SEGRO plc Interim Management Statement

April 29, 2009

SEGRO plc today announces its interim management statement covering the three months ended 31 March 2009.

Introduction

The first quarter of 2009 has seen continuing operational resilience across the Group's business, despite challenging market conditions. Positive lettings momentum has been maintained, both in the UK and in Continental Europe, although as expected, new enquiry levels are slowing across our markets.

Investment market conditions throughout Europe have continued to weaken with relatively few transactions being reported in the first quarter of 2009.

During the period, SEGRO successfully launched a fully underwritten Rights Issue, generating net proceeds of approximately £500m, which were received in April, and concluded a renegotiation of its main banking covenants. Taken together, these actions have significantly strengthened the Group's financial position.

Occupier market conditions

- The Group delivered a good leasing performance in Q1 09 – total space let of 160,200 sq m compares with 107,600 sq m in the equivalent period in 2008 and139,500 sq m let in Q4 08
- Whilst we continue to receive a reasonable number of enquiries for new space, the overall quantity and quality of such enquiries has reduced in Q1 09 and the time taken to convert enquiries to new lettings has lengthened
- Vacancy rates by area have increased in the UK to 10.5% (Q4 08: 9.9%) whilst in Continental Europe the rate has risen to 12.2% (Q4 08: 9.4%), as a result of planned development completions in the first quarter
- As expected, the number of customer insolvencies has started to rise in the UK and March 2009 rental collections were more challenging than in recent quarters; 11 properties were returned to us due to customer insolvencies in Q1 09 (Q1 08: 9 cases) representing annual rental income of £911,000 (Q1 08: £373,000). A further £3.6 million of rent is at risk with 30 customers currently in administration or going through a liquidation process, representing approximately 2% of the UK rent roll
- The Continental European customer base has, so far, shown relatively few signs of distress with 4 buildings (Q1 08: 2 buildings) having been returned to us through insolvency in the period, representing approximately £485,000 (Q1 08: £200,000) of annual income
- Lease renewal rates are in line with expectations at this early stage of the year
- Rental levels on new leases, rent reviews and renewals have generally been at or slightly below December 2008 ERVs (valuers' Estimated Rental Values) and there is continuing downward pressure on market rents and a general increase in lease incentives in most markets
- See Appendix for supplementary details of occupier market and lettings performance

Development activity

- The Group continues to exercise tight control on new development activity. Whilst a number of previously announced and pre-contracted development projects were commenced in the quarter, no new capital expenditure or development starts have been authorised in Q1 09, reflecting the Group's aims of reducing its near term development exposure and preserving capital
- 147,400 sq m of developments were completed in the period (100,900 sq m in Q4 08), 50% of which have been let or sold. 63% of the 159,400 sq m of developments under construction are already pre-let or sold

Property values

- The Group's property portfolio valuation was updated as at 31 January 2009 for the purposes of the Rights Issue and this showed an overall decline of 2.9% from 31 December, 2008, in line with the Investment Property Databank (IPD) capital value fall of 3% for UK industrial property
- The IPD index indicates that capital values of UK industrial properties have declined by 7.3% over the first quarter of 2009, outperforming the all property index which showed a decline of 8.9%
- In Continental Europe, transaction volumes were very limited in Q1 09 but a general softening in investment yields appears to be occurring across most geographic markets and asset classes
- These market trends are likely to result in a reduction in the carrying value of the Group's properties, and will affect the Group's ability to achieve profitable trading property disposals this year
- The next valuation of the Group's properties will be as at 30 June 2009

Financial position

- Net debt at 31 March 2009 was £2,536m (31 December 2008: £2,496m), reflecting development expenditure of £55m, partially offset by £24m generated from disposals
- Cash and undrawn bank facilities, before the proceeds of the Rights Issue, were £664m as at 31 March 2009. The subsequent completion of the Rights Issue generated net proceeds of £501m in April 2009, increasing pro-forma funds availability to £1,165m and reducing pro-forma net debt to £2,035m
- £386m of the Group's bank facilities (of which £294m are drawn) and £130m of bonds/notes are due for repayment or rollover before the end of 2010 and are fully covered by existing committed bank lines. Even if none of the maturing bank facilities were renewed and allowing for forthcoming bond repayments, all committed capital expenditure and the proceeds from the Rights Issue, the projected cash and fully committed undrawn bank facilities as at 31 December 2010 amount to more than £450m
- The Group remained fully compliant with all its lending covenants as at 31 March 2009 and, following the successful renegotiation of bank covenants and the Rights Issue, has significant headroom against all such covenants
- Subsequent to 31 December 2008, the Group has closed out a number of interest rate and currency swaps for an aggregate cash cost of approximately £62m, but having no impact on net asset value as the total settlement amounts were in line with the amounts recorded in the 31 December balance sheet. Following this and allowing for the higher margin payable as a result of the bank covenant amendment, the Group's weighted average cost of debt is 5.3%

Ian Coull, Chief Executive commented:

"Despite difficult market conditions, we have achieved good levels of lettings in the first quarter, although new enquiry levels have weakened across the markets in which we operate.

Our priorities continue to be to stay close to our customers, to manage our balance sheet prudently and to optimise the Group's position in the present market conditions.

We were pleased with the success of the recently completed Rights Issue which, I believe, underlines the confidence that investors have in SEGRO's business and which places the Group in a strong position to cope with the challenging market conditions and to benefit from future opportunities as and when they arise."

- Ends -

CONFERENCE CALL FOR INVESTORS AND ANALYSTS
There will be a conference call for investors and analysts at 9:30 AM today GMT, hosted by Ian Coull, Chief Executive, and David Sleath, Finance Director.
To participate in the call, please dial:

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About SEGRO
SEGRO is the leading provider of Flexible Business Space in Europe. Headquartered in the UK, SEGRO is listed on the London Stock Exchange and on Euronext in Paris. The Company is a UK Real Estate Investment Trust (REIT) with operations in ten countries, serving a diversified customer base of 1,700 customers operating in a wide range of sectors, representing both small and large businesses, from start-ups to global corporations. With property assets of £4.8 billion as at 31 December 2008 and around 5.1 million sq m of business space, SEGRO has an annual rent roll of approximately £314 million. (Note: these metrics include trading properties, development assets and the Group’s share of joint ventures). www.segro.com

APPENDIX

Supplementary Details

UK

Lettings (excluding short term licences)

- 51,500 sq m of space has been let in the three months to the end of March (Q1 08: c.39,700 sq m), representing 53 transactions and generating annualised income of £2.6m
- 9,000 sq m (96,600 sq ft) letting of warehouse and office space to Geodis Wilson completed on 1st April 2009, the largest letting in the Heathrow market for two years.
- Take backs of 70,500 sq m for the quarter are in line with management expectations and reflect a number of buildings taken on short term licences in the last quarter of 2008

Vacancy Rates

- The vacancy rate by area increased from 9.9% compared to 10.5% at the end of December

Development

- 7,900 sq m of developments have been completed so far this year - 47% already pre-let or sold
- 66,600 sq m of space currently under construction of which 79% has already been pre-let or sold

CONTINENTAL EUROPE

Lettings (excluding short term licences)

- 108,700 sq m of space has been let in the three months to the end of March (Q1 08: 67,900 sq m), reflecting 19 deals and generating annual income of £4.9m
- Letting highlights include 11,000 sq m in Germany let to Oettinger Brauerei, 10,700 sq m in France let to Novostrat in Lyon (now 100% occupied) and 44,700 sq m take up of previously contracted pre-lettings (including Black & Decker, Gliwice; Zabka, Korminiki; Navo Formax Athletic in Nadarzyn – all in Poland)
- 28,200 sq m of take-backs occurred over first quarter (Q1 08: 12,312 sq m) largely within German portfolio, including 11,000 sq m subsequently re-let to Oettinger Brauerei as above and one insolvency for 4,200 sq m at Darmstadt. 6,300 sq m taken back due to the relocation of a client at Strykow, Poland, is also included

Vacancy Rates

- The vacancy rate increased from 9.4% at December 2008 to 12.2% at end of March 2009 mainly due to timings of completions in Gonesse Aeropark in France (20,000 sq m), and Gliwice in Poland (32,000 sq m)
- Without the Q1 09 completions, the vacancy rate as at 31 March 2009 would have been 9.6%

Development

- 139,500 sq m of developments have been completed in the period, with 50% already pre-let or sold
- 92,900 sq m of additional space under construction, of which 52% has already been pre-let or sold

Disposals

- 5,800 sq m of office space in Nanterre, France for €23.1m, representing an initial yield of 6.75%

Note: vacancy data by rental value is prepared half-yearly