DERWENT
LONDON

15 November 2012

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

THIRD QUARTER INTERIM MANAGEMENT STATEMENT

GOOD MOMENTUM MAINTAINED IN RENTS, LETTINGS AND DEVELOPMENTS

- Lettings of 77,500 sq ft (7,200m^2) secured in the second half to date at a 7.4% premium to 30 June 2012 ERV, at an annual rent of £3.1m
- 47,700 sq ft (4,430m^2) let at 10-4 Pentonville Road N1 to Ticketmaster for £1.9m pa
- EPRA vacancy rate maintained at 1.1%
- Commenced construction of 40 Chancery Lane WC2 and Turnmill EC1 which together will provide 170,000 sq ft (15,800m^2) of floorspace
- Purchase of 111,000 sq ft (10,310m^2) at 9 and 16 Prescot Street E1 for £23.0m, a capital value of £207 per sq ft (£2,230 per m^2)
- Completed £83m 12-year secured debt facility with Cornerstone at a fixed rate of 3.99%
- Loan to value ratio remains low at 30% with undrawn facilities at 30 September of £376m

John Burns, Chief Executive Officer of Derwent London, commented:

"Our business continues to perform well. Robust demand in our markets has led to steadily rising rents, the letting of nearly all of 10-4 Pentonville Road and a low vacancy rate of around 1% across the investment portfolio. We have significantly increased our on-site development with the commencement of 40 Chancery Lane and Turnmill and we are pushing forward with additional projects that will see this activity increase further."

Webcast and conference call

There will be a live webcast together with a conference call for investors and analysts at 09:00 GMT today.

The webcast can be accessed via www.derwentlondon.com.

To participate in the call, please dial the following number: +44 (0)20 3059 8125

Please say "IMS" when asked for the participant code.

A recording of the conference call will also be made available following the conclusion of the call on www.derwentlondon.com.

For further information, please contact:

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Market overview

In 2012 to date, central London offices have outperformed the wider UK investment and occupier markets.

With ongoing uncertainty in the Eurozone and elsewhere, London remains a preferred investment destination for global investors, who are widening their search from the traditional 'super prime' areas of Mayfair and St James's to a broader area of central London. Investment activity in the first nine months of the year was high with CBRE reporting that central London office investment totalled £10.4bn, 15% higher than the 2011 annual total. Overseas investors accounted for 73% of these transactions.

The supply of new office space in central London remains low, particularly in the West End, our key operating market, where 76% of our portfolio by value is located. According to CBRE, the West End vacancy rate of immediately available space was just 3.9% at the end of the third quarter, well below the 10-year average of 5.4%. However with supply limited and some occupiers taking a 'wait and see' approach, overall take-up in the West End for the first nine months of the year was 2.6m sq ft (242,000m^2), below the long-term average according to CBRE. Nevertheless occupiers remain confident about central London according to Jones Lang LaSalle, reporting a 23% increase in active demand since the half year, with a 26% increase in the West End. This supply-demand imbalance is continuing to place upward pressure on central London rents with 2.5% rental growth in the IPD Central London Office Index in the first nine months of the year compared to nil growth for the IPD All UK Property Index.

This rental growth, in a relatively flat yield environment, has led to a 2.5% capital value increase in central London offices in the first nine months according to IPD, with a 0.7% increase in the third quarter of the year. Although the Group's portfolio was not valued during this period our valuers, CBRE, have indicated that in the light of recent letting activity where rents have been agreed above estimated rental value (ERV), the performance of the portfolio over the quarter to 30 September 2012 is likely to have been better than that of the IPD Central London Office Index.

Portfolio management

The recent performance of Derwent London's portfolio demonstrates the benefit of active management, apposite properties and solid markets. Vacancy rates in the portfolio remain low as tenants continue to be attracted to the Derwent London brand of space and the strong letting performance that we saw in the first half has continued into the second half, with rents achieved above June 2012 ERVs.

The current EPRA vacancy rate of the portfolio is just 1.1%, which is unchanged from that reported as at 30 June 2012 despite the completion of 10-4 Pentonville Road N1 which is now substantially let.

Since 1 July 2012 the Group has let 77,500 sq ft (7,200m^2) at an annual rent of £3.1m, 7.4% above 30 June 2012 ERV.

The largest transaction was the recently announced letting of 47,700 sq ft (4,430m^2) of 10-4 Pentonville Road to Ticketmaster, at £45 per sq ft (£484 per m^2) on the top floor and £42.50 per sq ft (£457 per m^2) on a typical mid-level floor giving a total rent of £1.9m pa. The completion of this development, opposite our Angel Building where rents of £42 per sq ft (£452 per m^2) were achieved in 2011, continues the regeneration of this increasingly vibrant part of Islington.

Lettings in 2012 to date total £12.0m pa, at an average premium to 31 December 2011 ERVs of 5.8%.

Projects

Since the half year we have completed 10-4 Pentonville Road and made good progress with our other development projects. The Group is on site at six major projects totalling 495,000 sq ft (46,000m^2) of which 32% is pre-let. The appendix includes further details of the development programme.

Buckley Building EC1 is nearing completion and there is strong interest at this imaginative project near Farringdon station.

Construction contracts have been signed and demolition work is well underway at both 40 Chancery Lane WC2 and Turnmill EC1. These projects involve capital expenditure of c.£60m from 2012 onwards, and will be completed in the second half of 2014.

We have also started construction of a 3,000 sq ft (280m^2) 'live suite' at City Road EC1 which will be used to showcase our White Collar Factory concept. The suite will be completed in the first quarter of 2013 and is being built to demonstrate the attributes of the future development of the 289,000 sq ft (26,800m^2) City Road Estate scheme.

We have had further planning success since the publication of the interim results. Permission has been granted to extend the retail units at 18-30 Tottenham Court Road W1, where there are lease breaks in 2014, to create a new and improved double-height frontage for the existing colonnade and to convert basement car parking to retail. This project, part of the regeneration of 1-2 Stephen Street, will increase the retail space by 70% to 41,000 sq ft (3,810m^2) and provide modern units directly onto this busy shopping street. The transformational improvement of this quarter of the West End has already begun with the opening of Primark at the eastern end of Oxford Street, and will undoubtedly accelerate as the start of Crossrail services at Tottenham Court Road station draws closer.

In addition in November we received approval for the redevelopment of 73 Charlotte Street W1 on our Fizrovia estate to provide 11 residential units, two of which are affordable, and 1,900 sq ft (180m^2) of offices. We expect to start work on site after the receipt of vacant possession in the second half of 2013.

At 1-5 Grosvenor Place SW1 Hopkins Architects have been appointed and detailed proposals for the site are being drawn up.

Acquisitions

In the second half of the year Derwent London has purchased the freeholds of 9 and 16 Prescot Street, Whitechapel E1 for £23.0m before costs. This reflects a capital value of £207 per sq ft (£2,230 per m^2), with a total passing rent of £1.3m pa and a net initial yield to the Group of 5.4%.

9 Prescot Street is an office building of 102,700 sq ft (9,540m^2) which is let until January 2015 to Co-operative Bank plc at a low passing rent of £11.50 per sq ft (£124 per m^2). 16 Prescot Street is a property of 8,300 sq ft (770m^2), occupied by a restaurant paying £9.00 per sq ft (£97 per m^2).

These acquisitions are in an improving area of Whitechapel close to Tower Hill, Aldgate and Aldgate East stations. They offer asset management angles in the short term whilst providing an interesting future refurbishment opportunity. 9 Prescot Street has many of the features of the Tea Building of ten years ago, namely low rents, good volume and floor plates yet in need of rejuvenation.

Finance

After £86.7m of property sales at Riverwalk House, Vauxhall Bridge Road and the Triangle Centre in Scotland and the acquisition of 9 Prescot Street for £21.5m, all of which completed during the third quarter of 2012, net debt reduced to £816.9m at 30 September 2012 from £870.2m three months earlier. This brought the Group's overall loan to value ratio down to 30.0% and would have been lower still had the property portfolio been revalued in September. Balance sheet gearing also fell from 48.5% at 30 June 2012 to 45.4% at the end of September. Capitalised project expenditure for the first nine months of the year totalled £45.1m including £3.6m of capitalised interest. Capital costs have accelerated to c. £8m per month now that both Chancery Lane and Turnmill are on site.

The completion of the Group's current refinancing requirements was explained in some detail in our interim statement and has contributed towards a weighted average maturity for drawn debt of 6.5 years as at 30 September 2012 compared with 5.6 years at 30 September 2011. Together with low gearing and strong interest cover of 358% for the year to date, we are well placed to finance additional property acquisitions and capital expenditure. There were £376m of undrawn committed bank facilities at the end of September 2012 plus a further £543m of uncharged properties.

As previously reported, the Group has reduced the level of interest rate swaps that it currently holds to £368m as at 30 September 2012 from £493m at the beginning of the year. However, the addition of the £83m fixed rate loan from Cornerstone in the second half, together with lower overall borrowings, have kept the level of fixed rate and hedged borrowings at a higher proportion than our target range. The proportion at 30 September 2012 was 96.9% of total debt, in anticipation of further capital expenditure. Largely as a result of this, the Group's weighted average cost of drawn funds increased to 5.02% 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 4.76%. With a marginal rate on new borrowings of c.2.25%, the weighted average cost of debt is dependent on the level of amounts drawn.

Outlook

We are continuing to unlock opportunities within our portfolio and see a strong operating environment across our business. Rents are rising, there is good demand for our space and vacancy levels are low. We believe that we will see at least the 4 to 5% growth in rental values over 2012 that we indicated previously and expect our valuation yields to remain firm. Our current projects are progressing well and we have a consented future pipeline of well over one million sq ft (100,000m^2) together with considerable financial headroom.

Against this background, we are confident about the prospects for our current schemes and are pushing forward with additional value-adding initiatives that will see our on-site activity increase further.

Appendix – Project pipeline

Property	Proposed area sq ft	Proposed area m²	Comment and delivery date
Projects on site			
Developments			
1 Page Street SW1	127,000	11,800	Offices, 100% pre-let, Q2 2013
40 Chancery Lane WC2	100,000	9,300	Offices, Q4 2014
Buckley Building, 49 Clerkenwell Green EC1	85,000	7,900	Offices, Q1 2013
Turnmill, 63 Clerkenwell Road EC1	70,000	6,500	Offices, Q3 2014
Phased schemes			
1-2 Stephen Street W1 – Ph 1 & 2	86,000	7,990	Offices, part pre-let, 2013
Morelands Building, 5-27 Old Street EC1	27,000	2,510	Offices, 2012 and 2013
	495,000	**46,000**	

Planning consents*	Proposed area sq ft	Proposed area m²	Comment
80 Charlotte Street W1	385,000	35,800	Offices and residential
55-65 North Wharf Road W2	313,000	29,100	Offices and residential
City Road Estate EC1	289,000	26,800	'White Collar Factory' offices
1 Oxford Street W1	275,000	25,500	Offices, retail and theatre
60 Commercial Road E1	122,000	11,300	Student residential
Wedge House, 30-40 Blackfriars Road SE1	80,000	7,400	Offices
18-30 Tottenham Court Road W1 – Ph 3	41,000	3,810	Retail, Part 1-2 Stephen St
Queens, 96-98 Bishop's Bridge Road W2	21,400	1,990	Residential
73 Charlotte Street W1	15,500	1,440	Residential and offices
	1,541,900	**143,140**	

* Excluding 132-142 Hampstead Road NW1 where there is planning consent for a 265,000 sq ft (24,600m²) mixed-use scheme. This site is expected to be compulsorily purchased as part of the construction of HS2.

Disclaimer

This document includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Derwent London plc to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Any such forward-looking statements speak only as of the date of this document and Derwent London plc does not undertake to update forward-looking statements to reflect events or circumstances after that date. Information contained in this document relating to the Group should not be relied upon as an indicator of future performance.

Notes to editors

Derwent London plc is the largest central London focused REIT with an investment portfolio of £2.7bn as at 30 June 2012. 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 5.3 million sq ft (490,000m^2), as at 30 June 2012, 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, 8 Fitzroy Street W1, Qube W1, Horseferry House SW1, Johnson Building EC1, Davidson Building WC2 and Tea Building E1.

Derwent London came fifth overall in the 2011 Management Today awards for 'Britain's Most Admired Companies' and has also recently won the Estates Gazette Property Company of the Year – Offices award. In 2011, Angel Building was shortlisted for the RIBA Stirling Prize following its RIBA London 2011 award and has also won numerous accolades from organisations such as the British Council for Offices, the British Construction Industry, the American Institute of Architects and New London Architecture.

In 2012 the Tea Building won a RIBA regional award and an AJ Retrofit award for the 'Green Tea' refurbishment to improve the environmental performance of the building. Derwent London was also the European listed sector leader for offices in the 2012 GRESB survey.

For further information see **www.derwentlondon.com** or follow us on Twitter at @derwentlondon.