DERWENT LONDON

17 November 2011

Derwent London plc ("Derwent London" / "the Group")

INTERIM MANAGEMENT STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

Continued strong letting progress and further rental growth during the quarter with additional material planning consents obtained adding further flexibility to our future development pipeline.

Highlights

- Lettings:
  - 27 transactions in the third quarter with a rental income of £4.8m pa on floorspace of 137,300 sq ft (12,760m²).
  - Open market lettings in the quarter were 8.8% above estimated rental values at 31 December 2010.
  - 90 lettings in the year to date at £16.1m pa on 475,700 sq ft (44,200m²).
  - The Angel Building is now fully let following a further letting to Expedia in November.
  - The Group's vacancy rate is 0.8%, compared with 5.9% at the start of the year and 4.0% at June 2011.
- Projects:
  - Three key planning consents totalling 460,000 sq ft (42,700m²) obtained in the third quarter including 80 Charlotte Street W1, Turnmill EC1 and Central Cross W1 (Phase 1) with a further consent at City Road Estate EC1 for 289,000 sq ft (26,800m²) obtained in October.
  - On site at four schemes totalling 307,000 sq ft (28,600m²) comprising 1 Page Street SW1, the Buckley Building EC1 (formerly Woodbridge House), 4 & 10 Pentonville Road N1 and 88 Rosebery Avenue EC1.
- Financial:
  - Net debt decreased to £864.0m at 30 September 2011, reflecting an overall loan to value ratio of 32.8%.
  - The Group remains well placed with undrawn committed bank facilities of £449m plus £530m of uncharged properties.

Commenting on the third quarter, John Burns, Chief Executive Officer of Derwent London, said:

"Although the national and global economies remain fragile, the central London office market has continued to perform well and this is demonstrated by our excellent letting achievements and our low vacancy rate. We are very pleased to have obtained a number of important planning consents that

enable us to progress our central London development pipeline. These diverse and exciting schemes, mostly located close to new Crossrail hubs, enhance our future development options."

Conference call

There will be a conference call for investors and analysts at 8.00 GMT today. To participate in the call, please dial the following numbers:
From the UK: 020 3059 5845
From outside the UK: +44 20 3059 5845
Please say "IMS" when asked for the participant code.
A recording of the conference call will be made available shortly afterwards on www.derwentlondon.com.

For further information, please contact:

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Market overview

The central London office market, the focus of our operations, has proved resilient despite the weak economic conditions and increasing concerns about the health of the Eurozone. In terms of supply, the amount of vacant office space in the third quarter remained below the long-term average although the central London office vacancy rate saw its first increase for two years. Grade A space in the West End remains in short supply and we believe the current uncertainty in financial markets could hold back the rate of new supply to the central London market. On the demand side, central London take-up in the third quarter was the strongest in the year to date but remains just below the long-term average. Although investment activity in the third quarter was lower than the previous quarter, the £6.8bn of investment turnover in the first nine months of the year was more than £1bn higher than the same period last year, and we believe that high quality London investments remain in demand from a wide range of domestic and overseas investors.

Asset values

Throughout the first three quarters of the year, the central London office market performed strongly with the IPD Index showing a total return of 10.1% with rental growth of 6.1% and equivalent yield compression of 15 basis points leading to capital growth of 6.2%. This compared favourably to the IPD All Property Index's total return of 6.3% and capital growth of 1.7%. Although the Group's portfolio was not formally valued in the period under review, we expect the overall performance of our central London office focussed assets to have closely tracked that of the IPD Central London Office Index. CB Richard Ellis, our external valuers, share this opinion.

Portfolio management

Following lettings with rental income of £8.5m pa in the first half of the year, 27 transactions were concluded in the third quarter at a rent of £4.8m pa and a floorspace of 137,300 sq ft (12,760m²). Open market lettings in the quarter were 8.8% above estimated rental values at 31 December 2010 and 1.2% above 30 June 2011 values. These growth figures were 7.9% and 0.7% respectively if short-term lettings at our future development properties were also included. The largest letting of the quarter was to Expedia who took 81,300 sq ft (7,550m²) of office space at the Angel Building at a rent of £3.3m pa on a 10-year lease with no breaks.

Since 30 September 2011, a further 73,600 sq ft (6,840m²) of lettings have been concluded at a rent of £2.8m pa. This includes the letting of the remaining space at the Angel Building where Expedia took a further 12,100 sq ft (1,120m²) at £0.5m pa. The two largest transactions in this period were at the Johnson Building EC1 where, having taken a surrender from the previous tenant, we let 22,300 sq ft (2,070m²) of offices to Lastminute.com at £42.50 psf (£455 per m²), producing £0.95m pa, and at Morelands Buildings EC1 where 17,800 sq ft (1,650m²) of offices were pre-let to architects AHMM at an average rent of £36 psf (£390 per m²), generating £0.64m pa. The latter comprises the existing fourth floor that will be completely refurbished and a new fifth floor rooftop extension. Both lettings achieved in excess of the December 2010 estimated rental values. This activity took the number of lettings in the year to date to 90 with a rental income of £16.1m pa and a floorspace of 475,700 sq ft (44,200m²).

These transactions reduced the Group's space available to let to 0.8% by estimated rental value, down from 5.9% at the start of the year. By floorspace, the proportion of space available for letting has fallen from 4.9% to 0.9%. In addition, the Group currently has 15,700 sq ft (1,460m²) of space under offer.

Rent collection was particularly prompt in the quarter with 99.4% received within 14 days of the due date, taking the average of this performance measure for the year to 97.5%.

In the first nine months of the year, 42 lease renewals and rent reviews were concluded at a total rent of £6.7m pa on floorspace of 238,300 sq ft (22,140m²). The new rent was 14.0% greater than the income from this space at the start of the year and 10.2% above December 2010 estimated rental values.

Projects

In the quarter we achieved three important planning consents for the future development of properties that are currently income producing:

- 80 Charlotte Street W1 – this planning application was 'called-in' by the Mayor of London, who subsequently granted permission for this major 367,000 sq ft (34,100m²) office, residential and retail development in Fitzrovia. The scheme includes 320,000 sq ft (29,700m²) of offices, has anticipated capital expenditure of circa £125m and forms a major part of the wider regeneration of the area. Construction is expected to commence in 2013 following the expiry of the existing leases and will be delivered towards the end of 2015.

- Turnmill, 63 Clerkenwell Road EC1 – this 70,000 sq ft (6,500m²) new-build office scheme was granted permission in September. The proposed building will occupy a major corner site close to Farringdon station, an important new Crossrail interchange. This scheme, with an estimated capital expenditure of £27m, is due to start on site in the first half of 2012 with completion due in 2014.
- Central Cross, 1-2 Stephen Street W1 – the property was acquired in August 2010 and planning consent has been granted for Phase 1 of our regeneration plans. This initial phase will create 23,000 sq ft (2,140m²) of additional ground floor offices through the complete remodelling of the ground floor entrance. Strip out work is due to commence around the turn of the year with the main, 12-month, construction contract due to start in mid-2012. Capital expenditure is expected to be £10m.

Momentum continued into October with planning permission granted at our City Road Estate EC1 scheme which is located at the Old Street roundabout, the centre of the area promoted by the Government as 'Tech City'. This major 289,000 sq ft (26,800m²) office-led development will reflect an increase of 130% on the existing buildings and includes a new 16-storey office building, retail and residential space. The Group will be looking to secure a significant pre-let prior to commencing construction. Capital expenditure is anticipated to be approximately £100m.

Since the quarter end, further steps have been taken to progress our development pipeline with the submission of three planning applications:

- 1 Oxford Street W1 – the Group has an option to re-acquire this site which was compulsory purchased by Crossrail Limited in 2009 and a joint planning application has been submitted with Crossrail for a 275,000 sq ft (25,500m²) mixed-use scheme. This will include 204,000 sq ft (18,900m²) of offices, 37,000 sq ft (3,400m²) of retail space and a 350-seat theatre. These will be housed in two striking buildings, linked by a new public square, built above the Tottenham Court Road Crossrail and London Underground station following the completion of the works around 2017.
- Riverwalk House, 157-166 Millbank SW1 – this application is for a 148,000 sq ft (13,700m²) high-grade residential redevelopment scheme. Negotiations to sell the site subject to planning permission are at an advanced stage and include provisions for the Group to maintain an interest in the scheme by way of a profit overage.
- 96-98 Bishops Bridge Road W2 – a planning application has been submitted for a 21,000 sq ft (1,950m²) residential scheme at this former 1930's cinema.

In October, the Group signed a Memorandum of Understanding with the freeholder of 1-5 Grosvenor Place SW1, the Grosvenor Estate, to form a partnership to study the redevelopment of this prime 1.5 acre (0.6 hectare) island site, which overlooks Hyde Park Corner, into a substantial mixed-use scheme that is likely to include a luxury hotel, commercial and residential uses. The Group has long leasehold interests on the 168,000 sq ft (15,600m²) of existing buildings and, whilst the redevelopment could commence in 2014, the properties are fully let, generating an income of £6.0m pa.

We continue to develop our plans at 132-142 Hampstead Road NW1 where we have secured strong pre-letting interest for a substantial part of the enlarged property. The Transport Select Committee has recently published the results of its review into HS2, the proposed high speed rail link which, if built, could impact on our property and we are factoring these into our decision making process. The results of the public consultation into the project are due by the end of the year and we intend to finalise our plans early in 2012.

At 30 September 2011, we were on site at four projects with a total office floorspace of 307,000 sq ft (28,600m²) and a capital expenditure to complete of approximately £42m. These comprised:

- 1 Page Street SW1 – the regeneration of this 118,000 sq ft (11,000m²) office building in Victoria.
- Buckley Building (formerly Woodbridge House), 49 Clerkenwell Green EC1 – an 85,000 sq ft (7,900m²) refurbishment, due for completion late next year, that enlarges the floor area by 13%.
- 4 & 10 Pentonville Road N1 (formerly 2-14) – a 55,000 sq ft (5,100m²) office refurbishment, located opposite the Angel Building. The proposed scheme, due to complete in the second half of 2012, will link the two buildings and increase the floor area by over 20%.
- 88 Rosebery Avenue EC1 – a 49,000 sq ft (4,600m²) refurbishment of just under half of the building. This has been pre-let with works due to complete in early 2012.

During the third quarter we completed the 48,000 sq ft (4,500m²) office, residential and retail refurbishment at Victory House, 170 Tottenham Court Road W1. This took space completed in the year to date to approximately 140,000 sq ft (13,000m²).

Disposals and acquisitions

Since the half year, two disposals totalling £48.2m have been concluded – the £37.2m sale of Victory House W1, which was sold following the completion of the refurbishment, and the £11.0m sale of the long leasehold interest of 18-30 Leonard Street EC2. In the year to date, the Group has sold £127.2m of assets accounting for an overall surplus of £35.2m, or 38%, based on the December 2010 valuation. There were no acquisitions in the quarter, but the company continues to track a number of potential opportunities.

Finance

Net debt was reduced to £864.0m at 30 September 2011 from £904.5m three months earlier taking the Group's overall loan to value ratio down to 32.8%. This was a result of operational cash flow as well as £47.7m proceeds from the sales of Victory House and Leonard Street which more than offset the capital expenditure in the quarter of £10.8m. For the first nine months of 2011, capital expenditure and property acquisitions totalled £118.0m while proceeds from property sales were £127.2m.

The Group continues to be well placed to finance £52.3m of committed capital expenditure on the project pipeline. As at 30 September 2011, there were £449m of undrawn committed bank facilities plus a further £530m of uncharged properties. At the same date, 98.2% of the Group's debt was either hedged or at fixed rates; this is a higher proportion than our target range in anticipation of further property and capital expenditure. As a result, the Group's weighted average cost of drawn funds increased to 5.03% at 30 September including the cost of the convertible bonds on an IFRS basis. Based on the cash coupon of the bonds at 2.75%, the weighted average cost of debt was 4.78%. Were the facilities drawn by another £200m, the weighted average cost of debt would fall to 4.36% on an IFRS basis and the proportion of the Group's debt that was hedged would be 79.7%.

We continue to receive very good support from existing relationship banks and are moving ahead with three separate refinancing negotiations which should be concluded around the end of the year. This is in the context of a difficult period for UK and European banks when their cost of funds has been under renewed pressure due partly to sovereign debt exposure within the Eurozone. Following the £175m convertible bond issue in June 2011, we anticipate that a proportion of our future debt requirements will come from non-bank sources.

The Group's overall interest cover for the first nine months of the year was a healthy 307% after allowing for almost £1.5m of interest capitalised during that period.

Outlook

In the year to date we have made excellent progress with the development options within our pipeline. The timing of the schemes, in most cases, is within our control and the existing buildings remain income producing. On the investment side, we continue to assess a variety of potential acquisitions across central London and to review our assets to identify opportunities to recycle capital. Within the middle market sector for central London offices we continue to see good demand for our particular brand of space and, whilst monitoring the changing economic conditions carefully, we remain positive on the outlook for the Group.

Disclaimer

Notes to editors

Derwent London plc

Derwent London plc is the largest central London focused REIT with an investment portfolio of £2.6bn as at 30 June 2011. The Group is one of London's most innovative office specialist property regenerators and investors and is well known for its design-led philosophy and creative management approach to development.

Derwent London's core strategy is to acquire and own a portfolio of central London property that has reversionary rents and significant opportunities to enhance and extract value through refurbishment, regeneration and redevelopment. The Group owns and manages an investment portfolio of 5.4 million sq ft (505,000m^2), as at 30 June 2011, of which 96% is located in central London, with a specific focus on the West End and the areas bordering the City of London. Landmark schemes by Derwent London include Angel Building EC1, Arup Phases II & III W1, Qube W1, Horseferry House SW1, Johnson Building EC1, Davidson Building WC2 and Tea Building E1.

Derwent London came first in the property sector in the 2010 awards for 'Britain's Most Admired Companies'. This year, Angel Building was shortlisted for the RIBA Stirling Prize following its RIBA London 2011 award and has also won accolades from the British Council for Offices and New London Architecture. The recent Maple & Fitzroy development in Fitzrovia W1 also won a 2011 RIBA London and New London Architecture award.