifying Non-CREST Shareholder (other than Qualifying Non-CREST Shareholders with registered addresses in, or who are resident or located (as applicable) in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories), you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights and containing instructions on how to take up your entitlements under the Rights Issue by post; and
- (b) if you are a Qualifying CREST Shareholder (other than a Shareholder with a registered address, or who is resident or located (as applicable) in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories), you will not be sent a Provisional Allotment Letter. Instead, you will receive a credit to your appropriate stock accounts in CREST in respect of the Nil Paid Rights as soon as practicable after 8.00 a.m. on 13 March 2017.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares held (other than ex-rights) in certificated form before the Ex-Rights Date (being 13 March 2017), you should complete Form X on page 4 of the Provisional Allotment Letter and send the entire Provisional Allotment Letter, together with a copy of this document, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward delivery to the purchaser or transferee, except that such documents should not be sent to, distributed in, forwarded to or transmitted to or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States, South Africa and any of the other the Excluded Territories.

If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you will need to complete Form X on page 4 of the Provisional Allotment Letter and consult the stockbroker, bank or other appropriate financial adviser through whom you made the sale or transfer before taking any action with regard to the balance of rights due to you.

The latest time and date for acceptance and payment in full under the Rights Issue will be 11.00 a.m. on 27 March 2017, unless otherwise announced by the Company.

The procedure for acceptance and payment depends on whether, at the time at which acceptance and payment is made, the Nil Paid Rights are in certificated form (that is, are represented by a Provisional Allotment Letter) or in uncertificated form (that is, are in CREST). The procedures for acceptance and payment are set out in Part IX (*Terms and Conditions of the Rights Issue*).

Further details will also be set out in the Provisional Allotment Letters that will be sent to Qualifying non-CREST Shareholders. Qualifying CREST Shareholders should note that they may not receive further written communication from the Company in relation to the Rights Issue and accordingly such Shareholders should retain this document throughout the period of the Rights Issue for, *inter alia*, details of the action they should take. Further, such Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser duly authorised under FSMA if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

### **13. Further information**

Your attention is drawn to the further information on the Rights Issue set out in Parts VIII (*Some Questions and Answers about the Rights Issue*) and IX (*Terms and Conditions of the Rights Issue*), which include some questions and answers and about the Rights Issue, further terms and conditions, details on the procedure for acceptance and payment and the procedure in respect of rights not taken up.

Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Ordinary Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document, the Provisional Allotment Letter or any other document in relation to the Rights Issue to such persons, is drawn to the information which appears in Section 7 of Part IX (*Terms and Conditions of the Rights Issue*).

### **14. Directors' intentions**

The Directors currently beneficially own, in aggregate, 997,852 Ordinary Shares, representing approximately 0.12 per cent. of the Company's share capital at 9 March 2017, being the latest practicable date prior to the publication of this document. Each of the Directors intends, to the extent that he or she is able, either to take up his or her rights to subscribe for the New Ordinary Shares under the Rights Issue or to sell sufficient of his or her Nil Paid Rights during the nil paid dealing period to meet the cost of taking up the balance of his or her entitlements to New Ordinary Shares.

Yours faithfully,  
Gerald Corbett  
Chairman

## **PART VIII**

### **SOME QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE**

*The questions and answers set out in this Part VIII are intended to be in general terms only and, as such, you should read Part IX (Terms and Conditions of the Rights Issue) of this document for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under FSMA if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.*

*This Part VIII deals with general questions relating to the Rights Issue and more specific questions relating to Ordinary Shares held by persons resident in the UK who hold their Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read Section 7 of Part IX (Terms and Conditions of the Rights Issue) and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights. If you hold your Ordinary Shares in uncertificated form (that is, through CREST), you should read Part IX (Terms and Conditions of the Rights Issue) for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Ordinary Shares are in certificated or uncertificated form, please call the Shareholder Helpline on 0333 207 6530 (from inside the UK) or +44 121 415 0915 (if calling from outside the UK). The Shareholder Helpline is open from 8.30 a.m. to 5.30 p.m. (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Please note that calls may be recorded and randomly monitored for security and training purposes. Please note that for legal reasons, the Shareholder Helpline cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.*

#### **1. General**

##### **1.1 What is a rights issue?**

A rights issue is a way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in proportion to their existing shareholdings.

The offer under this Rights Issue is 166,033,133 New Ordinary Shares at a price of 345 pence per New Ordinary Share. If you are a Qualifying Shareholder other than a Shareholder with a registered address in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories, you will be entitled to buy New Ordinary Shares under the Rights Issue. If you hold your Existing Ordinary Shares in certificated form, your entitlement will be set out in your Provisional Allotment Letter.

New Ordinary Shares are being offered to Qualifying Shareholders in the Rights Issue at a discount to the share price on the last Dealing Day before the details of the Rights Issue were announced on 10 March 2017. The Issue Price of 345 pence per New Ordinary Share represents a 25.3 per cent. discount to the theoretical ex-rights price based on the Dividend Adjusted Closing Price for an Ordinary Share of 485.4 pence on 9 March 2017, being the latest practicable date prior to the publication of this document. Because of this discount and while the market value of the Existing Ordinary Shares exceeds the Issue Price, the right to buy the New Ordinary Shares is potentially valuable.

The Rights Issue is on the basis of 1 New Ordinary Share for every 5 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If you do not want to buy the New Ordinary Shares to which you are entitled, you can instead sell or transfer your rights to those New Ordinary Shares (called Nil Paid Rights) and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as dealing “nil paid”.

##### **1.2 Will Shareholders be entitled to vote on the Rights Issue?**

No. The Company is relying on existing shareholder approvals granted under sections 551 and 570 of the Companies Act pursuant to resolutions passed at the Company’s 2016 Annual General Meeting. For that reason, the Rights Issue will not require shareholder approval. No general meeting of Shareholders or other Shareholder vote will take place in connection with the Rights Issue.

### **1.3 I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?**

If you do not want to buy the New Ordinary Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (called 'Nil Paid Rights') to those New Ordinary Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing "nil paid". This means that, during the Rights Issue offer period (i.e. between 13 March 2017 and 27 March 2017), you can either trade Ordinary Shares (which will not carry any entitlement to participate in the Rights Issue) or you can, subject to demand and market conditions, trade in the Nil Paid Rights.

### **1.4 Will the New Ordinary Shares receive the final dividend for the year ended 31 December 2016?**

No, the New Ordinary Shares will not receive the recommended final dividend for the year ended 31 December 2016 as the record date for such dividend falls before the date of the issue of the New Ordinary Shares. The New Ordinary Shares, when issued and fully paid, will rank *pari passu* with the Existing Ordinary Shares and will rank in full for all dividends and distributions thereafter declared, made or paid on the share capital of the Company, save in respect of any dividend or distribution with a record date falling before the date of the issue of the New Ordinary Shares.

## **2. Ordinary Shares in certificated form**

### **2.1 I hold my Existing Ordinary Shares in certificated form. How do I know if I am eligible to acquire New Ordinary Shares under the Rights Issue?**

If you receive a Provisional Allotment Letter and are not a Shareholder with a registered address in, subject to certain exceptions, the United States, South Africa, or any of the other Excluded Territories, then you should be eligible to acquire New Ordinary Shares under the Rights Issue (as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 13 March 2017 (the time when the Existing Ordinary Shares are expected to be marked "ex-rights" by the London Stock Exchange)).

### **2.2 How many New Ordinary Shares will I be entitled to acquire?**

Box 2 on the Provisional Allotment Letter shows the number of New Ordinary Shares you will be entitled to buy if you are a Qualifying Non-CREST Shareholder. You will be entitled to 1 New Ordinary Share for every 5 Existing Ordinary Shares you held on the Record Date. All Qualifying Non-CREST Shareholders (other than Shareholders with a registered address in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories) will be sent a Provisional Allotment Letter.

### **2.3 I hold my Existing Ordinary Shares in certificated form. What do I need to do in relation to the Rights Issue?**

If you hold your Existing Ordinary Shares in certificated form and do not have a registered address in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories, you will be sent a Provisional Allotment Letter that shows:

- (a) how many Existing Ordinary Shares you held at the close of business on 8 March 2017 (the Record Date for the Rights Issue);
- (b) how many New Ordinary Shares you are entitled to buy pursuant to the Rights Issue; and
- (c) how much you need to pay if you want to take up your right to buy all the New Ordinary Shares provisionally allotted to you in full.

If you have a registered address in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories, you will not receive a Provisional Allotment Letter.

## **2.4 I am a Qualifying Shareholder with a registered address in the UK and I hold my Existing Ordinary Shares in certificated form. What are my options and what should I do with the Provisional Allotment Letter?**

### ***(a) If you want to take up all of your rights***

If you want to take up all of your rights to acquire all of the New Ordinary Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker's draft for the full amount shown in Box 3 of the Provisional Allotment Letter, payable to "Equiniti Limited re: SEGRO plc—Rights Issue" and crossed "A/C payee only", by post to the address shown on page 1 of the Provisional Allotment Letter, or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA to arrive by no later than 11.00 a.m. on 27 March 2017. Within the UK only, you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Please allow sufficient time for delivery. Full instructions are set out in Part IX (*Terms and Conditions of the Rights Issue*) and will be set out in the Provisional Allotment Letter.

Please note third party cheques may not be accepted other than building society cheques or banker's drafts.

If payment is made by a building society cheque (not being drawn on account of the applicant) or a banker's draft, the building society or bank should insert details of the name of the account holder and have either added the building society or bank branch stamp, or have provided a supporting letter confirming the source of funds. The name of such account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter. A definitive share certificate will then be sent to you for the New Ordinary Shares that you take up. Your definitive share certificate for New Ordinary Shares is expected to be dispatched to you by no later than 6 April 2017. You will need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick the appropriate box on the Provisional Allotment Letter.

### ***(b) If you do not want to take up your rights at all***

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter subscribing for the New Ordinary Shares to which you are entitled by 11.00 a.m. on 27 March 2017, we have made arrangements under which the Underwriters will try to find investors to take up your rights and the rights of others who have not taken them up. If the Underwriters do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be dispatched on or around 6 April 2017 and will be sent to your existing address appearing on SEGRO's register of members (or to the first-named holder if you hold your Existing Ordinary Shares jointly). If the Underwriters cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment, and any amounts of less than £5.00 will be aggregated and will accrue for the benefit of the Company. Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see question 2.4(d) below).

### ***(c) If you want to take up some but not all of your rights***

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X on the Provisional Allotment Letter, and returning it by post or by hand to the Receiving Agent, at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA (during normal business hours) so as to be received by 3.00 p.m. on 23 March 2017, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the New Ordinary Shares that you wish to accept together with your cheque or banker's draft to the Receiving Agent (see question 2.4(a) above) to be received by 11.00 a.m. on 27 March 2017.

Alternatively, if you only want to take up some of your rights (but not sell some or all of the rest), you should complete Form X on the Provisional Allotment Letter and return it with a cheque or banker's draft together with an accompanying letter indicating the number of Nil Paid Rights that you wish to take up, in accordance with the provisions set out in the Provisional Allotment Letter. In this case the Provisional Allotment Letter and cheque or banker's draft must be received by Equiniti by 3.00 p.m. on 23 March 2017, being the latest time and date for splitting Provisional Allotment Letters, nil paid.

Further details are being set out in Part IX (*Terms and Conditions of the Rights Issue*) and will be set out in the Provisional Allotment Letter.

**(d) If you want to sell all of your rights**

If you want to sell all of your rights, you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the United States, South Africa or any of the other Excluded Territories). Please note that your ability to sell your rights is dependent on the demand for such rights and that the price for the Nil Paid Rights may fluctuate. Please ensure, however, that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 27 March 2017.

**2.5 I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive a Provisional Allotment Letter?**

If you do not receive a Provisional Allotment Letter but hold your Existing Ordinary Shares in certificated form, this probably means that you are not able to acquire New Ordinary Shares under the Rights Issue. Some Qualifying Non-CREST Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to acquire New Ordinary Shares under the Rights Issue, namely:

- (a) Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on the Record Date and who have converted them to certificated form;
- (b) Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before the Ex-Rights Date and who hold such Shares in certificated form but were not registered as the holders of those Shares at the close of business on the Record Date; and
- (c) certain Overseas Shareholders who can prove that the offer under the Rights Issue can lawfully be made to them without contravention of any relevant legal requirements.

If you do not receive a Provisional Allotment Letter but think that you should have received one, please contact the Shareholder Helpline on 0333 207 6530 (from inside the UK) or +44 121 415 0915 (if calling from outside the UK). The Shareholder Helpline is open from 8.30 a.m. to 5.30 p.m. (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Please note that calls may be recorded and randomly monitored for security and training purposes. Please note that for legal reasons, the Shareholder Helpline cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

**2.6 I hold my Existing Ordinary Shares in certificated form. If I take up my rights, when will I receive the certificate representing my New Ordinary Shares?**

If you take up your rights under the Rights Issue, share certificates for the New Ordinary Shares are expected to be posted by no later than 6 April 2017.

**2.7 I hold my Existing Ordinary Shares in certificated form. What if I want to sell the New Ordinary Shares for which I have paid?**

Provided the New Ordinary Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X

(the form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 11.00 a.m. on 27 March 2017. After that time, you will be able to sell your New Ordinary Shares in the normal way. The share certificate relating to your New Ordinary Shares is expected to be dispatched to you by no later than 6 April 2017. Pending despatch of the share certificate, instruments of transfer will be certified by the Registrar against the register.

Further details are set out in Part IX (*Terms and Conditions of the Rights Issue*).

## **2.8 How do I transfer my rights into the CREST system?**

If you are a Qualifying non-CREST Shareholder, but are a CREST member and want your New Ordinary Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on the Provisional Allotment Letter). Further details on how to deposit Nil Paid Rights or Fully Paid Rights into CREST are set out further in Part IX (*Terms and Conditions of the Rights Issue*) and will be set out in the Provisional Allotment Letter.

If you have transferred your rights into the CREST system, you should refer to Section 5 of Part IX (*Terms and Conditions of the Rights Issue*) for details on how to pay for the New Ordinary Shares.

## **3. Ordinary Shares in CREST**

### **3.1 How do I know if I am eligible to participate in the Rights Issue?**

If you are a Qualifying CREST Shareholder (save as mentioned below), and on the assumption that the Rights Issue proceeds as planned, your CREST stock account will be credited with your entitlement to Nil Paid Rights on 13 March 2017. The stock account to be credited will be the account under the participant ID and member account ID that apply to your Ordinary Shares on the Record Date. The Nil Paid Rights and the Fully Paid Rights are expected to be enabled after 8.00 a.m. on 13 March 2017. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to check that your account has been credited with your entitlement to Nil Paid Rights. The CREST stock accounts of certain Excluded Overseas Shareholders will not be credited with Nil Paid Rights. Excluded Overseas Shareholders should refer to Section 7 of Part IX (*Terms and Conditions of the Rights Issue*).

### **3.2 How do I take up my rights using CREST?**

If you are a Qualifying CREST Shareholder and wish to take up and pay your rights, you should refer to the instructions set out in Part IX (*Terms and Conditions of the Rights Issue*).

If you are a CREST member, you should ensure that a Many-to-Many (“MTM”) instruction has been inputted and has settled by 11:00 a.m. on 27 March 2017 in order to make a valid acceptance. If your Ordinary Shares are held by a nominee or you are a CREST sponsored member, you should speak directly to the agent who looks after your stock or your CREST sponsor (as appropriate) who will be able to help. If you have further questions, particularly of a technical nature regarding acceptance through CREST, you should call the CREST Service Desk on 08459 645 648 (or +44 8459 645 648 if you are calling from outside the United Kingdom).

### **3.3 How many New Ordinary Shares will I be entitled to acquire?**

Your stock account will be credited with Nil Paid Rights in respect of the number of New Ordinary Shares which you are entitled to acquire. You will be entitled to 1 New Ordinary Share for every 5 Existing Ordinary Shares you held on the Record Date. You can also view the claim transactions in respect of purchases/sales effected after this date, but before the Ex-Rights Date. If you are a CREST sponsored member, you should contact your CREST sponsor.

### **3.4 If I take up my rights, when will New Ordinary Shares be credited to my CREST account(s)?**

If you take up your rights under the Rights Issue, it is expected that New Ordinary Shares will be credited to the CREST stock account in which you hold your Fully Paid Rights on 28 March 2017.

#### **4. Further procedures for Ordinary Shares whether in certificated form or in CREST**

##### **4.1 If I buy Ordinary Shares after the Record Date will I be eligible to participate in the Rights Issue?**

If you bought Ordinary Shares after the Record Date but prior to 8.00 a.m. on 13 March 2017 (the time when the Existing Ordinary Shares are expected to start trading ex-rights on the London Stock Exchange), you may be eligible to participate in the Rights Issue. If you are in any doubt, please consult your stockbroker, bank manager or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Ordinary Shares at or after 8.00 a.m. on 13 March 2017, you will not be eligible to participate in the Rights Issue in respect of those shares.

##### **4.2 What if the number of New Ordinary Shares to which I am entitled is not a whole number: am I entitled to fractions of New Ordinary Shares?**

Your entitlement to New Ordinary Shares will be calculated at the Record Date (other than in the case of those who bought shares after the Record Date but prior to 8.00 a.m. on 13 March 2017 who are eligible to participate in the Rights Issue). If the result is not a whole number, you will not receive a New Ordinary Share in respect of the fraction of a New Ordinary Share and your entitlement will be rounded down to the nearest whole number. The New Ordinary Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be sold in the market ultimately for the benefit of the Company.

##### **4.3 Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?**

The following comments are by way of general guidance and assume, amongst other things, that you hold your Ordinary Shares as an investment.

If you are resident in the UK for tax purposes, you should not have to pay UK tax when you take up your rights, although the Rights Issue will affect the amount of UK tax you may pay when you subsequently sell any or all of your Ordinary Shares. However, you may (subject to any available exemption or relief) be subject to capital gains tax on any proceeds that you receive from the sale of your rights (unless, generally, the proceeds do not exceed £3,000 or, if higher, 5 per cent. of the market value of your Existing Ordinary Shares on the date of sale, although in that case the amount of UK tax you may pay when you subsequently sell all or any of your Ordinary Shares may be affected).

Further information for Qualifying Shareholders who are resident in the UK for tax purposes is contained in Part XIX (*Taxation*). **Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible.** Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

##### **4.4 What if I hold options and awards under the SEGRO Share Plans?**

Save in respect of the SIP (for which, see below), participants in the SEGRO Share Plans will be advised separately of adjustments (if any) to their options and awards or as to any entitlement to participate in the Rights Issue.

Participants in the tax-advantaged SEGRO SIP beneficially own their Ordinary Shares which are held on their behalf by the trustees of the plan. The participants will be able to instruct the trustees how to act or vote in relation to the Rights Issue on their behalf. Participants will be contacted separately about their rights.

##### **4.5 What should I do if I live outside the UK?**

Whilst you have an entitlement to participate in the Rights Issue, your ability to take up rights to New Ordinary Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Qualifying Shareholders with registered addresses in the United States, South Africa or any of the other Excluded Territories are, subject to certain exceptions, not able to acquire New Ordinary Shares under the Rights Issue. Your attention is drawn to the information in Section 7 of Part IX (*Terms and Conditions of the Rights Issue*).

SEGRO has made arrangements under which the Underwriters will try to find investors to take up your rights and those of other Qualifying Shareholders who have not taken up their rights. If the Underwriters do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be dispatched on, or around, 6 April 2017 and will be sent to your address appearing on SEGRO's register of members (or to the first-named holder if you hold your Existing Ordinary Shares jointly). If the Underwriters cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment and any amounts of less than £5.00 will be aggregated and will ultimately accrue for the benefit of the Company.

#### **4.6 What should I do if I think my holding of Existing Ordinary Shares is incorrect?**

If you are concerned about the figure in the Provisional Allotment Letter or otherwise concerned that your holding of Existing Ordinary Shares is incorrect please contact the Shareholder Helpline on 0333 207 6530 (from inside the UK) or +44 121 415 0915 (if calling from outside the UK). The Shareholder Helpline is open from 8.30 a.m. to 5.30 p.m. (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Please note that calls may be recorded and randomly monitored for security and training purposes. Please note that for legal reasons, the Shareholder Helpline cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

**Your attention is drawn to the further terms and conditions of the Rights Issue in Part IX (*Terms and Conditions of the Rights Issue*) and, in the case of Qualifying Non-CREST Shareholders, in the Provisional Allotment Letter.**

**PART IX**  
**TERMS AND CONDITIONS OF THE RIGHTS ISSUE**

**1. Summary of the Rights Issue**

The Company is raising £555,814,309 (net of expenses) by way of a 1 for 5 Rights Issue of New Ordinary Shares at a price of 345 pence per New Ordinary Share.

The Issue Price of 345 pence per New Ordinary Share represents a discount of approximately:

- (a) 28.9 per cent. to the Dividend Adjusted Closing Price for an Ordinary Share of 485 pence on 9 March 2017 (being the latest practicable date prior to the publication of this document); and
- (b) 25.3 per cent. to the theoretical ex-rights price based on that Dividend Adjusted Closing Price.

The ISIN code for the New Ordinary Shares will be the same as that of the Existing Ordinary Shares, being GB00B5ZN1N88. The ISIN code for the Nil Paid Rights is GB00BDZT4M24 and for the Fully Paid Rights is GB00BDZT4N31.

**2. Terms and conditions of the Rights Issue**

Subject to the fulfilment of the conditions of the Underwriting Agreement, the New Ordinary Shares are being offered for acquisition by way of rights to Qualifying Shareholders (other than Qualifying Shareholders with registered addresses, or located, in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories) on the following basis and otherwise on the terms and conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter):

**1 New Ordinary Share for every 5 Existing Ordinary Shares**

held and registered in their name at the close of business on the Record Date and so in proportion for any other number of Existing Ordinary Shares then held.

Qualifying Shareholders who do not take up their entitlements to New Ordinary Shares in full will have their proportionate shareholdings in the Company diluted by approximately 16.7 per cent. Those Qualifying Shareholders who take up their rights in full will, following the Rights Issue being completed, subject to fractions, have the same proportional voting rights and entitlements to distributions as they had on the Record Date.

The Nil Paid Rights (also described as New Ordinary Shares, nil paid) are entitlements to acquire New Ordinary Shares subject to payment of the Issue Price. The Fully Paid Rights (also described as New Ordinary Shares, fully paid) are entitlements to receive the New Ordinary Shares, for which payment has already been made.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings to calculate entitlements under the Rights Issue.

Fractions of New Ordinary Shares will not be provisionally allotted to Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number of New Ordinary Shares. Such fractions will be aggregated and, if possible, sold in the market by the Underwriters (by way of an issue of New Ordinary Shares to acquirers procured by the Underwriters) or otherwise acquired by the Underwriters as principals (or sub-underwriters or placees procured by the Underwriters) pursuant to the Underwriting Agreement. The net proceeds of such sales (after deduction of expenses) will be aggregated and an equivalent amount will accrue for the ultimate benefit of the Company.

Qualifying Shareholders with fewer than 5 Existing Ordinary Shares are not entitled to any New Ordinary Shares.

**The attention of Overseas Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document or a Provisional Allotment Letter into a jurisdiction other than the United**

**Kingdom is drawn to Section 7 of this Part IX (*Terms and Conditions of the Rights Issue*). The offer of New Ordinary Shares under the Rights Issue will not be made into certain territories. In particular, subject to the provisions of Section 7 of this Part IX (*Terms and Conditions of the Rights Issue*), Qualifying Shareholders with registered addresses in the United States, South Africa or any other Excluded Territory have not been, and will not be, sent Provisional Allotment Letters and have not had, and will not have, their CREST stock accounts credited with Nil Paid Rights.**

Application has been made to the UK Listing Authority for the New Ordinary Shares (nil and fully paid) to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange at 8.00 a.m. on 13 March 2017, with dealings in the New Ordinary Shares, fully paid, expected to commence at 8.00 a.m. on 28 March 2017. The Nil Paid Rights will not be admitted to trading on any other exchange.

The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the New Ordinary Shares and all of the New Ordinary Shares when issued and fully paid may be held and transferred by means of CREST.

Applications will be made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions are satisfied before Euroclear will admit the Nil Paid Rights and Fully Paid Rights to CREST. It is expected that these conditions will be satisfied on Admission. As soon as practicable after Admission, the Company will confirm this to Euroclear. It is expected that these conditions will be satisfied, in respect of the Nil Paid Rights and Fully Paid Rights, on Admission.

None of the New Ordinary Shares is being made available to the public other than pursuant to the Rights Issue.

The Rights Issue has been fully underwritten by the Underwriters in accordance with the terms and subject to the conditions of the Underwriting Agreement. The Joint Bookrunners may arrange sub-underwriting for some, all or none of the New Ordinary Shares. A summary of certain terms and conditions of the Underwriting Agreement is set out in Section 11.1 of Part XX (*Additional Information*) of this document.

The Underwriters' obligations under the Underwriting Agreement are conditional upon certain matters being satisfied or not breached prior to Admission. If these conditions are not satisfied or (where permitted) waived by Admission, the Underwriting Agreement will terminate, in which case the Rights Issue will be revoked and will not proceed and the provisional allotments will lapse. After Admission, the Underwriters have no right to terminate the Underwriting Agreement.

The Company reserves the right to decide not to proceed with the Rights Issue at any time prior to Admission and commencement of dealings in the Nil Paid Rights on the London Stock Exchange.

Save as provided in Section 7 below in respect of Overseas Shareholders, it is expected that:

- (a) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, such Qualifying Non-CREST Shareholders with registered addresses in the United States, South Africa or any of the other Excluded Territories) on 10 March 2017;
- (b) the Registrar will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, such Qualifying CREST Shareholders with registered addresses in the United States, South Africa or any of the other Excluded Territories) with such Shareholders' entitlements to Nil Paid Rights, with effect from 8.00 a.m. on 13 March 2017;
- (c) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear on 13 March 2017, as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied;

- (d) New Ordinary Shares will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renounees) who validly take up their rights by no later than 8.00 a.m. on 28 March 2017; and
- (e) share certificates for the New Ordinary Shares will be despatched to relevant Qualifying Non-CREST Shareholders (or their renounees) who validly take up their rights by 6 April 2017.

The offer will be made to Qualifying Non-CREST Shareholders other than to Shareholders with a registered address, or located, in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories, by way of the Provisional Allotment Letter (as described in step (a) above) and to Qualifying CREST Shareholders other than to Shareholders with a registered address, or located, in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories, by way of the enablement of the Nil Paid Rights and the Fully Paid Rights (as described in step (c) above) (such Shareholders' stock accounts having been credited as described in step (b) above).

Qualifying Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending an MTM instruction to Euroclear will be deemed to have given the representations and warranties set out in Section 7.5 of this Part IX (*Terms and Conditions of the Rights Issue*), unless such requirement is waived by the Company and the Joint Bookrunners.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and distributions thereafter declared, made or paid on the share capital of the Company, save in respect of any dividend or distribution with a record date falling before the date of the issue of the New Ordinary Shares, including the recommended final dividend for the year ended 31 December 2016.

All documents, certificates and cheques posted to, by or from Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

### **3. Action to be taken by UK Shareholders**

**The action to be taken by Shareholders in respect of New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).**

If you are a Qualifying Non-CREST Shareholder and do not have a registered address, and are not located, in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories, please refer to Section 4 of this Part IX (*Terms and Conditions of the Rights Issue*).

If you hold your Existing Ordinary Shares in CREST and do not have a registered address, and are not located, in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories, please refer to Section 5 of this Part IX (*Terms and Conditions of the Rights Issue*) and to the CREST Manual for further information on the CREST procedures referred to below.

CREST Sponsored Members should refer to their CREST Sponsors, as only their CREST Sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST Sponsored Members.

### **4. Action to be taken by Qualifying Non-CREST Shareholders in relation to Nil Paid Rights represented by Provisional Allotment Letters**

#### **4.1 General**

The Provisional Allotment Letter sets out:

- (a) in Box 1, the holding of Existing Ordinary Shares at the Record Date on which the Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares has been based;
- (b) in Box 2, the aggregate number of New Ordinary Shares provisionally allotted to such Qualifying Non-CREST Shareholder;

- (c) in Box 3, the amount payable on acceptance of New Ordinary Shares provisionally allotted to such Qualifying Non-CREST Shareholder at the Issue Price;
- (d) the procedure to be followed if a Qualifying Non-CREST Shareholder wishes to sell all of his, her or its Nil Paid Rights;
- (e) the procedure to be followed if a Qualifying Non-CREST Shareholder wishes to take up all of his, her or its entitlement;
- (f) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his, her or its entitlement or to convert all or part of his, her or its entitlement into uncertificated form; and
- (g) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

**Assuming that dealings in Nil Paid Rights commence at 8.00 a.m. on 13 March 2017, the latest time and date for acceptance and payment in full is 11.00 a.m. on 27 March 2017, unless otherwise announced by the Company.**

#### **4.2 Procedure for acceptance and payment**

##### *(a) Qualifying Non-CREST Shareholders who wish to accept in full*

Holders of Provisional Allotment Letters who wish to take up all of their Nil Paid Rights must return the Provisional Allotment Letter, together with a cheque or banker's draft in Pounds Sterling, made payable to "Equiniti Limited re: SEGRO plc Rights Issue" and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand to the Receiving Agent, at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA, (during normal business hours only) so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 27 March 2017. A pre-paid reply envelope will be enclosed with the Provisional Allotment Letter for use within the United Kingdom only. If you post your Provisional Allotment Letter within the United Kingdom by first class post, it is recommended that you allow at least four Business Days for delivery.

##### *(b) Qualifying Non-CREST Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters who wish to take up some, but not all, of their Nil Paid Rights should refer to Section 4.5 of this Part IX (*Terms and Conditions of the Rights Issue*) below.

##### *(c) Qualifying Non-CREST Shareholders who wish to dispose of some or all of their Nil Paid Rights*

Any Qualifying Non-CREST Shareholder who is permitted to, and wishes to, sell all or part of his Nil Paid Rights should contact his or her stockbroker or bank or other appropriate authorised independent financial adviser to arrange the sale of those Nil Paid Rights in the market. The stockbroker, bank or other authorised independent financial adviser will require the Provisional Allotment Letter to arrange such sale and you will need to make arrangements with the stockbroker, bank or other authorised independent financial adviser for the completion of the Provisional Allotment Letter and its despatch to the stockbroker, bank or other authorised independent financial adviser. Further information about such sales by Qualifying Non-CREST Shareholders is set out in Section 4.5 of this Part IX (*Terms and Conditions of the Rights Issue*) below. Nil Paid Rights may only be transferred in compliance with applicable securities laws and regulations of all relevant jurisdictions.

##### *(d) Payments*

All payments made by Qualifying Non-CREST Shareholders must be made in Pounds Sterling by cheque or banker's draft made payable to "Equiniti Limited Re: SEGRO plc Rights Issue" and crossed "A/C payee only". Qualifying Non-CREST Shareholders should write their Allotment Number (indicated at the top of page 1 of the Provisional Allotment Letter) on the reverse of the cheque or banker's draft. Third party cheques (with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to such effect) may not be accepted. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

Cheques or banker's drafts must be drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by either of these companies. Such cheques and banker's drafts must bear the appropriate sorting code in the top right-hand corner. Cash and payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker's drafts will be presented for payment on receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearances of cheques and banker's drafts to allow value to be obtained for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest on such payments ultimately will accrue for the benefit of the Company. It is a term of the Rights Issue that cheques shall be honoured on first presentation, and the Company and the Joint Bookrunners may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. If New Ordinary Shares have already been allotted to Qualifying Non-CREST Shareholders prior to any payment not being so honoured or such Qualifying Non-CREST Shareholder's acceptance being treated as invalid, the Company and the Joint Bookrunners may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of those Qualifying Non-CREST Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Non-CREST Shareholders pursuant to the provisions of this Part IX (*Terms and Conditions of the Rights Issue*) in respect of the acquisition of such shares) on behalf of such Qualifying Non-CREST Shareholders. None of the Company, the Joint Bookrunners, the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such Qualifying Non-CREST Shareholders as a result.

If payment is made by a building society cheque (not being drawn on account of the applicant) or a banker's draft, the building society or bank should insert details of the name of the account holder and have either added the building society or bank branch stamp, or have provided a supporting letter confirming the source of funds. The name of such account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter.

If a cheque or banker's draft sent by a Qualifying Non-CREST Shareholder is drawn for an amount different from that set out in Box 3 of that Qualifying Non-CREST Shareholder's Provisional Allotment Letter, that Shareholder's application shall be treated as an acceptance in respect of such whole number of New Ordinary Shares which could be acquired at the Issue Price with the amount for which the cheque or banker's draft is drawn (and not the amount set out in Box 3 of the Provisional Allotment Letter). Any balance from the amount of the cheque will be retained for the benefit of the Company.

*(e) Discretion as to validity of acceptances*

If payment is not received in full by 11.00 a.m. on 27 March 2017, whether from the original allottee or any other person in whose favour the rights have been renounced, the provisional allotment will, subject to the below, be deemed to have been declined and will lapse. However, the Company and the Joint Bookrunners may elect, but shall not be obliged, to treat as valid: (i) Provisional Allotment Letters and accompanying remittances for the full amount due which are received through the post prior to 11.00 a.m. on 28 March 2017 if the cover bears a legible postmark of no later than 11.00 a.m. on 27 March 2017; and (ii) applications in respect of which remittances for the full amount due are received prior to 11.00 a.m. on 27 March 2017 from an authorised person (as defined in FSMA) specifying the number of New Ordinary Shares to be acquired and an undertaking by that person to lodge the relevant Provisional Allotment Letter, duly completed, in due course.

The Company and the Joint Bookrunners may also (in their absolute discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney (where required).

The Company and the Joint Bookrunners reserve the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to the Company to have been executed in, despatched from or that provides an address for delivery of definitive share certificates for New Ordinary Shares in the United States, South Africa or any of the other Excluded Territories.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this Section is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and subject to the Articles.

#### 4.3 Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf a Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the 'verification of identity requirements'). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person lodging the Provisional Allotment Letter with payment (the 'applicant'), including any person who appears to the Receiving Agent to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Receiving Agent and/or the Company with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements. **Submission of a Provisional Allotment Letter will constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of the remittance and an undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent and/or the Company as being required for the purpose of the Money Laundering Regulations.**

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of the Receiving Agent, the Company nor the Underwriters will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn, or, as applicable, the relevant account of the bank or building society from which the relevant funds were debited.

The verification of identity requirements will not usually apply if:

- (a) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (b) the applicant is an organisation required to comply with the EU Money Laundering Directive 2005/60/EC of the European Parliament and of the EC Council of 26 October 2005;
- (c) the applicant (not being an applicant who delivers his or her application in person) makes payment by way of a cheque drawn on an account in the name of such applicant; and/or
- (d) the aggregate price for taking up the relevant New Ordinary Shares is less than €15,000 (approximately £13,500).

Where the verification of identity requirements apply, satisfaction of these requirements may be facilitated in the following ways:

- (a) if payment is made by building society cheque (not being a cheque drawn on an account of the applicant) or banker's draft, by the building society or bank endorsing on the cheque or draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature; or

- (b) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph (a) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the United States), the agent should provide with the Provisional Allotment Letter(s) written confirmation that it has that status and written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent, the Company and/or any relevant regulatory or investigatory authority; or
- (c) if a Provisional Allotment Letter is lodged by hand by the applicant in person, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and evidence of his or her address (for example, a utility bill).

**To confirm the acceptability of any written assurance referred to above, or in any other case, the applicant should contact the Shareholder Helpline on 0333 207 6530 from within the United Kingdom or +44 121 415 0915 if calling from outside the United Kingdom.**

#### **4.4 Dealings in Nil Paid Rights and Fully Paid Rights**

##### **Dealings in Nil Paid Rights**

Dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence as soon as practicable after 8.00 a.m. on 13 March 2017. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the Provisional Allotment Letter to the transferee or to a stockbroker, bank or other appropriate financial adviser.

##### **Dealings in Fully Paid Rights**

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant fully paid Provisional Allotment Letter and lodging of the same, by post to Equiniti Limited, or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA so as to be received as soon as possible and not later than 11.00 a.m. on 27 March 2017. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letter returned to them after the acceptance has been effected by the Receiving Agent. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking Box 4 in Form X on page 4 of the Provisional Allotment Letter.

After 28 March 2017, the New Ordinary Shares will be in registered form and transferable in the usual way.

#### **4.5 Renunciation and splitting of Provisional Allotment Letters**

**If a Qualifying Non-CREST Shareholder wishes to transfer all (and not some only) of his, her or its Nil Paid Rights represented by a Provisional Allotment Letter or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter**, he, she or it may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker, bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in such Provisional Allotment Letter may be transferred by delivery of such Provisional Allotment Letter to the transferee. The transferee may then register the transfer by completing Form Y on page 4 of the Provisional Allotment Letter and delivering the Provisional Allotment Letter together, in the case of a transferee of Nil Paid Rights, with a cheque or banker's draft for the full amount payable on acceptance to Equiniti Limited, or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The latest time and date for registration of renunciation fully paid is 11.00 a.m. on 27 March 2017, unless otherwise announced by the Company.

**Alternatively, if a Qualifying Non-CREST Shareholder wishes to take up some, but not all, of the rights to the New Ordinary Shares registered in his, her or its name and wishes to sell some or all of those rights which he, she or it does not want to take up**, he, she or it may have the

Provisional Allotment Letter split, for which purpose he, she or it must sign and date Form X on page 4 of the Provisional Allotment Letter. The Provisional Allotment Letter and covering letter must then be delivered by post, or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA so as to be received as soon as possible but not later than 3.00 p.m. on 23 March 2017, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split Provisional Allotment Letter should be stated in an accompanying letter. The aggregate of the Nil Paid Rights or (if appropriate) Fully Paid Rights stated in the letter must be equal to the number of New Ordinary Shares provisionally allotted to such holder as stated in Box 2 on page 1 of the original Provisional Allotment Letter. Form X on page 4 of split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue. Any split Provisional Allotment Letters representing the New Ordinary Shares which a holder wishes to accept should be delivered together with the cheque or banker's draft in Pounds Sterling for the appropriate amount, in either case made payable to "Equiniti Limited Re: SEGRO plc Rights Issue" and crossed "A/C payee only" by post, or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA so as to be received by 11.00 a.m. on 27 March 2017, the latest time and date for acceptance (unless otherwise announced by the Company). Please allow sufficient time for delivery. Any split Provisional Allotment Letters representing New Ordinary Shares which a holder does not wish to take up should be delivered to the renounee(s) or the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the renounee.

**Alternatively, if a Qualifying Non-CREST Shareholder wishes to take up some of their Nil Paid Rights, without selling or transferring the remainder**, he, she or it should complete Form X on the original Provisional Allotment Letter and return it by post to Equiniti Limited, or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, together with a covering letter confirming the number of Nil Paid Rights to be taken up and a cheque or banker's draft in Pounds Sterling made payable to "Equiniti Limited re: SEGRO plc Rights Issue" and crossed "A/C payee only" and with the Allotment Number, which appears on page 1 of the Provisional Allotment Letter, written on the reverse of the cheque or banker's draft to pay for this number of New Ordinary Shares. In this case, the Provisional Allotment Letter and cheque or banker's draft must be received by the Receiving Agent by 3.00 p.m. on 23 March 2017, being the last date and time for splitting Nil Paid Rights. Please allow sufficient time for delivery.

The Receiving Agent, the Company and/or the Joint Bookrunners reserve the right to refuse to register any renunciation in favour of any person in respect of which the Receiving Agent, the Company and/or the Joint Bookrunners believe such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

#### **4.6 Registration in names of Qualifying Non-CREST Shareholders**

A Qualifying Non-CREST Shareholder who wishes to have all the New Ordinary Shares to which he, she or it is entitled registered in his, her or its name must accept and make payment for such allotment in accordance with the provisions set out in this document and the Provisional Allotment Letter, but need take no further action. A share certificate is expected to be sent to such Qualifying Non-CREST Shareholders by no later than 6 April 2017.

#### **4.7 Registration in names of persons other than Qualifying Non-CREST Shareholders originally entitled**

To register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, provided that neither the Qualifying Shareholder nor any renounee has a registered address, or is resident or located, in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories, the renounee or his, her or its agent(s) must complete Form Y on page 4 of the Provisional Allotment Letter (unless the renounee is a CREST Member who wishes to hold such New Ordinary Shares in uncertificated form, in which case Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) must be completed—see Section 5 of this Part IX (*Terms and Conditions of the Rights Issue*)) and lodge the entire Provisional Allotment Letter, when fully paid, by post, or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA, so as to be received as soon as possible and not later than 11.00 a.m. on 27 March 2017. Registration of

renunciation cannot be effected unless and until the New Ordinary Shares comprised in a Provisional Allotment Letter are fully paid. Please allow sufficient time for delivery.

The New Ordinary Shares comprised in several Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holders). To consolidate the rights attached to two or more Provisional Allotment Letters, Form Y on page 4 of the Provisional Allotment Letter must be completed on one Provisional Allotment Letter (the 'Principal Letter') and all the Provisional Allotment Letters must be delivered in one batch. The allotment number of each Provisional Allotment Letter (including the Principal Letter) should be listed in an attached letter and the allotment number of the Principal Letter should be entered in the space provided in each of the other Provisional Allotment Letters.

#### **4.8 Deposit of Nil Paid Rights or Fully Paid Rights into CREST**

The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the following paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CCSS. In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters—see Section 4.5 of this Part IX (*Terms and Conditions of the Rights Issue*) for details on how to do this. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. A 'Consolidation Listing Form' must not be used.

A holder of the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 27 March 2017. In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter duly completed), with the CCSS (to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 27 March 2017) is 3.00 p.m. on 22 March 2017.

When Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y on page 4 of the Provisional Allotment Letter will not be recognised or acted upon by the Receiving Agent. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of the CREST system once such rights have been deposited into CREST.

CREST Sponsored Members should contact their CREST Sponsors as only their CREST Sponsors will be able to take the necessary actions to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST Sponsored Members.

#### **4.9 Issue of share certificates in respect of the New Ordinary Shares**

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by 6 April 2017, at the risk of persons entitled thereto, to Qualifying Non-CREST Shareholders, or their transferees who hold Fully Paid Rights in certificated form, or in the case of joint holdings, to the first-named Shareholders, at their registered address (unless lodging agent details have been completed on page 4 of the Provisional Allotment Letter). After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Ordinary Shares will be certified by the Registrar against the register.

### **5. Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights or Fully Paid Rights in CREST**

#### **5.1 General**

Except for Shareholders in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories, and subject as provided in Section 7 of this Part IX (*Terms and Conditions of the Rights Issue*) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his, her or its CREST stock account of his, her or its entitlement to Nil Paid Rights as soon as practicable after 8.00 a.m. on 13 March 2017. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Ordinary Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he, she or it receives a credit of entitlement into his, her or its stock account in CREST. The minimum number of New Ordinary Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights, Provisional Allotment Letters shall, unless the Company and the Joint Bookrunners agree otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document may, with the consent of the Joint Bookrunners, be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST Members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer all or part of, their Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST Sponsored Member, you should consult your CREST Sponsor if you wish to take up your entitlement as only your CREST Sponsor will be able to take the necessary action to take up your entitlement or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.

## 5.2 Procedure for acceptance and payment

### (a) MTM instructions

CREST Members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST Sponsored Members, procure that their CREST Sponsor sends) an MTM instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (ii) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of the Receiving Agent in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-paragraph (i) above; and
- (iii) the crediting of a stock account of the accepting CREST Member or CREST Sponsored Member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST Member is entitled on taking up his Nil Paid Rights referred to in sub-paragraph (i) above.

### (b) Contents of MTM instructions

The MTM instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Nil Paid Rights to which the acceptance relates;
- (ii) the participant ID of the accepting CREST Member;
- (iii) the member account ID of the accepting CREST Member from which the Nil Paid Rights are to be debited;
- (iv) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 2RA18;
- (v) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is RA251601;
- (vi) the number of Fully Paid Rights that the CREST Member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (vii) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- (viii) the intended settlement date (which must be on or before 11.00 a.m. on 27 March 2017);
- (ix) the ISIN for Nil Paid Rights, which is GB00BDZT4M24;
- (x) the ISIN for Fully Paid Rights, which is GB00BDZT4N31;
- (xi) the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;
- (xii) a contact name and telephone number (in the free format shared note field); and
- (xiii) a priority of at least 80.

### (c) Valid acceptance

An MTM instruction complying with each of the requirements as to authentication and contents set out in Section 5.2(b) of this Part IX (*Terms and Conditions of the Rights Issue*) will constitute a valid acceptance where either:

- (i) the MTM instruction settles by not later than 11.00 a.m. on 27 March 2017; or
- (ii) at the discretion of the Company and the Joint Bookrunners: (i) the MTM instruction is received by Euroclear by not later than 11.00 a.m. on 27 March 2017; (ii) the number of Nil

Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST Member specified in the MTM instruction at 11.00 a.m. on 27 March 2017; and (iii) the relevant MTM instruction settles by 2.00 p.m. on 27 March 2017 (or such later time and date as the Company has determined).

An MTM instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Provider's Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST Member (or by the CREST Sponsored Member's CREST Sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Provider's Communications Host.

*(d) Representations, warranties and undertakings of CREST Members*

A CREST Member or CREST Sponsored Member who makes a valid acceptance in accordance with this Section 5.2 of Part IX (*Terms and Conditions of the Rights Issue*), warrants and undertakes to the Company and the Underwriters that he, she or it has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him, her or it or by his, her or its CREST Sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 27 March 2017 and remains capable of settlement at all times after that until 2.00 p.m. on 27 March 2017 (or until such later time and date as the Company and the Joint Bookrunners may determine). In particular, the CREST Member or CREST Sponsored Member represents, warrants and undertakes that at 11.00 a.m. on 27 March 2017 and at all times thereafter until 2.00 p.m. on 27 March 2017 (or until such later time and date as the Company and the Joint Bookrunners may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST Sponsored Members should contact their CREST Sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap in respect of the cash memorandum account of a CREST Member or CREST Sponsored Member for such amount to be debited or the CREST Member's or CREST Sponsored Member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST Member or CREST Sponsored Member, the Company and the Joint Bookrunners may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST Member or CREST Sponsored Member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that they have suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by the CREST Member or CREST Sponsored Member pursuant to the provisions of this Part IX (*Terms and Conditions of the Rights Issue*) in respect of the acquisition of such shares) on behalf of such CREST Member or CREST Sponsored Member. None of the Company, the Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST Member or CREST Sponsored Member as a result.

*(e) CREST procedures and timings*

**CREST Members and CREST Sponsors (on behalf of CREST Sponsored Members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action.**

Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST Sponsored Member, to procure that his CREST Sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 27 March 2017. In this regard, CREST Members and (where applicable) CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

*(f) CREST Member's undertaking to pay*

A CREST Member or CREST Sponsored Member who makes a valid acceptance in accordance with the procedures set out in this Section 5 of Part IX (*Terms and Conditions of the Rights Issue*):

- (i) undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in Pounds Sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual) the creation of a RTGS settlement bank payment obligation in Pounds Sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual), in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST Member (or CREST Sponsored Member) to pay to the Receiving Agent the amount payable on acceptance); and
- (ii) requests that the Fully Paid Rights and/or New Ordinary Shares, to which they will become entitled, be issued to them on the terms set out in this document and subject to the Memorandum and Articles. Such payment will be held by the Receiving Agent in accordance with the terms of Section 4.2(d) of this Part IX (*Terms and Conditions of the Rights Issue*).

If the payment obligations of the relevant CREST Member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been allotted to the CREST Member or CREST Sponsored Member, the Company and the Joint Bookrunners may (in their absolute discretion as to the manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST Member or CREST Sponsored Member and hold the proceeds of sale (net of expenses including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and all amounts payable by the CREST Member or CREST Sponsored Member pursuant to the provisions of this Part IX (*Terms and Conditions of the Rights Issue*) in respect of the acquisition of such shares) or an amount equal to the original payment of the CREST Member or CREST Sponsored Member (whichever is lower) on trust for such CREST Member or CREST Sponsored Member. In these circumstances, none of the Company, the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by any CREST Member or CREST Sponsored Member as a result.

*(g) Discretion as to rejection and validity of acceptances*

The Company and the Joint Bookrunners may (in their absolute discretion):

- (i) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this Section 5 of Part IX (*Terms and Conditions of the Rights Issue*). Where an acceptance is made as described in this Section 5 of Part IX (*Terms and Conditions of the Rights Issue*) which is otherwise valid, and the MTM instruction concerned fails to settle by 2.00 p.m. on 27 March 2017 (or by such later time and date as the Company and the Joint Bookrunners may determine), the Company and the Joint Bookrunners shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this Section 5 of Part IX (*Terms and Conditions of the Rights Issue*), that there has been a breach of the representations, warranties and undertakings set out or referred to in this Section 5 of Part IX (*Terms and Conditions of the Rights Issue*);
- (ii) treat as valid (and binding on the CREST Member or CREST Sponsored Member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this Section 5 of Part IX (*Terms and Conditions of the Rights Issue*);
- (iii) accept an alternative properly authenticated dematerialised instruction from a CREST Member or (where applicable) a CREST Sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Joint Bookrunners may determine;
- (iv) treat a properly authenticated dematerialised instruction (in this sub-paragraph, the 'first instruction') as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from

Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

- (v) accept an alternative instruction or notification from a CREST Member or (where applicable) a CREST Sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST Member or CREST Sponsored Member or (where applicable) CREST Sponsor, the CREST Member or CREST Sponsored Member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

### **5.3 Money Laundering Regulations**

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is required to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such person or persons) on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the Money Laundering Regulations or FSMA. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with the Company and the Joint Bookrunners, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If satisfactory evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of the Company and/or the Underwriters to take proceedings to recover any loss suffered by it/them as a result of failure by the applicant to provide satisfactory evidence.

### **5.4 Dealings in Nil Paid Rights in CREST**

Dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 13 March 2017. A transfer (in whole or part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 27 March 2017.

### **5.5 Dealings in Fully Paid Rights in CREST**

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 27 March 2017. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 27 March 2017.

After 28 March 2017, the New Ordinary Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable by means of CREST in the usual way.

### **5.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST**

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights, from CREST is 4.30 p.m. on 21 March 2017, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights, following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 27 March 2017. It is recommended that you refer to the CREST Manual for details of such procedures.

## **5.7 Issue of New Ordinary Shares in CREST**

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 27 March 2017 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect as soon as possible after 8.00 a.m. from the next Business Day (expected to be 28 March 2017).

## **5.8 Right to allot/issue in certificated form**

Notwithstanding any other provision of this document, the Company reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised by the Company in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by the Receiving Agent in connection with CREST or otherwise if it has first obtained the Joint Bookrunners' written consent.

## **6. Procedure in respect of New Ordinary Shares not taken up and withdrawal rights**

### **6.1 Procedure in respect of New Ordinary Shares not taken up**

If an entitlement to New Ordinary Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment shall be deemed to have been declined and will lapse. The Underwriters will use reasonable endeavours to procure, by not later than the close of business on the second dealing day after the last day for acceptances in the Rights Issue, acquirers for all (or as many as possible) of those New Ordinary Shares not taken up if a price per New Ordinary Share at least equal to the aggregate of: (a) the Issue Price (in Pounds Sterling); and (b) the expenses of procuring such acquirers (including any applicable brokerage, commissions, currency conversion costs and any amounts in respect of value added tax which are not recoverable) can be obtained.

New Ordinary Shares for which acquirers are procured on this basis will be re-allotted to such acquirers and the aggregate of any premiums (being the amount paid by such acquirers after deducting: (a) the Issue Price (in Pounds Sterling); and (b) the expenses of procuring such acquirers, including any applicable brokerage, commissions, currency conversion costs and any amounts in respect of value added tax which are not recoverable), if any, will be paid (without interest) to those persons entitled to lapsed provisional allotments as set out below pro rata to the relevant lapsed provisional allotments:

- (i) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter (unless that person is covered by sub-paragraph (iii) below);
- (ii) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST (unless that person is covered by sub-paragraph (iii) below); and
- (iii) where an entitlement to New Ordinary Shares was not taken up by an Overseas Shareholder with a registered address in, subject to certain exceptions, the United States, South Africa or any of the other Excluded Territories, to that Overseas Shareholder,

save that no payment will be made of individual amounts of less than £5.00 (five Pounds Sterling), which amounts will be aggregated and will ultimately accrue to the benefit of the Company.

Notwithstanding the above, the Underwriters may cease to endeavour to procure any such acquirers if, in the opinion of the Underwriters, it is unlikely that any such acquirers can be so procured at such a price by such time. If and to the extent that acquirers cannot be procured on the basis outlined above, the relevant New Ordinary Shares not taken up will be acquired by the Underwriters as principals pursuant to the Underwriting Agreement or by sub-underwriters or placees procured by the Underwriters, in each case, at the Issue Price (in Pounds Sterling).

Any transactions undertaken pursuant to this Section 6 of Part IX (*Terms and Conditions of the Rights Issue*) shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and none of the Company, the Joint Bookrunners or any other person procuring acquirers shall be responsible or have any liability whatsoever for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such acquisition, the market on which such transaction is carried out, any decision not to endeavour to procure acquirers or the failure to procure acquirers on the basis described above. The Underwriters will be entitled to retain any brokerage fees, commission or other benefits realised in connection with these arrangements. Cheques for the amounts due (if any) to persons entitled to lapsed provisional allotments will be sent in Pounds Sterling to Shareholders, by ordinary post, at the risk of the person(s) entitled, to their registered addresses (in the case of joint holders, to the registered address of the first named), provided that where any entitlement concerned was held in CREST, the amount due will be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST Member's (or CREST Sponsored Member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism or in such other manner as the Company (in its absolute discretion) determines.

Shareholders will not be entitled to apply for New Ordinary Shares in excess of their entitlement.

## **6.2 Withdrawal rights**

Persons wishing to exercise statutory withdrawal rights under section 87Q(4) of FSMA after a supplementary prospectus (if any) in respect of this document has been published by the Company, must do so by lodging in person or sending a signed written notice of withdrawal which must include the Allotment Number or Identifier set out on the cover page of the Provisional Allotment Letter, the full name and address of the person wishing to exercise such right of withdrawal and, if such person is a CREST Member, the participant ID and the member account ID of such CREST Member, to the Receiving Agent (for further details, Shareholders should contact the Shareholder Helpline on 0333 207 6530 (from inside the UK) or +44 121 415 0915 (from outside the UK)), so as to be received no later than two Business Days after the date on which the supplementary prospectus is published. Withdrawal is effective at the time of receipt of the withdrawal notice by the Receiving Agent, as applicable. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal. Furthermore, the exercise of withdrawal rights will not be permitted after payment by the relevant person in respect of their New Ordinary Shares in full and the allotment of the New Ordinary Shares to such person becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers.

Provisional allotments of entitlements to New Ordinary Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Ordinary Shares will be subject to the provisions of Section 6.1 above of this Part IX (*Terms and Conditions of the Rights Issue*) as if the entitlement had not been validly taken up.

## **7. Overseas Shareholders**

The making of the proposed offer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares to persons located or resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdiction. Any Shareholder who is in any doubt as to his, her or its position should consult an appropriate professional adviser without delay.

This document has been approved by the FCA, being the competent authority in the United Kingdom. The Company has requested the FCA to provide a certificate of approval and a copy of this document

to the competent authorities in France, the Netherlands and the Republic of Ireland pursuant to the passporting provisions of FSMA. It is expected that Shareholders in each member state of the European Economic Area will be able to participate in the Rights Issue.

## 7.1 General

**The offer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares to persons resident or located in, or who are citizens of, or who have a registered address in countries other than the United Kingdom may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to take up their rights.**

This Section 7 of Part IX (*Terms and Conditions of the Rights Issue*) sets out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the United Kingdom, who are citizens of, or resident or located in, countries other than the United Kingdom, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the United Kingdom or who hold Ordinary Shares for the account or benefit of any such person.

New Ordinary Shares will be provisionally allotted to all Qualifying Shareholders, including Overseas Shareholders. However, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights will not be credited to CREST accounts of, Overseas Shareholders with registered addresses in the United States, South Africa or any of the other Excluded Territories, or to their agent or intermediary or to any depository in the United States, South Africa or any of the other Excluded Territories, or to any Qualifying Shareholder who holds Existing Ordinary Shares through such a depository except where, in any of the foregoing cases, the Company and the Joint Bookrunners are satisfied that such action would not result in a contravention of any registration or other legal requirement in any such jurisdiction.

Having considered the circumstances, the Directors have formed the view that it is necessary or expedient to restrict the ability of Shareholders in the United States, South Africa and the other Excluded Territories to take up their rights under the Rights Issue due to the time and costs involved in the registration of this document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. No person who has received or receives a copy of this document and/or a Provisional Allotment Letter and/or who receives a credit of Nil Paid Rights to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, her or it, nor should he, she or it in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST, in the relevant territory, unless such an invitation or offer could lawfully be made to him, her or it or the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with without contravention of any registration or other legal or regulatory requirements.

Accordingly, persons who have received a copy of this document or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same in or into, or transfer Nil Paid Rights or Fully Paid Rights to any person in or into, the United States, South Africa or any of the other Excluded Territories. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory, or by his, her or its agent or nominee, he, she or it must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST unless the Company and the Joint Bookrunners determine that such actions would not violate applicable legal or regulatory requirements.

Subject to sub-Sections 7.2 and 7.3 of this Section 7 of this Part IX (*Terms and Conditions of the Rights Issue*), any person (including, without limitation, custodians, nominees, agents and trustees)

outside the United Kingdom wishing to take up their rights under the Rights Issue must satisfy himself, herself or itself as to the full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. **The comments set out in this Section 7 of Part IX (*Terms and Conditions of the Rights Issue*) are intended as a general guide only and any Qualifying Shareholder who is in any doubt as to his, her or its position should consult his, her or its professional adviser without delay.**

Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or a Provisional Allotment Letter in, into or from the United States, South Africa or any of the other Excluded Territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this Section 7 of this Part IX (*Terms and Conditions of the Rights Issue*).

The Company and the Joint Bookrunners reserve the right to treat as invalid any exercise or purported exercise of Nil Paid Rights or any acceptance or purported acceptance of the offer of Fully Paid Rights or New Ordinary Shares and will not be bound to issue any New Ordinary Shares in respect of any acceptance or purported acceptance of the offer of New Ordinary Shares which:

- (i) appears to the Company or the Joint Bookrunners or their respective agents to have been executed, effected or despatched from the United States, South Africa or any of the Excluded Territories or otherwise in a manner which may involve a breach of the laws or regulations of any jurisdiction; or
- (ii) in the case of a Provisional Allotment Letter, provides an address for delivery of the share certificates in or, in the case of a credit of New Ordinary Shares in CREST, a CREST Member or CREST Sponsored Member whose registered address is in the United States, South Africa or any of the other Excluded Territories or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit or if the Company or the Joint Bookrunners believe or their respective agents believe that the same may violate applicable legal or regulatory requirements.

The attention of Qualifying Shareholders with registered addresses in, or who are resident or located in, or holding Ordinary Shares on behalf of persons with such addresses in: (i) the United States is drawn to Section 7.2 of this Part IX (*Terms and Conditions of the Rights Issue*); (ii) Canada is drawn to Section 7.3 of this Part IX (*Terms and Conditions of the Rights Issue*); and (iii) any of the other Excluded Territories, including South Africa, is drawn to Section 7.4 of this Part IX (*Terms and Conditions of the Rights Issue*). The attention of all Overseas Shareholders is drawn to Section 7.5 of this Part IX (*Terms and Conditions of the Rights Issue*).

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company and the Joint Bookrunners reserve the right to permit any Qualifying Shareholder to take up his, her or its rights if the Company and the Joint Bookrunners in their sole and absolute discretion are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If the Company and the Joint Bookrunners are so satisfied, the Company will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if he, she or it is a Qualifying Non-CREST Shareholder or, if he, she or it is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in Sections 4.2 and 5.2 of this Part IX (*Terms and Conditions of the Rights Issue*).

The provisions of Section 6.1 of this Part IX (*Terms and Conditions of the Rights Issue*) will apply to all Overseas Shareholders who do not, or are unable to, take up New Ordinary Shares provisionally allotted to them. Accordingly, such Overseas Shareholders will be treated as not having taken up their rights to New Ordinary Shares and the Underwriters will endeavour to procure, on behalf of such Overseas Shareholders, acquirers for the New Ordinary Shares in accordance with the terms of the Underwriting Agreement.

Specific restrictions relating to certain jurisdictions are set out below.

## **7.2 Offering restrictions relating to the United States**

The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and Provisional Allotment Letters have not been and will not be registered under the US Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Accordingly, the Company is not extending the Rights Issue into the United States unless an exemption from the registration requirements of the US Securities Act is available and, subject to certain exceptions, neither of this document nor the Provisional Allotment Letters constitute or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States.

Subject to certain exceptions, neither this document nor a Provisional Allotment Letter will be sent to, and no Nil Paid Rights will be credited to, a stock account in CREST of any Shareholder with a registered address in the United States. Subject to certain exceptions, Provisional Allotment Letters or renunciations thereof sent from, or postmarked in, the United States will be deemed to be invalid and all persons acquiring New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who subscribes for or acquires New Ordinary Shares, Nil Paid Rights or Fully Paid Rights will be deemed to have warranted and agreed, by accessing this document or accepting delivery of the Provisional Allotment Letter and delivery of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, that it is not, and that at the time of subscribing for or acquiring the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights it will not be, in the United States.

Subject to the sub-paragraph immediately below, the Company reserves the right to treat as invalid any request relating to the exercise (or renunciation of rights or registration of the New Ordinary Shares comprised therein) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance or renunciation of the Rights Issue, or which does not make a warranty to the effect that the person accepting and/or renouncing the Provisional Allotment: (a) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the New Ordinary Shares; (b) is not in the United States, nor is such person applying for the account of a person who is located in the United States; (c) is not in any of the other Excluded Territories; and (d) is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States, any other Excluded Territory, or any other jurisdiction in which it is unlawful to make or accept an offer to acquire the New Ordinary Shares.

The Company will not treat as invalid any request relating to the exercise (or renunciation of rights or registration of the New Ordinary Shares comprised therein) falling within (b) in the preceding sub-paragraph if: (i) the instruction to apply was received from a person outside the United States; and (ii) the person giving such instruction has confirmed that: (A) it has the authority to give such instruction; and either (B) has investment discretion over such account; or (C) is an investment manager or investment company that is applying for the New Ordinary Shares in an “offshore transaction” within the meaning of Regulation S.

The Company will not be bound to allot (on a non-provisional basis) or issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid

Rights or New Ordinary Shares may be transferred or renounced. In addition, the Company and the Joint Global Coordinators reserve the right to reject any MTM instruction sent by or on behalf of any CREST Member or any instruction sent by or on behalf of any CCASS Participant with a registered address in the United States in respect of the Nil Paid Rights.

Notwithstanding the above, the Company reserves the right to make the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and Provisional Allotment Letters (together, the 'Securities') available within the United States to QIBs in transactions exempt from the registration requirements of the US Securities Act. Any such transactions shall be at the sole discretion of the Company. Any person reasonably believed to be a QIB to whom Securities are offered and by whom Securities are acquired will be required to execute and deliver an investor representation letter provided by the Company via such person's custodian or nominee setting out certain restrictions and procedures regarding the Securities.

Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares may be relying on the exemption from registration provisions under Section 5 of the US Securities Act provided by Rule 144A.

No representation has been, or will be, made by the Company or the Underwriters as to the availability of Rule 144 under the US Securities Act or any other exemption under the US Securities Act for the reoffer or transfer of the New Ordinary Shares.

Any person in the United States who obtains a copy of this document or a Provisional Allotment Letter and who is not a QIB is required to disregard it.

Potential purchasers of the New Ordinary Shares in the United States are advised to consult legal counsel before making any offer for, resale or other transfer of, such New Ordinary Shares.

Until the expiration of the 40-day period after the commencement of the offering, any offer or sale of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters within the United States by a dealer (whether or not it is participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

#### **Procedures for the exercise of the Nil Paid Rights and application for Fully Paid Rights by QIBs**

QIBs may exercise the Nil Paid Rights and apply for the Fully Paid Rights by delivering a properly completed Provisional Allotment Letter to the Receiving Agent in accordance with the procedures set out in this Section 7 of this Part IX (*Terms and Conditions of the Rights Issue*).

If such a person holds his Ordinary Shares through a bank, a broker or another financial intermediary, his financial intermediary should submit the Provisional Allotment Letter on his behalf.

Shareholders in the United States must complete and return to the Company, in accordance with the instructions of their custodian or nominee, an investor letter in the appropriate form as provided by their custodian or nominee who will have received a form of the investor letter and instructions from the Company. If such a person holds his, her or its Ordinary Shares through a bank, a broker or another financial intermediary, his, her or its financial intermediary should submit his, her or its investor letter on his behalf. The Company has the discretion to reject any investor letters which it believes are not substantially the same as the form of the investor letter provided to custodians or nominees of QIBs or otherwise acceptable.

The Company and the Receiving Agent have the discretion to refuse to accept any Provisional Allotment Letter that is incomplete, unexecuted, or not preceded or accompanied by an executed investor letter or any other required additional documentation.

The Company and the Receiving Agent have the discretion to refuse to accept any orders for Fully Paid Rights or New Ordinary Shares that are not preceded or accompanied by an executed investor letter or any other required additional documentation.

#### **7.3 Offering restrictions relating to Canada**

Subject to certain exceptions, existing holders of Ordinary Shares who are located or resident in any province or territory of Canada shall not be entitled to receive, take up, pay for or deal in any Nil Paid Rights. A Canadian holder of Ordinary Shares wishing to receive, take up and pay for Nil Paid Rights may only do so in accordance with the procedures and subject to the restrictions adopted by the Company as described in the Canadian Offering Memorandum dated the same date as this document, and must complete and return the *Canadian Investor Letter for Shareholders and for Discretionary Account Managers in Canada* which forms part of the Canadian Offering Memorandum.

The Underwriters may sell New Ordinary Shares, fully paid, in Canada in the Provinces of Ontario, Alberta, Ontario and Quebec, but only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the New Ordinary Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this document or the Canadian Offering Memorandum dated the same date as this document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

#### **7.4 Other overseas territories**

Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders (other than, subject to certain limited exceptions, those Qualifying Non-CREST Shareholders who have registered addresses in the Excluded Territories) and Nil Paid Rights have been and, where relevant, will be credited to the CREST stock accounts of Qualifying CREST Shareholders (other than, subject to certain limited exceptions, those Qualifying CREST Shareholders who have registered addresses in the Excluded Territories). No offer of or invitation to take up New Ordinary Shares is being made by virtue of this document or the Provisional Allotment Letters into the Excluded Territories. Qualifying Shareholders in jurisdictions other than the Excluded Territories may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of countries other than the United Kingdom should consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights (Shareholders only) or New Ordinary Shares.

**If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.**

##### **(a) Germany**

Neither this document nor other documents sent to shareholders constitute an offer of securities in Germany under the Securities Prospectus Act (Wertpapierprospektgesetz). The Company does not intend to conduct any public offering of securities in the Federal Republic of Germany. This document and other documents sent to shareholders have not been and will not be submitted for approval nor have they been approved by the German Federal Financial Supervisory Authority (BaFin) or any other German public authority.

##### **(b) Hong Kong**

This document is not a prospectus under the Companies Ordinance (Cap 32 of the Laws of Hong Kong) (the "**Companies Ordinance**"), and nor is it required to be authorised under section 103 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "**SFO**").

**The contents of this document have not been reviewed by any regulatory authority in Hong Kong and no action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any document issued in connection with it.**

The Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and Provisional Allotment Letter have not been and will not be offered or sold in Hong Kong by means of any document, other than (a) to “professional investors” as defined in the SFO and any rules made under that Ordinance, or (b) in other circumstances which do not result in this document being a “prospectus” as defined in the Companies Ordinance or which do not constitute an offer to the public within the meaning of that Ordinance.

No advertisement, invitation or document relating to the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and Provisional Allotment Letters has been or will be issued in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and Provisional Allotment Letters which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO.

(c) **Spain**

The Rights Issue which this document refers to has not been registered with the Spanish National Securities Market Commission (“**Comisión Nacional del Mercado de Valores**”) pursuant to Spanish laws and regulations and does not form part of any public offer of securities in Spain. Accordingly, no securities may be, and/or are intended to be publicly offered, marketed or promoted, nor any public offer in respect thereof made, in Spain, nor may this document or any other offering materials relating to the Rights Issue be distributed, in Spain, except in circumstances which do not constitute a public offering and marketing in Spain within the meaning of Spanish laws, or without complying with all legal and regulatory requirements in relation thereto. This document any other material relating to the Rights Issue may not be distributed to any person or entity other than its recipients.

(d) **Portugal**

The Rights Issue which this document refers to has not been registered with the Portuguese Securities Market Commission (“**Comissão do Mercado de Valores Mobiliários**”) pursuant to Portuguese laws and regulations and does not form part of any public offer of securities in Portugal. Accordingly, no securities may be, and/or are intended to be publicly offered, marketed or promoted, nor any public offer in respect thereof made, in Portugal, nor may this document or any other offering materials relating to the Rights Issue be distributed, in Portugal, except in circumstances which do not constitute a public offering and marketing in Portugal within the meaning of Portuguese laws, or without complying with all legal and regulatory requirements in relation thereto. This document any other material relating to the Rights Issue may not be distributed to any person or entity other than its recipients.

(e) **Japan**

The Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and Provisional Allotment Letters have not been and will not be registered under Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the “**FIEL**”) since the offering in Japan constitutes a private placement to a small number of offerees under Article 2, Paragraph 3, Item 2(iii) of the FIEL, and disclosure under the FIEL has not been and will not be made with respect to the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters. To fulfil the requirements of the private placement exemption under the FIEL, no offeree in Japan may transfer less than all of the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters acquired to any other third party.

Exercise of the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters is subject to certain conditions including that number of offerees in relation to the Rights Issue in Japan is 49 or fewer. If any of the conditions for exercise is unsatisfied, the Company may elect to pay cash to such holder instead of delivering Ordinary Shares.

(f) **Switzerland**

SEGRO is not a collective investment scheme within the meaning of the Swiss Act on Collective Investment Schemes of 23 June 2006 and its implementing regulations and has not been approved by the Swiss Financial Market Supervisory Authority (“**FINMA**”). The Nil Paid Rights, Fully Paid Rights,

New Ordinary Shares and Provisional Allotment Letters or any related marketing materials may not and will not be publicly offered, sold, advertised, distributed or re-distributed, directly or indirectly, in or from Switzerland. No solicitation for investments in the Shares may be extended, distributed or otherwise made available in Switzerland in any way that could constitute a public offering pursuant to articles 1156 or 652a of the Swiss Code of Obligations (“CO”). This document or any other offering or marketing materials relating to the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters does not constitute an offering prospectus pursuant to articles 652a and 1156 CO and may not comply with the information standards required thereunder. SEGRO has not applied for a listing of the Shares on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this document does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange. This document is addressed to a specifically named recipient and may not be copied, reproduced, distributed or passed on to third parties.

**(g) Singapore**

The offer of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares by SEGRO is made only to and directed at, and the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares are only available to, persons in Singapore who are existing holders of Ordinary Shares.

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may not be circulated or distributed, nor may Nil Paid Rights, Fully Paid Rights or New Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) Qualifying Shareholders under Section 273(1)(cd)(i) of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”); (ii) pursuant to, and in accordance with, the conditions of an exemption under Section 274 or Section 275 or, where applicable Section 276 of the SFA; or (iii) in the case of sales of New Ordinary Shares not taken up, pursuant to and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New Ordinary Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Ordinary Shares pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore. Qualifying Shareholders and/or any holder of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may only offer the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in Singapore to (i) existing members of the Company under Section 273(1)(cd)(i) of the Securities and Futures Act, Chapter 289 of Singapore, or (ii) pursuant to, and in accordance with, the conditions of an exemption under Section 274 or Section 275, or where applicable, Section 276, of the Securities and Futures Act, Chapter 289 of Singapore.

**(h) Australia**

This document, and any other document issued by the company in connection with this offer, does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia (the “Corporations Act”). It does not and is not required to contain all the information which would be required under the Corporations Act to be included in such a disclosure document, and has not been lodged with the Australian Securities and Investments Commission. The offering to which this document relates is being made in Australia in reliance on ASIC Corporations (Foreign Rights

Issues) Instrument 2015/356 issued by the Australian Securities and Investments Commission. This document, and any other document issued by the Company in connection with the offer only constitutes an offer in Australia to persons who are recorded as Australian resident shareholders as at the Record Date.

(i) **Jersey**

Pursuant to Article 8(2) of the Control of Borrowing (Jersey) Order 1958, as amended, provided that the number of persons in Jersey to whom any offer for subscription, sale or exchange of securities contained in this document is communicated does not exceed 50, no Jersey regulatory consent is required in connection with such an offer and accordingly, the Jersey Financial Services Commission has not reviewed this document and therefore it takes no responsibility for the financial soundness of the Company or any correctness of any statement made, or opinions expressed herein

(j) **Member States of the European Economic Area (other than the UK)**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “**relevant member state**”) (except for the UK), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “**relevant implementation date**”) no New Ordinary Shares, Nil Paid Rights or Fully Paid Rights have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights may be made to the public in that relevant member state at any time:

- (a) to any legal entity which is a “qualified investor”, as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the relevant member state has implemented provisions of the relevant amending directive (2010/73/EU), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights shall result in a requirement for the publication by the Company or any Joint Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For this purpose, the expression “an offer of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to the public” in relation to any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights to be offered so as to enable an investor to decide to acquire any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

The Company intends to request that the FCA provides a certificate of approval and a copy of this document to the relevant competent authorities in France, the Netherlands and the Republic of Ireland, pursuant to the passporting provisions of FSMA. It is expected that Shareholders in all member states of the European Economic Area will be able to participate in the Rights Issue.

## **7.5 Representations and warranties relating to Overseas Shareholders**

*(a) Qualifying Non-CREST Shareholders*

Any person exercising rights pursuant to a Provisional Allotment Letter, represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company’s satisfaction that such exercise will not result in the contravention of any applicable legal or regulatory requirement in any jurisdiction, such person: (i) is not in the United States, nor is such person applying for the account of a person who is located in the United States (unless the sub-paragraph below applies); (ii) is not in any of the other Excluded Territories; (iii) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; and (iv) is not acquiring the New

Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States, South Africa or any of the other Excluded Territories, or any jurisdiction referred to in (iii) above.

Notwithstanding the sub-paragraph immediately above, as regards (i) in that sub-paragraph, persons may exercise rights pursuant to a Provisional Allotment Letter if: (a) the instruction to apply was received from a person outside the United States; and (b) the person giving such instruction has confirmed that: (A) it has authority to give such instruction; and, either; (B) has investment discretion over such account; or (C) is an investment manager or investment company that is applying for the New Ordinary Shares in an “offshore transaction” within the meaning of Regulation S.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it: (i) appears to the Company to have been executed in or despatched from the United States or any of the other Excluded Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement; (ii) provides an address in the United States, South Africa or any of the other Excluded Territories for delivery of definitive share certificates for New Ordinary Shares or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates; or (iii) purports to exclude the representation and warranty required by the above.

#### *(b) Qualifying CREST Shareholders*

A CREST Member or CREST Sponsored Member who makes a valid acceptance in accordance with the procedures set out in this Part IX (*Terms and Conditions of the Rights Issue*) represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company’s satisfaction that such person’s acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction, such person: (i) is not in the United States, nor is such person applying for the account of a person who is located in the United States (unless the sub-paragraph below applies); (ii) is not in any of the other Excluded Territories; (iii) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire New Ordinary Shares; and (iv) is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States, South Africa or any of the other Excluded Territories, or any jurisdiction referred to in (iii) above.

Notwithstanding the sub-paragraph immediately above, as regards (i) in that sub-paragraph, a CREST Member or CREST Sponsored Member may make a valid acceptance in accordance with the procedures set out in this Part IX (*Terms and Conditions of the Rights Issue*) if: (a) the instruction to apply was received from a person outside the United States; and (b) the person giving such instruction has confirmed that: (A) it has authority to give such instruction and either; (B) has investment discretion over such account; or (C) is an investment manager or investment company that is applying for the New Ordinary Shares in an ‘offshore transaction’ within the meaning of Regulation S.

The Company may treat as invalid any MTM instruction which appears to the Company to have been despatched from the United States, South Africa or any of the other Excluded Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believes the same may violate any applicable legal or regulatory requirement or purports to exclude the representation and warranty required by the above.

## **7.6 Waiver**

The provisions of this Section 7 of this Part IX (*Terms and Conditions of the Rights Issue*) and of any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this Section 7 of this Part IX (*Terms and Conditions of the Rights Issue*) supersede any terms of the Rights Issue inconsistent herewith. References in this Section 7 of this Part IX (*Terms and Conditions of the Rights Issue*) to Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this Section 7 of this Part IX (*Terms and Conditions of the Rights Issue*) shall apply to them jointly and to each of them.

## **8. Taxation**

Certain information in respect of tax in relation to the Rights Issue is set out in Part XIX (*Taxation*) of this document. That information is intended only as a general guide to certain aspects of the current tax position in the United Kingdom. Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances.

**Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.**

## **9. Times and dates**

The Company shall, in its discretion and after consultation with its financial and legal advisers (and with the agreement of the Joint Bookrunners), be entitled to amend the date that dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall notify the UK Listing Authority and, if appropriate, Shareholders and make an announcement via a Regulatory Information Service, but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by the Company two or fewer Business Days prior to the date specified in this document as the latest date for acceptance and payment in full under the Rights Issue (or such later date as may be agreed between the Company and the Joint Bookrunners), the latest date of acceptance under the Rights Issue shall be extended to the date which is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

## **10. Governing law and jurisdiction**

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter (where appropriate), and any non-contractual obligation arising out of or in connection to the Rights Issue, shall be governed by, and construed in accordance with, English law.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter (where appropriate) (including any dispute relating to any non-contractual obligations arising out of or in connection with them). By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

**PART X**  
**OVERVIEW OF THE UK AND CONTINENTAL EUROPE**  
**INDUSTRIAL REAL ESTATE MARKET**

*Certain of the information contained in this Part X (Overview of the UK and Continental Europe Industrial Real Estate Market) has been sourced from industry publications. The Directors believe that such sources are reliable, but the accuracy of such information is not guaranteed and the projections they contain may be based on a number of significant assumptions. The Directors confirm that information sourced from such industry publications has been accurately reproduced, and, as far as the Directors are aware and have been able to ascertain from information contained in such publications, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

*In addition, where information contained in this Part X (Overview of the UK and Continental Europe Industrial Real Estate Market) does not refer to a source, such information has been based on internal surveys and the experience of the Group. The Directors believe that such statements are correct at the time of this document, but the accuracy of such information is not guaranteed and the projections they contain may be based on a number of significant assumptions.*

## **1. Overview of the Group**

SEGRO is a real estate investment trust whose Ordinary Shares are admitted to the premium segment of the Official List and trading on the London Stock Exchange's main market for listed securities and is a leading owner, manager and developer of modern warehouses and light industrial property. The Group owns or manages a property portfolio totalling over six million square metres of space, which was valued at £8.0 billion (£6.3 billion based on SEGRO's wholly-owned assets and its share of assets held within joint ventures) at 31 December 2016.

The portfolio of the Group comprises modern big box and urban warehouses which the Directors consider to be well specified and located, with good sustainability credentials, and which should benefit from a low structural void rate and relatively low-intensity asset management requirements.

The assets of the Group are concentrated in and around major cities and at key transportation hubs in the UK and nine Continental European countries, which, the Directors believe, have attractive property market characteristics.

At 31 December 2016, 68 per cent. of properties within the Group's portfolio are located in the UK, with 32 per cent. of the properties located in Continental Europe, primarily in Germany (the office in Germany also administers its portfolio in the Netherlands, Belgium and Austria), France (the office also services Italy and Spain) and Poland (the office also services the Czech Republic).

## **2. Occupier market—Big Box Warehouses**

### *Overview*

Big box warehouses are defined by SEGRO as warehouses over 10,000 square metres (approximately 100,000 square feet) in size, but they are typically significantly larger than that threshold amount. The Group's largest big box warehouse is just under 100,000 square metres, whilst a further big box warehouse planned to be 155,000 square metres in size is under development.

Big box warehouses are most commonly used by retailers and third party logistics companies ("**3PLs**") for the receipt, storage and distribution of stock to regional, national and international markets. There are a large number of logistics hubs in the UK and Continental Europe, but all share similar characteristics in terms of rapid and easy access to a relevant country's major transport infrastructure (primarily road, but also rail, air and ports).

### *Market drivers*

The key drivers for the big box warehouse market can be summarised as follows:

**Economic environment:** A supportive economic environment is vital for the success of the customer base, which is dependent on healthy consumer demand for its products. Improving sales volumes

typically require greater warehouse space. The OECD forecasts that the real gross domestic product for the UK and Euro Area will grow by a cumulative average of 1.1 and 1.6 per cent. respectively annually between 2016 and 2018 (Source: OECD forecast, 16 February 2017).

**Online retailing:** The internet and access to it has changed consumers' expectations of how they purchase and how they receive products. Over the past few years there has been a very clear shift in the location at which purchases are made from physical stores to websites. In turn, consumers now expect their purchases to be delivered directly to a location convenient to them in a short amount of time. Colliers estimates that over 1.4 million square metres of additional big box logistics space will be needed each year until 2020 in the UK to service online retailing at current levels (Source: Colliers International, Colliers European Retail & Logistics Insights, From Sheds to Shelves, Winter 2015).

**Operating efficiencies:** Online retailing in particular has had a significant impact on the nature and the cost of a retailer's supply chain due, in part, to individual deliveries being expensive and complicated to coordinate. As a core hub of a supply chain, retailers are reviewing their warehouse network to ensure that it is sufficiently flexible to cater for the variety of delivery channels and that it is maximising efficiency of stock storage and management. A consistent response by both retailers and 3PLs has been to consolidate operations into fewer, but larger, warehouses in core logistics locations.

#### *Major big box locations*

The Group's portfolio of big box warehouses is focused on Europe's key logistics hubs, which are concentrated around relevant countries' main transport corridors in order to afford rapid and direct access to their major population centres. At 31 December 2016, 51 per cent. of the Group's big box warehouse portfolio was located in the UK and 49 per cent. was located in Continental Europe.

**UK:** The Group's portfolio is centred in two geographic regions of the UK—the Midlands and the South East. The Midlands contains the UK's logistics "golden triangle", from where it is estimated that around 95 per cent. of the UK's population can be accessed within a four hour journey by road (Source: LLEP, Logistics & Distribution Sector Growth Action Plan, June 2015). The boundaries of the Midlands are not fixed, but roughly coincide with the M1, M6 and M42 motorways, which provide rapid road access north, south, east and west. The South East region contains London with its significant, growing and relatively wealthy population. The UK's transport network is focused on serving London which provides strong connectivity. Accordingly, the Group's portfolio in the South East is focused on London's M25 orbital motorway.

**Continental Europe:** 76 per cent. of the Group's Continental European portfolio is concentrated in France, Germany and Poland, which also serve as the administrative centres for the Group's business units of Southern Europe, Northern Europe and Central Europe respectively. In each of these markets, the Group's portfolio is focused on the major logistics hubs and transport corridors.

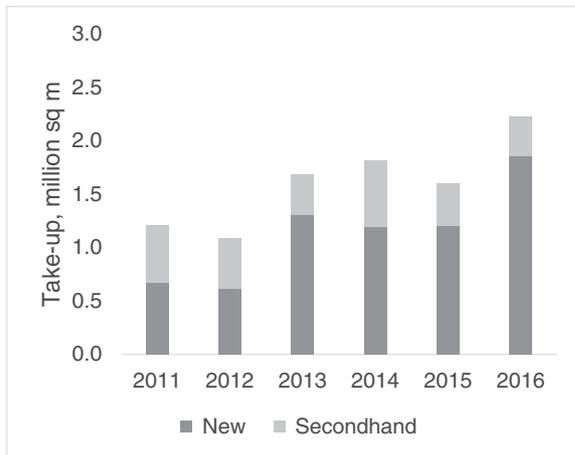
- In France, there is a logistics "spine" which extends from Lille in the north, through Ile-de-France (Paris) and Lyon, to the port of Marseille in the south along the A1, A6 and A7 motorways. As in the UK, France's capital city is the economic heart of the country, containing a relatively large and wealthy population, as well as significant transport infrastructure.
- Germany's federal structure means that there are a number of centres of economic activity within the country, mainly focused on the seven most populous cities of Hamburg, Berlin, Düsseldorf, Cologne, Frankfurt, Stuttgart and Munich. There are up to 20 regional logistics hubs based on population centres, major employers and historic influences. Germany is Europe's largest economy, and its major economic and population centre is the North Rhine-Westphalia region containing Cologne and Düsseldorf which is where the Group's portfolio in Germany is most concentrated.
- Poland is at the heart of Europe's logistics infrastructure and acts as a vital transit hub between Western and Eastern Europe. There has been significant investment in the country's transport infrastructure, particularly its roads, over the past few years (Source: OECD, Economic Survey of Poland, March 2016). This, when combined with relatively low labour costs, has spurred the growth of Poland as a logistics and manufacturing hub for Europe. The Group's portfolio in Poland is concentrated in the cities of Poznań, Łódź and Warsaw which are on the major east-west road running across the country and extends to Gdansk in the north and Katowice in the south.

### Occupier market dynamics

According to JLL, occupier demand for big box warehouses has been strengthening across the Group's major markets in recent years and hit a record high in 2016, driven significantly by the structural shift towards online retailing. Across the majority of European markets, immediately available space remains below total occupier demand, ensuring that vacancy rates are low (Source: JLL, Q4 2016 Logistics Market Fundamentals).

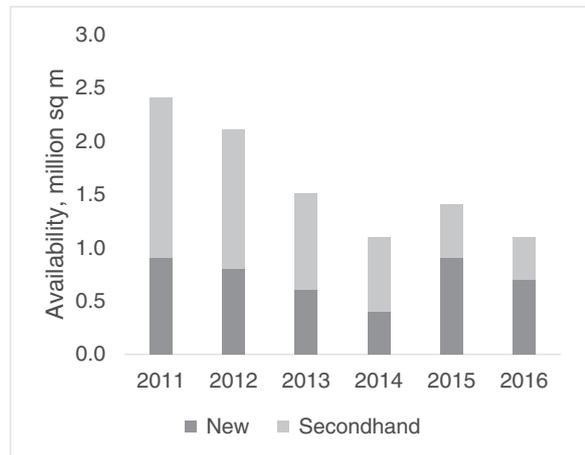
Figures 2 and 3 show take-up and availability for larger warehouses in the UK.

**Figure 2: Take-up of space in UK warehouses >10,000 square metres**



Source: JLL, *The UK Big Box Logistics Market Q4 2016*

**Figure 3: Availability of space in UK warehouses >10,000 square metres**



Source: JLL, *The UK Big Box Logistics Market Q4 2016*

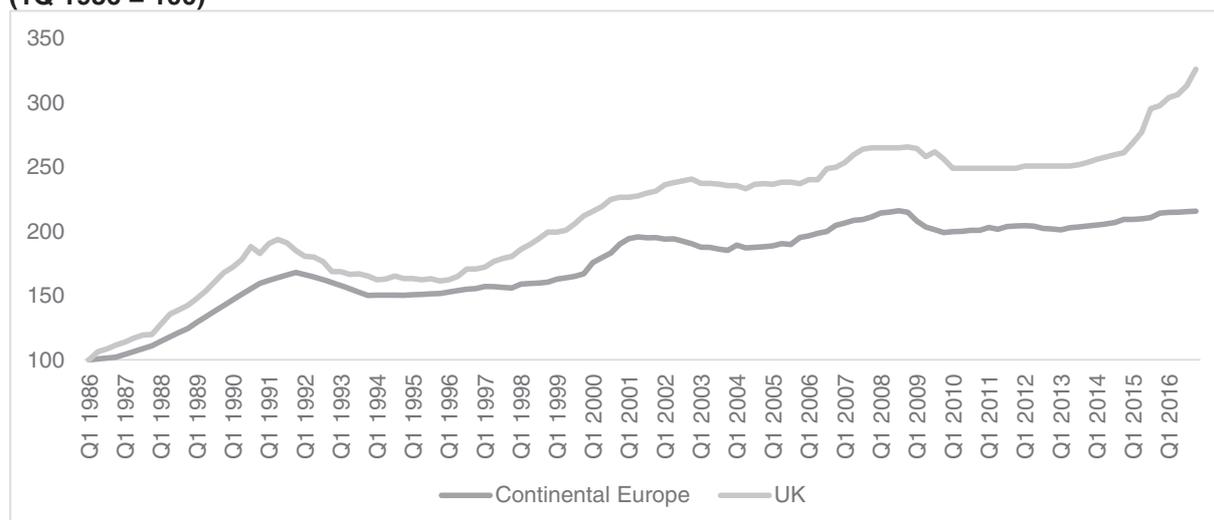
In France, according to data from CBRE (France Logistics Marketview, Q4 2016), take-up increased by 11 per cent. in 2016 to 3.7 million square metres, representing 27 per cent. above the five year average. Available space at the end of 2016 was 3.1 million square metres, 8 per cent. below the five year average.

In Germany, according to data from JLL (Warehousing Market Overview, Germany 4Q 2016), take-up increased by 8 per cent. in 2016 to 6.7 million square metres, representing 22 per cent. above the five year average. There is no reliable data on availability. According to JLL, at 31 December 2016, 3.1 million square metres of new big box warehouse space was under construction in Germany, of which just 4 per cent. was speculative.

In Poland, according to data from CBRE (Poland Industrial Marketview, Q4 2016), take-up increased by 32 per cent. in 2016 to 3.5 million square metres, representing a record high. At 31 December 2016, the vacancy rate amongst Poland's big box warehouses was 5.9 per cent., having been 11.5 per cent. at 31 December 2011.

The result of this trend of increasing take-up compared to restricted supply has been stable prime rents in Continental Europe and sharply rising prime rents in the UK (see Figure 4).

**Figure 4: Index of prime rents in UK and Continental Europe (excluding UK), 1Q 1986—4Q 2016 (1Q 1986 = 100)**



Source: CBRE Research

### 3. Occupier Market—Urban warehouses

#### Overview

Urban warehouses are defined by SEGRO as warehouses under 10,000 square metres in size (approximately 100,000 square feet), but they are more typically characterised by location—adjacent to, or within, urban areas—than by size.

Urban warehousing has a very wide variety of uses by a similar variety of customer types. The location of urban warehouses near significant population centres provides easy access to, and by, a tenant’s customer base and its labour force. They are typically in more land-constrained areas where competition comes more from alternative, higher-value land uses such as residential or retail, than from other industrial uses.

#### Market drivers

The key drivers for the urban warehouse market can be summarised as follows:

**Economic environment:** A supportive economic environment is vital for the success of the customer base, which is dependent on healthy consumer demand for its products. Improving sales volumes require greater warehouse space. The OECD forecasts that real gross domestic product in the UK and Euro Area will grow by a cumulative average of 1.1 and 1.6 per cent. respectively annually between 2016 and 2018 (Source: OECD forecast, 16 February 2017).

**Urbanisation:** The trend towards urbanisation in Western Europe is fuelling demand for urban warehouses from a wide variety of businesses, including parcel delivery companies and food producers, to service growing population numbers. The consequential demand for residential space is also putting pressure on land availability for other uses.

**Online retailing:** The internet and access to it has changed consumers’ expectations of how they purchase and how they receive products. Over the past few years there has been a very clear shift in the location at which purchases are made from physical stores to websites. In turn, consumers now expect their purchases to be delivered directly to a location convenient to them in a short amount of time. In cities, this is increasing demand for urban warehousing to meet consumers’ delivery expectations.

**Convenience retailing:** Grocery retailers are increasingly opening smaller, local stores which offer a more limited variety of faster-moving stock. Urban warehousing allows stock of (often perishable) items to be stored close to the final destination and delivered quickly on a ‘just-in-time’ basis.

**Operating efficiencies:** Online retailing in particular has had a significant impact on the nature and the cost of a retailer’s supply chain due, in part, to individual deliveries being expensive and complicated to coordinate. Urban warehouses are necessary to facilitate the final stage of the supply chain, commonly known as “last mile delivery”, in which large volumes of individual packages can be broken down into individual items and delivered by smaller vehicles to the final destination.

### Major urban warehouse locations

The Group's portfolio of urban warehouses is concentrated in major cities within Europe. Approximately 83 per cent. of the Group's smaller, urban warehouse portfolio is in the UK and 17 per cent. is in Continental Europe.

**UK:** The Group's portfolio in the UK is centred on Greater London with its significant, growing and relatively wealthy population. It is concentrated in the Western Corridor, incorporating two core areas in West London around Heathrow Airport and Park Royal, the latter being London's major industrial area, and in Slough which is the location of the Group's largest single asset, the Slough Trading Estate. It also has a growing cluster of properties in Enfield, which is a major industrial area in North London, and has secured a number of sites in East London, which is an area of significant regeneration and future growth (Source: Royal Geographical Society, Urban Regeneration in East London Fact Sheet).

**Continental Europe:** The Group's exposure to urban warehousing in Continental Europe is focused on Paris and on Germany's largest cities, but particularly Düsseldorf, Frankfurt and Berlin.

### Occupier market dynamics

JLL (Western Corridor Industrial Market, Autumn 2016) reports that take-up in the Western Corridor was 3.0 million square feet in H1 2016, 9 per cent. above the average of the previous five years and 5 per cent. higher than H1 2015. Just over half of demand (57 per cent.) came from West London and focused on Heathrow, which experienced strong demand from airline caterers, couriers and parcel companies.

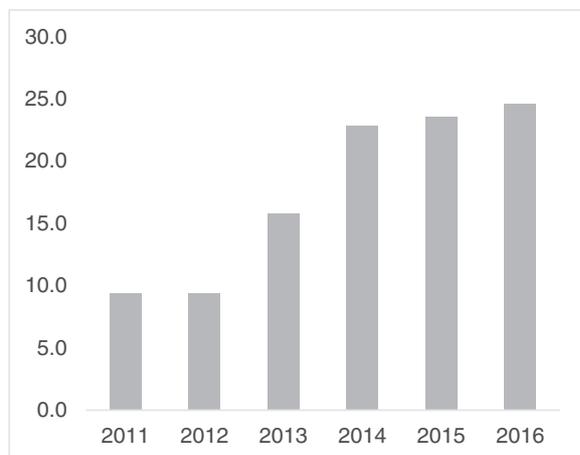
Availability of space in the Western Corridor at the end of June 2016 remained low at 7.3 million square feet, compared to the most recent peak in 2012 of approximately 13 million square feet, and just 2 per cent. higher than over the same period in 2015.

According to CBRE (Ile-de-France Light industrial Marketview, Q4 2016), take-up in Paris urban warehousing in 2016 increased by 15 per cent. to 948,000 square metres, representing a level 5 per cent. higher than the ten year average. Available space at 31 December 2016 totalled 2.5 million square metres, a 4 per cent. decline over the year, and only 5 per cent. was represented by new or refurbished space.

## 4. Investment markets

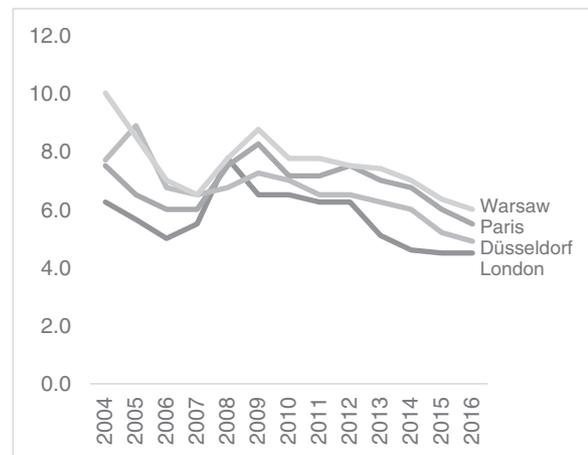
Data provided by CBRE indicate that investment volumes for European industrial assets totalled €24.6 billion in 2016, a 4 per cent. increase from 2015 and 28 per cent. above the five year average (see Figure 5). Prime yields have fallen significantly from their cyclical peak in 2008/2009 (see Figure 6).

**Figure 5: European industrial investment volumes, €bn**



Source: CBRE Research

**Figure 6: Prime industrial yields, %**



Source: CBRE Research

## PART XI INFORMATION ON THE GROUP

### 1. Introduction

#### 1.1 Overview of the Group

SEGRO is a real estate investment trust whose Ordinary Shares are admitted to the premium segment of the Official List and trading on the London Stock Exchange's main market for listed securities and is a leading owner, manager and developer of modern warehouses and light industrial property. It is headquartered in London and is a member of the FTSE 250 index.

The Group's assets are concentrated in and around major cities and at key transportation hubs in the UK and nine Continental European countries, which, the Directors believe, have attractive property market characteristics. The Group owns or manages a property portfolio totalling over six million square metres of space, which was valued at £8.0 billion (£6.3 billion based on SEGRO's wholly-owned assets and its share of assets held within joint ventures) at 31 December 2016, with the UK portfolio accounting for 68 per cent. (£4.3 billion) of the value of the overall portfolio and the Continental Europe portfolio accounting for the remaining 32 per cent. (£2 billion). At 31 December 2016, 25 per cent. of the Group's portfolio was held within joint ventures.

The Directors believe that the Group's pan-European portfolio of big box and urban warehouse assets make it particularly well placed to service its customer base by offering a wide variety of warehouse sizes and locations in and around major cities and along key transport corridors. A number of the Group's largest customers are tenants in more than one of its geographies who occupy both big box and smaller urban warehouses that cater for local, regional, national and international operations. At a time when the nature of retailing is structurally changing from store-based sales to e-commerce, the Directors consider that the Group's portfolio is well placed to benefit from retailers' needs to create flexibility and extract efficiencies from their supply chains.

The Group's performance on the basis of various key performance indicators has been strong, with an EPRA vacancy rate of 5.7 per cent. at 31 December 2016, approximately a quarter of which is from newly-delivered speculative developments in what the Directors consider to be some of the most supply-constrained urban and big box warehouse markets in Europe. At 31 December 2016, the portfolio weighted average lease length to break was 7.1 years and to expiry was 8.7 years. The customer retention rate on leases either with a break or expiring across the whole of 2016 was 75 per cent.

The Group's development capability is an important generator of growth. Overall, the Current Development Pipeline totalled 540,480 square metres of new space at 31 December 2016, which the Directors believe is capable of generating £27 million of new headline rent, of which £16 million (61 per cent.) has already been secured through pre-let agreements.

At 31 December 2016, the topped-up initial yield of the portfolio was 5.3 per cent. and the net true equivalent yield was 5.9 per cent. For comparison purposes, at 31 December 2014, the topped-up initial yield and net true equivalent yield were 6.0 per cent. and 6.7 per cent. respectively and were 5.5 per cent and 6.0 per cent respectively at 31 December 2015. The Directors believe that the improvement reflects the significant strengthening in investor market demand for warehouse assets over the period, as well as the improvement in the quality of the Group's portfolio due to active asset management, development completions and portfolio recycling activity.

For the purposes of this document, a Valuation Report at 31 December 2016 was prepared. The Valuation Report is included in this document in Part XVIII (*Valuation Report*). Unless stated otherwise, the values and figures referred to in this Part XI represent values and figures at 31 December 2016. Financial measures presented in this Part XI, unless otherwise indicated, are on a proportional consolidated (non-IFRS) basis. See "*Presentation of non-IFRS financial measures*" in Part IV (*Important Information*).

#### 1.2 History and development

The Company was incorporated in 1920 as Slough Trading Company Limited by a syndicate of businessmen who acquired a 243 hectare site on the Bath Road at Slough. The Company continued to

focus its efforts on Slough until 1931 when it acquired its second estate at Kings Norton in Birmingham. In 1949, the Company was listed and admitted to trading on the London Stock Exchange and the Group started to expand internationally by moving into Australia and then Canada in 1950. European expansion followed in 1962 with the acquisition of a site in Belgium, followed by expansion in France and Germany during the early 1970s. The Company entered the US market in 1973. The Company has since exited all countries outside the European Economic Area. The Company changed its name to SEGRO and became a UK REIT in 2007.

## **2. Strategy and strengths**

### **2.1 The Group's strategy**

In April 2011, David Sleath became Chief Executive Officer of SEGRO and, shortly thereafter, in November 2011, the Directors laid out a strategic plan that aimed to reposition SEGRO as a leading income-focused REIT and the pre-eminent owner-manager of industrial property in Europe. Since then, the Directors have focused their efforts on acquiring and developing the highest quality assets in the strongest locations, actively managing the Group's portfolio (including the portfolios of its joint ventures), maintaining an appropriate capital and corporate structure and driving operational excellence.

The strategic plan in 2011 identified approximately £1.6 billion of non-core assets for disposal, substantially all of which have now been sold, and the proceeds of which have enabled the Group to both reduce leverage and provide funding for new investment in acquisitions and developments in growth areas of the business.

The strategy also outlined plans to seek opportunities to partner with third party capital providers to support the Group's growth and to enhance risk adjusted returns for Shareholders. To this end, in October 2013, SEGRO created the SEGRO European Logistics Partnership joint venture, partnering with PSP Investments, the Canadian pension fund. SELP was seeded with €1 billion of SEGRO's Continental European big box warehouses and development land. Under the terms of the joint venture, SELP has the right, but not the obligation, to acquire any Continental European big box warehouses which are owned outright by SEGRO, in the event that SEGRO acquires or develops the buildings on a wholly-owned basis.

By 31 December 2016 SEGRO had completed its transformation into a pure-play warehouse REIT as envisioned in the 2011 strategic plan. The culmination of this process in 2016 has enabled the Directors to focus more of their attention on capitalising on what they consider to be the Group's highly attractive development pipeline of warehouse assets, which led to the decision to undertake the Placing in September 2016 (to fund and accelerate certain of these capital projects) and the Rights Issue (in part to fund and accelerate certain other, more recent, of these capital projects). Please see Section 3 of Part VII (*Letter from the Chairman*) for further information.

Fundamental to SEGRO's strategy is a focus on 'Disciplined Capital Allocation', 'Operational Excellence' and 'Efficient Capital and Corporate Structure' which is designed to deliver an attractive income-led total property return, supported by an efficient capital and corporate structure. The Directors believe that the combination of these three elements should translate into sustainable, attractive returns for Shareholders in the form of progressive dividends and net asset value growth over time.

#### ***Disciplined Capital Allocation***

SEGRO invests in markets and assets which the Directors believe benefit from structurally high levels of demand and limited supply. Real estate has historically been a cyclical asset class so capital allocation is a dynamic activity and SEGRO seeks to adapt its capital deployment according to its assessment of the property cycle.

Since 1 January 2012, the Group has sold £3 billion of assets (on a proportional consolidated basis), comprised of: (i) land and properties in secondary locations or of poorer quality; (ii) assets which were not industrial in nature, such as those with high office content; and (iii) Continental European big box warehouses which were sold to SELP. Most of the proceeds have been deployed into £1.3 billion of asset acquisitions and £1.2 billion of new development or land acquisitions, with the balance being used to de-gear the Group's balance sheet.

## ***Operational Excellence***

Operational Excellence involves optimising the performance of the Group's portfolio through dedicated customer service, expert asset management, and development and operational efficiency. SEGRO faces competition from other warehouse providers in all of its markets and must therefore ensure that it is well-placed to secure new customers and retain its existing ones on terms which support the Group's return targets.

The Directors believe that vacancy is an important guide to the quality of the portfolio and the success of its asset management. The Directors target an EPRA vacancy rate of between 5 and 7 per cent., the range reflecting the influence of the completion of speculative developments and the timing of takebacks of space. The EPRA vacancy rate was 5.7 per cent. at 31 December 2016, having improved from 9.1 per cent. at 31 December 2011, but slightly increased compared to 4.8 per cent. at 31 December 2015, largely due to speculative development completions. 1.6 per cent. of the EPRA vacancy rate at 31 December 2016 (2015: 1.0 per cent.) was accounted for by speculative developments completed in the past two years which are not yet occupied, and the other 4.1 per cent. (2015: 3.8 per cent.) by existing standing assets.

The Directors also focus on growing the rent roll (based on headline rent, referred to as "**rent roll growth**") from its portfolio. Growth in the Group's headline rent from standing assets can be achieved through letting up vacant space and improving rents at review (including indexation provisions commonly incorporated in Continental European leases) and renewal, more than offsetting rent lost from taking back space from customers not renewing their lease. Rent roll growth can also be achieved through generating additional headline rent from new development either on a pre-let basis (also known as build-to-suit) or on a speculative basis, letting the space after construction has begun. In 2016, the Group contracted £45 million of new headline rent, up 14 per cent. from £39 million in 2015. During the year, the Group secured an average uplift in headline rent of 5.4 per cent. on rent reviews and renewals across its portfolio. The Directors believe that these metrics demonstrate the improved quality of the Group's portfolio as well as the strength of the Group's asset management capability.

## ***Efficient capital and corporate structure***

In addition to maximising the returns generated by the property portfolio, the Directors recognise that the Group must be run efficiently to maximise Shareholder return. This principle also extends to the capital structure which must be sufficiently conservative to ensure that it does not detract from the returns otherwise achieved from the Group's portfolio.

In 2016, the Group's TCR (as defined in Part IV (*Important Information*)) was 23 per cent., which is higher than the Directors' stated target of 20 per cent. The Directors believe that the Group's cost base is capable of supporting a larger portfolio than it currently owns and expect the Group's TCR to reduce as it increases its scale position in its major markets, particularly in big box warehousing in the UK and Italy, and in urban warehousing in Germany.

At 31 December 2016, the Group's LTV ratio (as defined in Part IV (*Important Information*)) was 33 per cent., which reflected a decrease from 38 per cent. at 31 December 2015. The improvement was due mainly to net disposals during the year, the proceeds of the Placing in September 2016 to fund the development pipeline and the improvement in property values during the course of the year, offset by the impact of exchange rate movements. The Directors believe that an LTV ratio of 40 per cent. is an appropriate level for mid-way through the property cycle. The Directors also believe that at this point in the property investment cycle, (following a few years of positive market conditions), the LTV ratio should be closer to 35 per cent. than 40 per cent., providing a buffer to debt covenant levels should property values decline which would put upwards pressure on the LTV ratio.

## ***Generation of attractive returns for shareholders in the form of dividend and net asset value per share growth over time***

The Directors are focused on owning and developing a high quality portfolio with low vacancy rates that is let to a successful and diverse customer base and believe that this focus should translate positively in terms of the Company's return on equity, comprising net asset value per share growth and shareholder distributions.

Between 31 December 2011 and 31 December 2016, SEGRO generated an average of 11.1 per cent. annualised return on shareholders' equity, comprising an increase in the EPRA NAV per share of 160 pence between 31 December 2011 (340 pence) and 31 December 2016 (500 pence) and cumulative payment of 75.4 pence per share as dividends during the five years.

Between 31 December 2011 and 31 December 2016, SEGRO shares have generated an annualised total shareholder return (share price change plus dividends distributed) of 22.6 per cent., compared to 10.1 per cent. from the FTSE All-share Index and 14.5 per cent. from the FTSE 350 REIT Index.

## **2.2 Competitive strengths**

The Directors believe the key strengths of the Group are:

- its ownership of a portfolio of high quality, modern and well-located warehouse assets;
- that it is the only listed owner and manager of both urban and big box warehouses on a pan-European basis;
- that it has a diversified customer base, and is positively exposed to the structural change from physical towards online retailing;
- its track record of profitable development activity;
- that it has a pipeline of development opportunities on its existing land bank, the majority of which the Directors expect to deliver within the next five years, with further long-term developments under option;
- its strong financial position; and
- its proven and experienced management team.

### ***Owner of a portfolio of high quality, modern and well-located prime warehouse assets***

SEGRO is the largest European-listed property company which focuses exclusively on warehouse properties on a pan-European basis. The Group had £8.0 billion of property assets under management at 31 December 2016 (£6.3 billion on a proportional consolidated basis), focused on the major transport hubs and urban areas in Europe, with a particular concentration in London and in the Thames Valley region of the UK. SEGRO's wholly-owned portfolio and its share of assets owned by joint ventures generated £288 million of gross passing rent at 31 December 2016, with potential for a further £32 million from expiry of rent-free periods, £12 million from reversionary potential and £22 million from letting up vacant space (including £6 million from speculative developments completed in 2015 and 2016), based on the Valuer's estimate of ERV at 31 December 2016, and £155 million from developing its land bank (including the Current Development Pipeline and future development projects), based on the Directors' current estimate of market rents for the Group's future projects.

### ***Only listed owner and manager of both urban and big box warehouses on a pan-European basis***

The Group offers a diverse portfolio mix of both smaller warehouses in urban areas and big box warehouses at major transport hubs across Europe. The Directors believe that SEGRO is the only listed owner and manager of both types of warehousing in Europe. The ownership and management of this portfolio enables the Group to service customers needing space to cater for their entire supply chain on a pan-European basis. Big box warehouses are mainly used for stock storage and regional, national and international distribution, while urban warehouses include workshops, laboratories, data centres, showrooms and are ideal for delivery of goods both to in-town stores and to individuals at locations convenient to them, be it offices, homes or click-and-collect sites.

The Group's big box warehouse portfolio is focused on: the Midlands "golden triangle" and the outskirts of London in the UK; the logistics "spine" of France stretching from Île-de-France (Paris), through Lyon to the port of Marseille; the major cities of Germany including Düsseldorf, Hamburg, Frankfurt and Berlin; Poznań, Łódź and Warsaw in Poland; and Milan and Bologna in Northern Italy.

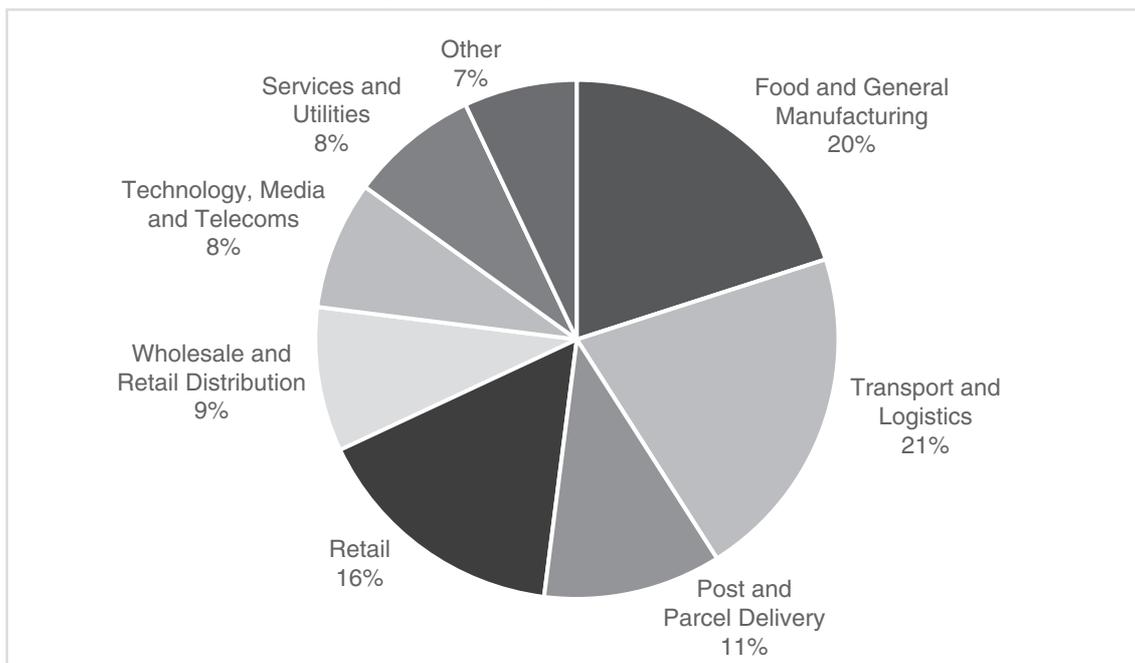
SEGRO's urban warehouse portfolio is concentrated in London (where it is particularly focused on the key distribution markets of Park Royal and Heathrow in West London), Paris, Düsseldorf, Berlin

and Warsaw. In all instances, these markets display the characteristics of relatively high density population, limited availability of industrial-zoned land and economic strength relative to the rest of the country.

***Diversified customer base that is positively exposed to the structural change from physical to online retailing***

The Group’s customer base represents a diverse range of economic sectors, all of which need warehouse space for some aspect of their business, including data centres for financial services, laboratory space for research and development, workshops for manufacturers, kitchens for mass food preparation, and stock storage and distribution for retailers and third party logistics companies.

**Figure 7: SEGRO headline rent by customer type, 31 December 2016**



Source: SEGRO

As such, the Group is not significantly exposed to any one customer: at 31 December 2016, the Group’s top 20 customers accounted for 27 per cent. of its headline rent and its largest customer, Deutsche Post DHL, accounted for 4.8 per cent.

Approximately 47 per cent. of the Group’s headline rent in 2016 was associated with post and parcel delivery companies, retailers and third party logistics companies (see Figure 7). The Directors believe that such business types are at the forefront of the e-commerce revolution: retailers must service both customers who buy from their stores but also from those buying online and expecting individual packages to be delivered to locations convenient to them, such as their homes. In addition, new companies which purely operate online without physical stores need warehouse space for storage and distribution.

Businesses such as these have a need both for big box warehouses for inventory management and distribution and for warehouses close to urban areas to allow rapid and efficient management of last mile delivery to their customers, as well as to provide easy access for their workforce.

***Track record of profitable development activity***

Between 1 January 2014 and 31 December 2016, the Group invested £623 million in developments both now completed and still under construction. In 2014 and 2015, the Group invested £157 million and £164 million respectively, and the Directors accelerated the pace of development in 2016, investing £302 million during that year.

Between 1 January 2014 and 31 December 2016, the Group completed one million square metres of developments, representing an investment in those developments of £500 million. The Directors believe that, when fully-let, these assets are capable of generating £61 million of headline rent (a yield on new money of over 10 per cent.), £54 million (89 per cent.) of which was let at 31 December 2016.

In 2016, the capital value uplift from completed developments and buildings under construction was 16 per cent., compared to a 4 per cent. uplift in properties and land held throughout the year, generating an unrealised gain of £86 million. In 2015, the equivalent figures were 23 per cent. for developments compared to 12 per cent. for assets held throughout the year, generating an unrealised gain of £81 million. The Directors believe that the Group's development pipeline provides an important source of both income and capital value growth.

### ***Pipeline of development opportunities on its existing land bank with further long-term developments under option***

The Group's land bank of undeveloped land at 31 December 2016 totalled 719 hectares (comprising 104 hectares in relation to the Current Development Pipeline and 615 hectares in relation to future development projects) and was capable of supporting 3.2 million square metres of warehouse development for total potential development capital expenditure of £1.3 billion. The Directors believe that, as a result of the scarcity of land, particularly in urban areas but also in major logistics hubs such as the Midlands in the UK, the land bank provides a significant competitive advantage for the Group. The Directors expect to develop the vast majority of this land over the next five years but the pace of development will depend on market conditions at the time and on potentially securing pre-let agreements, particularly for big box warehouses.

The land bank comprises the Current Development Pipeline (totalling 540,480 square metres of warehouse space, £171 million of future capital expenditure and capable of generating £27 million of headline rent), as well as the Near-Term Development Projects and other potential development projects. See "*Portfolio Development properties*" below for more information on the Group's development land bank.

In addition, the Group controls land through option agreements which is capable of supporting approximately 700,000 square metres of new warehouse development. The Directors believe that controlling land via options creates a more efficient capital structure for Shareholders, allowing the Group to buy the land only when it is ready to begin developing it.

### ***Strong financial position***

The Directors believe that Shareholder returns can be enhanced through careful use of debt to fund acquisition and development opportunities, particularly given the attractive spread between debt funding rates and property yields. However, they also recognise that the property market is cyclical and that asset values can be volatile. They are therefore committed to ensuring that the Group's net borrowings (excluding joint ventures) as a percentage of shareholders' equity (after certain adjustments, principally adding back deferred tax) ("**gearing**") is managed throughout the cycle. They also aim to create a debt maturity profile which is appropriate both to ensure long-term financing security and to avoid too high a volume of refinancing requirements in any one year.

The Directors monitor the Group's gearing on the basis of the Group's LTV ratio. This 'mid-cycle' LTV ratio target for the Group remains at 40 per cent. but the Directors believe that at this point in the property investment cycle, (following a few years of positive market conditions) the LTV ratio should be closer to 35 per cent. than 40 per cent., providing a buffer to debt covenant levels should property values decline and put upwards pressure on the LTV ratio. At 31 December 2016, the Group's LTV ratio was 33 per cent. with a weighted average debt maturity of 6.2 years. In addition to cash balances of £32 million, the Group has undrawn finance facilities of £534.9 million. The Directors estimate that the Group's portfolio value could fall by approximately 50 per cent. before breaching gearing covenant thresholds.

### ***Proven and experienced management***

SEGRO's management team has led the successful transformation of the Group, following its 2011 strategy plan. The management team is highly experienced and has a strong and demonstrable track

record of managing, developing and investing in warehouse assets and managing the Group's assets. Biographies for the Executive Directors are set out in the fifth section of this Part XI.

### 3. Portfolio

SEGRO owns properties both on a wholly-owned basis and within joint ventures. When analysing and managing the portfolio, the Directors do not distinguish between assets owned wholly by the Group and those held in joint ventures. In this section, all figures, (except in the case of space) reflect the Group's wholly owned assets and its share of assets held in joint ventures. Space is reflected at 100 per cent. irrespective of ownership.

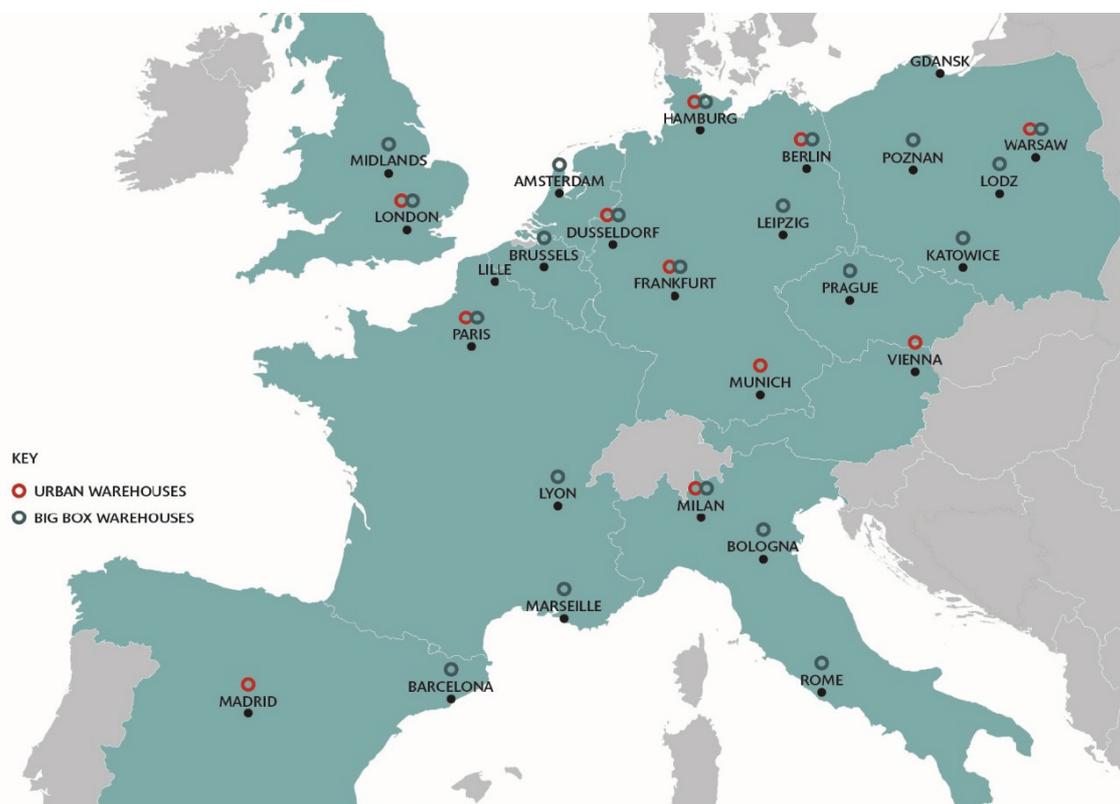
#### 3.1 Portfolio summary

SEGRO manages a portfolio of completed properties totalling over six million square metres of space, buildings under construction and land which was valued at £8.0 billion at 31 December 2016, of which SEGRO owns £4.8 billion outright and owns a 50 per cent. share of £3.2 billion of assets held within two joint ventures. On a proportional consolidated basis, SEGRO's portfolio of completed properties totalled £5,666 million and comprised: 40 per cent. (£2,273 million) of large warehouses: 54 per cent. (£3,062 million) of smaller, urban warehouses (including urban warehouses used as data centres); and 6 per cent. (£332 million) of higher value use assets, which include self-storage facilities, car showrooms and offices which are usually situated in high visibility locations on industrial-zoned land. The portfolio generated gross passing rent of £288 million in 2016, with a potential gross rent roll of £354 million based on the portfolio being fully-let at rents in line with the Valuer's ERV. In addition, at 31 December 2016, the Group had buildings in the course of construction valued at £162 million and a land bank valued at £517 million, which together account for 11 per cent. of the Group's portfolio.

The Group owns and manages assets and development land in the UK and nine Continental European countries. At 31 December 2016, the UK portfolio accounted for 68 per cent. (£4,317 million) of the overall portfolio, while Continental Europe accounted for the remaining 32 per cent. (£2,028 million).

The map in Figure 8 shows the main locations of SEGRO's assets.

**Figure 8: Main locations of SEGRO assets**



Source: SEGRO

### UK investment portfolio

The UK portfolio is managed through two business units, namely: (i) the Greater London business unit, which manages assets in two main clusters of Park Royal and London Airports (mainly around Heathrow Airport which includes APP), with the remaining properties located mainly in North and East London; and (ii) the Thames Valley and National Logistics business unit, which manages the Slough Trading Estate, the National Logistics big box warehouse portfolio in the Midlands and other assets in South East England including Bracknell, Reading and Basingstoke.

At 31 December 2016, the UK portfolio comprised mainly smaller, urban warehouses (£2,531 million), with £1,160 million of big box warehouses and £290 million of higher value assets (values at 31 December 2016).

The table below provides information regarding space, valuation and vacancy of SEGRO's UK portfolio at 31 December 2016. Figures presented here relate to SEGRO's share of assets within APP prior to completion of the Acquisition.

	Lettable area (100%) sq m	Completed £m	Land & dvpt £m	Total property portfolio £m	Net initial yield <sup>(1)</sup> %	Net true equivalent yield <sup>(1)</sup> %	Vacancy (ERV) %
London Airports . . . . .	538,556	852.5	69.1	921.6	3.9	5.5	5.2
<i>Of which SEGRO share of APP . . . . .</i>	<i>399,072</i>	<i>533.9</i>	<i>14.5</i>	<i>548.4</i>	<i>3.6</i>	<i>5.6</i>	<i>7.5</i>
Park Royal . . . . .	440,695	981.9	77.0	1,058.9	3.7	5.2	6.0
Rest of Greater London . .	162,032	308.1	37.3	345.4	3.9	5.5	6.7
<b>Greater London . . . . .</b>	<b>1,141,283</b>	<b>2,142.5</b>	<b>183.4</b>	<b>2,325.9</b>	<b>3.8</b>	<b>5.4</b>	<b>5.8</b>
Slough Trading Estate . . . .	517,444	1,121.6	44.9	1,166.5	4.8	5.8	5.0
Rest of South East							
England . . . . .	84,930	111.5	23.3	134.8	5.1	6.3	2.9
National Logistics . . . . .	525,808	604.5	85.7	690.2	4.3	5.7	14.8
<b>Thames Valley and National Logistics . . . . .</b>	<b>1,128,182</b>	<b>1,837.6</b>	<b>153.9</b>	<b>1,991.5</b>	<b>4.7</b>	<b>5.8</b>	<b>8.1</b>
<b>UK Total . . . . .</b>	<b>2,269,465</b>	<b>3,980.1</b>	<b>337.3</b>	<b>4,317.4</b>	<b>4.2</b>	<b>5.6</b>	<b>6.9</b>

(1) In relation to completed properties only.

### Continental European investment portfolio

The Continental European portfolio is managed through three business units, namely: (i) the Northern Europe business unit, which manages assets in Germany, the Netherlands, Belgium and Austria, with operational leadership based in Düsseldorf; the Southern Europe business unit, which manages assets in France, Italy and Spain, with operational leadership based in Paris, and (iii) the Central Europe business unit, which manages assets in Poland and the Czech Republic, with operational leadership based in Poznań.

At 31 December 2016, the Continental European portfolio mainly comprised big box warehouses (£1,113 million), with £531 million of smaller, urban warehouses and £42 million of higher value assets.

The table below provides information regarding space, valuation and vacancy of SEGRO's Continental European portfolio at 31 December 2016.

	Lettable area (100%) sq m	Completed £m	Land & dvpt £m	Total property portfolio £m	Net initial yield <sup>(1)</sup> %	Net true equivalent yield <sup>(1)</sup> %	Vacancy (ERV) %
Northern Europe . . . . .	1,482,772	663.1	142.1	805.2	5.7	6.2	4.1
Southern Europe . . . . .	1,377,006	623.5	148.5	772.0	6.3	6.8	1.4
Central Europe . . . . .	1,286,897	399.5	51.3	450.8	6.3	6.9	6.4
<b>Continental Europe Total . . . . .</b>	<b>4,146,675</b>	<b>1,686.1</b>	<b>341.9</b>	<b>2,028.0</b>	<b>6.1</b>	<b>6.6</b>	<b>3.6</b>

(1) In relation to completed properties only.

### 3.2 Development properties

The Group also has a substantial land bank which the Directors believe represents latent potential for future growth, the timing being dependent on their assessment of occupier demand and local supply. At 31 December 2016, the land bank was valued at £679 million.

Land forming part of the land bank valued at £162 million at 31 December 2016 is being developed as part of the Group's Current Development Pipeline. A further £392 million of land relates to development opportunities, most of which (including Near-Term Development Opportunities) the Directors expect to arise during the course of the five years following the date of this document.

The map in Figure 9 shows the SEGRO land bank locations.

**Figure 9: SEGRO land bank locations**



Source: SEGRO

#### 3.2.1 Current Development Pipeline

At 31 December 2016, 540,480 square metres of developments were under construction or allocated in relation to the Current Development Pipeline, which the Directors believe are capable of generating £27 million of headline rent when fully let, of which 61 per cent. has been secured through pre-let agreements. The Group's development focus over the next 12 to 18 months is on selective development, underpinned by pre-lets and strong occupier demand.

The Directors estimate that £171.2 million in capital expenditure will be required to complete the Current Development Pipeline (which, at 31 December 2016, included both projects funded by the proceeds of the Placing and projects to be funded by the proceeds of the Rights Issue) and that such capital expenditure will generate a yield on new money of approximately 10 per cent., as part of projects expected to generate a yield on cost of approximately 7.7 per cent. The projects within the Current Development Pipeline for which proceeds of the Rights Issue are expected to be used are expected to generate headline rent of £3.5 million when fully let, of which approximately 30 per cent. has been secured through pre-let agreements. Once the Rights Issue will have completed, funds will have been sought by the Group for all projects within the Current Development Pipeline.

The table below sets out a summary of the Current Development Pipeline split between the UK and Continental Europe and between developments that are within a joint venture and developments that are wholly-owned by the Group.

	Hectarage (100%) hectares	Space to be built (100%) square metres	Current book value £m	Estimated cost to completion £m	ERV when complete £m	Pre-let (ERV) £m	Estimated yield on cost %
UK—wholly-owned . . . . .	12.8	57,008	30.8	72.1	7.7	3.1	7.9
UK—joint ventures . . . . .	1.5	7,286	4.6	3.7	0.6	—	6.6
Continental Europe—wholly- owned . . . . .	60.8	322,669	104.3	70.7	14.7	10.9	7.7
Continental Europe—joint ventures . . . . .	29.3	153,517	22.0	24.7	3.6	2.2	7.7
<b>Total . . . . .</b>	<b>104.4</b>	<b>540,480</b>	<b>161.7</b>	<b>171.2</b>	<b>26.6</b>	<b>16.2</b>	<b>7.7</b>
<i>To be funded by the Rights Issue . . . . .</i>	—	56,416	—	33.5	3.5	1.0	7.8

Projects related to the ERV of £26.6 million (reflecting a total of £16.2 million from pre-let developments and £10.4 million potential gross rent from speculative developments) in the Current Development Pipeline are scheduled to complete: (i) in the amount of £4.8 million (£3.2 million pre-let, £1.6 million speculative) in the first half of 2017; (ii) in the amount of £16.5 million (£10.7 million pre-let, £5.8 million speculative) in the second half of 2017; and (iii) in the amount of £5.3 million (£2.3 million pre-let, £3.0 million speculative) in the first half of 2018.

At 31 December 2016, the projects in the Current Development Pipeline comprised: 53 per cent. of logistics assets (based in Continental Europe); 15 per cent. of urban warehouses in Continental Europe; 23 per cent. of urban warehouses in the UK; and 9 per cent. of higher value assets (in the UK). In total, 68 per cent. of the projects are located in Continental Europe and 32 per cent. are located in the UK.

### 3.2.2 Future development projects

In addition to the land banks being utilised as part of the Current Development Pipeline, at 31 December 2016, the Group had strategically located land banks of approximately 615 hectares, for which the Directors expect most development opportunities (including Near-Term Development Projects) to arise during the course of the five years following the date of this document and which, in aggregate, the Directors believe have the potential to develop 2.7 million square metres of buildings. At today's prices, the Directors estimate that this would entail future potential development expenditure of approximately £1.2 billion and could produce estimated incremental headline rent in the region of £128 million based on market rental levels at 31 December 2016 in the different geographies.

The Directors have identified Near-Term Development Projects (which they estimate require capital expenditure of approximately £245 million) which are capable of constructing 522,000 square metres of new warehouse space and generating £27 million of headline rent when fully let, of which approximately 69 per cent. is from potential pre-let agreements.

The Directors estimate that the capital expenditure of approximately £245 million on Near-Term Development Projects (which, at 31 December 2016, included both projects funded by the proceeds of the Placing and projects to be funded by the proceeds of the Rights Issue) will generate a yield on new money of approximately 10.3 per cent., as part of projects expected to generate a yield on cost of approximately 7.8 per cent. Approximately £131 million of the Near-Term Development Projects capital expenditure is expected to be funded with the net proceeds of the Rights Issue (comprising £110 million for development projects which have been approved by the Directors, but which are subject to final pre-let agreements from customers or conditional on being granted planning permission and £21 million for speculative developments which the Directors have identified and which they believe may be approved in the next six to 12 months).

The table below shows the Group's land banks at 31 December 2016, (split between the UK and Continental Europe and between developments that are within a joint venture and developments that are wholly-owned by SEGRO), as well as the proportion of Near-Term Development Projects within the land bank.

	<u>Hectareage (100%) hectares</u>	<u>Space to be built (100%) square metres</u>	<u>Current book value £m</u>	<u>Estimated cost to completion £m</u>	<u>ERV when complete £m</u>	<u>Estimated yield on cost %</u>
UK—wholly-owned .....	170.9	681,651	188.9	464.9	51.0	7.8%
UK—joint ventures .....	3.0	12,077	9.9	6.5	0.9	5.5%
Continental						
Europe—wholly-owned .....	275.8	1,215,134	159.3	563.7	61.5	8.5%
Continental Europe—joint ventures .....	165.3	763,603	34.0	138.3	14.9	8.6%
<b>Total .....</b>	<b>615.0</b>	<b>2,672,465</b>	<b>392.1</b>	<b>1,173.4</b>	<b>128.3</b>	<b>8.2%</b>
Near-Term Development Projects ...	—	522,000	—	245.1	27.0	7.8%
<i>Of which to be funded by the   Rights Issue .....</i>	—	241,000	—	131.1	13.4	7.3%

The potential ERV when complete of £128.3 million is split geographically as follows: 41 per cent in the UK, 19 per cent in Germany, 14 per cent in Italy and Spain, 9 per cent in Poland, 6 per cent in France, 5 per cent in Belgium and the Netherlands, 3 per cent in Austria and 3 per cent in the Czech Republic.

### 3.2.3 Other land holdings

In addition, at 31 December 2016, the Group owned 179 hectares of land valued at £125 million. Of this, £102 million is land which is subject to conditional agreements to sell to residential developers. The Directors expect these transactions to conclude during 2017 or early in 2018. The remaining land has either been identified for development in the longer term or for disposal.

### 3.2.4 Options over development land

The Group controls land in the UK and Italy through option agreements. The Directors currently estimate that this land is capable of supporting approximately 700,000 square metres of new warehouse development, equating to £46 million of potential headline rent, through investment in construction of approximately £500 million over the course of the next ten years.

In 2016, the Group agreed two important development partnership agreements in areas where the Directors wished to establish a scale presence. The Directors believe that these agreements allow the Group both to control the pace of development and to avoid holding non-income producing land on the balance sheet. Development projects under both partnerships were approved during 2016 with construction due to commence in 2017.

- The Group agreed a ten year partnership with the Greater London Authority to develop East Plus, which is a series of industrial locations spanning the London boroughs of Newham, Barking & Dagenham and Havering on both sides of the A13 corridor, which is a key access route to both central London and the Port of Tilbury. Under the terms of the agreement, the land can be purchased by the Group in stages over the life of the partnership. The Group estimates that the sites can support approximately 140,000 square metres of new urban logistics and light industrial space, with a total required investment of approximately £180 million. The Directors believe that the combination of these sites, along the A13 main road between London's inner and outer ring-roads, should provide the Group with an attractive position in this regenerating area. Two sites are in the Current Development Pipeline as work has commenced to develop 22,000 square metres of urban warehouse space on a speculative basis at SEGRO Park Rainham and an agreement has been reached to build a 4,200 square metres parcel delivery centre at Jenkins Lane.
- The Group agreed to create a development partnership with Roxhill which will provide the Group with access to a portfolio of big box logistics warehouse development sites in the South East and Midlands regions of the UK. Roxhill is a respected logistics developer with whom the Group had previously established a joint venture in 2013 at the Rugby Gateway site. The sites subject to the transaction were, at the time of the formation of the partnerships, at various

stages of the planning process and were controlled by Roxhill (and, in some cases, joint venture partners) through option agreements. The Directors estimate that these sites, acquired via option agreements, could support development of over one million square metres of big box warehousing over ten years, which the Directors believe will enable the Group to achieve the scale they desire in this attractive asset class and location. The Directors believe that it is beneficial to hold land via option agreements which allow them to control the land but not to acquire it until they are ready to commence development. This avoids the income drag associated with holding a non-income producing asset for an extended period of time. In 2016, options over two sites—in Kettering and at SEGRO Logistics Park East Midlands Gateway—have been exercised and the land is now owned as part of the land banks associated with development opportunities, most of which the Directors expect to arise during the course of the five years following the date of this document. Infrastructure work has commenced to prepare the sites for development.

#### **4. Joint ventures**

In the UK, from 2010 until the completion of the Acquisition on 9 March 2017, the Group's main joint venture, was APP.

In Continental Europe, the Group's main joint venture is SELP, which owns a portfolio valued at £2,113.2 million at 31 December 2016 (of which the Group's share was £1,056.6 million). In Continental Europe, 52.5 per cent. of the Group's portfolio is held in joint ventures. The Group established SELP as a strategic joint venture in October 2013 to enable it to build scale in Continental European big box warehousing, thereby: allowing it to extract operating economies of scale from a larger portfolio; improving returns through cost efficiencies and the receipt of a management fee; and reducing the amount of the Group's own capital required to support such a portfolio. The Group acts as asset, property and development manager for SELP and receives fees based on its activity in all three areas.

The Directors believe that joint ventures should fulfil a strategic purpose, improving the Group's return and capital profile. Since 1 January 2013, the Directors have closed two former joint ventures in which the Group had an interest in order to obtain full ownership of the underlying property assets: (i) the Logistics Property Partnership joint venture ("**LPP**"), which owned big box warehouse assets in the UK, was closed in 2014 when the Group acquired its former partner's 50 per cent. interest; and (ii) the Heathrow Big Box joint venture ("**HBB**"), which owned two big box warehouse estates in London, was closed in 2015 with each of the two partners buying one of the two assets within the joint venture. Prior to the completion of the Acquisition on 9 March 2017, APP was the last such non-strategic joint venture.

#### **5. Management team**

The Group has a strong and experienced management team with complementary skills across managing, developing and investing in assets and a demonstrable track record of managing the Group's assets. SEGRO's executive directors comprise the following individuals:

- David Sleath, who has been Chief Executive Officer since April 2011, having served as Finance Director since 2006. He has considerable knowledge of the Group and the real estate sector and has broad experience of financial and general management and of the professional services industry. David previously held a number of senior finance roles, including Finance Director of Wagon plc and partner at Arthur Andersen, where he worked for 17 years;
- Phil Redding, who was appointed Chief Investment Officer in November 2011, having joined SEGRO in 1995. He joined the Board as an Executive Director in May 2013. Phil started his career in 1990 in the Industrial Agency and Development team of King Sturge, where he held a variety of positions. Prior to becoming an Executive Director at SEGRO, he was Business Unit Director for London Markets;
- Andy Gulliford, who was appointed Chief Operating Officer in November 2011, having joined SEGRO in 2004. He was appointed as an Executive Director in May 2013. Andy was previously SEGRO's Managing Director for Continental Europe. Prior to this, he was the

Director of Corporate Acquisitions and Business Development Director. Before joining SEGRO, Andy spent 19 years at Jones Lang LaSalle, latterly as European Director for the company's industrial and logistics business; and

- Soumen Das, who was appointed as Chief Financial Officer on 16 January 2017. Soumen was previously Managing Director & Chief Financial Officer of Capital and Counties Properties plc ("**Capco**"). He joined Capco from Liberty International, having coordinated the demerger of the companies in 2010. Prior to this, he spent two years as a partner in Mountgrange Investment Management LLP (now Clearbell Capital) and nine years at UBS where he was an Executive Director.

Together with the next tier of strong managers who bring in-depth local knowledge, SEGRO has an experienced and professional management team.

## **6. Environmental matters**

The Group's operations are subject to European and other laws and regulations regarding the discharge of substances into the environment or otherwise relating to environmental protection including hazardous waste disposal and the public and worker health and safety. The Group continually monitors and manages any exposure to environmental liability and has adopted an environmental policy and environmental compliance strategy known as "SEGRO 2020", which includes management of energy use, waste management, use of natural resources and bio-diversity.

SEGRO 2020 was introduced in 2013 and realigned the Group's technical sustainability goals in response to changing customer demand and increasing legislation across the UK and Europe. It specifically targets building design, new build and refurbishments, energy and water efficiency and obtaining recognised building certifications such as BREEAM and LEED. The Group reports on its progress towards achieving its targets in its Annual Report and Accounts.

## **7. Insurance**

The Group receives advice on its insurance cover from Aon Limited and maintains appropriate cover through insurance providers based in the UK and, where necessary, through local providers in Continental Europe. The Group ensures that each such provider has a rating that is not below A (Standard & Poors) at the time cover is placed. Insurance policies are renewed at either the end of July or December in each calendar year and the Board receives periodic insurance reports for review.

The principal areas of cover include property, business interruption, terrorism, public liability, employers' liability and directors and officers' insurance. At the date of this document, the Directors are not aware of any actual or potential claims which may exceed the insurance cover provided.

## **8. Tax**

The Company became a UK REIT on 1 January 2007. As a result, UK resident Group members with a property rental business and non-UK resident Group members with a property rental business in the UK do not pay UK direct taxes on their income profits and capital gains from such business (the "**Tax-Exempt Business**"), provided certain conditions are satisfied. These conditions include requirements relating to the proportion which the Group's property rental business bears to its total business. In addition, the Company must distribute to Shareholders at least 90 per cent. of the income profits of the Tax-Exempt Business arising in each accounting period by way of a PID, which will (with some exceptions) be subject to withholding tax. For more detail on the application of this withholding tax, see the first section of Part XIX (*Taxation*). Corporation tax is payable in the normal way in respect of income and gains from other parts of the Group's business (so far as it is within the charge to UK tax) and a dividend relating to such other parts of the Group's business is treated for UK tax purposes as a normal dividend. For further information see Part XIX (*Taxation*).

In certain non-UK jurisdictions, some of the Group's activities are covered in whole or in part by tax regimes—notably for SIIC and SPPICAV in France, SOCIMI in Spain and REIF in Italy—which are broadly similar to the UK REIT regime and which confer similar tax benefits. The Group's ongoing qualification for these regimes is subject to its compliance with legislative and regulatory criteria in the relevant jurisdictions. For all other non-UK jurisdictions, the Group is subject to local corporate income taxes on income and gains arising within those jurisdictions.

**PART XII**  
**INFORMATION CONCERNING THE NEW ORDINARY SHARES**

**1. Description of the type and class of securities admitted**

The New Ordinary Shares will be Ordinary Shares with a nominal value of 10 pence each. The ISIN for the New Ordinary Shares will be that of the Existing Ordinary Shares, being GB00B5ZN1N88. The New Ordinary Shares will be created under the Companies Act and the Memorandum and Articles.

The New Ordinary Shares will, when issued and fully paid, be credited as fully paid and will be issued free from all liens, equities, charges, encumbrances and other interests, and rank in full for all dividends or other distributions thereafter declared, made or paid on the share capital of the Company, save in respect of any dividend or distribution with a record date falling before the date of the issue of the New Ordinary Shares, including the recommended final dividend for the year ended 31 December 2016.

**2. Listing**

Application has been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. Admission is expected to become effective and dealings commence on the London Stock Exchange in the New Ordinary Shares, nil paid, at 8.00 a.m. on 13 March 2017 with dealings in the New Ordinary Shares, fully paid, expected to commence at 8.00 a.m. on 28 March 2017. Listing of the New Ordinary Shares will not be sought on any stock exchange in connection with the Rights Issue other than the London Stock Exchange.

**3. Form and currency of the New Ordinary Shares**

The New Ordinary Shares resulting from the Rights Issue will be issued in registered form and will be capable of being held in certificated and uncertificated form.

Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Ordinary Shares will, in respect of Shareholders, be evidenced by entry in the operator register maintained by Euroclear UK (which forms part of the register of the Company). The registrars of the Company are Equiniti Limited.

If any New Ordinary Shares are converted from uncertificated to certificated form, share certificates will be issued in respect of those shares in accordance with the Articles and applicable legislation.

The New Ordinary Shares will be denominated in Pounds Sterling.

**4. Rights attached to the New Ordinary Shares**

Save for entitlement to the 2016 final dividend, each New Ordinary Share will rank *pari passu* in all respects with each Existing Ordinary Share and has the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as the other Ordinary Shares, as set out in the Articles. These rights are set out in Section 5 of Part XX (*Additional Information*).

**5. Dividends**

The Board aims to deliver a progressive and sustainable dividend per Ordinary Share which grows in line with profitability. However, the level of dividends per Ordinary Share in future will depend upon, amongst other things, expected future earnings, capital requirements of the Group and general prevailing financial and business conditions.

Subject to the provisions of the Companies Act and the Articles, the Company may pay dividends upon a recommendation by the Board and approval by a majority of the Shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the Board. Such dividends

are known as final dividends and become a debt payable to Shareholders when they are approved by the Shareholders. Subject to the provisions of the Companies Act and the Articles, the Board may declare and pay dividends without Shareholder approval. Such dividends are known as interim dividends and, unlike final dividends, become a debt payable to the Shareholders only upon actual payment.

The Board has historically declared an interim dividend on Ordinary Shares in respect of the first half of a financial year representing a proportion of the total anticipated dividend distribution for the full financial year. If an interim dividend is declared, it is usually paid in October with any final dividend being paid during May.

The Company may also declare dividends on New Ordinary Shares in the form of a scrip dividend alternative. The UK tax implications of the Company's scrip dividend scheme are considered in the scrip dividend scheme booklet available in the "Investors // Dividend Information" section of the Company's website and are not further addressed in this document.

Dividends are declared and paid in Pounds Sterling to registered Shareholders.

The dividends (in Sterling pence) paid on the Ordinary Shares in respect of the last three years were as follows:

	<i>Regular dividend per Ordinary Share (Sterling pence)</i>	<i>PID per Ordinary Share (Sterling pence)</i>
2016 final dividend* .....	—	11.2
2016 interim dividend .....	5.2	—
2015 final dividend .....	—	10.6
2015 interim dividend .....	5.0	—
2014 final dividend .....	—	10.2
2014 interim dividend .....	4.9	—

*\* the payment of the 2016 final dividend remains subject to Shareholder approval*

## **6. Authorisations relating to the New Ordinary Shares**

By an ordinary resolution passed at the SEGRO annual general meeting held on 22 April 2016, the Directors were authorised generally and without conditions, in accordance with section 551 of the Companies Act, to exercise all the Company's power to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £24,923,653.

In addition, by special resolution passed at the SEGRO annual general meeting held on 22 April 2016, the Directors were given power pursuant to section 570 and section 573 of the Companies Act to allot equity securities (within the meaning of section 560 of the Act) for cash under the authority given by the above ordinary resolution as if section 561(1) of the Act did not apply to any such allotment or sale, such power to be limited: (a) to the allotment of equity securities or sale of treasury shares: (i) in connection with an offer of securities in favour of (x) ordinary shareholders where the equity securities respectively attributable to the interests of the ordinary shareholders (other than the Company) are proportionate (as nearly may be) to the respective numbers of ordinary shares held by them and (y) holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary or appropriate, subject in each case to such limits, exclusions, restrictions and/or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems under the laws of, or the requirements of any relevant regulatory body or stock exchange in, any territory, or any other matter.

The New Ordinary Shares are being allotted under these authorities.

## **7. Dates of allocation and settlement**

The New Ordinary Shares will be provisionally allotted on 13 March 2017. The provisional allotment is expected to be confirmed on 27 March 2017 and those entitled to New Ordinary Shares are expected to be entered on the Company's register of members on 28 March 2017.

## **8. Description of restrictions on free transferability**

Save as set out below, the New Ordinary Shares are freely transferable.

The Company may, under the Companies Act, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of Ordinary Shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can apply to the court for an order directing, amongst other things, that any transfer of the shares which are the subject of the statutory notice is void.

The Directors may also, without giving any reason, refuse to register the transfer of any Ordinary Shares which are not fully paid.

## **9. Mandatory takeover bids, squeeze-out and sell-out rules**

The Company is subject to the City Code. Other than as provided by the City Code and Chapter 3 of Part 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze out and sell-out rules relating to Ordinary Shares.

## **10. Public takeover bids in the last and current financial year**

There have been no public takeover bids by third parties in respect of the share capital of the Company in the last or current financial year.

## **11. Taxation**

Please see the first section of Part XIX (*Taxation*) for information relating to UK taxation (including a discussion of UK stamp duty and SDRT which is relevant to holders of New Ordinary Shares, irrespective of their tax residence). Please see the second section of Part XIX (*Taxation*) for information relating to United States taxation.

**PART XIII  
DIRECTORS AND EMPLOYEES**

**1. Directors**

**1.1 The Board**

The Board comprises six Non-Executive Directors (including the Chairman) and four Executive Directors. Their names and principal functions are as follows:

<i>Directors</i>	<i>Function</i>
Gerald Corbett	Non-Executive Chairman of the Board of Directors and Chairman of the Nomination Committee
David Sleath	Chief Executive and member of the Nomination Committee
Soumen Das	Chief Financial Officer
Andy Gulliford	Chief Operating Officer
Phil Redding	Chief Investment Officer
Baroness Ford	Senior Independent Non-Executive Director, Chairman of the Remuneration Committee, and member of the Nomination Committee and the Audit Committee
Christopher Fisher	Independent Non-Executive Director and member of the Nomination Committee, the Audit Committee and the Remuneration Committee
Martin Moore	Independent Non-Executive Director and member of the Audit Committee and the Remuneration Committee
Mark Robertshaw	Independent Non-Executive Director and member of the Remuneration Committee
Doug Webb	Independent Non-Executive Director, Chairman of the Audit Committee, and member of the Nomination Committee

There are no family relationships between any members of the Board.

The usual business address of Gerald Corbett, David Sleath, Martin Moore, Soumen Das, Andy Gulliford, Phil Redding, Mark Robertshaw, Christopher Fisher and Doug Webb is SEGRO plc, Cunard House, 15 Regent Street, London SW1Y 4LR, United Kingdom.

The usual business address of Baroness Ford is STV Group plc, Pacific Quay, Glasgow, G51 1PQ, United Kingdom.

Brief biographical details of the Directors are as follows:

***Gerald Corbett (age 65), Non-Executive Chairman of the Board of Directors and Chairman of the Nomination Committee***

Gerald Corbett was appointed as an Independent Non-Executive Director on 1 March 2016 and became Chairman on 22 April 2016. He is Chairman of the Nomination Committee. He is also Chairman of Britvic PLC, the Marylebone Cricket Club and Numis Corporation PLC. He was previously Chairman of Betfair Group Limited (previously known as Betfair Group plc), Moneysupermarket.com PLC and SSL International, and has served as a non-executive director of MEPC, the Royal National Institute for Deaf People, Greencore Group and Burmah Castrol.

In addition to his directorship of SEGRO and any directorships of Group companies, Gerald Corbett holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

<u>Company</u>	<u>Position</u>	<u>Status (Current / Previous)</u>
Marylebone Cricket Club	Chairman	Current
Numis Corporation PLC	Chairman	Current
Britvic PLC	Chairman	Current
Holtsmere End Farm Limited	Director	Current
Betfair Group Limited	Chairman	Previous
Moneysupermarket.com PLC	Chairman	Previous
Towry Holdings Limited	Director	Previous
The Royal National Institute for Deaf People	Director	Previous

***David Sleath (age 55), Chief Executive Officer and member of the Nomination Committee***

David Sleath was appointed as Chief Executive Officer on 28 April 2011, having served as Group Finance Director since 2006. David is a member of the Nomination Committee. He is also a senior independent director of Bunzl PLC, a board member of the European Public Real Estate Association, and president and board member of the British Property Federation. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

In addition to his directorship of SEGRO and any directorships of Group companies, David Sleath holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

<u>Company</u>	<u>Position</u>	<u>Status (Current / Previous)</u>
British Property Federation	Director	Current
Bunzl PLC	Director	Current
European Public Real Estate Association	Director	Current

David Sleath was also a director of Guildhall Property Company PLC, which was dissolved in the past five years following a members' voluntary liquidation.

***Soumen Das (age 40), Chief Financial Officer***

Soumen Das was appointed as Chief Financial Officer on 16 January 2017. Soumen was previously Managing Director and Chief Financial Officer of Capital and Counties Properties PLC (Capco), where he led the finance function of one of the largest listed central London property companies. He joined Capco from Liberty International PLC, having coordinated the demerger of the companies in 2010. Prior to this, he spent two years as a partner in Mountgrange Investment Management LLP (now Clearbell Capital) and nine years at UBS where he was an Executive Director.

In addition to his directorship of SEGRO and any directorships of Group companies, Soumen Das holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

<u>Company</u>	<u>Position</u>	<u>Status (Current / Previous)</u>
Capital & Counties Properties PLC	Director	Previous
20 The Piazza Limited	Director	Previous
EC Properties Management Limited	Director	Previous
Solum Group Holdings GP Limited	Director	Previous
Solum Group Holdings Nominee Limited	Director	Previous
22 Southampton Street Management Limited	Director	Previous
Capco Covent Garden Residential Limited	Director	Previous
22 Southampton Street Limited	Director	Previous
Capco London Limited	Director	Previous
Olympia Holdings Limited	Director	Previous
Olympia Car Park Limited	Director	Previous
Capco Covent Garden Limited	Director	Previous
C&C Properties UK Limited	Director	Previous
Empress State Nominee No 2 Limited	Director	Previous
Empress State GP Limited	Director	Previous
Empress State Nominee No 1 Limited	Director	Previous
Earls Court Limited	Director	Previous
EC&O Limited	Director	Previous
20 The Piazza Management Limited	Director	Previous
Covent Garden Group Holdings Limited	Director	Previous
CG Investments 2016 Nominee Limited	Director	Previous
Olympia Management Services Limited	Director	Previous
Olympia Limited	Director	Previous
Olympia Licensing Limited	Director	Previous
Exhibition Venues Limited	Director	Previous
Olympia Group Limited	Director	Previous
Covent Garden (43 Management) Limited	Director	Previous
Capco Group Treasury Limited	Director	Previous
Olympia Exhibitions Group Limited	Director	Previous
C&C Management Services Limited	Director	Previous
St James Capital Seagrave Road Limited	Director	Previous
Covent Garden (49 Wellington Street) Limited	Director	Previous
Capital & Counties Limited	Director	Previous
Capital & Counties CG Limited	Director	Previous
Capital & Counties Asset Management Limited	Director	Previous
Solum Management Limited	Director	Previous
Capital & Counties CG Nominee Limited	Director	Previous
34 Henrietta Street Management Company Limited	Director	Previous
EC Properties Nominee Limited	Director	Previous
EC Properties GP Limited	Director	Previous
34 Henrietta Street Limited	Director	Previous
Capco CG 2012 Limited	Director	Previous
Capco CG 2012 Nominee Limited	Director	Previous
CG Investments 2016 GP Limited	Director	Previous
Lillie Square Nominee Limited	Director	Previous
Earls Court Partnership Limited	Director	Previous
Olympia Exhibitions Holdings Limited	Director	Previous
Lillie Square Developments Limited	Director	Previous
Lillie Square GP Limited	Director	Previous
Tuttons Brasserie Limited	Director	Previous
Rock Garden Limited	Director	Previous
Covent Garden Restaurants Limited	Director	Previous
The Brewery On Chiswell Street Limited	Director	Previous

Soumen Das was also a director of the following companies in the past five years at the time that such companies entered into bankruptcy, receivership or liquidation:

<u>Company</u>	<u>Details</u>
EC&O Properties Limited	Voluntary strike-off
Qudos Broadband Limited	Members' voluntary liquidation
Kestrel Properties Limited	Members' voluntary liquidation
C&C Properties No. 9 Limited	Members' voluntary liquidation
Capcount Property Investment Company Limited	Members' voluntary liquidation
Greenhaven Securities Limited	Members' voluntary liquidation
Anchoraid Limited	Members' voluntary liquidation
C&C (Southbank) Limited	Members' voluntary liquidation
SIBLE (Two) Limited	Members' voluntary liquidation
Capital & Counties CG Nominee 9 Limited	Members' voluntary liquidation
Empress Place Limited	Members' voluntary liquidation
Martineau Properties Limited	Members' voluntary liquidation
Capco Empress State LP Limited	Members' voluntary liquidation
Sanderline Enterprises Limited	Members' voluntary liquidation
Capco CG 2010 Nominee Limited	Members' voluntary liquidation
Capco CG 2010 Limited	Members' voluntary liquidation
Changeopen Residents Management Limited	Members' voluntary liquidation
A&P Bolding Limited	Members' voluntary liquidation

**Andy Gulliford (age 54), Chief Operating Officer**

Andy Gulliford was appointed as Chief Operating Officer on 4 November 2011, having joined the Company in 2004. He was appointed as an Executive Director on 1 May 2013. Before joining SEGRO, Andy spent 19 years at Jones Lang LaSalle, latterly as European Director for the company's industrial and logistics business. He is a member of the Royal Institution of Chartered Surveyors.

In addition to his directorship of SEGRO and any directorships of Group companies, Andy Gulliford holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

<u>Company</u>	<u>Position</u>	<u>Status (Current / Previous)</u>
Unitair General Partner Limited	Director	Current
Devon Nominees (NO. 1) Limited	Director	Current
Devon Nominees (NO. 2) Limited	Director	Current
Howbury Park GP Limited	Director	Current
Howbury Park SPV Limited	Director	Current
Roxhill Warth 3 Limited	Director	Current
Roxhill (Tilbury 2) Limited	Director	Current
Roxhill (Howbury) Limited	Director	Current
Roxhill (Rushden) Limited	Director	Current
Roxhill (Maidstone) Limited	Director	Current
Roxhill (Coventry M6 J2) Limited	Director	Current
Roxhill (Coventry) Limited	Director	Current
Roxhill (Junction 15) Limited	Director	Current
Roxhill (Reading) Limited	Director	Current
Gateway Rugby Management Company	Director	Current
Airport Property GP (No. 2) Limited	Director	Current
Devon Nominees (NO. 3) Limited	Director	Previous

Andy Gulliford was also a director of the following companies in the past five years at the time that such companies entered into bankruptcy, receivership or liquidation:

<u>Company</u>	<u>Details</u>
Bredero Properties PLC	Members' voluntary liquidation
Guildhall Property Company PLC	Members' voluntary liquidation

**Phil Redding (age 48), Chief Investment Officer**

Phil Redding was appointed as Chief Investment Officer on 4 November 2011, having joined the Company in 1995. He was appointed as an Executive Director on 1 May 2013. Prior to becoming an Executive Director at SEGRO, he was Business Unit Director for London Markets. He is a member of the Royal Institution of Chartered Surveyors.

In addition to his directorship of SEGRO and any directorships of Group companies, Phil Redding holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

<u>Company</u>	<u>Position</u>	<u>Status (Current / Previous)</u>
SEGRO European Logistics Partnership S.à. r.l.	Director	Current
SELP Finance S.à. r.l.	Director	Current
SELP Investments S.à. r.l.	Director	Current
Centennial Park Management Company Limited	Director	Current
Unitair General Partner Limited	Director	Previous
Devon Nominees (NO. 1) Limited	Director	Previous
Devon Nominees (NO. 2) Limited	Director	Previous
Devon Nominees (NO. 3) Limited	Director	Previous
Airport Property GP (NO. 2) Limited	Director	Previous
West London Business Chamber of Commerce Ltd	Director	Previous

Phil Redding was also a director of the following companies in the past five years at the time that such companies entered into bankruptcy, receivership or liquidation:

<u>Company</u>	<u>Details</u>
Redding Field	Compulsory strike-off
Followcastle Limited	Voluntary strike-off
Brixton (Dorking Business Park 1) Limited	Members' voluntary liquidation
Brixton (Kingsland, Basingstoke) Limited	Members' voluntary liquidation
Brixton (Acton Industrial Park) 1 Limited	Members' voluntary liquidation
Brixton (Ashbridge, Trafford Park) Limited	Members' voluntary liquidation
Brixton (Gatwick Distribution Centre) 1 Limited	Members' voluntary liquidation
Brixton (Electric Park, Trafford Park) Limited	Members' voluntary liquidation
Brixton (Fradley) 1 Holdings Limited	Members' voluntary liquidation
Brixton (Chessington) Limited	Members' voluntary liquidation
Brixton (Elevator Road, Trafford Park) Limited	Members' voluntary liquidation
Brixton (Longwood, Trafford Park) Limited	Members' voluntary liquidation
Brixton (3 Wharfside Way, Trafford Park) Limited	Members' voluntary liquidation
Brixton (Great Western, Southall) 1 Limited	Members' voluntary liquidation
Brixton (Church Street, Staines) Limited	Members' voluntary liquidation
Brixton (Kennington Park) 1 Limited	Members' voluntary liquidation
Brixton (Ashburton Road West, Trafford Park) Limited	Members' voluntary liquidation
Brixton (Fradley) Limited	Members' voluntary liquidation
Brixton (Guinness Estate, Trafford Park) Limited	Members' voluntary liquidation
Brixton (Merton, Nelson Trading Estate) 1 Limited	Members' voluntary liquidation
Brixton (Fradley) 2 Holdings Limited	Members' voluntary liquidation
Brixton (Capitol Park, Colindale) Limited	Members' voluntary liquidation
Brixton (Canalside, Trafford Park) Limited	Members' voluntary liquidation
Brixton (Causeway Estate, Heathrow) Limited	Members' voluntary liquidation
Brixton (Chase Road/Oakwood) 1 Limited	Members' voluntary liquidation
Brixton (Jupiter House, Poyle) Limited	Members' voluntary liquidation
Brixton (Unit Trust) Holdings Limited	Members' voluntary liquidation
Brixton (Sevenside, Trafford Park) Limited	Members' voluntary liquidation
Brixton (Heathrow Int. Trading Estate) Limited	Members' voluntary liquidation
Brixton (Trafford Park Road, Trafford Park) Limited	Members' voluntary liquidation
Brixton (Redwing Centre, Trafford Park) Limited	Members' voluntary liquidation

<u>Company</u>	<u>Details</u>
Brixton (Oxford Industrial Park) Limited	Members' voluntary liquidation
Brixton (TPE) Limited	Members' voluntary liquidation
Brixton (Imperial, Leatherhead) Limited	Members' voluntary liquidation
Brixton (Newbury) Limited	Members' voluntary liquidation
Brixton (Polar Park) 1 Limited	Members' voluntary liquidation
Brixton (Trafford Gateway, Trafford Park) Limited	Members' voluntary liquidation
Brixton (Westbrook, Trafford Park) Limited	Members' voluntary liquidation
Brixton Estate Limited	Members' voluntary liquidation
Brixton (Mosley Industrial Estate, Trafford Park) Limited	Members' voluntary liquidation
Brixton Investments (Houghton Regis) Limited	Members' voluntary liquidation
Brixton (Riverside Cargo Centre, Poyle) Limited	Members' voluntary liquidation
Brixton (Woking) Limited	Members' voluntary liquidation
Brixton (Out No. 3) Holdings Limited	Members' voluntary liquidation
Brixton (Reading Road, Basingstoke) Limited	Members' voluntary liquidation
Lazarjewel Limited	Members' voluntary liquidation
Brixton Investments (City) Limited	Members' voluntary liquidation
Launchchase Limited	Members' voluntary liquidation
Brixton (Mercury Centre, Feltham) Limited	Members' voluntary liquidation
Brixton (Rockware Avenue, Greenford) Limited	Members' voluntary liquidation
Brixton (Westinghouse, Trafford Park) Limited	Members' voluntary liquidation
Brixton (Space Way) 1 Limited	Members' voluntary liquidation
Equiton Management Limited	Members' voluntary liquidation
Brixton (Wokingham) Limited	Members' voluntary liquidation
Brixton (Unit 6 Horton Road, Poyle) Limited	Members' voluntary liquidation
Brixton (West Cross, Brentford) Limited	Members' voluntary liquidation
SEGRO (Feltham) Limited	Members' voluntary liquidation
SEGRO (Swanley) Limited	Members' voluntary liquidation
SEGRO (KNBC) Limited	Members' voluntary liquidation

***Baroness Ford (age 59), Senior Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee***

Baroness Ford was appointed as a Non-Executive Director on 1 January 2013 and became Senior Independent Non-Executive Director on 23 April 2013. She is Chairman of the Remuneration Committee and is a member of the Audit and Nomination Committees. Baroness Ford has considerable experience of the real estate market and the support services sector and over 20 years' experience at Board level at private and listed companies. She is an Honorary Member of the Royal Institution of Chartered Surveyors.

In addition to her directorship of SEGRO and any directorships of Group companies, Baroness Ford holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

<u>Company</u>	<u>Position</u>	<u>Status (Current / Previous)</u>
Crown Lodge Management Company Limited	Director	Current
STV Group PLC	Director	Current
Grainger PLC	Director	Previous
Barchester Healthcare Limited	Director	Previous
Grove Limited	Director	Previous
Taylor Wimpey PLC	Director	Previous
May Gurney PLC	Director	Previous
Olympic Park Legacy Company Limited	Director	Previous

***Christopher Fisher (age 63), Independent Non-Executive Director and member of the Audit Committee, Nomination Committee and Remuneration Committee***

Christopher Fisher was appointed as an Independent Non-Executive Director on 1 October 2012. He is a member of the Audit, Nomination and Remuneration Committees. He is also Chairman of the

Marshall Aid Commemoration Commission. He has held appointments as Chairman of Bank of Ireland (UK) PLC and Southern Cross Healthcare Group PLC, and as a Non-Executive Director of Kelda Group Limited PLC. On public bodies he has served as President of the Council of the University of Reading and as a member of the Trustee Board of the Imperial War Museum.

In addition to his directorship of SEGRO and any directorships of Group companies, Christopher Fisher holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

<u>Company</u>	<u>Position</u>	<u>Status (Current / Previous)</u>
National Savings and Investments	Director	Current
Bank of Ireland (UK) PLC	Director	Previous

Christopher Fisher was also a director of Southern Cross Healthcare Group PLC, which was dissolved in the past five years following a members' voluntary liquidation, and a senior partner of Penfida Partners LLP, which was acquired by Penfida Limited, following which it was dissolved in the past five years following a voluntary strike-off. Christopher Fisher is now a senior adviser to Penfida Limited.

***Martin Moore (age 60), Independent Non-Executive Director and member of the Audit Committee and Remuneration Committee***

Martin Moore was appointed as an Independent Non-Executive Director on 1 July 2014. He is a member of the Audit and Remuneration Committees. He is also Senior Independent Director of F&C Commercial Property Trust Ltd, Non-Executive Director of the M&G Asia Property Fund and Non-Executive Chairman of Secure Income REIT PLC. He is an adviser at Kohlberg Kravis Roberts & Co. LLP and a Commissioner of Historic England.

In addition to his directorship of SEGRO and any directorships of Group companies, Martin Moore holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

<u>Company</u>	<u>Position</u>	<u>Status (Current / Previous)</u>
M&G Asia Property Fund	Director	Current
F&C Commercial Property Trust Ltd	Director	Current
Secure Income REIT PLC	Director	Current
English Heritage Trading Limited	Director	Current
MRM UK Consulting Services Limited	Director	Current
The Guildhall School Trust	Director	Current
Highspeed Office Limited	Director	Previous
SES Nominee Limited	Director	Previous
SES Manager Limited	Director	Previous
Euro Salas Properties Limited	Director	Previous
SEH Manager Limited	Director	Previous
M&G Real Estate Limited	Director	Previous
St Edward Homes Limited	Director	Previous
SEH Nominee Limited	Director	Previous
M&G Limited	Director	Previous
M&G Investment Management Limited	Director	Previous
MEPC Limited	Director	Previous

***Mark Robertshaw (age 48), Independent Non-Executive Director and member of the Remuneration Committee***

Mark Robertshaw was appointed as an Independent Non-Executive Director on 1 June 2010. He is a member of the Remuneration Committee. He was previously Group Chief Executive of Innovia Group (Holding 1) Limited and Chief Executive Officer of Morgan Advanced Materials PLC, a post he held for eight years, having previously been Chief Operating Officer and Chief Financial Officer. Prior to this he

was Chief Financial Officer of Gartmore Investment Management plc, and spent nine years with Marakon Associates, a leading management consultancy headquartered in the US.

In addition to his directorship of SEGRO and any directorships of Group companies, Mark Robertshaw holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

<u>Company</u>	<u>Position</u>	<u>Status (Current / Previous)</u>
The Leigh Residents Management Company Limited	Director	Current
Innovia Security (Commercial) Limited	Director	Previous
Innovia Systems Limited	Director	Previous
Innovia Group (Finance 2) Limited	Director	Previous
Innovia Group (Finance 1) Limited	Director	Previous
Innovia Security Limited	Director	Previous
Innovia Security (Holding) Limited	Director	Previous
Innovia Group (Finance) PLC	Director	Previous
Innovia Group (Holding 3) Limited	Director	Previous
Innovia Group (Holding 2) Limited	Director	Previous
Innovia Films (Holding) Limited	Director	Previous
Innovia Group (Holding 2014) Limited	Director	Previous
Innovia Group (Holding 1) Limited	Director	Previous
Morgan Advanced Materials PLC	Director	Previous

***Doug Webb (age 55), Independent Non-Executive Director, Chairman of the Audit Committee and member of the Nomination Committee***

Doug Webb was appointed as an Independent Non-Executive Director on 1 May 2010. He is Chairman of the Audit Committee and a member of the Nomination Committee. He is also Chief Financial Officer of Meggitt PLC and a member of the Investment Advisory Committee of Fitzwilliam College, Cambridge. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

In addition to his directorship of SEGRO and any directorships of Group companies, Doug Webb holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

<u>Company</u>	<u>Position</u>	<u>Status (Current / Previous)</u>
Meggitt Advanced Composites Limited	Director	Current
Meggitt Acquisition Limited	Director	Current
Meggitt Investments Limited	Director	Current
Meggitt International Limited	Director	Current
Meggitt International Holdings Limited	Director	Current
Meggitt Properties PLC	Director	Current
Meggitt-USA Holdings LLC	Director	Current
Meggitt (UK) Limited	Director	Current
Meggitt Aerospace Limited	Director	Current
Meggitt PLC	Director	Current
QinetiQ Target Systems Limited (named Meggitt Defence Systems Limited from 1998-2016)	Director	Previous
Millennium IT Software Limited (UK Branch)	Director	Previous
Millennium Information Technologies Limited (UK Branch)	Director	Previous
London Stock Exchange PLC	Director	Previous
London Stock Exchange Group Holdings (Italy) Limited	Director	Previous
London Stock Exchange Group Holdings Limited	Director	Previous
London Stock Exchange Group PLC	Director	Previous

<u>Company</u>	<u>Position</u>	<u>Status (Current / Previous)</u>
London Stock Exchange Group Holdings (R) Limited	Director	Previous
LSEG Post Trade Services Limited	Director	Previous
SSC Global Business Services Limited (named London Stock Exchange (OV) Limited from 2011-2016)	Director	Previous
London Stock Exchange (C) Limited	Director	Previous

## 1.2 Confirmations

Within the period of five years preceding the date of this document, and save as disclosed in Section 1.1 above, none of the Directors:

- (a) has any convictions in relation to fraudulent offences;
- (b) has been declared bankrupt or entered into an individual voluntary arrangement;
- (c) has been a member of the administrative, management, supervisory bodies or director or senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company) of a company at the time of any bankruptcy, receivership or liquidation of such company; or
- (d) has been subject to any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

None of the Directors was appointed to their respective positions pursuant to arrangements or undertakings with major shareholders, customers, suppliers or others.

No restrictions have been agreed by any Director on the disposal within a certain period of his holding in Ordinary Shares.

## 1.3 Conflicts of interest

Other than as a result of any directorships of the Group, any interests in the share capital of the Company (as set out in Part XX (*Additional Information*)) and any share options with the Company (as set out in Part XX (*Additional Information*)), none of the Directors has any potential conflicts of interests between their duties to the Company and their private interests or other duties save for Gerald Corbett's directorship (and chairmanship) of Numis Corporation PLC.

## 2. Interests of Directors

### 2.1 Directors' shareholdings

At 9 March 2017 (being the latest practicable date prior to the publication of this document), the Directors collectively held 997,852 Existing Ordinary Shares.

The interests (all of which are beneficial unless otherwise stated) of the Directors (as well as their immediate families) in the share capital of SEGRO or (so far as is known or could with reasonable diligence be ascertained by the relevant Director) interests of a person connected with a Director so far as is known to or could, with reasonable diligence, be ascertained by the relevant Directors at 9 March 2017 (being the latest practicable date prior to the date of this document), and as they are expected to be immediately following completion of the Rights Issue (assuming each of the Directors take up their entitlements under the Rights Issue in full) are as follows:

	At 9 March 2017		Immediately following completion of the Rights Issue	
	Existing Ordinary Shares	Percentage of issued share capital (%)	Existing Ordinary Shares and New Ordinary Shares	Percentage of Enlarged Share Capital (%)
Gerald Corbett	53,300	0.0064	63,960	0.0064
Andy Gulliford	188,050	0.0227	225,660	0.0227
Christopher Fisher	16,359	0.0020	19,630	0.0020
Margaret Ford	18,594	0.0022	22,312	0.0022
Martin Moore	14,535	0.0018	17,442	0.0018
Phil Redding	174,097	0.0210	208,916	0.0210
Mark Robertshaw	16,000	0.0019	19,200	0.0019
David Sleath	495,872	0.0597	595,046	0.0597
Doug Webb	21,045	0.0025	25,254	0.0025
Soumen Das	—	—	—	—

## 2.2 Options and awards

In addition to their interests as detailed above, the Directors held the following options in respect of Ordinary Shares and awards of Ordinary Shares under the terms of the SEGRO Share Plans at 9 March 2017, being the latest practicable date prior to the publication of this document.

### Deferred Share Bonus Plan

	Year of grant	Share price of shares on grant (pence)	Number of shares	End of holding period
<b>David Sleath</b>	2014	342.7	90,768	07.04.17
	2015	408.0	69,424	28.04.18
	2016	432.1	101,277	28.04.19
<b>Total</b>			<b>261,469</b>	
<b>Andy Gulliford</b>	2014	342.7	41,226	07.04.17
	2015	408.0	36,352	28.04.18
	2016	432.1	53,032	28.04.19
<b>Total</b>			<b>130,610</b>	
<b>Phil Redding</b>	2014	342.7	47,529	07.04.17
	2015	408.0	36,352	28.04.18
	2016	432.1	53,032	28.04.19
<b>Total</b>			<b>136,913</b>	

## Long Term Incentive Plan Awards Outstanding

<u>Date of award</u>	<u>No. of shares under award</u>	<u>Share price of shares on grant (pence)</u>	<u>End of performance period over which performance conditions must be met</u>
<b>David Sleath</b>			
6 August 2013 .....	333,761	311.6	31.12.16
9 April 2014 .....	324,005	339.5	31.12.17
22 May 2015 .....	268,165	422.5	31.12.18
7 April 2016 .....	277,392	420.7	31.12.19
<b>Total .....</b>	<b>1,203,323</b>		
<b>Andy Gulliford</b>			
6 August 2013 .....	152,759	311.6	31.12.16
9 April 2014 .....	212,076	339.5	31.12.17
22 May 2015 .....	175,526	422.5	31.12.18
7 April 2016 .....	181,565	420.7	31.12.19
<b>Total .....</b>	<b>721,926</b>		
<b>Phil Redding</b>			
6 August 2013 .....	143,774	311.6	31.12.16
9 April 2014 .....	212,076	339.5	31.12.17
22 May 2015 .....	175,526	422.5	31.12.18
7 April 2016 .....	181,565	420.7	31.12.19
<b>Total .....</b>	<b>712,941</b>		

## Sharesave Options Outstanding

<u>Scheme</u>	<u>No. of shares under option</u>	<u>Option price (pence)</u>	<u>Period in which options can be exercised</u>
<b>David Sleath</b>			
2014 Sharesave .....	6,621	271.84	01.06.17—30.11.17
<b>Total .....</b>	<b>6,621</b>		
<b>Andy Gulliford</b>			
2014 Sharesave .....	3,310	271.84	01.06.17—30.11.17
2015 Sharesave .....	2,681	335.60	01.06.18—30.11.18
<b>Total .....</b>	<b>5,991</b>		—
<b>Phil Redding</b>			
2015 Sharesave .....	5,363	335.60	01.06.18—30.11.18
<b>Total .....</b>	<b>5,363</b>		

No consideration was payable in respect of the grant of any of these options.

## SIP Shares Held in Trust

	<u>No. of shares in trust</u>
<b>David Sleath</b> .....	6,809
<b>Andy Gulliford</b> .....	7,626
<b>Phil Redding</b> .....	6,762

## 3. Directors' service contracts, letters of appointment and emoluments

### 3.1 Base salary, fees, bonuses and benefits in kind

The amount of remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to:

- (A) the Executive Directors by the Group for the year ended 31 December 2016 is set out on pages 87 to 89 and pages 93 to 96 of the 2016 Annual Report and Accounts (which is incorporated into this document by reference); and
- (B) the Non-Executive Directors by the Group for the year ended 31 December 2016 is set out on pages 87 to 88 of the 2016 Annual Report and Accounts (which is incorporated into this document by reference).

In the year ended 31 December 2016, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to the Directors by members of the Group was £7,228,000.

No Director received any expense allowances chargeable to UK income tax or compensation for loss of office/termination payment. The Non-Executive Directors did not receive any bonus payments or benefits.

In the year ended 31 December 2016, no amount was set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors save for the amounts set out in the table on page 87 of the 2016 Annual Report and Accounts, which is incorporated into this document by reference.

Soumen Das joined the Company as Chief Financial Officer on 16 January 2017. In order to recruit him it was necessary to buy out his 2016 bonus entitlement and the share awards he forfeited upon leaving his previous employer. Further details are set out on page 96 of the 2016 Annual Report and Accounts which is incorporated into this document by reference.

### 3.2 Retirement benefits

The retirement benefits of the Executive Directors, including the amount accrued by the Group to provide pension, retirement or similar benefits for the year ended 31 December 2016 are set out on page 87 and pages 145 to 147 of the 2016 Annual Report and Accounts, which is incorporated into this document by reference.

Non-Executive Directors are not provided retirement benefits by the Group.

For the year ended 31 December 2016, the total amount set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors was £421,000.

### 3.3 Service contracts and letters of appointment

Information about the Executive Directors' contracts of employment with the Company, including the terms of those contracts and benefits upon termination of employment, and the terms of employment for Non-Executive Directors in relation to the year ended 31 December 2016 is set out on pages 100-101 of the 2016 Annual Report and Accounts, which is incorporated into this document by reference.

Save as mentioned above, there are no service agreements between any Director and any member of the Group.

Key details of the contracts of employment of each Director are set out below:

Name	Date of Appointment	Notice Period
Gerald Corbett . . . . .	1 March 2016	6 months
David Sleath . . . . .	1 January 2006	12 months by the Company 6 months by the Director
Soumen Das . . . . .	16 January 2017	12 months by the Company 6 months by the Director
Christopher Fisher . . . . .	1 October 2012	3 months
Margaret Ford . . . . .	1 January 2013	3 months
Andy Gulliford . . . . .	1 May 2013	12 months by the Company 6 months by the Director
Phil Redding . . . . .	1 May 2013	12 months by the Company 6 months by the Director
Martin Moore . . . . .	1 July 2014	3 months
Mark Robertshaw . . . . .	1 June 2010	3 months
Doug Webb . . . . .	1 May 2010	3 months

Any proposals for the early termination of the service contracts of Executive Directors are considered by the Nomination Committee taking into account contractual terms and the principles of mitigation.

The Non-Executive Directors have letters of appointment reflecting their responsibilities and commitments, pursuant to which they are appointed for an initial three year term which may be extended for further three-year periods on the recommendation of the Nomination Committee and subject to the Board's agreement. The Non-Executive Directors' letters of appointment contain a three-month notice period and the Chairman's contains a six-month notice period.

## **4. Board practices**

### **4.1 Introduction**

The UK Corporate Governance Code recommends that at least half the members of the board of directors (excluding the chairman) of a public limited company incorporated in the United Kingdom should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement. The Group is currently in compliance with the UK Corporate Governance Code.

Although the Articles require one-third of the Directors to retire by rotation at each Annual General Meeting of the Company, the UK Corporate Governance Code recommends that all Directors stand for annual re-election or election by shareholders. Accordingly, in compliance with the UK Corporate Governance Code, the Directors have historically submitted themselves for re-election by Shareholders and intend to maintain that practice in future.

Currently, the Board is composed of ten members, consisting of the Non-Executive Chairman, four Executive Directors and five Independent Non-Executive Directors.

The roles of the Chairman and Chief Executive are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all Non-Executive and Executive Directors. The Chief Executive has responsibility for all Group businesses and acts in accordance with the authority delegated by the Board. Responsibility for the development of policy and strategy and operational management is delegated to the Chief Executive and other Executive Directors.

The Board has established Nomination, Remuneration and Audit Committees, with formally delegated duties and responsibilities and with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

### **4.2 Nomination Committee**

***Gerald Corbett (Chairman), David Sleath, Margaret Ford, Christopher Fisher and Doug Webb***

The Nomination Committee comprises four independent Non-Executive Directors and the Chief Executive. The Committee is chaired by the Chairman of the Board. It is required to meet a minimum of once a year and additionally, as and when required. In practice, it often meets more frequently. For example, it met five times in both 2015 and 2016.

The Committee's role is to ensure that the Board has the appropriate skills, knowledge and experience to operate effectively and deliver the Company's strategy. It is responsible for reviewing the size, structure and composition of the Board. The Committee considers and makes recommendations about new appointments to the Board which are based on merit and against objective criteria, including the time available to, and the commitment which will be required of, the candidate. It is also responsible for ensuring that any such appointment process is formal, rigorous and transparent.

In addition, the Committee regularly reviews the Company's policy on diversity.

### **4.3 Audit Committee**

***Doug Webb (Chairman), Margaret Ford, Christopher Fisher and Martin Moore***

The Audit Committee comprises four independent Non-Executive Directors. It is required to meet a minimum of three times a year, and additionally, as and when required. Two of the Committee's meetings must coincide with key dates in the Company's financial reporting cycle. In practice, it often meets more frequently. For example, it met six times in 2015 (which included four scheduled meetings and two ad hoc meetings) and four times in 2016.

By invitation, there are frequently a number of additional attendees at each of the Committee's meetings, including the external and internal auditors as well as Executive Directors and members of senior management. At least twice a year, the Committee meets privately with each of the external and internal auditors.

The Committee's role is to challenge and gain assurance around the processes that support financial reporting, including the valuation of the property portfolio; risk management; internal control; and legal and regulatory compliance in relation to the work of the Committee together with the financial reporting itself.

The Committee's principal responsibilities include:

- (a) reviewing the integrity, consistency and key accounting judgements made by management and the external and internal auditors, to ensure that the quality of the Company's financial reporting is maintained, including going concern, in the Company's half- and full-year financial statements;
- (b) assessing the independence of the valuers of the Group's property portfolio and gaining assurance around the valuation process;
- (c) examining the performance of the external and internal auditors, their objectivity, effectiveness, and independence; and
- (d) monitoring the effectiveness of the Group's risk management and internal control systems, including analysing and challenging the results of internal audit reviews and management's plans to resolve any actions arising from such reviews.

#### **4.4 Remuneration Committee**

***Margaret Ford (Chairman), Christopher Fisher, Mark Robertshaw and Martin Moore***

The Remuneration Committee comprises four independent Non-Executive Directors. It is required to meet a minimum of three times a year, and additionally, as and when required. In practice, it often meets more frequently. For example, it met four times in 2015 and six times in 2016.

The Committee's role is to determine the reward strategy for the Executive Directors and to balance appropriate reward with the success of the business and the creation of long-term shareholder value. Within the terms of the Shareholder approved remuneration policy, the Committee determines the total individual remuneration package of each Executive Director. In addition the Committee ensures that provisions regarding disclosure of remuneration are fulfilled.

No Director is involved in decisions as to his or her own remuneration.

#### **5. Employees**

In order to ensure that it remains an attractive employer, SEGRO offers employees comprehensive training and development programmes, rewarding career opportunities and competitive pay and benefits packages. The Group recognises the importance of engaging with, and listening to, its employees. SEGRO carries out regular, independently managed, employee engagement surveys and facilitates action planning sessions with employees around the results. All employees are invited to attend regular communication sessions from one to one performance appraisals, through to employee monthly briefings and an annual all employee conference.

All people policies and practices are designed and managed through a centralised HR function with implementation supported at a local level through an operational HR team.

SEGRO recognises the importance of having a clear 'Company Purpose' and consistent 'Values' which have been communicated across the Group. SEGRO is committed to creating an inclusive culture which is free from bias. A Group wide 'Equal Opportunities' policy, together with diversity training for employees, is in place to support this commitment.

The average number of employees of the Group for each financial year for the period covered by the historical financial information is as follows:

- (a) 253 in 2014;
- (b) 270 in 2015;
- (c) 288 in 2016.

At 31 December 2016, the Group had 286 employees (134 in Continental Europe, and 152 in the UK).

## **6. Pension benefits**

The Group has two defined benefit schemes in the UK: (i) the SEGRO Pension Scheme; and (ii) the Bilton Group Pension Scheme. The SEGRO Pension Scheme is approximately 94 per cent. funded, closed to new members and, since 31 December 2016, has been closed to the future accrual of defined benefits. The Bilton Group Pension Scheme is fully insured so that it is net asset neutral with the balance and movements in liabilities matched with insured pension assets provided by a third party specialist insurer. It will be wound up during 2017 with no further liabilities for the Company.

The Group has a number of defined contribution schemes in the UK and overseas. In the UK in particular, eligible employees can join the SEGRO plc Group Personal Pension Plan.

The pension charge for the Group contributions to these arrangements is the actual amount paid which for the year ended 31 December 2016 totalled £8.9 million.

## **7. SEGRO Share Plans**

The Company operates the following SEGRO Share Plans:

### **7.1 The SEGRO plc 2008 Long Term Incentive Plan (the "LTIP")**

The LTIP was approved by Shareholders at the Company's annual general meeting on 20 May 2008 and most recently amended on 16 February 2016. The LTIP was adopted by the independent trustee (the "**Trustee**") of the SEGRO 1994 Employees' Benefit Trust on 30 June 2008.

#### *Administration*

The LTIP is administered and operated by the Trustee in consultation with the Remuneration Committee.

#### *Eligibility*

The Trustee having consulted the Remuneration Committee may select any employee of the Group including Executive Directors of the Company to participate in the LTIP.

#### *Awards*

Awards over Ordinary Shares may be in the form of a provisional allocation, conditional share award, nil-cost option, restricted share award or other form of share award. The Trustee will select the form of award most appropriate at the date of grant of an award. All awards to date have been in the form of provisional allocations which give a participant no right to or interest in Ordinary Shares until the Trustee decides to release Ordinary Shares to a participant. No consideration is payable by participants to receive an award and participants will not make any payment for any release of Ordinary Shares (except for a nominal exercise price of £1 if an award is granted as a nil-cost option). Awards granted under the LTIP are personal to a participant and may not be transferred. Benefits under the LTIP are not pensionable. Any Ordinary Shares allotted and issued to satisfy the vesting of an award will rank equally with existing Ordinary Shares, except for any rights attached to these Ordinary Shares by reference to a record date before the date of allotment.

#### *Grant of awards*

Awards may be granted within 42 days following: the first dealing day immediately following the date of the preliminary announcement of the annual and half-yearly results of the Company, or the expiry of any restrictions imposed on the Company or the Trustee, any date on which changes to the legislation affecting executive share award plans (not being savings-related share option plans) is announced or

made, or any other time if it is determined that the circumstances are sufficiently exceptional to justify the grant of awards. No awards may be granted more than ten years from 30 June 2008 being the date of adoption of the LTIP by the Trustee.

#### *Limits*

##### *(i) Company*

If new Ordinary Shares are issued to satisfy LTIP awards, the number of new Ordinary Shares which may be issued by the Company to satisfy awards:

- (a) under the LTIP and any other SEGRO Share Plan is limited to ten per cent. of the Company's issued Ordinary Share capital over any ten year period; and
- (b) under the LTIP and any other executive SEGRO Share Plan is limited to five per cent. of the Company's issued Ordinary Share capital over any ten year period.

##### *(ii) Individual*

Awards under the LTIP may not be granted with a value of more than a maximum of 200 per cent. of a participant's annual remuneration (excluding commission, bonuses and benefits in kind) in any financial year of the Company. However, in circumstances determined by the Trustee, having consulted the Board, to be exceptional, Awards may be granted over shares with a market value of up to 300 per cent. of a participant's annual remuneration.

#### *Vesting of awards*

The Trustee will normally only consider releasing Ordinary Shares under award following the fourth anniversary of the date of grant and only if and to the extent that the performance conditions have been satisfied. Ordinary Shares under an award may only be released at the discretion of the Trustee earlier than four years in limited circumstances: on cessation of employment; or on change of control of the Company. The Ordinary Shares under award available for release may be reduced pro rata to reflect the length of time the award has been held.

#### *Performance conditions*

The Trustee will normally only consider releasing Ordinary Shares under award if performance conditions set when an award is granted have been satisfied at the end of the performance period. All awards made to Executive Directors will be subject to performance conditions (except where absolutely necessary to facilitate recruitment).

Performance will be measured over a four year period. This period will normally start on the first day of the financial year in which the award is made. Awards will lapse if the performance condition is not satisfied at the end of the performance period. The Trustee, having consulted the Remuneration Committee, may adjust performance conditions after the start of a performance period in exceptional circumstances.

Awards granted under the LTIP are currently subject to two performance conditions as follows:

##### *(i) Total shareholder return ("TSR")*

50 per cent. of the Ordinary Shares under each award are based on TSR growth. TSR for these purposes measures the change in the Company's share price over the year assuming that dividends paid are reinvested. This benchmark is based on the weighted mean TSR of other FTSE 350 REITs.

No Ordinary Shares under this part of an award will be available for release unless the Company's TSR performance is equal to the performance of the benchmark TSR.

If the Company's TSR performance is equal to the performance of the benchmark TSR, 25 per cent. of Ordinary Shares under this part of an award may be released. If the Company's TSR performance exceeds the benchmark by plus 5 per cent. per annum, 100 per cent. of Ordinary Shares under this part of an award may be released. Performance between these points is assessed on a straight line basis.

*(ii) Total property return (“TPR”)*

The remaining 50 per cent. of the Ordinary Shares under an award are based on the MSCI—IPD Benchmark with UK/European industrials weighted to reflect the geographical mix of the Group’s portfolio (75/25 UK Continental Europe for this cycle) (“**MSCI-IPD**”). No Ordinary Shares under this part of an award will be available for release unless the Company’s TPR performance is equal to the performance of the benchmark MSCI-IPD Index. If the Company’s TPR performance is equal to the performance of the MSCI-IPD Index, 25 per cent. of Ordinary Shares under this part of an award may be released. If the Company’s TPR performance exceeds the MSCI-IPD Index plus 1.5 per cent. per annum, 100 per cent. of Ordinary Shares under this part of an award may be released. Performance between these points is assessed on a straight line basis.

The Remuneration Committee may at their discretion recommend different performance conditions for future awards.

*Cessation of employment*

If a participant dies, the Trustee may, having first consulted the Board, release to the participant’s wife or husband, civil partner, children under the age of 18 or step-children under the age of 18 the shares available for release under his or her award as soon as reasonably practicable after the participant’s death. If a participant ceases to be employed within the Group before the expiry of the relevant performance period by reason of injury, disability or ill health, redundancy, retirement, the company by which he is employed ceasing to be a member of the Group, the company in which he is employed being transferred, the Remuneration Committee may decide, in its absolute discretion, to permit all or some of the participants’ unvested awards to vest (to the extent that it determines the relevant performance conditions have been satisfied at that time or on such time apportioned basis as the Remuneration Committee reasonably considers appropriate) at the end of the performance period or at such earlier time as it shall determine. Any awards that do not then vest will immediately lapse.

*Change of control*

On a change of control arising due to a takeover offer or a compromise or arrangement sanctioned by the court, any subsisting awards may immediately vest to the extent determined by the Trustee in consultation with the Remuneration Committee.

*Shareholder rights*

Awards will not confer any Shareholder rights (for example, the right to vote or receive any dividends) until the Trustee determine that the Ordinary Shares under award will be released and transferred to a participant.

*Variation of the Company’s share capital*

If the Company’s share capital is varied by way of capitalisation or rights issue, or by consolidation, sub-division or reduction of capital or otherwise, the Remuneration Committee may recommend to the Trustee such adjustments as it considers appropriate to the number of Ordinary Shares comprised in an award.

*Amendments to the LTIP*

The Trustee, having consulted the Remuneration Committee, may amend the LTIP at any time in any respect. However, the rules of the LTIP relating to: eligibility; limits on individual participation; limits on the number of Ordinary Shares available under the LTIP; the basis for determining an eligible employee’s participation; any adjustment to an award on a variation of the Company’s share capital; and amendment of the LTIP, may not be amended to the advantage of existing or future participants without the prior approval of the Company in general meeting except for any amendment which:

- (a) is necessary to secure or maintain favourable taxation, exchange control or regulatory treatment of the Company, any of its subsidiaries or any participant or to take account of a change in legislation; or
- (b) is a minor amendment to benefit or facilitate the administration of the LTIP.

### *Malus and clawback*

The awards granted under the LTIP are subject to malus and clawback.

## **7.2 The SEGRO plc Deferred Share Bonus Plan (the “DSBP”)**

The DSBP was adopted on 15 December 2010 and most recently amended on 16 February 2016. A percentage of any bonus awarded in the year is deferred into share awards granted under the DSBP. For the 2010, 2011 and 2012 bonus, 25 per cent. of any bonus was deferred into shares. From 2013, the deferral percentage was increased to 50 per cent. for the Executive Directors.

### *Administration*

The DSBP is administered and operated by the Trustee in consultation with the Remuneration Committee.

### *Eligibility*

The Trustee, having consulted the Remuneration Committee, may select any employee of the Group including Executive Directors of the Company to participate in the DSBP.

### *Awards*

Awards over Ordinary Shares may be in the form of a provisional allocation (“**Provisional Allocation Awards**”) or a restricted share award (“**Restricted Share Awards**”). The Trustee, in consultation with the Remuneration Committee, will select the form of award most appropriate at the date of grant of an award. All awards to date have been granted as Provisional Allocation Awards.

No consideration is payable by participants to receive an award and participants will not make any payment for any release of Ordinary Shares. Awards granted under the DSBP are personal to a participant and may not be transferred. Benefits under the DSBP are not pensionable.

### *Grant of awards*

Awards may be granted within 42 days following: the first dealing day immediately following the date of the preliminary announcement of the annual and half-yearly results of the Company, or the expiry of any restrictions imposed on the Company or the Trustee; any date on which changes to the legislation affecting executive share award plans is announced or made; or any other time that the Trustees consider that it is appropriate to grant awards.

### *Vesting of awards*

Provisional Share Awards grant the participant the right to acquire Ordinary Shares in the Company following a vesting period of just under three years, or such other period as the Trustee may specify on the date of grant.

The Trustee will normally only consider releasing Ordinary Shares under award following the third anniversary of the date of grant, or such other period as the Trustee may specify on the date of grant, and only if and to the extent that any conditions have been satisfied, (but where the Trustees consider exceptional circumstances exist, they may waive those conditions having consulted the Remuneration Committee). Ordinary Shares under an award may only be released at the discretion of the Trustee earlier than three years in certain circumstances: on cessation of employment; or on change of control or liquidation of the Company.

### *Cessation of employment*

If a participant ceases to be employed within the Group before the expiry of the relevant vesting period by reason of his or her death, the Trustee having consulted the Remuneration Committee may permit all of the participants’ unvested awards to vest immediately.

If a participant ceases to be employed within the Group before the expiry of the relevant vesting period by reason of injury, disability or ill health, redundancy, retirement, the company by which he or she is employed ceasing to be a member of the Group, the company in which he or she is employed being transferred, the Trustee may decide, having consulted the Remuneration Committee, to permit all or some of the participants’ unvested awards to vest on or after the vesting date, although in certain

circumstances the Trustee may, having consulted the Remuneration Committee, permit some or all of the awards to vest as soon as practicable after the date of cessation of employment. Any awards that do not then vest will immediately lapse.

#### *Change of control*

On a change of control arising due to a takeover offer or a compromise or arrangement sanctioned by the court, any subsisting awards may immediately vest.

#### *Variation of the Company's share capital*

If the Company's share capital is varied by way of capitalisation or rights issue, or by consolidation, sub-division or reduction of capital or otherwise, the Remuneration Committee may recommend to the Trustee such adjustments as it considers appropriate to the number of Ordinary Shares comprised in a Provisional Allocation Award.

#### *Dividend Rights*

The provisional allocation award does not carry any entitlement to dividends. However, the Committee may, at the time of the release of the shares, pay a cash sum equivalent to the value of the dividends that would have been paid over the holding period.

#### *Amendments to the DSBP*

The Trustee having consulted the Remuneration Committee may amend the DSBP at any time in any respect. The Trustees may also amend the terms of the DSBP to take account, mitigate or comply with overseas taxation or securities or exchange control laws for those participants who are or may become subject to taxation outside the UK provided that the terms of the awards are not more favourable overall than those granted to other participants.

#### *Malus and clawback*

The awards granted under the DSBP are subject to malus and clawback.

### **7.3 The SEGRO plc Savings Related Share Option Scheme (the "SAYE Plan")**

The SAYE Plan was renewed by shareholder resolution at the Company's Annual General Meeting on 28 April 2011 to extend the plan for a further ten years until 25 September 2021. The SAYE Plan is a tax-advantaged plan.

#### *Administration*

The SAYE Plan is administered by the Board in accordance with its rules.

#### *Eligibility*

All United Kingdom resident employees of participating Group companies who have been continuously employed for a minimum period of not more than five years (as determined by the Board), are eligible to participate in the SAYE Plan. Other employees of participating Group companies may be invited to participate in the SAYE Plan at the Board's discretion.

#### *Grant of options*

The Board may grant eligible employees an option over Ordinary Shares under the SAYE Plan within the period of three months following: the date of the preliminary announcement of the results of the Company for any financial period; the expiry of any restrictions imposed on the Company; the coming into force of any amendments to legislation applicable to the SAYE Plan or to the certified contractual savings scheme regulations; the issue of a new savings contract prospectus; or at any other time when the Board resolves that exceptional circumstances exist which justify such a grant.

Invitations must be accepted within the period the Board specifies which must not be less than 14 days from the date on which invitations are issued. Options must be granted within 30 days (or 42 days if applications are scaled down) following the dealing day taken for calculating the exercise price. No options may be granted later than 25 September 2021.

Options granted under the SAYE Plan are personal to participants and may not be transferred. No consideration is payable for the grant of an option. Benefits under the SAYE Plan are not pensionable.

#### *Savings contract*

Anyone who applies for an option under the SAYE Plan must also enter into a three or five year savings contract. Under this contract, they agree to make monthly savings over a period of three or five years which must not be less than £10 and may not exceed the maximum amount specified (currently £500) or such lower amount as determined by the Board. Ordinary Shares may only be acquired under the SAYE Plan on exercise of an option using an amount equal to the proceeds of this contract. The number of Ordinary Shares over which an option is granted will be such that the total amount payable on its exercise will be equal to the proceeds on maturity of the related savings contract. The Board will decide which savings contract should be made available on each occasion on which it issues invitations to apply for options and participants may be given the opportunity to elect which savings contract they may enter into.

#### *Exercise price*

The price payable per Ordinary Share on exercise of an option is determined by the Board and must not be less than the higher of the nominal value of an Ordinary Share (if Shares are to be subscribed); and 80 per cent. of the average middle-market quotations of an Ordinary Share as derived from the Official List for the dealing day immediately before the date on which invitations are issued.

#### *Limit*

No options shall be granted under the SAYE Plan if as a result the total number of Ordinary Shares issued and issuable pursuant to options granted under the SAYE Plan or issued and issuable under any other SEGRO Share Plan would in any ten year period exceed ten per cent. of the Company's issued Ordinary Share capital.

#### *Exercise of options*

An option granted under the SAYE Plan may normally be exercised within the period of six months following completion of a participant's savings contract which will usually be three or five years from the date of entering into the savings contract, after which it will lapse. An option may become exercisable earlier for a period of six months (or 12 months if a participant dies) if the participant ceases to be employed by a participating Group company by reason of death; injury; disability; redundancy; retirement or where the business in or the company by which the participant is employed is transferred out of the Group. If a participant leaves for any other reason his option will lapse. Special provisions apply on a takeover, or liquidation of the Company.

If an option becomes exercisable before the savings contract matures, it can only be exercised over such number of Ordinary Shares as may be purchased with an amount equal to the proceeds of the savings contract to date.

#### *Change of control*

If a person acquires control of the Company as a result of a general offer, options may be exercised within six months of the offer becoming unconditional. Where the Company is the subject of a compromise or arrangement proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company or its amalgamation with any other company or companies, options may be exercised within six months of the court sanction date.

If the Company was to become the subject of a compulsory squeeze out procedure, options would be exercisable at any time after such event, for as long as that person remains so bound or entitled, after which they would lapse.

In any of the above circumstances an option may instead be exchanged for an option over shares in the acquiring company or its parent if the participant so agrees with the acquirer. The new option must be exercisable in the same manner as the old option.

### *Ordinary Shares*

Ordinary Shares allotted and issued on the exercise of an option will rank equally with existing Ordinary Shares except for any rights attached to these Ordinary Shares by reference to a record date before the date of allotment. The Company will apply to the UK Listing Authority for a listing and to the London Stock Exchange for permission to trade for any Ordinary Shares allotted.

### *Variation of the Company's share capital*

On any variation or reorganisation of the share capital of the Company by reason of reduction of capital or issue or by way of rights or capitalisation of reserves, or subdivision or consolidation or otherwise, the exercise price and/or the number of Ordinary Shares under the option may be adjusted to such extent and in such manner as the Company's auditors consider to be fair and reasonable, as long as there is no increase in the aggregate exercise price payable or reduction of the exercise price per Ordinary Share below nominal value. Although HMRC approval is not required for any adjustment, HMRC will need to be notified of any adjustment terms when the Company files its annual return. The Company will also need to declare that the adjustment has not caused the SAYE Plan to cease to meet the requirements of the legislation.

### *Amendments to the SAYE Plan*

The Board may amend the SAYE Plan at any time in any respect. If an amendment is made to a key feature of the SAYE Plan, the Board will be required to certify that the SAYE Plan rules did at the date of the amendment, comply and continue to be fully compliant with the relevant legislation. However, the rules of the SAYE Plan relating to: eligibility; limits on individual participation; limits on the number of Ordinary Shares available under the SAYE Plan; the basis for determining an eligible employee's participation; any adjustment of options on a variation of the Company's share capital; and amendment of the SAYE Plan may not be amended to the advantage of existing or future optionholders without the prior approval of the Company in general meeting except that the Board may:

- (a) make any amendments necessary to maintain the SAYE Plan's tax advantaged status and to obtain or maintain favourable taxation, exchange control or regulatory treatment of the Company, any of its subsidiaries or any participant; and
- (b) make minor amendments to benefit or facilitate the administration of the SAYE Plan.

No amendment may be made to alter to the material disadvantage of any optionholder any rights already acquired by him without the consent of optionholders holding options over at least 75 per cent. of the Ordinary Shares under option under the SAYE Plan.

## **7.4 The SEGRO plc Share Incentive Plan (the "SIP")**

The introduction of the SIP was approved by shareholders at the Company's annual general meeting on 16 May 2000 and commenced operation in 2003. The SIP was approved by HMRC on 12 June 2003. The SIP is a tax-advantaged plan and was renewed by a resolution of the shareholders at the Company's annual general meeting on 26 April 2012.

### *Administration*

The SIP is constituted by a trust deed and administered in accordance with its trust deed and rules by the trustees of the SIP (the SIP Trustees). The Board has responsibility for the SIP and may appoint and remove the SIP Trustees.

### *Eligibility*

All UK resident employees of Group companies participating in the SIP, who have been continuously employed for a minimum period of not more than 18 months before the award date (as determined by the Board) are eligible to participate in the SIP. Other employees of participating Group companies may be invited to participate in the SIP at the Board's discretion.

## *Awards*

If the Board decides to operate the SIP, all eligible employees will be entitled to participate in the SIP on similar terms. The SIP has four separate elements: Free Shares; Partnership Shares; Matching Shares; and Dividend Shares, (as described below). The Board may decide each year which elements are to be offered under the SIP. Only Free Shares have been granted under the SIP to date. All awards are made in respect of Ordinary Shares. Employees will be eligible to participate only if they enter into a contract with the Company and the SIP Trustee. Any Ordinary Shares allotted and issued to the SIP Trustee for the grant of awards will rank equally with existing Ordinary Shares except for any rights attached to the Ordinary Shares by reference to a record date before such allotment. Benefits under the SIP are not pensionable.

### *(i) Free Shares*

Eligible employees may be awarded up to £3,600 worth of Free Shares in each tax year. Awards may be linked to objective performance criteria determined by the Board. Free Shares must be held by the SIP Trustees for a holding period of between three and five years as determined by the Board. Free Shares may be forfeited up to three years from their award if a participant ceases to be employed by the Group in certain circumstances.

### *(ii) Partnership Shares*

Up to £1,800 worth of Partnership Shares may be purchased on behalf of an eligible employee in any tax year using money deducted from his monthly salary or deducted from his salary in one or more lump sums in both cases not exceeding 10 per cent. of salary in any year. Partnership Shares may be withdrawn by the participant from the SIP at any time and must not be subject to forfeiture. (Partnership Shares can be purchased following an accumulation period in which case the price per Ordinary Share which the SIP Trustee will pay to buy the Partnership Shares on a participant's behalf will be the lower of the market value of an Ordinary Share at the beginning or end of the accumulation period).

### *(iii) Matching Shares*

The Board may permit the award of up to two Matching Shares for each Partnership Share purchased. Matching Shares may be forfeited if a participant ceases to be employed by the Group in certain circumstances or if he or she chooses to withdraw his or her Partnership Shares from the SIP within three years.

### *(iv) Dividend Shares*

The Board may permit dividends received on Ordinary Shares held in the SIP to be reinvested on an elective or mandatory basis in additional Ordinary Shares in each year. There is no limit on the value of dividends which may be reinvested. Dividend Shares are not subject to forfeiture and must be held for a minimum holding period of three years before they can be sold.

## *Operation*

The SIP currently operates on a Free Share basis only. The number of Free Shares awarded is based on a percentage of salary. The amount available depends on the Group's performance measured currently by reference to the Group's profit before tax performance target over the preceding year. The Free Shares awarded up to 2008 are subject to a holding period of five years and from 2008 for a holding period of three years.

## *Limit*

The total number of Ordinary Shares which may be subscribed by the SIP Trustees under the SIP when aggregated with any other Ordinary Shares issued or capable of being issued under any other SEGRO Share Plan, must not exceed in any ten year period ten per cent. of the Company's issued Ordinary Share capital.

### *Dividends and voting rights*

Participants are the beneficial owners of the Ordinary Shares held by the SIP Trustees on their behalf. All dividends and other distributions received in respect of the Ordinary Shares are passed on to the participants concerned by the SIP Trustees as soon as practicable after receipt unless it is decided to permit their reinvestment in Dividend Shares. The SIP Trustees will vote in accordance with the wishes of the participants if participants have given the SIP Trustees prior voting directions in writing.

### *Takeover and variations of the Company's share capital*

In the event of a general offer being made to Shareholders or a rights or capitalisation issue or other variation of share capital, participants will be able to instruct the SIP Trustees how to act or vote on their behalf.

### *Amendments to the SIP*

The Board and the SIP Trustees may amend the SIP at any time in any respect. If an amendment is made to a key feature of the SIP, the Board or Trustee will be required to certify that the SIP rules did at the date of the amendment, comply and continue to be fully compliant with the relevant legislation.

The provisions of the trust deed and rules of the SIP relating to: eligibility; the definition of "Relevant Amount"; limits on individual participation; limits on the number of Ordinary Shares available under the SIP; the basis for determining an eligible employee's participation; amendment of the SIP may not be amended to the advantage of existing or future participants without the prior approval by ordinary resolution of the Shareholders in general meeting, except that the Board may make any amendment which:

- (a) is necessary to secure and maintain the tax advantaged status and to ensure that such status is not withdrawn pursuant to any change in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment of the Company, any Subsidiary or any participant; or
- (b) is a minor amendment which is necessary or desirable to benefit or facilitate the administration of the SIP.

No amendment may be made which would materially or adversely affect the beneficial interests of participants in Ordinary Shares held by the SIP Trustees on their behalf.

## **7.5 The SEGRO plc Global Share Incentive Plan (the "GSIP")**

The GSIP was adopted by the Trustee on 30 June 2008. It is supplementary to the SIP. It is not a tax advantaged plan. It provides non-UK based Group employees with the opportunity to receive shares in the Company.

### *Administration*

The GSIP is operated by the Trustee in consultation with the Board.

### *Awards*

The GSIP is operated for employees in Continental Europe on a similar basis to the SIP in the UK. Awards are made by the Trustee in the form of provisional allocations which give a participant no right to or interest in Ordinary Shares until the Trustee decides to release Ordinary Shares to a participant. The number of Ordinary Shares under award is calculated on a similar basis to awards under the SIP. Awards will normally be recommended to the Trustee at the same time or shortly after awards under the SIP. Benefits under the GSIP are not pensionable.

### *Vesting of awards*

Ordinary Shares may be released to a participant after three years at the discretion of the Trustee. Ordinary Shares may be released earlier on cessation of employment or change of control of the Company.

#### *Variation of the Company's share capital*

If the Company's share capital is varied by way of capitalisation or rights issue, or by consolidation, subdivision or reduction of capital or otherwise, the Remuneration Committee may recommend to the Trustee such adjustments as it considers appropriate to the number of Ordinary Shares under Award.

#### *Amendments to the GSIP*

The GSIP may be amended in any respect by resolution of the Trustee with the consent of the Company.

#### **7.6 Employee benefit trust**

The 1994 SEGRO plc Employees' Benefit Trust may be used to provide Ordinary Shares to some or all employees in connection with some or all of the SEGRO Share Plans.

**PART XIV**  
**SELECTED FINANCIAL INFORMATION**

The following is a summary of the Company's financial information for the periods indicated. The audited 2014 Financial Information has been extracted without material adjustment from the 2014 Annual Report and Accounts which is incorporated by reference into this document as set out in Part XXI (*Documents Incorporated by Reference*). The audited 2015 Financial Information has been extracted without material adjustment from the 2015 Annual Report and Accounts, which is incorporated by reference into this document as set out in Part XXI (*Documents Incorporated by Reference*). The audited 2016 Financial Information has been extracted without material adjustment from the 2016 Annual Report and Accounts, which is incorporated by reference into this document as set out in Part XXI (*Documents Incorporated by Reference*).

The summary should be read in conjunction with the information referred to above and with Part XV (*Operating and Financial Review of the Group*). Investors are advised to read the whole of this document and not rely on the information summarised in this Part XIV.

**CONSOLIDATED INCOME STATEMENT**

for the years ended 31 December 2014, 2015 and 2016

	2016 £m	2015 £m	2014 £m
<b>Revenue</b> .....	<b>283.5</b>	<b>248.5</b>	<b>290.0</b>
Gross rental income .....	225.5	210.7	215.1
Property operating expenses .....	(44.9)	(37.7)	(40.5)
<b>Net rental income</b> .....	<b>180.6</b>	<b>173.0</b>	<b>174.6</b>
Joint venture management fee income .....	18.6	17.0	11.8
Administration expenses .....	(31.4)	(28.5)	(28.3)
Pension settlement costs .....	—	(4.8)	—
Share of profit from joint ventures after tax .....	85.1	156.5	151.4
Realised and unrealised property gain .....	246.0	461.5	408.6
Other investment income .....	—	6.6	1.9
Goodwill and other amounts written off on acquisitions and amortisation of intangibles .....	(0.2)	(3.8)	(0.2)
<b>Operating profit</b> .....	<b>498.7</b>	<b>777.5</b>	<b>719.8</b>
Finance income .....	46.7	43.4	84.3
Finance costs .....	(119.0)	(134.4)	(149.7)
<b>Profit before tax</b> .....	<b>426.4</b>	<b>686.5</b>	<b>654.4</b>
Tax .....	(7.7)	(3.7)	27.6
<b>Profit after tax</b> .....	<b>418.7</b>	<b>682.8</b>	<b>682.0</b>
Attributable to equity shareholders .....	417.7	682.5	682.0
Attributable to non-controlling interests .....	1.0	0.3	—
<b>Earnings per share (pence)</b>			
Basic .....	53.9	91.7	92.0
Diluted .....	53.6	91.7	92.0

## CONSOLIDATED BALANCE SHEET STATEMENT

as at 31 December 2014, 2015 and 2016

	At 31 December 2016 £m	At 31 December 2015 £m	At 31 December 2014 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill and other intangibles .....	3.1	2.4	3.3
Investment properties .....	4,714.4	4,118.1	3,477.0
Other interests in property .....	9.6	—	—
Plant and equipment .....	16.1	16.4	6.6
Investments in joint ventures .....	1,066.2	867.3	855.5
Available-for-sale investments .....	0.7	0.9	5.8
Derivative financial instruments .....	80.1	80.8	52.0
Pension assets .....	45.7	20.2	—
<b>Sub-total</b> .....	<b>5,935.9</b>	<b>5,106.1</b>	<b>4,400.2</b>
<b>Current assets</b>			
Trading properties .....	25.4	37.6	77.8
Trade and other receivables .....	102.8	97.8	236.0
Derivative financial instruments .....	12.6	0.7	75.8
Cash and cash equivalents .....	32.0	16.4	23.8
Assets held for sale .....	—	305.9	—
<b>Sub-total</b> .....	<b>172.8</b>	<b>458.4</b>	<b>413.4</b>
<b>Total assets</b> .....	<b>6,108.7</b>	<b>5,564.5</b>	<b>4,813.6</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings .....	1,630.4	1,822.9	1,495.4
Deferred tax liabilities .....	16.3	12.6	10.3
Provisions .....	—	—	12.3
Trade and other payables .....	4.7	3.9	4.9
Derivative financial instruments .....	14.7	1.1	24.9
<b>Sub-total</b> .....	<b>1,666.1</b>	<b>1,840.5</b>	<b>1,547.8</b>
<b>Current liabilities</b>			
Borrowings .....	—	—	207.6
Trade and other payables .....	246.5	203.6	166.5
Derivative financial instruments .....	11.1	24.6	0.3
Tax liabilities .....	4.1	7.7	2.6
<b>Sub-total</b> .....	<b>261.7</b>	<b>235.9</b>	<b>377.0</b>
<b>Total liabilities</b> .....	<b>1,927.8</b>	<b>2,076.4</b>	<b>1,924.8</b>
<b>Net assets</b> .....	<b>4,180.9</b>	<b>3,488.1</b>	<b>2,888.8</b>
<b>Equity</b>			
Share capital .....	83.0	74.8	74.2
Share premium .....	1,431.1	1,091.4	1,070.0
Capital redemption reserve .....	113.9	113.9	113.9
Own shares held .....	(5.5)	(6.3)	(6.1)
Other reserves .....	196.2	165.8	169.5
Retained earnings .....	2,363.4	2,050.3	1,467.3
<b>Total shareholders' equity</b> .....	<b>4,182.1</b>	<b>3,489.9</b>	<b>2,888.8</b>
Non-controlling interests .....	(1.2)	(1.8)	—
<b>Total equity</b> .....	<b>4,180.9</b>	<b>3,488.1</b>	<b>2,888.8</b>
<b>Net assets per ordinary share (pence)</b>			
Basic .....	505	468	390
Diluted .....	502	468	390

## CONSOLIDATED CASH FLOW STATEMENT

for the years ended 31 December 2014, 2015 and 2016

	2016 £m	2015 £m	2014 £m
<b>Cash flows from operating activities</b>	<b>156.7</b>	<b>123.9</b>	<b>176.1</b>
Interest received	69.8	87.0	83.3
Dividends received	26.5	20.8	22.2
Interest paid	(140.9)	(152.1)	(155.8)
Early close out of interest rate swaps	—	(24.8)	—
Tax (paid)/received	(10.9)	34.5	(2.8)
Acquisition of Vailog	—	(1.6)	—
<b>Net cash received from operating activities</b>	<b>101.2</b>	<b>87.7</b>	<b>123.0</b>
<b>Cash flows from investing activities</b>			
Purchase and development of investment properties	(429.7)	(470.8)	(247.9)
Sale of investment properties	614.0	226.3	408.7
Acquisition of other interest in property	(36.7)	—	—
Purchase of plant and equipment and intangibles	(3.5)	(2.1)	(4.2)
Sale of available-for-sale investments	—	11.4	5.6
Acquisition of Big Box	—	2.6	—
Acquisition of Vailog	—	(24.8)	—
Acquisition of LPP	—	—	(95.6)
Sale of SELP portfolio	—	119.9	4.8
Investment in joint ventures	(184.3)	(28.0)	(201.7)
Divestment in joint ventures	120.9	—	—
<b>Net cash generated from/(used in) investing activities</b>	<b>80.7</b>	<b>(165.5)</b>	<b>(130.3)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to ordinary shareholders	(89.0)	(91.5)	(109.8)
Increase in other borrowings	42.5	320.5	10.0
Decrease in other borrowings	(267.7)	(208.3)	(158.3)
Close out of Vailog debt	—	(44.8)	—
Net costs to close out debt	—	—	(1.6)
Net settlement of foreign exchange derivatives	(168.4)	101.1	59.2
Proceeds from issue of ordinary shares	318.4	0.4	0.1
Purchase of ordinary shares	(2.3)	(6.7)	(2.1)
<b>Net cash (used in)/received from financing activities</b>	<b>(166.5)</b>	<b>70.7</b>	<b>(202.5)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>15.4</b>	<b>(7.1)</b>	<b>(209.8)</b>
Cash and cash equivalents at the beginning of the year	16.4	23.8	233.8
Effect of foreign exchange rate changes	0.2	(0.3)	(0.2)
<b>Cash and cash equivalents at the end of the year</b>	<b>32.0</b>	<b>16.4</b>	<b>23.8</b>

### Other Financial Measures

The table below presents certain non-IFRS financial measures used by the Directors, and presented by the Group, to monitor the underlying performance of its business and operations. These measures are not recognised measures of financial performance under IFRS and have not been audited or reviewed.

See the section entitled “*Presentation of non-IFRS financial measures*” in Part IV (*Important Information*) for further information about these measures and how they have been calculated. See also the section entitled “*Adjusted financial measures—Adjusted Profit Before Tax and Adjusted Profit After Tax*” in Part XV (*Operating and Financial Review of the Group*) for a discussion of Adjusted Profit Before Tax and Adjusted Profit After Tax, which includes reconciliations of these measures to the corresponding measures of profit on an IFRS basis.

The table below sets forth the main adjusted measures and their IFRS equivalents:

	For the year ended 31 December		
	2016	2015	2014
Adjusted Profit Before Tax (£m) <sup>(4)</sup> .....	154.5	138.6	129.7
IFRS profit before tax (£m) .....	426.4	686.5	654.4
Adjusted Profit After Tax (£m) <sup>(4)</sup> .....	152.6	137.3	127.8
IFRS profit after tax (£m) .....	418.7	682.8	682.0
Adjusted EPS <sup>(1)</sup> (p) <sup>(5)</sup> .....	19.7	18.4	17.2 <sup>(3)</sup>
IFRS Basic EPS (p) <sup>(5)</sup> .....	53.9	91.7	92.0
IFRS Diluted EPS (p) <sup>(5)</sup> .....	53.6	91.7	92.0
EPRA NAV per share <sup>(2)</sup> (p) <sup>(5)</sup> .....	500	463	384
IFRS Basic NAV per share (p) <sup>(5)</sup> .....	505	468	390
IFRS Diluted NAV per share (p) <sup>(5)</sup> .....	502	468	390

- (1) Reflects Adjusted Profit After Tax on a per share basis. It is the primary determinant of the level of the annual dividend. See the section entitled “*Dividends*” in Part XII (*Information concerning the New Ordinary Shares*).
- (2) Reflects NAV, which is the value of the Group’s assets less the book value of its liabilities, calculated in accordance with EPRA guidelines on a per share basis. The main differences between EPRA and IFRS NAV are that the EPRA measure excludes interest rate swaps and deferred tax on properties which would only crystallise if the assets were sold and includes any unrecognised valuation gains on trading properties.
- (3) The 2014 Adjusted EPS was first disclosed in the 2015 Financial Information, and was the same as the EPRA EPS in 2014.
- (4) Adjusted Profit Before Tax and Adjusted Profit After Tax are reconciled in the section headed “Adjusted Profit Before Tax and Adjusted Profit After Tax” of Part XV (*Operating and Financial Review of the Group*) of this document.
- (5) Reconciliations between Basic EPS, Diluted EPS and Adjusted EPS, and between IFRS Basic NAV per share, IFRS diluted NAV per share and EPRA NAV per share are disclosed in Note 14 of the 2016 Annual Report and Accounts, 2015 Annual Report and Accounts and 2014 Annual Report and Accounts.

## **PART XV OPERATING AND FINANCIAL REVIEW OF THE GROUP**

*Investors should read the following discussion and analysis of the Group's financial condition and results of operations at 31 December 2014, 2015 and 2016 and for the years then ended in conjunction with the 2014 Financial Information, the 2015 Financial Information, and the 2016 Financial Information incorporated by reference into this document (together, the "Group Financial Information"). The Group Financial Information has been audited and prepared in accordance with IFRS.*

*This operating and financial review of the Group discusses the Group's results of operations, cash flows, debt profile, and capitalisation and indebtedness as well as key performance indicators ("KPIs") and certain other financial measures of performance. The former, which appear principally in subsections 7, 9, 10 and 15 of this Part XV, are presented based on the IFRS measures as reflected in the Group's financial statements, while the latter, which appear principally in subsections 4 and 8 of this Part XV and elsewhere in this document, unless otherwise noted, are presented on a "proportional consolidated" basis and accordingly are non-IFRS measures. See "Presentation of non-IFRS financial measures" in Part IV (Important Information).*

*Investors should read the Group Financial Information in its entirety and not merely rely on the information contained in this Part XV. Some of the information in the following discussion and analysis includes forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" in Part IV (Important Information) and see Part II (Risk Factors) for a discussion of important factors which could cause actual results to differ materially from the figures described in the forward-looking statements contained in this document.*

### **1. Overview**

SEGRO is a leading owner, manager and developer of modern warehouses and light industrial property. SEGRO's assets are concentrated in and around major cities and at key transportation hubs in the UK and nine Continental European countries, which, the Directors believe, have attractive property market characteristics. The Group owns or manages a property portfolio totalling over six million square metres of space, which was valued at £8.0 billion (£6.3 billion based on SEGRO's wholly-owned assets and its share of assets held within joint ventures) at 31 December 2016, with the UK portfolio accounting for 68 per cent. (£4.3 billion) of the value of the overall portfolio, and the Continental Europe portfolio accounting for the remaining 32 per cent. (£2.0 billion). At 31 December 2016, 25 per cent. of the Group's portfolio was held within joint ventures.

### **2. Recent developments**

The Group recently acquired, for a consideration consisting of £216 million in cash and a portfolio of five properties (the Disposal Assets) for a consideration totalling £149 million (in line with book value at 31 December 2016, adjusted for deferred income and tenant deposits), a 50 per cent. interest in APP which was previously owned by entities controlled by the Aviva Group Entities. See Part VII (*Letter from the Chairman*). The Disposal Assets comprised four estates in West London and one in Portsmouth. The Acquisition resulted in APP becoming a wholly-owned subsidiary of SEGRO. SEGRO intends to use a portion of the net proceeds of the Rights Issue to repay £215 million drawn under the HSBC, BNP and RBS Facilities to finance the cash consideration for the Acquisition.

### **3. Principal factors affecting the Group's results of operations**

*Financial measures presented in this section, unless otherwise indicated, are on a proportional consolidated (non-IFRS) basis. See "Presentation of non-IFRS financial measures" in Part IV (Important Information).*

Rental income is the primary source of revenue for the Group. Rental income is affected by a number of factors and may fluctuate from period to period. The most significant potential drivers of changing rental income are acquisition, disposal and development activity within the Group. On an operating level, changing vacancy levels can impact the rent generated by the portfolio, as can the rental terms achieved at lease inception, rent reviews in the UK, indexation in Continental Europe, the volume of new lettings on existing or newly completed buildings, lease renewals on buildings that are currently let, and lease surrender premiums. This positive impact is offset by lease breaks, takebacks and lease incentives.

### 3.1 Key acquisitions and disposals

Since 1 January 2014, the Group has made a number of significant disposals and acquisitions, which have been completed in order to improve the quality and focus of its property portfolio in the Group's major geographies and asset types. Such portfolio recycling can have a significant impact on the Group's results of operations in terms of both income generated from rents and costs associated with managing a property portfolio, which can vary both by size of the portfolio and by the type and location of the property.

#### *Disposals*

An integral element of a strategic plan for the Group agreed by the Directors in November 2011 was a disposal programme of assets no longer considered core to Group strategy, which has resulted in a number of significant disposals in the periods under review. The plan identified approximately £1.6 billion of non-core assets for disposal, substantially all of which have now been sold, and the proceeds of which have enabled the Group to both provide funding for new investment in acquisitions and developments in growth areas of the business and reduce leverage. The Group has also in recent years disposed of assets as part of the normal course asset recycling activity aimed at crystallising value on mature assets to raise funds for investment in new development projects and acquisitions.

In 2014, the Group disposed of £483 million of investment, trading and development properties reflecting an average topped-up net initial yield of 7.4 per cent. Of this, £233 million were sales of non-core assets identified as such in the 2011 strategic plan. The remaining £250 million of sales were of assets where the return crystallised by disposal was judged to be greater than the return expected from retaining them.

In 2015, the Group disposed of £336 million of investment, trading and development properties at an average topped-up net initial yield of 6.7 per cent. including a newly-developed office campus in Italy. A portfolio of older, light industrial estates in southeast England were sold as part of property swaps in exchange for two modern big box logistics assets (and a balancing cash payment) in the Midlands region of the UK and West London, adding to the Group's scale in UK big box logistics warehousing.

In 2016, the Group disposed of assets and land worth £589.3 million, including £565 million of assets at an average topped-up net initial yield of 5.9 per cent., and £24 million of land. The largest single disposal was a portfolio of office properties bordering the Slough Trading Estate, in line with the Group's strategy of focusing on developing, owning and managing modern warehouse properties. This portfolio was the last significant office cluster within the Group's portfolio.

Other disposals in 2016 included a portfolio of wholly-owned Continental Europe big box warehouses to the SEGRO European Logistics Partnership joint venture (as the Group owns a 50 per cent. interest in SELP, it retained a 50 per cent. interest in the portfolio). Under the terms of the joint venture, the Group is obligated to offer SELP all Continental European big box warehouses which have either been bought or developed by the Group. SELP has the option but not the obligation to buy these assets and generally does so once an asset has been developed as SELP is principally operated as an income-generating vehicle.

In 2017, as part of the consideration for the Acquisition, the Group disposed of the Disposal Assets, for a consideration totalling £149 million (in line with book value at 31 December 2016, adjusted for deferred income and tenant deposits). In addition, there are a number of assets in the Group's wholly-owned portfolio in the course of development on a pre-let basis which would be suitable for future sale to SELP on completion. The Directors expect to offer these assets to SELP. In addition, the Group owned land valued at £102 million at 31 December 2016 which is subject to conditional agreements to sell to residential developers. The Directors expect these transactions to conclude during 2017 or early in 2018.

#### *Acquisitions*

In 2014, the Group acquired £491 million of investment, trading and development properties at an average topped-up net initial yield of 6.9 per cent. The largest acquisition during the year was a

portfolio of big box warehouse assets and development land in Germany, Poland and France, acquired through the SELP joint venture. The portfolio comprised 14 prime, modern logistics assets (ten in Germany, three in Poland and one in France) covering approximately 679,000 square metres of lettable space, including one building under construction, and 51 hectares of development land in Germany.

In 2015, the Group acquired £334 million of investment, trading and development properties at an average topped-up net initial yield of 5.8 per cent. In particular, the Group acquired £130 million of big box logistics warehouses in the UK through off-market asset swaps, related to disposals referred to above. During 2015, the Group acquired a 90 per cent. interest in Vailog, an Italian big box warehouse developer, for €39.6 million. At the time of acquisition, Vailog's property assets included fully-let big box warehouses, a pre-let warehouse under development, a strategic land bank mainly in Northern Italy and options over an 80 hectare land bank in Italy and France. This transaction allowed the Group to acquire an immediate strategic presence in the Northern Italy big box logistics market and a portfolio of land sites and options to help support future growth to a scale position, as well as an established development management team.

In 2016, the Group invested £90 million in asset acquisitions at an average topped-up net initial yield of 6.3 per cent. Acquisition activity declined compared with 2015 and was focused on building scale in the Group's newer geographies, including big box and urban warehouses in the major logistics and urban markets of Spain (Barcelona and Madrid) and Northern Italy.

In 2017, the Group acquired full ownership of APP by purchasing the 50 per cent. stake in APP which it did not already own from the Aviva Group Entities. See Part VII (*Letter from the Chairman*).

### **3.2 Development activity**

An important component of the Group's growth is its ability to develop and let new assets. New assets tend to be more attractive to occupiers and are often less intensive from an asset management perspective. The addition of rental income derived from new significant tenants when a property under development is completed, as well as delays in the development process, can result in material fluctuations in the Company's net rental income or operating profit between given periods.

#### *Development capital expenditure*

In 2014, the Group invested £157 million in development capital expenditure, with a further £11 million invested in acquisitions of land for future development. A total of 268,000 square metres of new space was created during the year with potential headline rent of £20 million (based on market rental levels at appraisal), of which 79 per cent. had been secured by 31 December 2014; at 31 December 2016, 96 per cent. of the rent had been secured. This translates into a yield on cost of 9.1 per cent. when fully let. Completed developments contributed £8.3 million to the Group's net rental income in 2014.

In 2015, the Group invested £164 million in development capital expenditure, with a further £221 million invested in acquisitions of land for future development, primarily in the UK. A total of 318,000 square metres of new space was created during the year with a potential headline rent of £12 million (based on market rental levels at appraisal), of which 84 per cent. had been secured by 31 December 2015; at 31 December 2016, 99 per cent. of the rent had been secured. This translates into a yield on cost (including land, construction and finance costs) of 8.7 per cent. when fully let. Completed developments contributed £12.5 million to the Group's net rental income in 2015.

In 2016, the Directors significantly accelerated the Group's development capital expenditure, taking advantage of improving occupier markets due in particular to growing demand from retailers for warehouse space to service customers ordering online, as well as a lack of modern warehouse space. Development capital expenditure increased to £302 million, with a further £155 million in other capital expenditure invested in acquisitions of land for future development. A total of 421,600 square metres of new space was created during the year with a potential headline rent of £29 million (based on market rental levels at appraisal), of which 80 per cent. had been secured by 31 December 2016. This translates into a yield cost (including land, construction and finance costs) of 8.2 per cent. when fully let. Completed developments contributed £21.2 million to the Group's net rental income on a proportional consolidated basis in 2016.

### *Current and future development projects and opportunities*

The positive conditions in the occupier market, particularly in the UK, in recent periods have given the Directors confidence to develop space on a speculative basis, particularly urban warehouses as occupiers prefer to see the space before committing to a lease. The Directors are more cautious about building big box warehouses speculatively unless they can be leased to multiple parties or are in areas of particular supply constraint, such as in the Midlands in the UK.

In September 2016, acting on evidence of occupier demand and limited supply in its markets, the Directors decided to raise gross proceeds of approximately £325 million by way of placing 74,770,950 Ordinary Shares to part-fund £456 million of capital expenditure opportunities in the Company's development pipeline at the time. Over the subsequent period to 31 December 2016, the Group invested or allocated approximately £342 million (approximately 75 per cent.) of the expected investment of £456 million to its development pipeline identified at the time of the Placing, including approximately half of the pre-let and speculative projects which were expected to be approved in the 6 to 12 months following the Placing. See "*—Update on the use of proceeds of the Placing*" in Part VII (*Letter from the Chairman*) for more information and a discussion of the Placing.

At 31 December 2016, the Group had 540,480 square metres of development projects in the Current Development Pipeline approved, contracted or under construction, representing £171 million of future capital expenditure and £27 million of potential headline rent when fully let. The projects, all of which are due to complete in 2017 and 2018, are 61 per cent. pre-let and are expected to yield 7.7 per cent. based on anticipated total development cost when fully occupied.

In addition to the land banks being utilised as part of the Current Development Pipeline, at 31 December 2016, the Group had strategically located land banks of approximately 615 hectares, for which the Directors expect most development opportunities (including Near-Term Development Projects) to arise during the course of the five years following the date of this document and which, in aggregate, the Directors believe have the potential to develop 2.7 million square metres of buildings. At today's prices, the Directors estimate that this would entail future potential development expenditure of approximately £1.2 billion and could produce estimated incremental headline rent of approximately £128 million based on market rental levels at 31 December 2016 in the different geographies.

The Directors have identified Near-Term Development Projects that represented estimated potential capital expenditure of £245 million, capable of constructing 522,000 square meters of new warehouse space and generating £27 million of headline rent when fully let, of which approximately 69 per cent. is from potential pre-let agreements.

In 2016, the Group agreed two important development partnerships (with the Greater London Authority and with Roxhill Development Group) in areas where the Directors wished to establish a scale presence. The Directors believe that these agreements allow the Group both to control the pace of development and to avoid holding non-income producing land on the balance sheet. See "*—Strategy and strengths—Competitive strengths—Pipeline of development opportunities on its existing land bank with further long-term developments under option*" in Part XI (*Information on the Group*) for more information on these two development partnerships.

In addition, the Group controls land through option agreements which land the Directors currently estimate is capable of supporting approximately 700,000 square metres of new warehouse development, equating to £46 million of potential headline rent, through investment in construction of approximately £500 million over the course of the next 10 years. The Directors believe that controlling land via options creates a more efficient capital structure for Shareholders, allowing the Group to access the long-term development benefits of a land bank without the burden of holding large amounts of non-income-producing land on the balance sheet for an extended period of time.

### **3.3 Rental change from rent reviews and lease renewals**

An important element of asset management is to conduct rent reviews (in the UK only) and renew leases with existing customers (across the whole portfolio).

- **Rent reviews.** In the UK, rents are typically fixed under the terms of a lease for a period of five years, after which the rent is adjusted through the rent review process. Rent reviews are

generally structured to ensure that if adjustments are made to existing rents such adjustments are upward only at the time of the rent review. Therefore, if market rental levels should fall, there is no downward adjustment to the rent payable under the lease.

- **Lease renewals.** If a customer wishes to renew a lease, new terms are agreed through a process of negotiation well in advance of lease expiry. Rent payable can rise and fall depending on market conditions.

In 2014, leases associated with £31.2 million of headline rent were subject to rent review or renewal. These negotiations resulted in an uplift in aggregate headline rent of £0.3 million or 1.0 per cent., compared to the rent being paid immediately prior to the review or lease renewal. In the UK, new rents were, on average, 1.5 per cent. above the previous level, reflecting the positive conditions in the occupier market. In Continental Europe, new rents were on average 5.2 per cent. below the previous level, reflecting relatively weaker occupier conditions in France and in Poland, compared to the UK.

In 2015, leases associated with £20.7 million of headline rent were subject to rent review or renewal. These negotiations resulted in an uplift in aggregate headline rent of £0.6 million or 2.6 per cent., compared to the rent being paid immediately prior to the review or lease renewal. In the UK, new rents were on average 3.3 per cent. above the previous level, reflecting the positive conditions in the occupier market. In Continental Europe, new rents were on average 1.2 per cent. below the previous level, reflecting broadly stable market rental conditions in Northern Europe and Southern Europe and a competitive leasing market in the Central Europe portfolio.

In 2016, leases associated with £32.6 million of headline rent were subject to rent review or renewal. These negotiations resulted in an uplift in headline rent of £1.8 million or 5.4 per cent. compared to the rent being paid immediately prior to the review or lease renewal. In the UK, new rents were on average 6.4 per cent. above the previous level, reflecting the enduring strength of the occupier market, particularly in Greater London. In Continental Europe, new rents were on average 0.1 per cent. below the previous level, reflecting improving rental terms in lease renewals in Southern Europe, offset by a continuing competitive leasing market in Central Europe.

### 3.4 EPRA vacancy rate

Rental income can also fluctuate depending on the level of vacancy in the portfolio. The EPRA vacancy rate of the Group's portfolio is calculated with reference to the estimated rental value (ERV) of vacant buildings as a proportion of the ERV of the completed portfolio as a whole. The Directors have established a target EPRA vacancy rate of between 5 and 7 per cent., the range reflecting fluctuations resulting from the completion of speculative developments and the timing of takebacks. See "*Key performance indicators—EPRA vacancy rate*" for further information on EPRA vacancy rates during the periods under review.

### 3.5 Change in non-rental lease terms

Rental income can also be impacted by the terms of a lease, including incentives payable to the tenant and the length of the lease. In improving occupier markets and/or when supply of space is increasingly limited, such as experienced since 1 January 2014, tenants may take longer leases to improve certainty of tenure and landlords will be able to reduce the level of incentives.

- **Incentives.** Part of the lease negotiation may involve an incentive payable by the landlord to the tenant. Most commonly, this is in the form of a rent-free period, often to cater for a period while the new tenant is fitting out its new space and still occupies its old space. This is expressed as a percentage of the headline rent agreed, equivalent to a discount.
- **Lease length.** Lease terms and breaks are a matter for negotiation in most of the Group's main markets. Longer lease terms tend to be desirable from the perspective of the landlord to provide durability of cash flows and to reduce rental income volatility.

At 31 December 2014, the Group portfolio had an average lease length to first break of 6.7 years, and 8.6 years to expiry. The level of incentives provided to incoming customers was 8.5 per cent. of headline rent.

At 31 December 2015, the portfolio average lease length was 6.8 years to break and 8.6 years to expiry. The level of incentives provided to incoming customers was 8.0 per cent. of headline rent.

At 31 December 2016, the portfolio average lease length was 7.1 years to break and 8.7 years to expiry. The level of incentives provided to incoming customers was 7.3 per cent. of headline rent.

The improvement in incentives and lease lengths over the three years is a reflection of improving occupier market conditions and a shortage of modern, available space in the periods under review. While the improvement has not had a significant impact on the Group's rental income during the periods under review, the Directors consider it an important indicator of the performance of the Group.

### 3.6 Operating and administrative costs

An important element of the 2011 strategic plan was to improve the cost efficiency of the Group, aimed at improving the income returns to shareholders. The Directors monitor cost-efficiency through the TCR (see the section entitled "*Key performance indicators*" below). The TCR can be influenced both by the absolute level of costs and by costs relative to the level of gross rental income and joint venture management fees. In light of movements of gross rental income and the operating cost factors (discussed below), the TCR improved to 23.0 per cent. in 2016 from 23.3 per cent. in 2014 (22.2 per cent. in 2015). The TCR calculation is found in supplementary Note 6 of the 2016 Annual Report and Accounts, 2015 Annual Report and Accounts and 2014 Annual Report and Accounts (where it was called EPRA cost ratio). The 2015 and 2014 TCR was adjusted as outlined in the section entitled "*Presentation of key performance indicators—Total Cost Ratio ('TCR')*" in Part IV (*Important Information*). The Directors believe that the Group's cost base is capable of managing a larger portfolio than it currently manages and are targeting a TCR of 20 per cent. See "*—Key performance indicators—Total Cost Ratio ('TCR')*" for further information on this ratio during the periods under review.

Operating and administrative costs in the period from 1 January 2014 to 31 December 2016 were influenced by three main factors:

- EPRA vacancy rates have improved in the periods under review, reducing the cost of owning vacant properties from £10.6 million in 2014 to £6.7 million in 2016;
- Share based payments are an important component of operating and administrative costs and can vary significantly from period to period depending on the performance of the Group's portfolio, which is assessed against an independent benchmark for the purposes of the Group's short- and long-term incentive programmes. In 2014, share based payments totalled £2.0 million; in 2016 they were £6.1 million (2015: £2.3 million), reflecting the improving performance of the Group portfolio compared to benchmark.
- In 2015, the Group entered two new markets: Italy and Spain. In particular, it acquired a 90 per cent. interest in Vailog, which is fully consolidated in the Group's financial statements. On acquisition, Vailog was a developer of property but did not retain ownership of the properties it developed. As a result, it had very little gross rental income when it was acquired by the Group, its revenue stream being disposal proceeds and its profitability determined by gains or losses on sale. The intention of the Directors was that Vailog should continue to develop warehouses but that they would be retained either wholly by the Group or offered to the SELP joint venture. The acquisition was completed with an expectation that, in the early stages of ownership, Vailog would contribute to a higher TCR (which, in fact, was the case), but that the ratio would fall as developments were completed, let and retained, improving gross rental income.

### 3.7 Cost and availability of funding

Funding costs are the result of the decision to finance certain activities of the Group with external financing, whether bank loans or publicly listed debt. The absolute cost of drawn funding depends on the level of debt drawn during a particular period and the interest rate charged on that debt. At 31 December 2016, the Group had net borrowings of £1,598 million. The Group's net borrowings do not include non-recourse borrowings of SELP and other joint ventures. At 31 December 2016, the Group's proportional consolidated net borrowings amounted to £2,091 million (including the Group's share of outstanding net borrowings of APP of £340 million at 31 December 2016, 100 per cent. of which were assumed by the Group as part of the Acquisition).

Pounds Sterling-denominated bonds represent the majority of the Group's proportional consolidated borrowings. In order to provide a hedge against exchange rate volatility, a proportion of this debt has

been swapped into Euros to hedge some of the Group's Euro-denominated assets and the income and cash flows generated by these assets. Further details of the Group's approach to managing foreign currency are provided in the section "*Quantitative and qualitative disclosures about market risk—Foreign currency translation exposure*" below. The income and expenses related to currency swaps are reflected on the IFRS income statement as finance cost and finance income and have a significant impact on these line items (such income and expenses are excluded in calculating the Group's Adjusted Profit Before Tax and the Group's Adjusted Profit After Tax, non-IFRS measures used by the Group). See "*Adjusted financial measures—Adjusted Profit Before Tax and Adjusted Profit After Tax.*"

Between 1 January 2014 and 31 December 2016, net finance costs on a proportional consolidated basis fell by 10.6 per cent. to £80.9 million in 2016 from £90.5 million in 2014 (£80.6 million in 2015). This mainly reflected the Group's refinancing activity during the period which reduced the weighted average cost of debt from 4.2 per cent. in 2014 to 3.4 per cent. in 2016 (3.5 per cent. in 2015), despite the increase of proportional consolidated net borrowings to £2,091 million at 31 December 2016 from £1,889 million at 1 January 2014 (£2,040 million at 31 December 2014; £2,193 million at 31 December 2015). For the Group alone, without including joint ventures at share, the weighted average cost of debt decreased from 4.4 per cent. in 2014 to 3.9 per cent. in 2016. In particular, the Group refinanced two bonds maturing in 2015 with bank facilities with lower interest rates and used the equity raised in September 2016 initially to pay down outstanding debt. See the section entitled "*The Group's debt.*"

### **3.8 Joint ventures**

At 31 December 2016, 25 per cent. of the Group's portfolio was held within joint ventures. The Directors believe that joint ventures should fulfil a strategic purpose, improving the Group's return and capital profile. Since 1 January 2013, the Directors have closed two former joint ventures in which the Group had an interest purely to obtain partial ownership of the underlying property assets: the Logistics Property Partnership joint venture ("**LPP**"), which owned big box warehouse assets in the UK, was closed in 2014 when the Group acquired its former partner's 50 per cent. interest, and the Heathrow Big Box joint venture ("**HBB**"), which owned two big box warehouse estates in London, was closed in 2015 with each of the two partners buying one of the two assets within the joint venture. APP was the last such non-strategic joint venture.

There are two sources of income from joint ventures: the Group's share of the profits of the joint venture's operating business and a management fee payable by the joint venture to the Group for its management role. Management fee income received by the Group from joint ventures increased from £11.8 million in 2014 to £18.6 million in 2016 mainly reflecting the growth of the SELP joint venture which more than offset the closure of the LPP and HBB joint ventures in 2014 and 2015, respectively.

In 2017, the Acquisition resulted in the properties of APP becoming wholly-owned assets of the Group. As a result, the profits associated with the former joint venture will cease to be recognised in the income statement as share of profits from joint ventures and will instead be fully consolidated in the Group's income statement. In addition, the Group ceased earning a management fee, which will reduce the level of joint venture management fee income in the IFRS Income Statement. In 2016, the joint venture fee income from APP was £6.6 million.

### **3.9 Unrealised gains or losses in property value**

Unrealised gains or losses in property value are often the primary driver of the Group's IFRS profit and can be very volatile as valuation changes between reporting dates may be significant, particularly in periods of uncertainty regarding property values. The values assigned to the Group's properties may change, as they are affected by a number of macroeconomic and sector-specific factors that are outside the Group's control, including, amongst others, GDP growth rates, business and consumer confidence levels, demand for business products and services, levels of corporate profitability, government building and infrastructure initiatives, the general availability and cost of credit, and interest rates.

The turbulence in financial markets in 2008 and 2009 affected the European commercial property sector generally, with significant increases in commercial property yields, declines in market rental levels and consequent decreases in property valuations, widespread market evidence of difficult

conditions for achieving property disposals or obtaining bank finance, an increased level of tenant defaults and greater reluctance by tenants to make decisions in respect of new lettings.

Unlike this earlier turbulence, the European commercial property market has experienced a period of relative recovery during the periods under review, and this has been reflected in the valuation of the Group's assets (and assets within its joint ventures). Values of UK commercial real estate fell in the months immediately after the EU referendum but the impact was relatively minor for industrial assets compared to other real estate sectors. On a like-for-like basis (excluding the impact of capital expenditure on acquisitions and development), the Group's portfolio valuation increased by 4.8 per cent. in 2016, following increases of 11.1 per cent. in 2015 and 12.3 per cent. in 2014. The increase in 2016 comprises a 4.5 per cent. increase in the value of the Group's completed properties, a 7.6 per cent. increase in the value of properties under development, and an 11.5 per cent. increase in the value of the land bank. The valuation was also impacted by a rise in stamp duty taxes in both the UK and France. Primarily as a result of revaluation of the Group's properties in accordance with International Accounting Standard 40, net realised and unrealised property gains recognised in the income statement were £409 million in 2014, £462 million in 2015 and £246 million in 2016. Whilst any revaluation gains and losses from the Group's existing properties may lead to non-cash revenue gains and losses from period to period, any such gains and losses would be unrealised and therefore would not have any impact on cashflow until such time as the Group chose to crystallise such gains or losses through a sale of one or more properties (if at all). However, under IFRS, such gains and losses do have the potential to cause volatility in the Group's IFRS Income Statement for the period during which the revaluation occurs.

### 3.10 Tax

The Group's target tax rate, on Adjusted Profit Before Tax, of less than 3 per cent. reflects the fact that over three-quarters of its assets are located in the UK and France and qualify for REIT and SIIC status, respectively, in those countries. This status means that income from rental profits and gains on disposals of assets in the UK and France are exempt from corporation tax, provided the Group meets a number of conditions including, but not limited to, distributing 90 per cent. of UK taxable profits.

## 4. Key performance indicators

In light of the principal factors affecting the Group's results of operations discussed above, the following are the main financial KPIs of the Group. These are used by the Directors to analyse the underlying results of the Group's business and financial performance between periods and to track the Group's progress and help develop long-term strategic plans.

The following table presents KPIs of the Group, each presented on a proportional consolidated (non-IFRS) basis for the periods under review:

	For the year ended 31 December		
	2016	2015	2014
Total Property Return ( <i>in per cent.</i> ) . . . . .	9.3	18.4	19.4
EPRA Net Asset Value per share ( <i>in pence</i> ) . . . . .	500	463	384
Loan to Value ratio ( <i>in per cent.</i> ) . . . . .	33	38	40
EPRA vacancy rate ( <i>in per cent.</i> ) . . . . .	5.7	4.8	6.3
Total Cost Ratio ( <i>in per cent.</i> ) <sup>(1)</sup> . . . . .	23.0	22.2 <sup>(1)</sup>	23.3 <sup>(1)</sup>
Rent roll growth ( <i>in £m</i> ) . . . . .	29.7	23.6	15.0

(1) The calculation of the Total Cost Ratio was adjusted in 2016, leading to a readjustment of the 2015 and 2014 figures. The TCR presented here for 2015 and 2014 are the adjusted values. See the section entitled "Presentation of key performance indicators—Total Cost Ratio ('TCR')" in Part IV (*Important Information*) for further information on the adjusted TCR calculation.

See "Presentation of key performance indicators" in Part IV (*Important Information*) for information as to how these KPIs have been defined and calculated. Below is a brief discussion of these measures and the Group's performance on the basis of them during the periods under review.

**Total Property Return ("TPR").** TPR is an important measure of the success of the Group's strategy in terms of asset selection and asset management. MSCI Real Estate (formerly known as IPD) prepares the calculation, as well as providing benchmark TPR data for similar properties in their wider

universe. The Group aims to outperform the benchmark over the long-term. For purposes of short and long-term employee remuneration, the portfolio's TPR is measured against the benchmark calculated by MSCI-IPD. In 2016, the Group's portfolio generated a TPR of 9.3 per cent. The benchmark for comparison is not available at this time. In 2014 and 2015, the Group's portfolio as a whole generated a TPR of 19.4 per cent. and 18.4 per cent., respectively, compared to the respective benchmark performances of 18.4 per cent. and 15.8 per cent. The lower TPR reported in 2016 mainly reflected the slower pace of capital growth of the portfolio during the year (4.8 per cent. in 2016 compared to 11.1 per cent. in 2015 and 12.3 per cent. in 2014).

**EPRA Net Asset Value ("NAV") per share.** The Directors aim for sustainable long term asset value growth whilst carefully managing the Group's liabilities to maintain balance sheet strength. The NAV per share increased to 500 pence in 2016 (2015: 463 pence; 2014: 384 pence) due to the increased market value of the overall property portfolio.

**Loan to Value ("LTV") ratio.** The LTV ratio is the Group's chosen measure of gearing. The Group's 'mid-cycle' LTV ratio target remains at 40 per cent. but, given that the Directors believe that at this point in the property investment cycle, following a few years of positive market conditions, the LTV ratio should be closer to 35 per cent. than 40 per cent., providing a buffer to debt covenant levels should property values decline which would put upwards pressure on the LTV ratio. The Group's LTV ratio improved to 33 per cent. at 31 December 2016 from 38 per cent. at 31 December 2015, principally as a result of the reduction in proportional consolidated net borrowings achieved through asset disposals during the year, the additional equity raised in September 2016 and the total portfolio valuation increase. The timing of investment decisions and disposals, as well as changes in the value of the Group's property assets as assessed by the external valuers, may cause the LTV ratio to fluctuate over time.

**EPRA vacancy rate.** The EPRA vacancy rate measures the Group's ability to minimise the quantity of non-income-producing built assets within its portfolio. An improving EPRA vacancy rate generally implies additional rental income and lower vacant property costs. Some level of vacancy will always exist within the portfolio in order to support asset management activities and allow customers the opportunity to move premises. At 31 December 2014, the portfolio EPRA vacancy rate was 6.3 per cent., falling to 4.8 per cent. at the end of 2015 due to strong take-up of existing space and the positive impact of lettings of newly-completed developments. At 31 December 2016, the EPRA vacancy rate was 5.7 per cent., a slight rise from 31 December 2015 due to speculative development completions (approximately 28 per cent. of the vacant space was in buildings completed between 1 January 2015 and 31 December 2016) and the expected take-back of space in a big box warehouse in a prime Midlands location acquired by the Group in March 2014 at a price reflecting the short remaining lease term, which added 0.8 percentage points to the rate. Treating short-term lettings as vacant space would increase the EPRA vacancy rate to 6.3 per cent. (2015: 6.3 per cent.). The average vacancy rate during the year was lower, at 5.2 per cent. compared to 6.5 per cent. in 2015. In the Group's segments, the EPRA vacancy rate at 31 December 2016 was 5.8 per cent. for Greater London (2015: 5.4 per cent.; 2014: 7.8 per cent.), 4.7 per cent. for Thames Valley and National Logistics (2015: 7.8 per cent.; 2014: 5.2 per cent.), 4.1 per cent. for Northern Europe (2015: 4.3 per cent.; 2014: 10.2 per cent.), 1.4 per cent. for Southern Europe (2015: 1.7 per cent.; 2014: 5.2 per cent.) and 6.4 per cent. for Central Europe (2015: 4.3 per cent.; 2014: 6.0 per cent.).

The Directors target a longer-term EPRA vacancy rate of 5 to 7 per cent.

**Total Cost Ratio ("TCR").** The Group uses TCR as an indicator of how cost-effectively the Directors manage both the property assets and the administrative costs in order to improve profitability. The Directors are targeting a TCR of 20 per cent. The TCR improved from 23.3 per cent. in 2014 to 23.0 per cent. in 2016 (2015: 22.2 per cent.), reflecting a larger and higher quality portfolio (gross rental income has increased by 6 per cent. over the period), a slower rise in overall costs (costs less joint venture fees have increased by 3 per cent. over the same period), increased share based payments and the relative absence of provision releases. Over the same period, approximately two thirds of the Group's costs are considered property operating costs, the remainder being administration costs. Operating and administrative costs increased by £8.4 million, which was partly offset by a £6.7 million increase in joint venture management fee income due mainly to development within, and the increased net asset value of, the SELP joint venture. The calculation of the Total Cost Ratio was adjusted in 2016, leading to an adjustment of the 2015 and 2014 figures. The TCR presented here for

2015 and 2014 are the adjusted values. See “—Presentation of key performance indicators—Total Cost Ratio (‘TCR’)” in Part IV (*Important Information*) for further information on the adjusted TCR calculation.

The Directors expect the Acquisition to reduce slightly the Group’s TCR in the near-term as a result of the expectation that the positive impact on the TCR from additional gross rental income will more than offset the negative impact on the TCR of net additional costs and a reduction in joint venture fee income.

**Rent roll growth.** There are two elements of rent roll growth: (i) to grow headline rent from completed assets by reducing vacancy and increasing rents from lease renewals and rent reviews; and (ii) to generate new headline rent by developing buildings either on a pre-let or speculative basis. Net new headline rent contracted increased from £15.0 million in 2014 to £29.7 million in 2016 (2015: £23.6 million), reflecting lower vacancy throughout 2016 compared to earlier years, market rental growth particularly in the UK and the increased volume of development completions during the year.

## **5. Critical Accounting Policies**

See Note 1 to the 2016 Financial Information included elsewhere in this document for a discussion of the critical accounting judgements and key sources of estimation uncertainty.

The Group’s reported financial condition and results of operations, prepared in accordance with IFRS, are sensitive to accounting policies, assumptions and estimates that underlie the preparation of the financial statements. The Group bases its estimates on historical experience and on various other assumptions and the Directors believe that the judgements, estimates and associated assumptions used in the preparation of the Group Financial Information are reasonable. However, actual results may differ from these estimates. The selection of critical accounting policies and associated judgements and estimates and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Group Financial Information. The Directors believe that the Group’s critical accounting policies that involve the most significant judgements and estimates used in the preparation of the Group Financial Information are accurately described in Note 1 to the 2016 Financial Information, and critical judgements are disclosed within the relevant Section of the Group Financial Information to which such judgements have been applied.

## **6. Key IFRS line items**

The following explains the key line items of the Group’s IFRS Income Statement.

### **6.1 Gross rental income**

The Group’s gross rental income reflects contracted rental income recognised in the period and includes lease surrender premiums and other miscellaneous property related income. Lease incentives, initial costs to arrange leases and any contracted future rental increases are spread on a straight line basis over the certain lease term.

### **6.2 Property operating expenses**

The Group’s property operating expenses are the Group’s expenses relating to maintenance and servicing of its trading and investment properties. Property operating costs relate only to the costs directly associated with the generation of rental income, including rent payable on head leases, and people employed in managing the properties; they do not include general and administrative expenses associated with the Group’s operations. They also include net expenses associated with, for example, securing and insuring a vacant property, as well as costs associated with the write-off of customer bad debts. Property operating costs directly related to developing the portfolio are capitalised into the cost base on the asset being developed and therefore do not get expensed in the Group’s income statement.

### **6.3 Joint venture management fee income**

The Group’s joint venture management fee income represents the Group’s income from joint venture partners, such as SELP and APP (prior to the Acquisition), due to the Group managing all properties

owned by the joint ventures. The income includes joint venture advisory, property management and development fees as well as performance and other fees.

#### **6.4 Administration expenses**

The Group's administration expenses include head office overhead and Group-wide costs, remuneration for directors and head office employees, non-property related costs in Continental Europe and audit fees. Administration costs primarily comprise staff costs and other administrative expenses. Staff costs consist mainly of salaries and bonuses paid to employees of the Group and associated costs, including benefits, pension arrangements and employer's national insurance. Movements in administration costs are linked primarily to changes in Group salary and staffing levels and bonus pay-out levels as well as underlying increases in professional fees.

#### **6.5 Share of profit from joint ventures after tax**

The Group's share of profits from property joint ventures after tax is the Group's share of profits from property joint ventures, including gross property rental income, property operating expenses, profits on sale of trading properties, provisions, finance costs, valuation movements and taxes.

#### **6.6 Realised and unrealised property gain**

The Group's realised and unrealised property gain/loss primarily includes the valuation movements on investment properties, further profit or loss on sales of investment and trading properties, and movements in the provision for impairment of trading properties (where movements are restricted such that the carrying value never exceeds cost).

Generally, the main component for realised and unrealised property gain/loss is movements in valuation. The market value of the Group's property portfolio is assessed by external independent valuers with reference to market evidence for similar properties at 30 June and 31 December each year. The valuation of investment and trading properties is reflected in the Group's IFRS Income Statement and the Group's consolidated balance sheet (albeit with trading properties being recognised at the lower of cost and valuation). As a result, the Group can have significant non-cash revenue gains and losses from period to period depending on the change in fair market value of its properties, whether or not such properties are sold. For example, during, and in the immediate aftermath of, the global financial crisis in the period from late 2007 to early 2009, the Group experienced falls in the valuation of properties within its portfolio of up to 30 per cent.

Movements in completed property values are dependent on two main factors: the change in rental potential of a property and the market yield applied to the property. Changes in either of these factors can have a considerable impact on property valuations and can be driven by both market factors and factors relating to each individual property asset such as its location and assessed quality. For properties under construction an assessment is made of the completed value of the building and deductions are made for estimated total costs to complete the property, including construction costs, finance and developer's profit, and perception of risk associated with construction (such as cost overruns and letting).

Revaluation gains and losses arising from movements in property valuation are reflected in the Group's consolidated income statement (other than the restriction noted in respect of trading properties above) and thus have an impact on the Group's profit or loss for the period (but are excluded from Adjusted Profit Before Tax and Adjusted Profit After Tax, non-IFRS measures used by the Group). See "*—Adjusted financial measures—Adjusted Profit Before Tax and Adjusted Profit After Tax.*"

#### **6.7 Other investment income**

The Group's other investment income represents the Group's income from legacy investing activities other than activities related to its trading and investment properties.

#### **6.8 Goodwill and other amounts written off on acquisitions and amortisation of intangibles**

The Group's goodwill and other amounts written off on acquisitions reflect goodwill arising from, and costs of, acquisitions and the amortisation of intangibles.

## 6.9 Finance income and costs

The Group's finance income includes primarily interest received on bank deposits and related derivatives, but also fair value gain on interest rate swaps and other derivatives as well as interest income on the defined benefit pension asset and exchange differences.

The Group's finance costs mainly reflect interest on overdrafts, loans and related derivatives, but also costs of early close out of debt and derivatives, net interest expenses on defined benefit pension obligations, and amortisation of debt issuance costs (which are costs directly related to the raising of debt and are spread over the term of the debt). Borrowing costs related to direct expenditure on properties under development are capitalised during the period of development. The movement in fair value of interest rate swap derivatives and early close out costs are included in the Group's profit and loss for the period but are excluded from Adjusted Profit Before Tax and Adjusted Profit After Tax, non-IFRS measures used by the Group. See "*Adjusted financial measures—Adjusted Profit Before Tax and Adjusted Profit After Tax.*"

## 6.10 Tax

Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that suitable taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax arising on EPRA adjustments, or which would not crystallise until or unless the property, investment or financial instrument is sold, are excluded from Adjusted Profit Before Tax and Adjusted Profit After Tax, non-IFRS measures used by the Group. See "*Adjusted financial measures—Adjusted Profit Before Tax and Adjusted Profit After Tax.*" This would typically include deferred tax on revaluation surpluses and tax depreciation (in the UK capital allowances) on real estate which could reverse on disposal of the asset.

## 7. Results of operations

### 7.1 Income statement data

The following table is extracted from the audited Group Financial Information that has been incorporated by reference herein:

	For the year ended		
	2016	31 December 2015	2014
	<i>(in £m)</i>		
<b>Revenue</b> .....	<b>283.5</b>	<b>248.5</b>	<b>290.0</b>
Gross rental income .....	225.5	210.7	215.1
Property operating expenses .....	(44.9)	(37.7)	(40.5)
<b>Net rental income</b> .....	<b>180.6</b>	<b>173.0</b>	<b>174.6</b>
Joint venture management fee income .....	18.6	17.0	11.8
Administration expenses .....	(31.4)	(28.5)	(28.3)
Pension settlement costs <sup>(1)</sup> .....	—	(4.8)	—
Share of profit from joint ventures after tax .....	85.1	156.5	151.4
Realised and unrealised property gain .....	246.0	461.5	408.6
Other investment income .....	—	6.6	1.9
Goodwill and other amounts written off on acquisitions and amortisation of intangibles .....	(0.2)	(3.8)	(0.2)
<b>Operating profit</b> .....	<b>498.7</b>	<b>777.5</b>	<b>719.8</b>
Finance income .....	46.7	43.4	84.3
Finance costs .....	(119.0)	(134.4)	(149.7)
<b>Profit before tax</b> .....	<b>426.4</b>	<b>686.5</b>	<b>654.4</b>
Tax .....	(7.7)	(3.7)	27.6
<b>Profit after tax</b> .....	<b>418.7</b>	<b>682.8</b>	<b>682.0</b>

- (1) In 2015 the Group incurred a one-off pension settlement cost of £4.8 million. This comprised of £3.5 million in buy-out costs agreed with an insurance company to secure all member benefits of the Bilton Group pension scheme (one of the Group's defined benefit legacy schemes), and £1.3 million of costs associated with the transaction and the merger of two other legacy pension schemes (Brixton and JSG) with the main SEGRO scheme.

### 7.2 Comparison of the years ended 31 December 2015 and 31 December 2016 on an IFRS basis

#### Gross rental income

The Group's gross rental income for 2016 increased by 7.0 per cent. to £225.5 million from £210.7 million in 2015. The increase was mainly due to increases in Greater London and Northern Europe where positive lettings of standing stock, acquisitions and developments more than offset the impact of disposals. The higher gross rental income from these geographical business units was partially offset by lower gross rental income from Thames Valley and National Logistics in particular due to the disposal of a portfolio of offices at the start of 2016.

The Group's reporting segments consist of five geographical business units: Greater London, Thames Valley and National Logistics, Northern Europe (principally Germany), Southern Europe (principally France) and Central Europe (principally Poland). For a segmental analysis of the Group's gross rental income on a proportional consolidated (non-IFRS) basis, which includes the Group's share of gross rental income of joint ventures, see "*Adjusted financial measures—Analysis of rental income on a proportional consolidated basis.*"

#### Property operating expenses

The Group's property operating expenses in 2016 increased by 19.1 per cent. to £44.9 million from £37.7 million in 2015. This was primarily due to higher vacant property costs (which increased by £2.2 million, to £5.6 million) due predominantly to a decrease in out of period credits of £2.3 million (rates accrual releases) in 2016 compared to 2015 and an increase of £4.1 million in property administration expenses. This was mainly due to an increase in employee staff costs and an increase in share based payments costs of £1.6 million (mainly as a result of an increase in the number of shares estimated to vest from the TPR element of awards under the LTIP scheme).

### **Joint venture management fee income**

Joint venture management fee income increased by £1.6 million, or 9.4 per cent., from £17.0 million in 2015 to £18.6 million in 2016. This increase was predominantly due to management and development fees from SELP (due to an increase to the size of the portfolio which was €2.5 billion at 31 December 2016, compared to €2.1 billion a year earlier), and partially offset by lower performance fees from the APP joint venture.

The Group earned £5.7 million in management fees (of which £4.9 million related to recurring management fees and £0.8 million to non-recurring development fees) and £0.9 million in performance fees as a result of its managing the properties of the former APP joint venture in 2016. Such fees will cease following the Acquisition.

### **Administration expenses**

Administration expenses increased by 10.2 per cent. from £28.5 million in 2015 to £31.4 million in 2016. This was mainly due to an increase in share based payments costs which increased by £3.8 million in 2016 compared to 2015, of which £2.2 million was within administration expenses, with the balance in property administration expenses noted above.

### **Share of profit from joint ventures after tax**

The Group's share of joint ventures' profit after tax decreased by 45.6 per cent. from £156.5 million in 2015 to £85.1 million in 2016, reflecting a reduction in valuation surpluses of £84.5 million (from £123.8 million in 2015 to £39.3 million in 2016), primarily arising in SELP (£49.6 million) and APP (£34.9 million). This was partially offset by an increase in Adjusted Profit After Tax of £10.0 million, primarily from SELP (£9.1 million, whose non-current assets (at share) have grown from £774.2 million to £1,056.6 million across the year). The share of profit from joint ventures after tax is net of the Group's share of joint venture property management fees of £3.3 million in relation to the APP joint venture. Such fees will cease following the Acquisition. In addition, the Group ceased earning a joint venture management fee (as described in the section titled '*Joint venture management fee income*'), which will reduce the level of joint venture fee management income in the IFRS Income Statement.

### **Realised and unrealised property gain**

Realised and unrealised gains on wholly-owned investment and trading properties decreased by 46.7 per cent. from £461.5 million in 2015 to £246.0 million in 2016. These gains comprised of an unrealised valuation surplus of £231.3 million in 2016 (2015: £439.8 million surplus) and a profit of £16.7 million on asset disposals in 2016 (2015: £22.9 million profit), offset by impairment provisions of £2.0 million in 2016 (2015: £1.2 million) against trading properties where their fair values were deemed to be less than their original cost.

### **Other investment income**

The Group had no other investment income in 2016 (2015: £6.6 million). This was due to the sale of a number of available-for-sale investments in 2015 leaving one investment remaining (valued at £0.7 million in 2016). There were no disposals in 2016.

### **Goodwill and other amounts written off on acquisitions and amortisation of intangibles**

Goodwill and other amounts written off on acquisitions and amortisation of intangibles decreased from £3.8 million in 2015 to £0.2 million in 2016. This was mainly due to a £3.6 million charge in 2015 relating to the acquisition of Vailog.

### **Finance income and costs**

Finance income increased by £3.3 million, or 7.6 per cent., from £43.4 million in 2015 to £46.7 million in 2016. The increase is mainly attributable to an increase in the fair value gain on derivative financial instruments (due to an increase in the fair value of receive fixed pay floating Pounds Sterling interest rate swaps during the year, reflecting a reduction in medium term Pounds Sterling interest rates during 2016), partially offset by a reduction in finance income from interest on the deferred consideration in relation to the SELP joint venture, which was paid in full during 2015.

Finance costs decreased by 15.4 million, or 11.5 per cent., from £134.4 million in 2015 to £119.0 million in 2016. The decrease was mainly attributable to lower floating interest rates during 2016 and a reduced borrowing margin on committed bank borrowings, as well as a reduction of £7.9 million in the fair value loss in respect of derivative financial instruments.

## **Tax**

The Group's tax charge in 2016 on profit of £426.4 million (2015: £686.5 million) amounted to £7.7 million, following a tax charge of £3.7 million in 2015. The increase was mainly due to corporate income taxes on property transactions in the period. The 2016 tax charge reflected an effective tax rate of 1.8 per cent. (2015: 0.5 per cent.). The tax charge in 2016 on Adjusted Profit Before Tax of £154.5 million (2015: £138.6 million) amounted to £1.8 million (2015: £1.3 million) and reflected an effective tax rate on Adjusted Profit Before Tax of 1.2 per cent. (2015: 0.9 per cent.), consistent with a Group target tax rate, on Adjusted Profit Before Tax, of less than 3 per cent. The tax charge on Adjusted Profit Before Tax is calculated as defined in section 8.1.

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

## **7.3 Comparison of the years ended 31 December 2014 and 31 December 2015 on an IFRS basis**

### **Gross rental income**

The Group's gross rental income for 2015 decreased by 2.0 per cent. to £210.7 million from £215.1 million in 2014. The decline was mainly due to sales of assets from the Group's wholly-owned portfolio in Germany and Belgium during 2014, the lost income being reflected fully in 2015. Rent lost from disposals was partly offset by acquisitions across the portfolio, rental growth on existing assets and development completions.

### **Property operating expenses**

The Group's property operating expenses in 2015 decreased by 6.9 per cent. to £37.7 million from £40.5 million in 2014. This was primarily due to lower vacant property costs, which fell by £4.1 million, or 55 per cent., to £3.4 million due largely to an increase of out of period credits (mainly the release of vacant rates accruals made in a prior financial year) of £1.8 million in 2015, vacant property costs associated with completion of speculative developments, and a lower average EPRA vacancy rate in 2015 compared to 2014.

### **Joint venture management fee income**

Joint venture management fee income increased by £5.2 million, or 44.1 per cent., from £11.8 million in 2014 to £17.0 million in 2015. This increase was largely due to higher performance fees from the APP joint venture reflecting outperformance of the portfolio compared to its benchmark, and also to increased development and management fees from SELP, part of which related to the size of the portfolio which was €2.1 billion at 31 December 2015, compared to €1.7 billion a year earlier.

### **Administration expenses**

Administration expenses increased by 0.7 per cent. from £28.3 million in 2014 to £28.5 million in 2015. This was mainly due to an increase in depreciation, offsetting lower staff costs.

### **Share of profit from joint ventures after tax**

The Group's share of joint ventures' profit after tax increased by £5.1 million, or 3.4 per cent., from £151.4 million in 2014 to £156.5 million in 2015, reflecting the closing of the Logistics Property Partnership (LPP) and Heathrow Big Box (HBB) joint ventures in July 2014 and June 2015, respectively, partly offset by higher income from the SELP joint venture reflecting the enlarged property portfolio of this joint venture. The Group acquired the LPP assets and one of the two assets within HBB, and the income from these is reflected in the Group's net rental income in 2016. The Group's share of realised and unrealised gains on properties held in joint ventures was £125.6 million in 2015 (2014: £109.4 million).

### **Realised and unrealised property gain**

Realised and unrealised gains on wholly-owned investment and trading properties were £461.5 million in 2015 (2014: £408.6 million gain), an increase of 12.9 per cent., comprising an unrealised valuation surplus of £439.8 million in 2015 (2014: £385.6 million surplus) and a profit of £22.9 million on asset disposals in 2015 (2014: £24.7 million profit), offset by impairment provisions of £1.2 million in 2015 (2014: £1.7 million) against trading properties.

### **Other investment income**

Other investment income increased from £1.9 million in 2014 to £6.6 million in 2015. This was due to an increase in the profit realised on disposals of available for sale investments (which comprised holdings in private equity funds investing in the UK, Continental Europe and the United States).

### **Goodwill and other amounts written off on acquisitions and amortisation of intangibles**

Goodwill and other amounts written off on acquisitions and amortisation of intangibles increased from £0.2 million in 2014 to £3.8 million in 2015. This was mainly due to the acquisition of Vailog in 2015. This related to (i) goodwill of £2.0 million representing the difference between the fair value of the net assets acquired and the consideration paid, and (ii) transaction costs of £1.6 million.

### **Finance income and costs**

Finance income decreased by £40.9 million, or 48.5 per cent., from £84.3 million in 2014 to £43.4 million in 2015. The decrease was mainly attributable to a fair value gain in respect of derivative financial instruments in 2014 of £42.8 million (mainly due to a reduction in medium term Pounds Sterling interest rates during 2014 increasing the value of the Group's received fixed pay floating interest rate swap portfolio).

Finance costs decreased by £15.3 million, or 10.2 per cent., from £149.7 million in 2014 to £134.4 million in 2015. The decrease was mainly attributable to the impact of interest savings from lower interest rates following the Euro interest rate swap portfolio restructuring in April 2015, the impact of the weaker Euro and lower commitment fees as well as a reduction of £7.6 million in the fair value loss in respect of derivative financial instruments.

### **Tax**

The Group's tax charge in 2015 on profit of £686.5 million (2014: £654.4 million) amounted to £3.7 million, following a tax credit of £27.6 million in 2014, which was mainly due to a tax refund related to the disposal of the Group's US business in 2007. The 2015 tax charge reflects an effective tax rate of 0.5 per cent. (2014: (4.2) per cent. credit). The tax charge in 2015 on Adjusted Profit Before Tax of £138.6 million (2014: £129.7 million) amounted to £1.3 million (2014: £1.9 million) and reflects an effective tax rate on Adjusted Profit Before Tax of 0.9 per cent. (2014: 1.5 per cent.), consistent with a Group target tax rate, on Adjusted Profit Before Tax, of less than 3 per cent.

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

## **8. Adjusted financial measures**

Management uses several financial measures that are non-IFRS financial measures to assess the Group's operating performance and liquidity and the Directors believe that the presentation of these measures provides meaningful, additional insight for investors. See "*Presentation of Non-IFRS Financial Measures*" in Part IV (*Important Information*).

### **8.1 Adjusted Profit Before Tax and Adjusted Profit After Tax**

The Group's financial statements present the results of the Group on both an adjusted and an IFRS basis. Adjusted Profit Before Tax and Adjusted Profit After Tax, which are non-IFRS measures, are measures of underlying profit used by the Group, which are used by the Directors and management to measure and monitor the Group's income performance.

Adjusted Profit Before Tax and Adjusted Profit After Tax represent profit before tax and after tax, respectively, in accordance with IFRS as adjusted in accordance with the Best Practices Recommendations Guidelines of EPRA and to exclude non-recurring items. The Best Practices Recommendations Guidelines of EPRA calculate profit by excluding investment and development property revaluations and gains or losses on disposals. In addition to the adjustments based on EPRA Best Practices Recommendations Guidelines, the Directors may also exclude from the EPRA profit measure additional items (gains and losses) that are considered by them to be non-recurring or unusual, which in each case are significant by virtue of size and nature. In the period 2014 to 2016, such items were limited to pension settlement costs incurred in 2015.

The following table sets out a reconciliation of IFRS profit before tax to Adjusted Profit Before Tax:

	For the year ended 31 December		
	2016	2015 <i>(in £m)</i>	2014
<b>IFRS profit before tax</b> .....	<b>426.4</b>	<b>686.5</b>	<b>654.4</b>
Adjustments to the share of profit from joint ventures after tax <sup>(1)</sup> .....	(29.7)	(112.1)	(105.1)
Profit on sale of investment properties <sup>(2)</sup> .....	(16.4)	(23.0)	(25.0)
Valuation surplus on investment and owner occupied properties <sup>(3)</sup> .....	(231.3)	(439.8)	(385.6)
(Gain)/Loss on sale of trading properties <sup>(4)</sup> .....	(0.3)	0.1	0.3
Increase in provision for impairment of trading properties <sup>(5)</sup> .....	2.0	1.2	1.7
Other investment income <sup>(6)</sup> .....	—	(6.6)	(1.9)
Goodwill and other amounts written off on acquisitions and amortisation of intangibles <sup>(7)</sup> .....	0.2	3.8	0.2
Cost of early close out of bank debt <sup>(8)</sup> .....	1.0	—	1.6
Net fair value loss/(gain) on interest rate swaps and other derivatives <sup>(9)</sup> .....	2.6	23.7	(10.9)
Pension settlement costs <sup>(10)</sup> .....	—	4.8	—
<b>Total adjustments to IFRS profit before tax</b> .....	<b>(271.9)</b>	<b>(547.9)</b>	<b>(524.7)</b>
<b>Adjusted Profit Before Tax</b> .....	<b>154.5</b>	<b>138.6</b>	<b>129.7</b>

- (1) Primarily reflects valuation surplus on investment properties of the Group's SELP and APP joint ventures in 2015, less cost of early close out of bank debt and less tax in respect of adjustments, both related to SELP.
- (2) Reflects profit realised on disposal of investment properties.
- (3) Reflects an unrealised revaluation surplus during the year for completed and development investment properties.
- (4) Profit or loss realised on disposal of trading properties.
- (5) Reflects an unrealised valuation deficit on trading properties (which are held at the lower of cost and net realisable value under IFRS).
- (6) Reflects net profit or loss on available-for-sale investments (in particular a net profit in 2015) and a realised fair value surplus on sale of available-for-sale investments previously recognised in reserves (in particular in 2014).
- (7) Reflects the amortisation of intangibles and, in 2015, goodwill and other amounts written-off in relation to the acquisition of Vailog.
- (8) Reflects costs associated with refinancing bank debt, mainly comprising the write-off of unamortised fees and early repayment fees.
- (9) The Group elects not to hedge account its interest rate derivative portfolio and therefore movements in its fair value are reflected in the income statement. Reflects unrealised gains or losses associated with movements in the fair value (which are carried at fair value in the balance sheet) of the Group's derivative portfolio, which are not classified as hedges, between balance sheet dates.
- (10) This comprised of £3.5 million in buy-out costs agreed with an insurance company to secure all member benefits of the Bilton Group pension scheme (one of the Group's defined benefit legacy schemes), and £1.3 million of costs associated with the transaction and the merger of two other legacy pension schemes (Brixton and JSG) with the main SEGRO scheme.

Adjusted Profit Before Tax increased by 6.9 per cent. to £138.6 million in 2015 (2014: £129.7 million) reflecting increased joint venture fees and lower property operating expenses and net finance costs, offset by a reduction in gross rental income due to disposals, and lower surrender premiums and one-off items.

Adjusted Profit Before Tax increased by 11.5 per cent. to £154.5 million in 2016 (2015: £138.6 million), reflecting increased gross rental income, joint venture management fee income and share of joint ventures' adjusted profit after tax, partially offset by increased property operating expenses, administration expenses and net finance costs.

In 2015, £4.8 million of pension settlement costs incurred in rationalising pension schemes, primarily the buying out of the Bilton Group Pension Scheme, were excluded from the calculation of Adjusted Profit Before Tax and Adjusted Profit After Tax. There is no tax effect of this item in 2015. No non-EPRA adjustments to Adjusted Profit Before Tax were made in 2014 or in 2016.

The following table sets out a reconciliation of IFRS profit after tax to Adjusted Profit After Tax:

	For the year ended		
	31 December		
	2016	2015	2014
	<i>(in £m)</i>		
<b>IFRS profit after tax</b> .....	<b>418.7</b>	<b>682.8</b>	<b>682.0</b>
Total adjustments to profit before tax .....	(271.9)	(547.9)	(524.7)
<i>Tax adjustments</i>			
Add back: tax in respect of before tax adjustments <sup>(2)</sup> .....	5.9	2.4	4.1
Deduct: US tax refund <sup>(1)</sup> .....	—	—	(33.6)
Less non-controlling interests .....	(0.1)	—	—
<b>Adjusted Profit After Tax<sup>(3)</sup></b> .....	<b>152.6</b>	<b>137.3</b>	<b>127.8</b>

- (1) Reflects a one-time refund recognised in 2014 of taxes paid in the United States due to the disposal of the Group's US business in 2007.
- (2) The Group's tax on Adjusted Profit Before Tax in 2016 was £1.8 million after adding back £5.9 million of tax in respect of adjustments (2015: tax on Adjusted Profit Before Tax of £1.3 million after adding back £2.4 million in respect of adjustments; 2014: tax on Adjusted Profit Before Tax of £1.7 million after adding back £4.1 million in respect of adjustments and deducting US tax refund of £33.6 million).
- (3) Excludes £0.1 million of non-controlling interest's share of Adjusted Profit After Tax (2016: £0.1 million; 2015: nil; 2014: nil).

## 8.2 Analysis of rental income on a proportional consolidated basis

### Net rental income on a proportional consolidated basis

The table below presents the Group's net rental income on a proportional consolidated basis.

	For the year ended		
	31 December		
	2016	2015	2014
	<i>(in £m)</i>		
Net rental income on a proportional consolidated basis ..	250.7	232.7	238.0

The Group's net rental income (gross rental income net of property operating expenses) on a proportional consolidated basis in 2015 decreased by 2.2 per cent. to £232.7 million from £238.0 million in 2014. The decline reflected the sales of assets from the Group's wholly-owned portfolio in Germany and Belgium during 2014, with the lost income being reflected fully in 2015. Rent lost from disposals was partly offset by acquisitions across the portfolio, rental growth and development completions. It further reflected the closing of the LPP and HBB joint ventures in July 2014 and June 2015, respectively, partly offset by higher income from the SELP joint venture.

In 2016, the Group's net rental income on a proportional consolidated basis increased by 7.7 per cent. to £250.7 million from £232.7 million in 2015. This was primarily due to the impact of properties acquired, new developments and exchange rates, as well as the increase in like-for-like net rental income (discussed further below), offsetting the impact of disposals (where a large office portfolio was sold in January 2016).

In 2015, like-for-like net rental income increased by £7.4 million, or 4.2 per cent., from £174.2 million in 2014 to £181.6 million. This was mainly due to rental increases in the UK portfolio and a lower overall EPRA vacancy rate during the year, which enhanced gross rental income and reduced vacant property costs. Like-for-like net rental income increased by 5.2 per cent. in the UK and by 1.2 per cent. in Continental Europe. If the corporate centre and other costs relating to the operational business which are not specifically allocated to a geographical business unit are deducted, like-for-like net rental income increased by £7.4 million, or 4.3 per cent., from £172.2 million in 2014 to £179.6 million in 2015.

In 2016, like-for-like net rental income increased by £8.0 million, or 4.0 per cent., from £201.8 million in 2015 to £209.8 million, reflecting an increase in rents on UK lettings and a lower average EPRA vacancy rate during the year, offsetting small decreases in like-for-like net rental income in Continental Europe (like-for-like net rental income increased by 6.0 per cent. in the UK and decreased by 0.7 per cent. in Continental Europe). If the corporate centre and other costs relating to the operational business which are not specifically allocated to a geographical business unit are deducted, like-for-like net rental income increased by £6.4 million, or 3.2 per cent., from £199.8 million in 2015 to £206.2 million in 2016.

### Segmental analysis on a proportional consolidated basis

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

The table below shows the gross rental income on a proportional consolidated basis for each of the Group's segments as well as in total.

	For the year ended 31 December								
	2016			2015			2014		
	Wholly-owned <sup>(1)</sup>	JV at share <sup>(2)</sup>	Total <sup>(3)</sup>	Wholly-owned <sup>(1)</sup>	JV at share <sup>(2)</sup>	Total <sup>(3)</sup>	Wholly-owned <sup>(1)</sup>	JV at share <sup>(2)</sup>	Total <sup>(3)</sup>
	<i>(in £m)</i>								
Greater London . . . . .	76.7	24.1	100.8	67.8	26.7	94.5	65.7	29.6	95.3
Thames Valley and National Logistics . . . . .	95.6	—	95.6	102.0	—	102.0	90.0	6.5	96.5
Northern Europe . . . . .	25.0	22.4	47.4	15.3	17.1	32.4	31.3	11.2	42.5
Southern Europe . . . . .	22.9	16.6	39.5	20.3	13.0	33.3	23.0	12.5	35.5
Central Europe . . . . .	5.3	19.6	24.9	5.3	16.4	21.7	5.1	14.8	19.9
<b>Total . . . . .</b>	<b>225.5</b>	<b>82.7</b>	<b>308.2</b>	<b>210.7</b>	<b>73.2</b>	<b>283.9</b>	<b>215.1</b>	<b>74.6</b>	<b>289.7</b>

- (1) Reflects the Group's gross rental income as shown in the IFRS Income Statement.
- (2) Reflects the Group's proportional share in joint ventures' gross rental income which is otherwise shown within the line item "Share of profit from joint ventures after tax" in the IFRS Income Statement.
- (3) A non-IFRS financial measure that represents the Group's gross rental income on a proportional consolidated basis.

#### Greater London

The Group's gross rental income on a proportional consolidated basis for Greater London decreased by 0.8 per cent. to £94.5 million in 2015 from £95.3 million in 2014, reflecting acquisitions and disposals in 2015 (including the closure of the Heathrow Big Box joint venture).

In 2015, the Business Unit generated £11.7 million of annualised gross rent from new lettings, rent reviews and renewals, partly offset by £6.2 million of annualised gross rent lost from take-backs of space.

In 2016, gross rental income increased by 6.8 per cent. to £100.8 million, reflecting the full year impact of acquisitions which occurred in the second half of 2015, and 8.1 per cent. rental growth from lease renewals and rent reviews. In 2016, the Business Unit generated £15.0 million of annualised gross rent from new lettings, rent reviews and renewals, partly offset by £4.2 million of annualised gross rent lost from take-backs of space.

### *Thames Valley and National Logistics*

The Group's gross rental income on a proportional consolidated basis for Thames Valley and National Logistics increased by 5.7 per cent. to £102.0 million in 2015 from £96.5 million in 2014, mainly reflecting the full year impact in 2015 of the acquisition of the outstanding 50 per cent. interest in the LPP joint venture which occurred in 2014, as well as the acquisition in 2015 of two big box warehouses.

In 2015, the business unit generated £5.9 million of annualised gross rent from new lettings, rent reviews and renewals, partly offset by £3.7 million of annualised gross rent lost from takebacks of space.

In 2016, gross rental income decreased by 6.3 per cent. to £95.6 million, mainly reflecting the disposal of a portfolio of offices bordering the Slough Trading Estate in January 2016. During 2016, the business unit generated £12.4 million of annualised gross rent from new lettings, rent reviews and renewals, partly offset by £5.4 million of annualised gross rent lost from takebacks of space.

### *Northern Europe*

The Group's gross rental income on a proportional consolidated basis for Northern Europe decreased by 23.8 per cent. to £32.4 million in 2015 from £42.5 million in 2014. This mainly reflected the full year impact of disposals in Germany and Belgium in the fourth quarter of 2014, including the sale of an office park in Brussels. This was partly offset by the acquisition of two big box warehouses in Germany by the SELP joint venture and two big box warehouses in the Netherlands in the fourth quarter of 2015.

In 2015, the business unit generated £5.7 million of annualised gross rent from new lettings, rent reviews and renewals, partly offset by £2.2 million of annualised gross rent lost from takebacks of space.

In 2016, gross rental income increased by 46.3 per cent. to £47.4 million from £32.4 million in 2015, mainly reflecting the full year impact of the Netherlands acquisitions in 2015, but also assisted by the strengthening Euro against Pounds Sterling, from an average rate of €1.38:£1 in 2015 to €1.22:£1 in 2016. In 2016, the business unit generated £4.8 million of annualised gross rent from new lettings, rent reviews and renewals, partly offset by £1.7 million of annualised gross rent lost from takebacks of space.

### *Southern Europe*

The Group's gross rental income on a proportional consolidated basis for Southern Europe decreased by 6.2 per cent. to £33.3 million in 2015 from £35.5 million in 2014. This was primarily due to the disposal of an office park in Milan in April 2015, partly offset by the acquisition of the 90 per cent. interest in Vailog in June 2015.

In 2015, the business unit generated £5.7 million of annualised gross rent from new lettings, rent reviews and renewals, partly offset by £2.4 million of annualised gross rent lost from takebacks of space.

In 2016, gross rental income increased by 18.6 per cent. to £39.5 million from £33.3 million in 2015, reflecting the full year impact of the acquisition of Vailog, as well as the exchange rate impact of the strengthening Euro against Pounds Sterling. During 2016, the business unit generated £6.9 million of annualised gross rent from new lettings, rent reviews and renewals, partly offset by £1.3 million of annualised gross rent lost from takebacks of space.

### *Central Europe*

The Group's gross rental income on a proportional consolidated basis for Central Europe increased by 9.0 per cent. to £21.7 million in 2015 from £19.9 million in 2014. This was primarily due to the completion of seven largely pre-let developments within the SELP joint venture during the year.

In 2015, the business unit generated £4.2 million of annualised gross rent from new lettings, rent reviews and renewals, partly offset by £1.3 million of annualised gross rent lost from takebacks of space.

In 2016, gross rental income increased by 14.7 per cent. to £24.9 million from £21.7 million in 2015, reflecting the full year impact of development completions in 2015 with the completion of a further seven developments, mainly within SELP, during the year. The strengthening of the Euro against Pounds Sterling also impacted gross rental income. In 2016, the business unit generated £4.1 million of annualised gross rent from new lettings, rent reviews and renewals, partly offset by £2.6 million of annualised gross rent lost from takebacks of space.

## 9. Liquidity and capital resources

Historically, the Group has financed its net capital and working capital requirements through a combination of cash flows from operating activities and capital funding (both long-term debt financing and equity financing). The Group's borrowings consist of a combination of debt securities and committed bank facilities.

The Group seeks to maintain, over the medium-term, an appropriate mix of debt funding between longer-dated core funding provided by bonds, and shorter-dated bank facilities providing funding headroom and more flexible borrowings that are cheaper and easier to repay than bonds. The Group's borrowing requirements are not materially affected by seasonality.

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 but one of which currently have long-term credit ratings of A- or better.

### 9.1 Cash flow

The following table shows the Group's cash flow as presented in the Group's IFRS cash flow statements.

	For the year ended 31 December		
	2016	2015 <i>(in £m)</i>	2014
Net cash received from operating activities . . . . .	101.2	87.7	123.0
Net cash received from/(used in) investing activities . . .	80.7	(165.5)	(130.3)
Net cash (used in)/received from financing activities . . .	(166.5)	70.7	(202.5)
Net increase/(decrease) in cash and cash equivalents . . . . .	15.4	(7.1)	(209.8)
<b>Cash and cash equivalents at the beginning of the year . . . . .</b>	<b>16.4</b>	<b>23.8</b>	<b>233.8</b>
Effect of foreign exchange rate changes . . . . .	0.2	(0.3)	(0.2)
<b>Cash and cash equivalents at the end of the year ..</b>	<b>32.0</b>	<b>16.4</b>	<b>23.8</b>

#### Net cash received from operating activities

Net cash received from operating activities was £101.2 million in 2016, an increase of 15.4 per cent. compared to £87.7 million in 2015, mainly due to a significant increase in disposal proceeds from trading properties in 2016 compared to 2015 and the outflow in the prior year relating to the cost of early close out of interest rate swaps.

Net cash received from operating activities was £87.7 million in 2015, a decrease of £35.3 million from £123.0 million in 2014 owing mainly to the disposal of trading properties in 2014 and the cost of the early close out of interest rate swaps in 2015. These were partially offset by lower finance costs and the receipt of a tax refund from the U.S. tax authorities in 2015 relating to the disposal of the Group's US business in 2007.

#### Net cash received from/(used in) investing activities

Cash flow received from investing activities was £80.7 million in 2016. On a cash flow basis, which reflects the cash element of property swap transactions and excludes the impact of joint ventures, the Group invested £429.7 million in the purchase and development of investment properties of which £187.0 million related to the acquisition of investment properties and £242.7 million to other capital expenditure (including development capital expenditure). Investments in other interests in property were £36.7 million (mainly consisting of land options acquired as part of the Roxhill transaction) and

investments into joint ventures were £63.4 million. These cash outflows were more than offset by disposal proceeds of £614.0 million (including the disposal of the Bath Road office portfolio for net proceeds of £321.0 million in January 2016).

Cash flow used in investing activities was £165.5 million in 2015. On a cash flow basis, which reflects the cash element of property swap transactions and excludes the impact of joint ventures, the Group invested £470.8 million in the purchase and development of investment properties of which £318.0 million related to the acquisition of investment properties and £152.8 million to other capital expenditure (including development capital expenditure), which was partially offset by proceeds from the sale of investment properties of £226.3 million. During 2015, the Group acquired a 90 per cent. interest in Vailog for £26.4 million (of which £24.8 million was included within investing cash flows with the remainder in operating cash flows). There was also a cash inflow of £119.9 million in 2015 relating to the settlement of deferred consideration from the sale in 2013 of a portfolio of wholly-owned Continental European logistics assets into the SELP joint venture in which the Group has a 50 per cent. interest. The Group also invested £28.0 million into joint ventures in 2015.

Cash flow used in investing activities was £130.3 million in 2014. On a cash flow basis, which reflects the cash element of property swap transactions and excludes the impact of joint ventures, the Group invested £247.9 million in the purchase and development of investment properties of which £110.0 million related to the acquisition of investment properties and £137.9 million to other capital expenditure (including development capital expenditure). During 2014, the Group acquired the remaining 50 per cent. share in LPP for £95.6 million and invested £201.7 million into joint ventures. These cash outflows were partially offset by proceeds from the sale of investment properties of £408.7 million.

#### **Net cash (used in)/received from financing activities**

Cash flow used in financing activities was £166.5 million in 2016, mainly due to net repayments of amounts drawn under committed bank facilities of £225.2 million, cash dividend payments of £89.0 million, and an outflow from the cash settlement of foreign exchange derivatives (due to a strengthening of the Euro against Pounds Sterling during the year) of £168.4 million, partially offset by net proceeds of £318.4 million from the share placing during the year.

Cash flow received from financing activities was £70.7 million in 2015 due mainly to net amounts drawn under committed bank facilities of £67.4 million and a receipt from the cash settlement of foreign exchange derivatives (due to a weakening of the Euro against Pounds Sterling during the year) of £101.1 million, partially offset by cash dividend payments in 2015 of £91.5 million.

Cash flow used in financing activities was £202.5 million in 2014 mainly due to net repayments of amounts drawn under committed bank facilities of £148.3 million and cash dividend payments of £109.8 million, partially offset by a receipt from the cash settlement of foreign exchange derivatives (due to a weakening of the Euro against Pounds Sterling during the year) of £59.2 million.

#### **10. The Group's debt**

The Group's borrowings (excluding the Group's share of joint venture (non-recourse) borrowings) at 31 December 2016, 2015 and 2014 are summarised in the tables below.

<i>Maturity profile of borrowings</i>	<b>For the year ended</b>		
	<b>2016</b>	<b>31 December</b>	<b>2014</b>
		<b>2015</b>	
		<i>(in £m)</i>	
<b>In one year or less</b> .....	—	—	<b>207.6</b>
In more than one year but less than two .....	199.6	103.2	—
In more than two years but less than five .....	860.6	852.2	380.2
In more than five years but less than ten .....	371.9	669.2	917.0
In more than ten years .....	198.3	198.3	198.2
<b>Total in more than one year</b> .....	<b>1,630.4</b>	<b>1,822.9</b>	<b>1,495.4</b>
<b>Total borrowings</b> .....	<b>1,630.4</b>	<b>1,822.9</b>	<b>1,703.0</b>
Cash and cash equivalents .....	(32.0)	(16.4)	(23.8)
<b>Net borrowings</b> .....	<b>1,598.4</b>	<b>1,806.5</b>	<b>1,679.2</b>

<i>Maturity profile of undrawn borrowing facilities</i>	For the year ended 31 December		
	2016	2015	2014
		(in £m)	
In one year or less . . . . .	5.0	5.0	5.0
In more than one year but less than two . . . . .	—	102.9	—
In more than two years but less than five . . . . .	529.9	110.0	399.9
<b>Total available undrawn borrowing facilities . . . . .</b>	<b>534.9</b>	<b>217.9</b>	<b>404.9</b>

<i>Net borrowings by type</i>	For the year ended 31 December		
	2016	2015	2014
		(in £m)	
<b>Secured borrowings:</b>			
Euro mortgages (repayable in more than two years but less than five) . . . . .	3.9	3.6	—
<b>Total secured (on land, buildings and other assets) . . . . .</b>	<b>3.9</b>	<b>3.6</b>	<b>—</b>
<b>Unsecured borrowings:</b>			
<b>Bonds</b>			
5.25% bonds 2015 . . . . .	—	—	107.6
6.25% bonds 2015 . . . . .	—	—	100.0
5.5% bonds 2018 . . . . .	199.6	199.4	199.2
6.0% bonds 2019 . . . . .	174.6	173.6	172.6
5.625% bonds 2020 . . . . .	248.8	248.5	248.3
6.75% bonds 2021 . . . . .	298.0	297.7	297.3
7.0% bonds 2022 . . . . .	149.4	149.3	149.3
6.75% bonds 2024 . . . . .	222.5	222.2	222.1
5.75% bonds 2035 . . . . .	198.3	198.3	198.2
<b>Total bonds . . . . .</b>	<b>1,491.2</b>	<b>1,489.0</b>	<b>1,694.6</b>
Bank loans and overdrafts <sup>(1)</sup> . . . . .	135.3	330.3	8.4
<b>Total unsecured . . . . .</b>	<b>1,626.5</b>	<b>1,819.3</b>	<b>1,703.0</b>
<b>Total borrowings . . . . .</b>	<b>1,630.4</b>	<b>1,822.9</b>	<b>1,703.0</b>
Cash and cash equivalents . . . . .	(32.0)	(16.4)	(23.8)
<b>Net borrowings . . . . .</b>	<b>1,598.4</b>	<b>1,806.5</b>	<b>1,679.2</b>

(1) Includes credit facilities.

The Group's gross borrowings increased from £1,630.4 million at 31 December 2016 to £1,703.1 million at 28 February 2017 mainly due to development capital expenditure. In addition, the Group's gross borrowings have been increased as a result of the Acquisition, as follows: (i) £215 million drawn under the HSBC, BNP and RBS Facilities (as defined below) to finance the cash consideration for the Acquisition (which is to be repaid using net proceeds of the Rights Issue) and (ii) the Group assumed outstanding net borrowings of APP (£340.0 million at 31 December 2016), none of which was reflected within net borrowings on the Group's balance sheet prior to the Acquisition which completed on 9 March 2017.

### 10.1 Principal banking facilities

At the date of this document, the Group had the following principal banking facilities in place for its general corporate purposes (together the "Group Facilities"):

- **€610 million syndicated facility with HSBC Bank plc as Agent (the "HSBC Facility").** A €610 million committed revolving credit facility dated 10 May 2016 was provided to the Group with SEGRO plc as borrower by a group of ten banks with a maturity date of 10 May 2021. At 31 December 2016, €160 million of borrowings (excluding capitalised finance costs) were drawn under this facility.
- **€70 million bilateral facility with Royal Bank of Scotland PLC ("RBS") (the "RBS Facility").** A €70 million committed revolving credit facility dated 9 May 2016 was provided to the Group with SEGRO plc as borrower and RBS as sole lender with a maturity date of 9 May 2020. At 31 December 2016, there were no borrowings drawn under this facility.
- **€100 million bilateral facility with BNP PARIBAS (the "BNP Facility").** A €100 million committed revolving credit facility dated 10 May 2016 was provided to the Group with SEGRO

plc as borrower and BNP PARIBAS as sole lender with a maturity date of 7 July 2019. At 31 December 2016, there were no borrowings drawn under this facility.

- **£400 million committed secured syndicated debt facility with HSBC Bank plc as Agent (the “APP Facility”)**. The APP Facility was provided to APP, represented by its general partner Airport Property GP (No.2) Limited as borrower, and dated 12 January 2016. The facility comprises a term loan of £320 million and a revolving credit facility of £80 million. Borrowings under the facility are secured on the assets of the APP partnership. At 31 December 2016, the £320 million term loan was fully drawn and gross drawings (excluding capitalised finance costs) under the revolving credit facility were £46.7 million. The maturity date of the APP Facility is 12 January 2021.

At 31 December 2016, the amounts drawn under the APP Facility were not included in the borrowings of the Group. Further details on how the Group accounts for joint ventures are provided within the section headed “—Off balance sheet arrangements” below.

## 10.2 Bonds and Notes

The Group has publicly-traded Pounds Sterling-denominated bonds with interest rates varying between 5.5 per cent. and 7 per cent. and maturity dates between 2018 and 2035 (the “Bonds”). The Company’s senior unsecured debt has been assigned an A- rating by Fitch Ratings Limited (“Fitch”) since 1991.

## 10.3 Covenants and gearing

The Group’s policy is to maintain a gearing level, which is Group net borrowings (excluding joint ventures) as a percentage of shareholders’ equity (after certain adjustments, principally adding back deferred tax) (“gearing”), and an interest cover ratio (which is the ratio of net rental income excluding joint ventures to adjusted net finance costs), at levels consistent with maintaining an investment grade credit rating. The Group’s bonds are currently rated A– by Fitch and SEGRO plc has a short-term issuer rating of F2 from Fitch with a stable outlook. Financial covenants relating to the Group Facilities include maximum limits to the Group’s gearing, a limitation on priority debt and secured indebtedness and minimum limits of permitted interest cover. At the date of this document, these limits are 160 per cent. maximum gearing and 1.25 times minimum interest cover in respect of the Facilities and 175 per cent. maximum gearing in respect of the Bonds. Priority debt is restricted to a maximum of 50 per cent. of consolidated tangible net worth in the Group Facilities and the Bonds and secured indebtedness is restricted to a maximum of 25 per cent. of consolidated tangible net worth in the Group Facilities.

Gearing was 38 per cent. at 31 December 2016 as compared to 52 per cent. at 31 December 2015 and 58 per cent. at 31 December 2014. Interest cover based on net rental income (excluding joint ventures) and adjusted net finance costs was 2.4 times at 31 December 2016 compared to 2.5 times at 31 December 2015 and 2.2 times at 31 December 2014. At each of these dates there was substantial headroom against the minimum/maximum permitted levels for all of the financial covenants set out below.

The Group Facilities contain various covenants, including financial covenants:

	Amount outstanding <sup>(1)</sup> at 31 December 2016 £m	Consolidated net borrowings as a percentage of consolidated tangible net worth <sup>(2)</sup> not to exceed (per cent.)	Ratio of net rental income to net interest on the Group’s net borrowings not to be less than	Priority debt <sup>(3)</sup> as a percentage of consolidated tangible net worth <sup>(2)</sup> not to exceed (per cent.)	Secured indebtedness as a percentage of consolidated tangible net worth <sup>(2)</sup> not to exceed (per cent.)
The HSBC Facility . . . . .	137	160	1.25x	50	25
The RBS Facility . . . . .	—	160	1.25x	50	25
The BNP Facility . . . . .	—	160	1.25x	50	25

(1) Gross borrowings before deduction of capitalised finance costs.

(2) Defined as share capital and reserves adjusted to add back (*inter alia*) deferred tax.

(3) Defined as financial indebtedness incurred by subsidiaries of SEGRO and secured financial indebtedness in the Group.

The Bonds contain various covenants, including the following financial covenants:

	Nominal amount outstanding <sup>(1)</sup> at 31 December 2016 £m	Net borrowings of the Group not to exceed as a percentage of adjusted capital <sup>(2)</sup> and reserves (per cent.)	Secured borrowings of SEGRO plc and all borrowings of subsidiaries (whether secured or not) not to exceed as a percentage of adjusted capital <sup>(2)</sup> and reserves (per cent.)
5.5% bonds 2018 .....	200	175	50
6.0% bonds 2019 .....	177	175	50
5.625% bonds 2020 .....	250	175	50
6.75% bonds 2021 .....	300	175	50
7.0% bonds 2022 .....	150	175	50
6.75% bonds 2024 .....	225	175	50
5.75% bonds 2035 .....	200	175	50

(1) Gross borrowings before deduction of capitalised finance costs.

(2) Defined as share capital and reserves adjusted to add back (*inter alia*) deferred tax.

At the date of this document, the Group is in compliance with its financial covenants in all respects. In addition to the financial covenants summarised above, the Bonds contain covenants specifying that, if a rating downgrade or negative rating event is triggered by a restructuring of the Group following a takeover of the Group (a change of control event), each holder of the Bonds will have an option to require the Group to redeem or, at the Group's option, purchase such holder's Bonds at their principal amount and accrued interest.

As part of the Acquisition the Group assumed the APP Facility, which contains various covenants, including the following financial covenants:

	Nominal amount outstanding <sup>(1)</sup> at 31 December 2016 £m	The ratio of net debt (the outstanding amount of drawn debt under the APP Facility less certain cash balances) not to exceed as a percentage of the total value of the secured properties of APP (per cent.)	Ratio of net rental income to consolidated interest expense <sup>(2)</sup> not to be less than
APP Facility .....	367	65	1.5x

(1) Gross borrowings before deduction of capitalised finance costs.

(2) Tested on both a 12-month backward looking basis and a 12-month forward looking projected basis.

At the date of this document, the Group is in compliance with its financial covenants within the APP Facility in all respects and there was substantial headroom compared to the covenant levels shown above.

#### 10.4 Funds availability and maturity

The market value of the gross borrowings of the Group (excluding debt funding arrangements of joint ventures) at 31 December 2016 was £359.7 million higher than the balance sheet carrying value. This difference mainly related to the Pounds Sterling bond portfolio.

Funds available (excluding cash and undrawn facilities held in joint ventures) at 31 December 2016 totalled £566.9 million, comprising £32.0 million of cash and short-term investments and £534.9 million of undrawn bank facilities provided by the Group's relationship banks, of which only £5 million were uncommitted.

The Group's gross borrowings increased from £1,630.4 million at 31 December 2016 to £1,703.1 million at 28 February 2017. In addition, the Group's gross borrowings have been increased as a result of the Acquisition as follows: (i) £215 million drawn under the HSBC, BNP and RBS Facilities to finance the cash consideration for the Acquisition (which is to be repaid using net

proceeds of the Rights Issue) and (ii) the Group assumed outstanding net borrowings of APP (£340.0 million at 31 December 2016), none of which was reflected within net borrowings on the Group's balance sheet prior to the Acquisition which completed on 9 March 2017.

## 11. Capital expenditure and capital commitments

The Group's capital expenditures and capital commitments principally relate to property development investments and acquisitions of land for future development. In 2014, the Group invested £157 million in new developments with a total of 268,000 square metres of new space created during the year. The Group invested £164 million in new developments (318,000 square metres of new space created) in 2015, with a further £221 million invested in acquisitions of land for future development, primarily in the UK. In 2016, the Group significantly accelerated the development expenditure, including through the use of proceeds of the Placing of Ordinary Shares in September 2016, taking advantage of improving occupier markets due in particular to growing demand from retailers for warehouse space to service customers ordering online, as well as a lack of modern warehouse space. Development capital expenditure increased to £302 million, with a further £155 million in other capital expenditure invested in acquisitions of land for future development. A total of 421,600 square metres of new space was created during the year.

The Directors set out in the announcement by the Company of its results for the year ended 31 December 2016 that the Group's capital expenditure for the year ending 31 December 2017 is expected to be in excess of £300 million.

The following table sets forth a summary of the Group's contractual obligations and commercial commitments at 31 December 2016.

	Payments to be made by period				Total
	Less than 1 year	From 1 to 3 years	From 3 to 5 years	5 or more years	
	<i>(in £m)</i>				
Property development commitments (Group) <sup>(1)</sup> .....	59.6	22.3	9.7	—	91.6
Property development commitments (JV at share) <sup>(2)</sup> .....	22.9	—	—	—	22.9
Lease commitments <sup>(3)</sup> .....	1.9	2.3	0.7	—	4.9
<b>Total</b> .....	<b>84.4</b>	<b>24.6</b>	<b>10.4</b>	<b>—</b>	<b>119.4</b>

- (1) Contractual obligations of the Group to purchase, construct, develop, repair, maintain or enhance assets.
- (2) The Group's share of the contractual obligations of its joint ventures to purchase, construct, develop, repair, maintain or enhance assets.
- (3) Future aggregate minimum lease payments on non-cancellable operating leases (for both the Group and JV at share).

Other than the use of proceeds as described in Part VII (*Letter from the Chairman*), the anticipated source of funding for these capital commitments and the Group's capital expenditures generally is from operating cash flows and drawing on the Group Facilities summarised in the section "*—Principal banking facilities*" above.

## 12. Contingent liabilities

The Group has given performance guarantees to third parties amounting to £18.6 million (2015: £15.1 million, 2014: £14.5 million) in respect of development contracts of subsidiary undertakings. The Directors consider it unlikely that these contingencies will result in amounts payable.

The Company has guaranteed loans and bank overdrafts of subsidiary undertakings and has indicated its intention to provide the necessary support required by its subsidiaries.

The Group has provided certain guarantees, representations and warranties in relation to developments and disposals which are usual for transactions of this nature, including representations and warranties relating to financial, regulatory and tax matters.

### 13. Off balance sheet arrangements

The Group has no material off balance sheet arrangements as determined under IFRS.

However, there are a number of debt funding arrangements within the SELP joint venture (of which, the Group holds a 50 per cent. share). In the Group's financial statements joint ventures (including SELP) are accounted using the equity method, whereby the Group's investment in joint ventures is shown as a single line item on the Group's balance sheet and is carried at the cost of investment in the joint ventures plus the movement in the Group's share of the net assets of the joint ventures after acquisition, net of any impairments. Net borrowings of joint ventures therefore are not included within the net borrowings of the Group. All of the debt funding arrangements within SELP (together the "SELP Facilities") are non-recourse to the Group and can be summarised as follows:

- An unsecured €500 million 7-year bond issued in October 2016.
- An unsecured €200 million 4-year syndicated revolving credit facility dated October 2016.
- A €201.2 million fully drawn term loan facility maturing in 2020 secured on certain SELP assets in France.
- A €59.1 million fully drawn term debt facility maturing in 2020 secured on certain SELP assets in Germany.

The SELP Facilities all include interest cover and loan to value financial covenants and the unsecured facilities also include a maximum permitted level of priority debt. At 31 December 2016, SELP was in compliance with all of these financial covenants and there was substantial headroom against permitted maximum/minimum covenant levels.

### 14. Quantitative and qualitative disclosures about market risk

#### 14.1 Interest rate risk exposure

The Group's interest rate risk policy is that between 50 and 100 per cent. of net borrowings of the Group on a proportional consolidated basis should be at fixed or capped rates both at a Group level and by major borrowing currency (currently Euro and Pounds Sterling), including the impact of derivative financial instruments.

At 31 December 2016, including the impact of derivative instruments to hedge currency and interest rate risk, 80 per cent. of the consolidated net borrowings of the Group on a proportional consolidated basis were at fixed rates and the weighted average maturity of fixed cover was 6.2 years. By currency, 82 per cent. of the Euro-denominated net borrowings and 75 per cent. of the remaining net borrowings (predominantly Pounds Sterling) were at fixed rates.

As a result of fixed rate cover in place, if short-term interest rates had been 1 per cent. higher in 2016, the adjusted net finance cost of the Group would have increased by approximately £2.7 million, representing around 1.8 per cent. of Adjusted Profit After Tax.

#### 14.2 Foreign currency translation exposure

The Group has negligible transactional foreign currency exposure, but does have a potentially significant currency translation exposure arising on the conversion of its substantial foreign currency-denominated assets (mainly Euro) and Euro-denominated earnings into Pounds Sterling in the Group consolidated accounts. At 31 December 2016, the Group had gross foreign currency assets which were 69 per cent. hedged by gross foreign currency-denominated liabilities (including the impact of derivative financial instruments).

Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency-denominated net assets, a 10 per cent. weakening against Pounds Sterling in the value of the other currencies in which the Group operates at 31 December 2016 would have decreased net assets by approximately £51 million and there would have been a reduction in gearing of approximately 2 per cent.

The average exchange rate used to translate Euro-denominated earnings generated during 2016 into Pounds Sterling within the consolidated income statement of the Group was €1.22:£1. Based on the

hedging position at 31 December 2016, and assuming that this position had applied throughout 2016, if the Euro had been 10 per cent. weaker than it was against Pounds Sterling throughout the year (€1.34:£1), Adjusted Profit After Tax for the year would have been approximately £4.4 million (2.9 per cent.) lower than reported.

In the event of the Euro strengthening by 10 per cent., the impact on income, net assets and gearing would be approximately equal and opposite to the figures above.

### 14.3 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by requiring that adequate cash and committed bank facilities are available to cover and match all debt maturities, development spend, trade related and corporate cash flows over a rolling 18-month period. This is achieved by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### 14.4 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential customers are evaluated for creditworthiness and where necessary collateral is secured. There is no concentration of credit risk within the lease portfolio to either business sector or individual company, as the Group has a diverse customer base with no one customer accounting for more than 5 per cent. of rental income. Trade receivables were less than 1 per cent. of total assets at 31 December 2016, 31 December 2015 and 31 December 2014. The Directors are of the opinion that the credit risk associated with unpaid rent is low. In excess of 95 per cent. of rent due is generally collected within 21 days of the due date.

Investment in financial instruments is restricted to banks and short-term liquidity funds with a good credit rating. Derivative financial instruments are transacted via International Swaps and Derivatives Association (ISDA) agreements with counterparties with a good investment grade credit rating. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

## 15. The Group's capitalisation and indebtedness

The table below shows the Group's capitalisation and indebtedness at 31 December 2016. Indebtedness of joint ventures is not reflected in the figures below.

	<u>At 31 December 2016</u>
	<i>(in £m)</i>
<b>Shareholders' equity<sup>(1)</sup></b>	
Share capital—allotted, called up and fully paid . . . . .	83.0
Share premium . . . . .	1,431.1
Capital redemption reserve . . . . .	113.9
Own shares held . . . . .	(5.5)
Other reserves . . . . .	196.2
<b>Total shareholders' equity<sup>(1)</sup></b> . . . . .	<b>1,818.7</b>
<b>Indebtedness<sup>(2)</sup></b>	
<b>Current debt</b>	
Guaranteed . . . . .	—
Secured . . . . .	—
Unsecured . . . . .	—
<b>Total current debt</b> . . . . .	<b>—</b>
<b>Non-current debt</b>	
Guaranteed . . . . .	—
Secured . . . . .	3.9
Unsecured . . . . .	1,626.5
<b>Total non-current debt</b> . . . . .	<b>1,630.4</b>
<b>Total indebtedness</b> . . . . .	<b>1,630.4</b>

- (1) Shareholders' equity does not include retained earnings.
- (2) This statement of indebtedness is based on information from the IFRS consolidated financial statements using policies which are consistent with those used in preparing the Group's financial statements for the year ended 31 December 2016, which have been incorporated by reference in this document. The Group's indebtedness is shown net of unamortised issuance costs.

The table below shows the Group's net financial indebtedness at 31 December 2016.

**Net financial indebtedness<sup>(1)</sup>**

	<b>At 31 December 2016</b>
	<i>(in £m)</i>
Cash and cash equivalents <sup>(4)</sup> . . . . .	32.0
<b>Total liquidity</b> . . . . .	<b>32.0</b>
<b>Current financial debt</b>	
Current bank debt . . . . .	—
Current bond debt . . . . .	—
Other current debt . . . . .	—
<b>Total current financial debt<sup>(2)</sup></b> . . . . .	<b>—</b>
<b>Net current financial indebtedness</b> . . . . .	<b>32.0</b>
<b>Non-current financial debt</b>	
Non-current bank loans <sup>(3)(4)</sup> . . . . .	139.2
Bonds issued . . . . .	1,491.2
Other non-current financial debt . . . . .	—
<b>Non-current financial indebtedness<sup>(2)</sup></b> . . . . .	<b>1,630.4</b>
<b>Net financial indebtedness</b> . . . . .	<b>1,598.4</b>

- (1) The Group has no direct or contingent indebtedness at 31 December 2016.
- (2) The Group's net indebtedness is shown net of unamortised issue costs.
- (3) Non-current bank loans as of the date of this document have increased mainly as a result of the Acquisition as follows: (i) £215 million was drawn under the HSBC, BNP and RBS Facilities to finance the cash consideration for the Acquisition (which is to be repaid using net proceeds of the Rights Issue) and (ii) the Group assuming outstanding net borrowings of APP (£340.0 million at 31 December 2016), none of which was reflected within net borrowings on the Group's balance sheet prior to the Acquisition which completed on 9 March 2017. Other than as a result of the Acquisition, the Group's borrowings increased from £1,630.4 million at 31 December 2016 to £1,703.1 million at 28 February 2017, mainly due to development capital expenditure.
- (4) See Part VII (*Letter from the Chairman*) for details as to how the net proceeds of the Rights Issue are to be used.

**PART XVI**  
**FINANCIAL INFORMATION RELATING TO THE GROUP**

**1. 2014 Annual Report and Accounts, 2015 Annual Report and Accounts and 2016 Annual Report and Accounts**

The audited consolidated financial statements of the Company included:

- (a) in the 2014 Annual Report and Accounts for the year ended 31 December 2014;
- (b) in the 2015 Annual Report and Accounts for the year ended 31 December 2015; and
- (c) in the 2016 Annual Report and Accounts for the year ended 31 December 2016,

together with the audit opinions thereon, are incorporated by reference into this document.

The audit opinion to the members of SEGRO for the year ended 31 December 2014 is set out on page 104 of the 2014 Annual Report and Accounts.

The audit opinion to the members of SEGRO for the year ended 31 December 2015 is set out on page 114 of the 2015 Annual Report and Accounts.

The audit opinion to the members of SEGRO for the year ended 31 December 2016 is set out on page 107 of the 2016 Annual Report and Accounts.

The financial information contained in this document which relates to the Company does not constitute statutory accounts as referred to in Section 434 of the Companies Act.

Deloitte LLP, of 2 New Street Square, London EC4A 3BZ, members of the Institute of Chartered Accountants in England and Wales, has issued unqualified audit opinions on the consolidated financial statements of SEGRO included in the 2014 Annual Report and Accounts and the 2015 Annual Report and Accounts. PricewaterhouseCoopers LLP of 7 More London Riverside, London SE1 2RT, members of the Institute of Chartered Accountants in England and Wales, has issued an unqualified audit opinion on the consolidated financial statements of the Group included in the 2016 Annual Report and Accounts.

See Part XXI (*Documents Incorporated by Reference*) of this document for further details about information that has been incorporated by reference into this document.

**2. Basis of financial information**

The 2014 Financial Information has been extracted without material adjustment from the 2014 Annual Report and Accounts which are incorporated by reference into this document. The 2015 Financial Information has been extracted without material adjustment from the 2015 Annual Report and Accounts which are incorporated by reference into this document. The 2016 Financial Information has been extracted without material adjustment from the 2016 Annual Report and Accounts which is incorporated by reference into this document.

See Part XXI (*Documents Incorporated by Reference*) of this document for further details about information that has been incorporated by reference into this document.

**PART XVII**  
**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**SECTION A: Unaudited pro forma financial information**

The following unaudited pro forma statement of net assets of the Group has been prepared to illustrate the effect of the Acquisition and the Rights Issue on the net assets of the Group as if they both had taken place on 31 December 2016.

The unaudited pro forma financial information is based on the consolidated financial information of the Group and compiled on the basis set out in the notes below. The unaudited pro forma financial information has been prepared in a manner consistent with the accounting policies adopted by the Group for the year ended 31 December 2016 and in accordance with Annex II items 1 to 6 of the PD Regulation.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

PricewaterhouseCoopers LLP's report on the unaudited pro forma financial information is set out in Section B of this Part XVII (*Unaudited Pro Forma Financial Information*).

## Unaudited pro forma statement of net assets of the Group

As at 31 December 2016

	Note 1	Adjustments		Group adjusted for the impact of the Acquisition at 31 December 2016 £m	Adjustments	
		Note 2	Note 3		Note 4	
	Group £m	Recognition of the Acquisition £m	Consideration for the Acquisition £m		Net proceeds from the Rights Issue £m	Pro forma Group £m
<b>ASSETS</b>						
<b>Non-current assets</b>						
Goodwill and other intangibles . . .	3.1	—	—	3.1	—	3.1
Investment properties . . . . .	4,714.4	1,096.8	(149.9)	5,661.3	—	5,661.3
Other interests in property . . . . .	9.6	—	—	9.6	—	9.6
Plant and equipment . . . . .	16.1	0.2	—	16.3	—	16.3
Investments in joint ventures (Note 5) . . . . .	1,066.2	(363.6)	—	702.6	—	702.6
Available-for-sale investments . . .	0.7	—	—	0.7	—	0.7
Derivative financial instruments . .	80.1	—	—	80.1	—	80.1
Pension assets . . . . .	45.7	—	—	45.7	—	45.7
	<b>5,935.9</b>	<b>733.4</b>	<b>(149.9)</b>	<b>6,519.4</b>	<b>—</b>	<b>6,519.4</b>
<b>Current assets</b>						
Trading properties . . . . .	25.4	—	—	25.4	—	25.4
Trade and other receivables . . . . .	102.8	9.3	—	112.1	—	112.1
Derivative financial instruments . .	12.6	—	—	12.6	—	12.6
Cash and cash equivalents . . . . .	32.0	23.2	0.5	55.7	340.3	396.0
Assets held for sale . . . . .	—	—	—	—	—	—
	<b>172.8</b>	<b>32.5</b>	<b>0.5</b>	<b>205.8</b>	<b>340.3</b>	<b>546.1</b>
<b>Total assets</b> . . . . .	<b>6,108.7</b>	<b>765.9</b>	<b>(149.4)</b>	<b>6,725.2</b>	<b>340.3</b>	<b>7,065.5</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Borrowings . . . . .	1,630.4	363.2	215.5	2,209.1	(215.5)	1,993.6
Deferred tax liabilities . . . . .	16.3	—	—	16.3	—	16.3
Trade and other payables . . . . .	4.7	2.1	(0.3)	6.5	—	6.5
Derivative financial instruments . .	14.7	—	—	14.7	—	14.7
	<b>1,666.1</b>	<b>365.3</b>	<b>215.2</b>	<b>2,246.6</b>	<b>(215.5)</b>	<b>2,031.1</b>
<b>Current liabilities</b>						
Trade and other payables . . . . .	246.5	30.1	—	276.6	—	276.6
Derivative financial instruments . .	11.1	6.9	—	18.0	—	18.0
Tax liabilities . . . . .	4.1	—	—	4.1	—	4.1
	<b>261.7</b>	<b>37.0</b>	<b>—</b>	<b>298.7</b>	<b>—</b>	<b>298.7</b>
<b>Total liabilities</b> . . . . .	<b>1,927.8</b>	<b>402.3</b>	<b>215.2</b>	<b>2,545.3</b>	<b>(215.5)</b>	<b>2,329.8</b>
<b>Net assets</b> . . . . .	<b>4,180.9</b>	<b>363.6</b>	<b>(364.6)</b>	<b>4,179.9</b>	<b>555.8</b>	<b>4,735.7</b>
<b>Selected KPIs</b>						
Look Through LTV Note 6 . . . . .	33.0%			36.7%		28.5%

## NOTES

### Note 1

The Group financial information as at 31 December 2016 has been extracted without material adjustment from the audited 2016 Annual Report and Accounts.

### Note 2

The Acquisition by SEGRO (of the remaining 50 per cent. interest in APP) results in the derecognition of the Group's existing 50 per cent. investment in APP and the recognition/consolidation of 100 per cent. of APP. The derecognition of the investment in joint ventures represents the Group's 50 per cent. investment in APP at 31 December 2016 and has been extracted without material adjustment from note 7 of the audited 2016 Annual Report and Accounts. The consolidation of 100 per cent. of APP at 31 December 2016 has been extracted without material adjustment from note 7 of the audited 2016 Annual Report and Accounts.

### Note 3

As described in Part VII (*Letter from the Chairman*) the total consideration for the 50 per cent. interest in APP is £364.6 million. In addition, the consideration for APP will be in the form of the sale of five properties by the Group based on their book value at 31 December 2016 of £149.9 million less £0.3 million of rent apportionment adjustments and £0.5 million of associated tenant deposits. The net cash consideration is £215.5 million, which for the purposes of this pro forma has been shown as an increase in non-current borrowings.

### Note 4

The net proceeds of the Rights Issue of £555.8 million are calculated on a 1 for 5 rights issue of new ordinary shares at 345 pence per ordinary share net of estimated expenses in connection with the Rights Issue of approximately £17 million. For the purposes of this pro forma this has been shown as a decrease in non-current borrowings to the extent these are repaid as set out in Part VII (*Letter from the Chairman*). The remainder is held in cash and cash equivalents.

### Note 5

	Adjustments		Group adjusted for the impact of the Acquisition at 31 December 2016	Adjustments	
	Group	Recognition of the Acquisition		Net proceeds from the Rights Issue	Pro forma Group
Investment in Joint Ventures (As at 31 December 2016)	£m	£m	£m	£m	£m
Investment and trading properties in joint ventures . . . . .	<b>1,605.6</b>	(548.4)	<b>1,057.2</b>	—	<b>1,057.2</b>
Net Borrowings in joint ventures . . . . .	<b>(492.6)</b>	170.0	<b>(322.6)</b>	—	<b>(322.6)</b>
Other . . . . .	<b>(46.8)</b>	14.8	<b>(32.0)</b>	—	<b>(32.0)</b>
<b>Investments in joint ventures . . . . .</b>	<b>1,066.2</b>	(363.6)	<b>702.6</b>	—	<b>702.6</b>

## Note 6

Look through LTV is net borrowings (including joint ventures at share) divided by the carrying value of total property assets (investment, owner occupied, trading properties) including joint ventures at share.

		Adjustments			Adjustments	
	Group £m	Recognition of the Acquisition £m	Consideration for the Acquisition £m	Group adjusted for the impact of the Acquisition at 31 December 2016 £m	Net proceeds from the Rights Issue £m	Pro forma Group £m
Investment properties . . . . .	4,714.4	1,096.8	(149.9)	5,661.3	—	5,661.3
Trading properties . . . . .	25.4	—	—	25.4	—	25.4
Investment and trading properties in joint ventures (note 5) . . . . .	1,605.6	(548.4)	—	1,057.2	—	1,057.2
<b>Total look through property assets (A) . . . . .</b>	<b>6,345.4</b>	548.4	(149.9)	<b>6,743.9</b>	—	<b>6,743.9</b>
Cash and cash equivalents . . . . .	(32.0)	(23.2)	(0.5)	(55.7)	(340.3)	(396.0)
Borrowings . . . . .	1,630.4	363.2	215.5	2,209.1	(215.5)	1,993.6
Net Borrowings in joint ventures (note 5) . .	492.6	(170.0)	—	322.6	—	322.6
<b>Total look through net borrowings (B) . . . . .</b>	<b>2,091.0</b>	170.0	215.0	<b>2,476.0</b>	(555.8)	<b>1,920.2</b>
<b>Look Through LTV (B/A) . . . . .</b>	<b>33.0%</b>			<b>36.7%</b>		<b>28.5%</b>

## Note 7

This unaudited pro forma statement only includes the impact of the Acquisition and the Rights Issue.

## Note 8

No adjustment has been made to reflect the trading results since 31 December 2016 for the Group or APP.

## SECTION B: Accountant's report on pro forma financial information



The Directors  
SEGRO plc  
Cunard House  
15 Regent Street  
London  
SW1Y 4LR

Merrill Lynch International  
2 King Edward Street  
London  
EC1A 1HQ

UBS Limited  
5 Broadgate  
London  
EC2M 2QS

10 March 2017

Dear Sirs

### **SEGRO plc (the “Company”)**

We report on the unaudited pro forma financial information (the “**Pro Forma Financial Information**”) set out in Part XVII of the Company’s prospectus relating to the rights issue dated 10 March 2017 (the “**Prospectus**”) which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the rights issue and the acquisition by the Company of the remaining 50 per cent. stake in Airport Property Partnership might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2016. This report is required by item 7 of Annex II to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

### **Responsibilities**

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Annex II of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation, as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

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T: +44 (0) 2075 835 000, F: +44 (0) 2072 127 500, [www.pwc.co.uk](http://www.pwc.co.uk)*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.



Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP  
Chartered Accountants

**PART XVIII  
VALUATION REPORT**

# VALUATION REPORT

PROJECT EXETER

SEGRO PLC

**Valuation Date: 31 December 2016**

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## Part I VALUATION REPORT

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# VALUATION REPORT

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The contents of this Report may only be relied upon by:

- (i) Addressees of the Report; or
- (ii) Parties who have received prior written consent from CBRE in the form of a reliance letter.

This Report is to be read and construed in its entirety and reliance on this Report is strictly subject to the disclaimers and limitations on liability on page 14. Please review this information prior to acting in reliance on the contents of this Report. If you do not understand this information, we recommend you seek independent legal counsel.

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## Valuation Report

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<b>Report Date</b>	10 March 2017
<b>Addressee</b>	<p>SEGRO plc ("the Company")          Cunard House          15 Regent Street          London          SW1Y 4LR</p> <p>and</p> <p>Barclays Bank PLC          5 The North Colonnade          London E14 4BB          United Kingdom          (in their capacity as Co-Bookrunner and Underwriter)</p> <p>BNP Paribas          16 Boulevard des Italiens          75009 Paris          France          (in their capacity as Co-Bookrunner and Underwriter)</p> <p>HSBC Bank plc          8 Canada Square          London E14 5HQ          United Kingdom          (in their capacity as Co-Bookrunner and Underwriter)</p> <p>Merrill Lynch International          2 King Edward Street          London EC1A 1HQ          United Kingdom          (in their capacity as Joint Sponsor, Joint Global Co-ordinator, Joint Bookrunner and Underwriter)</p> <p>UBS Investment Bank          5 Broadgate          London EC2M 2QS          United Kingdom          (in their capacity as Joint Sponsor, Joint Global Co-ordinator, Joint Bookrunner and Underwriter)</p> <p>(collectively referred to as the "Addressees")</p>

<b>The Properties</b>	The properties held by the Company as described in the Appendices.	
<b>Ownership Purpose</b>	Investment / Development	
<b>Instruction</b>	To value on the basis of Fair Value the relevant interests in the Properties as at the Valuation Date in accordance with our instruction letter dated 7 March 2017.	
<b>Valuation Date</b>	31 December 2016	
<b>Capacity of Valuer</b>	External.	ESMA 130(i)
<b>Purpose of Valuation</b>	<p>The Valuation has been prepared for a Regulated Purpose as defined in the RICS Valuation – Professional Standards (January 2014) (“Red Book”). We understand that our valuation report and the Appendices to it (together the “Valuation Report”) is required for inclusion in a Prospectus (the “Prospectus”) which is to be published by SEGRO plc pursuant to a Rights Issue by the Company on the main market of the London Stock Exchange.</p> <p>The effective date of valuation is 31 December 2016.</p> <p>In accordance with the RICS Valuation – Professional Standards (January 2014) (“Red Book”) we have made certain disclosures in connection with this valuation instruction and our relationship with the Company.</p>	ESMA 130(iv)
<b>Fair Value (100%)</b>	<p>In respect of the UK Properties (100%):</p> <p><b>£4,865,832,000 (Four Billion, Eight Hundred and Sixty Five Million, Eight Hundred and Thirty Two Thousand Pounds)</b> exclusive of VAT.</p> <p>In respect of the European Properties (100%):</p> <p><b>€3,609,543,061 (Three Billion, Six Hundred and Nine Million, Five Hundred and Forty Three Thousand and Sixty One Euros)</b> exclusive of VAT.</p> <p>Adopting the same exchange rate as adopted in the Company’s accounts of €1.17 to the pound, this equates to £3,085,079,539.</p> <p>For the avoidance of doubt, we have valued the Properties as real estate and the values reported above represent 100% of the fair values of the assets.</p>	
<b>Fair Value (at share)</b>	<p>The total values taking into account the relevant ownership on a pro-rata basis are as follows:</p> <p>In respect of the UK Properties (100% Wholly Owned and 50% APP):</p> <p><b>£4,317,459,500 (Four Billion Three Hundred and Seventeen Million Four Hundred and Fifty Nine Thousand and Five Hundred Pounds)</b> exclusive of VAT.</p>	

In respect of the European Properties (100% Wholly Owned, one 50% JV property, and 50% SEGRO European Logistics Partnership ("SELP")):

**€2,372,643,361 (Two Billion, Three Hundred and Seventy Two Million, Six Hundred and Forty Three Thousand, Three Hundred and Sixty One Euros) exclusive of VAT.**

Adopting the same exchange rate as adopted in the Company's accounts of €1.17 to the pound, this equates to £2,027,900,309.

There are no negative values to report.

We confirm that the "Fair Value" reported above, for the purpose of financial reporting under International Financial Reporting Standards is effectively the same as "Market Value".

Our opinion of Fair Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Where a property is owned by way of a joint tenancy in a trust for sale, or through an indirect investment structure, our valuation represents the relevant apportioned percentage of ownership of the value of the whole property, assuming full management control. Our valuation does not necessarily represent the 'Fair Value' (as defined by IFRS 13 or FRS 102) of the interests in the indirect investment structure through which the property is held.

We are required to show the split of values between freehold-equivalent, leasehold and short leasehold property, and to report the following categories of property separately. The following values are at the relevant share:

	Freehold	Leasehold	Short Leasehold*	Total
UK	£3,775,349,500	£542,110,000		£4,317,459,500
Europe	€2,320,554,361		€52,089,000	€2,372,643,361
<b>TOTAL in £</b>	<b>£5,758,729,296</b>	<b>£542,110,000</b>	<b>£44,520,513</b>	<b>£6,345,359,809</b>

ESMA  
130(v)

\*Short leasehold is less than 50 years unexpired

Split by property number:

	Freehold	Leasehold	Short Leasehold*	Total
UK	73	13		86
Europe	138		6	144
TOTAL	211	13	6	230

\*Short leasehold is less than 50 years unexpired

### Report Format

Appendix A of this Valuation Report contains details of the 10 largest assets by value in the UK and Europe. Appendix B provides the Portfolio Details and Fair Value of the Portfolio.

SEGRO has expressly instructed us not to disclose certain information which is considered commercially sensitive, namely the individual values of the properties.

There is one property of the 230 which, individually, has a value of more than 5% of the aggregate of the individual market values, which is set out below. The aggregate value of this property represents approximately 18.4% of the aggregate of the Fair Values at share across the whole portfolio.

Property	Tenure	Fair Value
Slough Trading Estate	Freehold	£1,166,545,000

### Compliance with Valuation Standards

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards Global – January 2014 and the RICS Valuation Professional Standards UK January 2014 (revised April 2015), (“the Red Book”).

The valuations are compliant with the International Valuation Standards, and are in accordance with paragraphs 128 to 130 of the ESMA update of the Committee of European Securities Regulators’ (CESR) recommendations for the consistent implementation of the European Commission Regulation (EC) no. 809/2004 implementing the Prospectus Directive and the London Stock Exchange requirements.

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuations competently.

Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE Ltd, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

### **Assumptions**

The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, taxation, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

### **Variation from standard Assumptions**

None

### **Development Properties**

Properties held for Development or in the Course of Development have been mainly valued on the Residual (Development Appraisal) Method. This is the commonly practised method of valuing development property, whereby the estimated total costs of realising the proposed development (including construction costs, fees and other on-costs, contingencies, costs of finance and developer's profit) are deducted from the gross development value of the completed project to determine the residual land value.

Where available, land values have been derived from comparable transactions and reflect our opinion of value as at the date of valuation. Should information which we were not made aware of at the time of the valuation subsequently come to light which changes our view on any of the input variables adopted, then the value reported is subject to change and we reserve the right to amend our valuation figures accordingly.

It should be noted that land values derived from a Residual Development Appraisal calculation are extremely sensitive to minor changes in any of the inputs. Whilst we have checked the information provided to us against available sources of information and provided for a level of profit which in our opinion reflects the level of risk inherent in the project, unforeseen events such as delays in timing, minor market movements etc. can have a disproportionate effect on the resulting value.

**Market Conditions**

The values stated in this report represent our objective opinion of Fair Value in accordance with the definition set out above as of the valuation date. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

**Valuer**

The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the Red Book.

**Independence**

The total fees, including the fee for this assignment, earned by CBRE Ltd (or other companies forming part of the same group of companies within the UK) from the Addressee (or other companies forming part of the same group of companies) is less than 5.0% of the total UK revenues.

ESMA  
130(i)

We confirm that we do not have any material interest in the Company or the Properties.

**Disclosure**

In accordance with the Red Book we make the following disclosures:

- CBRE Ltd have valued the properties owned by the Company for accounts purposes as at 31 December 2016 and have carried out this instruction since 2012 with the exception of the properties within the Airport Property Partnership ("APP") and Logistics Property Partnership ("LPP"). CBRE have valued the properties within APP for accounts purposes as at 31 December 2016 and have carried out this instruction since 30 June 2016. CBRE have valued the properties within LPP for accounts purposes as at 31 December 2016 and have carried out this instruction since 31 December 2014.
- CBRE Ltd has carried out Agency and Professional services on behalf of the Company for in excess of 20 years and is currently involved in some of the properties in the portfolio.
- CBRE Ltd provide some agency and/or professional services to some of the occupiers of the properties and where this occurs, any conflict arising is managed through an information barrier.

We do not consider that any of the above provides a conflict of interest preventing us from preparing this Valuation Report and the Company has confirmed to us that it also considers this to be the case.

## **Responsibility**

For the Purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with Rule 5.6.5G of the Prospectus Rules and Paragraphs 128 to 130 of the ESMA update of CESR's recommendations for the consistent implementation of the European Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

## **Reliance**

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents save as set out in "Responsibility" above.

No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose of Valuation.

## Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Before this Valuation Report, or any part thereof, is disclosed orally or otherwise to a third party, CBRE's written approval of the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless where relevant it incorporates the Assumptions referred to herein. For the avoidance of doubt, such approval is required whether or not CBRE is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors Valuation Standards or the incorporation of the special assumptions referred to herein.

Yours faithfully

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**Michael Brodtman FRICS**  
**Executive Director**  
**RICS Registered Valuer**  
For and on behalf of CBRE Ltd

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## Scope of Work & Sources of Information

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<b>Sources of Information</b>	We have carried out our work based upon information supplied to us by the Company as set out within this report, which we have assumed to be correct and comprehensive.
<b>The Properties</b>	Our report contains a brief summary of the property details on which our valuation has been based.
<b>Inspections</b>	As instructed, we have not inspected the properties for the purpose of this revaluation. As part of our wider instruction, we have inspected the Properties between 22 January 2016 and 15 December 2016.
<b>Areas</b>	We have not measured the Properties but have relied upon the floor areas provided to us by SEGRO plc which we have assumed to be correct and comprehensive and which you have advised us have been calculated using the appropriate market practice. All areas quoted in this Valuation Report are approximate.
<b>Environmental Matters</b>	<p>We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination.</p> <p>We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists. Where we have been informed of the presence or potential for contamination we have reflected this information in our valuations.</p>
<b>Repair and Condition</b>	We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.
<b>Town Planning</b>	We have not undertaken planning enquiries.
<b>Titles, Tenures and Lettings</b>	Details of title/tenure under which the Properties are held and of lettings to which they are subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

ESMA  
130(ii)

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

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## Valuation Assumptions

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### Introduction

An Assumption is defined in the Red Book Glossary and Appendix 3 to be a "supposition taken to be true" (an "Assumption").

Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that it has been agreed need not be verified by the valuer as part of the valuation process. Assumptions are made when it is reasonable for the valuer to accept that something is true without the need for specific investigation.

The Company has confirmed and we confirm that our Assumptions are correct as far as the Company and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions which we have made are stated within this Valuation Report.

For the avoidance of doubt, the Assumptions made do not affect compliance with the approach to Market Value under the Red Book.

### Capital Values

Each valuation has been prepared on the basis of "Fair Value", which is defined as:

"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

"Fair Value", for the purpose of financial reporting under International Financial Reporting Standards is effectively the same as "Market Value", which is defined as:

"The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No adjustment has been made to this figure for any expenses of acquisition or realisation - nor for taxation which might arise in the event of a disposal.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

### Taxation, Costs and Realisation Costs

As stated above, no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal.

Our valuations reflect purchasers' statutory and other normal acquisition costs.

<b>VAT</b>	<p>We have not been advised whether the properties are elected for VAT.</p> <p>All rents and capital values stated in this report are exclusive of VAT.</p>
<b>Passing Rent</b>	<p>Passing rents quoted in this report are the rents which are currently payable under the terms of the leases.</p>
<b>Annual Rental Value</b>	<p>The rental value reflects the terms of the leases where the Properties, or parts thereof, are let at the date of valuation. Where the Properties, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.</p> <p>Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent.</p>
<b>Lease Expiries</b>	<p>Fixed-term leases frequently incorporate either tenants' options to extend or tenants' break clauses; other leases are rolling to indeterminate, subject to stated notice periods. For the purposes of our valuations, we have made assumptions as to appropriate presumed expiry dates.</p> <p>Any weighted average unexpired terms indicated in our Valuation report are calculated to lease expiry.</p>
<b>The Property</b>	<p>Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.</p> <p>Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.</p> <p>Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.</p> <p>All measurements, areas and ages quoted in our report are approximate.</p>

## Environmental Matters

In the absence of any information to the contrary, we have assumed that:

- (a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;
- (b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities;
- (c) the properties possess current Energy Performance Certificates (EPCs) as required under the Government's Energy Performance of Buildings Directive, and that they have an energy efficient standard of 'E', or better. We would draw your attention to the fact that the Energy Act 2011 is due to come into force in England and Wales no later than 1 April 2018 (although it may be earlier), and in Scotland, no earlier than April 2015 (although it may be later). From such date, it will be unlawful for landlords to rent out a residential or business premise unless they have reached a minimum energy efficient standard – most likely, 'E' – or carried out the maximum package of measures funded under the 'Green Deal' or the Energy Company Obligation (ECO); and
- (d) the properties are either not subject to flooding risk or, if they are, that sufficient flood defences are in place and that appropriate building insurance could be obtained at a cost that would not materially affect the capital value.

High voltage electrical supply equipment may exist within, or in close proximity of, the Properties. The National Radiological Protection Board (NRPB) has advised that there may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the property. Our valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.

## Repair and Condition

In the absence of any information to the contrary, we have assumed that:

- (a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the Properties;
- (b) the Properties are free from rot, infestation, structural or latent defect;

- (c) no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the Properties; and
- (d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

**Title, Tenure, Lettings,  
Planning, Taxation and  
Statutory & Local Authority  
requirements**

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- (a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- (b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;
- (c) the Properties are not adversely affected by town planning or road proposals;
- (d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;
- (e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the Disability Discrimination Act 1995 (in Northern Ireland) or the Equality Act 2010 (in the rest of the UK);
- (f) all rent reviews are upward only and are to be assessed by reference to full current market rents;
- (g) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (h) tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge;
- (i) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

- (i) where more than 50% of the floorspace of a property is in residential use, the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in the property. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest. Disposal on the open market is therefore unrestricted;
- (k) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required;
- (l) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy; and
- (m) Stamp Duty Land Tax (SDLT) in the UK or, the appropriate transfer tax in Europe, will apply at the rate currently applicable.

## LEGAL NOTICE

This valuation report (the "**Report**") has been prepared by CBRE Limited ("**CBRE**") exclusively for SEGRO plc (the "**Client**") in accordance with the terms of the instruction letter dated 7 March 2017 ("**the Instruction**"). The Report is confidential and it must not be disclosed to any person other than the Client without CBRE's prior written consent. CBRE has provided this report on the understanding that it will only be seen and used by the Client and no other person is entitled to rely upon it, unless CBRE has expressly agreed in writing. Where CBRE has expressly agreed that a person other than the Client can rely upon the report then CBRE shall have no greater liability to any party relying on this report than it would have had if such party had been named as a joint client under the Instruction.

CBRE's maximum aggregate liability to all parties, howsoever arising under, in connection with or pursuant to reliance upon this Report, and whether in contract, tort, negligence or otherwise shall not exceed the lower of:

- (i) 25% of the value of the property to which the Instruction relates on the date of the Instruction; or
- (ii) £50 million (Fifty Million Pounds); and

CBRE shall not be liable for any indirect, special or consequential loss or damage howsoever caused, whether in contract, tort, negligence or otherwise, arising from or in connection with this Report. Nothing in this Report shall exclude liability which cannot be excluded by law.

## Appendix A: Largest 10 assets by value in UK and Europe

### UK

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM (100%)
Slough Trading Estate	<p>Slough Trading Estate (STE) is located to the west of Slough town centre, providing good links to junction 6 of the M4, with proximity to London markets. The estate is located on a 155 hectare (384 acre) site and provides a large range of commercial accommodation, including industrial, data centre, office and retail space. In total there are over 450 units.</p> <p>Almost 65% of the estate is in industrial use and a further 25% is used by data centre operators (by floor area) with the remaining accommodation made up of office, retail and some automotive (car showroom) uses.</p> <p>The industrial built stock on the estate ranges from post war terraces to modern high bay logistics warehouses and data centres. The retail accommodation ranges from small retail premises to modern large retail warehouse accommodation fronting Farnham Road to the east.</p> <p>In total there are more than 400 tenancies including telecoms, biotechnology, pharmaceuticals, data centres and logistics occupiers. Tenants include, Mars, Fullers Logistics, Selig, Travis Perkins (industrial) and Sainsbury (retail). The property has a weighted term to expiry of 9.5 years.</p> <p>The majority of the accommodation is let on standard institutional terms; however some accommodation is available on flexible short term fully inclusive leases. There is currently a vacancy rate of 6% by ERV.</p> <p>In addition, there are also some 12 development plots on site totalling 15.7 hectares (38.6 acres). Of these two are currently under construction with pre-lets to Premier Inn Hotels and Lancaster (Jaguar Land Rover dealership) on long-term institutional acceptable leases.</p>	564,313 sq m (6,074,218 sq ft)	Freehold	100%	£59,500,320

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM (100%)
Premier Park, Park Royal London NW10	<p>Premier Park is located within Park Royal, a prime industrial and logistics area approximately 11 km (7 miles) west of Central London. The property is situated to the east of Abbey Road, with easy access to the A40 Western Avenue and the A406 North Circular Road.</p> <p>Built between 1995 – 2000, the property comprises 29 industrial/logistics units of prime modern specification, arranged as a mixture of terraced and detached units accessed from a secured central estate road. Unit sizes range from 432 sq m to 15,893 sq m (4,650 sq ft to 171,068 sq ft), with tenants including H.J.Heinz, Next Group and Brake Bros.</p> <p>The property has a weighted term to expiry of 6.9 years. All leases are on standard institutional terms. There is currently one unit vacant representing a vacancy rate of 7% by ERV.</p>	78,433 sq m (844,242 sq ft)	Freehold	100%	£9,190,093

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM (100%)
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Greenford Park, Greenford	Greenford Park is located within the established Oldfield Lane industrial area, a prime industrial area approximately 16 km (10 miles) west of Central London. The property lies west of the A4127 Greenford Road which links directly onto the A40 Western Avenue approximately 0.8 km (½ mile) to the south. The site is bisected by the Grand Union Canal.	79,509 sq m (855,826 sq ft)	Freehold	100%	£7,734,772
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The property comprises 32 industrial/production units of modern c.2000 construction, providing a mixture of terraced and detached units. Unit sizes range from 266 sq m to 23,367 sq m (2,867 sq ft to 251,518 sq ft), with tenants including Sainsbury's, Brompton Bicycle and Sotheby's. In addition the property includes two office buildings fronting onto Oldfield Lane, built in c.1960's and 2001 respectively and let to TATA Global Beverages.

The property has a weighted term to expiry of 9.1 years. All leases are on standard institutional terms. There is currently one unit vacant representing a vacancy rate of 1% by ERV.

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM (100%)
Axis Park, Heathrow	<p>Axis Park is located at Junction 5 of the M4 motorway, 5 km (3 miles) west of the M25 motorway and to the north west of Heathrow Airport. The property is prominently situated to the west of Sutton Lane.</p> <p>The long leasehold interest expires 09/05/3001 at a fixed annual rent of £10.</p> <p>Built in the late 1990's, the property comprises 6 logistics units accessed from a central estate road, Hurricane Way. The property provides a mixture of detached and semi-detached units of prime modern specification. Unit sizes range from 1,940 sq m to 42,925 sq m (20,883 sq ft to 462,037 sq ft), with tenants including Royal Mail, Allport Cargo and Smiths News. The property is fully let on standard institutional terms and has a weighted term to expiry of 4.5 years</p>	61,753 sq m (664,705 sq ft)	Long Leasehold	100%	£7,676,520

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM (100%)
Shoreham Road Cargo, Heathrow	<p>Located at the south western corner of Heathrow Airport, with direct (airside) access onto the airport apron.</p> <p>The estate comprises the majority of Heathrow Cargo Terminal with 24 warehouse buildings dating, in the main, from the late 1960's.</p> <p>The long-leasehold interest expires on 31/12/2254 at a fixed annual rent of £1,000.</p> <p>Let to 10 tenants on 20 separate leases with a weighted term to expiry of 4 years. Tenants include Air Canada, Heathrow Airport Limited, London Cargo Centre, Air France and DHL. 51% of leases (by floor area) are on standard institutional terms and the remaining 49% are ground rent leases where the rent at present is artificially low.</p> <p>Save from four small office suites, the estate is currently fully let with a weighted term to expiry of 4 years.</p>	73,394 sq m (790,011 sq ft)	Long Leasehold	50%	£8,347,332

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM (100%)
Metropolitan Park, Greenford	<p>Metropolitan Park is located within an established industrial/warehousing area adjacent to the A40 Western Avenue and approximately 19 km (12 miles) west of Central London. The property is accessed from Long Drive, which links directly onto the A40 to the south.</p> <p>Built from the 1960's to 1990's, the property comprises 70 industrial/warehouse units, providing a mixture of mainly terraced units of varying ages and specifications. Unit sizes range from 228 sq m to 7,189 sq m (2,459 sq ft to 77,379 sq ft), with tenants including Panavision, Ultra Electronics and Psion Holdings.</p> <p>The property has a weighted term to expiry of 5.8 years. All leases are on standard institutional terms. There are currently five units vacant representing a vacancy rate of 7% by ERV.</p>	69,977 sq m (753,230 sq ft)	Freehold	100%	£6,316,252

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM (100%)
Origin, Park Royal	Origin is located within Park Royal, a prime industrial and logistics area approximately 13 km (8 miles) west of Central London. The property is prominently situated, fronting onto Rainsford Road with direct links onto the A40 Western Avenue 0.4 km (¼ mile) to the south and to the A406 North Circular Road 1.6 km (1 mile) to the north.  Built between 2014 and 2016, the property comprises 6 logistics/ production units of prime specification, each with own yard and accessed via a secure central estate road. Unit sizes range from 3,254 sq m to 10,012 sq m (35,024 sq ft to 107,768 sq ft), with tenants including John Lewis, Ocado, Mash Purveyors and Wasabi.	33,965 sq m (365,594 sq ft)	Freehold	100%	£1,624,757
East Midlands Gateway, Castle Donnington	The property has a weighted term to expiry of 13.3 years. All leases are on standard institutional terms. There are currently two units vacant representing a vacancy rate of 20% by ERV.  Development land adjacent to the Castle Donnington / Kegworth junction 24 of the M1. Planning Development Consent Order in place as at February 2016 for 6,000,000 sq ft of logistics units and a rail freight terminal.  The Company own or have rights over the total gross development area 282 hectares (697 acres) and there are no third party consents required in order to undertake the development. Of which, as at the valuation date, the Company has legal title to 272 hectares (673.5 acres).	N/A – Development Site	Freehold	100%	N/A – Development Site

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM (100%)
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Westway Estate,  
London W3

The Westway Estate is located within an established industrial/ warehousing area approximately 1.6 km (1 mile) north of the A40 Westway and 10 km (6 miles) west of Central London. The property is accessed via Old Oak Common Lane, which links directly onto the A40 to the south.

30,403 sq m  
(327,252 sq ft)

Freehold

£2,935,371

Built from the 1930's to present day, the property comprises 28 industrial/warehouse and production units, providing a mixture of terraced and detached units of varying ages and specifications. Included within the estate are five newly developed light industrial units, with plans for a further unit to be developed. Unit sizes range from 472 sq m to 2,315 sq m (5,080 sq ft to 24,923 sq ft), with tenants including Taiko Foods, Cable & Wireless, Wagamama and Vodafone.

The property has a weighted term to expiry of 8.4 years. All leases are on standard institutional terms. There is currently one vacant unit on the Estate representing a vacancy rate of 2% by ERV.

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM (100%)
North Feltham Trading Estate, Feltham	<p>Located approximately 1.0 km (0.6 miles) south east of Heathrow Airport in the West London suburb of North Feltham.</p> <p>The property comprises an extensive, multi-let industrial/distribution estate with an occupational bias towards tenants associated with airport trading and operational services. Tenants include Kuehne + Nagel, Toll Global Forwarding, Federal Express, OCS and UPS on standard institutional terms.</p> <p>Let to 39 tenants with a weighted average lease length to expiry of 7.2 years.</p> <p>There is currently a vacancy rate of 18% by ERV.</p>	62,671 sq m (674,591 sq ft)	Freehold	50%	£6,396,354

## Europe

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM
SEGRO Logistics Park Krefeld, Germany	<p>The property is located in the Rhine Ruhr area adjacent to the A44 motorway (Düsseldorf Airport-Mönchengladbach), 15 km (9.3 miles) west of Düsseldorf Airport. The A57 motorway (Cologne-Netherlands) is also a short distance away.</p> <p>The logistics park was constructed in phases between 2012 and 2015. There is a further 5.8 hectares (14.3 acres) of land available for future development.</p> <p>The property is multi-let across 6 buildings on standard market terms. The main tenants are DSV Road, Asics Europe and UPS SCS &amp; Co. The weighted term to expiry is 8.2 years and it is fully leased at the valuation date.</p>	191,644 sq m (2,062,837 sq ft)	Freehold equivalent (Germany)	50%	€ 9,063,191
SEGRO Business Park Düsseldorf -Sud, Germany	<p>Located to the south east of Düsseldorf, approximately 12 km (7.5 miles) from the city centre with easy access to the S8 and A59 motorway.</p> <p>The light industrial estate including a parcel delivery building was constructed in phases between 2012 and 2016. There is also a building of 6,813 sq m (73,334 sq ft) currently under construction. There is a further 5.5 hectares (13.7 acres) of land available for future development.</p> <p>The property is multi-let across 5 buildings on standard market terms. The main tenants are Hakle, Deutsche Post Immobilien and Lush. The weighted term to expiry is 11.2 years and the vacancy rate is 1% of ERV.</p> <p>The building under construction is let to Production Resource Group, Japan Steel Works and CVS Logistics. The weighted term to expiry is 10.2 years and the vacancy rate is 43% of ERV.</p>	72,999 sq m (785,754 sq ft)	Freehold equivalent (Germany)	100%	€ 4,894,938

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM
SEGRO Business Park Le Blanc Mesnil, France	<p>The property is located around 16 km (9.9 miles) north east of Paris and 15 km (9.3 miles) south west of Paris CDG international airport.</p> <p>The light industrial estate was constructed in phases between 2003 and 2008. The property is multi-let across 12 buildings on standard market terms.</p> <p>The main tenants are JJA, Chappee and CMP. The weighted term to expiry is 4.7 years and it is fully leased at the valuation date.</p>	37,847 sq m (407,381 sq ft)	Freehold equivalent (France)	100%	€ 4,128,960
SEGRO Logistics Park Stryków, Poland	<p>Located in Stryków in Central Poland adjacent to the A2 motorway (Berlin-Poznan-Warsaw), approximately 20 km (12.4 miles) north-east of Lodz city centre and 110 km (68.4 miles) from Warsaw. Strategically situated 3 km (1.9 miles) away from the intersection of the A2 and A1 (Katowice-Lodz-Gdansk) motorways.</p> <p>The logistics park was constructed in phases between 2006 and 2015. There is a further 18.8 hectares (46.6 acres) of land available for future development.</p> <p>The property is multi-let across 6 buildings on standard market terms. The main tenants are Coming Optical Communications Polska, OSDW Azymut and Sonoco Poland - Packaging Services. The weighted term to expiry is 5.8 years and the vacancy rate is 6% of ERV.</p>	196,676 sq m (2,117,002 sq ft)	Freehold equivalent (Poland)	50%	€ 7,474,503

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM
SEGRO Logistics Park Poznan, Komorniki, Poland	<p>The property is located close to Poznan which is around 160 km (99.4 miles) east of the German border and 280 km (111.8 miles) west of Warsaw. Situated adjacent the A2 motorway (Berlin-Poznan-Warsaw) with a junction nearby.</p> <p>The logistics park was constructed in phases between 2007 and 2016. There is a further 5.7 hectares (14.2 acres) of land available for future development.</p> <p>The property is multi-let across 5 buildings on standard market terms. The main tenants are Volkswagen Group Polska, Eurocash S.A. and Tesco Polska. The weighted term to expiry is 10.10 years and the vacancy rate is 0% of ERV.</p>	146,553 sq m (1,577,482 sq ft)	Freehold equivalent (Poland)	50%	€ 6,545,802
SEGRO Logistics Park Gliwice, Poland	<p>Located in the Silesia region of Poland which benefits from the interchange between the A1 (Gdansk-Lodz-Ostrava) and A4 (Leipzig-Wroclaw-Krakow) motorways. It is situated approximately 10 km (6.2 miles) to the north west of Gliwice city centre and has close access to the A4 motorway.</p> <p>The logistics park was constructed in phases between 2007 and 2016. There is also a building of 9,800 sq m (105,486 sq ft) currently under construction. There is a further 7.6 hectares (18.7 acres) of land available for future development.</p> <p>The property is multi-let across 4 buildings on standard market terms. The main tenants are Kaufland Polska Markety, Plastic Omnium Auto Exteriors and Stanley Black &amp; Decker Polska. The weighted term to expiry is 4.2 years and the vacancy rate is 14% of ERV.</p> <p>The building under construction is fully pre-let to Plastic Omnium Auto Exteriors with a weighted term to expiry of 5.0 years.</p>	159,001 sq m (1,711,468 sq ft)	Freehold equivalent (Poland)	50%	€ 6,801,870

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM
SEGRO Logistics Park Prague, Czech Republic	<p>Located to the west of Prague, the property is situated close to the major interchange junction between the R6 and R7 motorways and the Prague Outer Ring Road. The Vaclav Havel Prague Airport is c. 10 minutes drive away.</p> <p>The logistics park was constructed in phases between 2007 and 2016. There is a further 1.7 hectares (4.2 acres) of land available for future development.</p> <p>The property is multi-let across 10 buildings on standard market terms. The main tenants are Kühne &amp; Nagel, FAST CR and Orifarm Supply. The weighted term to expiry is 3.6 years and the vacancy rate is 7% of ERV.</p>	125,917 sq m (1,355,363 sq ft)	Freehold equivalent (Czech Republic)	50%	€ 4,464,988
SEGRO Business Park Zeran, Warsaw, Poland	<p>The property is located in the outer district of Warsaw to the north of the S8 motorway (Belarus-Warsaw-Wroclaw). It is c. 11 km (6.8 miles) from the city centre and 18 km (11.2 miles) from Chopin Airport.</p> <p>The urban logistics property was constructed in phases between 2005 and 2011 and is multi-let across 7 buildings on standard market terms. The main tenants are Farutex, Leroy Merlin Polska and Arteria Logistics. The weighted term to expiry is 2.8 years and the vacancy rate is 8% of ERV.</p>	49,775 sq m (535,777 sq ft)	Freehold equivalent (Poland)	100%	€ 3,158,104

PROPERTY	LOCATION AND DESCRIPTION, AGE	FLOOR AREA	TENURE	EFFECTIVE OWNERSHIP	PASSING RENT PER ANNUM
SEGRO City Park Düsseldorf, Germany	<p>The property is located in the central Düsseldorf area. The central station is c. 1.6 km (1.0 miles) to the west.</p> <p>The light industrial estate (including offices and parcel delivery building) was constructed in phases between 2014 and 2016. There is also a building of 8,628 sq m (92,871 sq ft) currently under construction. There is a further 3.1 hectares (7.8 acres) of land available for future development.</p> <p>The property is multi-let across 3 buildings on standard market terms. The main tenants are Deutsche Post Immobilien, THK Rhythm Automotive and Sonepar Deutschland. The weighted term to expiry is 10.8 years and the vacancy rate is 19% of ERV (which includes SEGRO's office as vacant. Excluding this the vacancy rate is 15%).</p> <p>The building under construction is let to AirHop and Superblock. The weighted term to expiry is 10.2 years and the vacancy rate is 45% of ERV.</p>	18,911 sq m (203,556 sq ft)	Freehold equivalent (Germany)	100%	€ 1,743,956
Rome North Logistics Park, Italy	<p>Located approximately 25 km (15.5 miles) north east of Rome, within the industrial estate known as 'Rome North Logistics Park'. The location benefits from direct access to the 'Diramazione Roma Nord' expressway, providing connectivity to the A1 motorway (Milan–Naples), in addition to a unique rail / metro connection 1 km (0.6 miles) from the site.</p> <p>The property comprises a building of 154,543 sq m (1,663,485 sq ft) currently under construction. The building is fully pre-let to an international retailer. The lease expires in 2032.</p>	N/A – Building under construction	Freehold equivalent (Italy)	100%	N/A – Building under construction

## Appendix B: Portfolio Details

UK

SUB-PORTFOLIO	DESCRIPTION	FLOOR AREA (SQ M)	PASSING RENT (PER ANNUM) 100%	FAIR VALUE (AT SHARE)	ANNUAL RENTAL VALUE OF BUILT ACCOMMODATION (PER ANNUM) 100%
Wholly Owned London	Comprises a portfolio of 35 commercial properties (including those listed in Appendix A above). The Properties mainly comprise of multi-let estates with the remainder either solus units or several sites suitable for development. 60% of assets are located in Park Royal, 21% in Heathrow and the remaining 19% throughout the rest of Greater London. The investment element of the portfolio is occupied wholly on terms considered as institutionally acceptable. The vacancy rate is 5% by ERV.	728,787 sq m (7,844,595 sq ft)	£66,504,888	£1,777,520,000	£89,489,323
Wholly Owned Thames Valley (excluding National Logistics)	Comprises a portfolio of 5 commercial properties (including those listed in Appendix A above). The properties include Slough Trading Estate, single-let, multi-let and development land in the Thames Valley. The vacancy rate is 5% by ERV.	638,080 sq m (6,868,261 sq ft)	£65,625,100	£1,286,895,000	£73,082,120
Wholly Owned National Logistics	The portfolio comprises 23 individual assets across England with a particular focus on the Midlands (78%) (including those listed in Appendix A above). The units are of high quality in the main, with institutionally acceptable specifications and locations. 3 units are vacant as at the date of valuation, two being speculative new completions at the Rugby Gateway development and the third a result of the former tenant (Primark's) wider relocation policy. The portfolio is let to 18 tenants. Leases are on standard institutional terms.	536,602 sq m (5,776,122 sq ft)	£25,779,442	£704,672,000	£37,644,435

SUB-PORTFOLIO	DESCRIPTION	FLOOR AREA (SQ M)	PASSING RENT (PER ANNUM) 100%	FAIR VALUE (AT SHARE)	ANNUAL RENTAL VALUE OF BUILT ACCOMMODATION (PER ANNUM) 100%
Airport Property Partnership (50% JV)	Comprises a portfolio of 21 commercial properties (including those listed in Appendix A above), in the main, associated with and in proximity to the three principal London Airports, Heathrow, Gatwick and Stansted. Properties range between multi-let estates, large single let buildings and sites suitable for development.  The portfolio is occupied on terms widely considered as institutionally acceptable and has a vacancy of 8% by ERV.	352,723 sq m (3,796,678 sq ft)	£42,167,776	£548,372,500 (50%)	£65,061,821

## EUROPE

SUB-PORTFOLIO	DESCRIPTION	FLOOR AREA (SQ M)	PASSING RENT (PER ANNUM)	FAIR VALUE (AT SHARE)	ERV OF BUILT ACCOMMODATION (PER ANNUM)
Wholly Owned Northern Europe (100%) and 1 JV property at 50%	<p>Comprises a portfolio of commercial properties (including those listed in Appendix A above) located in Northern Europe together with a joint venture (50%) in one property. The largest concentrations are in Germany (79%) and The Netherlands (13%). Within these countries the portfolio is clustered in North Rhine Westphalia, Hesse, Hamburg and Amsterdam. Properties in Austria and Belgium make up the remainder.</p> <p>The portfolio comprises let commercial properties, recently completed developments (both pre-let and available to let) together with properties in the course of construction. There is around 87.3 hectares (215.6 acres) of vacant land suitable for development. The majority of the completed properties comprise either urban logistics or light industrial assets.</p> <p>The majority of the portfolio is fully let on standard terms. The vacancy rate is 9% by ERV.</p>	<p>355,318 sq m (3,824,610 sq ft)</p>	€ 23,015,788	€ 443,885,411	€ 24,090,525

SUB-PORTFOLIO	DESCRIPTION	FLOOR AREA (SQ M)	PASSING RENT (PER ANNUM)	FAIR VALUE (AT SHARE)	ERV OF BUILT ACCOMMODATION (PER ANNUM)
Wholly Owned Southern Europe including Vailog (100%)	<p>Comprises a portfolio of commercial properties (including those listed in Appendix A above) located in Southern Europe. The concentrations are France (58%), Italy (32%) and Spain (9%). Within these countries the portfolio is clustered around Paris, Lyon, Milan, Bologna and Barcelona. Land in Romania makes up the remainder.</p> <p>The portfolio comprises let commercial properties, recently completed developments (both pre-let and available to let) together with properties in the course of construction. There is around 151.9 hectares (375.4 acres) of vacant land suitable for development. The majority of the completed properties comprise either logistics or light industrial assets.</p> <p>The majority of the portfolio is fully let on standard terms. The vacancy rate is 2% by ERV.</p> <p>In SEGRO's consolidated financial statements Vailog is reported at 100% in accordance with IFRS. The Vailog subsidiary is 90% owned by SEGRO and 10% owned by Eric Veron (Managing Director of Vailog).</p>	451,736 sq m (4,862,441 sq ft)	€ 29,084,966	€ 555,347,250	€ 30,634,227

SUB-PORTFOLIO	DESCRIPTION	FLOOR AREA (SQ M)	PASSING RENT (PER ANNUM)	FAIR VALUE (AT SHARE)	ERV OF BUILT ACCOMMODATION (PER ANNUM)
Wholly Owned Europe	<p>Central</p> <p>Comprises a portfolio of commercial properties (including those listed in Appendix A above) located in Central Europe. The largest concentrations are Poland (82%) and Czech Republic (11%). Within these countries, the portfolio is clustered around Warsaw, Wrocław and Prague. Land in Hungary makes up the remainder.</p> <p>The portfolio comprises let commercial properties, recently completed developments (both pre-let and available to let) together with properties in the course of construction. There is around 122.3 hectares (302.2 acres) of vacant land suitable for development. The majority of the completed properties comprise either urban logistics or light industrial assets.</p> <p>The majority of the portfolio is fully let on standard terms. The vacancy rate is 7% by ERV.</p>	126,945 sq m (1,366,423 sq ft)	€ 6,388,709	€ 137,161,000	€ 7,431,968
SELP (50% JV)	<p>Comprises a portfolio of logistics properties (including those listed in Appendix A above) located across Europe. The largest concentrations are Germany (32%), Poland (28%), and France (23%). Within these countries, the portfolio is clustered in North Rhine Westphalia, Silesia, Central Poland, Paris and Lyon. Properties in Belgium, Czech Republic, Italy, The Netherlands and Spain make up the remainder.</p> <p>The portfolio comprises let commercial properties, recently completed developments (both pre-let and available to let) together with properties in the course of construction. There is around 170.0 hectares (420.0 acres) of vacant land suitable for development.</p> <p>The majority of the portfolio is fully let on standard terms. The vacancy rate is 3% by ERV.</p>	3,218,985 sq m (34,648,832 sq ft)	€ 150,065,959	€ 1,236,249,700	€ 158,033,220

## PART XIX TAXATION

### UK TAXATION

The statements in this section are intended only as a general guide to and high-level summary of certain UK tax considerations relevant to the Rights Issue and New Ordinary Shares. They reflect current UK tax law and published HMRC practice at the date of this document which may change, at any time possibly with retroactive effect. This section applies only to Shareholders who are resident (and in the case of individuals, also domiciled) in the UK for UK tax purposes (save where express reference is made to Overseas Shareholders), who hold their Ordinary Shares as an investment and who are the absolute beneficial owners of such Ordinary Shares and of any entitlement to distributions in respect thereof. It does not apply to certain specific classes of Shareholder, including Substantial Shareholders, dealers in securities, insurance companies, collective investment schemes and Shareholders who have (or are deemed for tax purposes to have) acquired their Ordinary Shares by reason of an office or employment.

**This section does not constitute tax advice or purport to be a comprehensive analysis of all the potential tax consequences of the Rights Issue. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK should seek independent professional advice appropriate to their own particular circumstances.**

#### Taxation of chargeable gains

##### *Issue of New Ordinary Shares*

Shareholders resident in certain territories may not, for regulatory reasons, receive an allocation under the Rights Issue. Therefore, for the purposes of UK taxation of chargeable gains, the treatment of the Rights Issue for UK resident Shareholders is not beyond doubt.

UK tax law requires that all Shareholders are allocated rights in respect of, and in proportion to, their existing shareholding in the Company, in order to meet the definition of a reorganisation of the Company's share capital. In circumstances where some Shareholders do not receive an allocation, the Rights Issue does not strictly constitute, as a matter of UK tax law, a reorganisation of the Company's share capital for the purposes of UK taxation of chargeable gains. However, practice and experience indicates that HMRC could still treat a rights issue which is not made to all Shareholders as a reorganisation for UK chargeable gains purposes.

If the issue by the Company of New Ordinary Shares pursuant to the Rights Issue is treated as a reorganisation of the share capital of the Company for UK chargeable gains purposes, a UK resident Shareholder who takes up all or part of their rights to New Ordinary Shares should not be treated as making a disposal of any of their Existing Ordinary Shares. The Existing Ordinary Shares and New Ordinary Shares should be treated as the same asset, with the New Ordinary Shares treated as having been acquired at the same time as the Existing Ordinary Shares, and the payment by the Qualifying Shareholder for the New Ordinary Shares should be added to that Shareholder's base cost in the Existing Ordinary Shares. Accordingly, no liability to UK taxation of chargeable gains should arise if a Qualifying Shareholder takes up its rights to New Ordinary Shares in full.

However, in the case of a corporate Qualifying Shareholder, indexation allowance will apply to the payment by the corporate Qualifying Shareholder for its New Ordinary Shares only from the date on which it makes, or becomes liable to make, such payment. Indexation allowance is not available to individual Shareholders.

In the event that the Rights Issue will not constitute a reorganisation of share capital of the Company for UK chargeable gains purposes, when a UK resident Shareholder takes up their rights, they will be treated as acquiring new Shares in the Company. For a corporate Shareholder, the New Ordinary Shares should be pooled with their Existing Ordinary Shares provided the shares are of the same class. For an individual Shareholder, the New Ordinary Shares are subject to the share identification rules.

As the New Ordinary Shares under the Rights Issue are offered to Qualifying Shareholders at a discount to their market value, such Shareholders might be regarded as having a part-disposal of their existing Shareholding when they take up shares under the Rights Issue.

#### *Dealings in rights to subscribe for New Ordinary Shares*

Any disposal by a Qualifying Shareholder of rights to subscribe for New Ordinary Shares pursuant to the Rights Issue, or allowing such rights to lapse and receiving a cash payment in respect thereof, may result in the relevant Shareholder incurring a liability to UK taxation of chargeable gains, depending on that Shareholder's particular circumstances.

However, such a disposal or lapse of rights will not generally result in a Qualifying Shareholder incurring a liability to UK taxation of chargeable gains if the proceeds resulting from the disposal or lapse of rights are "small" compared with the value of the Existing Ordinary Shares in respect of which such rights arose. In that case, no liability to UK taxation of chargeable gains will arise as a result of the disposal or lapse of rights but the proceeds thereof will be deducted from the base cost in the Qualifying Shareholder's Existing Ordinary Shares. HMRC interprets "small" to mean five per cent. or less of the value of the Existing Ordinary Shares in respect of which the rights arose or, in the alternative, no more than £3,000 (regardless of whether the value of the disposal would pass the five per cent. test). This treatment is dependent upon there being sufficient base cost in the Qualifying Shareholder's Existing Ordinary Shares from which to deduct the proceeds of the disposal or lapse of rights.

#### *Sale of New Ordinary Shares*

Any future sale by a Qualifying Shareholder of New Ordinary Shares may, depending on the relevant Shareholder's particular circumstances, result in that Shareholder incurring a liability to UK taxation of chargeable gains.

##### (i) UK resident individual Shareholders

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. The rate of capital gains tax is 10 per cent. (2016/2017) for individuals who are subject to income tax at the basic rate and 20 per cent. (2016/2017) for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an annual exempt amount of gains (currently £11,100) for the year to 5 April 2017 without being liable to tax.

##### (ii) UK resident corporate Shareholders

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain at the rate of corporation tax applicable to that Shareholder (currently 20 per cent. for companies paying the rate of corporation tax with effect from 1 April 2015) or an allowable loss for the purposes of UK corporation tax. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax by increasing the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index but indexation allowance cannot create or increase any allowable loss.

A gain accruing to a corporate Shareholder on a disposal of shares in the Company may qualify for the substantial shareholding exemption if certain conditions regarding the amount of shareholding and length of ownership, the investing company and the company invested in are fulfilled. If the substantial shareholding exemption applies, gains are exempt from tax and losses do not accrue.

##### (iii) Overseas Shareholders

A Shareholder (individual or corporate) who is not resident in the UK for tax purposes is generally not subject to UK taxation on chargeable gains. They may, however, be subject to taxation under their local law.

However, if such a Shareholder carries on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a non-UK resident corporate Shareholder, a permanent establishment) to which the Ordinary Shares are attributable, the Shareholder will be subject to the same rules that apply to UK resident Shareholders.

Individual Shareholders who are not resident in the UK will not be subject to UK capital gains tax in respect of gains arising on disposals of Ordinary Shares. However, a Shareholder who has previously been resident or ordinarily resident in the UK may in some cases be subject to UK tax on capital gains in respect of a disposal of Ordinary Shares in the event that they re-establish residence in the UK.

## **Taxation of dividends**

### *Overview*

This subsection considers certain UK tax implications of receiving cash dividends on New Ordinary Shares. The Company may also declare dividends on New Ordinary Shares in the form of a scrip dividend alternative. The UK tax implications of the Company's scrip dividend scheme are considered in the scrip dividend scheme booklet available in the "Investors // Dividend Information" section of the Company's website and are not further addressed in this document.

The Company became a UK REIT on 1 January 2007. As a result, UK resident Group members with a property rental business and non-UK resident Group members with a property rental business in the UK (together, the "**Tax-Exempt Business**") do not pay UK direct taxes on their income profits and capital gains from the Tax-Exempt Business, provided certain conditions are satisfied. Instead, the Company is required to distribute to Shareholders at least 90 per cent. of a tax adjusted measure of the income profits of the Tax-Exempt Business arising in each accounting period. This obligation is fulfilled by way of a property income distribution (a "**PID**"), which will (with some exceptions) be subject to withholding tax; a dividend that is funded by capital gains from the Tax-Exempt Business will also be a PID (and so subject to withholding tax on the same basis). Corporation tax is payable in the normal way in respect of income and gains from other parts of the Group's business (the "**Residual Business**"), so far as it is within the charge to UK tax, and a dividend relating to the Residual Business, or "**Non-PID**", is treated for UK tax purposes as a normal dividend.

The following paragraphs outline the main aspects of the tax treatment of PIDs and Non-PIDs in the hands of various categories of Shareholder.

### *Taxation of PIDs*

#### (i) Individual Shareholders

PIDs received by an individual Shareholder will generally be treated for income tax purposes as the profit of a UK property business. The PID, together with any PIDs received by that Shareholder from other UK REITs, will be treated as the profit of a separate UK property business from any other such business carried on by that Shareholder. Any surplus expenses from any other UK property businesses of that Shareholder cannot be offset against the PID for UK tax purposes.

#### (ii) Corporate Shareholders

Similarly, PIDs received by a Shareholder that is within the charge to corporation tax will generally be treated for corporation tax purposes as the profit of a UK property business. The PID, together with any PIDs received by that Shareholder from other UK REITs, will be treated as the profit of a separate UK property business from any other such business carried on by that Shareholder.

#### (iii) Overseas Shareholders

PIDs received by Overseas Shareholders will, subject to the provisions of any relevant double tax treaty, generally be chargeable to UK income tax as the profit of a UK property business and the tax will be collected by way of a withholding.

Overseas Shareholders may also be subject to taxation under the law of their jurisdiction of residence.

### *Withholding tax on PIDs*

#### (i) General

Subject to certain exemptions, the Company is required to withhold tax at source from PIDs at the basic rate of income tax (currently 20 per cent.). The Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld and the net amount of the PID.

#### (ii) Individual Shareholders

When tax has been withheld at source, individual Shareholders may, depending upon their particular circumstances, be liable to further tax at their applicable marginal rate, or may be entitled to claim repayment of some or all of the tax withheld.

#### (iii) Corporate Shareholders

In the exceptional event that tax is withheld at source on a PID paid to a Shareholder within the charge to corporation tax, the tax withheld can be offset against that Shareholder's liability to corporation tax in the accounting period in which the PID is received.

#### (iv) Overseas Shareholders

It is not possible for Overseas Shareholders to make a claim under a double tax treaty for a PID to be paid gross or at a reduced rate of withholding. In some cases an Overseas Shareholder may, however, be entitled to claim full or (more often) partial repayment of tax withheld from a PID, depending on the terms of any applicable double tax treaty.

### **Taxation of non-PIDs**

As mentioned above, a dividend from the Company to Shareholders relating to the Residual Business, a "Non-PID", is treated for UK tax purposes as a normal dividend.

#### *Individual Shareholders*

The tax treatment of non-PIDs paid by the Company to individual Shareholders is as follows:

- non-PIDs paid by the Company no longer carry a tax credit, following a change in dividend taxation which took effect in April 2016;
- non-PIDs received by individual Shareholders from the Company (or from other sources) will, except to the extent that they are earned through an ISA, self-invested pension plan or other regime which exempts the dividends from tax, form part of the Shareholder's total income for income tax purposes and will represent the highest part of that income;
- a nil rate of income tax applies to the first £5,000 of dividend income received by an individual Shareholder in a tax year (the "**Nil Rate Amount**"); and
- any dividend income received by an individual Shareholder in a tax year in excess of the Nil Rate Amount is taxed at a special rate, as set out below.

Where a Shareholder's dividend income for a tax year exceeds the Nil Rate Amount, the excess amount (the "**Relevant Dividend Income**") will be subject to income tax:

- at the rate of 7.5 per cent., to the extent that the Relevant Dividend Income falls below the threshold for the higher rate of income tax;
- at the rate of 32.5 per cent., to the extent that the Relevant Dividend Income falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax; and
- at the rate of 38.1 per cent., to the extent that the Relevant Dividend Income falls above the threshold for the additional rate of income tax.

In determining whether and, if so, to what extent the Relevant Dividend Income falls above or below the threshold for the higher rate of income tax or, as the case may be, the additional rate of income

tax, the Shareholder's total dividend income for the tax year in question (including the part within the Nil Rate Amount) will, as noted above, be treated as the highest part of the Shareholder's total income for income tax purposes.

#### *Corporate Shareholders*

Corporate Shareholders which are "small companies" for the purposes of UK taxation of dividends will not generally be subject to tax on non-PIDs. Other corporate Shareholders will not be subject to tax on non-PIDs from the Company so long as the dividends fall within an exempt class and certain conditions are met. The Company expects that its non-PIDs will generally fall within an exempt class. However, the exemptions are not comprehensive and are subject to anti-avoidance rules. In the event that these dividends do not fall within an exempt class, a UK resident corporate Shareholder will be liable to UK corporation tax (currently at a rate of 20 per cent. with effect from 1 April 2015 reducing to 19 per cent. from 1 April 2017, and reducing to 17 per cent. from 1 April 2020).

#### *Overseas Shareholders*

A non-UK resident Shareholder may also be subject to taxation on dividend income under local law. A shareholder who is not solely resident in the UK for tax purposes should consult his own tax advisers concerning his tax liabilities (in the UK and any other country) on dividends received from the Company, and whether any double taxation relief is due in any country in which he is subject to tax and, if so, the procedure for obtaining such relief.

Where a non-UK resident Shareholder who is resident for tax purposes outside the UK carries on a trade, profession or vocation in the UK and the dividends are a receipt of that trade, profession or vocation or, in the case of corporation tax, a non-UK resident corporate Shareholder, if the Ordinary Shares are held for a UK permanent establishment through which a trade is carried on, the Shareholder may be liable to UK tax on dividends received.

An individual Shareholder who has ceased to be resident in the UK for tax purposes for a period of five full tax years or less and who receives or becomes entitled to dividends from the Company during that period may, if other conditions are met, be liable for UK income tax on those dividends on his return to the UK. Special rules apply to Shareholders who are subject to tax on a "split-year" basis, who should seek specific professional advice if they are in any doubt about their position.

#### *Withholding tax on Non-PIDs*

The Company is not required to withhold any tax from a Non-PID.

### **Stamp duty and SDRT**

#### *Issue of rights*

No UK stamp duty or SDRT should be payable on the issue of Provisional Allotment Letters or split Provisional Allotment Letters or on the crediting of Nil Paid Rights or Fully Paid Rights to stock accounts in CREST.

#### *Dealings in rights*

No UK stamp duty will generally be payable on the transfer of rights to New Ordinary Shares represented by a Provisional Allotment Letter or split Provisional Allotment Letter (whether nil paid or fully paid) or on the transfer of Nil Paid Rights or Fully Paid Rights within CREST.

A purchaser of rights to New Ordinary Shares represented by a Provisional Allotment Letter or a split Provisional Allotment Letter (whether nil paid or fully paid) or of Nil Paid Rights or Fully Paid Rights held in CREST, on or before the latest time for registration of renunciation will generally be liable to pay SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for such rights. Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account to HMRC for the SDRT and should indicate that this has been done in any contract note issued to the purchaser of the rights. In other cases, the purchaser is liable to pay the

SDRT and must account for it to HMRC. In the case of transfers of Nil Paid Rights or Fully Paid Rights within CREST, the SDRT should be collected through CREST and accounted for to HMRC in accordance with the CREST Rules.

#### *Lapse of rights*

No UK stamp duty or SDRT should be payable on the lapse of rights to New Ordinary Shares represented by a Provisional Allotment Letter or a split Provisional Allotment Letter, or on the disablement of Nil Paid Rights or Fully Paid Rights in CREST.

#### *Issue of New Ordinary Shares*

No UK stamp duty or SDRT should be payable on the issue of New Ordinary Shares in certificated form or on the issue of New Ordinary Shares in uncertificated form by way of credit to CREST accounts.

#### *Dealings in New Ordinary Shares*

Subject to an exemption for certain low-value transfers, a purchaser of New Ordinary Shares held in certificated form will generally be liable to pay UK stamp duty on the transfer of such New Ordinary Shares at the rate of 0.5 per cent. (rounded up, if applicable, to the nearest £5) of the amount or value of the consideration paid for such transfer. A charge to SDRT will also generally arise when the agreement to transfer such New Ordinary Shares is or becomes unconditional but will be vacated (and any SDRT paid will be repaid) if the agreement is completed by a duly stamped or exempt instrument of transfer within six years of the date of the agreement to the transfer (or the date on which such agreement became unconditional).

A purchaser of New Ordinary Shares held within CREST will generally be liable to pay SDRT on the agreement to transfer such New Ordinary Shares at the rate of 0.5 per cent. of the amount or value of the consideration paid for such transfer. The SDRT should be collected through CREST and accounted for to HMRC in accordance with the CREST Rules. Deposits of shares into CREST for no consideration should not be subject to SDRT or stamp duty.

UK stamp duty or SDRT will generally be payable if New Ordinary Shares are transferred to an operator of a clearance service or depositary receipt system (or to their nominees) at the higher rate of 1.5 per cent. (rounded up in the case of stamp duty, if applicable, to the nearest £5) of the amount or value of the consideration given or, in certain circumstances, of the value of the New Ordinary Shares, unless the transfer is to a clearance service that has made an HMRC-approved election under section 97A Finance Act 1986 for an alternative system of charge.

## **U.S. TAXATION**

The following is a discussion of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Nil Paid Rights, the Fully Paid Rights (collectively, the “**Rights**”) and the New Ordinary Shares into which the rights may be converted by U.S. Holders, as defined below, that acquire the rights pursuant to this Rights Issue. This discussion is not a complete analysis or listing of all of the possible tax consequences of such transactions and does not address all tax considerations that might be relevant to particular beneficial owners of the Rights or New Ordinary Shares in light of their personal circumstances or to persons that are subject to special tax rules. In particular, this description of the certain U.S. federal income tax consequences does not address the tax treatment of special classes of beneficial owners of the Rights or New Ordinary Shares, such as:

- financial institutions;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt entities;
- insurance companies;
- persons that do not hold the Rights and New Ordinary Shares into which the Rights can be converted as capital assets, within the meaning of Section 1221 of the Code;

- persons that own, have owned or will own (directly, indirectly, or by attribution) 10 per cent. or more of the Company's total combined voting power of outstanding Existing Ordinary Shares or that would own 10 per cent. or more of the total combined voting power in respect of the Company after the exercise of the Rights to purchase New Ordinary Shares;
- U.S. expatriates;
- dealers or traders in securities; or
- U.S. Holders whose functional currency is not the U.S. dollar.

This summary does not address the alternative minimum tax, U.S. federal estate and gift tax consequences or tax consequences under any state, local or non U.S. laws.

For purposes of this discussion, a person is a **"U.S. Holder"** if it is a beneficial owner of the Rights (or the New Ordinary Shares) that is: (1) an individual citizen or resident alien of the United States for U.S. federal income tax purposes; (2) a corporation, or any entity treated as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof, or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds the Rights or New Ordinary Shares will depend upon the status of the partners and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes are urged to consult with their tax advisers regarding the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Rights and the New Ordinary Shares by the partnership.

The following discussion is based on the Code, U.S. judicial decisions, administrative pronouncements, existing and proposed U.S. Treasury Regulations and the Convention Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital Gains (the **"Tax Convention"**), all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. The Company has not requested, and will not request, a ruling or other guidance from the U.S. Internal Revenue Service (the **"IRS"**) with respect to any of the U.S. federal income tax consequences described below, and as a result there can be no assurance that the IRS will not disagree with or challenge any of the conclusions described herein.

**The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any beneficial owner or prospective beneficial owner of the Rights or the New Ordinary Shares and no opinion or representation to any such beneficial owner or prospective beneficial owner is given with respect to the U.S. federal income tax consequences. Prospective purchasers are urged to consult their tax advisers as to the particular consequences to them under U.S. federal, state and local, and any applicable non U.S., tax laws of the acquisition, ownership and disposition of the Rights and the New Ordinary Shares into which the Rights may be converted.**

## **Ownership of Rights**

### *Receipt of Rights*

The Directors believe the distribution of the Rights should be treated as a non-taxable distribution under Section 305(a) of the Code. This position is not binding on the IRS, or the courts, however. If this position is finally determined by the IRS or a court to be incorrect, the fair market value of the Rights would be taxable to U.S. Holders of Existing Ordinary Shares as a dividend to the extent of such holder's pro rata share of the Company's current and accumulated earnings and profits, if any, with any excess being treated as a return of capital to the extent thereof and then as capital gain.

The Directors believe that the sale of New Ordinary Shares not taken up in the Rights Issue, if any, by the Underwriters should be treated as a distribution of Nil Paid Rights by the Company and a sale of those Nil Paid Rights (or as a deemed exercise of the Nil Paid Rights and a sale of the corresponding New Ordinary Shares) by the relevant holders, the consequences of which are described below under the heading “—*Sale or Other Taxable Disposition of Rights*,” or in the case of a deemed exercise, as described under the headings “—*Exercise of Rights*” and “*Ownership of New Ordinary Shares—Sale or Other Taxable Disposition of New Ordinary Shares*.” It is possible that the IRS will take a contrary view and successfully assert that the sale of New Ordinary Shares not taken up in the Rights Issue by the Underwriters, and the remittance of the premiums from that sale to the relevant holders, should be treated as a taxable distribution by the Company to such holders, the consequences of which are described under the heading “*Ownership of New Ordinary Shares—Distribution on New Ordinary Shares*.” The tax consequences of the receipt of Rights by a U.S. Holder are not free from doubt. U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax treatment of the receipt of Rights. The discussion below assumes that U.S. Holders of Existing Ordinary Shares in respect of which Rights are received will not be subject to U.S. federal income tax on the receipt of a Right.

If the aggregate fair market value of the Rights at the time they are distributed to U.S. Holders of Existing Ordinary Shares is less than 15 per cent. of the aggregate fair market value of the Existing Ordinary Shares at such time, the tax basis of the Rights received by a U.S. Holder will be zero unless such holder elects to allocate a portion of its basis in its Existing Ordinary Shares to the Rights received pursuant to the Rights Issue. However, if the aggregate fair market value of the Rights at the time they are distributed to U.S. Holders of Existing Ordinary Shares is 15 per cent. or more of the aggregate fair market value of the Existing Ordinary Shares at such time, or if a U.S. Holder elects to allocate a portion of its tax basis in its Existing Ordinary Shares to the Rights received pursuant to the Rights Issue, then such U.S. Holder’s tax basis in the Existing Ordinary Shares will be allocated between such Existing Ordinary Shares and the Rights based upon the relative fair market value of such Existing Ordinary Shares and the Rights as of the date of the distribution of the Rights. Thus, if such an allocation is made and the Rights are later exercised, the tax basis in the Existing Ordinary Shares will be reduced by an amount equal to the tax basis allocated to the Rights and the basis in the New Ordinary Shares will be increased by the tax basis allocated to these New Ordinary Shares. This election is irrevocable if made and would apply to all of the Rights received pursuant to the Rights Issue. The election must be made in a statement attached to a U.S. Holder’s timely filed U.S. federal income tax return for the taxable year in which the Rights are received.

Notwithstanding the foregoing, pursuant to applicable Treasury Regulations, tax basis will be allocated to a Right only if it is exercised or disposed of. As discussed below, if a U.S. Holder allows a Right to lapse unexercised, no tax basis will be allocated to such Right.

The holding period for the Rights received in the Rights Issue by a U.S. Holder of Existing Ordinary Shares will include the holding period for the Existing Ordinary Shares with respect to which the Rights were received.

#### *Sale or Other Taxable Disposition of Rights*

Subject to the passive foreign investment company (“**PFIC**”) rules discussed below, upon the sale or other taxable disposition of a Right a U.S. Holder will recognise gain or loss equal to the difference between the U.S. Holder’s amount realised and the tax basis in the Right. The amount realised is the sum of cash plus the fair market value of any property, which includes foreign currency, received. The U.S. Holder’s adjusted tax basis in a Right is determined as discussed above. Subject to the PFIC rules discussed below, gain or loss recognised upon the sale or other taxable disposition of a Right will generally be long-term capital gain or loss if the U.S. Holder’s holding period for the Right exceeds one year. The deductibility of capital losses is subject to limitations.

#### *Exercise of Rights*

A U.S. Holder will generally not recognise any gain or loss on the exercise of a Right. A U.S. Holder’s tax basis in the New Ordinary Shares received by such U.S. Holder upon the exercise of a Right will be (1) such U.S. Holder’s tax basis in such Right, and (b) the exercise price paid by the U.S. Holder.

Subject to the PFIC rules discussed below, the U.S. Holder's holding period for the New Ordinary Shares received upon exercise of a Right will begin on the date of exercise of the Right and will not include the period during which the U.S. Holder held the Right.

#### *Lapse of Rights*

Upon the lapse or expiration of a Right where a U.S. Holder does not receive any payment, the U.S. Holder should not recognise any loss, and such holder's tax basis in its Existing Ordinary Shares in respect of which the Rights were received will equal its tax basis before receipt of the Rights.

#### **Ownership of New Ordinary Shares**

The following discussion is subject in its entirety to the rules described below under the heading "*—Passive Foreign Investment Company Rules.*"

#### *Distribution on New Ordinary Shares*

Distributions paid on New Ordinary Shares will be treated as dividends to the extent paid out of the Company's current or accumulated earnings and profits (as determined under U.S. federal income tax principles) and will be includible in income by a U.S. Holder when received. If a distribution exceeds the Company's current and accumulated earnings and profits, the excess will be treated as a tax free return of the capital up to the U.S. Holder's tax basis in the New Ordinary Shares. Any remaining excess distribution generally will be treated as capital gain. However, the Company may not maintain the calculations of its earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder may have to assume that any distribution with respect to its New Ordinary Shares will constitute ordinary dividend income.

Dividends received on New Ordinary Shares by corporate U.S. Holders generally will not be eligible for the "dividends received deduction." Provided that the Company is eligible for the benefits of the Tax Convention or the New Ordinary Shares are "readily tradable" on a U.S. securities market, dividends paid to non-corporate U.S. Holders generally will be eligible for the preferential tax rates applicable to long-term capital gains, provided certain holding period and other conditions are satisfied, including that the Company is not a PFIC (as defined below) in the tax year of distribution or in the preceding tax year.

#### *Sale or Other Taxable Disposition of New Ordinary Shares*

A U.S. Holder will generally recognise capital gain or loss upon the sale or other taxable disposition of New Ordinary Shares in an amount equal to the difference between the U.S. Holder's tax basis in the New Ordinary Shares disposed of and the amount realised on the disposition. Gain or loss realised by a U.S. Holder on the sale or other taxable disposition of New Ordinary Shares will generally be capital gain or loss for U.S. federal income tax purposes, and will be long term capital gain or loss if the U.S. Holder's holding period for the New Ordinary Shares is more than one year. In the case of a non corporate U.S. Holder, long term capital gains will be subject to preferred rates of tax. The deductibility of capital losses is subject to limitations.

#### **Passive Foreign Investment Company Rules**

A foreign corporation will be a PFIC if, after the application of certain 'look-through' rules with respect to subsidiaries in which the Company holds at least 25 per cent. of the value of such subsidiary, for a taxable year, (a) 75 per cent. or more of the Company's gross income for such taxable year is passive income (the "**income test**") or (b) 50 per cent. or more of the average value of the Company's assets either produce passive income or are held for the production of passive income (the "**asset test**"). "Gross income" generally includes revenues from operations less the cost of goods sold, plus interest, dividends and other items of income, and "passive income" includes, for example, dividends, interest, certain rents and royalties and certain gains from the sale of properties which give rise to such income. Passive income generally does not include rents which are derived in the active conduct of a trade or business and which are received from a person other than a related person. Under applicable Treasury Regulations, rents from leasing real property shall be considered to be derived from the active conduct of a trade or business if the lessor, through its own officers or staff of employees, regularly performs active and substantial management and operational functions with respect to the real property while the property is leased.

If the Company were a PFIC for any taxable year in which a U.S. Holder has held Rights or Ordinary Shares (including in the case of a U.S. Holder that held Existing Ordinary Shares before this offering), the Company generally would continue to be a PFIC with respect to such U.S. Holder for any subsequent taxable year in which such U.S. Holder continues to hold Rights or Ordinary Shares even if the Company no longer satisfies the income test or the asset test in such subsequent taxable year.

The determination of whether the Company will be a PFIC for a taxable year is very fact-specific and depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether the Company will be a PFIC for subsequent taxable years depends on the types of income it earns and the types and value of its assets over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this offering memorandum. However, the Directors believe that the Company has been a PFIC in prior taxable years, including the taxable year ending on December 31, 2016, and expect the Company to be a PFIC for the taxable year ending on December 31, 2017.

If the Company is a PFIC, a U.S. Holder would be subject to the rules of Section 1291 of the Code and regulations thereunder (“**Section 1291 Rules**”) with respect to (a) any gain recognised on the sale or other taxable disposition of such holder’s Ordinary Shares and (b) any excess distribution paid on such holder’s Ordinary Shares. A distribution generally will be an “excess distribution” to the extent that such distribution (together with all other distributions received in the same taxable year) exceeds 125 per cent. of the average distributions received during the three preceding taxable years (or during a U.S. Holder’s holding period for the Ordinary Shares, if shorter).

Under the Section 1291 Rules, any gain recognised on the sale or other taxable disposition of New Ordinary Shares and any excess distribution paid on the New Ordinary Shares, must be ratably allocated to each day in a U.S. Holder’s holding period for the New Ordinary Shares. Under proposed Treasury Regulations, a U.S. Holder’s holding period for the New Ordinary Shares will include such U.S. Holder’s holding period for the Rights pursuant to which such New Ordinary Shares were acquired. The amount of any such gain or excess distribution allocated to prior years of such U.S. Holder’s holding period for the New Ordinary Shares will be subject to U.S. federal income tax at the highest rate applicable to ordinary income in each such prior year. A U.S. Holder will be subject to an interest charge on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year. A U.S. Holder that is not a corporation for U.S. federal income tax purposes must treat any such interest paid as “personal interest,” which is not deductible. The amount of any such gain or excess distribution allocated to the current year of such U.S. Holder’s holding period for the New Ordinary Shares will be treated as ordinary income in the current year, and no interest charge will be incurred with respect to the resulting tax liability for the current year.

In addition, if the Company is a PFIC and owns shares of another foreign corporation that also is a PFIC (a “**Subsidiary PFIC**”), under certain indirect ownership rules, a disposition by the Company of the shares of such Subsidiary PFIC or a distribution received by the Company from such Subsidiary PFIC generally will be treated as an indirect disposition by a U.S. Holder or an indirect distribution received by a U.S. Holder, subject to the Section 1291 Rules discussed above. To the extent that gain recognised on the actual disposition by a U.S. Holder of New Ordinary Shares or income recognised by a U.S. Holder on an actual distribution received on New Ordinary Shares was previously subject to U.S. federal income tax under these indirect ownership rules, such amount recognised generally will not be subject to U.S. federal income tax again.

If the Company is a PFIC for the taxable year in which a dividend is paid or in the preceding taxable year, such dividend would not be eligible for the preferential tax rates applicable to long-term capital gains. Special rules also apply to foreign tax credits that a U.S. Holder may claim on such distribution.

A U.S. Holder may mitigate some of the U.S. federal income tax consequences of PFIC status on the acquisition, ownership, and disposition of New Ordinary Shares by making an election to treat the Company as a “qualified electing fund” or “**QEF**” (a “**QEF election**”) or a mark-to-market election (a “**Mark-to-Market Election**”).

#### *QEF Election*

A U.S. Holder that makes a timely and effective QEF election with respect to its Ordinary Shares (an “**Electing U.S. Holder**”) generally would not be subject to the Section 1291 Rules discussed above. An

Electing U.S. Holder will be subject to U.S. federal income tax on such Electing U.S. Holder's pro rata share of (a) the Company's net capital gain, which will be taxed as long-term capital gain to such Electing U.S. Holder, and (b) the Company's ordinary earnings, which will be taxed as ordinary income to such Electing U.S. Holder, in each case regardless of whether such amounts are actually distributed to such Electing U.S. Holder. However, an Electing U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge, until the actual distribution of our net capital gain or ordinary earnings. If such Electing U.S. Holder is not treated as a corporation for U.S. federal income tax purposes, any such interest paid will be treated as "personal interest," which is not deductible.

An Electing U.S. Holder generally (a) may receive a tax-free distribution from the Company to the extent that such distribution represents "earnings and profits" of the Company that were previously included in income by the Electing U.S. Holder because of such QEF election and (b) will adjust such Electing U.S. Holder's tax basis in the New Ordinary Shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF election. In addition, an Electing U.S. Holder generally will recognize capital gain or loss on the sale or other taxable disposition of New Ordinary Shares.

The procedure for making a QEF election, and the U.S. federal income tax consequences of making a QEF election, will depend on whether such QEF election is timely. A QEF election will be treated as "timely" if such QEF election is made for the first taxable year in the U.S. Holder's holding period for the New Ordinary Shares in which the Company was a PFIC. However, if the Company was a PFIC with respect to a U.S. Holder in a prior taxable year, then in addition to filing the QEF election documents, such U.S. Holder must elect to recognize gain (which will be taxed under the Section 1291 Rules discussed above) as if the New Ordinary Shares were sold for their fair market value on the qualification date or the rules discussed above under the heading "*—Passive Foreign Investment Company Rules*" will continue to apply. The "qualification date" is the first day of the first taxable year in which the Company was a QEF with respect to such U.S. Holder. The election to recognize such gain or "earnings and profits" can only be made if such U.S. Holder's holding period for the New Ordinary Shares includes the qualification date. By electing to recognize such gain or "earnings and profits," such U.S. Holder will be deemed to have made a timely QEF election. In addition, under very limited circumstances, a U.S. Holder may make a retroactive QEF election if such U.S. Holder failed to file the QEF election documents in a timely manner.

A QEF election will apply to the taxable year for which such QEF election is made and to all subsequent taxable years, unless such QEF election is invalidated or terminated or the IRS consents to revocation of such QEF election. If a U.S. Holder makes a QEF election and, in a subsequent taxable year, the Company ceases to be classified as a PFIC, the QEF election will remain in effect (although it will not be applicable) during those taxable years in which the Company is not a PFIC. Accordingly, if the Company becomes a PFIC in another subsequent taxable year, the QEF election will be effective and the U.S. Holder will be subject to the QEF rules described above during any such subsequent taxable year in which the Company qualifies as a PFIC. In addition, the QEF election will remain in effect (although it will not be applicable) with respect to a U.S. Holder even after such U.S. Holder disposes of all of such U.S. Holder's direct and indirect interest in the Ordinary Shares. Accordingly, if such U.S. Holder reacquires an interest in the Company, such U.S. Holder will be subject to the QEF rules described above for each taxable year in which the Company is classified as a PFIC.

U.S. Holders are urged to consult their own tax advisers regarding the availability of, and procedure for making, a QEF election. A U.S. Holder cannot make and maintain a valid QEF election unless the Company provides certain U.S. tax basis information and meets certain other requirements. The Company does not expect to provide such information, and thus, a QEF election will likely not be available with respect to the Ordinary Shares.

#### *Mark-to-Market Election*

A U.S. Holder may make a Mark-to-Market Election under the PFIC rules only if the Ordinary Shares are marketable stock. The Ordinary Shares generally will be "marketable stock" if the Ordinary Shares are "regularly traded" on a "qualified exchange." A qualified exchange includes an exchange that is registered with the SEC or a non-U.S. exchange, if (a) the exchange is regulated or supervised by a governmental authority of the country in which it is located, (b) the volume, listing, financial disclosure,

surveillance and other requirements designed to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open, fair and orderly, market and to protect investors; and the laws of the country in which the exchange is located and the rules of the exchange ensure that such requirements are actually enforced, and (c) the rules of the exchange effectively promote active trading of listed stock. The Ordinary Shares will be treated as regularly traded in any calendar year in which more than a de minimis quantity of Ordinary Shares is traded on a qualified exchange on at least 15 days during each calendar quarter. Although there can be no assurance, the Company expects that the Ordinary Shares will be “marketable stock”.

A U.S. Holder that makes a Mark-to-Market Election generally will not be subject to the Section 1291 Rules discussed above. However, the Mark-to-Market Election will not be available prior to the conversion of the Rights into New Ordinary Shares. If a U.S. Holder makes a Mark-to-Market Election after the beginning of such U.S. Holder’s holding period for the New Ordinary Shares and such U.S. Holder has not made a timely QEF election, the Section 1291 Rules discussed above will apply to certain dispositions of, and distributions on, the New Ordinary Shares.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each taxable year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the New Ordinary Shares as of the close of such taxable year over (b) such U.S. Holder’s adjusted tax basis in such New Ordinary Shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed to deduct as an ordinary loss an amount equal to the excess, if any, of (i) such U.S. Holder’s adjusted tax basis in the New Ordinary Shares over (ii) the fair market value of such New Ordinary Shares as of the close of such taxable year, but only to the extent of the net amount previously included in income as a result of the Mark-To-Market Election.

A U.S. Holder that makes a Mark-to-Market Election generally also will adjust such U.S. Holder’s tax basis in the New Ordinary Shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of New Ordinary Shares, a U.S. Holder that makes a Mark-to-Market Election will recognise ordinary income or loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior taxable years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior taxable years). Distributions made by the Company will not be subject to the above rules regarding excess distributions, but instead the ordinary rules regarding distributions will apply.

A Mark-to-Market Election applies to the taxable year in which such Mark-to-Market Election is made and to each subsequent taxable year, unless the Ordinary Shares cease to be “marketable stock” or the IRS consents to revocation of such election. Mark-to-Market Election is not available with respect to the Company’s Subsidiary PFICs, if any. U.S. Holders are urged to consult their own tax advisers regarding the availability of, and procedure for making, a Mark-to-Market Election.

#### *Filing Requirement*

A U.S. Holder that owns, or who is treated as owning, Rights or Ordinary Shares during any taxable year in which the Company is a PFIC may be required to file IRS Form 8621. U.S. Holders are urged to consult their tax advisers regarding the requirement to file IRS Form 8621 and the potential application of the PFIC regime.

### **Additional Considerations Applicable to Rights and New Ordinary Shares**

#### *Foreign Tax Credit*

In general, any UK withholding tax imposed on payments in respect of the New Ordinary Shares will be treated as a foreign income tax eligible to be credited against a U.S. Holder’s U.S. federal income tax liability (or, at a U.S. Holder’s election, may, in certain circumstances, be deducted in computing taxable income). Amounts treated as dividends for U.S. federal income tax purposes paid on the New Ordinary Shares generally will be treated as foreign-source income, and generally will be treated as “passive category income” for U.S. foreign tax credit purposes. U.S. tax law applies various complex limitations on the amount of foreign taxes that may be claimed as a credit by U.S. taxpayers. U.S. Holders are urged to consult their own tax advisers with respect to the amount of foreign taxes that can be claimed as a credit.

### *Receipt of Foreign Currency*

The amount of any distribution on New Ordinary Shares paid to a U.S. Holder in pounds sterling, or proceeds on the sale or other taxable disposition of the Rights or New Ordinary Shares paid to a U.S. Holder in pounds sterling, generally will be equal to the U.S. dollar value of such pounds sterling based on the exchange rate applicable on the date of receipt, regardless of whether such pounds sterling is converted into U.S. dollars at that time. A U.S. Holder will have a basis in the pounds sterling equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the pounds sterling after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders that use the accrual method of tax accounting. U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

### *Net Investment Income Tax*

An additional 3.8 per cent. tax is imposed on the “net investment income” of certain U.S. Holders who are individuals, estates or trusts. Amongst other items, “net investment income” generally includes gross income from dividends and certain net gains from sales or other taxable dispositions of the Rights or the New Ordinary Shares. Special rules apply to PFICs. U.S. Holders are urged to consult their tax advisers with respect to this tax and its applicability in their particular circumstances to income and gains in respect of an investment in the Rights or the New Ordinary Shares.

### *Backup Withholding and Information Reporting*

In general, information reporting will apply to payments made through a U.S. paying agent or U.S. intermediary to a U.S. Holder other than certain exempt recipients, such as corporations. In general, payments to U.S. Holders may be subject to backup withholding if the U.S. Holder fails to provide its taxpayer identification number or otherwise comply with the backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld from payments to a U.S. Holder under the backup withholding rules will be allowed as a credit against such U.S. Holder’s U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided the required information is furnished to the IRS. U.S. Holders are urged to consult their own tax advisers regarding the information reporting and backup withholding tax rules.

Owners of “specified foreign financial assets” with an aggregate value in excess of \$50,000 (and in some circumstances, a higher threshold), may be required to file an information report with respect to such assets with their tax returns. “Specified foreign financial assets” generally include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. U.S. Holders are urged to consult their own tax advisers regarding this and any other information reporting that may be required in connection with their ownership of Rights and/or New Ordinary Shares.

### *Transfer Reporting Requirements*

A U.S. Holder that acquires New Ordinary Shares may be required to file Form 926 (or similar form) with the IRS in certain circumstances. A U.S. Holder that fails to file any such required form could be required to pay a penalty equal to 10 per cent. of the gross amount paid for the New Ordinary Shares (subject to a maximum penalty of U.S.\$100,000, except in cases of intentional disregard). U.S. Holders are urged to consult their tax advisers with respect to this or any other reporting requirement that may apply to an acquisition of the New Ordinary Shares.

## **PART XX ADDITIONAL INFORMATION**

### **1. Persons responsible**

The Directors of the Company, whose names appear on page 47 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

### **2. Incorporation and registered office**

SEGRO's legal and commercial name is SEGRO Public Limited Company. SEGRO is a public limited company incorporated and was registered in England and Wales on 19 May 1920 as a company limited by shares. Its Ordinary Shares are admitted to the premium segment of the Official List and traded on the main market of the London Stock Exchange. SEGRO operates under the Companies Act 1985 and the Companies Act and its registered number is 00167591.

The Company is domiciled in the UK. Its registered office and corporate headquarters is at SEGRO plc, Cunard House, 15 Regent Street, London, United Kingdom (Tel. No 0207 451 9100, or if dialling from outside the UK, +44 (0)20 7451 9100).

The principal laws and legislation under which the Company operates, and under which the Ordinary Shares have been created, are the Companies Act and regulations made thereunder.

### **3. Share capital of the Company**

#### **3.1 Share capital**

At 9 March 2017 (being the latest practicable date prior to the publication of this document), SEGRO had 830,165,669 Existing Ordinary Shares in issue.

#### **3.2 History of share capital**

On 1 October 2009, the Companies Act removed the concept of authorised share capital.

From 1 January 2014 (being the first day of the historical financial information incorporated by reference into this document) until 9 March 2017 (being the latest practicable date before publication of this document), the changes to the issued share capital of SEGRO have been as follows:

- a) On 22 January 2014, the issued share capital of SEGRO was increased by 1,514 ordinary shares to 742,211,163 ordinary shares.
- b) On 20 May 2014, the issued share capital of SEGRO was increased by 80,437 ordinary shares to 742,291,600 ordinary shares.
- c) On 3 June 2014, the issued share capital of SEGRO was increased by 41,260 ordinary shares to 742,332,860 ordinary shares.
- d) On 11 June 2014, the issued share capital of SEGRO was increased by 1,402 ordinary shares to 742,334,262 ordinary shares.
- e) On 20 June 2014, the issued share capital of SEGRO was increased by 8,598 ordinary shares to 742,342,860 ordinary shares.
- f) On 27 June 2014, the issued share capital of SEGRO was increased by 11,682 ordinary shares to 742,354,542 ordinary shares.
- g) On 8 July 2014, the issued share capital of SEGRO was increased by 701 ordinary shares to 742,355,243 ordinary shares.
- h) On 29 September 2014, the issued share capital of SEGRO was increased by 3,718 ordinary shares to 742,358,961 ordinary shares.

- i) On 11 November 2014, the issued share capital of SEGRO was increased by 1,103 ordinary shares to 742,360,064 ordinary shares.
- j) On 2 April 2015, the issued share capital of SEGRO was increased by 544 ordinary shares to 742,360,608 ordinary shares.
- k) On 8 May 2015, the issued share capital of SEGRO was increased by 4,916,489 ordinary shares to 747,277,097 ordinary shares.
- l) On 15 May 2015, the issued share capital of SEGRO was increased by 73,962 ordinary shares to 747,351,059 ordinary shares.
- m) On 1 June 2015, the issued share capital of SEGRO was increased by 98,637 ordinary shares to 747,449,696 ordinary shares.
- n) On 8 June 2015, the issued share capital of SEGRO was increased by 24,248 ordinary shares to 747,473,944 ordinary shares.
- o) On 15 June 2015, the issued share capital of SEGRO was increased by 14,533 ordinary shares to 747,488,477 ordinary shares.
- p) On 22 June 2015, the issued share capital of SEGRO was increased by 1,912 ordinary shares to 747,490,389 ordinary shares.
- q) On 8 July 2015, the issued share capital of SEGRO was increased by 13,386 ordinary shares to 747,503,775 ordinary shares.
- r) On 22 September 2015, the issued share capital of SEGRO was increased by 956 ordinary shares to 747,504,731 ordinary shares.
- s) On 2 October 2015, the issued share capital of SEGRO was increased by 201,904 ordinary shares to 747,706,635 ordinary shares.
- t) On 30 November 2015, the issued share capital of SEGRO was increased by 2,963 ordinary shares to 747,709,598 ordinary shares.
- u) On 5 May 2016, the issued share capital of SEGRO was increased by 5,447,660 ordinary shares to 753,157,258 ordinary shares.
- v) On 10 May 2016, the issued share capital of SEGRO was increased by 148 ordinary shares to 753,157,406 ordinary shares.
- w) On 12 May 2016, the issued share capital of SEGRO was increased by 87,146 ordinary shares to 753,244,552 ordinary shares.
- x) On 1 June 2016, the issued share capital of SEGRO was increased by 23,577 ordinary shares to 753,268,129 ordinary shares.
- y) On 7 June 2016, the issued share capital of SEGRO was increased by 452,214 ordinary shares to 753,720,343 ordinary shares.
- z) On 13 June 2016, the issued share capital of SEGRO was increased by 11,158 ordinary shares to 753,734,501 ordinary shares.
- aa) On 20 June 2016, the issued share capital of SEGRO was increased by 4,429 ordinary shares to 753,735,930 ordinary shares.
- bb) On 15 July 2016, the issued share capital of SEGRO was increased by 7,972 ordinary shares to 753,743,902 ordinary shares.
- cc) On 9 August 2016, the issued share capital of SEGRO was increased by 3,372 ordinary shares to 753,747,274 ordinary shares.
- dd) On 22 August 2016, the issued share capital of SEGRO was increased by 4,429 ordinary shares to 753,751,703 ordinary shares.
- ee) On 6 September 2016, the issued share capital of SEGRO was increased by 74,770,950 ordinary shares to 828,522,653 ordinary shares.
- ff) On 12 September 2016, the issued share capital of SEGRO was increased by 1,042 ordinary shares to 828,523,695 ordinary shares.

- gg) On 22 September 2016, the issued share capital of SEGRO was increased by 1,633,472 ordinary shares to 830,157,167 ordinary shares.
- hh) On 20 October 2016, the issued share capital of SEGRO was increased by 4,429 ordinary shares to 830,161,596 ordinary shares.
- ii) On 23 November 2016, the issued share capital of SEGRO was increased by 2,656 ordinary shares to 830,164,252 ordinary shares.
- jj) On 1 December 2016, the issued share capital of SEGRO was increased by 1,417 ordinary shares to 830,165,669 ordinary shares.

### 3.3 Dilution on Rights Issue

The New Ordinary Shares represent approximately 20.0 per cent. of the Ordinary Shares in issue immediately prior to the Rights Issue. Qualifying Shareholders who take up their *pro rata* entitlement in full will suffer no dilution to their interests in the Company. Qualifying Shareholders who do not take up any of their rights to take up the New Ordinary Shares will suffer an immediate dilution of 16.7 per cent. in their interests in the Company.

### 3.4 Ordinary Shares held under option

At 9 March 2017 (the latest practicable date prior to publication of this document), options over 319,589 Ordinary Shares were outstanding under Sharesave as follows:

<u>Plan</u>	<u>Component</u>	<u>Awards</u>	<u>Grant Date</u>	<u>Options Outstanding</u>	<u>Option Price</u>	<u>Vesting Date</u>
Sharesave	Sharesave	2014 Sharesave 3 Year Award	02/05/2014	134,127	2.7184	01/06/2017
Sharesave	Sharesave	2015 Sharesave 3 Year Award	01/05/2015	110,135	3.3560	01/06/2018
Sharesave	Sharesave	2016 Sharesave 3 Year Award	26/04/2016	75,327	3.2950	01/06/2019

### 3.5 Ordinary Shares held by or on behalf of SEGRO

At 9 March 2017 (being the latest practicable date prior to publication of this document), no Ordinary Shares were held by or on behalf of SEGRO.

### 3.6 Ordinary Shares held by or on behalf of experts

At 9 March 2017 (the latest practicable date prior to publication of this document), none of the experts named in the document had any shareholding in any member of the Group or any right to subscribe for securities in any members of the Group.

### 3.7 Interests of natural and legal persons involved in the Rights Issue

At 9 March 2017 (being the latest practicable date prior to publication), save as disclosed in Part XIII (*Directors and Employees*) and this Part XX (*Additional Information*), no person involved in the Rights Issue has an interest which is material to the Rights Issue.

## 4. Major shareholders and related party transactions

None of SEGRO's major shareholders has different voting rights from any other holder of Ordinary Shares in respect of Ordinary Shares held by them.

At 9 March 2017 (the latest practicable date prior to the publication of this document), SEGRO was not aware of any persons who, directly or indirectly, jointly or severally, will exercise or could exercise control over SEGRO.

At 9 March 2017 (the latest practicable date prior to the publication of this document), SEGRO was not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

#### *Major shareholders*

The following table sets out the name of each person who directly, or indirectly, is interested in voting rights representing three per cent. or more of the total voting rights in respect of SEGRO's issued share capital, insofar as it is known to SEGRO by virtue of notifications made to it pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules or otherwise.

<u>Shareholder</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of voting rights</u>
BlackRock Inc	74,978,812	9.03%
APG Asset Management	49,264,583	5.93%
Artemis Investment Management	48,766,723	5.87%
Cohen & Steers Asset Management	34,351,559	4.14%
State Street Global Advisors	38,824,333	4.68%
Legal & General Investment Management	30,318,472	3.65%
The Vanguard Group	25,720,544	3.10%

Save as disclosed above, the Directors are not aware of any person who is, directly or indirectly interested in three per cent. or more of the issued share capital of the Company.

#### *(b) Related party transactions*

At 9 March 2017 (being the latest practicable date prior to publication), no Directors nor experts named in this document have any interest in any assets which have been, or which are proposed to be, acquired by, disposed of by or leased to any member of the Group since 1 January 2014.

There are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested and which is significant in relation to the business of the Group.

Other than as disclosed in the financial information incorporated by reference into this document for the years ended 31 December 2014 (see note 28 to the 2014 Annual Report and Accounts), 31 December 2015 (see note 28 to the 2015 Annual Report and Accounts) and 31 December 2016 (see note 28 to the 2016 Annual Report and Accounts), there were no related party transactions entered into by members of the Group during the years ended 31 December 2014, 2015 and 2016 and during the period between 1 January 2017 and 9 March 2017 (the latest practicable date prior to the publication of this document).

## **5. Summary of the Memorandum and Articles**

The Company's Memorandum and Articles are available for inspection as set out in Section 13 of this Part XX (*Additional Information*).

The Articles, which were adopted on 29 April 2010, contain (amongst others) provisions to the following effect:

#### *(a) Objects*

The Company's objects are not restricted by its Articles. Accordingly, pursuant to Section 31 of the Companies Act, the Company's objects are unrestricted.

#### *(b) Share rights*

Subject to the Companies Act and the Articles, any share in the Company may be allotted with such preferred, deferred or other rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise as the Company may from time to time by ordinary resolution determine (or failing such determination, as the Board may determine).

*(c) Voting rights*

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles or their terms of issue, on a vote on a resolution on a show of hands at a general meeting (i) each member who (being an individual) is present in person has one vote, (ii) each duly authorised representative of a corporation (which is a member) who is present has the same voting rights as the corporation would be entitled to, (iii) subject to the below, each proxy present who has been properly appointed by one or more members who is entitled to vote on the resolution has one vote, and (iv) each proxy present who has been properly appointed by more than one member entitled to vote on the resolution has one vote for and one against the resolution.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share.

*(d) Restrictions on voting*

No member shall, unless the Board otherwise determines, be entitled in respect of any share held by that member to vote either personally or by proxy or to exercise any other right conferred by membership unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

If any member, or any other person appearing to be interested in any shares of the Company, has been duly served with a notice in writing under Section 793 of the Companies Act and is in default at the end of the time specified in such notice by not supplying to the Company the information thereby required, then at any time thereafter the Board may, for such period as the default continues, impose restrictions upon the relevant shares. The restrictions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant shares and additionally, in the case of a shareholding representing at least one quarter of a per cent. by nominal value of any class of shares of the Company then in issue, with withholding of payment of any dividends on, and the restriction of transfers of, the relevant shares. The restrictions will continue until not more than seven days after the information required by such notice is supplied to the Company or the Company has received notice that the shares in question have been transferred. Section 793 of the Companies Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests.

*(e) Dividends and other distributions*

Subject to the Companies Act, the Company may by ordinary resolution declare dividends not exceeding the amount recommended by the Board and such dividends shall be paid to the members in accordance with their respective rights. Subject to the Companies Act and the provisions of the Articles, the Board may resolve to pay to the members such interim dividends as appear to the Board to be justified by the profits of the Company. If the share capital of the Company is divided into different classes, the Board may pay interim dividends on shares which confer deferred or non-preferred rights as well as in respect of those shares which confer preferential rights with regard to dividends. Provided that the Board acts in good faith the Directors shall not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares in the capital of the Company having deferred or non-preferred rights.

Any dividend or other money payable on or in respect of a share may be paid by such method as the Directors, in their absolute discretion may decide.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends shall be apportioned and paid pro rata according to the amounts paid up on the share during any portion of the period in respect of which the dividend is paid. The Board may deduct from any dividend payable to a member all sums of money presently owed to the Company on account of calls or otherwise in relation to the shares of the Company.

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment shall be forfeited and revert to the Company.

The Company may, one month after notice by recorded delivery post has been served on the relevant member, cease to send cheques, warrants or similar financial instruments by post or to employ any other means of payment for dividends if either (i) at least two consecutive payments have remained uncashed or are returned undelivered or that means of payment has failed or (ii) one payment remains uncashed or is returned undelivered or that means of payment has failed and reasonable inquiries have failed to establish any new postal address or account of the holder. The Company must resume sending cheques, warrants or similar financial instruments or employing such other means of payment if the person entitled to payment requests such resumption in writing.

A general meeting declaring a dividend may, upon the recommendation of the Board, direct payment of such dividend wholly or in part by the distribution of specific assets, and in particular of paid up shares, debentures or debenture stock.

The Board may in respect of any dividend, if authorised by an ordinary resolution of the Company, offer Ordinary Shareholders, the right to elect to receive Ordinary Shares by way of share dividend, instead of cash.

#### *(f) Variation of rights*

Subject to the Companies Act, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the members of that class. At every such separate general meeting the necessary quorum shall be members of the class present in person or by proxy holding not less than one-third in nominal value of the issued shares of that class (or, if at any adjourned class meeting of such holders a quorum as defined above is not present, any one person present holding shares of the class in question or his proxy shall be a quorum). At such a meeting any holder of shares of the class present in person or by proxy may demand a poll and every such holder shall, on a poll, have one vote for every share of the class held by him.

The rights conferred upon the holders of any shares or class of shares issued with preferred or other rights shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

#### *(g) Transfer of Ordinary Shares*

Subject to the Companies Act and the requirements of the FCA, the Board may permit title to shares of any class to be evidenced otherwise than by a certificate and title to shares of such a class to be transferred by means of a relevant system. Provisions of the Articles do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form or with the transfer of shares by means of a relevant system.

Any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer must be signed by or on behalf of the transferor and (in the case of a partly-paid share) the transferee. The transferor will continue to be treated as the shareholder until the name of the transferee is entered in the register of members for the relevant share or shares.

No fee will be charged by the Company on the registration of the transfer.

The Board can decline to register any transfer of any share which is not a fully paid share, to the extent that this does not prevent dealings in such shares from taking place on an open and proper basis and, in respect of shares in uncertificated form, to the extent permitted by the CREST Regulations. If the Board declines to register a certificated share it shall send to the transferee notice of the refusal. Subject to the Companies Act and receiving prior approval from the FCA, the Company may refuse approval of a transfer of fully paid shares provided that such refusal does not disturb the operation of the market operated in the Company's shares.

The Board may also decline to register a transfer of a certificated share unless the instrument of transfer:

- (i) is duly stamped or certified or otherwise shown to the satisfaction of the board to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the board may reasonably require;
- (ii) is in respect of only one class of share; and
- (iii) is in favour of not more than four transferees jointly.

Subject to the Companies Act and the requirements of the FCA, the registration of transfers may be suspended by the Board, provided always that such registration shall not be suspended for more than 30 days in any year.

#### *(h) Pre-emption rights*

The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of Section 561 of the Companies Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the share capital of the Company which is not the subject of the disapplication in Article 10 of the Articles and in the resolution passed at the annual general meeting of SEGRO held on 22 April 2016.

#### *(i) Alteration of share capital*

The Company may by ordinary resolution increase, consolidate, consolidate and then divide, (subject to the Companies Act) sub-divide its shares or cancel any shares which have not been taken.

Subject to the Companies Act, the Company may by special resolution reduce its share capital, capital redemption reserve, or share premium account.

#### *(j) Forfeiture*

The Company may serve notice on the members in respect of any amounts unpaid on their shares. The member shall be given not less than 14 days' notice to pay the unpaid amount, together with any interest and all expenses incurred by the Company. In the event of non-compliance, a share in respect of which the notice is given may be forfeited by resolution of the Directors.

#### *(k) Return of capital*

If the Company is wound up the liquidator may, with the authority of an extraordinary resolution and any other sanction required by statute, divide among the members in specie the whole or any part of the assets of the Company, whether or not the assets shall consist of property of one kind, and may for such purposes set such value as he or she deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any shares in respect of which there is a liability.

#### *(l) General Meetings*

The Articles rely on the Companies Act provisions dealing with the calling of general meetings. The Companies Act provides that a general meeting (other than an adjourned meeting) must be called by notice of at least 21 days in the case of an annual general meeting and at least 14 days in any other case. Notice of a general meeting must be given in hard copy form, in electronic form, or by means of a website and must be sent to every member and every Director. It must state the time and date and the place of the meeting and the general nature of the business to be dealt with at the meeting. A notice calling an annual general meeting must state that the meeting is an annual general meeting. Save as otherwise provided by the Articles two members present in person or by proxy and entitled to vote shall be a quorum.

The Board or the Chairman may, notwithstanding the specification in the notice for the place of meeting, make arrangements for simultaneous attendance and participation (including by way of video link) at other places by members and proxies entitled to attend the general meeting.

#### *(m) Directors*

##### *Number of Directors*

The Directors shall be not less than three and not more than twenty in number. The Company may by ordinary resolution vary the minimum and/or maximum number of Directors.

##### *Directors' shareholding qualification*

Neither a Director nor an alternate Director shall be required to hold any qualification shares.

##### *Appointment of Directors*

The Board may appoint any person to be a Director, either to fill a casual vacancy or as an additional Director, provided that the maximum number of directors set out in the Articles is not exceeded. Subject to the provisions of the Articles, any Director so appointed shall hold office only until the next following annual general meeting and is then eligible for re-appointment but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting.

The Board may from time to time appoint one or more Directors to hold any employment or executive office with the Company for such period and on such terms as they may determine and may also revoke or terminate any such appointment.

##### *Retirement of Directors*

Subject to the provisions of the Articles, one-third of the Directors, or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire at the annual general meeting in every year, provided that if in any year the number of Directors who are subject to retirement by rotation shall be two, one of such Directors shall retire, and if in any year there shall be only one Director who is subject to retirement by rotation, that Director shall retire.

The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Subject to the Companies Act and the Articles, the Directors to retire in every year shall be those who have been longest in office since their last appointment, but as between persons who became or were last re-appointed Directors on the same day, those to retire shall be determined by lot. A retiring Director shall be eligible for re-appointment.

##### *Removal of Directors*

A Director may be removed from office by written notice signed by all other Directors. The Company may by ordinary resolution remove any Director before the expiration of his period of office.

##### *Vacation of office*

The office of a Director shall be vacated:

- (i) if he or she shall become prohibited by law from acting as Director;
- (ii) if (not being an executive Director, holding office as such for a fixed term) he or she shall resign by notice in writing under his or her hand lodged at the Office or if he or she shall tender his or her resignation and the Board shall resolve to accept the same; or
- (iii) if he or she becomes bankrupt or compounds with his or her creditors generally;
- (iv) if he or she is admitted to hospital in pursuance of an application for admission for treatment under mental health legislation, or if an order of mental disorder is made for his or her detention or the appointment of a guardian or receiver or similar to exercise powers with respect to his or her property of affairs or he or she becomes a patient for the purposes of any statutes relating to mental health and the Board resolves that his or her office be vacated; OR

- (v) if he or she shall be absent from meetings of the Board for a continuous period of six months without leave and his or her alternate Director (if any) shall not during such period have attended in his or her stead, and the Board shall resolve that his or her office be vacated.

#### *Proceedings of the Board*

The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless otherwise fixed, is two individuals. Questions arising at any meeting shall be determined by a majority of votes. In case of an equality of votes the chairman of the meeting shall have a second or casting vote.

#### *Remuneration of Directors*

The Board may appoint any one or more of their body to any executive office for such period and on such terms as to remuneration (or otherwise) as it thinks fit and subject to the provisions of any contract, the Board may vary or revoke such appointment.

The Directors (other than those holding executive office) and the president (if any) shall be entitled to remuneration by way of fees for their services as Directors or as president in an aggregate amount not exceeding £500,000 per annum or such other higher amount as may be determined by ordinary resolution of the Company such remuneration to be divided amongst the Directors and president as they may by resolution determine, or in default of agreement, equally. Any remuneration payable to any Director or president may, if the Director or President concerned so requires and if the Board so agrees, consist in whole or in part of payments by way of pension contributions or premiums therefor, whether pursuant to a pension scheme or otherwise.

Any Director appointed to executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services any of which in the opinion of the Board are outside the scope of the ordinary duties of a Director or who goes or resides abroad on the business of the Company may be paid such extra remuneration (whether by way of salary, commission or percentage of profits or otherwise) as the Board may determine.

Any Director may be paid such reasonable travelling, hotel and other expenses as he may properly incur in connection with the discharge of his duties.

#### *Pensions and gratuities for Directors*

The Board or any committee authorised by the Board may exercise the powers of the Company to provide benefits including, without limitation, giving or procuring the giving of donations, gratuities, pensions (by insurance or in any other manner), allowances, disability benefits or emoluments to (or to any person in respect of) any Director or former Director.

#### *Directors' interests*

The Board may, subject to the provisions of the Articles, authorise any matter which would otherwise involve a Director breaching his duty under the Companies Act to avoid conflicts of interest. Subject to the Companies Act, and provided he has declared the nature and extent of his interest to the Board as required by the Companies Act and the Articles, a Director may:

- (i) hold any other office or place of profit under the Company in conjunction with his or her office of Director on such terms as to tenure of office, remuneration or otherwise as the Board decides;
- (ii) act, directly or through a body corporate or firm in which he or she is (directly or indirectly) interested, in a professional capacity for the Company (other than as auditor) on such terms as to tenure of office, remuneration or otherwise as the Board decides;
- (iii) be a party to or otherwise directly or indirectly interested in any other proposed or existing transaction or arrangement involving the Company;
- (iv) continue to be or become a director (executive or non-executive), managing director, manager or other officer of, or employee or member of, or holder (directly or indirectly) of any other place of profit under a body corporate or firm which the Company controls or in which it is (directly or indirectly) interested; and

- (v) be a party to or otherwise directly or indirectly interested in any other proposed or existing transaction or arrangement (whether or not constituting a contract) with, or entered into by any body corporate or firm in which the Company is (directly or indirectly) interested.

A Director shall not, by reason of his office be liable to account to the Company for any benefit realised by reason of having an interest permitted as described above or by reason of having a conflict of interest authorised by the Board and no contract shall be liable to be avoided on the grounds of a Director having any such interest.

#### *Restrictions on voting*

Subject to certain limited exceptions set out in the Articles, no Director may vote on, or be counted in a quorum in relation to, any resolution of the Board in respect of any contract, transaction or arrangement in which he has an interest (which may reasonably be regarded as likely to give rise to a conflict of interest) and, if he does so, his vote shall not be counted.

If a question arises at any meeting as to a Director's entitlement to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting.

#### *Borrowing and other powers*

Subject to the Company's memorandum of association, the Articles, the Companies Act and any directions given by the Company by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. The Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict Company borrowing so that the borrowing of the Group does not, without the previous sanction of an ordinary resolution, exceed a sum equal to twice the aggregate of the amount paid up on (a) Company share capital, (b) the amount of consolidated capital and revenue reserves and (c) the amount standing in credit of the consolidated profit and loss account.

#### *Indemnity of Directors*

To the extent permitted by the Companies Act and applicable laws and regulations, the Company may indemnify any Director of the Company or any associated company against any liability and may purchase and maintain for any Director of the Company or any associated company insurance against any liability.

#### *(n) REIT status*

The Articles include provisions similar to those adopted by other REITs in order to enable the Company to demonstrate to HMRC that it has taken reasonable steps to avoid paying a dividend (or making any other distribution) to a Substantial Shareholder. If a distribution is paid to a Substantial Shareholder and the Company has not taken reasonable steps to avoid doing so, the Company would become subject to a tax charge.

The relevant provisions of the Articles:

- (i) provide Directors with powers to identify Substantial Shareholders, including the power to require a Shareholder to deliver to the Company such information as is required to determine whether they are a Substantial Shareholder;
- (ii) oblige Shareholders to disclose the fact of their becoming a Substantial Shareholder;
- (iii) prohibit the payment of distributions on or in respect of shares that form part of a Substantial Shareholding, unless certain conditions are met;
- (iv) allow distributions to be paid on shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to distributions on or in respect of its Ordinary Shares

(provided the person then entitled to the dividend or distribution is not, and does not thereby become, a Substantial Shareholder). The Board may be satisfied that the right to a distribution has been transferred if it receives a distribution transfer certificate containing appropriate confirmations and assurances from the Substantial Shareholder; and

- (v) provide that where any distribution is paid on or in respect of any share forming part of a Substantial Shareholding (except where the Board is satisfied that the right to the dividend has been transferred to a person who is not, and does not thereby become, a Substantial Shareholder), such distribution shall be held on trust for those persons nominated by the relevant Substantial Shareholder. Failing effective nomination being made within 12 years of the distribution, such payment shall be made to the Company.

The Board may require a Substantial Shareholder to pay the Company the amount of any tax payable (and other costs incurred) as a result of a distribution having been paid to a Substantial Shareholder. Without prejudice to the right of the Company to claim such amount from the Substantial Shareholder, recovery may be made out of the proceeds of a disposal of the relevant shares. Any such amount may also be recovered out of the distributions to which the Substantial Shareholder concerned may become entitled in the future.

The Articles also allow the Directors to require the disposal of shares in the Company forming part of a Substantial Shareholding if:

- (i) a Substantial Shareholder has been identified and a distribution has been announced or declared and the Board has not been satisfied that the Substantial Shareholder has transferred the right to the distribution (or otherwise is not beneficially entitled to it);
- (ii) there has been a failure to provide information requested by the Board; or
- (iii) any information provided by any person proves materially inaccurate or misleading.

If a disposal of shares in the Company required by the Directors is not completed within the timeframe specified by the Board or the Company incurs a charge to tax as a result of a distribution having been paid on a Substantial Shareholding, the Board may arrange for the sale of the relevant shares.

The Articles do not prevent a person from acquiring control of the Company through a takeover or otherwise, although such an event may cause the Company to cease to qualify as a REIT.

*(o) Communications*

The Company has the right to offer Shareholders the opportunity to have documents and information made available to them through SEGRO's website and in electronic form.

**6. Significant subsidiaries**

The following table shows, as of 9 March 2017, the significant subsidiaries of the Group and the associated undertakings of the Group which the Company considers are likely to have a significant effect on the assessment of the Group's assets and liabilities, financial position or profit and losses:

<u>Principal Subsidiary Name</u>	<u>Country of incorporation</u>	<u>Percentage ownership interests and voting power (%)</u>
Brixton Limited	England and Wales	100
Brixton Properties Limited	England and Wales	100
SEGRO Luxembourg S.à r.l.	Luxembourg	100
SEGRO Overseas Holdings Limited	England and Wales	100
SEGRO Properties Limited	England and Wales	100
Slough Trading Estate Limited	England and Wales	100
The UK Logistics Limited Partnership	England and Wales	100

**7. Working capital**

The Company is of the opinion that, after taking into account available bank and other facilities and the net proceeds of the Rights Issue, the working capital available to the Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of this document.

## **8. No significant change**

There has been no significant change in the trading or financial position of the Group since 31 December 2016, the date to which the 2016 Annual Report and Accounts (which is incorporated by reference into this document), was prepared.

## **9. Dates of valuations in the Valuation Report**

The property valuations in the Valuation Report, as set out in Part XVIII (*Valuation Report*), are as at 31 December 2016. There has been no material change to the values of the properties since the 31 December 2016.

## **10. Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past (covering the 12 months preceding the date of this document) a significant effect on the financial position or profitability of the Company and/or the Group.

## **11. Material contracts**

Other than the revolving facility agreement summarised at Section 11.11 below, the following are summaries of all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Company or any member of the Group (i) within the two years immediately preceding the date of this document which are, or may be, material to the Group, or (ii) at any time and contain obligations or entitlements which are, or may be, material to the Group at the date of this document. The revolving facility agreement summarised at Section 11.11 below was entered into by the Company in the ordinary course of business, but is summarised in this document on the basis of its materiality to the Group.

### **11.1 Underwriting Agreement**

On 10 March 2017, the Company and the Underwriters entered into the Underwriting Agreement pursuant to which the Company appointed (i) each of the Underwriters, on a several basis, as underwriters in relation to the Rights Issue, (ii) BofA Merrill Lynch and UBS as Joint Global Co-ordinators and Joint Bookrunners and HSBC, Barclays and BNP PARIBAS as Co-Bookrunners, in each case in relation to the Rights Issue, and (iii) and each of BofA Merrill Lynch and UBS, on a several basis, as sponsors to the Rights Issue.

Pursuant to the Underwriting Agreement, the Underwriters have agreed to fully underwrite the Rights Issue and may (but are not obliged to) seek sub-underwriters. Under the Underwriting Agreement, the Sponsors are obliged to use their reasonable endeavours to assist the Company in connection with the Company's application for Admission.

Subject to the terms and conditions of the Underwriting Agreement, the Company has agreed to pay, no later than the fifth dealing day after the last date or acceptances of the Rights Issue, total base fees to the Underwriters up to 2.25 per cent. of the aggregate gross amount raised under the Rights Issue.

No fees are payable if the Underwriting Agreement does not become unconditional or is terminated in accordance with its terms. Any sub-underwriting commissions payable to such persons (if any) as the Underwriters may procure to subscribe New Ordinary Shares will be paid by the Underwriters out of the fees and commissions referred to above.

In addition, the Company will pay (whether or not the Underwriting Agreement becomes unconditional), all costs and expenses reasonably and properly incurred in connection with the Rights Issue, the allotment and issue of the New Ordinary Shares and the Underwriting Agreement. This will include listing and trading fees, other regulatory fees and expenses, printing and advertising costs, postage, all accountancy and other professional fees, public relations.

The Underwriters' and Sponsors' obligations under the Underwriting Agreement are subject to certain customary conditions, including, amongst other things, on:

- (a) Admission having occurred not later than 8.00 a.m. on the first Dealing Day after the date of the Underwriting Agreement or such later time and/or date (not later than 17 March 2017) as the parties may agree;

- (b) the warranties and representations on the part of the Company in the Underwriting Agreement being true and accurate in all respects and not misleading in any respect on and as of the date of the Underwriting Agreement, the date of any supplementary prospectus required to be published before Admission and on Admission as if they had been given and made at such time by reference to the facts and circumstances then existing.

The conditions, other than, *inter alia*, Admission becoming effective, may be waived in the absolute discretion of the Joint Bookrunners.

The Company has given certain customary representations and warranties, agreed to comply with certain undertakings and given certain customary indemnities to the Underwriters. The liabilities under those warranties, undertakings and indemnities are unlimited as to time and amount.

The Underwriters may by notice to the Company terminate the Underwriting Agreement in limited circumstances prior to Admission.

The Underwriters have agreed that neither they nor any other person acting on their behalf will procure subscribers for any of the New Ordinary Shares in breach of certain selling restrictions.

### 11.2 APP Acquisition Agreement

(1) Aviva Life & Pensions UK Limited (“**Aviva**”), (2) Quarryvale One Limited (together with Aviva, the “**Unit Sellers**”) (3) NUGP (the “**Shareholder Seller**”), (4) SEGRO APP 1 Limited, (5) SEGRO APP 2 Limited, (6) SEGRO APP 3 Limited, (7) SEGRO APP 4 Limited ((4), (5), (6) and (7) together the “**Unit Buyers**”), and (8) SPL (the “**Share Buyer**”), entered into a sale and purchase agreement dated 9 March 2017 pursuant to which the Unit Buyers acquired all of the issued units in the Airport Property Unit Trust (the “**Sale Units**”) from the Unit Sellers and the Share Buyer acquired 500 B ordinary shares in Airport Property H1 Limited (the “**B Ordinary Shares**”) from the Shareholder Seller (the “**APP Acquisition Agreement**”). The consideration paid by the Unit Buyers for the Sale Units was £360.2 million and is subject to adjustment with reference to the net asset value of the Airport Property Unit Trust at completion. The sale and purchase agreement contains customary warranties from the Unit Sellers. The consideration payable by the Share Buyer for the sale of the B Ordinary Shares was £0.2 million<sup>(1)</sup>. APP is now a wholly-owned subsidiary of SEGRO.

### 11.3 APP Partnership Deed

APP is a limited partnership established in England and Wales. Its general partner is Airport Property GP (No. 2) Limited (the “**APP General Partner**”) and its limited partners are Pavilion Trustees Limited (previously named Mourant & Co. Trustees Limited) as managing trustee of the Airport Property Unit Trust (which is now held indirectly by SEGRO following completion of the APP Acquisition Agreement on 9 March 2017) and the Unit Buyers. They entered into a partnership deed on 23 June 2010 which sets out the terms of the APP partnership (the “**Partnership Deed**”).

The purpose of APP is to hold a commercial property portfolio and carry on property investment and development activities. The initial term of the Partnership expires on 30 April 2020 unless it is terminated earlier or extended.

The APP General Partner has the general authority to manage APP. The limited partners do not take part in the management or control of the business and affairs of APP. Kingfisher Property Trustees Limited (the “**Operator**”) acts on behalf of APP as operator in relation to any matter which does or may constitute a regulated activity for the purposes of FSMA. The Partnership Deed provides that certain significant activities are not to be carried out by the APP General Partner without the consent of the limited partners.

Limited partners are entitled to have one representative on APP’s investors’ committee, which has limited rights to pass comment to the APP General Partner on the affairs of the properties owned by APP. A limited partner which is the trustee of a unit trust is entitled to have a number of representatives as it may reasonably require to reflect the units. The investors’ committee may not direct or participate in the management of the operation of APP.

<sup>(1)</sup> As part of the arrangements in relation to the Acquisition, a payment of £4.2 million (inclusive of VAT) will also be required to be made to Aviva Investors Global Services Limited.

APP's term can be extended for a further five-year period by agreement between the parties from 30 April 2019.

#### **11.4 APP Shareholders' Agreement**

The shares in the APP General Partner are owned by Airport Property H1 Limited (the "**APP Holding Company**"). Prior to the completion of the APP Acquisition Agreement set out in paragraph 11.2 above, the shares in the APP General Partner were jointly owned by SPL and NUGP, both of whom (along with the APP General Partner and the APP Holding Company) entered into a shareholders' agreement relating to the APP Holding Company and its subsidiary, the APP General Partner, dated 29 June 2012 (the "**APP Shareholders' Agreement**"). On completion of the APP Acquisition Agreement on 9 March 2017, the APP Shareholders' Agreement terminated for NUGP, leaving SPL, the APP General Partner and the APP Holding Partner as the only remaining parties to the APP Shareholders' Agreement.

#### **11.5 Asset Sale Contract**

SEGRO (Stockley Close) Limited, SEGRO (Nelson Trade Park) Limited and Aviva entered into an asset sale contract on 9 March 2017 pursuant to which Aviva purchased the following properties: Stockley Close, West Drayton and Nelson Trade Park, Merton. The consideration paid by Aviva was equal to the 31 December 2016 valuation figure (exclusive of VAT), for each property. The asset sale contract contains standard provisions dealing with apportionment of rent, insurance, arrears, service charge and capital allowances in respect of each of the properties on completion of the purchase.

#### **11.6 Asset Sale Contract**

Bilton Plc, SPL and Aviva entered into an asset sale contract on 9 March 2017 pursuant to which Aviva purchased the following properties: Voyager Park, Portsmouth and Riverside Way, Uxbridge. The consideration paid by Aviva was equal to the 31 December 2016 valuation figure (exclusive of VAT), for each property. The asset sale contract contains standard provisions dealing with apportionment of rent, insurance, arrears, service charge and capital allowances in respect of each of the properties on completion of the purchase.

#### **11.7 Share Purchase Agreement**

SPL and Aviva, entered into a share purchase agreement dated 9 March 2017 pursuant to which Aviva acquired the entire issued share capital of SEGRO (Hayes Road) Limited ("**SEGRO Hayes Road**"). The consideration paid by Aviva for the sale of the shares was the net asset value of SEGRO Hayes Road which included the 31 December 2016 valuation figure of the property held by SEGRO Hayes Road, known as Arcadia Unit, Hayes Road, Southall, which is SEGRO Hayes Road's principal asset. The consideration is subject to adjustment with reference to the net asset value of SEGRO Hayes Road at completion. The share purchase agreement contains customary warranties from SPL to Aviva in relation to SEGRO Hayes Road and its assets.

#### **11.8 Operating Agreement**

The APP General Partner, the Operator and SEGRO APP Management Limited entered into an operating agreement dated 9 March 2017 pursuant to which the Operator agreed to act as the operator of the Partnership. The operating agreement contains undertakings from the Operator and the APP General Partner and customary warranties and indemnities save for certain exclusions including from any breach by the Operator of its duties and liabilities pursuant to the FCA Rules or FSMA.

#### **11.9 SELP Shareholders' Agreement**

The shares in the SELP Entities owned by SEGRO Lux (a wholly-owned indirect subsidiary of the Company) and PSP are subject to the terms of the SELP Shareholders' Agreement dated 28 June 2013, as amended and restated on 11 October 2013.

The SELP Shareholders' Agreement provides for each of SEGRO Lux and PSP to have the right to appoint two managers to the board of the SELP Sarl and requires that, amongst other things, neither the corporate structure of the SELP Group nor shareholder financing arrangements can be amended without the unanimous consent of SELP Sarl's board of managers. Agreement of not less than three

quarters of the SELP Sarl's managers is required to make any material amendments to the SELP Group's business activities (such as its strategy with respect to investments, financing and acquisitions and disposals) or to the SELP Group's third party financing arrangements.

Under the terms of the SELP Shareholders' Agreement, SEGRO Lux has committed to retain a 25 per cent. shareholding in the venture (through its subsidiaries). The Shareholders' Agreement contemplates that SELP may be owned by up to two further investors, subject to each investor retaining a minimum 20 per cent. shareholding in SELP. The SELP Shareholders' Agreement also contains provisions relating to the disposal of each shareholder's interest in the SELP Group in certain circumstances and also provides for periodical liquidity events, starting on the tenth anniversary of the establishment of the SELP Group (being 11 October 2023) and falling every three years thereafter, upon which the SELP Group may be required to take certain steps (including the raising of debt finance, sale of assets, liquidation of SELP Group companies or flotation of the SELP Group) to realise the value of a shareholder's investment in the SELP Group. At the date of this document, the SELP Group is not aware of any intention to activate those arrangements, or any other similar arrangements between the shareholders, the operation of which would result in a change of control of SELP Finance or SELP Sarl.

The SELP Group are subject to certain investment restrictions as set out in the SELP Shareholders' Agreement. Pursuant to these restrictions, the SELP Group shall not:

- make an investment in a single logistics estate representing more than 15 per cent. of the total value of the assets of the SELP Group;
- make an investment in a single tenant representing more than 10 per cent. of total passing rents;
- make an investment in a single country representing more than 50 per cent. of the total value of the assets of the SELP Group;
- invest in or develop logistics assets located in countries other than the countries identified by SELP as target geographies, unless: (a) any such investment does not represent more than 10 per cent. of the total value of the assets of the SELP Group; and (b) the assets form part of a logistics portfolio relating to acquisitions in the SELP Group's target geographies;
- invest more than 10 per cent. of the total value of the assets of the SELP Group (excluding the total value of the assets of the SELP Group of the development land) in vacant properties; or
- have at any time more than 10 per cent. of the total value of the assets of the SELP Group in development land and projects under construction, in each case calculated at the date on which the investment is made.

The SELP Group is permitted to invest in assets which go beyond the scope of the SELP Group's investment strategy, provided that at any time such assets: (a) do not represent more than 5 per cent. of the total value of the assets of the SELP Group; and (b) are part of a logistics portfolio acquisition or logistics development.

#### **11.10 Placing Agreement**

On 2 September 2016, SEGRO entered into a placing agreement with Merrill Lynch International and UBS Limited, pursuant to which the Placing Shares, representing 9.9 per cent. of the existing issued ordinary share capital of SEGRO before the Placing, were placed by the Placing Banks at a price of 435 pence per Placing Share. Closing of the Placing and admission of the Placing Shares to the Official List and to trading on the London Stock Exchange's Main Market for listed securities took place on 6 September 2016.

The purpose of the Placing was to fund an identified pipeline of predominantly pre-let development opportunities. In consideration for the services provided by the Placing Banks in connection with the Placing, SEGRO paid the Placing Banks a commission agreed between the Placing Banks and SEGRO, together with all properly incurred out-of-pocket expenses of the Placing Banks in connection with the Placing. The Placing Agreement contains certain warranties, undertakings and indemnities by SEGRO in favour of the Placing Banks that are customary in such an agreement.

### 11.11 Revolving facility agreement

The Company has entered into a €610 million multicurrency revolving facility agreement dated 14 April 2014 (as amended and restated on 10 May 2016) as original Borrower and original Guarantor with HSBC Bank plc as Facility Agent, Abbey National Treasury Services plc, Bank of China Limited, London Branch, Barclays Bank PLC, HSBC Bank plc, The Royal Bank of Scotland plc and Wells Fargo Bank International as Mandated Lead Arrangers, Bank of America Merrill Lynch International Limited, BNP PARIBAS, London Branch, KBC Bank NV, London Branch and Lloyds Bank plc as Lead Arrangers and Abbey National Treasury Services plc, Bank of China Limited, London Branch, Barclays Bank PLC, BNP PARIBAS, London Branch, HSBC Bank plc, KBC Bank NV, London Branch, Lloyds Bank plc, The Royal Bank of Scotland plc, Wells Fargo Bank International and Bank of America Merrill Lynch International Limited as Original Lenders.

The key terms of the facility agreement are set out below:

(a) Facility

The facility consists of a €610 million multicurrency revolving loan facility. The full facility of €610 million is available for utilisation until 11 April 2021. Any lender may in its sole discretion agree to an extension of the commitment of that lender for a maximum of two years.

(b) Purpose

The facility shall be used firstly towards the refinancing and cancellation of a then existing €385 million facility agreement originally dated 4 November 2011 and thereafter towards the general corporate purposes of the Group.

(c) Interest and fees

Advances under the facility bear interest at a rate equal to the relevant rate of EURIBOR (in respect of advances made in euro) or LIBOR (in respect of advances made in an optional currency) plus the applicable margin. Margin varies between 0.95 per cent. and 2.1 per cent. according to the ratio of consolidated total net borrowings to consolidated tangible net worth.

Certain fees and expenses apply, including arrangement fees, facility agency fees, commitment fees, utilisation fees and, where applicable, extension fees.

(d) Guarantee and Security

The facility is unsecured and is to rank *pari passu* with all other unsecured obligations. To the extent any additional Group member accedes as a borrower, the Company (and any additional guarantor) guarantees the performance of each other obligor.

(e) Covenants

The facility agreement requires the Company with the following financial covenants:

- (i) consolidated total net borrowings must not exceed 1.60 times consolidated tangible net worth at any time;
- (ii) the ratio of consolidated rental income to consolidated net interest payable must not be less than 1.25:1 (measured at the end of each financial half-year and each financial year);
- (iii) priority debt (meaning the aggregate of secured debt of the Group as a whole plus unsecured debt of the Subsidiaries) must not exceed 0.5 times consolidated tangible net worth at any time; and
- (iv) secured debt of the Group must not exceed 0.25 times consolidated tangible net worth at any time.

The facility agreement also contains certain other covenants which, amongst other things, limits to certain thresholds further borrowings, creation of security and disposal of assets, and imposes restrictions on, amongst other things, mergers and change of business.

(f) Events of Default

The facility agreement contains customary events of default including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults, certain events of insolvency, change of control and material adverse effect.

## 12. General

- (a) The Sponsors are regulated in the UK by the FCA.
- (b) The registrar of the Company in the UK is Equiniti Limited.
- (c) The total costs, charges and expenses payable by the Company in connection with the Rights Issue are estimated to amount to approximately £17 million (excluding VAT), which includes estimated total underwriting commission of approximately £12.9 million. These costs, charges and expenses will be paid by the Company from the proceeds of the Rights Issue.
- (d) Each of the Banks have given and have not withdrawn their respective written consent to the issue of this document with the inclusion herein of the references to their respective names in the form and context in which they appear.
- (e) PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its consent to the inclusion in this document of its report in Part XVII (*Unaudited pro forma financial information*) in the form and context in which it appears and has authorised the contents of that report for the purposes of Prospectus Rule 5.5.3R(2)(f). A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the US Securities Act. PricewaterhouseCoopers LLP has not filed and will not be required to file a consent under Section 7 of the US Securities Act.
- (f) CBRE Limited has given and has not withdrawn its consent to the inclusion in this document of its name and its Valuation Report and references to it in the form and context in which they appear and has authorised the contents of those parts of this document which comprise its report for the purposes of Prospectus Rule 5.5.3R(2)(f).
- (g) Elizabeth Blease is the secretary of the Company. She is a solicitor of the Supreme Court of England and Wales.
- (h) Each of the Banks and their respective affiliates have engaged in transactions with and performed various investment banking, financial advisory and other services for the Company and its affiliates, for which, in certain cases, they received customary fees and commissions. In particular, BofA Merrill Lynch, Barclays, HSBC and BNP PARIBAS are currently lenders to the Company pursuant to certain debt facilities. Additionally, as lender and lead arrangers under those debt facilities, BofA Merrill Lynch, Barclays, HSBC and BNP PARIBAS receive customary fees related to such services. Each of the Banks and their respective affiliates may provide such services for the Company and its affiliates in the future.

## 13. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on each Business Day up to and including 27 March 2017 at the Company's registered office, Cunard House, 15 Regent Street, London SW1Y 4LR, United Kingdom:

- (a) this document;
- (b) the Memorandum and Articles (existing and with proposed amendments);
- (c) the Valuation Report set out in Part XVIII (*Valuation Report*);
- (d) the 2014 Annual Report and Accounts;
- (e) the 2015 Annual Report and Accounts;
- (f) the 2016 Annual Report and Accounts;
- (g) the report from PricewaterhouseCoopers LLP on the unaudited pro forma financial information set out in Part XVII (*Unaudited Pro Forma Financial Information*) of this document;

- (h) the service agreements and terms of employment referred to in Section 3 of Part XIII (*Directors and Employees*); and
- (i) the consent letters referred to in Section 12 of this Part XX (*Additional Information*).

#### **14. Sources of Information**

The sources and bases of statements relating to the market position of SEGRO are set out in this document where the statement is made. Certain information has been obtained from external publications and is sourced in this document where the information is included. Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

#### **15. Announcement on results of the Rights Issue**

The Company will make an appropriate announcement(s) to a Regulatory Information Service giving details of the results of the Rights Issue and details of the sale of New Ordinary Shares not taken up by Qualifying Shareholders on or about 28 March 2017.

**PART XXI  
DOCUMENTS INCORPORATED BY REFERENCE**

The following information, available for inspection in accordance with Section 13 of Part XX (*Additional Information*) of this document and also otherwise available on the Company's website at <http://www.segro.com>, is incorporated by reference into this document so as to provide the information required under the Prospectus Rules, and to ensure that Shareholders and others are aware of all information, which according to the particular nature of the Company and the New Ordinary Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the rights attaching to the New Ordinary Shares.

<u>Document</u>	<u>Section</u>	<u>Page numbers in such document</u>
<b>2014 Annual Report and Accounts</b>	Capital	109
	Auditor's report	104
	Consolidated income statement	107
	Consolidated statement of comprehensive income	107
	Consolidated balance sheet	108
	Cash flow statement	111
	Company balance sheet	108
	Notes to the financial statements	112
	Supplementary financial information (Unaudited)	149
<b>2015 Annual Report and Accounts</b>	Capital	122
	Auditor's report	114
	Consolidated income statement	120
	Consolidated statement of comprehensive income	120
	Consolidated balance sheet	121
	Cash flow statement	124
	Company balance sheet	121
	Notes to the financial statements	125
	Supplementary financial information (Unaudited)	170
<b>2016 Annual Report and Accounts</b>	Capital	115
	Remuneration Committee Report	87-89; 93-96; 100-101
	Remuneration Arrangements for Chief Financial Officer	96
	Auditor's report	107
	Consolidated income statement	113
	Consolidated statement of comprehensive income	113
	Consolidated balance sheet	114
	Company balance sheet	114
	Cash flow statement	117
	Notes to the financial statements	118
	Notes to the financial statements	145-147
	Supplementary financial information (Unaudited)	168
	<b>Articles</b>	Entire Document

Information that is itself incorporated by reference in the above documents is not incorporated by reference into this document. It should be noted that, except as set forth above, no other portion of the above documents are incorporated by reference into this document and those portions which are not specifically incorporated by reference in this document are either not relevant for prospective investors or the relevant information is included elsewhere in this document.

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

**PART XXII**  
**DEFINITIONS AND INTERPRETATION**

The definitions set out below apply throughout this document, unless the context requires otherwise:

<b>“2014 Annual Report and Accounts”</b>	the Company’s annual report and accounts for the year ended 31 December 2014, together with the audit report thereon;
<b>“2015 Annual Report and Accounts”</b>	the Company’s annual report and accounts for the year ended 31 December 2015, together with the audit report thereon;
<b>“2016 Annual Report and Accounts”</b>	the Company’s annual report and accounts for the year ended 31 December 2016, together with the audit report thereon;
<b>“2014 Financial Information”</b>	the audited consolidated financial statements of the Company and its subsidiaries at and for the year ended 31 December 2014 which has been extracted without material adjustment from the 2014 Annual Report and Accounts;
<b>“2015 Financial Information”</b>	the audited consolidated financial statements of the Company and its subsidiaries as at and for the year ended 31 December 2015 which has been extracted without material adjustment from the 2015 Annual Report and Accounts;
<b>“2016 Financial Information”</b>	the audited consolidated financial statements of the Company and its subsidiaries as at and for the year ended 31 December 2016 which has been extracted without material adjustment from the 2016 Annual Report and Accounts;
<b>“3PLs”</b>	third party logistics companies;
<b>“Acquisition”</b>	as defined in Section 1 of Part VII ( <i>Letter from the Chairman</i> );
<b>“adjusted capital and reserves”</b>	as used in certain of the Group borrowing agreements, net borrowings divided by total shareholders’ equity excluding intangible assets and deferred tax provisions;
<b>“adjusted net finance costs”</b>	as used in certain of the Group’s borrowing agreements and is interest payable less interest receivable on an EPRA defined basis. The IFRS basis is adjusted to exclude derivative fair value movements and any close out costs on debt and derivatives incurred;
<b>“Admission”</b>	the admission of the New Ordinary Shares, nil paid, to the premium segment of the Official List becoming effective in accordance with the Listing Rules and the admission of the New Ordinary Shares, nil paid, to trading on the London Stock Exchange’s main market for listed securities, becoming effective in accordance with the Admission and Disclosure Standards;
<b>“Admission and Disclosure Standards”</b>	the “Admission and Disclosure Standards” of the London Stock Exchange containing, amongst other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s main market for listed securities;
<b>“allocated”</b>	this document refers to certain amounts that have been allocated by the Group to certain projects. These amounts have been specifically allocated by the Group to be used for

investment in projects which have been approved by the Directors, but such amounts have not yet been invested (spent) at the date of determination. Depending upon the project, a portion of such amounts may be contractually committed. For a discussion of the Group's capital expenditure and capital commitments, see "*Capital expenditure and capital commitments*" in Part XV (*Operating and Financial Review of the Group*);

<b>"APP"</b>	Airport Property Partnership, a limited partnership established under the laws of England and Wales and which has the APP General Partner as its general partner;
<b>"APP Acquisition Agreement"</b>	has the meaning given to it in Section 11.2 of Part XX ( <i>Additional Information</i> );
<b>"APP Facility"</b>	has the meaning given to it in Section 10.1 of Part XV ( <i>Operating and Financial Review of the Group</i> );
<b>"APP General Partner"</b>	Airport Property GP (No. 2) Limited, a company incorporated in England and Wales with registered number 05272514 whose registered office is St Helen's, 1 Undershaft, London, United Kingdom, EC3P 3DQ;
<b>"APP Holding Company"</b>	Airport Property H1 Limited, a company incorporated in England and Wales with registered number 08073075 whose registered office is St Helen's, 1 Undershaft, London, United Kingdom, EC3P 3DQ;
<b>"APP Shareholders' Agreement"</b>	the shareholders' agreement entered into by SPL and NUGP on 29 June 2012 in relation to the APP Holding Company and the APP General Partner;
<b>"Articles"</b>	the articles of association of the Company, details of which are set out in Section 5 of Part XX ( <i>Additional Information</i> );
<b>"Audit Committee"</b>	the audit committee established by the Board;
<b>"Aviva"</b>	Aviva Life & Pensions UK Limited, a company incorporated in England and Wales with registered number 03253947 whose registered office is at Wellington Row, York, North Yorkshire, England, YO90 1WR;
<b>"Aviva Group Entities"</b>	Aviva, acting on its own behalf, as nominee of A/C A214, and for and on behalf of Aviva Linked Property Fund; Quarryvale; and NUGP;
<b>"BofA Merrill Lynch"</b>	Merrill Lynch International, a company incorporated in England and Wales with registered number 02312079 whose registered office is 2 King Edward Street, London EC1A 1HQ, United Kingdom;
<b>"B Ordinary Shares"</b>	500 B ordinary shares in Airport Property H1 Limited;
<b>"Banks"</b>	BofA Merrill Lynch, UBS, Barclays, BNP PARIBAS and HSBC;
<b>"Barclays"</b>	Barclays Bank PLC, a company incorporated in England and Wales with registered number 01026167, whose specified office is at 5 The North Colonnade, London, E14 4BB;
<b>"BNP Facility"</b>	has the meaning given to it in Section 10.1 of Part XV ( <i>Operating and Financial Review of the Group</i> );
<b>"BNP PARIBAS"</b>	BNP PARIBAS, a company incorporated under the laws of France with registered number 662042449 and whose registered office is at 16 Boulevard des Italiens, 75009 Paris, France;
<b>"Board"</b>	the board of directors of the Company;

<b>“Bookrunners”</b>	the Joint Bookrunners and the Co-Bookrunners;
<b>“Business Day”</b>	any day on which banks are generally open in London for the transaction of business other than a Saturday or Sunday or public holiday in England and Wales;
<b>“capital expenditure”</b>	expenditure for additions to properties and acquisitions of investment and trading properties but does not include tenant incentives, letting fees and rental guarantees;
<b>“CBRE” or “Valuer”</b>	CBRE Limited, a company incorporated in England and Wales with registered number 03536032 whose registered office is St Martin’s Court, 10 Paternoster Row, London EC4M 7HP;
<b>“CCSS”</b>	the CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities;
<b>“certificated” or “in certificated form”</b>	where a share or other security is not in uncertificated form (that is, not in CREST);
<b>“City Code”</b>	the UK City Code on Takeovers and Mergers;
<b>“Co-Bookrunners”</b>	Barclays, BNP PARIBAS and HSBC;
<b>“Companies Act”</b>	the Companies Act 2006, as amended from time to time;
<b>“Continental Europe”</b>	the continuous continent of Europe, excluding surrounding islands;
<b>“CRA Regulation”</b>	the EU Regulation on credit rating agencies ((EC) No. 1060/2009), as amended;
<b>“CREST”</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the CREST Regulations operated by Euroclear;
<b>“CREST Manual”</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, CREST CCSS Operations Manual and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since);
<b>“CREST Member”</b>	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations);
<b>“CREST participant”</b>	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations);
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended;
<b>“CREST Shareholders”</b>	Shareholders holding Ordinary Shares in CREST in uncertificated form;
<b>“CREST Sponsor”</b>	a CREST participant admitted to CREST as a CREST Sponsor;
<b>“CREST Sponsored Member”</b>	a CREST Member admitted to CREST as a sponsored member;
<b>“Current Development Pipeline”</b>	development projects which have been approved by the Directors and which were underway at 31 December 2016;

<b>“customer retention rate”</b>	percentage of income at risk (from break or expiry) during the period which is retained (i.e., because the customer either renews the lease or does not exercise a break option and remains in the existing space, or takes other space provided by the Group). The measure is based on the new headline rent compared to the original headline rent (the new headline rent is zero if the customer does not renew);
<b>“Daily Official List”</b>	the daily official list of the London Stock Exchange;
<b>“Dealing Day”</b>	means a day in which dealings in domestic equity market securities may take place on the London Stock Exchange;
<b>“Directors”</b>	the directors of the Company at the date of this document, details of which are set out in Section 1 of Part XIII ( <i>Directors and Employees</i> ), and <b>“Director”</b> means any one of them;
<b>“Disclosure Guidance and Transparency Rules” or “DTRs”</b>	the disclosure guidance and transparency rules made by the UK Listing Authority under Part VI of FSMA, as amended;
<b>“Disposal Assets”</b>	a portfolio of five mature or recently completed properties which have a disposal value of £149 million (in line with their book value at 31 December 2016, adjusted for deferred income and tenant deposits), consisting of four light industrial estates in West London (Uxbridge, Nelson Trading Estate (Merton), Stockley Close (Heathrow) and Southall) and a manufacturing facility in Portsmouth, which are wholly-owned by the Group and which will be transferred to Aviva in part consideration for the Acquisition;
<b>“Dividend Adjusted Closing Price”</b>	the closing, middle market quotation in Pounds Sterling of an Existing Ordinary Share as published in the daily official list of the London Stock Exchange, less the 2016 final dividend of 11.2 pence per Existing Ordinary Share which will not be payable on the New Ordinary Shares;
<b>“DSBP”</b>	the SEGRO plc Deferred Share Bonus Plan, details of which are set out in Section 7.2 of Part XIII ( <i>Directors and Employees</i> );
<b>“Enlarged Share Capital”</b>	the issued ordinary share capital of the Company following the issue of the New Ordinary Shares pursuant to the Rights Issue;
<b>“EPRA”</b>	European Public Real Estate Association, the publisher of Best Practice Recommendations intended to make financial statements of public real estate companies in Europe clearer, more transparent and comparable;
<b>“EPS” or “earnings per share”</b>	earnings per Ordinary Share adjusted to exclude valuation movements, exceptional items and related tax;
<b>“Estimated rental value” or “ERV”</b>	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;
<b>“EU” or “European Union”</b>	the European Union;
<b>“EURIBOR”</b>	the Euro Interbank Offered Rate;

<b>“Euro” or “€”</b>	the single currency of the member states of the European Union that adopt or have adopted the euro as their lawful currency under the Treaty on the Functioning of the European Union;
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, the operator of CREST;
<b>“European Economic Area” or “EEA”</b>	the member states of the EU, Iceland, Norway and Liechtenstein;
<b>“Excluded Territories”</b>	the United States, Canada, South Africa, the People’s Republic of China (excluding Hong Kong), South Korea, Taiwan, Thailand, New Zealand, Bahrain, the Bahamas, Bermuda, Brazil, Djibouti, Malaysia, Monaco, Oman, Pakistan, Israel, India, Jordan, Turkey, the United Arab Emirates, the West Indies, Vietnam and any other jurisdiction outside the United Kingdom where the Company is advised that the allotment or issue of New Ordinary Shares pursuant to the Rights Issue would or may infringe the relevant laws and regulations for such jurisdiction or would or may require the Company to obtain any governmental or other consent or to effect any registration, filing or other formality which, in the opinion of the Company, it would be unable to comply with or is unduly onerous, and <b>“Excluded Territory”</b> means any one of them;
<b>“Executive Directors”</b>	the executive directors of the Company and <b>“Executive Director”</b> means any one of them;
<b>“Existing Ordinary Shares”</b>	the Ordinary Shares at the Record Date;
<b>“Ex-Rights Date”</b>	13 March 2017;
<b>“FCA” or “Financial Conduct Authority”</b>	the Financial Conduct Authority of the United Kingdom and, where applicable, includes any successor body or bodies carrying out the functions currently carried out by the Financial Conduct Authority;
<b>“FCA Handbook”</b>	the handbook of rules and guidance made by the FCA under FSMA;
<b>“Financial Action Task Force”</b>	the inter-governmental body developing and promoting policies to combat money laundering and terrorist financing;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended;
<b>“Fully Paid Rights”</b>	rights to acquire the New Ordinary Shares, fully paid;
<b>“GDP”</b>	gross domestic product;
<b>“gearing”</b>	net borrowings divided by total shareholders’ equity excluding intangible assets and deferred tax balances;
<b>“Group”</b>	the Company and, where appropriate, its subsidiaries from time to time;
<b>“Group Facilities”</b>	the HSBC Facility, the RBS Facility, the BNP Facility and the APP Facility;
<b>“Group Financial Information”</b>	the 2014 Financial Information, 2015 Financial Information and 2016 Financial Information;
<b>“GSIP”</b>	the SEGRO plc Global Share Incentive Plan, details of which are set out in Section 7.5 of Part XIII ( <i>Directors and Employees</i> );

<b>“H1”</b>	the period from 1 January to 30 June (inclusive) within any applicable year;
<b>“headline rent” and “rent roll”</b>	annualised cash rental income receivable on a property after expiry of rent free periods;
<b>“HMRC”</b>	HM Revenue & Customs;
<b>“HSBC”</b>	HSBC Bank plc, a company incorporated in England and Wales with registered number 00014259, whose registered office is at 8 Canada Square, London E14 5HQ;
<b>“HSBC Facility”</b>	has the meaning given to it in Section 10.1 of Part XV ( <i>Operating and Financial Review of the Group</i> );
<b>“IFRS”</b>	International Financial Reporting Standards as adopted for use in the EU;
<b>“Issue Price”</b>	345 pence per New Ordinary Share;
<b>“JLL”</b>	Jones Lang LaSalle;
<b>“Joint Bookrunners”</b>	BofA Merrill Lynch and UBS;
<b>“JV”</b>	joint venture;
<b>“KPIs”</b>	key performance indicators of the Group;
<b>“lease breaks”</b>	a fixed date within the terms of a lease at which a tenant (and in some instances, the landlord) has the right to terminate the lease agreement;
<b>“LIBOR”</b>	London interbank offered rate;
<b>“Listing Rules”</b>	the listing rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
<b>“LLEP”</b>	the Leicester & Leicester Enterprise Partnership;
<b>“London Stock Exchange”</b>	London Stock Exchange plc or its successor(s);
<b>“LTIP”</b>	the SEGRO plc 2008 Long Term Incentive Plan, details of which are set out in Section 7.1 of Part XIII ( <i>Directors and Employees</i> );
<b>“LTV”</b>	loan-to-value;
<b>“Market Abuse Regulation”</b>	the Market Abuse Regulation (EU) (596/2014);
<b>“Memorandum”</b>	the memorandum of association of the Company, details of which are set out in Section 5 of Part XX ( <i>Additional Information</i> );
<b>“Money Laundering Regulations”</b>	the UK Money Laundering Regulations 2007, as amended;
<b>“MSCI-IPD”</b>	the MSCI—IPD Benchmark with UK/European industrials weighted to reflect the geographical mix of the Group’s portfolio;
<b>“MTM instruction”</b>	many to many instruction which allows CREST members to settle up to four movements of securities and create up to two assured payment obligations at the same time;

<b>“Near-Term Development Projects”</b>	both (i) development projects which at 31 December 2016 had been approved by the Directors, but which are subject to final pre-let agreements from customers or conditional on being granted planning permission; and (ii) speculative developments which the Directors have identified and which they believe may be approved in the six to 12 months following 31 December 2016, subject to market conditions;
<b>“net borrowings”</b>	gross borrowings less capitalised finance costs, cash and cash equivalents on an IFRS basis;
<b>“net initial yield”</b>	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 Guidelines;
<b>“net true equivalent yield”</b>	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;
<b>“New Ordinary Shares”</b>	the Ordinary Shares to be allotted and issued by the Company pursuant to the Rights Issue;
<b>“Nil Paid Rights”</b>	New Ordinary Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue;
<b>“Nil Rate Amount”</b>	the first £5,000 of dividend income received by an individual Shareholder in a tax year, in respect of which a nil rate of income tax is applied;
<b>“Nomination Committee”</b>	the nomination committee established by the Board;
<b>“Non-Executive Director”</b>	the non-executive directors of the Company and <b>“Non-Executive Director”</b> means any one of them;
<b>“Non-PID”</b>	a dividend relating to the Residual Business;
<b>“NUGP”</b>	Norwich Union (Shareholder GP) Limited, a company incorporated in England and Wales with registered number 03783750 whose registered office is St Helen’s, 1 Undershaft, London, United Kingdom, EC3P 3DQ;
<b>“OECD”</b>	the Organisation for Economic Co-operation and Development;
<b>“Official List”</b>	the official list of the UK Listing Authority;
<b>“Operator”</b>	Kingfisher Property Trustees Limited;
<b>“Ordinary Shares”</b>	ordinary shares of 10 pence each in the capital of the Company;
<b>“Overseas Shareholders”</b>	Qualifying Shareholders who have registered addresses outside the United Kingdom or who are citizens, residents or nationals of, or located in, jurisdictions outside the United Kingdom;
<b>“participant ID”</b>	the identification code or membership number used in CREST to identify a particular CREST Member or CREST participant;

<b>“Partnership Deed”</b>	the partnership deed dated 23 June 2010 between the APP General Partner, Pavilion Trustees Limited and the Unit Buyers in relation to APP;
<b>“passing rent”</b>	the annual cash rental income receivable on a property at the balance sheet date;
<b>“PFIC”</b>	passive foreign investment company;
<b>“PID”</b>	property income distribution;
<b>“Placing”</b>	the placing of the Placing Shares pursuant to the terms of the Placing Agreement;
<b>“Placing Agreement”</b>	the placing agreement entered into between SEGRO, Merrill Lynch International and UBS Limited on 2 September 2016 in relation to the Placing Shares;
<b>“Placing Banks”</b>	Merrill Lynch International and UBS;
<b>“Placing Shares”</b>	the 74,770,950 Ordinary Shares placed by the Placing Banks on 2 September 2016;
<b>“Pounds” or “Pounds Sterling” or “£” or “GBP” or “pence” or “p”</b>	the lawful currency of the United Kingdom;
<b>“Property Valuations”</b>	the property valuations set out in Part XVIII ( <i>Valuation Report</i> );
<b>“Prospectus”</b>	this document;
<b>“Prospectus Directive”</b>	the EU directive 2003/71/EC and any implementing measure in each member state of the European Economic Area that has implemented directive 2003/71/EC;
<b>“PD Regulation”</b>	Prospectus Directive Regulation (No. 2004/809/EC);
<b>“Prospectus Rules”</b>	the prospectus rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended;
<b>“Provisional Allocation Awards”</b>	provisional allocation awards under the DSBP;
<b>“Provisional Allotment Letter”</b>	the renounceable provisional allotment letter to be sent to certain Qualifying Non-CREST Shareholders in respect of the New Ordinary Shares to be provisionally allotted to them pursuant to the Rights Issue;
<b>“PSP”</b>	the Canadian Public Sector Pension Investment Board;
<b>“Qualified Institutional Buyer” or “QIB”</b>	qualified institutional buyer, within the meaning of Rule 144A under the US Securities Act;
<b>“Qualifying CREST Shareholders”</b>	Qualifying Shareholders holding Ordinary Shares on the register of members of the Company in uncertificated form (that is, through CREST);
<b>“Qualifying Non-CREST Shareholders”</b>	Qualifying Shareholders holding Ordinary Shares on the register of members of the Company in certificated form (that is, not through CREST);
<b>“Qualifying Shareholders”</b>	holders of Existing Ordinary Shares on the register of members of the Company on the Record Date;
<b>“Quarryvale”</b>	Quarryvale One Limited, a company incorporated in England and Wales with registered number 03118888 whose registered office is at St Helen’s, 1 Undershaft, London, United Kingdom, EC3P 3DQ;
<b>“RBS Facility”</b>	has the meaning given to it in Section 10.1 of Part XV ( <i>Operating and Financial Review of the Group</i> );

<b>“Receiving Agent”</b>	Equiniti Limited, a company incorporated in England and Wales with registered number 06226088, whose registered office is at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA;
<b>“Record Date”</b>	close of business on 8 March 2017;
<b>“REIF”</b>	real estate investment fund;
<b>“REIT”</b>	real estate investment trust;
<b>“Registrar”</b>	Equiniti Limited, a company incorporated in England and Wales with registered number 06226088, whose registered office is at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA;
<b>“Regulation S”</b>	Regulation S under the US Securities Act;
<b>“Regulatory Information Service”</b>	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information from listed companies;
<b>“Relevant Dividend Income”</b>	the excess amount where a Shareholder’s dividend income for a tax year exceeds the Nil Rate Amount;
<b>“Remuneration Committee”</b>	the remuneration committee established by the Board;
<b>“Residual Business”</b>	the parts of the Group’s business which do not form part of the Tax-Exempt Business;
<b>“Rights Issue”</b>	the issue by way of rights of New Ordinary Shares to Qualifying Shareholders, on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter;
<b>“Roxhill”</b>	Roxhill Developments Group Limited, a company incorporated in England and Wales with registered number 07436264 whose registered office is Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ;
<b>“RTGS”</b>	real time gross settlement;
<b>“Rule 144A”</b>	Rule 144A under the US Securities Act;
<b>“Sale Units”</b>	all of the issued units in the Airport Property Unit Trust;
<b>“SAYE Plan”</b>	the SEGRO plc Savings Related Share Option Scheme, details of which are set out in Section 7.3 of Part XIII ( <i>Directors and Employees</i> );
<b>“Scrip Dividend Scheme”</b>	the scrip dividend scheme operated by the Company whereby Shareholders have the right to elect to receive new Ordinary Shares in the Company (credited as fully paid) instead of a cash dividend;
<b>“SDRT”</b>	stamp duty reserve tax;
<b>“SEC”</b>	United States Securities and Exchange Commission;
<b>“SEGRO” or the “Company”</b>	SEGRO public limited company, a public limited company incorporated in England and Wales with registered number 00167591, whose registered office is at Cunard House, 15 Regent Street, London, SW1Y 4LR;
<b>“SEGRO Group” or the “Group”</b>	the Company together with its subsidiaries and subsidiary undertakings;

<b>“SEGRO Hayes Road”</b>	SEGRO (Hayes Road) Limited, a company incorporated in England and Wales with registered number 09872228, whose registered office is at Cunard House, 15 Regent Street, London, SW1Y 4LR;
<b>“SEGRO Lux”</b>	SEGRO Luxembourg S.à r.l., a <i>société à responsabilité limitée</i> (private limited liability company) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered address at 2-4 rue Eugène Ruppert, L-2453, Luxembourg and registered with the Luxembourg Trade and Companies’ Register under number B 177317;
<b>“SEGRO Pension Scheme”</b>	the Group’s defined benefit scheme in the UK (which is closed to new members and to future accrual);
<b>“SEGRO Share Plans”</b>	the LTIP; the DSBP; the SAYE Plan; the SIP; and the GSIP;
<b>“SEGRO’s Website”</b>	<a href="http://www.segro.com">http://www.segro.com</a> ;
<b>“SELP”</b>	the SEGRO European Logistics Partnership, being a 50:50 joint venture between SEGRO Lux and PSP;
<b>“SELP Entities”</b>	SELP Sarl, SELP Finance and SELP Investments;
<b>“SELP Finance”</b>	SELP Finance S.à r.l., a <i>société à responsabilité limitée</i> (private limited liability company) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered address at 2-4 rue Eugène Ruppert, L-2453, Luxembourg and registered with the Luxembourg Trade and Companies’ Register under number B 177308;
<b>“SELP Group”</b>	SELP Finance and its subsidiaries from time to time;
<b>“SELP Investments”</b>	SELP Investments S.à r.l., a <i>société à responsabilité limitée</i> (private limited liability company) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered address at 2-4 rue Eugène Ruppert, L-2453, Luxembourg and registered with the Luxembourg Trade and Companies’ Register under number B 177309;
<b>“SELP Sarl”</b>	SEGRO European Logistics Partnership S.à r.l., a <i>société à responsabilité limitée</i> (private limited liability company) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered address at 2-4 rue Eugène Ruppert, L-2453, Luxembourg and registered with the Luxembourg Trade and Companies’ Register under number B 177300;
<b>“SELP Shareholders’ Agreement”</b>	the shareholders’ agreement dated 28 June 2013 (as amended and restated on 11 October 2013) entered into by SEGRO Lux, PSP and the SELP Entities in respect of SEGRO Lux and PSP’s shareholdings in the SELP Entities;
<b>“Share Buyer”</b>	SPL;
<b>“Shareholder(s)”</b>	shareholders whose Ordinary Shares are registered on the Company’s register of members;
<b>“Shareholder Seller”</b>	NUGP;
<b>“SIIC”</b>	<i>sociétés d’investissements immobiliers cotées</i> ;

<b>“SIP”</b>	the SEGRO plc Share Incentive Plan, details of which are set out in Section 7.4 of Part XIII ( <i>Directors and Employees</i> );
<b>“SOCIMI”</b>	<i>Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario</i> ;
<b>“SPL”</b>	SEGRO Properties Limited, a company incorporated in England and Wales with registered number 00448911, whose registered office is at Cunard House, 15 Regent Street, London, SW1Y 4LR;
<b>“Sponsors”</b>	BofA Merrill Lynch and UBS;
<b>“SPPICAV”</b>	<i>société de placement à prépondérance immobilière à capital variable</i> ;
<b>“stock account”</b>	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
<b>“subsidiary”</b>	has the meaning given in section 1159 of the Companies Act;
<b>“subsidiary undertaking”</b>	has the meaning given in section 1162 of the Companies Act;
<b>“Summary”</b>	the summary of this document;
<b>“Substantial Shareholder”</b>	any person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause any member of the Group to be liable to pay tax under regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such regulations may be modified, supplemented or replaced from time to time) on or in connection with the making of any dividend or distribution on or in respect of the Ordinary Shares to or in respect of such person including any holder of excessive rights as defined in the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006;
<b>“Substantial Shareholding”</b>	the Ordinary Shares in relation to which or by virtue of which (in whole or in part) a person is a Substantial Shareholder;
<b>“surrender premiums”</b>	a cost incurred, usually by the tenant, to terminate the lease prior to the earlier of a lease break or expiry;
<b>“takebacks”</b>	headline rent lost due to a tenant leaving a building through lease expiry, exercise of a break option, surrender or insolvency;
<b>“Tax-Exempt Business”</b>	the UK resident Group members with a property rental business and the non-UK resident Group members with a property rental business in the UK, taken together;
<b>“topped-up net initial yield”</b>	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 Guidelines;
<b>“total development cost”</b>	the value of land at commencement of a development plus the capital invested in the development, notional finance costs and any other fees and costs associated with the development;
<b>“TPR”</b>	total property return;
<b>“Trustee”</b>	the independent trustee of the SEGRO 1994 Employees’ Benefit Trust;
<b>“TSR”</b>	total shareholder return;

<b>“UBS”</b>	UBS Limited, a company incorporated in England and Wales with registered number 02035362 whose registered office is at 5 Broadgate, London EC2M 2QS;
<b>“UK Corporate Governance Code”</b>	the UK Corporate Governance Code of the Financial Reporting Council dated April 2016;
<b>“UK Listing Authority”</b>	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of FSMA;
<b>“uncertificated” or “in uncertificated form”</b>	a share or other security recorded in the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which by virtue of the CREST Regulations, may be transferred by means of CREST;
<b>“Underwriters”</b>	each of BofA Merrill Lynch, UBS, Barclays, BNP PARIBAS and HSBC;
<b>“Underwriting Agreement”</b>	the underwriting agreement dated 10 March 2017 between the Company and the Underwriters, as the same may be supplemented by one or more deeds of adherence from time to time, and as described in Section 11.1 of Part XX ( <i>Additional Information</i> ) of this document;
<b>“Unit Buyers”</b>	SEGRO APP 1 Limited, SEGRO APP 2 Limited, SEGRO APP 3 Limited and SEGRO APP 4 Limited;
<b>“Unit Sellers”</b>	Aviva and Quarryvale;
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“United States” or “US”</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
<b>“US\$”, “USD”, “US dollars” or “US\$ cents”</b>	the lawful currency of the United States;
<b>“US Securities Act”</b>	the U.S. Securities Act of 1933, as amended;
<b>“US Securities Exchange Act”</b>	the U.S. Securities Exchange Act of 1934, as amended;
<b>“Vailog”</b>	Vailog Srl;
<b>“Valuation Report”</b>	the property valuation report for the Group at 31 December 2016 which has been produced by the Valuer and which is included at Part XVIII ( <i>Valuation Report</i> );
<b>“weighted average cost of debt”</b>	based on gross debt, excluding commitment fees and amortised costs;
<b>“weighted average lease length to first break”</b>	the length of unexpired term measured to the first lease break date and to expiry, weighted by headline rent;
<b>“weighted average lease length to expiry”</b>	the length of unexpired term measured to expiry, weighted by headline rent;
<b>“Western Corridor”</b>	an area of the United Kingdom covering West London and the Thames Valley;
<b>“yield on cost”</b>	the expected gross yield based on the estimated ERV of a development when fully let, divided by the total development cost; and
<b>“yield on new money”</b>	the expected gross yield based on the estimated ERV of a development when fully let, divided by the total development cost less the value of the land associated with the development, unless the land was purchased specifically in order to commence development.

